

F. No. 3/12/2016-PPP  
Government of India  
Ministry of Finance  
Department of Economic Affairs  
(Infrastructure Section)

North Block, New Delhi  
Dated the 10<sup>th</sup> October, 2016  
/14<sup>th</sup>


**OFFICE MEMORANDUM**

**Subject: Record of Discussion of 74<sup>th</sup> Meeting of the Empowered Institution (EI) for the Scheme for Financial Support to PPPs in Infrastructure (Viability Gap Funding Scheme).**

The undersigned is directed to enclose a copy of Record of Discussion of 74<sup>th</sup> Meeting of the EI for the grant of VGF under the Scheme for Financial Support to PPPs in Infrastructure held on 6<sup>th</sup> October, 2016 on below-mentioned 2 projects for information and necessary action.

- a) Development of Sinnar-Nashik section of NH-50 in the State of Maharashtra with 4-lane through DBFOT [BOT (Toll)] basis.
- b) Development, Operation and Maintenance of Hanumangarh to Abohar section of SH-7A (up to Punjab border) through PPP on DBFOT Toll basis.

**Encl: as above**



(Nitish Saini)

Assistant Director (Infra)

Tel No. 23095158

1. **Dr. Arunish Chawla**, Joint Secretary, Department of Expenditure, North Block, New Delhi.
2. **Shri Praveen Mahto**, Adviser (PPP/PAMD), Niti Aayog, Yojana Bhawan, New Delhi.
3. **Shri R.K. Singh**, Joint Secretary, Ministry of Road Transport and Highways, Transport Bhawan, New Delhi.
4. **Chief Engineer (NH)**, Maharashtra PWD, Rashtra Maha Marg, Konkan Bhawan, 5<sup>th</sup> Floor, Navi Mumbai – 400614.
5. **Sh. D.B. Gupta**, Additional Chief Secretary to Government, Public Works Department, Government of Rajasthan, Secretariat, Jaipur.

**Copy to:**

1. Sr. PPS to Additional Secretary (Investment),
2. PS to JS (Infra),
3. PS to Director (Infra),
4. PS to Director (PPP),
5. DD (PPP) for uploading on pppinindia.gov.in website.

**F. No. 3/12/2016- PPP**  
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**Empowered Institution**  
**for the**  
**Scheme for Financial Support to Public Private Partnerships in Infrastructure**  
**74<sup>th</sup> Meeting held on October 6, 2016**

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**Record Note of Discussions**

The 74<sup>th</sup> meeting of the Empowered Institution (EI), chaired by Additional Secretary (Investment), Department of Economic Affairs (DEA) was held on October 6, 2016. The list of participants is attached.

The EI noted that there were two road sector proposals for consideration for approval of viability gap funding (VGF) under the Government of India's Scheme for Financial Support to Public Private Partnerships in Infrastructure (VGF Scheme): a proposal from Ministry of Road Transport and Highways (MoRTH) for final approval and another proposal from Government of Rajasthan for in-principle approval.

The EC noted that the Scheme for Support to PPPs in Infrastructure prescribes that VGF up to Rs. 100 Crore for each project may be sanctioned by the Empowered Institution (EI), proposals for VGF up to Rs. 200 Crore may be sanctioned by the EC, and amounts exceeding Rs. 200 Crore may be sanctioned by the EC, with the approval of the Finance Minister.

**A. Road sector proposal from Ministry of Road Transport and Highways**

**Agenda Item I: Proposal from Government of Ministry of Road Transport and Highways (MoRTH) for grant of final approval for Development of Sinnar-Nashik section of NH-50 (from km 177.000 to km 201.350) in the State of Maharashtra with 4-lane through PPP on DBFOT [BOT (Toll)] basis.**

