

F. No. 2/4/2026-PIU
Government of India
Ministry of Finance
Department of Economic Affairs
Infrastructure Finance Secretariat
ISD Division
(PIU)

4th Floor, STCs Building,
Janpath New Delhi
Dated: 30th May 2026

Record of Discussion

Subject: Record of Discussion of the 145th meeting of the PPPAC for considering the proposal, "Development of Outer Harbour at V.O. Chidambaranar Port on HAM cum DBFOT basis", of Ministry of Ports Shipping & Waterways (MoPSW).

Reference: 145th meeting of the PPPAC held on 23rd April 2026.

Sir/Madam,

The undersigned is directed to forward the Record of Discussion of the 145th meeting of the PPPAC held on 23rd April 2026 under the chairmanship of Secretary (EA) for information and necessary action.

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



(Arya B K)
Joint Director
011-23701219

To,

1. Secretary, Department of Expenditure, New Delhi-01
2. CEO, NITI Aayog, Yojana Bhawan, New Delhi-01
3. Secretary, Ministry of Ports Shipping & Waterways, Parivahan Bhavan, New Delhi
4. 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 the 145th meeting of the PPPAC for considering the proposal, “Development of Outer Harbour at V.O. Chidambaranar Port on HAM cum DBFOT basis” of Ministry of Ports, Shipping and Waterways (MoPSW) regarding:

1. The 145th meeting of the PPPAC was held on 23rd April 2026 at 11:00 hrs to consider the above-mentioned proposal of Ministry of Ports Shipping & Waterways (MoPSW).
2. List of attendees is placed at **Annexure-I**.
3. With the permission of Secretary (EA), Joint Secretary (IFS) welcomed all the attendees to the meeting. The Chairman, V.O. Chidambaranar Port Authority (VOCPA) made a detailed presentation on the project to the PPPAC members.
4. The details of the proposal are as given in the Table below:

Table 1: Details of the project

S.N	Item	Description
I.	Name of the Project	<p>Development of Outer Harbour at V.O. Chidambaranar Port on HAM cum DBFOT basis.</p> <p><i>HAM Component:</i> Construction of Breakwater, Rock Bund, Wharf and capital dredging and reclamation for backup yard and allied onshore facilities including maintenance thereof on Hybrid Annuity Model (HAM) under Development of Outer Harbour at V.O. Chidambaranar Port.</p> <p><i>DBFOT Component:</i> Development of Container Terminal Phase-I and Phase-II in Outer Harbour at V.O. Chidambaranar Port on Design, Build, Finance, Operate & Transfer (DBFOT) basis (pre-approval)</p>

II.	Type of PPP (BOT, BOOT, BOLT, etc.)	HAM (Hybrid Annuity model) + DBFOT (pre-approval)
III.	Location (State/District/Town)	State: Tamil Nadu District Tuticorin Town: Tuticorin
IV.	Administrative Ministry/ Department	Ministry of Ports, Shipping and Waterways (MoPSW)
V.	Name of Sponsoring Authority	V.O. Chidambaranar Port Authority
VI.	Name of the Implementing Agency	V.O. Chidambaranar Port Authority
VII.	Scope of the Project	<p>HAM component</p> <ul style="list-style-type: none"> a. Construction of breakwater in the Northern and Southern side (5,650m length approx.), b. Rubble Bund for reclamation of dredged materials (2,800m), c. Capital dredging alongside the berth and Outer Harbour basin to (-)17.90, Basin Turning Circle to (-) 18.70m and approach channel to (-)19.50m, d. Reclaiming the dredged materials for creation of land for the stackyard, e. Construction of 2 berths of 1000m long each, f. Development of Gate Complex Corridor including 6 lane road. <p>DBFOT component</p> <ul style="list-style-type: none"> a. Mechanization of the two berths to handle the container cargoes with a capacity of 5.20 MTEU's. (Two Terminals each 12 nos of STS, 36 nos of E-

