F. No. 2/1/2020-PPP
Government of India
Ministry of Finance
Department of Economic Affairs
PPP Cell

North Block, New Delhi
18th August 2020

OFFICE MEMORANDUM

Subject: Record of discussions of 95th meeting of Public Private Partnership Appraisal Committee (PPPAC) held on 03.07.2020 with follow up meeting held on 27.07.2020.

The undersigned is directed to enclose the Record of discussions of 95th meeting of Public Private Partnership Appraisal Committee (PPPAC) held on 03.07.2020 with follow up meeting held on 27.07.2020 under the chairmanship of Secretary (EA) to consider the following proposals of M/o Railway's

a. Redevelopment of New Delhi Railway Station & Development of Commercial Facilities on DBFOT basis under PPP mode to be undertaken by RLDA
b. Redevelopment of Chhatrapati Shivaji Maharaj Terminus Railway Station on DBFOT basis on PPP mode to be undertaken by IRSDC

This is for your information and necessary action.

Encl. as above

(Mukesh Kumar Gupta)
Director (PPP)

To

1. CEO, NITI Aayog, Yojana Bhawan, New Delhi
2. Secretary, D/o Expenditure, North Block, New Delhi
3. Secretary, D/o Legal Affairs, Shastri Bhawan, New Delhi
4. Chairman, Railway Board, Rail Bhawan, New Delhi

Copy to:

1. Sr PPS to Secretary, DEA
2. PPS to Joint Secretary (IPF), DEA
3. MD & CEO, IRSDC
4. Vice-Chairman. RLDA

95th meeting of Public Private Partnership Appraisal Committee (PPPAC) for in-principle approval for following proposals of Ministry of Railways (MoR) was held on 03.07.2020 and since all the issues could not be discussed on 03.07.2020, the follow up Meeting was held on 27.07.2020. After 1st meeting on 3/7/2020, some observations were made by the DoE and both Rail Land Development Authority (RLDA) and Indian Railway Stations Development Corporation (IRSDC) submitted para wise replies to it (Annexure I). These observations and replies were also discussed in the follow up meeting held on 27.07.2020:

a. Redevelopment of New Delhi Railway Station & Development of Commercial Facilities on Design, Build, Finance, Operate and Transfer (DBFOT) basis under PPP mode to be undertaken by the Rail Land Development Authority (RLDA).
b. Redevelopment of Chhatrapati Shivaji Maharaj Terminus Railway Station on Design, Build, Finance, Operate and Transfer (DBFOT) basis on PPP mode to be undertaken by IRSDC.

Agenda A: Redevelopment of New Delhi Railway Station (NSDL) and Development of Commercial Facilities on DBFOT basis under PPP mode

PROJECT DETAILS:

Project: Redevelopment of New Delhi Railway Station and Development of Commercial Facilities on Design, Build, Finance, Operate and Transfer (DBFOT) basis under PPP mode. The objective is to provide world-class amenities to passengers and promoting overall development of the station and surrounding land parcels into an integrated transit-oriented development.

Implementing Authority: Rail Land Development Authority (RLDA) on behalf of Northern Railways (NR).

Total Estimated Project Cost: Rs. 4,925 Cr. *(excluding cost of commercial component development)*

Concession Period: 60 years (including development of station component of 4 years).

Scope of Work of Concessionaire: The Project involves redevelopment and operation of New Delhi Railway Station for a period of 60 years, along with some associated mandatory developments. The Concessionaire would also be allowed to develop commercial real estate on adjoining land bordering on Connaught Place.

Station Component (or Mandatory Development) includes station re-development, development of associated infrastructure (elevated road network, parking, etc.), as well as other developments in the form of railway offices, social infrastructure and residences for Indian Railways (IR) officers.

Commercial Component (or Non-Mandatory Development) includes the retail, office and hospitality. Further, retail complex above the station is also a part of the commercial component.

User fee and Tariff: Passenger (Handling) Fee and User Fees will be fixed by the Ministry of Railways. Any changes in this fee would be notified by Ministry of Railways. Parking rates shall be fixed by concessionaire subject to approval by the Authority. The concessionaire would be free to determine and collect income from advertising, branding, ROW, and such other income as may accrue from normal station operations. For commercial/revenue generating areas within the station, adjoining the station and on adjoining plots (Commercial Component), rates shall be set by the concessionaire.

1. JS (IPF) informed that as there is no Model Concession Agreement for the mentioned project, hence as per the PPPAC guidelines, two stage approval process with "in-principle" and "final approval" will be applicable. Accordingly, RLDA has submitted the proposal documents to DEA for "in principle" approval of the PPPAC and after which RLDA will finalize the Request For Proposal and Draft Concession Agreement and submit the same to DEA for "final approval" of the PPPAC.

2. RLDA made a brief presentation on the project. It was informed that RLDA on behalf of Northern Railways (NR) has decided to undertake redevelopment and operation/maintenance of New Delhi Railway Station (NDLS) on Design, Build, Finance, Operate and Transfer basis under PPP mode with the objective of providing world-class amenities to passengers and promoting overall development of the station and surrounding land parcels into an integrated Transit-Oriented Development (TOD). The Project involves redevelopment and operation of NDLS for a period of 60 years, along with some associated mandatory developments. The concessionaire would also be allowed to develop commercial real estate on adjoining land bordering Connaught Place. Construction period for station redevelopment (mandatory development) will be four years with projected capital expenditure of Rs 4425 crore. Whereas, capital expenditure on commercial component (non-mandatory component) is projected at Rs. 936 crore and development of which will be at the discretion of the concessionaire. RLDA further informed that as NPV (pre-tax cash flow at 12% discount) from mandatory development is (-) Rs 1568 crore, therefore, redevelopment of NSDL (mandatory development) on standalone basis is not viable. NPV (pre-tax cash flow from 60 years @ 12% discount) from Commercial component is projected at Rs 9,367 crore. The project is viable on consolidated basis (both mandatory development and commercial component) as post tax return to the developer on consolidated basis is projected at Rs 3786 crore (after deducting payouts to Authority (Rs. 3,706 Crore) and taxes (Rs. 1,803 Crore). RLDA further informed that there will be two stage bidding process and concessionaire quoting Highest Annual Concession Fee payable to the Authority will be selected. Shortlisting criteria are based on Technical Capacity and Financial Capacity.

3. Thereafter, following issues were discussed:

a. Advisor, Department of Expenditure (DoE) informed that financial feasibility report has not been submitted to validate the financial returns stated in the PPPAC memo and suggested to provide the detailed feasibility with financial analysis based on sound market research/assumptions to justify the stated returns. RLDA informed that broad level financial feasibility of the project has been done and detailed cost & clear scope of work along with Detailed Project Report (DPR) will be shared at RfP stage. To generate interest of private players and to allow prospective bidders to assess their costs and returns, RLDA stated that Project Information Memorandum (PIM) has been shared and detailed drawings shall be shared at RfP stage. NITI Aayog also suggested that in order to give a better perspective to bidders, key sections of the feasibility report / traffic study, if done, need to be shared with prospective bidders along with RfQ. The same was agreed to by PPPAC.

b. Advisor, DoE also raised that considering the high value assets and revenue streams, proposed concession period of 60 years is on a higher side and suggested that detailed financial analysis to be provided considering 60 years, 45 years and 30 years concession period. The decision to arrive at suitable concession period to be taken after IRR for various periods is available. JS (IPF) further suggested that detailed financial analysis to be provided on standalone basis (station redevelopment and commercial component separately) and consolidated basis (station redevelopment and commercial component together). RLDA clarified that on the basis of investor feedback received in the pre-bid conferences, they are of the opinion that the Concession Period less than 60 years will not generate adequate interest in the project. Further, Concession period of 60 years is in sync with the cabinet approval, decision of Ist Meeting of the Group of Secretaries held on 09th November 2019 {Paragraph 2.2 (i) (a) and (b) – *the station shall be given on lease for 60 years and land for station estate development shall be given for a lease of 99 years*} and further, the same has already been approved by PPPAC for the projects of Gwalior, Amritsar, Nagpur and Sabarmati. Based on the explanation provided by RLDA, PPPAC agreed to a concession period of 60 years.

c. The proposed Technical Capacity criteria as per clause 3.2.1 of RFQ shared by RLDA/IRSDC is as below:

Technical Capacity: For demonstrating technical capacity and experience (the "Technical Capacity"), the Applicant shall, over the past 5 (five) financial years preceding the Application Due Date, have:

i. *paid for or received payments for construction of Eligible Project(s); and/ or*

ii. *paid for development of Eligible Project(s) in Category 1 and/or Category 2; and/ or*

iii. *collected and appropriated revenues from Eligible Project(s) in Category 1 and/or Category 2,*

such that the sum total of the above is more than Rs.1.5 times the project cost.