**Project Details: Length: 25.31 Km.; Total Project Cost: Rs. 312.96 Crore;**

**Concession Period: 18 years including 2 years of construction period.**

**Major development works/ structures: Major Bridge: 1 No., Minor Bridges: 16 No.s, Major Junctions: 9 No.s, Minor Junctions: 16 No.s, Bypass at Sinnar of length 9.50 km, VUPs: 9 No.s, PUP: 4 No.s, Culverts: 90 No.s, Service Road: 23.91 km. Toll Plaza: 1 No. at 193.90 km.**

**VGF sought: Rs 120.51 Crore (38.51% of TPC of Rs. 312.96 Crore) of which 20% i.e. Rs 62.592 Crore would be paid as VGF support from Ministry of Finance.**

*Signature*

2. Joint Secretary (Infra) informed the EI that the Project with TPC of Rs 312.96 Crore with maximum admissible VGF of Rs 125.184 Crore (40% of TPC) was approved by PPPAC in its 48<sup>th</sup> meeting held on 13.12.2011 and by the Empowered Institution (EI) in its 36<sup>th</sup> meeting held on 01.12.2011.
3. Joint Secretary (Infra) further stated that RfQ for the Project was issued on 08.08.2009 with VGF of Rs 120.51 Crore, or 38.51% of TPC, letter of award was issued on 15.02.2013. The Selected Bidder has formed an SPV which executed the Concession Agreement with Government of Maharashtra (GoM) on 31.07.2013. Appointed Date of the Project is 30.04.2015. Delay in notification of Appointed Date has been stated by authority to be on account of delay in handing over of land due to High Court orders and also delay in financial closure. As per the executed Concession Agreement, construction period is 2 years.
4. Joint Secretary (Infra) also stated that based on site requirements on account of development of the Project influence area in the intervening period, local demands and for providing safer improved services to the users, State PWD has recommended *change of scope* of the Project, which was recommended by SFC for approval of the Competent Authority in its meeting held on 28.07.2016, increasing the TPC by Rs 34.62 Crore or 11.06% of original TPC. As per the Concession Agreement, cost of *change in scope* up to 0.25% of TPC is to be borne by the Concessionaire and balance would be reimbursed by the Authority. The Concessionaire has agreed to execute the proposed change in scope.
5. Joint Secretary (Infra) stated that reasons may be provided by the State for delay in seeking final approval by EI (by over 17 months from AD); how the work can be completed by 30.4.2017 when land is still not fully provided; and how the Project, despite increase in TPC by 11.06% is viable with the same VGF which is over three years old.
6. The Chair desired to know in detail the reasons for delay in notifying Appointed Date. Superintendent Engineer, Public Works Department (PWD), Government of Maharashtra stated that over 200 farmers had approached the court of law regarding procedural flaw in land acquisition by Competent Authority for Land Acquisition (CALA) and the court had stayed the acquisition for over 18 months. The Chair enquired whether land was not available at the time of signing the contract. Superintendent Engineer, PWD, Maharashtra replied that 3 (D) for over 80% of land acquisition was complete at the time of signing of the Concession Agreement however the process was challenged in the court and hence the delay.
7. Joint Secretary (Infra) asked for the reasons for delay in submission of documents for final approval by EI, even after the notification of Appointed Date. Executive Engineer, PWD, Maharashtra replied that even after the Appointed Date there had been protests by farmers resulting in the doubts regarding acquisition of balance

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portion of the land and peaceful possession of the same. Owing to this, the lenders were hesitant to complete the formalities for disbursal. Now the issues are sorted out with the farmers and Government of Maharashtra has approached DEA for final approval.

8. The Chair desired to know whether the project is still viable at the same cost as the bid was received in 2013 and whether the Concessionaire is still willing to carry out the work at the same cost. Executive Engineer, PWD, Maharashtra stated that the Concessionaire has not demanded any compensation on account of cost escalation. Joint Secretary (Infra) asked whether this implies that the cost was overestimated at the time of bidding. Superintendent Engineer, MORTH stated that the cost of material has marginally decreased in the last two years. Schedule of Rates (SOR) of various regions have also just marginally changed. This explains why the Concessionaire is willing to carry out the work at the same cost.