		<p>RTGs, 2nos RMGCs for railway yard, Sufficient RS / TL / Trailers etc.)</p> <p>b. Container yard Pavement & RTG Track</p> <p>c. Construction of operational buildings, Onshore allied facilities such as Rail yard and tie-in, Power distribution, Potable water, Firefighting system, storm water drain & sewerage system, Communication & IT Network System</p> <p>d. Other incidental and miscellaneous facilities required for Operations.</p>																		
VIII.	Concession Period	<p>HAM component</p> <ul style="list-style-type: none"> Construction period of 4 yrs and Annuity period of 10 years <p>DBFOT component</p> <ul style="list-style-type: none"> Phase I: 30 years including construction period of 24 months Phase II: 30 years including construction period of 24 months 																		
IX.	Estimated Capital costs with break-up under major heads of expenditure. Also indicate the basis of cost estimation	HAM component																		
		<table border="1"> <thead> <tr> <th>S.No.</th> <th>Description</th> <th>Amount (Rs. Cr.)</th> </tr> </thead> <tbody> <tr> <td>A</td> <td>WORKS</td> <td></td> </tr> <tr> <td>1</td> <td>Breakwater</td> <td>1,180.91</td> </tr> <tr> <td>2</td> <td>Dredging</td> <td>6,276.12</td> </tr> <tr> <td>3</td> <td>Land Reclamation (Ground improvement)</td> <td>14.45</td> </tr> <tr> <td>4</td> <td>Reclamation bund protection*</td> <td>203.90</td> </tr> </tbody> </table>	S.No.	Description	Amount (Rs. Cr.)	A	WORKS		1	Breakwater	1,180.91	2	Dredging	6,276.12	3	Land Reclamation (Ground improvement)	14.45	4	Reclamation bund protection*	203.90
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	5	Container Berths	994.00
	6	Port Craft Berths	45.80
	7	Navigation Aids	12.23
	8	Gate Complex Corridor including 6 lane road	93.76
		Total Works	8,821.15
	B	EQUIPMENT	Nil
	C	ONSHORE WORKS	Nil
	D	Total Basic Infrastructure Cost (A+B+C)	8,821.15
	E	Contingency Engineering (2%) on D	176.42
	F	Project Management Expenses (1%) on D	88.21
	G	Total Cost (D+E+F)	9,085.79
	H	GST @18%	1,635.44
	I	Total Cost incl GST (G+H)	10,721.23
	J	Corporate Environmental Responsibility Activity	21.25
	K	Total Project Cost (I+J)	10,742.48
	L	Interest During Construction (IDC)	990.8
	M	Escalation @ 4%	Nil
	N	Total Project Cost with IDC and escalation	11,733.28
	DBFOT component		

S.No.	Description	Amount (in Rs. Crores)		
		Phase-1	Phase-2	Total
A	WORKS	Nil	Nil	Nil
B	EQUIPMENT			
1	Container Handling Equipment	1,574.27	1,574.27	3,148.53
2	Port Crafts (Leased)			
	Total Cost of Equipment	1,574.27	1,574.27	3,148.53
C	ONSHORE WORKS			
1	Buildings	30.82	30.82	61.64
2	Container yard Pavement & RTG Track	172.76	161.00	333.76
3	Rail yard and tie-in	30.88	14.63	45.50
4	Power distribution & Area Lighting	30.00	20.00	50.00
5	Potable water distribution network	0.92	0.92	1.85
6	Fire network system	10.00	6.00	16.00
7	Storm Water Drain, Sewerage network system	10.00	10.00	20.00
8	Communication & IT Network System	20.00	10.00	30.00
9	Miscellaneous - all other items required for operation and not included in above items such as weigh bridge, watch tower,	3.69	3.82	7.52

			refer access platforms, etc.			
			Total Onshore Works	309.08	257.19	566.27
		D	Total Infrastructure Cost (A+B+C)	1,883.34	1,831.46	3,714.80
		E	Contingency Engineering (2%) on D	37.67	36.63	74.30
		F	Project Management Expenses (1%) on D	18.83	18.31	37.15
		G	Total Cost (D+E+F)	1,939.84	1,886.40	3,826.24
		H	GST@18%	65.80	56.18	121.99
		I	Total Cost incl GST (G+H)	2,005.64	1,942.59	3,948.23
		J	Corporate Environmental Responsibility Activity	Nil	Nil	Nil
		K	Total Project Cost (I+J)	2,005.64	1,942.59	3,948.23
		L	Interest During Construction (IDC)	146.69	164.52	311.21
		M	Escalation @ 4%	395.53	779.11	1174.64
		N	Total Project Cost with IDC and escalation	2,547.86	2,886.22	5,434.08
X.	Phasing of Investment escalation) (with		Projected Progress	Year wise (incl GST)	Expenses with escalation up to 2034 (Rs. Cr.)	

			HAM	DBFOT	Total
DBFOT	HAM				
	5%	2026-27 (3MTHS)	536.18	-	536.18
	25%	2027-28	2,592.73	-	2,592.73
	55%	2028-29	5,776.80	-	5,776.80
40%	15%	2029-30	2,047.67	1,009.15	3,056.82
60%		2030-31	779.89	1,538.71	2,318.60
		2031-32	-	-	-
		2032-33	-	-	-
40%		2033-34		1,118.04	1,118.04
60%		2034-35		1,768.19	1,768.19
			11,733.28	5,434.09	17,167.36

