

**F. No. 2/1/2026-PIU**  
**Government of India**  
**Ministry of Finance**  
**Department of Economic Affairs**  
**Infrastructure Finance Secretariat**  
**(ISD Division)**

4th Floor, STC Building,  
Janpath, New Delhi  
Dated: 2<sup>nd</sup> April, 2026

**Record of Discussion**

**Subject: Record of Discussion of the 142nd meeting of the PPPAC for considering the proposal, "Development of International Container Transshipment Port (ICTP) at Galathea Bay, Greater Nicobar Island (GNI) for Phase I & Phase II", reg.**

Reference : PPPAC Meeting held on 17.03.2026 and 19.03.2026

Sir/Madam,

The undersigned is directed to forward the Record of Discussion of the 142nd meeting of the PPPAC held on 17.03.2026 and 19.03.2026 under the chairmanship of Secretary (Economic Affairs), to consider the aforementioned proposal of Ministry of Ports, Shipping and Waterways, for information and necessary action.

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

**Encl.: As above**

Yours faithfully,



**(Arya Balan Kumari)**

Joint Director (PIU)

011-23701219

To,

1. The Home Secretary, Ministry of Home Affairs, New Delhi-01
2. The Secretary, Department of Expenditure, New Delhi-01
2. The Secretary, Ministry of Ports, Shipping and Waterways (MoPSW), Transport Bhawan, New Delhi
3. The CEO, NITI Aayog, Yojana Bhawan, New Delhi-01
4. The Secretary, Department of Legal Affairs, Shastri Bhawan, New Delhi

Copy to:

1. Sr. PPS to Secretary (EA)
2. PPS to JS (IFS)

**Subject: Record of Discussion of 142nd meeting of the PPPAC for considering the proposal, "Development of International Container Transshipment Port (ICTP) at Galathea Bay, Greater Nicobar Island (GNI) for Phase I & Phase II", reg: -**

1. The 142<sup>nd</sup> meeting of the PPPAC was held on 17.03.2026 & 19.03.2026 at 10.00 hrs to consider the proposal, "Development of International Container Transshipment Port (ICTP) at Galathea Bay, Greater Nicobar Island (GNI) for Phase I & Phase II."
2. List of attendees is placed in **Annexure-I**.
3. On behalf of the Chair, Joint Secretary (IFS) welcomed the attendees to the meeting and requested MoPSW to make a presentation to the PPPAC. With the permission of the Chair, MD, Kamarajar Port Limited (KPL) made a detailed presentation to the PPPAC.
4. The basic details of the project are given in the table below:

**Table 1: Details of the project as per PPPAC Memo**

<b>Project Description</b>	Development Of International Container Transshipment Port (ICTP) at Galathea Bay, Great Nicobar Island (GNI) for Phase I & II.				
<b>PPP Model</b>	DBFOT, JV with VGF				
<b>Sponsoring Authority</b>	Ministry of Ports Shipping and Waterways				
<b>Implementing Agency</b>	Kamarajar Port Limited				
<b>Location</b>	Great Nicobar Island (GNI)				
<b>Project Components</b>	<b>Cargo Handling Infrastructure</b>				
	<b>Sr. No.</b>	<b>Component</b>	<b>Phase-I</b>	<b>Phase-II</b>	<b>Total</b>
	A	Container Berth Length (m)	2,300	1,750	4,050
	B	No. of Container Berths	7	5	12
	C	POL Berth Length (m)	Nil	300	300
	D	No. of POL Berths	Nil	1	1
	E	Port Craft Berth	1 (150 m)	Nil	1 (150 m)
	F	Container Capacity (Mn TEU)	5.6	6.2	11.8
	G	POL Capacity (MTPA)	Nil	3	3
	<b>Length of Berths</b>				
<b>Sr. No.</b>	<b>Component</b>	<b>Phase-I (m)</b>	<b>Phase-II (m)</b>		
A	Container Berths	2,300	1,750		
B	POL Berth	Nil	300		