9. Advisor, NITI Aayog asked whether construction would be completed on Scheduled Date of completion 29.04.2017. Superintendent Engineer, PWD stated that as per Statutory Auditor's report, 37.02% work has been completed on 29.04.2016 which satisfies the Project Milestone-2 as per the executed Concession Agreement. Progress of construction is satisfactory and is expected to be completed on the Scheduled Date of completion. The Chair asked whether there could be the risk of Concessionaire not completing the construction after disbursement of VGF. Joint Secretary (Infra) clarified that VGF disbursal is *pari passu* with the lender's disbursal and after full equity investment.

10. All members of EI were in support to grant final approval for VGF support to the Project subject to the conditions that PWD, Government of Maharashtra would ensure that the Project is completed on time and there would not be any extra compensation to the Concessionaire towards cost-overflow.

11. The EI granted final approval to the Project "Development of Sinnar-Nashik section of NH-50 (from km 177.000 to km 201.350) in the State of Maharashtra with 4-lane through PPP on DBFOT [BOT (Toll)] basis" for TPC of Rs 312.96 Crore (with TPC of Rs 355.85 Crore as per the lenders' appraisal) with total VGF support of Rs 120.51 Crore (38.51% of TPC) of which 20% i.e. Rs 62.592 Crore would be financed under the Government of India's Scheme for Financial Support to PPPs in Infrastructure (VGF Scheme). The Approval is subject to conditions that PWD, Government of Maharashtra would ensure that the Project is completed on time and there would not be any extra compensation to the Concessionaire towards cost-overflow.

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## B. Road sector proposal from Government of Rajasthan

**Agenda Item II: Proposal from Government of Rajasthan (GoR) for grant of in-principle approval for Development, Operation and Maintenance of Hanumangarh to Abohar section of SH-7A (up to Punjab border) through PPP on Design, Build, Finance, Operate and Transfer (DBFOT) Toll basis.**

**Project Details: Length: 42.655 Km.; Total Project Cost: Rs. 51.50 Crore;**

**Concession Period: 19 years including 1 year of construction period.**

**Major development works/ structures:** Minor Bridges: widening: 4 No.s, repairs and strengthening: 1 No., Culverts: widening: 12 No.s, reconstruction: 20 No.s, At-grade intersections: 19 No.s, Longitudinal drains: 4 No.s, Toll Plaza: 1 No. at km 28.300, Bus shelters: 7 No.s.

**VGF sought:** Nil. However, actual VGF would be based on competitive bidding process.

11. Joint Secretary (Infra) informed the EI that the Project for Development, Operation and Maintenance of Hanumangarh to Abohar section of SH-7A (up to Punjab border) has total length of 42.655 km would be developed by providing overlay and by widening and repairs of existing road including minor bridges, culverts etc. TPC of the Project is Rs 51.50 Crore.

12. Additional Chief Engineer, PWD, Government of Rajasthan (GoR) made a presentation on the Project proposal and explained that the project road starts at Hanumangarh town which is urban habitat and the first 8 kilometres of the road adjacent to the town has spill-over of urban agglomeration resulting in more traffic of 2-wheelers, 3-wheelers and non-motorized vehicles.

13. Joint Secretary (Infra) enquired why the proposed Concession Period was 21 years while the projected traffic would exceed its design capacity in year 2035-36 as per the feasibility report, i.e., the 19<sup>th</sup> year, assuming 2017-18 as the Construction year and based upon the average of traffic survey provided by the authority at kms 8 and 28. Additional Chief Engineer, PWD, GoR stated that the traffic at the proposed toll plaza at km 28.300 would exceed the design capacity in 21<sup>st</sup> year and not in the 19<sup>th</sup> year. Joint Secretary (Infra) desired to know why the traffic survey was conducted at Km 8.000 and whether traffic profile of the two locations of the survey is significantly different owing to any leakages. Additional Chief Engineer, PWD, GoR explained that the traffic profile is different because of vicinity to urban area in the first 8 kilometres and that two intersecting roads connecting to Kishangarh and Sangaria start at around Km 3.000.