XI.	Project Implementation Schedule (PIS)	<p>Project Milestone of HAM component is as follows:</p> <p>A. Project Milestone-I:</p> <p>a. Project Milestone-I shall occur on the date falling on the 365th (Three Hundred and Sixty Fifth) day from the Appointed Date (the “Project Milestone-I”).</p> <p>b. Prior to the occurrence of Project Milestone-I, the Concessionaire shall have expended not less than 20% (twenty per cent) of the total capital cost set forth in the Financial Package.</p> <p>c. Prior to the occurrence of Project Milestone –I, the Concessionaire shall have commenced construction of the Wharf and achieved 50% of Physical Progress back up yard reclamation of Container Terminal-1.</p>
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		<p>B. Project Milestone-II</p> <p>a. Project Milestone-II shall occur on the date falling on the 730th (Seven Hundred and Thirty) day from the Appointed Date (the “Project Milestone-II”).</p> <p>b. Prior to the occurrence of Project Milestone-II, the Concessionaire shall have expended not less than 55% (fifty -five per cent) of the total capital cost set forth in the Financial Package. Provided, however, that at least 70% (seventy percent) of the expenditure referred to hereinabove shall have been incurred on physical works which shall not include advances of any kind to any person or expenditure of any kind on plant and machinery.</p> <p>c. Prior to the occurrence of Project Milestone-II, the Concessionaire shall have Completed the Wharf construction of Container Terminal-1 and achieved 100% of Physical Progress for Backup yard by Reclamation yard of Container Terminal-1.</p> <p>d. Prior to the occurrence of Project Milestone-II, the Concessionaire shall have Completed the 30% of the revetment bund construction of the Container Terminal-2 and achieved 100% of Physical Progress on Breakwater Construction.</p> <p>e. Appointment Date for DBFOT-1 Concessionaire and handing over of backup yard for Terminal-1.</p> <p>C. Project Milestone-III</p> <p>a. Project Milestone-III shall occur on the date falling on the 1095th (One Thousand and Ninety Fifth) day from the Appointed Date (the “Project Milestone-III”).</p> <p>b. Prior to the occurrence of Project Milestone-III, the Concessionaire shall have commenced construction of all Project Facilities and expended not less than 90% (ninety per cent) of the total capital cost set forth in the Financial Package.</p>
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		<p>c. Prior to the occurrence of Project Milestone–III, the Concessionaire shall have commenced construction of the Project and achieved 15% Physical Progress of Container Terminal-2.</p> <p>d. After 100% of the reclamation area of Container Terminal-1, Gate complex and all works in respect of Terminal-1 shall be completed</p> <p>e. Achieved 100% of Dredging and reclamation works related to both terminals</p> <p>f. DBFOT-1 Concessionaire to Complete 100% Backup yard.</p> <p>D. Project Milestone – IV</p> <p>a. The Container Terminal-1 Scheduled Completion Date shall be as per Clause 12.3.1.</p> <p>b. On or before the Scheduled Completion Date, the Concessionaire shall have completed the Container Terminal-1 of the Project in accordance with this Agreement.</p> <p>c. All facilities within Container Terminal-1 and tug berth shall be usable.</p> <p>E. Project Milestone-V</p> <p>a. Project Milestone - V shall occur on the date falling on the 1460th (One Thousand Four Hundred and Sixtieth) day from the Appointed Date (the “Project Milestone- V”).</p> <p>b. Prior to the occurrence of Project Milestone-V, the Concessionaire shall have completed the wharf construction and expended 100% (Hundred per cent) of the total capital cost set forth in the Financial Package.</p> <p>c. All works of Terminal 2 (Phase-2) works shall be completed.</p> <p>F. Project Milestone-VI</p>
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		<p>a. The Container Terminal-2 Scheduled Completion Date shall be as per Clause 12.3.1.</p> <p>b. On or before the Scheduled Completion Date, the Concessionaire shall have completed the overall Project in accordance with this Agreement.</p> <p>c. DBFOT-2 Concessionaire to Complete Installation of Cranes, facilities</p> <p>d. COD of Terminal 1 for DBFOT-1.</p> <p>G. Extension of period</p> <p>Upon extension of any or all of the aforesaid Project Milestones or the Scheduled Completion Date, as the case may be, under and in accordance with the provisions of this Agreement, the Project Completion Schedule shall be deemed to have been amended accordingly.</p> <p>Project Milestones of DBFOT are as follows:</p> <ol style="list-style-type: none"> 1. Phase-I of DBFOT is scheduled to commence on 01.01.2029 (730th day from the HAM appointed date) and completed by 31.12.2030 (1460th day from the HAM appointed date) with a construction phase of 2 years. 2. Phase-II of DBFOT is scheduled to commence on 01.01.2033 (2190th day from the HAM appointed date) and completed by 31.12.2034 (2920th day from the HAM appointed date) with a construction phase of 2 years.
XII.	Sources of financing (equity, debt, mezzanine capital etc.)	<p>HAM component</p> <ul style="list-style-type: none"> • Authority is to pay 45% of the Bid Project Cost in 10 (ten) equal instalments of each 4.5% during Construction period of 4 years. • Balance Project cost shall be arranged by the Concessionaire through Debt and Equity.

