

F.No.3/1/2023-PIU  
Government of India  
Ministry of Finance  
Department of Economic Affairs  
Infrastructure Finance Secretariat  
ISD Division  
(PIU)  
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5<sup>th</sup> Floor, JVB, Tolstoy Marg.  
Dated: 29<sup>th</sup> Nov. 2023

Office Memorandum

**Subject: Record of Discussion of meetings of 111<sup>th</sup> PPPAC and 43<sup>rd</sup> Empowered Committee (EC) for considering the proposal 'Development of Outer Harbour Container Terminal project, including Dredging and Construction of Breakwater' at VOC Port, Tuticorin, Tamil Nadu on PPP mode with VGF support.**

The undersigned is directed to forward the Record of Discussion of meetings of 111<sup>th</sup> PPPAC and 43<sup>rd</sup> Empowered Committee (EC) held on 8<sup>th</sup> November 2023 for considering the proposal of VOC on 'Developing Outer Harbour Container Terminal project, including dredging and construction of breakwater' at VOC Port, Tuticorin, Tamil Nadu on Design, Build, Finance, Operate and Transfer (DBFOT) mode, for information and necessary action.

2. This issues with the approval of the Secretary, Economic Affairs.

Encl: As above

  
(Dr. Molishree)

Deputy Secretary to the Government of India

To,

1. Secretary, Ministry of Ports, Shipping & Waterways, Parivahan Bhawan, New Delhi.
2. CEO, NITI Aayog, Yojana Bhawan, New Delhi
3. Finance Secretary & Secretary, D/o Expenditure, North Block, New Delhi.
4. Secretary, Department of Legal Affairs, Ministry of Law & Justice
5. Deputy Chairman, VOC Port Authority

Copy to:

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

**Record of Discussion of meetings of 112th PPPAC and 43<sup>rd</sup> Empowered Committee (EC) for considering the proposal ‘Development of Outer Harbour Container Terminal project, including Dredging and Construction of Breakwater’ at VOC Port, Tuticorin, Tamil Nadu on PPP mode with VGF support.**

The 112th PPPAC cum 43<sup>rd</sup> EC meeting chaired by the Secretary, DEA was held on 8th November 2023 at 13:00 hrs for considering the proposal of MoPSW for developing Outer Harbour Container Terminal including dredging and construction of breakwater at VOC Port, Tuticorin, Tamil Nadu on PPP mode. List of attendees is placed at **Annexure I**.

2. The basic details of the projects are given in the table below:

<b>Project Description</b>	Development of Outer Harbour Container Terminal Project including Dredging and Construction of Breakwater at VOC Port on DBFOT Basis
<b>Type of PPP (BOT, BOOT, BOLT, OMT etc.)</b>	DBFOT basis (Design, Build, Finance, Operate and Transfer)
<b>Location</b>	State: Tamil Nadu District: Tuticorin
<b>Administrative Ministry/Department</b>	Ministry of Ports, Shipping and Waterways (MoPSW)
<b>Name of Sponsoring Authority</b>	Ministry of Ports, Shipping and Waterways (MoPSW)
<b>Name of the Implementing Agency</b>	V.O. Chidambaranar Port Authority
<b>Concession Period</b>	45 years (extendable for another 10 years after end of concession based on RoFR within 10% range)
<b>Construction period</b>	<b>Stage I:</b> 36 months <b>Stage II:</b> 24 months
<b>Total Project Cost (TPC)</b>	<b>Total Project Cost:</b> INR 7,055.95 Crore <b>Stage I:</b> INR 4,494.46 Crore <b>Stage II:</b> INR 2,561.49 Crore
<b>Project Implementation Schedule</b>	Project shall be developed in two stages: a) <b>Stage I</b> will be constructed within 36 months from date of Award of Concession. It shall contain construction of breakwater of 5635 m length, Rubble bund of length 3200 m, construction and mechanization of Container Terminal namely CT-

