

F.No.2/4/2018-PPP
Government of India
Ministry of Finance
Department of Economic Affairs
Infrastructure Finance Secretariat
ISD Division
(PIU)

STC Building, Janpath, New Delhi
Dated: 10th May 2025

Record of Discussion

Subject: Record of Discussion of the 124th meeting of the PPPAC for considering the two proposals of the Andaman & Nicobar Islands Integrated Development Corporation on PPP mode.

Reference: 124th meeting held on 02nd May 2025.

Sir/Madam,

The undersigned is directed to forward the Record of Discussion of the 124th meeting of the PPPAC held on 02nd 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.


Rahul Singh
(Director)

To,

1. Secretary, Home Affairs, North Block, New Delhi.
2. Secretary, Department of Expenditure, North Block, New Delhi.
3. CEO, NITI Aayog, Yojana Bhawan, New Delhi.
4. Secretary, Department of Legal Affairs, Shastri Bhawan, New Delhi.

Copy to:

1. Sr. PPS to Finance Secretary & Secretary (EA)
2. Sr. PPS to JS (ISD)

Subject: Record of Discussion of the 124th meeting of the PPPAC for considering the following project proposals: -

- (i) **Development of 5-Star Eco-Tourism Resort at Lalaji Bay, Long Island, Andaman & Nicobar Islands (ANI), and**
- (ii) **Development of 5-Star Eco-Tourism Resort at Shaheed Dweep Island, ANI.**

1. The 124th meeting of the PPPAC was held on 2nd May 2025 at 18:00 Hours under the Chairmanship of the Finance Secretary & Secretary (EA) to consider the above two tourism projects of Andaman & Nicobar Islands Integrated Development Corporation (ANIIDCO).
2. List of attendees is placed at **Annexure-I**.
3. Joint Secretary (ISD) welcomed the attendees to the meeting and informed that as these two project proposals do not have the RfQ stage and follow a single stage, two envelope bidding process, the PPPAC may consider these proposals for 'In-Principle' and 'Final Approval' simultaneously. With the permission of the Chair, JS (ISD) requested the Chief Secretary (CS), ANI, to make a presentation to the PPPAC. The CS (ANI) made a detailed presentation on the two proposals submitted to the PPPAC.
4. The basic details of the Development of the 5-Star Eco-Tourism Resort at Lalaji Bay, Long Island, ANI project are given in the table below:

Table 1: Details of the project

Project Description	Development of 5-Star Eco-Tourism Resort at Lalaji Bay, Long Island, ANI
PPP Model	Design Build Finance Operate Transfer
Sponsoring Authority	Union Territory of Andaman & Nicobar Islands
Implementing Agency	Andaman & Nicobar Islands Integrated Development Corporation Ltd.
Location	Lalaji Bay at Long Island, Andaman & Nicobar Islands (ANI)
Project Components and Capacity	<ul style="list-style-type: none"> • Total Land Area – 42.20 Ha • Total Developable Land Area – 35.70 Ha • Total no. of keys – 220 (Threshold Capacity) • Mandatory Development Obligations (MDO) – to build 50% of the Threshold Keys (110 Keys) to achieve Commercial Operation Date (Project COD) • Staff quarters, wellness centre, parking, restaurants, landscaping area, Beach activity facilities, etc. • Trunk/ ancillary infrastructure such as (water, and sewage, WTP + STP, Levelling, Grading, Boundary wall, Fencing,

	Roads, Drainage, Power Distribution, Street lighting, RO plant, Power facility, etc.		
Concession Period	75 years (Including 04 years of Construction and 71 years of O&M)		
Total Project Cost	INR 496.52 crore		
Estimated Capital Cost with Break-up under major heads of expenditure	S. N.	Break-up of Project Cost	Total (INR in crore)
	1	Construction Cost	424.20
	2	Interest During Construction	55.78
	3	Working capital margin funded upfront	10.41
	4	Debt Financing Fee	6.13
	5	Total Project Cost	496.52
Revenue Streams of the Project	<p>The revenue has been envisaged from the following items/activities:</p> <ul style="list-style-type: none"> • Room rental • Food & Beverages • Other Services offered such as wellness and spa, other hospitality services (cab/ ferry service, laundry, etc.), Beach/ leisure/ entertainment activities 		
Source of Financing	The funds to meet the capital expenditure (excluding pre-construction activities) shall be arranged by the Concessionaire through Debt, Equity, and Internal Accrual.		
Land Acquisition Status	No land acquisition is anticipated, as the proposed land parcels for the project are owned by the UT Administration and ANIIDCO.		
Financial Viability	<p>Project IRR: 16.3%</p> <p>Equity IRR: 21.1%</p> <p>Project NPV: Rs. 203.68 crore (12% discounting)</p>		
Bidding parameter	Highest Annual Concession Fee		
Bidding process	Single Stage Two-Envelope Bidding Process		