C	Port Craft Berths	150	Nil
	<b>Total</b>	<b>2,750</b>	<b>1,750</b>

### Maximum Traffic Capacity

Sr. No.	Item	Phase-I	Phase-II
A	Capacity (Mn TEU)	5.6	6.2

Estimated Project Cost- Phase wise	S	Item	Phase I	Phase II	Total
	No				
	1.	Project Preliminaries and Site Development	53	41	94.8
	2.	Dredging	1,502	1,437	2,938.9
	3.	Reclamation	1,527	4,315	5,842.1
	4.	Breakwaters & Shore Protection	7,978	138	8,115.9
	5.	Berths	4,764	5,472	10236
	6.	Storage Areas	1,186	724	1,908.4
	7.	Equipment	4,817	5,029	9,846
	8.	Buildings	114	62	176.3
	9.	External Power, Water & Telecommunication	451	318	769.5
	10.	Utilities and Others	378	152	530.1
	11.	Port Crafts and Aids to Navigation	559	600	1,159.1
	12.	ICTP Colony Infrastructure	1,340	1,648	2,987.9
	13.	CA/Forest Clearance	303	-	303
	14.	Contingencies 3%	718	566	1284
	15.	Detailed Engineering & Project Management Services @3%	718	566	1284
	16.	Interest during construction	1,385	-	1,385
		<b>Grand Total Cost (Rs. in Crore)</b>	<b>27,793</b>	<b>21,069</b>	<b>48,862</b>
<b>Concession Period</b>	50 years (including 05 years for construction of Phase-IA and phase-IB within 09 years for the date of award. Phase-II to be completed within 19 years from the Date of Award)				
<b>Status of Environmental Clearances</b>	Ministry of Environment, Forest and Climate Change (MoEF&CC) has granted Environmental clearance (EC) for the Project on 11.11.2022 in the name of Andaman and Nicobar Islands Integrated Development Corporation Limited (ANIIDCO).				
<b>Clearance required from the State Government and other local bodies</b>	Consent to Establish (CTE) and Consent to Operate (CTO) would be obtained at appropriate time from the concerned authority.				

<b>Other support required from the State Government</b>	<ul style="list-style-type: none"> <li>• Transfer/Diversion of land from ANIIDCO to KPL for acting as Concessioning Authority.</li> <li>• Supply of Water, Power, Telecommunication and other essential utilities on the best effort basis.</li> </ul>
<b>Concession Agreement</b>	The project is proposed to be implemented as per latest Ports DBFOT MCA
<b>Bidding parameter</b>	Lowest VGF sought or highest premium.
<b>Bidding process</b>	Single stage with two cover system.

5. The MD, KPL stated that the proposed International Container Transshipment Port (ICTP) at Galathea Bay, Great Nicobar Island (GNI) is a flagship infrastructure initiative under the broader “Holistic Development of Great Nicobar Island” program of Ministry of Home Affairs. The proposed project is strategically located along the key maritime trade routes and is in close proximity to the transshipment hubs such as Singapore, Klang, and Colombo. Ministry of Defence has notified the ICTP project as a strategic project on 18<sup>th</sup> August, 2025. Additionally, the ICTP is designed to serve container traffic from the East Coast of India, Bangladesh and Myanmar.

6. The MD, KPL emphasized that the project leverages a highly strategic geopolitical and geographic advantage and is positioned 40 nautical miles from the Malacca Strait which is one of the world’s busiest international shipping routes through which nearly 35% of global seaborne trade passes annually. With natural water depths of 20–30 meters, the location offers a significant opportunity to develop a world-class deep-draft transshipment terminal capable of handling next-generation mainline vessels. Currently, nearly 75% of India’s transshipment cargo is routed through foreign ports, leading to substantial foreign exchange outflows. The project will reduce India’s dependence on foreign transshipment ports by enabling domestic handling of transshipment cargo, resulting in estimated annual foreign exchange savings of about USD 200 million, cumulatively reaching around USD 1 billion by 2047.

