

F. No. 3/10/2017-PPP
Government of India
Ministry of Finance
Department of Economic Affairs
Private Investment Unit

North Block, New Delhi
Dated 6th December, 2021

OFFICE MEMORANDUM

Subject: Record of Discussion of the 38th Meeting of the Empowered Committee for considering Final Approval of VGF Support under the Scheme for Financial Support to PPPs in Infrastructure to the project proposal of Pune Metro Line - III on PPP mode submitted by PMRDA-reg.

The undersigned is directed to forward the Record of Discussion of the 38th Meeting of the Empowered Committee for considering Final Approval of VGF Support under the Scheme for Financial Support to PPPs in Infrastructure, to the project proposal of Pune Metro Line - III on PPP mode submitted by PMRDA, held on 8th November, 2021, under the Chairmanship of Secretary, EA, for information and necessary action.

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

Encl: As Above


(Dr. Kartik Agrawal)
Deputy Director

To,

1. Finance Secretary & Secretary, D/o Expenditure, North Block, New Delhi
2. CEO, NITI Aayog, Yojana Bhawan, New Delhi
3. Secretary, M/o HUA, Nirman Bhawa, New Delhi
4. Metropolitan Commissioner, Pune Metro Region Development Authority

Copy to:

1. Sr. PPS to Secretary, DEA
2. Principal Secretary, Urban Development Department, Government of Maharashtra
3. Sr. PPS to Joint Secretary (ISD), DEA
4. PS to DS

Record of Discussion of the 38th Meeting of the Empowered Committee for considering Final Approval of VGF Support under the Scheme for Financial Support to PPPs in Infrastructure to the project proposal of Pune Metro Line - III on PPP mode submitted by PMRDA.

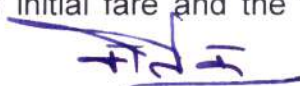
The 38th Meeting of the Empowered Committee (EC) chaired by Secretary, EA was held on 8th November, 2021 at 7:00 PM for considering Final Approval of VGF Support under the Scheme for Financial Support to PPPs in Infrastructure to the project proposal of Pune Metro Line - III on PPP mode submitted by Pune Metropolitan Region Development Authority, Maharashtra (PMRDA). List of attendees is placed at **Annexure – I**.

Alignment	Maan (Hinjawadi) to Civil Court (Shivaji Nagar), Pune.
Mode of Development	PPP – Design, Build, Finance, Operate & Transfer (DBFOT).
Concession Period	35 years extendable by 25 years
Project Construction Timelines	Construction Completion Schedule – 40 months from Appointed Date.
Project Cost	Rs. 7,420.31 Crores
Length	23.205 Km
Viability Gap Funding Sought (VGF)	Rs. 2351 crore (Rs.1224.80 Cr from Central Government and Rs.1126.2 Cr from State Government of Maharashtra)

1. On behalf of the Chair, JS, ISD welcomed the attendees to the 38th Meeting of the Empowered Committee (EC) chaired by Secretary, EA. It was apprised that the agenda for the meeting was to consider Final Approval of VGF Support under the Scheme for Financial Support to PPPs in Infrastructure to the project proposal of Pune Metro Line - III on PPP mode submitted by PMRDA. It was also apprised that In Principle approval of VGF Support was granted to this project in the 30th Meeting of the Empowered Committee held on 7th March, 2018 with the approval of the Finance Minister. It was also informed that as per the VGF Guidelines, 'Empowered Committee will recommend the projects with VGF sought greater than Rs. 200 Crore to the Finance Minister for Final Approval.' In the instant case VGF sought from the Central Government is to the tune of Rs.1,224.80 Crore.