	<p>1(Berths I and II) of 1000 m quay length, Capital dredging in the Turning circle basin, installation of Navigational Buoys. Capacity of Stage I will be 2 MTEU.</p> <p>b) <b>Stage II</b> shall contain construction and mechanization of Container Terminal namely CT-2 (Berths III and IV) of 1000 m quay length, Capital dredging alongside the CT-2. Capacity of Stage II will be 2 MTEU.</p> <p>The Concessionaire shall develop the mandatory Stage II, the day following completion of 24 calendar months from the date when the average annual volume of cargo handled at the Project Facilities and Services reaches a level of 70% of Project Capacity of stage I for 2 (two) consecutive years or the day following completion of 120 calendar months from the Date of Award of Concession, whichever is earlier or within such extended time as approved by the Concessioneing Authority. However, the Concessionaire has the liberty to complete the construction of Stage II prior to completion of 120 calendar months from the Date of award of Concession.</p>								
<b>Revenue Stream of the project</b>	<p><b>Main revenue streams are:</b>          Berth hire charges, Container handling charges, Storage charges, and Miscellaneous charges.</p>								
<b>Revenue sharing &amp; Minimum Guaranteed Cargo (MGC)</b>	<p><b>Revenue sharing</b> of 1% will commence from 11<sup>th</sup> year from the date of award of concession. It will be escalated by 1% every year with a cap of 35%.</p> <p><b>MGC</b> will be applicable from 16<sup>th</sup> year from the date of award of concession:</p> <table border="1" data-bbox="647 1574 1423 1856"> <thead> <tr> <th data-bbox="647 1574 1007 1675">Years from award of concession</th> <th data-bbox="1007 1574 1423 1675">Minimum Guaranteed Cargo (MGC)</th> </tr> </thead> <tbody> <tr> <td data-bbox="647 1675 1007 1736">16<sup>th</sup> to 20<sup>th</sup> year</td> <td data-bbox="1007 1675 1423 1736">2 MTEUs</td> </tr> <tr> <td data-bbox="647 1736 1007 1796">21<sup>st</sup> to 25<sup>th</sup> year</td> <td data-bbox="1007 1736 1423 1796">2.4 MTEUs</td> </tr> <tr> <td data-bbox="647 1796 1007 1856">26<sup>th</sup> to 45<sup>th</sup> year</td> <td data-bbox="1007 1796 1423 1856">2.8 MTEUs</td> </tr> </tbody> </table>	Years from award of concession	Minimum Guaranteed Cargo (MGC)	16 <sup>th</sup> to 20 <sup>th</sup> year	2 MTEUs	21 <sup>st</sup> to 25 <sup>th</sup> year	2.4 MTEUs	26 <sup>th</sup> to 45 <sup>th</sup> year	2.8 MTEUs
Years from award of concession	Minimum Guaranteed Cargo (MGC)								
16 <sup>th</sup> to 20 <sup>th</sup> year	2 MTEUs								
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26 <sup>th</sup> to 45 <sup>th</sup> year	2.8 MTEUs								

<b>Tariff</b>	The Concessionaire shall fix the Tariff based on market conditions and on such other conditions. Provided further, that the tariff fixed by the Concessionaire shall not be more than the highest tariff at any container terminal in any Major Port Authority.
<b>Source of Financing</b>	<b>Debt:</b> INR 3574.17 Crore <b>Equity:</b> INR 1531.78 Crore (Stage I- 1531.78 Crore) <b>VGF:</b> INR 1,950.00 (Stage I- INR 686.02 Crore and Stage II- INR 1263.98 Crore)
<b>VGF</b>	The VGF support will be provided in accordance with the VGF Guidelines, i.e. INR 1,950 Crore or actual quote, whichever is less. <b>Share of GoI:</b> INR 1,411.19 Crore (20%) <b>Share of Project Sponsoring Authority:</b> INR 538.81 Cr (7.64%)
<b>Land Acquisitions</b>	Authority will provide the required land to Concessionaire.
<b>Concession Agreement</b>	The document is based on the MCA Ports, 2021.
<b>Bidding parameter</b>	Lowest VGF
<b>Bidding process</b>	Two Stage
<b>Likely Amount of VGF required for the project</b>	INR 1,950 Cr or actual quote, whichever is less.
<b>NPV and IRR</b>	Project NPV- INR 646.86 Crore (at 12% discount rate) NPV for Concessionaire- INR 1,496.17 Crore (at 12% discount rate) Project IRR- 13.19 % Equity IRR- 16.20 % Economic IRR- 15.47 %

3. On behalf of the Chair, the DS (ISD) welcomed the attendees to the meeting and requested MoPSW to make their presentation.
4. MOPSW/VOC Port Authority made the presentation and informed that the Port Authority plans to develop the Outer Harbour Container Terminal including dredging and construction of breakwater on a DBFOT basis. Currently, the VOC Port has a container handling capacity of 1.02 million TEUs, while the utilization is

0.8 million TEUs of container traffic per annum (amounting to 80% utilization). Overall, the Port handles over 38 Million Metric Tonnes of cargo per annum (MMTPA), against a capacity of 69.3 MMTPA. Presently, VOCPA is handling vessels up to 14.20-meter draught. Even after modifications in the existing infrastructure, the Port will be able to handle vessels only up to a maximum of 15.50 m draught. Further, there is a scarcity of back up area in the Inner Harbour for development of container yard. Meanwhile, during the last 5 years, the container vessel sizes have considerably increased in terms of all three dimensions viz, length, beam & draught. Hence, in order to handle the present and future trend vessels at VOC Port, Outer Harbour development is essential.