7. The MD, KPL presented further that the ICTP is envisaged to be developed in four phases with total handling capacity of 20.4 Mn TEUs. The Port shall have 19 Container berths, 2 POL berths, 2 Port craft berths. However, due to the location and project specific constraints of the project, the initial two phases have been submitted to the PPPAC with an Estimated Project Cost of **Rs. 48,862 crore**. The initial two phases shall have 12 container berths, 02 POL berth and 01 port craft berths. The Phase-I of the project will have an annual capacity of 5.6 Mn TEUs and will be implemented in two sub-phases—Phase IA and Phase IB—each with a capacity of 2.8 Mn TEUs. Phase-II will further expand the port’s capacity by 6.2 Mn TEUs and include the development of a 3 MTPA POL berth facility. By the end of Phase IA (60th month from the Date of Award of Concession), the project is targeted to achieve full completion of breakwater construction, 60% of capital dredging, and 50% completion of container berths, yard development, and onshore infrastructure and utilities. By the end of Phase-IB (108th month from the Date of Award of Concession), all container berths, yard development works, and onshore infrastructure and utilities are expected to be fully completed. Under Phase II (by the 228th month from the Date of Award of Concession), the project will achieve 100% completion of capital dredging in the entrance channel, along with full development of container berths, yard areas, and the POL berth, including all associated infrastructure facilities. The capacity of the two phase is **11.8 Mn TEU**. The project IRR is 13.30% and the equity IRR is 17.30%.

8. The MD, KPL also highlighted that the project has sector specific as well as location specific issues and hence it is structured as a JV model with VGF to boost the confidence of the prospective bidders. In the meeting held on 3.01.2025 in MHA, it was decided that a minimum of 55% shareholding in the project to be held by an Indian-Owned and Controlled entity. Subsequently, during the 9th High-Power Committee (HPC) meeting held in MHA on 02.04.2025, three development models were analysed such as landlord model, JV without VGF and JV with VGF. Among these, "JV Model with VGF" was found in-line with the directions of the meeting held in MHA on 03.01.2025. Accordingly, the proposed JVC structure envisages Select Major Ports (SMPs), including KPL, holding an aggregate equity stake of 45%, with the remaining 55% equity held by private sector entity(ies).

9. The MD, KPL further stated that the project proposal seeks Viability Gap Funding equal to 25% of the Estimated Project Cost (i.e. 25% of the TPC of Phase-I & II which is Rs. 12,230 crore) either from the VGF Scheme of DEA or from the budgetary allocation of MoPSW. As per the proposal, if the VGF is sought from the VGF Scheme of DEA, the following special dispensation may be allowed under the VGF Scheme of DEA: i) Exemption from charging pre-determined tariffs as per VGF scheme; ii) Approval for Viability Gap Funding of 25% of the Estimated Project Cost from the DEA's account; iii) Disbursement of Capital Grant on annual basis in proportion to annual equity and debt contribution of JVC in contravention of the VGF Guideline which prescribes releasing grant after fully infusing equity and in proportion to debt disbursed by the LFI; v) Exemption from repaying 90% of grant released to the Ministry of Finance in case of termination of the project and not continued as a PPP project.

10. After the presentation, the Chair asked the PPPAC members for their observations. The representative of DoLA supported the proposal and stated that they have no further comments to offer.

11. PD, NITI Aayog raised the following observations and the response of MoPSW are given below:

i. ***What is the purpose of adopting Joint Venture (JV) model for the project?***

***Response of MoPSW:*** In the meeting held on 3.01.2025 in MHA, it was decided that a minimum of 55% shareholding in the project to be held by an Indian-Owned and Controlled entity. Subsequently, during the 9th High-Power Committee (HPC) meeting held in MHA on 02.04.2025, three development models were analysed such as landlord model, JV without VGF and JV with VGF. Among these, "JV Model with VGF" was found in-line with the directions of the meeting held in MHA on 03.01.2025. The geographical location of the project makes it strategically important but also brings significant challenges. To attract private sector participation, a JV model has been proposed as equity participation by major ports is expected to enhance investor confidence by signalling strong public sector backing and credibility for the project and thus, attract adequate private sector interest.