The category of projects is as under:

i. *Category 1: project experience on eligible projects in passenger terminals or railway sector*

ii. *Category 2: project experience on eligible projects in core sector*

iii. *Category 3: construction experience on eligible projects in passenger terminal or railway sector*

iv. *Category 4: construction experience on eligible projects in core sectors* *passenger terminals shall mean having a minimum passenger handling capacity of 50,000 persons in railways stations, metro stations, airport terminals (with or without related airport infrastructure works), ports, integrated check posts and bus terminals and*

Railway sector shall mean railways, metro, high speed railway, including Maglev and other rail related projects including tracks, bridges, tunnels, signalling and overhead equipment; and

Core sector would be deemed to include highways, power, telecom, ports, airports excluding passenger terminals, industrial parks / estates, logistic parks, petroleum and natural gas, pipelines, irrigation, water supply, sewerage and real estate development

Advisor, NITI Aayog observed that given the nature of the project and entailing work, *a minimum passenger handling capacity of 50,000 persons* is restrictive. RLDA clarified that as per the latest discussions with NITI Aayog, minimum passenger handling capacity for the purpose of definition of eligible projects has been retained as 50,000/day. New Delhi has a passenger footfall of around 4.5 lakh per day and eligibility criteria are set at 50,000 pax/day i.e. 10% of the current footfall. It was observed by PPPAC that Station redevelopment in India is a recent phenomenon and other sectors like Bus terminals, etc., may not have such scale. Airport sector is having limited players. Therefore, the *minimum passenger handling capacity of 50,000 persons* is restrictive and may be revised to 5,000 passengers as also proposed in case of CSMT.

d. JS (IPF) raised that the cost considered for redevelopment of Station is INR 8,000 per sqft which is very high considering that in the recent Railway station redevelopment projects the cost is considered at INR 4,000-4,400 per sqft. RDLA informed that NDLS redevelopment would have higher cost due to the the large domestic concourse at >9 m elevation, sophisticated road systems, superior finishing, etc.

e. JS (IPF) suggested that the bid is to be invited on consolidated basis (i.e. station redevelopment and commercial component together) and estimated cost of commercial component should be clubbed with station redevelopment component. RLDA replied that since the Technical and Financial capacity criteria followed for other station development projects is also based only on Mandatory capex (as the non-mandatory capex is not fixed) it was decided to consider only the mandatory component for estimation of Technical and Financial capacity threshold. Also, given the high project cost of station redevelopment and commercial component, clubbing of both the cost would result into very high and therefore restrictive technical and financial thresholds criteria. RLDA further informed that commercial component is optional and solely at the discretion of the developer, therefore, the size, product mix and CAPEX of commercial component cannot precisely be determined today. It was observed by PPPAC that station development projects under PPP were being undertaken for the first time in the country and it was important to ensure adequate competition. The clarifications given by RLDA were thus agreed to by PPPAC.

f. JS (IPF) said Retail over station is part of Station redevelopment building, this should be considered part of Mandatory Station Development Component and financial analysis to be done accordingly. RDLA clarified that retail-over-station component is designed as a tower above the station building not directly connected to the passenger area. The tower shall have access, separate from the station access and will largely cater to external visitors (not necessarily station passengers). Hence it is a part of the non-mandatory component and the developer shall have the liberty to develop this area as per its own discretion. The clarifications given by RLDA were agreed to by PPPAC.

g. JS (IPF) said that in the RfQ, a provision has been kept that other Bidders are to be kept in reserve and their offer may be considered in case Highest Bidder withdraws or is not selected. However, in terms of CVC's guidelines issued under letter No. 98/ORD/1 dt. 24/8/2000, in case technically eligible L1 Bidder withdraws, project is to be retendered afresh. In reply, it was informed by RLDA that the provision is in line with the Model RFQ and PPPAC has also accepted it while giving in principle approval for projects at Nagpur, Gwalior, Amritsar and Sabarmati. The clarifications given by RLDA were agreed to by PPPAC.

h. Regarding, option of exploring that the Authority picks up equity upto 26% in the project, considering the high value station assets and strategically located land, it was informed by RLDA that there is no provision of equity in draft MCA prepared by NITI Ayog and RLDA does not envisage any equity participation.

i. It was informed by RLDA that projected cost includes financing cost and contingencies (25% of the basic construction cost) and is in line with the Model RfQ. Also, regarding conflict of interest, Clause 2.2.1 of RfQ prescribes the threshold value of 20% against prescribed 5% in model RfQ. RLDA said that this has been kept in line with Company's Act *(definition of Associate as per Companies Act 2013 - associate company", in relation to another company, means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company. Explanation. —For the purposes of this clause, "significant influence" means control of at least* ***twenty per cent****. of total share capital, or of business decisions under an agreement).* The clarifications given by RLDA were agreed to by PPPAC.

j. NITI Aayog highlighted that User Fee needs to be notified by MoR preferably prior to issue of RfQ so that the same is included in the Project Information Memorandum (PIM). RLDA replied that the notification of user fee is yet to be issued by M/o Railways. The same is to be included as a schedule in the draft MCA at the time of issuing RfP.

k. On provision relating to Competing Facility (commissioning of another railway station within a specified distance) it was confirmed by RLDA that there would be no further claim by concessionaire on this ground in future RLDA further confirmed that it will be suitably include this provision in the RFP.

l. As per the model RfQ by DoE, the minimum net worth requirement is 25% of the Total Project Cost (TPC). However, RLDA said that to attract serious and competent players, minimum net worth has been kept at 50% of the estimated project cost for station development component. RLDA also said that GoS in its Ist meeting dated November 09, 2019 decided that (Paragraph 2.4 (c)) – *"Since the estimated Project Cost is only a part of the investment to be made by the Concessionaire, the Financial*

Capacity Threshold shall be revised to 50% of Estimated Project Cost to attract quality bids". PPPAC agreed to it.

m. JS IPF informed that RLDA has not included the provision of minimum equity holding criteria for consortium partner to be counted for aggregate experience. Whereas Clause 3.5.1 of the model RFQ reads as follows:

The credentials of eligible Applicants shall be measured in terms of their Experience Score. The sum total of the Experience Scores for all Eligible Projects shall be the 'Aggregate Experience Score' of a particular Applicant. In case of a Consortium, the Aggregate Experience Score of each of its Members, who have an equity share of at least 26% in such Consortium, shall be summed up for arriving at the combined Aggregate Experience Score of the Consortium)

RLDA informed that provision of clause 3.5.1 of the Model RFQ shall be included in the RfQ.

n. RLDA further agreed that for O&M experience, following provision of the Model RFQ (mentioned below) issued by DoE shall be incorporated in the RfQ.

The Applicant shall, [in the case of a Consortium, include a Member who shall subscribe and continue to hold at least 10% (ten per cent) of the subscribed and paid up equity of the SPV for a period of 5 (five) years from the date of commercial operation of the Project, and has either by itself or through its Associate, experience of 5 (five) years or more in operation and maintenance (O&M) of Category 1 projects specified in Clause 3.2.1, which have an aggregate capital cost equal to the Estimated Project Cost. In case the Applicant is not a Consortium, it shall be eligible only if it has equivalent experience of its own or through its Associates. In the event that the Applicant does not have such experience, it should furnish an undertaking that if selected to undertake the Project, it shall for a period of at least 5 (five) years from the date of commercial operation of the Project, enter into an agreement for entrusting its operation & maintenance (O&M) obligations to an entity having the aforesaid experience, failing which the Concession Agreement shall be liable to termination

o. DoE observed that in NDLS project, Pay-out to the Government is much less than the present value of Land in spite of 60/60 year concession period. Land parcel of around 774,000 sqm is proposed to be leased out and approximate value of the same is about Rs. 8,470 crores. RLDA explained that it is not appropriate to consider land value of 60-year lease at par with freehold land. Further, the total Land parcel is not available for commercial monetisation. Out of 18-hectare Land, approximately 50,000 sqm is intended to be included for commercial development on 60-year concession. The break-up of the land area and value of the land would be as below:

Land Area (sqm)	Circle Rate	Notional Lease Value of Land*	FSI (sqm)
50,000	Rs. 3,900 Cr @ Rs. 7.7 Lakh/sqm	Rs. 1,950 Cr @ 50% of Circle Rate	2,60,000

**Land is not being offered on freehold/sale*

RLDA explained that only 50000 sqm footprint land area is offered for commercial development. Circle rate of land parcel closest to Connaught Place is Rs. 7.7 Lakh/Sqm.