5. It was also informed that the project development would be in two mandatory stages. The Concessionaire shall develop the mandatory Stage II, the day following completion of 24 calendar months from the date when the average annual volume of cargo handled at the Project Facilities and Services reaches a level of 70% of Project Capacity of stage I for two consecutive years; or the day following completion of 120 calendar months from the Date of Award of Concession, whichever is earlier or within such extended time as approved by the Concessioneing Authority. However, the Concessionaire also has the liberty to complete the construction of Stage II prior to completion of 120 calendar months from the Date of award of Concession. VGF for the project is INR1950 Crore or actual discovered, whichever is less. This VGF will be given in these two stages, i.e., Stage I: INR 686.02 Crore & Stage II: INR 1,263.98 Crore. If the actual discovered VGF is less than INR1950 Crore, VGF to be given in Stage I&II will be proportionally reduced.
6. It was also informed that the project is based on duly approved MCA, hence, in accordance with the extant PPPAC Guidelines, the project is submitted for Final Appraisal by the PPPAC. Further, since the project also seeks VGF Support from Gol, the project is also submitted for simultaneous consideration of the EC for In Principle Approval, under the VGF Scheme of the DEA.
7. In accordance with the request from MoPSW, the PPPAC and EC decided to consider the project proposal simultaneously.
8. The Chair then raised the following observations:
  - a) What are the specific advantages of the proposed project?
  - b) What are the existing efficiency levels of the VOC port compared to national average?
  - c) Whether Environmental Clearance for the project has been obtained?

- d) Whether market assessment and stakeholder consultation have been undertaken by the Authority?
- e) What is the level of competition from nearby Ports?
- f) How is the financial health of VOC Port Authority?

9. The Chair then asked the PPPAC and EC Members to raise substantive issues, if any. With the permission of the Chair, the Members, while supporting the proposal, raised the following issues:

**a) Issues raised by the Department of Expenditure:**

The Department of Expenditure (DoE) highlighted that the Outer Harbor Basin will be developed on PPP basis with the with VGF support of 27.64%, out of which 20% from Gol and the remaining from Ministry of Ports, Shipping and Waterways under the Sagarmala Programme. However, DoE highlighted the issue of no fiscal space available under Sagarmala Programme for any new projects.

**b) Issues raised by NITI Aayog**

- i. NITI Aayog highlighted the issue of limiting the VGF by providing the hardcoded value of INR 1950 Crore or VGF at 27.64% (which is less than admissible 40% VGF in the scheme) in the RFQ. It was suggested that the market discovery of VGF requirement may be more than the internally assessed VGF and in that case the PSA has to come back again to the EC for approval.
- ii. NITI Aayog asked regarding the possibility of competition with the Colombo Port which already has draught levels of 18 metre.
- iii. NITI Aayog suggested to ensure that the definition of Total Project Cost shall be aligned with definitions given in other MCAs (like Roads) in order to properly addressed to exclude VGF while calculating termination payment, debt due, etc.

**c) Issues raised by Department of Legal Affairs**

- i. DoLA supported the proposal and opined that the bidding process should be non-discriminatory in nature.

10. MoPSW/VOCPA submitted the following with respect to the issues raised:

- a) With respect to the specific advantages of VOC port, VOCPA explained that the project will play a key role in augmenting the container handling capacity at the Port, which in turn will aid in meeting the increasing demand for container handling, arising from growth in manufacturing base, offshore wind industry and

green hydrogen industry across the port hinterland. Also, the project is crucial for handling of Gateway Cargo and Mainline Vessels at the Port. Besides, the project will also contribute in meeting the objective of developing VOC Port as Transshipment Hub.

- b) With regard to the efficiency level of VOC port, VOCPA informed that the VOC Port has a turnaround time of 48 hours, as against the national average of 52 hours. The turnaround time for container is 19 hours, against the national average of 21 hours. In terms of connectivity, the port is well-connected to national and state highways. It also has good rail connectivity with rail sidings at the port as well as has airport connectivity.
- c) As regards EIA study, VOCPA clarified that the Terms of Reference has been approved by the MoEFCC and the Environment Impact Assessment (EIA) study for the project is underway and is expected to be completed within three months' time. They also informed that the bidding process should be commenced once Environmental Clearance is received.
- d) With respect to market assessment, VOCPA informed that they had invited the Expressions of Interest (EoI) for the project to understand the market sentiments and stakeholder response. Six players have expressed interest in the project. It was also highlighted that the Port received a lot of interest from private players for the project at the Global Maritime Summit, 2023.
- e) With regard to the level of competition, VOCPA informed that while the new Port on the West Coast is planned to cater to the Transshipment Traffic, the proposed development at VOC port is initially to cater to the immense Gateway Traffic potential in the hinterland and would build up for future transshipment volumes as well. Further, it was also noted that VOC port has good road & rail connectivity, which would help the seamless movement of Gateway Traffic.
- f) Regarding financial health of the VOCPA, it was informed that the Port Authority has been maintaining a healthy operating ratio over the past couple of years and they have adequate reserves to contribute their share of VGF, if required.
- g) Regarding the fiscal constraints under Sagarmala Programme to fund PSA's share of VGF, MoPSW clarified that the remaining share of 7.6%, over and above the 20% share of the DEA GoI, will be either provided by the Ministry of Ports, Shipping and Waterways or will be contributed by the VOC Port Authority from its internal resources.
- h) With respect to asking for VGF amount less than admissible VGF as per 40% cap in the VGF scheme, VOC Port informed that VGF is only required because of loading of capital dredging on the project. Otherwise, there would not have been requirement of VGF for the port development project only. The cost of capital dredging is meticulously calculated with the help of IIT Chennai. Therefore, there is no point in offering more VGF than the required. They also said that they are confident of getting bids within this VGF.