2. EC was also apprised that the Project documents have been duly circulated to all EC Members and their appraisal have been forwarded to PMRDA for their response which have also been since received.
3. Thereafter, PMRDA was invited to make their presentation. PMRDA informed that Pune Metro Line 3 is being developed under PPP by Consortium of Tata and Siemens and that Line 3 connects the Metro Line 1 & 2 at two stations Shivajinagar and Civil Court. PMRDA also informed that all conditions of the In-Principle approval have been duly complied with.
4. PMRDA explained that the bidding process was approved by the Competent Authority i.e., PMRDA's Executive Committee chaired by Additional Chief Secretary, Finance Department, Government of Maharashtra. The decision to select single bid was then approved by the Metropolitan Authority which is chaired by the Hon'ble Chief Minister, Government of Maharashtra. The project has been awarded, Concession Agreement has been executed and Financial Closure has been achieved.
5. For Fare and Non-Fare Box Revenue potential, PMRDA informed that due to change in business modalities post covid-19 pandemic, the estimations and assumptions made in the pre-covid scenario may not hold valid today. Major reasons for the variation in valuation of CPD revenues were that while the Initial Model estimated higher revenues from Non-Fare Box and comparatively lower revenues from the Fare Box, the Concessionaire has in its financial Model, estimated higher revenues from Fare Box and comparatively lower revenues from the Non-Fare Box.
6. PMRDA stated that the Concessionaire has given an undertaking and the Government of Maharashtra has given a confirmation letter that they will abide by the pre-fixed tariff as per the Concession Agreement and will not ask for Fare Fixation Committee under Section 34 of Metro Railways (Operation and Maintenance) Act, 2002.
7. The Chair then invited all EC members for comments and following issues were then discussed: -
 - a) NITI Aayog highlighted that the Concession Agreement executed for the Project in the relevant clause/schedule mentions both the provisions of Metro Act (Section 34 – Fare Fixation Committee, etc.) and the predetermined initial fare and the formula for increase thereof. This may



lead to issues in implementation, for the VGF Scheme requires the fare to be at all times as per the pre-specified rates and escalation/indexation mechanism. Accordingly, it needs to be seen that parties abide by the pre-specified fare and its increase formulation and not invoke Section 34 of the Metro Act, for which the Agreement may be amended as per the procedure prescribed therein.

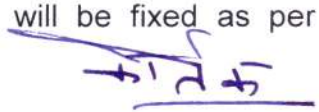
- b) MoHUA stated that Section 34 of the existing Metro Railways (Operation and Maintenance) Act, 2002 is optional as it is using the word 'may'. Since in the instant case the mechanism for computation of initial fares as well as its escalation matrix are frozen by the executed Concession Agreement, those fares will be applicable to this Project and it may not require setting up of a Fare Fixation Committee (FFC), especially in the light of the undertaking submitted by the Concessionaire and the confirmation letter from the Government of Maharashtra for abiding by the pre-fixed tariff as per the Concession Agreement and not invoking Section 34 of the existing Metro Railways (Operation and Maintenance) Act, 2002. MoHUA also informed that they are working on a new Bill which would give flexibility in fare fixation in PPP/VGF projects.
- c) On NITI Aayog's suggestion, MoHUA stated that rather than executing an amendment to the existing CA, a joint undertaking from the PMRDA and the Concessionaire stating that they will abide by initial fare and subsequent escalation mechanism as per the Concession Agreement and will not invoke Section 34 of the Metro Railways (Operation and Maintenance) Act, 2002 will suffice.

8. The Chair enquired: -

- a) Whether the Concessionaire has the necessary clarity in unequivocal terms on the applicability of the pre-determined tariff as per concession agreement for this project?
- b) Is there any impact on the amount of VGF support by the DEA approved at the time of In-Principle Approval due to the increased project cost?

9. The Concessionaire and PMRDA submitted the following responses: -

- a) The Concessionaire in unequivocal terms stated that they have fully understood the fare mechanism in the Concession Agreement (CA) and that the fares will be fixed as per the pre-fixed initial fare as well as

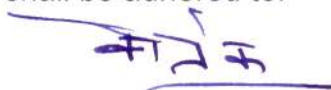


subsequent escalation matrix given in the Concession Agreement. The Concessionaire also stated that they will not seek any increase in fare in any other manner than what is mentioned in the Concession Agreement and that they will not seek any recourse to Fare Fixation Committee as per provisions of Section 34 of Metro Railways (Operation and Maintenance) Act, 2002. Concessionaire also informed the EC that they have submitted an undertaking to this effect.