Even @ this rate, the value of land parcel being offered for commercial development is around 3900 crores. Since the land is not being offered on freehold/sale and is on a 60-year concession the appropriate value is much lower than the circle rate. At around 50% of circle rate value, the notional lease value of the land is Rs. 1,950 Cr.

p. RLDA explained that Station Development component of NDLS is not viable on standalone basis. For financial attractiveness of the project financial analysis has been done to ascertain the viability of the project on a Standalone basis (station redevelopment) and on consolidated basis (station redevelopment and estate development). The result of the analysis is as below:

Standalone

NDLS – Financial Model (PPP-DBFOT)
Station on 60-year concession (All figures in INR Cr)

	NPV @12%
	Station
Revenues	7,421
CAPEX	4,425
OPEX	3,072
Margin	(76)
Pay-out by Authority (VGF) to developer as annuities	**4,628 Cr**
Corporate Tax	**1,491 Cr**
Post-Tax cashflows to developer	**3,060 Cr**

Note: Developer Equity IRR at 22.5%

The financial model of this development has intrinsic assumptions:

- Initial CAPEX investment of Rs. 4,425 Cr (NPV) is required
- Revenue is assumed for a setup attracting premium valuations of a private management

The standalone Station development, if conceived on PPP basis through a developer, would require VGF (viability gap funding) of Rs. 4,628 Cr (NPV basis) as developers return on equity needs to be included in the business model. To avoid VGF pay out to developer and make the project financially viable, commercial estate development is included as per data in the table below.

Consolidated

NDLS – Financial Model (PPP-DBFOT)
Station on 60-year concession & Commercial on 60-year concession (All figures in INR Cr)

	Cumulative over concession period			**NPV @12%**		
	Station	**Commercial**	**Total**	**Station**	**Commercial**	**Total**
Revenues	1,48,451	2,74,324	4,22,776	7,421	10,898	18,318
CAPEX	10,497	1,184	11,682	4,425	936	5,361
OPEX	78,997	14,114	93,111	3,072	594	3,666

Margin	58,957	2,59,026	3,17,983	(76)	9,367	9,291
Pay-out to Authority	1,02,694 Cr			**3,706 Cr**		
Corporate Tax	53,836 Cr			**1,803 Cr**		
Post Tax cashflows to developer	1,61,454 Cr			**3,781 Cr**		

RLDA stated that this data shows that the standalone station project is having negative NPV or 76 Crores. Only the consolidated Project (station and commercial development) is viable with pay out to Authority (Rs. 3,706 Cr.), Corporate tax (1083 Cr.) and Post Tax cashflows to developer (3781 Cr.) in NPV terms.

Agenda B: Redevelopment of Chhatrapati Shivaji Maharaj Terminus Railway Station (CSMT) on DBFOT basis under PPP mode

PROJECT DETAILS:

Project: Redevelopment of Chhatrapati Shivaji Maharaj Terminus Railway Station (CSMT) on DBFOT (Design, Build, Finance, Operate and Transfer) basis on PPP mode. The objective of redevelopment is to provide better amenities, enhanced transport connectivity, easing congestion to improve customer experience and to increase tourism promotion.
Implementing Authority: Indian Railway Stations Development Corporation (IRSDC)
Total Estimated Project Cost: Rs. 1,796 Cr. *(excluding cost of development of Station Estate)*
Concession Period: License period for Station Redevelopment is 60 years. Lease rights for Station Estate Development including Operation and Maintenance (O&M) is 60 years with lease rights for residential/ city side development for 99 years.
Scope of Work of Concessionaire: Redevelopment, O&M of CSMT Railway Station & construction of new station buildings, new heritage square, and Concourse and platform area, relocation of offices and railway quarters and refurbishment of existing heritage building, area development, platform refurbishment, and cover over platforms etc. Station Estate Development and O&M of the Station Estate.
User fee and Tariff: User Fee will be notified by the M/o Railways and Concessionaire is entitled to collect a pre-determined user fee for specified station facilities, recover charges for use of specified spaces/services within the station and undertake development and commercial exploitation of Station Estate. Parking rates shall be fixed by concessionaire subject to approval by Authority. For remaining kiosk & station estate development, rates shall be set by concessionaire/ vendors and will be market driven.

4. JS (IPF) had informed that as there is no Model Concession Agreement for the mentioned project, hence as per the PPPAC guidelines, two stage approval process with "in-principle" and "final approval" will be applicable. Accordingly, IRSDC has submitted the proposal documents to DEA for "in principle" approval of the PPPAC and after which IRSDC will finalize the RfP and DCA (Detailed Concession Agreement) and submit the same to DEA for "Final Approval" of the PPPAC.

5. IRSDC made a brief presentation. It was informed that IRSDC has decided to undertake redevelopment and operation/maintenance of UNESCO listed & historic station, namely Chhatrapati Shivaji Maharaj Terminus (CSMT) on DBFOT (Design, Build, Finance, Operate and Transfer) basis. The Authority will transfer the existing stations to private developers on concession and private developer shall be responsible for redevelopment and O&M of these stations and estate development. IRSDC will be carrying out the bidding process including provision of development plans and master plan in consultation with urban local bodies/other statutory authorities to ensure that the development is harmonious with surrounding

development and National Transit Oriented Development (TOD) Policy of Ministry of Housing and Urban Affairs.

6. It was also informed by the IRSDC that the general strategy is to create a Multimodal hub for suburban trains in heritage station & Multimodal hub for long distance trains in the maintenance and stabling yards. It also involves creating link between these two hubs and between the port and the city centre and bring private developer to finance the station development. It was stated that 2019 master plan involves harbour line on east, heritage & suburban development, new Long Distance (LD) station, commercial development around harbour line and Independent yard remodelling with simpler suburban yard (5 lines), 10 Platforms of 26 coach mainline, maintenance at CSMT, etc. DRM office will be shifted to Byculla

7. Construction Period for Station Redevelopment will be in two phases with indicative cost of Rs, 1314 Cr (excluding financing cost). Phase-1A of Rs. 832 Cr involves New Long-Distance Station, New DRM Office and Shifting of Control Office. Phase-1B of around Rs. 482 Cr involves Shifting of Offices, New Heritage Square and Suburban Area Improvements.

8. Thereafter following issues were discussed:

a. It was informed by IRSDC that broad level financial feasibility of the project has been done and detailed cost & clear scope of work along with Detailed Project Report (DPR) and detailed financial feasibility will be shared at RfP stage. The indicative Estate Development cost is estimated at Rs. 1985 Cr and 40% is to be completed within 8 years. To generate interest of private players and to allow prospective bidders to assess their costs and returns, IRSDC stated that PIM has been shared and detailed drawings shall be shared at RfP stage. NITI Aayog also suggested that in order to give a better perspective to bidders, key sections of the Feasibility study/ traffic study, if done, need to be included in the Project Information Memorandum (PIM). It was confirmed by IRSDC that the passenger footfall data and studies of the various aspects affecting the business plan are available for year 2015 and are included in the PIM.

b. It was discussed that the M/o Railways intends to develop CSMT railway station as a world class station with all modern passenger amenities and facilities. The total built up area for station estate development is around 6 times the area of station building. Therefore, M/o Railways needs to ensure that the main purpose of project is not compromised, and real estate component may be provided to the level of financial viability only and no excessive land should be provided for real estate development. IRSDC stated that Railways may utilize the quantum of land parcels at stations for holistic planning rather than limiting it to only financial viability keeping in view the location & other economic factors for that station in accordance of decision taken in 93rd PPPAC meeting held on 17.03.2020.

c. It was informed by IRSDC that the project Concession period for Station and Commercial component lease period is 60 years. Only for the residential component of project, 99 years lease period has been considered. IRSDC clarified that on the basis of investor feedback received in the pre-bid conferences, they are of the opinion that the Concession Period less than 60 years for Station and Commercial component and less than 99 years for residential development will not generate adequate interest in the project. Further, Concession period of 60/99 years is in sync with the cabinet approval, decision of Ist Meeting of the Group of Secretaries held on 09th November 2019 {Paragraph 2.2 (i) (a) and (b) – *the station shall be given on lease for 60 years and land for station estate development shall be given for a lease of 99 years*} and further, the same has already been approved by PPPAC for the projects of Gwalior, Amritsar, Nagpur and Sabarmati. Based on the explanation provided by IRSDC, PPPAC agreed to it.

d. JS (IPF) suggested that bid is to be invited on consolidated basis (i.e. station redevelopment and commercial component together) and estimated cost of commercial component should be clubbed with station redevelopment component. IRSDC replied that since the Technical and Financial capacity criteria followed for other station development projects is also based only on Mandatory capex (as the non-mandatory capex is not fixed) it was decided to consider only the mandatory component for estimation of Technical and Financial capacity threshold. Also, given the high project cost of station redevelopment and commercial component, clubbing of both the cost would result into very high and therefore restrictive technical and financial thresholds criteria. IRSDC further informed that commercial component is optional and solely at the discretion of the developer, the size, product mix and CAPEX of commercial component cannot be precisely determined today. The clarifications given by IRSDC were noted by PPPAC.