		<p>DBFOT component</p> <p>To be arranged by the respective Concessionaires for Phase-I & Phase-2.</p>
KIII.	Indicate the revenue streams of the Project (annual flows over project life). Also indicate the underlying assumptions.	<ul style="list-style-type: none"> The project is to prepare civil infra structure for development of Container Handling facilities and to deepen the approach channel, dock basin etc., for handling 24,000 TEU Vessels. There is no separate revenue stream for HAM component. However once Terminals are developed under DBFOT model, the Port will be handling commercial vessels and there will be revenue generated directly by Port and through DBFOT operator as royalty.
KIV.	Indicate the NPV of revenue streams with 12% discounting	<p>For HAM concessionaire: Rs. 54.96.37 Cr.</p> <p>For Phase-I DBFOT PPP operator: Rs. 256.05 Crore</p> <p>For Phase-II DBFOT PPP operator: Rs. 194.06 Crore</p>
KV.	Who will fix the tariff/user charges? Please specify in detail.	<p>HAM component</p> <ul style="list-style-type: none"> Concessionaire is not permitted to collect any charges / fee from the users. The project is for preparation of basic infrastructure for deepening and development of quay for bigger size container vessels. The Tariff and other charges will be decided as per the Tariff Guidelines for Major Ports. <p>DBFOT component</p> <ul style="list-style-type: none"> As per MCA-2021 vide Article-8, the respective Concessionaires of Project 1 & Project 2, shall fix the Tariff based on market conditions and such other conditions, if any, as may be notified and made applicable by a Competent Authority, under the provisions of MPA Act.

KVI.	Status of environmental Clearances	<p>State CRZ committee recommended the Project and final application submitted to MoEF&CC on 06.11.2025. After complying with Essential Details Sought (EDS), the application has been resubmitted along with Certified Compliance report on 02.04.2026. EC & CRZ clearance from MoEF&CC is awaited.</p> <p>Clearance from State Government and other local-bodies, if necessary, will be obtained by the Concessionaire on or before commissioning of the project.</p>
VII.	Clearance required from the State Government and other local bodies	No Clearance is required from the State Government and other local bodies and if any will be obtained by the HAM / DBFOT operator.
VIII.	Other support required from the State Government	CTE & CTO to be obtained by the Concessionaire PPP operator while commencing & commissioning the project respectively by HAM & DBFOT operators from TNPCB.
KIX.	Status of Land Acquisition	No land acquisition is required.
XX.	Concession Agreement	<p>HAM component</p> <p>There is no approved HAM document (both RFP and DCA) for the Maritime sector. The Project is proposed to be implemented in line with first PPPAC appraised / approved HAM for Vadhavan Port which is the first HAM based project in the Maritime sector. The Project is being considered as a model document for the purpose of the project.</p> <p>DBFOT component</p> <p>The Draft Concession Agreement is based on the approved MCA-2021, with certain deviations.</p>
XXI.	Is short-listing to be in one stage or two stages?	Single stage Two envelope process.

5. The Chairman, VOC Port Authority stated that the VOC Port (formerly known as Tuticorin Port) is one of the 12 major ports of India. It is an artificial, deep-water port located on the east coast at Tuticorin. The city is strategically positioned approximately 160 km north of Kanyakumari and about 129 nautical miles from the western international sea route, placing it just around 20 hours from the East–West trade corridor. This advantageous location enhances its role as a key gateway for maritime trade and logistics in the region. The Port plays a vital role in facilitating international and coastal trade, handling a diverse range of cargo including containers, coal, petroleum products, fertilizers, and general cargo. It is well-equipped with modern infrastructure such as container terminals, bulk cargo handling facilities, and mechanized berths, enabling efficient cargo operations. The Port is also supported by robust rail and road connectivity, linking it to major industrial and hinterland regions across southern India.
6. The Outer Harbour Project at V.O. Chidambaranar Port, Tuticorin, is a flagship initiative aimed at transforming the port into a next-generation container hub capable of handling Ultra Large Container Vessels (ULCVs). The project was originally recommended by the PPPAC on 08th November 2023 and approved by the Cabinet Committee on Economic Affairs (CCEA) on 27th February 2024. It was sanctioned in PPP mode with VGF support of Rs.1,950 Cr and with a total outlay of Rs.7,055.95 Cr. (excluding GST), designed to handle vessels of up to 18,000 TEUs with a draft of 16 metres. Hon'ble Prime Minister laid the foundation stone of the project on 28th February 2024.
7. Subsequently, the Port made two attempts to invite proposals from prospective bidders. In the first attempt, only two bidders submitted proposals, but neither met the qualification criteria. In the second attempt, no bids were received at all. Recognizing the need for restructuring, the Port engaged in detailed discussions with stakeholders and subsequently appointed a new consultant to prepare a revised Detailed Project Report (DPR). Thus, the project was restructured in two parts: (i) HAM for basic civil infrastructure components such as breakwaters, dredging, and reclamation for a TPC of Rs. 11,733.28 Cr and (ii) DBFOT framework for mechanization and operations, including yard infrastructure and equipment for a TPC of Rs. 5,434.09 Cr. This dual approach is intended to balance risk-sharing, attract private participation, and ensure operational efficiency.
8. In addition, the Chairman (VOCPA) highlighted that the earlier proposal was limited to cater to the vessels with a draft of 16 metres, corresponding to a maximum capacity of 18,000 TEUs. However, in the restructured proposal, it has been designed to accommodate vessels with an 18-metre draft, which represents the highest class of container vessels currently available in the global market, capable of carrying up to 24,000 TEUs.