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14. Joint Secretary (Infra) stated that since it is projected that the first stretch (i.e., till km 8) will exceed capacity by the 19<sup>th</sup> year, and user discomfort will require capacity increase, it is unclear how a 21 year concession for the whole length will be addressed. Superintendent Engineer, MORTH also stated that though the traffic at toll plaza does not exceed the design capacity of 15,000 PCUs in 21 years, it is not clear why 2-lane *plus* paved shoulder (PS) has not been proposed and just the development by overlay has been proposed. Additional Chief Engineer, PWD, GoR stated that it is as per the transport policy of Government of Rajasthan. Superintendent Engineer, MORTH stated that though as per the policy it may be admissible, safety of the traffic has to be taken into account, especially in the vicinity of urban area where significant traffic is of 2/3 – wheelers and non-motorized vehicles, paved shoulder is necessary so that main carriageway is not blocked. The Chair enquired about the incremental cost if paved shoulder is provided. Additional Chief Engineer, PWD, GoR stated that it would be around Rs 1 Crore per kilometer extra which means that the TPC would double. Further, there are hard shoulders on that section of the road though not paved shoulders.

15. Since the Additional Chief Engineer, PWD, GoR stated that an ROB is to be constructed by the State under Central Road Fund (CRF) scheme, Chair asked if there was any risk of delay in the work as it would affect the proposed concession. The State responded that it will ensure there is no delay on account of construction of ROB and State will also ensure the synchronization of ROB with the project in the Concession Agreement itself.

16. The Chair asked why the Concession Period should not be reduced to 19 years. Additional Chief Engineer, PWD, GoR stated that the project is viable without VGF grant for 21 years' Concession Period. For 19 years, it may require grant depending on Competitive bidding. Additional Chief Engineer, PWD, Rajasthan stated that the project was conceived on the basis of *suo motu* proposal for development of the project with 20 years concession period, offering premium. While *suo motu* proposal was not considered, the project is now proposed to be bid-out on VGF as a bid-parameter. Advisor, NITI Aayog suggested that considering safety of the traffic either the Project may be redesigned with paved shoulders or the Concession Period may be reduced.

17. After considering the views of the EI, Government of Rajasthan agreed to reduce the Concession Period to 19 years.

18. The EI granted in-principle approval for the project for Development, Operation and Maintenance of Hanumangarh to Abohar section of SH-7A (up to Punjab border) through PPP on Design, Build, Finance, Operate and Transfer (DBFOT) Toll basis in the State of Rajasthan with VGF contribution as per VGF scheme subject to fulfilment of the following conditions:

- a. Concession period would be reduced to 19 years from the proposed 21 years.
- b. GoR shall obtain clearances such as environment and forest clearance before commencing the work for project site.
- c. GoR shall obtain prior approval of EI on any change in TPC, scope of work or project configuration, as noted above.

The meeting ended with vote of thanks to the Chair.

**Empowered Institution (EI) for the Scheme to Support to PPPs in infrastructure**

**74<sup>th</sup> Meeting held on 6<sup>th</sup> October, 2016**

**List of Participants**

- I. Department of Economic Affairs
  1. Mr. Ajay Tyagi, AS (Investment)
  2. Ms. Sharmila Chavaly, JS (Infra)
  3. Mr. Nitish Saini, Assistant Director (Infra)
- II. NITI Aayog
  4. Mr. Praveen Mahto, Advisor (PPPAU)
- III. Department of Expenditure
  5. Mr. Rajiv Wadhawan, Joint Director
- IV. Ministry of Road Transport and Highways
  6. Mr. Sanjeev Kumar, SE
  7. Mr. R.P. Panda, SE
- V. Government of Maharashtra
  8. Mr. R.P. Nighot, SE
  9. Mr. Y.A. Patil, EE
- VI. Government of Rajasthan
  10. Mr. Anoop Kulshreshtha, ACE (PPP)
  11. Mr. Somesh Rathi, EE (PPP)

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