d. Regarding, option of exploring that the Authority picks up equity upto 26% in the project, considering the high value station assets and strategically located land, it was informed by IRSDC that there is no provision of equity in draft MCA prepared by NITI Ayog and IRSDC does not envisage any equity participation. Further, any equity by IRSDC may dampen the interests of the private player in the project. The clarifications given by IRSDC were noted by PPPAC.

e. It was informed by IRSDC that projected cost includes financing cost and contingencies (25% of the basic construction cost) and is in line with the Model RfQ. Also, regarding conflict of interest, Clause 2.2.1 of RfQ prescribes the threshold value of 20% against prescribed 5% in model RfQ. It has been kept in line with Company's Act *(definition of Associate as per Companies Act 2013 - associate company", in relation to another company, means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company. Explanation. —For the purposes of this clause, "significant influence" means control of at least twenty per cent. of total share capital, or of business decisions under an agreement).* The clarifications given by IRSDC were agreed to by PPPAC.

f. JS (IPF) said that in the RfQ, there is a provision that other Bidders are to be kept in reserve and their offer may be considered in case Highest Bidder withdraws or is not selected. However, in terms of CVC's guidelines issued under letter No. 98/ORD/1 dt. 24/8/2000, in case technically eligible L1 Bidder withdraws, project is to be retendered afresh. In reply, it was informed by IRSDC that the provision is in line with the Model RFQ and PPPAC has also accepted it while giving in principle approval for projects at Nagpur, Gwalior, Amritsar and Sabarmati. The clarifications given by IRSDC were noted by PPPAC.

g. NITI Aayog highlighted that User Fee needs to be notified by MoR preferably prior to issue of RfQ so that the same is included in the Project Information Memorandum (PIM). On this IRSDC replied that the notification of user fee is yet to be issued by M/o Railways. The same will be included as a schedule in the draft MCA at the time of issuing RfP.

h. On Provision relating to Competing Facility (commissioning of another railway station within a specified distance) it was confirmed by IRSDC that there shall be no further claim by concessionaire on this ground. It was further confirmed by IRSDC that it will suitably insert a clause to the above effect in the RFP.

i. As per the model RfQ by DoE, the minimum net worth requirement is 25% of the Total Project Cost (TPC). However IRSDC said that to attract serious and competent players, minimum net worth has been kept at 50% of the estimated project cost for station development component. IRSDC also said that GoS in its I[st] meeting dated November 09, 2019 decided that (Paragraph 2.4 (c)) – *"Since the estimated Project Cost is only a part of the investment to be made by the Concessionaire, the Financial Capacity Threshold shall be revised to 50% of Estimated Project Cost to attract quality bids"*. PPPAC agreed to it.

j. The DoE observed that in CSMT, Pay-out to the Government is much less than the present value of Land in spite of 60/99 year concession period. Land parcel of around 3,25,000 sqm is proposed to be leased out and approximate value of the same has been mentioned as Rs. 22,750 crores. IRSDC explained that it is not appropriate to consider land value of 60-year lease at par with freehold land. The total Land parcel of 3,25,000 sqm is not available for commercial monetisation and the railway yards, platforms, heritage buildings etc are also located within this area. The break-up of the land area to be provided and the total value of the land is computed as below:

S. No.	Location	Built Up Area to be offered (sqm) (A)	Use	FAR (B)	Equivalent land area (sqm) (C=A/B)	Ready reckoner rate per sqm (D)	Total Land Value Rs. Cr) (=B*C*D)
1	CSMT	144,048	Commercial	1.33	108,307	145,000	2089
2	Wadi Bunder	30,000	Commercial	1.33	22,556	78,400	235
3	Byculla	80,000	Residential / office	1.33	60,150	88,300	706
		254,048			**191,014**		**3,030**

The built-up area on offer is footprint land area of 191,014 Sqm only and that also at different locations with different land rates. The value of such parcel of land is Rs. 3,030 Cr only (as calculated in the table above) and that also on the basis of Freehold sale basis. The actual realisable value of the land will be far lower for a 60 years lease.

k. IRSDC explained that Station Development component of CSTM is not viable on standalone basis. For financial attractiveness of the project financial analysis has been done to ascertain the viability of the project on a Standalone basis (station redevelopment) and on consolidated basis (station redevelopment and estate development). The result of the analysis is as below:

Station Development Cost and Revenue			
S.NO.	**Description**	**NPV @ 12% discount (Rs. Cr)**	**NPV @ 16.2% discount (Rs. Cr)**
1	Capital expenditure CSTM Station	(1,130)	(1,041)
2	Pre-Operating Expenses, including IDC	(287)	(257)
3	Operation and Maintenance expenditure station	(379)	(241)
	Total expenditure	**(1,796)**	**(1,539)**
1	Use fee revenue	820	490
2	Station revenue (O&M)	651	405
3	Heritage Building Revenue	163	87
	Total Revenue	**1,634**	**982**
	Surplus / Deficit	**(162)**	**(557)**
1	Real Estate CSMT - Net Revenue	1,640	640
2	Real Estate Byculla - Net Revenue	203	86
3	Real Estate Wadi Bundar - Net Revenue	218	143
	Total Revenue Real Estate	**2,061**	**869**
	Overall Surplus / Deficit	**1,899**	**312**

IRSDC submitted that the Project can only be viable on a standalone basis with minimum commercial development component at Wardi Bunder and Byculla, if the user charges are levied from the date of award of concession rather than after Commercial operation date (COD). Other possible options for making the Project viable with minimum commercial development may include reduction in mandatory cost, providing VGF, increase in user charges, etc. IRSDC further submitted that the financial workings for the project are done on the basis of preliminary data and market survey to establish the preliminary viability of the project at RFQ stage. The detail calculations will be done at the RFP stage when the design of the redeveloped station would be frozen duly taking care of all the site details/prevalent market conditions and actual user charges notified. At that time, the exact quantum of Built up area (BUA) to be offered to the developer would also be frozen.

Discussion of issues common to NDLS and CSMT

9. The Department of Expenditure had stated in its comments that considering very heavy traffic of passengers, the revenue flow is almost certain and inelastic and there would be least risk on the revenue side in these projects, therefore, revenue collection should remain with the Government in place of Private Concessionaire. It was explained by the RLDA, IRSDC and MOR that the traffic and revenue flow may be certain and inelastic in short and

medium term, i.e., for 15-20 years but cannot be said to be so for 60 years. With the possibility of technology change and mode of transportation change along with development of peripheral stations and shifting of trains, etc., there are substantial risks in the long term.

10. In respect of the Concession period, it was explained that in case of NDLS, the proposed lease period is 60 years, for both Station and commercial development while in case of CSMT, the same is proposed as 60 years for Station and commercial development and 99 years for residential/ city side development. MoR, RLDA, IRSDC and NITI Aayog were of the view that GoS in its Ist meeting held on 09th November 2019 {Paragraph 2.2 (i) (a) and (b) – *the station shall be given on lease for 60 years and land for station estate development shall be given for a lease of 99 years*} had decided for the 60/99 Years Concession Period. PPPAC has also approved 60 years concession period in case of recent Railway Stations redevelopment projects, i.e. Gwalior, Nagpur, Amritsar and Sabaramati. With the 60 years concession period, good interest has been seen in these projects. IRSDC and RLDA stated that in the stakeholders' consultations conducted, bidders have requested for 60 years Concession period for Station/Commercial Development and 99 years for residential development as concession period of less than 60/99 years will not generate sufficient investor interest. In the light of such clarifications, PPPAC agreed to it.

13. The DoE had commented that it is mentioned in these proposals that the PPP-DBFOT has been selected due to private sector expertise and efficiencies in designing and operation of the Project to realise the maximum value. But at present, the private sector expertise for railway stations modernization and O&M is at initial stage in India. Comparative analyses of revenue for Government under different models of PPP should be worked out before finalizing any particular model. RLDA and IRSDC responded that as per Union Cabinet decision, the station redevelopment is to be taken up on 'no cost to Railways' principle and DBFOT is the suitable PPP mode. MoR has already attempted different models on PPP in the past and the current model is based on NITI Aayog draft MCA while taking these learnings into consideration. Further models of PPP can be considered based on experience gained from the current round of bidding. RLDA further informed that NDLS development is envisaged to have commercial development of significant magnitude which would require augmenting and creating road infrastructure as the present road network of New Delhi Station is not adequate. In order to support this development, it is necessary to have holistic planning and development of the railway station as well as station estate. The integrated station Development would ensure proper connectivity of road network for the station portion and commercial portion as well. In absence of a single developer, the project may not have proper complementarity between both the components, and it may attract suboptimal revenues. The model will however be refined at RfP stage after more interaction with developers. As per clarifications given by MoR, RLDA and IRSDC, PPPAC agreed to go ahead with the DBFOT model.