ii. ***The PSA may consider the learnings and project structures adopted in previous port projects. Such as in the earlier appraised VOCPA proposal, which was under DBFOT mode, the project failed due to under-estimation of dredging costs, which could have been avoided with accurate estimation and indexation. In the Vizhinjam project, the VGF and funded works contributed to make it as a comprehensive project. It has already been stated in the written comment of NITI Aayog that similar structure i.e., high capex components such as breakwaters and shore protection, which constitute a substantial capital outlay in Phase I, may be***

**structured as Funded Works to be financed entirely by the Concessioneing Authority and executed by the Concessionaire.**

**Response of MoPSW:** The learnings from earlier port projects have been duly considered in the present proposal. To mitigate risks such as underestimation of capital-intensive components (e.g., dredging) the proposal includes (i) bidding out the entire project (Phase-I and Phase-II) together would allow the concessionaire to make an overall assessment of the costs, risks, opportunities; (ii) the provision of Viability Gap Funding (VGF) during Phase I, as a bid parameter to support the development of common infrastructure by the Concessionaire is expected to allow a fair assessment of the costs as well as the reduction of financial stress. Further, Phase I and Phase II have been integrated to improve overall project viability. While Phase I involves significant capital expenditure, particularly for core infrastructure, Phase II includes comparatively lower capital-intensive, revenue-generating components. This cross-phase structuring helps balance risk and return for the concessionaire, thereby enhancing financial sustainability and investor attractiveness.

**iii. The project is envisaged in two phases and the Phase-II will be triggered once the average annual cargo handled reaches 70% of Phase-1 capacity for two consecutive years or not later than 132 months from the date of award of concession whichever is earlier. It is suggested that in case the construction of Phase-2 does not commence before 132 months, the JV should not be mandated to undertake Phase-II and the concession period should be reduced and the Phase-II may be bidded-out separately.**

**Response of MoPSW:** The mandatory provision for Phase-II development has been incorporated to provide the concessionaire with clear and time-bound milestones for long-term capacity augmentation. In the absence of such defined triggers, port operations and growth may stagnate and may not achieve the scale envisaged under the project. The mandatory Phase-II requirement is intended to ensure that the concessionaire remains continuously focused on traffic development and operational expansion throughout the concession period, thereby supporting sustained growth and optimal utilization of the port's strategic potential.

**iv. The stipulation of at least minimum of 55% shareholding by Indian-owned entities in the SPV does not clearly specify that the remaining 45% equity is to be held by a public sector entity. There is a need for greater clarity on these directions to ensure proper understanding and structuring of the project.**

**Response of MoPSW:** The project is of strategic as well as difficult in nature. Therefore, in order to ensure Government control and to boost the confidence of the private player, the project has been structured with 45% of equity participation from the Selected Major Ports.

**v. What would be the impact of the Vizhinjam Transshipment port project on the ICTP at Galathea Bay? Whether both the ports compete with each other?**

**Response of MoPSW:** Based on their geographic locations and proximity to major shipping routes, Vizhinjam International Seaport is expected to primarily cater to transshipment of the west coast traffic, and compete with established hubs such as

Port of Colombo. In contrast, the proposed Galathea Bay ICTP is strategically located near the Malacca Strait and is expected to cater to traffic from the east coast of India, Southeast Asia, and east-bound shipping routes.

vi. ***The financial net worth of JVC prescribed in the RFP is Rs. 7,000 crore. Are there sufficient bidders with the prescribed net worth in the market?***

**Response of MoPSW:** The amount of Rs.7000 Cr is the expected net worth of the JVC as a whole. In this structure, the 55% of the JVC is what is being offered for bidding. Hence the eligibility criteria of the bidder will be 55% of Rs. 7000 Cr i.e., Rs.3850 Cr. This can also be in the shape of consortium.

vii. ***Whether the provision of power and water supply would be provided by the Authority at predetermined rates or would be borne by the concessionaire at market-determined rates?***

**Response of MoPSW:** The Authority would be providing for the provision of power and water supply arrangements at the predetermined rates of ANIIDCO and the same shall be incorporated in the concession agreement.

viii. ***Whether the location for debris disposal identified? If yes, whether the requisite approvals for the same obtained?***

**Response of MoPSW:** The debris disposal location has already been identified and is covered under the Environmental Clearance obtained on 11th November 2022.

