

F.No.2/18/2024-PIU
Government of India
Ministry of Finance
Department of Economic Affairs
Infrastructure Finance Secretariat
ISD Division
(PIU)

STC Building, Janpath, New Delhi
Dated: 17th May 2025

Record of Discussion

Subject: Record of Discussion of the 127th meeting of the PPPAC for revalidating the proposal, "Development of 4-lane from Badvel to Nellore (Guruvindapudi Village on NH-16) in the State of Andhra Pradesh on PPP mode.

Reference: RoD of the 120th PPPAC & 127th PPPAC meeting: -

Dear Sir/Madam,

The undersigned is directed to forward the Record of Discussion of the 127th Meeting of the PPPAC held on 17th May 2025, under the Chairmanship of Finance Secretary & Secretary (EA), for information and necessary action.

2. This issues with the approval of the Competent Authority.



(Arya Balan Kumari)
Joint Director (PIU)
011-2370 1219

To,

- 1. Secretary, Department of Expenditure, North block, New Delhi-01**
- 2. CEO, NITI Aayog, Yojana Bhawan, New Delhi-01**
- 3. Secretary, Ministry of Road, Transport & Highways, Transport Bhawan, New Delhi-01**
- 4. Secretary, Department of Legal Affairs, Shastri Bhawan, New Delhi-01**

Copy to:

- 1. Sr. PPS to Finance Secretary & Secretary (EA)**
- 2. Sr. PPS to OSD (DEA)**
- 3. Sr. PPS to JS (ISD)**

Subject: Record of Discussion of the 127th meeting of the PPPAC for considering the revalidation of the proposal, 'Development of 4-lane from Badvel to Nellore (Guruvindapudi Vilage on NH-16) in the State of Andhra Pradesh on Built Operate Transfer (BOT) Toll mode.

1. The 127th meeting of the PPPAC was held on 17th May 2025 at 3.30 hrs to consider the proposal of MoRTH submitted for the revalidation of PPPAC on account of revision in the PPP mode from Hybrid Annuity to BOT (Toll) mode for the 'Development of 4-lane from Badvel to Nellore (Guruvindapudi Vilage on NH-16) in the State of Andhra Pradesh. List of attendees is placed in **Annexure-I**.
2. On behalf of the Chair, Joint Secretary (ISD) welcomed the attendees to the meeting and informed that this project was recommended by the 120th PPPAC to be taken under HAM mode. Post PPPAC recommendations, MoRTH reassessed the mode of implementation of Badvel-Nellore project and now proposed the PPPAC may recommend this project to be taken under the BoT(Toll) mode rather than earlier approved HAM mode.
3. With the permission of the Chair, NHAI made a detailed presentation on the proposal to the PPPAC. He informed that the traffic has been reassessed considering the increased market appetite for BOT projects. Additionally, three major industrial nodes at Orvakal and Kopparthi (Budget announcement July 2024-25) and KRIS SEZ are planned in close proximity to the instant proposal. Major traffic growth is expected in near future in the region as per the studies carried by the Andhra Pradesh Industrial Infrastructure Corporation Limited (APIIC). The traffic assessment shows that from the existing NH-67, 6257 PCU will be diverted to the proposed road. Operationalization of KRIS Industrial nodes is estimated to generate traffic of 27,608 PCU out of which 30% i.e., 8,282 PCU is expected on NH67. Kopparthi and Orvakal nodes are expected to generate 23,036 PCU and 6120 PCU traffic respectively, out of which 40% i.e., 9214 PCU and 2448PCU is expected on NH67.
4. Considering the traffic level, a sensitivity analysis has been carried out for assessing the viability of the project on BoT (Toll) mode. As per the sensitivity analysis, the project is viable on BoT (Toll) mode with 39.60% VGF grant for a period of 20 years. For the period of 25 and 30 years, the VGF requirements would be 27.2% and 16.10% respectively. The Total Project Cost in the BoT (Toll) mode comes out to be Rs.2841.38 Cr. The details of changes proposed in the project are given in the table below:

Table 1: Details of changes in the project

Sl. No.	Particulars	As per 120 th PPPAC meeting	As per 127 th PPPAC meeting
1.	Total project cost (excluding LA &	2805.19	2841.38

	RR) (Rs. in crore):		
2.	Total Capital Cost (Rs. in crore)	4,377.38	4377.38
3.	No. of Packages	2 Nos.	Single
4.	Concession period	17 years including construction period	20 years including construction period
5.	EIRR	15%	15%
6.	Project IRR with VGF / without VGF	Package 1: 12.89% Package 2: 12.94%	13.93% / 8.28%
7.	VGF	No provision of VGF	39.60% (Rs.1122.34 Crore)

5. NHAI requested the PPPAC to recommend this project with TPC of Rs. 2841.38 crore to be taken under the BoT(Toll) mode with VGF support upto 40% of the TPC which will be given under the NH(O) Scheme.
6. After the presentation, the Chair asked the PPPAC members for their observations. The representative of DoLA and DoE stated that they support the proposal and has no further comments to offer.
7. PD, NITI Aayog raised the following observations:
 - a) With the conservative traffic assessment from the new industrial nodes and with 39.60% VGF, the PIRR is 13%. If traffic assumptions hold true or traffic get enhanced, the actual VGF requirement may be less than 39.6%.
 - b) With 25 years BOT concession, traffic growth is likely to surpass highway capacity, requiring a 6-lane expansion. Therefore 20 years concession period seems to be reasonable for this proposal.
8. JS (ISD) raised the following observations:
 - a) The VGF demand is not under the VGF Scheme of the Gol, but it will be given by the given under the NH(O) Scheme.
 - b) Before bidding out the project, the NHAI shall recheck some figures in the financial modeling like TPC as per BoT (Toll) mode, adding depreciation, lower interest rate, DSCR, etc., which will further enhance the viability of the project.
 - c) As the market assessment of the project could be different than the assessment of the PSA and VGF is going to be discovered by the market. PPPAC may recommend full 40% of the TPC as VGF support to the project.