14. The DoE had quoted certain recommendations of the C&AG in respect of the PPP proposals which are as under:

a. *In case of PPPs, it is recommended that all pre bid conditions are declared upfront and monetized value of all concessions including assets transferred is arrived at before bids are invited. Any post bid concessions, which are not contemplated earlier, amount to undue favour to the concessionaire. Government should investigate all cases of such post bid actions and fix responsibility.*

b. It is recommended that revenue earned by the Government from such arrangements is commensurate with the public asset transferred to the private entity. In case of revenue sharing agreements, adequate care should be taken to clearly list out the items to be included as shareable revenue. Its quantification, its verification by all the interested parties needs to be clearly defined.

c. It is recommended that all public private arrangements must be linked to certain basic triggers like traffic volume, tariff, return on investment, breakeven period. A long concession period without any trigger may lead to undue financial benefit to the concessionaire.

d. The clauses such as Right of First Refusal should not be designed to thwart competition and create a monopolistic situation.

e. The land being the major input as Government share for PPP infrastructure projects, due care to be taken to monetize the value in public interest.

f. A proper survey through a Government Approved Surveyor/ valuer should be conducted to find the exact area of land, hospitality area, demised premises, carved out area including the land available with the GoI.

g. There is a need to devise a time bound and regular monitoring structure related to progress of work. It is essential that a regular and well documented review of performance of the Concessionaire is in place to safeguard the interest of Government and to get the Concessionaire to deliver the committed outputs. (C&AG Report No. 15 of 2014 on PPP of Mumbai Airport).

In this regard, it was assured by the MoR, IRSDC and RLDA that recommendations of C&AG, as mentioned in the observations of the DoE have been taken note of for compliance.

15. It was observed that station redevelopment is a new field on one hand and also involves real estate development on the other hand. Also, only a small number of players of such large scale may be available. Therefore, the technical capacity criteria are restrictive (refer para 3 c of this RoD)? IRSDC / RLDA and MoR explained that good interest is seen in case of Gwalior, Amritsar, Nagpur, Sabarmati stations with similar requirement of technical experience. Therefore, the technical capacity criteria are not restrictive. The core sector experience is also part of the technical experience criteria with a weightage factor which would allow bidders with experience other than railways also to participate. In order to further open up the competition, PPPAC decided to include **Social and Commercial infrastructure** in category I and III of eligible projects and asked NITI Ayog representative to suggest the definition. NITI Ayog has suggested with following definition of **Social and Commercial infrastructure**:

Social and Commercial infrastructure shall mean,

(i) development of a commercial real estate project (including education institution, hospital, hotel, convention centre) at a single site with a minimum built up area of 150,000 (one hundred fifty thousand) square metres;

(ii) development of a residential real estate project at a single site with a minimum built up area of 300,000 (three hundred thousand) square metres; and/or

(iii) development of a residential township with a minimum area of 100 (hundred) acres and a minimum built up area of 300,000 (three hundred thousand) square metres.

PPPAC decided to keep the technical criteria as suggested by MoR, RLDA and IRSDC with the above mentioned amendments (including amendments as suggested in para 3 c of this RoD) to further open up the competition.

16. On the basis of facts, figures and explanations given by the MoR, RLDA and IRSDC, the PPPAC in principal approved the proposals with amendments as mentioned in this RoD. It was also decided that in the case of CSMT, as suggested by the IRSDC, the exact quantum of Built Up Area (BUA) to be offered to the developer would be frozen at the time of approval of RFP with more firmed up data.

The Meeting ended with vote of thanks to chair.

****

Annexure-I

List of Participants of the Meeting held on 03.07.2020:

Sl.No	Name	Designation
1	Shri Tarun Bajaj	Secretary (EA)- In Chair
2	Shri Pradeep Kumar	Member Engineering, Railway Board
3	Mrs. Manjula Rangarajan	Finance Commissioner, Railway Board
4	Shri O. P. Singh	Principal ED (Station Development) Railway Board
5	Shri Ved Prakash	Vice Chairman Rail Land Development Authority
6	Shri Anjani Kumar	Member, Rail Land Development Authority
7	Shri Vivek Saxena	Executive Director, Rail Land Development Authority
8	Shri Baldeo Purushartha	Joint Secretary (IPF), DEA
9	Shri Sonjoy Saha	Adviser (PPP), NITI Aayog
10	Shri Ashu Mathur	Adviser, D/o Expenditure
11	Shri S. K. Lohia	MD & CEO, IRSDC
12	Shri Mukesh Kumar Gupta	Director (PPP), DEA
13	Shri Dhruv Singh	Director Finance, IRSDC
14	Shri R. K. Singh	Director Project, IRSDC
15	Shri V. B. Sood,	Chief General Manager, IRSDC
16	Shri Anish Kumar	Director (Station Development), Railway Board

Annexure II

List of Participants of the Meeting held on 27.07.2020:

Sl. No	Name	Designation
1	Shri Tarun Bajaj	Secretary (EA)- In Chair
2	Dr. T. V. Somanathan	Secretary, Department of Expenditure
3	Shri Pradeep Kumar	Member Engineering, Railway Board
4	Mrs. Manjula Rangarajan	Finance Commissioner, Railway Board
5	Shri O. P. Singh	Principal ED (Station Development) Railway Board
6	Shri Ved Prakash	Vice Chairman Rail Land Development Authority
7	Shri Anjani Kumar	Member, Rail Land Development Authority
8	Shri Vivek Saxena	Executive Director, Rail Land Development Authority
9	Shri Baldeo Purushartha	Joint Secretary (PPP), DEA
10	Shri Sanjay Saha	Adviser (PPP), NITI Aayog
11	Shri S. K. Lohia	MD & CEO, IRSDC
12	Shri Mukesh Kumar Gupta	Director (PPP), DEA
13	Shri R. K. Singh	Director (Project), IRSDC
14	Shri V. B. Sood	Chief General Manager, IRSDC
15	Shri Anish Kumar,	Director (Station Development), Railway Board
16	Ms. Nidhi Arora	Consultant, NITI Aayog
17	Shri Shubham Goyal	Assistant Director, DEA

इंडियन रेलवे स्टेशन्स डेवलपमेंट कॉर्पोरेशन लिमिटेड
[illegible]
Indian Railway Stations Development Corporation Limited
(A JV of Rail Land Development Authority & IRCON)

No IRSDC/HQ/Civil/01/RD/[illegible] [illegible] Dated 27.07.2020.

Joint Secretary (PPP),
Dept of Economic Affairs
Ministry of Finance, North Block
New Delhi - 110001

Sub: Clarification regarding financial numbers for CSMT station redevelopment project
Ref: This office letter of even dated 23.07.20

PPPAC meeting was held on date under chairmanship of Secretary DEA, during which few questions were raised on the financial numbers presented by IRSDC. The queries were clarified during the meeting but it was desired that the details be submitted by IRSDC in writing to DEA urgently. In this connection, the following is submitted:

1. The value of land which is to be given for commercial development to the concessionaires was sought. During the meeting, back of envelope calculations were done with the rate of Rs 70,000 per sq ft as given in the comments of DOE and the land value conveyed was Rs 4,300 Cr for the actual land being offered for commercial monetisation. It was also clarified in the meeting that these land rates are much higher and actual rates are far lesser. Subsequently, the numbers have been looked in detail and it was found that the rate mentioned in DOE comments as per the PIM is for prime land in South Mumbai i.e. near Nariman Point area and not for the areas where development will be done as part of CSMT redevelopment project. The actual rate of land is lower (CSMT - Rs 1,07,000 per sqm to Rs 1,83,000 per sqm - Average Rs 1,45,000 per sqm), Wadi Bunder – Rs 78,400 per sqm and Byculla Rs 98,200 per sqm). The ready reckoner rates for the three locations are in the document enclosed (highlighted yellow) which has been compiled by consultant M/s Knight Frank based on data collected from official website https://igrmaharashtra.gov.in/[illegible].aspx.