9. The Chairman (VOCPA) also stated that this enhancement of capacity has significantly altered the scope of dredging requirements. The dredging quantity has increased from 10.96 million cubic metres to 20.30 million cubic metres, owing to the deeper basin and channel, as well as the extension of the outer channel length from 8.6 km to 10.5 km and its width from 230 metres to 295 metres. The decision to adopt an 18-metre draft was based on recent traffic forecasts and prevailing market demand, ensuring that the Outer Harbour remains future-ready and competitive. However, the increase in dredging volume has naturally escalated costs. Accordingly, the revised TPC after escalation for both HAM and DBFOT components is Rs. 17,167.36 Cr.
10. After the detailed presentation, the Chair asked the PPPAC members for their observations. DoLA and DoE supported the proposal and stated that they have no further comments to offer.
11. The observations raised by the **PD, NITI Aayog** and the responses provided by VOCPA/MoPSW are given below:
- i. **It is noted that the estimated dredging quantity has increased from 10.96 million cubic metres to 20.30 million cubic metres, while the associated cost has increased four-times. What is the rationale for such an escalation in dredging costs, including changes in dredging depth, channel dimensions, soil conditions, or methodology. Additionally, the incremental capacity augmentation, operational advantages, and long-term economic benefits accruing to the Port on account of this enhanced dredging scope may be clearly articulated?**

Response of VoCPA: The increase in draft from 16 metres to 18 metres will enable the Port to handle larger mainline vessels, including next-generation container ships, thereby improving its competitiveness, enhancing economies of scale, and positioning it as a viable transshipment and gateway hub. The enhancement in dredging scope is aligned with the objective of significantly augmenting the capacity and operational capability of the Port. Post implementation, the Outer Harbour is envisaged to achieve a capacity of approximately 5.2 million TEUs. In addition, further capacity augmentation is proposed through internal harbour optimisation measures and the development of Berth No. 7, the benefits of which have been duly incorporated in the financial model. Such internal optimisation works are planned to be undertaken separately and in parallel with the Outer Harbour development.

ii. **What is the escalation in cost in both HAM and DBFOT components due to lapse of time ?**

Response of VoCPA: The cost escalation in terms of lapse in time, revision in unit cost and the enhanced capacity are summarised as follows:

- a. The cost escalation due to time for common infrastructure elements such as Breakwater, Berth & its allied facilities, Rubble Protection Bund and Dredging is Rs. 845.53 Cr.
- b. The cost escalation due to revised unit costs for dredging as well as on the basis of detailed estimates for components like onshore facilities in the berth, rubble protection bund, Navigational Aids & Ground improvement works is Rs. 1,147.73 Cr.
- c. The additional cost of dredging for the increased draft level from 16m to 18m is Rs 2,622.65 Cr.
- d. Cost escalation in DBFOT Phase 1 component due to time and additional capacity from 2 MTEUs to 2.6 MTEUs is Rs 982.41 Cr.
- e. Cost escalation in DBFOT Phase 2 component due to time and additional capacity from 2 MTEUs to 2.6 MTEUs is Rs 1,321.21 Cr.
- f. Cost escalation due to GST component is Rs 1,757.43 Cr.

Further, the revised dredging rate is bench marked with VOC Port capital dredging project executed during 2025 i.e. composite unit rate of Rs 2,840 / Cum for a dredging volume of 0.79 M. Cum, whereas, the present proposal, the unit rate considered is Rs 2,814 / Cum.

iii. **What is the total increase in capacity of the terminals as compared to the previous proposal? What is the corresponding total additional royalty and other revenues to the port as a result of such increased capacity?**

Response of VoCPA: The total capacity of the earlier proposal was 4 MTEUs with 2 MTEUs for each terminal. In the instant proposal, the total capacity assessed is 5.20 MTEU's, i.e., 2.6 MTEUs for each terminal. The total additional royalty and other revenues (rail siding revenue, miscellaneous cargo revenue & vessel related revenue) by such increase in capacity is around Rs.43,000 Cr over a period of 20 years commencing from 2041 onwards till 2060 (i.e., conclusion of concession period).

- iv. **What are the total additional revenues to the port from the other terminals of the port due to increased draft from the existing project?**

Response of VoCPA: The increased draft will only facilitate the Outer Harbour project in handling vessels of up to 24,000 TEUs with draft up to 18m. The terminals at the Inner Harbour currently can handle vessels upto 14.20m draft only. The scope of increased draft in the current proposal does not cater additional draft in the Inner Harbour. However, DPR is under preparation for additional dredging in the inner harbour basin along with berths strengthening and mechanization. These efforts being pursued in parallel is expected to enable the increased capacity utilization of inner harbour terminals.