12. **JD, DoE** raised concerns with regard to the special dispensation sought under the VGF Scheme of DEA stating that vital clauses of the existing VGF scheme would need to be amended in case of special dispensation. DEA may take a decision based on the VGF Scheme eligibility and check whether an approval of Cabinet is required to allow such special dispensation.

13. **JS (IFS), DEA** raised the following observations and the response of MoPSW are given below:

***i. In typical port projects on PPP model, capital-intensive common infrastructure such as dredging, reclamation, and breakwaters is usually undertaken under HAM mode or as funded works. However, in the proposed project, these components are included within the scope of the concessionaire. Would a concessionaire be interested in undertaking such capital-intensive common infrastructure works?***

**Response of MoPSW:** While common infrastructure is typically developed by the Authority, in this project it has been included within the scope of the JV to provide the private partner with greater flexibility in design and implementation, aligned with its operational requirements and cost estimation. This approach also ensures that the private partner has full ownership and accountability from the outset, thereby promoting efficiency and long-term commitment to the project. Further, a VGF support is proposed to be given in the first phase to the project.

*ii.* With reference to the VGF grant component, as per the proposal, VGF shall be sought either from DEA or from the budgetary support of MoPSW. Special dispensation has been sought if the grant is from the VGF Scheme of DEA such as relaxation of the pre-determined tariff provisions, allowing VGF in excess of 20% from DEA, disbursement of VGF without fully infusing equity into the project, and relaxation from repayment of VGF condition in the event of project termination or discontinuation as a PPP. These requests constitute material alteration of the Scheme, which are not permissible under the VGF Guidelines. Cabinet approval will be required for any material alteration of the Scheme. In addition, the VGF request of Rs.12,230 Cr is more than current and even past five-year VGF Scheme outlays.

*iii.* ***As per the proposal, internal accruals are proposed to be utilized for the development of Phase-II, which is not a standard practice. Why are internal accruals being used instead of fresh equity infusion?***

***Response of MoPSW:*** Under the proposed structure, Phase-II development would ordinarily require equity contribution by the JVC, including infusion by the private partner and select major ports. However, instead of raising fresh equity, the proposal envisages utilization of internal accruals generated during Phase-I operations. The use of internal accruals has the same financial impact as fresh equity infusion. Accordingly, the use of internal accruals has been considered appropriate and incorporated in the financial model.

*iv.* ***The project has adopted a debt-equity ratio of 70:30, whereas other ministries, such as MoRTH, have started adopting a 75:25 structure. Why has a 70:30 ratio been considered for this project?***

***Response of MoPSW:*** The proposed project carries significant construction, traffic, and commercial risks, given its scale and greenfield nature. Adopting a higher leverage structure of 75:25 could adversely impact project bankability and reduce bidder interest. Accordingly, the standard 70:30 debt-equity ratio has been considered appropriate to ensure financial viability and to attract adequate private sector participation.

14. JD(PIU), DEA raised the following observations and the response of MoPSW are given below:

*i.* ***As per the proposal, the Authority is proposed to earn revenues in the form of dividends and revenue share. In view of the significant returns accruing to the Authority, what is the rationale for seeking VGF for the proposed project?***

***Response of MoPSW:*** The Authority's earnings in the form of dividends and revenue share are projected to commence only from the 17th year, when the project achieves financial break-even. In the initial years, the project remains financially unviable and therefore requires VGF support for its development. The projected returns are intended primarily to compensate for the substantial risks being borne by

the PSA and the Select Major Ports in the development of this large scale greenfield and strategic project.

15. **The Chair** raised the following observations and the response of MoPSW are given below:

**i. Considering the proximity of well-established transshipment hubs such as Colombo, Singapore, and Port Klang, how does the proposed ICTP at Galathea Bay intend to remain competitive and attract shipping lines?**

**Response of MoPSW:** A detailed tariff benchmarking exercise against major competing ports were carried out during the DPR stage. Based on current terminal handling charges (FY 2025–26), tariffs are estimated at USD 65–70 per TEU at Singapore and USD 45–55 per TEU at Colombo and Port Klang. Accordingly, a competitive tariff has been adopted in the project. A competitive tariff structure supplemented by a strong port ecosystem plays a critical role in attracting and sustaining transshipment traffic.