- i) As regards the competition from Colombo Port, it was clarified that currently VOC Port has draught levels of 16 metres and this is expected to be increased to 18 metres in Stage II. Also, the Concessionaire has the freedom to increase the draught levels to 18 metre at any time before the Stage II as well.
- j) With respect to the definition of TPC for calculating termination payment, debt due etc., VOCPA has said that they have already agreed to remove the grant component from the definition of TPC for calculation of termination payment. They will further revamp it as suggested by the NITI Aayog.
- k) With respect to non-discriminatory bidding, the Chairman, VOCPA informed that a global tender would be issued for on-boarding the concessionaire.

11. After detailed deliberations, the PPPAC unanimously recommended the project proposal for final approval of the Competent Authority as per the PPPAC Guidelines. The Empowered Committee also unanimously recommended granting of in-principle approval for VGF support of INR1950 Crore or actual, whichever is less, to Hon'ble Finance Minister, as per the VGF Scheme and Guidelines, with following conditions:

- a. This VGF will be given in two stages, i.e., Stage I: INR 686.02 Crore & Stage II: INR 1,263.98 Crore. If the actual discovered VGF is less than INR1950 Crore, VGF for Stage I&II will be proportionally reduced.
- b. Revalidation of the recommendation of the project proposal by the PPPAC/EC 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 (except as stated above) in the project proposal with the overall objective of making project successful.
  - iv. Further, the Ministry of Port, Shipping and Waterways will 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 as stated above shall be appraised at the level of Secretary (MoPSW) without any further need of revalidation by the PPPAC and VOC shall proceed with the approval process accordingly.
- c. However, the following changes shall warrant revalidation of recommendation of the project proposal by the EC:
  - i. Any change in the formulation of pre-determined user charges/tariffs.
  - ii. Any change in concession period by more than 20%.



- iii. Any changes having impact on In-principal approved amount of VGF for Gol, on the higher side.
  - d. Necessary amendments to the bid documents to incorporate the decision of the PPPAC/EC shall be undertaken by MoPSW/VOCPA. Further, VOC and MoPSW shall ensure that the legal vetting of the documents is undertaken to ensure that there are no discrepancies in the contract documents and to circulate the final documents to the member of the EC for the record.
  - e. Detailed timeline for the project alongwith revised bid documents shall be submitted to the committee members for record. In addition, timeline for the key project milestones shall be mentioned in the DCN also.
  - f. 'Final Approval' for VGF support is contingent upon compliance of all conditions of the VGF Scheme and Guidelines.
12. The meeting ended with the vote of thanks to Chair.

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## **Annexure-I**

List of the attendees of the 112th PPPAC and 43<sup>rd</sup> Empowered Committee (EC) Meeting for considering the project proposal for development of Outer Harbour Container Terminal Project including Dredging and Construction of Breakwater at VOC Port on DBFOT Basis, held on 08.11.2023.

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

1. Shri Ajay Seth, Secretary, EA- In Chair
2. Shri Baldeo Purushartha, JS(ISD)
3. Dr. Molishree, Deputy Secretary to the Government of India
4. Ms. Arya Balan Kumari, Deputy Director

**b. Department of Expenditure**

1. Shri L K Trivedi, Director

**c. NITI Aayog**

1. Shri Partha Sarthi Reddy, Adviser (PPP)
2. Ms. Nidhi Arora, Consultant,

**d. DoLA**

1. Dr. RJR Kasibhatla, Additional Legal Adviser

**e. Ministry of Ports, Shipping & Waterways**

1. Shri T K Ramachandran, Secretary
2. Shri Sushil Kumar Singh, JS (Ports)

**f. VOC, MoPSW**

1. Shri Bimal Kumar Jha, Chairman (i/c)
2. Shri. K. Ravi Kumar, Chief Engineer
3. Prof. Murali, NTCPWC, IITM, Chennai