Since the entire railway land in station area is taken as base for the BUA calculations, using the FSI applicable in the land adjoining the railway land, we have to work out the equivalent land area handed over to the concessionaire for commercial development and accordingly, the value of land comes to be as below:

S N	Location	Built Up Area proposed to be offered (SQM) (A)	Use	FAR (B)	Equivalent land area (SQM) (C=A/B)	Ready Reckoner Rate per SQM (D)	Total land value (INR Cr) (=C*D)
1	CSMT	144048	Commercial	1.35	106706.4	145000	1558.7
2	Wadi Bunder	30000	Commercial	1.33	22556.4	78400	235.2
3	Byculla	80000	Residential/ Others	1.33	60150.4	98200	590.6
	Total	254048			189409.5		2180.3

पंजीकृत एवं कॉर्पोरेट कार्यालय : [illegible]
[illegible]
Registered & Corporate Office: [illegible] Tower [illegible] Building [illegible] Marg, New Delhi - 1100[illegible] India
Tel: [illegible], Fax: [illegible], CIN: [illegible]
Website: [illegible] IRSDC [illegible]

The land value of Rs. 3000.27 Cr is worked out for Freehold sale basis assuming that the entire land is at free FSI of 1.33 (The actual value will be lower since the actual land parcel offered for commercial is smaller and additional BUA beyond 1.33 FSI at sub plot level is offered at higher floors). Actual value realizable for the lease period of 60 years would be far lower. Further, the large size land parcels generally are sold at discount to the Ready Reckoner rates.

2. Another question was raised regarding the NPV being worked out on the basis of 5 years' cash flows rather than 60 years' cash flows as required. The same was clarified during the meeting that all revenue figures are for 60 years cash flows only. The 5 years cash flow values given in PPPAC memo are after COD and would be realized after 4 years. The excel sheet for computations is enclosed for ready reference.

3. IRSDC was also asked to explain the basic assumptions of financial numbers presented. In this connection, the computations for WACC (Weighted Average Cost of Capital) are as follows:

   Debt 60%, Cost of Debt – 12%
   Equity 40%, Cost of Equity – 22.5% (in view of private funding from real estate)
   WACC: 60%*12%+40%*22.5% = 16.2% (Pre-tax WACC rate)

   To calculate financial numbers from the Station Development and Commercial development the consultant proposed a Debt:Equity ratio of 60 : 40 as the real estate market is facing under recession and banks are exercising caution while extending credit to real estate bound projects. The cost of Debt is considered at 12% and cost of Equity by developer is considered at 22.5%. The earnings accrued over a period of 60 years are discounted at Weighted Average Cost of Capital (WACC) of 16.2% to calculate NPV value of the earnings/expenses for the Concessionaire. Further, the NPV value of earnings / expenses have also been calculated at 12% discounting as per PPPAC guidelines.

4. **Standalone Sustainability of Station Development:** The figures shared earlier as financial report have been rearranged in Annexure 1 and it may be seen that the station Development is not sustainable on a stand alone basis with revenue stream only out of station operations and user charges. There is a shortfall of approx Rs 169 Cr on discount rate of 12% and Rs 557 Cr on discount rate of 16.2%. The project becomes viable only at the consolidated level (including real estate) with a surplus of Rs 1506 Cr on 12% discounting and a surplus of Rs 212 Cr at 16.2 % discounting. It may be noted that all these figures are without considering Authority payouts from the earnings and the share from User Fees after the 15th year as per proposed MCA.

   The project can be made viable on a standalone basis with minimum commercial development at Wadi Bunder and Byculla only if the user charges are levied from the date of award of the concession (as in case of airports) rather than after COD (NPV of User Charges for the first 4 years is Rs 850 Cr at 12% discounting and Rs 655 Cr at 16.2% discounting). Other possible options for making the project viable with minimal commercial development include reduction in mandatory cost, providing viability gap funding, increase in user charges etc.

   Further, it is submitted that the financial workings for the project are done on the basis of preliminary design and market survey to establish the preliminary viability of the project at RFQ stage. The detailed calculations will be done at the RFP stage when the design of the redeveloped station would be frozen, duly taking care of all the site details/ prevalent market conditions and the actual user charges as per notification from MoR. At that time the exact quantum of BUA to be offered to the developer would also be frozen. It is also submitted that the financial structuring of the bidders may be different and surplus in the project would reflect in the upfront premium quoted in the competitive bidding process. However aim shall be to ensure that the project financials are attractive to the concessionaires so that there is good competition.

In view of the above it is requested that the "In Principle" approval of PPPAC is accorded for calling RFQ for Redevelopment of CSMT station.

Thanking you.
Yours faithfully
For and on behalf of
Indian Railway Stations Development Corporation

29/11

(Sanjeev Kumar Tyagi)
MD&CEO / IRSDC

Enclosures: As above.

Copy to: PED/SG, Railway Board, Rail Bhawan, New Delhi for information please

Annexure 1

Station Development Cost and Revenue

S.No	Description	NPV @ 12% discount (Rs. Cr)	NPV @ 16.2% discount (Rs. Cr)
1	Capital Expenditure CSTM Station	-1130	-1041
2	Pre Operating Expenses, including IDC	-287	-257
3	Operation And Maintenance Expenditure Station	-379	-241
	Total Expenditure	-1795	-1539
1	User Fee Revenue	820	490
2	Station Revenue (O&M)	651	405
3	Heritage Building Revenue	163	87
	Total Revenue	1634	982
	Surplus / Deficit	-162	-557
1	Real Estate CSMT - Net Revenue	1540	640
2	Real Estate Byculla - Net Revenue	203	86
3	Real Estate Wadi Bunder - Net Revenue	318	143
	Total Revenue Real Estate	2061	869

[illegible]

रेल भूमि विकास प्राधिकरण
Rail Land Development Authority
[illegible]
[illegible]

No. [illegible]/Project/Station Redevelopment/New Delhi/2020 Date: [illegible]

To

The Joint Secretary
IPF/DEA
Ministry of Finance

Sub: PPPAC approval of RFQ of New Delhi Station redevelopment

The issue raised regarding standalone redevelopment of New Delhi station complex and requirement of integrated development by including station estate (commercial complex) is worked out on the basis of financial model.

NEW DELHI STATION REDEVELOPMENT (Standalone station complex): The business model for standalone station redevelopment is summarised below.

NDLS – Financial Model (PPP scheme) Based on 60-year concession (All figures in INR Cr)	
[illegible]	[illegible]
Revenue	7,4[illegible]
CAPEX	4,125
OPEX	3,07[illegible]
Margin	(76)
Payout by Authority (VGF) to developer as annuities	4,[illegible] Cr
Corporate Tax	1,[illegible] Cr
Total [illegible] outflows to developer	5,[illegible] Cr

Note: [illegible] IRR of [illegible], NPV @ [illegible]% discounting

The difference between revenue and expenditure appears to be merely [illegible] on NPV basis but it does not include IRR returns to developer. The financial model of the development has following assumptions like:

- [illegible] CAPEX investment of [illegible] Cr (NPV) is required
- The revenue is assumed for the setup including premium valuations of a private management

So station redevelopment is found to be not viable on PPP basis through a developer and the authority has to pay [illegible] (NPV basis) as developer's return on equity needs to be included in the business model. To avoid this pay out to developer, viable model is evolved in the form of a land parcel to permit commercial development, with a lease period of [illegible] years.

The land parcel of approximately 40,000 sqm footprint is intended to be included for commercial development as part of the 60-year concession. The circle rate of the parcel considering closest to Connaught Place, is INR 4,000 Crore (INR [illegible] lakh per sqm). Since the permitted development is calculated over the entire plot including station complex, the developer is assured FSI of 2,00,000 sqm of station estate i.e. commercial development. The land is not being offered on freehold / sale and is on a 60-year concession, hence the appropriate value would be much lower than the circle rate (~50% of the circle rate value). The notional base value of land would be around [illegible] Crore (for consolidated PPP project (station cum commercial development)), the total NPV coming to the Authority is ~INR 3,700 Crore. Moreover, the NPV of station and associated road infrastructure is Rs 4429 Cr and this will also be delivered under the project.

New Delhi Station Development is envisaged to have commercial development of significant magnitude and this would require augmenting and creating road infrastructure as the present road network of New Delhi Station is not adequate in order to support this development. It is necessary to have smooth access to the railway station as well as station estate. The integrated station Development would ensure proper connectivity of road network for the station as well as commercial portion as well. In the absence of a single developer the commercial development of the project may not have smooth access to both the components and the development may attract suboptimal revenues. The model will however be refined at RFQ stage after more discussion with developers.

Vivek Saxena
[illegible] & Station Development

FINANCIAL MODEL VARIANTS

Redevelopment of New Delhi Railway Station and Development of Commercial Facilities on PPP-DBFOT Mode

The following document presents variants of the Financial Model considering the 'Retail over station' as part of the Station Component, instead of the Commercial Component. Mentioned below are the financial summaries of scenarios with different concession periods.