**ii. Several port projects such as Vizhinjam, Visakhapatnam, etc., are coming up with similar visions of targeting transshipment traffic. How does the proposed Galathea Bay ICTP differentiate itself?**

**Response of MoPSW:** At present, India has operational deep-draft ports, namely Visakhapatnam, Mundra and Vizhinjam, and in future Vadhvan port shall also be the deep draft port. As such only one deep draft port is operational on the East Coast line which is also not an International Container Transshipment Port for the reason being away from the international shipping routes. The project enjoys a strategic locational advantage, as the proposed project is located very close to the main East–West international shipping route, making it an ideal hub for global trade. Owing to this proximity, the port is well positioned to attract transshipment traffic from the East Coast of India as well as neighbouring countries such as Myanmar and Bangladesh. Further, Galathea Bay is geographically closer than Port Klang and Singapore, enabling both mother vessels and feeder vessels to achieve logistics cost savings if transshipment activities are shifted from these established foreign hubs to Galathea Bay.

**iii. What was the recommendation of the PIB on original proposal? Does it have any implication on this proposal?**

**Response by DoE:** In the PIB meeting held on 08.08.2024 it was concluded that the (i) The proposal lacks strategic objectives; hence more specific strategic objectives may be taken into consideration while preparing the proposal. CEE suggested the thorough discussion between AS (MHA) and AS (Pers.) regarding the proposal, (ii) Minimum sizing in Phase-I is suggested to have a proof of concept. It will reduce the risk associated with the project in the subsequent phases and (iii) EPC/PPP mode was chosen by MoPSW as the most economically viable option in the proposal. In this regard, it was suggested to choose the best optimal structure for the SPV, either it can be a CPSE/PSU or PPP.

**Response of MoPSW:** Based on the recommendations of the PIB, only the initial two phases have been taken up now and the option of JV with VGF has been explored.

iv. ***Whether stakeholder consultations were carried out for the project, and how many players have participated?***

**Response of MoPSW:** Stakeholder consultations were undertaken with participation from seven sector players.

v. ***In the proposed project, Kamarajar Port Limited (KPL) is both the Project Sponsoring Authority and an equity participant in the JV/SPV. With this the same public entity is placed on both sides of the concession contract and potentially could lead to direct conflict of interest.***

**Response of MoPSW:** It is agreed that having a public sector entity on both sides of the concession arrangement, as the Authority and as an equity shareholder in the JV/SPV would create conflict of interest and potential disputes during the concession period. Therefore, the KPL would not be part of the JV.

vi. ***The proposed concessionaire JV is envisaged to be between public sector entities and a private player. This would place public sector entities on both sides of the concession, which appears to be contrary to the general principles of Public-Private Partnerships. Would the PSA like to review and revise the project structure in this light?***

**Response of MoPSW:** In a meeting held in January 2025 in MHA, it was decided that a minimum of 55% of shareholding in the project shall be owned by an Indian-Owned and Controlled entity. Subsequently, in the High-Power Committee meeting held in MHA, all the available options such as landlord model, JV without VGF and JV with VGF have been explored. Among them, JV with VGF found to be viable. The project is structured as a JV, with a 45% equity (minority) stake from major ports [along with VGF support], with the intention of attracting bidders and instilling confidence in the development of a large-scale greenfield port at a strategic yet challenging location. From a sector-specific perspective and due to the port's locational issues, it was felt that shareholding of major ports which is limited to a minority shareholding of 45%, would help to reduce apprehensions amongst private sector bidders, while simultaneously allowing majority shareholding and control to them to bear risks and take decisions both.

vii. ***In typical port projects, capital-intensive common infrastructure such as dredging, reclamation, and breakwaters is usually undertaken under HAM mode or as funded works. However, in the proposed project, these components are included within the scope of the concessionaire. Why would a concessionaire be interested in undertaking such capital-intensive common infrastructure works?***