9. The Chair raised the following observations:

- a) What if the projected traffic goes below the actual traffic? What is the existing clause under the MCA in this regard.
- b) The traffic addition to the project estimated from the upcoming nodes are on the conservative side. Those industrial nodes may generate more traffic. Further, the private efficiency may develop the project in a much more competitive rate than the PSA estimates.
- c) There appears to be scope to structure the project with a 20-year concession period (including the construction period). With traffic from new nodes expected to increase gradually after 2028-2029, a 20-year concession seems practical and efficient.

10. MoRTH submitted the following to the queries raised by the PPPAC Members: -

- a) Assessment of 10% traffic growth has deliberately been taken slightly on conservative side. If traffic grows at higher rate like 15%, the expected VGF for 20 years concession period comes around 29.50% of the TPC.
- b) MoRTH will be providing VGF under NH (O) Scheme.
- c) The financial model will be revised incorporating the comments suggested by DEA.
- d) The Article 29 of MCA of BOT (Toll) deals with the effect of variation in traffic growth on concession period. In case, the actual traffic goes below 80% of the projected traffic, the concession period would be increased proportionately as a compensation. If the actual traffic happens to be higher than 120% of the projected traffic, the concession period shall be reduced proportionately.

11. After detailed deliberations, the PPPAC unanimously revalidate the proposal, "Development of 4-lane from Badvel to Nellore (Guruvindapudi Vilage on NH-16) in the State of Andhra Pradesh on BOT (Toll) mode" for consideration of the competent authority for giving administrative approval. The project is recommended with the following observation for consideration of the Competent Authority for administrative approval: -

- a) The appraised Total Capital Cost is Rs. 4,377.38 crore and the Total Project Cost excluding land acquisition cost and rehabilitation cost is Rs. 2841.38 crore.

- b) The project shall be taken up on BOT (Toll) mode with a concession period (including construction period) of 20 years.
- c) The maximum VGF ceiling is fixed at 40% of the TPC, i.e. Rs. 1136 crore which will be given under the NH (O) Scheme.
- d) The project shall be taken up as a single package.
- e) Considering that the nodes are yet to be operationalized, in order to give the confidence to the prospective bidders, concession period variation support for traffic variation beyond 80%-120% band may be provided.
- f) MoRTH should consider structuring more projects on BOT (Toll) in future as there is market appetite for BOT projects.

12. Revalidation of its recommendation by the PPPAC is not required for following post recommendation changes in the project costs/bid documents: -

- a) Any change in the date/time period for any time-bound actions like appointed date, financial close, construction period etc.
- b) Non-substantial change in risk-allocation.
- c) Any other changes/modification in the project proposal with the overall objective of making project successful.
- d) Further, MoRTH/NHAI may decide whether the changes proposed post recommendations of the project proposal by the PPPAC fall within the threshold criteria as stated above. All such changes falling within the threshold criteria shall be appraised at the level of Secretary (RTH)/ BoD of NHAI as the case may be, without any further need of revalidation by the PPPAC and shall proceed with the approval process accordingly.

13. The meeting ended with a Vote of thanks to the Chair.

Annexure-I

List of the attendees of the 127th meeting of the PPPAC for 127th meeting of the PPPAC for considering the revalidation of the revised PPP model for the Development of 4-lane from Badvel to Nellore (Guruvindapudi Vilage on NH-16) in the State of Andhra Pradesh on Built Operate Transfer (BOT) Toll mode. reg:-

a. Department of Economic Affairs, Ministry of Finance

1. Shri Ajay Seth, Secretary, EA- In Chair
2. Shri Baldeo Purushartha, JS (ISD)
3. Ms. Arya Balan Kumari, Joint Director
4. Shri Rajendra Bisht, SO
5. Shri Manjeet Yadav, ASO

b. Department of Expenditure

1. Shri Ranganath, Deputy Director

c. NITI Aayog

1. Shri. Partha Reddy, Programme Director

d. Department of Legal Affairs

1. Shri Kasibhatla, Joint Secretary & Legal Adviser

e. Ministry of Road Transport and Highways

1. Shri V Umashankar, Secretary
2. Shri Puneet Agarwal AS&FA
3. Shri Manoj Kumar, Chief Engineer
4. Shri V K Joshi, SE (HA &BPSP)
5. Shri Ganesh Shelar, EE (BPSP &HA)

f. National Highway Authority of India (NHAI)

1. Shri Santosh Kumar Yadav, Chairman
2. Shri Alok Deepankar, Member (T)
3. Shri K Venkatramana, Member (PPP)
4. Shri Prashant Khodaskar, CGM(T)
5. Shri T. K. Vaidya, CGM(T)