2.A Station on 60 year concession & Commercial on 60 year concession

NDLS – Financial Model (PPP-DBFOT)

Station on 60 year concession & Commercial on 50 year concession (All figures in INR Cr)

[illegible]	Cumulative over concession period			NPV @ 12%		
	Station	Commercial	Total	Station	Commercial	Total
Revenues	1,46,46[illegible]	[illegible]	[illegible]	2,42[illegible]	[illegible]	[illegible]
CAPEX (w/o IDC)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5,3[illegible]
OPEX	72,9[illegible]	[illegible]	[illegible]	3,07[illegible]	[illegible]	[illegible]
Margin	73,4[illegible]	[illegible]	[illegible]	[illegible]	9,3[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Notes:

- Developer equity IRR at 22.5%
- The Authority receives from the concessionaire, an upfront premium of INR [illegible] Cr, annuity payments, share in User Charges and [illegible] revenue share of other income (except User charges)
    - Authority receives share in User Charges, starting from [illegible] year till [illegible] year from appointed date (capped at [illegible]).
    - [illegible] share in other revenue [illegible] [illegible] commercial component and station component (except user charges) [illegible] year.
- [illegible] considered [illegible] 60 years
- Retail over station [illegible] sq ft [illegible] part of the [illegible] component.

5.4 CAPEX Breakup of Station Development (60-year concession)

S.No.	Cost Head	Value (INR Cr)	NPV (INR Cr)
1	Demolition & Clearing Up Costs, Set up Cost	27	
2	Station Building		
2.a	Station Building Demolition	[illegible]	
2.b	Platform Area Renovation	100	
2.c	Concourse Level (Arrival, Departure)	1,32[illegible]	
2.d	Mezzanine Level	630	
2.e	MLCP	375	
2.f	Yard remodelling & and Railway works	-	
2.g	Railway/Utilities services & relocation	[illegible]	
2.h	Other works	106	
2.i	Roads & related infrastructure	554	
2.j	Temporary enabling & [illegible]	[illegible]	
3.a	Railway Office	17[illegible]	
3.b	Social Infra	26	
3.c	Residential for Railways Housing	111	
4	[illegible]	387	
5.a	PMC	[illegible]	
5.b	Architect's Fee	88	
5.c	Consultancy Fee	[illegible]	
6	Contingency	353	
7	CAPEX (without Equipment Replacement and IDC)	4,905	4,157
8	Equipment Replacement	5,556	168
9	CAPEX with equipment replacement without IDC	10,460	[illegible]
10	IDC	368	399
11	CAPEX with Equipment Replacement and IDC	10,8[illegible]	4,725

2.8 Station on 30-year concession & Commercial on 60 year concession

NDLS – Financial Model (PPP-[illegible])

Station on 30-year concession & Commercial on 60-year concession (All figures in INR Cr)

[illegible]	Cumulative over concession period			NPV @ [illegible]%		
	Station (30 year)	Commercial	Total	Station (30 year)	Commercial	Total
Revenue	32,7?4	2,74,524	3,0?,?53	[illegible]	10,692	17,431
CAPEX (w/o IDC)	5,059	1,384	6,4??	4,377	93?	5,?4?
OPEX	14,??6	14,1??	28,2?9	2,??1	591	3,2?5
Margin	1?,???	2,59,???	2,7?,593	1,42?	?,?2?	?,5?2
Pay out to Authority	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Corporate Tax	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Post Tax cash flows to developer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Note:

- Developer Equity IRR at 22.5%
- The Authority receives from the Concessionaire, an upfront premium of INR 750 Cr, annuity payments, share in User Charges and 10% revenue share of [illegible] (excluding User Charges)
  - Authority receives share in User Charges, starting from [illegible] year ([illegible] year from Appointed Date) [illegible]
  - Revenue share in other revenues includes share in revenues from commercial component and station component (except user charges) till 30th year and only commercial component post 30 years.
- Equipment replacement cost considered once (year [illegible] from Appointed Date).
- [illegible] station ([illegible] sqft PS) is now part of commercial component

7. Station on 15-year concession & Commercial on 50-year concession

NDLS – Financial Model (PPP-DBFOT)

Station on 15-year concession & Commercial on 50-year concession (All figures in INR Cr)

[illegible]	Cumulative over concession period			NPV @12%		
	Station (15 year)	Commercial	Total (INR Cr)	Station (15 year)	Commercial	Total (INR Cr)
Revenues	[illegible]	[illegible]	2,55,136	4,096	11,503	15,5[illegible]
CAPEX (w/o IDC)	4,963	1,124	6,087	4,2[illegible]	[illegible]	5,191
O&M	[illegible]	[illegible]	[illegible]	1,838	594	2,402
Margin	1,6[illegible]	2,54,026	2,56,[illegible]	(1,370)	9,357	7,987
Payment to Authority		[illegible]			3015 Cr	
Corporate Tax		[illegible]			1,623 Cr	
Post Tax cash flows to developer		[illegible]			5,353 Cr	

Notes:

- Developer equity IRR at 12.5%
- The Authority receives from the Concessionaire, an upfront premium of INR 250 Cr, annuity payments and 10% revenue share of other revenues (except User Charges)
  - No share in User Charges to the Authority, as share in User Charges starts from 16th year from COD i.e. 18th year from Appointed Date.
  - Revenue share in other revenues includes share in revenues from commercial component and station component (except user charges) till 15th year and only commercial component post 15 years.
- No equipment replacement is considered in the model, as first equipment replacement is expected in 16th year from COD i.e. 18th year from Appointed Date
- Retail above station (5,00,000 sq ft BUA) is considered in commercial component

Station on 5-year concession (from COD) & Commercial on 50-year concession

[illegible] – Financial Model (PPP Option)

Station on 5-year concession from COD & Commercial on 50 year concession (All figures in INR Cr)

[illegible]	Cumulative over concession period: Station (5 year)	Commercial	Total (INR Cr)	NPV @12%: Station (5 year)	Commercial	Total (INR Cr)
Revenues	4,3[illegible]	2,74,3[illegible]	2,78,705	1,8[illegible]	17,258	19,[illegible]
CAPEX (w/o IDC)	4,909	1,184	6,09[illegible]	4,2[illegible]	936	5,144
OPEX	[illegible],590	14,214	15,80[illegible]	1,056	[illegible]	1,692
Margin	(2,214)	2,5[illegible]	2,56,[illegible]	(3,50[illegible])	9,[illegible]67	6,852
Payment to Authority	[illegible]	[illegible]	[illegible]	[illegible]	1,746 [illegible]	[illegible]
Concession Fee	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Net Cash to Developer [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Note:

- Developer Equity IRR at 22.5%
- The Authority receives from the Concessionaire, an upfront premium of INR [illegible] Cr, annuity payments and 10% revenue share of other revenues (except User Charges)
  - No Share in User Charges to the Authority as share in User Charges are from 1st year from COD to 5th year from Appointed Date
  - Revenue share in other revenues includes share in revenues from commercial component and station component (except user charges) till 5th year and only commercial component post 5 years.
- No equipment replacement is considered in this model as first equipment replacement is expected in 15th year from COD to 15th year from Appointed Date.
- Retail/Wholesale station ([illegible],000 sq ft) is not part of the mandatory component.

4. Only Station Commitment - 60 years

NDLS – Financial Model (PPP-DBFOT)

Station on 60-year concession (All figures in INR Cr)

	Consolidated (60 years)	NPV @12%
[illegible]	[illegible]	[illegible]
Revenues	1,45,751	7,421
CAPEX (w/o IDC)	10,417	4,425
OPEX	72,957	3,073
Margin	61,377	(76)
Payment by Authority (VGF) to Concessionaire (annuities)	[illegible]	4,028
Corporate Tax	[illegible]	[illegible]
Residual cash flows to developer	[illegible]	[illegible]

Note:

- Developer Equity IRR at 12.5%
- Authority would need to provide VGF (in annuity) to the Concessionaire to ensure an equity return of 12.5% to the Concessionaire.
- An upfront payment of INR 250 Cr has been considered from Authority to the Concessionaire.
- The share of User Charges and Revenue share from other revenues has been adjusted to the VGF payment made by the Authority.
- Retail development (5,00,000 sq. ft.) is now part of the mandatory component

5. Only Commercial Component – 50 years

NDLS – Financial Model (PPP-DBFOT)

Commercial component on 50-year concession (All figures in INR Cr)

[illegible]	Consolidated (50 years)	NPV @[illegible]
Revenue	2,76,324	20,503
CAPEX (w/o IDC)	3,184	550
OPEX	14,[illegible]	594
Margin	[illegible]	4,3[illegible]
Pre-tax IRR (%)	[illegible]	[illegible]
Equity IRR (%)	[illegible]	[illegible]
Concession fee [illegible]	[illegible]	[illegible]

Notes

- Discount rate [illegible]
- The Authority receives from the concessionaire, a [illegible] revenue share from the revenues from the commercial component, apart from the upfront payment of [illegible] Cr and annuity payments.
- Retail [illegible] station ([illegible] sq m [illegible]) is now part of the mandatory component.