5. The basic details of the Development of the 5-Star Eco-Tourism Resort at Shaheed Dweep Island, ANI project, are given in the table below:

Table 2: Details of the project

Project Description	Development of 5-Star Eco-Tourism Resort at Shaheed Dweep Island, ANI
PPP Model	Design Build Finance Operate Transfer
Sponsoring Authority	Union Territory of Andaman & Nicobar Islands
Implementing Agency	Andaman & Nicobar Islands Integrated Development Corporation Ltd.
Location	Bharatpur Village, Shaheed Dweep Island, South Andaman

Project Components and Capacity	<ul style="list-style-type: none"> • Total Land Area – 9.70 Ha • Total Developable Land Area – 3.59 Ha • Total no. of keys – 120 (Threshold Capacity) • Mandatory Development Obligations (MDO) – to build 50% of the Threshold Keys (60 Keys) to achieve Commercial Operation Date (Project COD) • Staff quarters, wellness centre, parking, restaurants, landscaping area, Beach activity facilities, etc. • Trunk/ ancillary infrastructure such as (water, and sewage, WTP + STP, Levelling, Grading, Boundary wall, Fencing, Roads, Drainage, Power Distribution, Street lighting, RO plant, Power facility, etc. 		
Concession Period	75 years (Including 04 years of Construction and 71 years of O&M)		
Total Project Cost	INR 270.64 crore		
Estimated Capital Cost with Break-up under major heads of expenditure	S. N.	Break-up of Project Cost	Total (INR in crore)
	1	Construction Cost	230.92
	2	Interest During Construction	30.41
	3	Working capital margin funded upfront	5.99
	4	Debt Financing Fee	3.32
	Total Project Cost		270.64
Revenue Streams of the Project	<p>The revenue has been envisaged from the following items/ activities:</p> <ul style="list-style-type: none"> • Room rental • Food & Beverages • Other Services offered such as wellness and spa, other hospitality services (cab/ ferry service, laundry, etc.), Beach/ leisure/ entertainment activities 		
Source of Financing	The funds to meet the capital expenditure (excluding pre-construction activities) shall be arranged by the Concessionaire through Debt, Equity, and Internal Accrual.		
Land Acquisition Status	No Land acquisition is envisaged, as the proposed Land Parcels for the Project - Survey No. 148 in Bharatpur Village is under legal possession of ANIIDCO.		
Financial Viability	<p>Project IRR: 16.01%</p> <p>Equity IRR: 20.7%</p> <p>Project NPV: Rs. 51.90 crore (12% discounting)</p>		
Bidding parameter	Highest Annual Concession		
Bidding process	Single Stage Two-Envelope Bidding Process		

6. The primary purpose of the proposed projects is to attract high end tourism in Andaman & Nicobar Islands by developing eco-tourism luxury resorts that meets 5-Star certification standards. These projects will drive the holistic development of the Island, create sustainable revenue streams for ANIIDCO, and generate meaningful employment opportunities for the local community.
7. These projects will be executed on a Design-Build-Finance-Operate-Transfer (DBFOT) model over a 75-year concession, which includes a 4-year construction period. During this period, the concessionaire will design, develop, finance, operate, maintain, and manage the minimum room inventory, amenities, and all ancillary facilities in accordance with 5-Star certification standards. These projects include a Mandatory Development Obligation requiring the concessionaire to complete at least 50% of the threshold key inventory, i.e. 110 keys in Long Island and 60 keys in Shaheed Dweep, before achieving the Commercial Operations Date (COD). The estimated Total Project Cost (TPC) are INR 496.52 crore for the Long Island eco-tourism resort and INR 270.64 crore for the Shaheed Dweep eco-tourism resort, with the bidding parameter being the Highest Annual Concession Fee.
8. After the presentation, the Chair asked the PPPAC members for their observations. Department of Expenditure and Department of Legal Affairs supported the proposal and stated that they have no further comments to offer.
9. PD, NITI Aayog raised the following observations:
 - a) The definition of 'developed' is not clearly mentioned in the Request for Proposal (RfP). It is recommended that the same should be explicitly detailed in the bidding documents to avoid ambiguity.
 - b) The TPC includes both mandatory and non-mandatory components. It is recommended that non-mandatory components be excluded from the TPC.
10. JS (ISD) raised the following observations:
 - a) In the past, poor connectivity to the project sites, non-market linked Mandatory Development Obligations (like a large number of room keys), and non-flexible and exhaustive Key Performance Indicators (KPIs) have impacted the success of the projects. The authority shall address these issues as per the market assessment before bidding.
 - b) The TPC includes both mandatory and non-mandatory components. It is recommended that non-mandatory components be excluded from the TPC.
 - c) The authority shall correct some erroneous assumptions in financial modelling, like debt-to-equity ratio taken as 60:40, corporate tax taken at the old rate, etc., for enhanced project viability and attracting bids.