- b) PMRDA stated that the Government of Maharashtra has also given a confirmation letter stating that the State Government will not request the Central Government for constituting FFC for this project and will honour the fare mechanism formula given in the Concession Agreement.
- c) PMRDA stated that the cost estimates submitted at the time of In-Principle approval was about Rs. 6,124 Crore which subsequently increased to Rs. 7420.31 crores. The VGF support by the Central Government was approved for upto 20% of the total project cost of Rs.6,124 Crore by the EC at the time of In-Principle Approval. The actual VGF required, as determined through bidding process comes to Rs.2,351 Crore, out of which Rs. 1,224.80 Crore which is equal to 20% of the Total Project Cost submitted at the time of In Principle Approval is to be borne by the Central Government. The remaining VGF shall be borne by the State Government. The Central Government's share of VGF which is Rs.1,224.80 is within the limit approved by the EC at the time of In Principle Approval. PMRDA confirmed that the subsequent increase in total project cost has no impact of the quantum of VGF liability of the Central Government.

10. The Empowered Committee unanimously recommended to the Finance Minister the Final Approval of VGF Support under the Scheme for Financial Support to PPPs in Infrastructure to the project proposal of Pune Metro Line - III on PPP mode submitted by Pune Metropolitan Region Development Authority, Maharashtra (PMRDA) subject to the following observations:

- a) The amount of Central Government VGF shall be capped at Rs.1,224.80 Crore.
- b) All conditions of the VGF Scheme, such as entering into Tripartite Agreement, etc. shall be adhered to.



- c) A joint undertaking be submitted by the PMRDA and Concessionaire stating that the PMRDA and Concessionaire will abide by initial fare and subsequent escalation mechanism as per the Concession Agreement and will not invoke the provisions of Section 34 of the Metro Railways (Operation and Maintenance) Act, 2002.
- d) The disbursement of VGF will be contingent upon receipt of the joint undertaking between Concessionaire and PMRDA regarding fare fixation.

The meeting ended with vote of thanks to the Chair.

A handwritten signature in blue ink, consisting of a stylized name followed by a horizontal line underneath.

Annexure – I

List of attendees of the 38th Meeting of the Empowered Committee chaired by Secretary, EA for considering Final Approval of VGF Support under the Scheme for Financial Support to PPPs in Infrastructure to the project proposal of Pune Metro Line - III on PPP mode held on 8th November, 2021

1. Department of Economic Affairs, Ministry of Finance

1. Shri Ajay Seth, Secretary, EA – In Chair
2. Shri Baldeo Purushartha, Joint Secretary (ISD)
3. Dr. Kartik Agrawal, Deputy Director, (PIU)
4. Ms. Arya B Kumari, Deputy Director, (PIU)
5. Shri Saurabh Arora, Consultant
6. Shri Gaurav Jhumrani, YP, DEA

2. Department of Expenditure

1. Sh.L.K. Trivedi, Deputy Secretary, PFC - I

3. NITI Aayog

1. Sh. Partha Sarthi Reddy, Adviser (PPP)
2. Ms. Nidhi Arora, Legal Specialist

4. Ministry of Housing and Urban Affairs

1. Sh. Durga Shankar Mishra, Secretary
2. Sh. Jaideep, OSD (UT)

5. Government of Maharashtra

1. Sh.Bhushan Gagrani, Principal Secretary, Urban Development Department
2. Sh.Vijay Chaudhari, Deputy Secretary, Urban Development Department

6. Pune Metro Region Development Authority

1. Dr. Suhas Diwase, Metropolitan Commissioner
2. Sh. Vivek Kharwadkar, Chief Engineer, Pune Metropolitan Region Development Authority
3. Smt. Rinaj Pathan, Superintending Engineer, Pune Metropolitan Region Development Authority
4. Sh. Bharatkumar Baviskar, Superintending Engineer, Pune Metropolitan Region Development Authority

7. Concessionaire - TRIL Urban Transport Private Limited

1. Sh. Alok Kapoor, CEO, Pune IT City Metro Rail Limited
2. Sh. Ankur Sethia, Head Business Development - Metro and Urban Transport, Pune IT City Metro Rail Limited