FINANCIAL MODEL VARIANTS

Redevelopment of New Delhi Railway Station and Development of Commercial Facilities on PPP-DBFOT Mode

The following document presents variants of the Financial Model considering the 'Retail over station' as part of the Station Component, instead of the Commercial Component. Mentioned below are the financial summaries of scenarios with different concession periods.

1.A Station on 60-year concession & Commercial on 60-year concession

[illegible] – Financial Model (PPP-DBFOT)

Station on 60-year concession & Commercial on 60 year concession (All figures in INR Cr)

[illegible]	Cumulative over concession period			NPV @ [illegible]		
	Station	Commercial	Total	Station	Commercial	Total
Revenue	1,48,451	2,74,[illegible]	4,22,[illegible]	[illegible]	[illegible]	[illegible]
CAPEX (w/o IDC)	[illegible]	[illegible]	11,6[illegible]	[illegible]	[illegible]	[illegible]
OPEX	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Margin	[illegible]	2,56,[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Notes:

- Developer equity: [illegible]
- The Authority receives from the Concessionaire an upfront premium of INR 250 Cr, annual payments, share in User Charges and Concession share in other revenues (except User Charges)
  - Authority receives share in User Charges starting from [illegible] year till 60th year from Appointed Date (capped at [illegible]).
  - Revenue share in other revenues includes share in revenue from commercial component and station component (except user charges) [illegible] year.
- Equipment replacement cost for Commercial are considered [illegible] years.
- Retail above station [illegible] is now part of the mandatory component.

1.6 CAPEX Break-up of Station Development (60-year concession)

S.No.	Cost Head	Total[1] (INR Cr)	NPV (INR Cr) [illegible]
1	Acquisition & Clearing, Up Fronts, Set up Cost	[illegible]	
2	Station Building		
2a	Station Building Renovation	45	
2b	Platform Area Renovation	106	
2c	Concourse Level (Arrival, Departure)	[illegible]	
2d	Mezzanine Level	621	
2e	MLCP	707	
2f	Track remodelling & ancillary works	[illegible]	
2g	Railway utilities, services & relocation	145	
2h	Foundation works	103	
2i	Roads & related infrastructure	974	
2j	Temporary building & other [illegible]	161	
3a	Railway Offices	175	
3b	Social Infra	70	
3c	Residences for Railways housing	131	
4	Retail above station	287	
5a	PMC	[illegible]	
5b	Architects Fee	[illegible]	
5c	Consultancy Fee	66	
6	Contingency	217	
7	CAPEX (without Equipment Replacement and IDC)	4,303	1,257
8	Equipment Replacement[2]	[illegible]	158
9	CAPEX (with Equipment Replacement, without IDC)	10,457	[illegible]
10	IDC	358	259
11	CAPEX (with Equipment Replacement and IDC)	10,855	[illegible]

[1] [illegible]
[2] [illegible]

5.0 Station on 30-year concession & Commercial on 90-year concession

NDLS – Financial Model (PPP-DBFOT)

Station on 30-year concession & Commercial on 90-year concession (All figures in INR Cr)

	Cumulative over concession period			NPV @ 17%		
	Station (30 year)	Commercial	Total	Station (30 year)	Commercial	Total
Revenues	32,628	2,74,324	3,06,952	6,571	11,290	17,871
CAPEX (w/o IDC)	4,538	1,197	6,049	4,507	956	[illegible]
OPEX	16,105	14,114	26,218	2,617	385	3,225
Margin	17,205	2,59,026	2,7[illegible]1	[illegible]	[illegible]	8,912
Payout to Authority	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Post Tax cash flows to developer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Note:

- Developer Equity: INR [illegible]
- The Authority receives from the Concessionaire, an upfront premium of INR 350 Cr, annuity payments, share in User Charges and 10% revenue share of other revenues (except user charges)
  - Authority to receive share in User Charges, starting from 18th year till 30th year from Appointed Date (31% share in 30th year)
  - Revenue share in other revenues includes share in revenues from commercial component and station component (except user charges) till 30th year and only commercial component after 30 years.
- Equipment replacement cost considered once (year 18 from Appointed Date).
- Rent above station (5,00,000 sq.ft) is now part of the [illegible] component

2. Station on 15-year concession & Commercial on 60-year concession

[illegible] – Financial Model (PPP-DBFOT)
Station on 15-year concession & Commercial on 60-year concession (All figures in INR Cr)

[illegible]	Cumulative over concession period			NPV @[illegible]		
	Station (15 year)	Commercial	Total (INR Cr)	Station (15 year)	Commercial	Total (INR Cr)
Revenue	10,910	2,74,324	2,85,236	[illegible]	10,095	15,554
CAPEX (w/o IDC)	4,913	1,144	6,057	4,257	938	5,194
OPEX	4,250	11,114	15,41[illegible]	1,406	594	2,002
Margin	1,011	2,50,026	2,60,857	(1,170)	9,307	7,007
Payment to Authority	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Post Tax profit/loss to Developer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Note:

- Developer Equity IRR at 22.5%
- The Authority receives from the Concessionaire, an upfront premium of INR [illegible] Cr, annuity payments and 10% revenue share of other revenues (except User Charges)
  - No share in User Charges to the Authority, as increase in User Charges starts from 15th year from COD i.e. 18th year from Appointed Date.
  - Revenue share in other revenues includes share in revenue from commercial component and station component (except user charges) till 15th year and only commercial component post 15 years
- No equipment replacement is considered in this model, as first equipment replacement is expected in 15th year from COD i.e. 18th year from Appointed Date.
- Retail above station (3,00,000 sqft) is made part of the mandatory component.

6. Station on 5-year concession (from COD) & Commercial on [illegible]-year concession

NDLS – Financial Model (PPP-DBFOT)

Station on 5-year concession from COD & Commercial on [illegible]-year concession (All figures in INR Cr)

[illegible]	Cumulative over concession period			NPV @ 12%		
	Station (5 year)	Commercial	Total (INR Cr)	Station (5 year)	Commercial	Total (INR Cr)
Revenues	4,370	2,74,[illegible]	2,78,[illegible]	2,8[illegible]	[illegible]	15,7[illegible]
CAPEX (w/o IDC)	4,000	[illegible]	6,025	[illegible]	550	[illegible]
OPEX	1,790	14,1[illegible]	[illegible]	1,056	[illegible]	1,650
Margin	(1,714)	2,56,025	2,5[illegible]	(2,507)	9,[illegible]	6,[illegible]
Payments to Authority [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Notes:

- [illegible]
- The Authority receives from the Concessionaire, an upfront premium of [illegible], annuity payments and 10% [illegible] share of other revenues (except User Charges)
  - [illegible]
  - [illegible]
- [illegible]
- [illegible]

4. Only Station Component – 60 years

[illegible] – Financial Model (PPP-DBFOT)
Station on 60 year concession (All figures in INR Cr)

[illegible]	Overall value (60 years)	NPV @[illegible]
Revenues	1,48,[illegible]	7,[illegible]21
CAPEX (w/o [illegible])	10,497	[illegible]25
OPEX	73,5[illegible]	3,0[illegible]
Margin	54,[illegible]	([illegible])
Payment by Authority (VGF) to developer [illegible]	[illegible] Cr	4,5[illegible] Cr
Corporate Tax	[illegible],70[illegible] Cr	1,[illegible]81 Cr
Pre-Tax cash flows to developer	[illegible]1,[illegible] Cr	3,[illegible]80 Cr

Note:

- Developer Equity IRR at [illegible]
- Authority would need to provide VGF ([illegible]) to the Concessionaire to [illegible] equity return of [illegible] to the Concessionaire.
- An upfront payment of INR 250 Cr has been considered from Authority to the Concessionaire.
- The [illegible] and [illegible] share from other revenues has been adjusted in the VGF payment made by the Authority.
- [illegible] (5,00,000 sqft [illegible]) is now part of the mandatory component.

5. Only Commercial Component – 60 years

NDLS – Financial Model (PPP-DBFOT)

Commercial component on 60 year concession (All figures in INR Cr)

[illegible]	Consolidated (60 years)	NPV @12%
Revenues	7,74,157	10,258
CAPEX (w/o IDC)	1,124	936
OPEX	14,124	591
Margin	7,59,046	8,107
Payment to Authority	[illegible]	[illegible]
Cash flow Post Tax	[illegible]	[illegible]
Post Tax cash flows to developer	[illegible]	[illegible]

Notes:

- [illegible]
- The Authority receives from the Concessionaire a 10% revenue share from the revenues from the commercial component apart from the upfront payment of INR [illegible] Cr and annuity payments
- Retail above 50,000 sq ft ... is now part of the mandatory component