- v. **What is the source for funding for the HAM component of the project cost? Whether the additional financial requirement is proposed to be met through internal accruals, borrowings, budgetary support, or any other funding mechanisms?**

Response of VoCPA: The cost of the project for HAM components, including the additional cost implications, shall be funded through its internal resources and reserves. No immediate reliance on external budgetary support is envisaged at this stage.

- vi. **What is the annuity payment structure envisaged for the HAM component? The Concession Agreement should include the schedule of annuity payments during the operation period, along with clearly defined performance metrics, service level benchmarks, and compliance conditions linked to the release of such payments. A detailed payment schedule, preferably in tabular form, may be incorporated in the bidding documents?**

Response of VoCPA: As per HAM Concession Agreement, 45% of the Bid Project Cost apportioned to the respective phase, adjusted for the Price Index Multiple, shall be paid to the Concessionaire in ten equal instalments of 4.5% each during the construction period of the respective phase in accordance with the provisions of Clause 23.4. The remaining BPCs for respective phases, adjusted for the Price Index Multiple, shall be paid in twenty biannual instalments commencing from the 180th day of completion of the work of respective phases. The same has been detailed out in the DCA along with project milestones.

12. The observations made by **Joint Secretary (IFS), DEA** and the responses therein by MoPSW are given below:

- i. **In the earlier appraised PPPAC proposal of the same project, the unit cost of dredging was Rs.1,178 per cubic metre. The same has increased to ₹2,814 per cubic metre in the revised estimates. VoCPA may provide a detailed justification for this increase, including underlying assumptions, changes in methodology, market benchmarks, and any project-specific complexities contributing to the escalation? MoPSW has to give the details of dredging cost benchmarked against similar ports.**

Response of VoCPA: In the earlier proposal, the unit cost estimates for dredging were based on theoretical assessments provided by IIT Madras. However, in the revised proposal, the unit rates have been updated based on empirical data and actual cost experience derived from recently awarded dredging works at the Port. The revised estimates thus reflect more realistic market-aligned costs, factoring in site-specific conditions and operational learnings from completed dredging activities. *[MoPSW vide OM dated 04.05.2026 has given the benchmarked cost of dredging with similar projects. The response is placed at Annexure-II].*

- ii. **The current status of Environmental Clearance for the project may be indicated, including details of approvals obtained, stage of appraisal with the competent authority, and expected timelines for receipt of the requisite clearances.**

Response of VoCPA: The process for Environmental Clearance is going on and the matter is in consideration with Ministry of Environment, Forest and Climate Change (MoEFCC). The approval is expected in a couple of months.

13. The observations made by **Joint Director (ISD), DEA** and the responses therein by MoPSW are given below:

- i. **The Phase II of the project is scheduled to be commenced in 2033; however, approval is being sought in 2026. It should be clarified whether cost escalations have been adequately accounted for DBFOT as well as for HAM components?**

Response of VoCPA: The Phase-II works are scheduled to commence on 01.01.2033 and will be completed by 31.12.2034. This phasing has been planned with due consideration to traffic projections, which indicate that the demand for the second phase will arise only by 2033. *[MoPSW vide O.M. dated 29.05.2026 has stated that the cost escalation has been excluded from the Capex of the HAM component, as the price indexation is proposed to be paid separately in accordance with the provisions of the Draft Concession Agreement. The same is Annexed at Annexure-III].*

14. The observations raised by the **Chair** and the responses therein by MoPSW are given below:

- i. **It is observed that the estimated project cost has increased substantially, nearly doubling in comparison to the earlier approved proposal (in Nov 2023). In this regard, detailed justification may be provided highlighting the key factors contributing to such escalation in cost, including changes in project scope, technical specifications, design parameters, and any revisions in underlying assumptions?**

Response of VoCPA: The increase in the estimated project cost is primarily attributed to revisions in key design and technical parameters aimed at enhancing the capacity and future-readiness of the project. The proposed draft has been increased from 16 metres to 18 metres to enable handling of larger vessels. Further, the breakwater height has been revised from 7 metres to 10 metres to meet revised engineering and safety requirements. Additionally, the dredging quantity has increased substantially from 10.96 million cubic metres to 20.30 million cubic metres, consequent to deeper basin and channel requirements. These changes in scope and specifications have collectively resulted in an increase in dredging quantity from 10.96 million cubic metres to 20.30 million cubic metres resulting in higher TPC from Rs. 8,326.02 crore to Rs. 17,167.36 crore.

- ii. **What are the reasons for limited bidder response to the earlier bid process? Whether a stakeholder consultation was carried out at that time?**

Response of VoCPA: Two stakeholder consultations were carried out in the earlier proposal as well. In the earlier proposal, the project was envisaged to be implemented entirely under the PPP framework with Viability Gap Funding (VGF) support, wherein the private concessionaire was required to assume substantial

capital investment, construction, and financial risks. This allocation of risks was perceived as onerous by the market, which contributed to limited bidder participation.