**Response of MoPSW:** While common infrastructure is typically developed by the sponsoring authority, in this project it has been included within the scope of the JV. This has been done to provide the private partner with greater flexibility in design and

implementation, aligned with its operational requirements. This approach also ensures that the private partner has full ownership and accountability from the outset, thereby promoting efficiency and long-term commitment to the project. Further, as described earlier, a VGF support is also proposed to be given in the first phase to the project.

viii. ***What are the anticipated risks associated with the proposed project and why is it considered a strategic project?***

**Response of MoPSW:** The proposed project at Galathea Bay is of high strategic importance from both defence and commercial perspectives, particularly in the context of neighbouring countries continuously enhancing their port infrastructure and defence capabilities in the Indian Ocean region. From a project standpoint in terms of risk, the two major risks identified are the development of a large-scale greenfield port project and the challenge of diverting and establishing transshipment traffic from existing, well-established ports. Despite these risks, the location and strategic relevance of the project underscore its importance.

ix. ***What are the possible scenarios in which the concessionaire may not be able to go ahead with Phase-II development?***

**Response of MoPSW:** Phase-II constitutes the primary revenue-generating phase of the project for the concessionaire. During Phase-I, the concessionaire is expected to largely achieve financial break-even. Accordingly, for the concessionaire/JV to generate returns and sustain long-term profitability, development of Phase-II is essential. In the event, the anticipated traffic does not materialize in Phase-I, the JV may not undertake Phase-II development. Bringing in the concessionaire, right in the beginning, is a risk-mitigating feature so that they may prepare for this in advance.

## **Recommendations**

16. After detailed deliberations, the PPPAC unanimously recommended the proposal, "Development of International Container Transshipment Port (ICTP) at Galathea Bay, Greater Nicobar Island (GNI) for Phase I & Phase II" for consideration of the competent authority for giving administrative approval subject to the following observations: -

i. **Total Estimated Project Cost:** The appraised combined cost of Total Estimated Project Cost for the International Container Transshipment Port is Rs. 48, 862 Crore for the first and the second phases of the project. The Estimated Project Cost for the first phase is Rs. 27,793 Cr and the second phase is Rs. 21,069 Crore.

ii. **JV model structuring.** In typical PPP frameworks, the project is implemented through a Special Purpose Vehicle (SPV) owned and controlled by the private concessionaire, while the public entity assumes the role of Project Sponsoring Authority (PSA). This institutional separation helps to maintain transparency, accountability, and efficient risk allocation. It also ensures milestone-based project implementation by the private sector, based on strict supervision by the PSA.

Discussions in this regard pointed to the fact that while a public sector entity holding shares in the concessionaire would not automatically disqualify the arrangement, it would be

important to ensure that the principles of a PPP are satisfied. This includes the private party bearing substantial risk, be it construction, demand, operational risks etc. Also the concessionaire should operationally be controlled by private party and the agreement of the Joint Venture should define responsibilities clearly, to ensure that the spirit of PPP is maintained.

It was also noted by the Committee that, during the initial phase of airport development under the PPP model, similar JV structures with public sector shareholding were adopted. For instance, the concessionaire, Delhi International Airport Limited (DIAL), was structured as a joint venture with equity participation from Airports Authority of India (AAI), along with private sector partners. As reiterated by the MoPSW, the sectoral and locational challenges of the project make it imperative for public sector entities (excluding KPL) to be part of the JV. The PPPAC takes note of the sector and project specific constraints. Therefore, while MoPSW may go-ahead with their JV proposal, it is suggested that, appropriate apportionment of risk as discussed above by the PPPAC should be put in place to optimize the benefits of the PPP structure.

iii. A minimum of 55% shareholding in the project SPV to be held by an Indian-Owned and Controlled entity in accordance with the decision of MHA in the meeting held on 03.01.2025.