11. The Chair raised the following observations:

- a) What is the status of Coastal Regulation Zone (CRZ) clearance? Are there any additional statutory or regulatory approvals required to be obtained?
- b) Does the development of the proposed projects necessitate the removal of trees? If so, is a separate approval or permit required?
- c) Are there any requirements for obtaining clearance from tribal communities?
- d) Are there any obligations on the part of the Authority to provide any connectivity within the Island? If yes, then what is the readiness and timeline of the Authority to do so?
- e) Will the Authority provide an alternative or backup power supply to ensure uninterrupted operations, given that the projects rely primarily on a solar power plant?
- f) What is the bidding parameter for the projects?
- g) Will the concessionaire have exclusive rights to the beach area immediately adjoining the project site along the sea frontage?

12. The Chief Secretary, ANI submitted the following to the queries raised by the PPPAC Members: -

- a) The Authority has already obtained the necessary CRZ clearance for these projects, and no other statutory or regulatory approvals are required.
- b) Neither of the proposed projects involves the removal of any trees.
- c) There is no tribal population within the site of the proposed projects, and obtaining any tribal approval is not required.
- d) To enhance connectivity, jetty infrastructure improvements are planned under the Sagarmala initiative for Long Island. Additionally, a seaplane service is proposed for the Shaheed Dweep. While the Authority is committed to improving connectivity, it is not an obligatory responsibility of the Authority.
- e) There is no obligation on the part of the Authority to provide an alternative or backup power supply to the concessionaire.
- f) The bidding parameter for the projects is Annual Concession Fee with 5% annual escalation. In addition, there is also a provision of percentage Gross Revenue share by the concessionaire. These parameters are consistent with those adopted in previously executed projects, such as the Taj Exotica Resort in Havelock Island.

- g) The seafront beach immediately adjacent to the project sites will remain open to the public; the Concessionaire's rights extend only to the project boundary up to the beachfront, as expressly defined in the Draft Concession Agreement.
- h) The suggestions given by the NITI and DEA have been noted, and appropriate changes shall be made as per market consultations.

Recommendations:

13. After detailed deliberations, the PPPAC recommended the proposal for 'Development of 5-Star Eco-Tourism Resort at Lalaji Bay, Long Island' and 'Development of 5-Star Eco-Tourism Resort at Shaheed Dweep' for consideration of the competent Authority for giving administrative approval. The overall recommendation is subject to the following specific recommendation.
 - a) The appraised TPC for Long Island is INR 496.52 crore, and Shaheed Dweep is INR 270.64 crore.
 - b) Authority may consider undertaking detailed consultations with relevant market players to build investor confidence and enhance the overall market acceptability of the projects, thereby encouraging broader participation in the bidding process.
 - c) The Authority shall ensure that the Minimum Development Obligation is determined based on a comprehensive market assessment and inputs received from stakeholders.
 - d) The TPC and all related interdependent parameters, including bid security, technical eligibility, financial eligibility, and performance security should be as per mandatory development Obligation, which the authority shall decide as per market assessment and inputs received from stakeholders.
14. Revalidation of its recommendation by the PPPAC is not required for the 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/modifications in the project proposal with the overall objective of making the project successful.
 - d) Further, ANIIDCO/Ministry of Home Affairs (MHA) 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 the Secretary (MHA), without any further need of revalidation by the PPPAC and shall proceed with the approval process accordingly.

15. The meeting ended with a vote of thanks to the Chair.

Annexure-I

List of the participants of the 124th meeting of the PPPAC

a) Department of Economic Affairs, Ministry of Finance

1. Shri Ajay Seth, Finance Secretary and Secretary (EA)- In Chair
2. Ms. Anuradha Thakur, OSD(EA)
3. Shri Baldeo Purushartha, JS (ISD)
4. Shri Rahul Singh, Director
5. Shri Rajender Singh, SO (PIU)
6. Shri Manjeet Yadav, ASO

b) Ministry of Home Affairs

1. Shri. Nitesh Vyas, Additional Secretary
2. Shri. Praveen Rai, Joint Secretary
3. Shri. Deepak Virmani, Director
4. Shri. Kanishk Chaudhry, Deputy Commandant

c) Andaman & Nicobar Islands

1. Shri. Chandra Bhushan Kumar, Chief Secretary

d) NITI Aayog

1. Shri. Partha Reddy, Programme Director

e) Department of Expenditure

1. Shri Pawan Kumar, Director

f) Department of Legal Affairs

1. Shri Kasibhatla, Deputy Legal Adviser