- iii. **What specific structural, financial, and contractual modifications undertaken in the revised proposal to address bidder concerns and enhance overall project attractiveness and bankability?**

Response of VoCPA: Based on detailed stakeholder consultations and market feedback, the project structure has been suitably restructured. Under the revised approach, the core marine infrastructure components—such as dredging, reclamation, and breakwater construction—are proposed to be undertaken under the Hybrid Annuity Model (HAM), thereby shifting a significant portion of construction and financing risk to the Authority. The development of container terminals is proposed under the DBFOT framework, enabling private participation in revenue-generating operational components.

In addition, certain technical and design modifications, including enhancement of draft, increase in dredging depths, and extension of the outer channel length, have been incorporated to improve the overall viability, scalability, and attractiveness of the project to prospective bidders.

Recommendations

15. After detailed deliberations, the PPPAC unanimously recommended the proposal for **“Development of Outer Harbour at V.O. Chidambaranar Port on HAM cum DBFOT basis”** for consideration of the Competent Authority for giving Administrative Approval, subject to following recommendations:
 - i. The appraised TPC including escalation for HAM component is Rs. 11,733.28 Cr.
 - ii. The appraised TPC including escalation for DBFOT component for Phase-I and Phase-II are Rs. 5,434.09 Cr. [Phase-I: Rs. 2,547.86 Cr; Phase-II: Rs. 2,886.22 Cr]
 - iii. The construction period of HAM component is 4 years and operation period is for 10 years.

- iv. The concession period of DBFOT component is 30 years including construction period of 2 years for each phase.
 - v. Environmental Clearance and other necessary clearances to be obtained in a time bound manner before the bid due date as to avoid and delay in the project.
 - vi. MoPSW to furnish the details of benchmarking of dredging cost with similar port projects. *[MoPSW vide OM dated 04.05.2026 has given the basis of cost benchmarking. As per the response of MoPSW, the seabed at V.O. Chidambaranar Port mainly consists of sedimentary rocks such as sandstone, hard/weathered rock and weak calcarenite. To make a fair comparison, dredging costs have been benchmarked with ports having similar ground conditions, namely Visakhapatnam Port Authority and New Mangalore Port Authority, where similar rock dredging has been carried out. The dredging rates at these ports are as follows: Visakhapatnam Port: about Rs. 2,494 per cubic metre (2015); New Mangalore Port: about Rs. 2,800 per cubic metre (2016). The OM is annexed at Annexure-II].*
16. 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 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 MoPSW / BoD of VOCPA as the case may be, without any further need of revalidation by the PPPAC and shall proceed with the approval process accordingly.
17. The meeting ended with vote of thanks to the Chair.

Annexure-I

List of the attendees of the 145th meeting of the PPPAC for considering port project proposals by Ministry of Ports, Shipping & Waterways.

a. Department of Economic Affairs

1. Ms. Anuradha Thakur, Secretary
2. Ms Laya Madduri, JS (IFS)
3. Ms. Arya BK, Joint Director (PIU)
4. Shri Rajender Singh, SO(PIU)
5. Ms. Shraddha, Assistant Director (PIU)
6. Shri Shyam Shankar, SO(PIU)
7. Shri Manjeet Yadav, ASO(PIU)

b. Department of Expenditure

1. Ms Preeti Balyan, Joint Director

c. NITI Aayog

1. Sh. Partha Sarathi Reddy, Program Director
2. Ms. Shriya Nayyar, Consultant

d. Department of Legal Affairs

1. Ms. Prerna, Assistant Legal Adviser

e. Ministry of Ports, Shipping & Waterways

1. Shri Vijay Kumar, Secretary
2. Shri Praveen Nair, Joint Secretary
3. Shri Rajesh Asati, Deputy Secretary
4. Shri Sachin Kumar Katiyar, Under Secretary

f. VO Chidambaranar Port Authority of India

1. Shri Susanta Kumar Purohit, Chairperson
2. Shri Rajesh Soundararajan, Dy. Chairperson
3. Shri A. Ganesan, Chief Mechanical Engineer
4. Shri Probal Mitra, Financial Advisor & Chief Accounts Officer
5. Shri Vimal Bhargavan, Traffic Manager
6. Shri Stanley Vijay, Executive Engineer (Civil)
7. Shri M.S. Sasiraj, Public Relations Officer,
8. Shri Sandeep Aluri, Sr. Dy. FA&CAO
9. Shri Pavan, Management Assistant Director

Clarifications from MoPSW on cost benchmarking

Annexure-II



No. PD-13/71/2025-PPP

GOVERNMENT OF INDIA / भारत सरकार
MINISTRY OF PORTS, SHIPPING AND WATERWAYS

पतन, पोत परिवहन और जलमार्ग मंत्रालय
(Public-Private-Partnership and Investment Promotion Section)
(सार्वजनिक-निजी-भागीदारी एवं निवेश संवर्धन अनुभाग)

Transport Bhawan / परिवहन भवन
1, Parliament Street / 1, संसद मार्ग
New Delhi / नई दिल्ली - 110 001
Dated the / दिनांकित 4th May, 2026

OFFICE MEMORANDUM

Subject: Development of Outer Harbour at V.O. Chidambaranar Port on HAM & PPP mode – Clarification sought by the PPPAC Secretariat – Regarding.