iv. **The project is not structured in accordance with the DEA's VGF Scheme; therefore, it is not eligible for VGF support under the VGF Scheme of DEA:** As per the proposal, VGF has been sought from the VGF Scheme of DEA with exemptions such as (i) Approval for VGF of 25% of the EPC, (ii) Flexibility to charge market determined tariff per MPA 2021, (iii) Disbursement of VGF on annual basis in proportion to annual equity and debt contribution of JVC, and (iv) Exemption from payback condition in case of Termination. However, the VGF Scheme of DEA is envisaged as a generic support mechanism to bridge limited viability gaps in small to medium sized PPP projects, with a special focus to social sector. Further, the exemptions sought by the MoPSW constitute material deviations from the existing VGF scheme of DEA. Such material alterations are not permissible within the existing framework of the VGF Scheme and would require explicit Cabinet approval for project specific and sector specific dispensation. Besides, the scheme is not intended to provide large capital grants for mega projects, especially where the proposed VGF requirement is exceptionally high, in fact more than the Scheme outlay. Hence, the VGF grant from the VGF Scheme of DEA is not admissible. MoPSW may take forward this project in the current structure and fund the VGF component through its own budgetary support. It may be noted that there have been several sectoral VGF schemes or project specific capital grants implemented by Ministries such as MNRE, Textiles, MoPNG, and Power (schemes for PM-MITRA, CPSU-II grid-connected solar projects, strategic petroleum reserves, battery storage projects etc.). **Accordingly, MoPSW may consider providing VGF/Capital grant support through its own budgetary support.**

v. **Structure of the project:** In view of the constraints, the PSA may consider structuring the mandatory Phase-II development provisions in such a way that it provides the requisite flexibility to the concessionaire to augment the project capacity. In the event of under-performance of the project, appropriate and timely corrective measures, such as reduction in the concession period or other suitable contractual remedies, may be incorporated in the concession framework.

vi. **Concession period:** As proposed by MoPSW, the concession period of the project is 50 years including a construction period of 60 months for Phase-IA and 108 months for Phase-IB.

**vii. Eligibility Criteria:** Adequate competition may be ensured while setting eligibility criteria for the prospective bidders.

**viii.** Accordingly, necessary changes may be carried out in the RFP and the Concession Agreement and a comprehensive legal vetting of the documents shall be undertaken.

**ix.** Considering the constraints associated with the project, the PSA may closely monitor the project and ensure timely execution.

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

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

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

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**List of the attendees of the 142<sup>nd</sup> meeting of the PPPAC for considering the proposal, "Development of International Container Transshipment Port (ICTP) at Galathea Bay, Greater Nicobar Island (GNI) for Phase I & Phase II.**

**Department of Economic Affairs, Ministry of Finance**

- i. Ms. Anuradha Thakur, Secretary (EA)
- ii. Shri. Alok Tiwari, JS (IFS)
- iii. Ms. Arya Balan Kumari, Joint Director
- iv. Shri Shyam Shankar, Section Officer
- v. Shri. Rajender Singh, Section Officer
- vi. Shri. Manjeet, Assistant Section Officer
- vii. Shri. Deepak Meena, Assistant Section Officer

**Department of Expenditure**

- i. Ms. Preeti, Joint Director

**NITI Aayog**

- i. Shri. Partha Reddy, Programme Director

**DoLA**

- i. Shri. Jagat Prakesh, Assistant Legal Adviser

**Ministry of Ports, Shipping and Waterways**

- i. Shri. Vijay Kumar, Secretary, PSW.
- ii. Shri. Mukesh Mangal, Additional Secretary, PSW.
- iii. Shri. Rajesh Asati, Deputy Secretary (Ports)
- iv. Dr. Tarun Kumar Budal, Deputy Director (Ports)

**Ministry of Home Affairs**

- i. Shri. Praveen Kumar Rai, JS
- ii. Shri. Deepak Virmani, Director
- iii. Shri. Kanishk Chaudhary, Deputy Commandant

**Kamarajar Port Limited**

- i. Ms. J.P. Irene Cynthia, MD
- ii. Shri. G M Balan, GM (Marine Services)
- iii. Shri. C.Pushpalatha, Manager (Projects)