The undersigned is directed to refer to the PPPAC Secretariat's e-mail dated 23.04.2026 on the subject mentioned above seeking clarification in respect of the meeting of the PPPAC that was chaired by Secretary, Department of Economic Affairs (DEA), Ministry of Finance on 23.04.2026 at 11:00 AM to appraise the subject project proposal of V.O. Chidambaranar Port Authority (VOCPA).

2. In this regard, the requisite clarification is forwarded herewith for information and further necessary action.
3. This is issued with the approval of the Competent Authority.

Encl(s): As above.

(Sachin Kumar Katiyar)
Under Secretary to the Government of India
e-mail: usppp-psw@gov.in
Tel: 011 – 2371 0363

To

The Secretary
Department of Economic Affairs
Ministry of Finance
Room No. 15101, 5th Floor
C-Wing, Kartavya Bhawan-1
New Delhi – 110 001
[e-mail: secy-dea@nic.in]

ANNEXURE to MoPSW's OM No. PD-13/71/2025-PPP dated 04.05.2026

“Has the cost estimates, particularly for dredging, been benchmarked against similar dredging costs incurred in comparable projects across other ports in India? If so, what benchmarking exercise was undertaken to ensure that the estimates are realistic and neither under- nor over-estimated?”

Yes. The cost estimates, especially for dredging, have been compared with similar dredging works at other major ports in India to ensure that the estimates are reasonable and neither too high nor too low.

2. The seabed at V.O. Chidambaranar Port Authority mainly consists of sedimentary rocks such as sandstone, hard/weathered rock and weak calcarenite. To make a fair comparison, dredging costs have been benchmarked with ports having similar ground conditions, namely Visakhapatnam Port Authority and New Mangalore Port Authority, where similar rock dredging has been carried out.

3. The dredging rates at these ports are as follows:

- Visakhapatnam Port Authority: about ₹2,494 per cubic metre (2015)
- New Mangalore Port Authority: about ₹2,800 per cubic metre (2016)

These rates provide a reasonable reference for estimating dredging costs under similar conditions.

4. Based on the above benchmarking and detailed analysis, the dredging cost estimates are considered reasonable and aligned with current conditions, and are neither under- nor over-estimated.

Clarification by MoPSW on cost escalation



No. PD-13/71/2025-PPP

GOVERNMENT OF INDIA / भारत सरकार
MINISTRY OF PORTS, SHIPPING AND WATERWAYS

पतन, पोत परियहन और जलमार्ग मंत्रालय
(Public-Private-Partnership Cell / सार्वजनिक-निजी-भागीदारी इकाई)

Transport Bhawan / परियहन भवन
1, Parliament Street / 1, संसद मार्ग
New Delhi / नई दिल्ली – 110 001
Dated the / दिनांकित 29th May, 2026

OFFICE MEMORANDUM

Subject: Development of Outer Harbour at V.O. Chidambaranar Port on HAM & PPP mode — Submission of clarification to the PPPAC Secretariat in light of multiple rounds of discussions held with NITI Aayog — Regarding.

The undersigned is directed to refer to this Ministry's e-mail dated 20.05.2026 (*copy enclosed*), by virtue of which this Ministry submitted clarification to the eight queries/observations raised by NITI Aayog in e-mail dated 16.05.2026 in respect of the subject project proposal.

2. As per discussions held with NITI Aayog, CapEx (Capital Expenditure) of both the components i.e. HAM and DBFOT components of the project is revisited and the following modifications have been carried out:

- i. Interest During Construction (IDC) has been included in the CapEx for both the HAM and DBFOT components; and
- ii. Cost escalation has been excluded from the CapEx of the HAM component, as the price indexation is proposed to be paid separately in accordance with the provisions of the Draft Concession Agreement.

3. Accordingly, based on the above modifications, the final financial model of the subject proposal along with the component-wise details of the same may kindly

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be referred in **Annexure - I**. Further, the updated reply to the queries/observations of NITI Aayog in e-mail dated 16.05.2026 is at **Annexure-II** to this OM.

4. Moreover, the PPPAC Memos for HAM as well as DBFOT components are also enclosed herewith for kind reference.

5. This is issued with the approval of the Competent Authority.

Encl(s): As above.



(Sachin Kumar Katiyar)

Under Secretary to the Government of India

e-mail: usppp-psw@gov.in

Tel: 011 – 2371 0363

To

The Secretary
Department of Economic Affairs
Ministry of Finance
Room No. 15101, 5th Floor
C-Wing, Kartavya Bhawan-1
New Delhi – 110 001
[e-mail: secy-dea@nic.in]

Copy to:

The Chief Executive Officer, NITI Aayog, NITI Bhawan, Parliament Street,
New Delhi – 110 001 [e-mail: ceo-niti@gov.in; ps.reddy@gov.in].

