

F. No. 3/3/2026-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: 9th October, 2026

Record of Discussion

Subject: Record of Discussion of the 55th meeting of the Empowered Committee for considering the proposal "Development of Teaching Hospital (625 Beds) with Medical College (150 UG & 24 PG seats) and Nursing College (60 seats) at Amalapuram, Bapatla, Narsipatnam, Pallakollu and Penukonda in Andhra Pradesh on PPP basis" of the Department of Health, Medical & Family Welfare (HMFw), Government of Andhra Pradesh, through Andhra Pradesh Medical Education and Research Corporation Limited (APMERC).

Reference: 55th Meeting of the EC held on 31st August 2026.

Sir/ Madam,

The undersigned is directed to forward herewith the Record of Discussion of the 55th meeting of the Empowered Committee held on 31st August 2026, for consideration of the proposal "Development of Teaching Hospital (625 Beds) with Medical College (150 UG & 24 PG seats) and Nursing College (60 seats) at Amalapuram, Bapatla, Narsipatnam, Pallakollu and Penukonda in Andhra Pradesh on PPP basis.

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



(Arya B K)
Joint Director
011-2370 1219

To:

1. **Secretary, Ministry of Health and Family Welfare, Nirman Bhawan, New Delhi-01**
2. **Secretary, Health, Medical and Family Welfare, Government of Andhra Pradesh**
3. **Secretary, Department of Expenditure, New Delhi-01**
4. **CEO, NITI Aayog, Yojana Bhawan, New Delhi-01**

Copy to:

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

Subject: Record of Discussion of the 55th meeting of the Empowered Committee for considering the proposal “Development of Teaching Hospital (625 Beds) with Medical College (150 UG & 24 PG seats) and Nursing College (60 seats) at Amalapuram, Bapatla, Narsipatnam, Pallakollu and Penukonda in Andhra Pradesh on PPP basis” reg:-

1. The 55th meeting of the EC was held on 3rd August 2026 at 3:00 PM under the Chairmanship of Secretary (EA) to consider the above-mentioned project proposals of the Department of Health, Medical & Family Welfare, Government of Andhra Pradesh, through Andhra Pradesh Medical Education and Research Corporation Limited (APMERC).
2. List of attendees is placed at **Annexure-I**.
3. With the permission of the Secretary (EA), the Joint Secretary (IFS) welcomed all the attendees to the meeting. Secretary, Health, Medical and Family Welfare Department, Andhra Pradesh made a detailed presentation on the project proposals.

The details of the proposal are as given below:

S N	Item	Description												
1	Name of the Project	Development of a 625-bed teaching hospital along with a medical college (150 UG and 24 PG seats) and a nursing college (60 seats) at each of Amalapuram, Bapatla, Narsipatnam, Palakollu and Penukonda in Andhra Pradesh on a PPP basis												
2	Type of PPP	DBFOT Mode												
3	Location (State/ District/ Town)	State: Andhra Pradesh Districts: Dr. B. R. Ambedkar Konaseema, Bapatla, Anakapalle, West Godavari, Sri Sathya Sai												
4	Central Ministry/ State Government/ Statutory Authority	Name of the Department: Department of Health, Medical and Family Welfare, Government of Andhra Pradesh Name of the State government statutory body: Andhra Pradesh Medical Education and Research Corporation Limited Name of the Tender Inviting Authority: Andhra Pradesh Medical Services and Infrastructure Development Corporation												
5	Name of the Government/ Statutory entity which will sign the concession Agreement	Andhra Pradesh Medical Education and Research Corporation Limited												
6	Brief Description of the Project	<table><tr><th>Item</th><th>Amalapuram</th><th>Bapatla</th><th>Narsipatnam</th><th>Palakollu</th><th>Penukonda</th></tr><tr><td>Tot</td><td>48.00 Acr</td><td>49.66 Ac</td><td>46.90 Acr</td><td>48.50 Ac</td><td>49.66 Acr</td></tr></table>	Item	Amalapuram	Bapatla	Narsipatnam	Palakollu	Penukonda	Tot	48.00 Acr	49.66 Ac	46.90 Acr	48.50 Ac	49.66 Acr
Item	Amalapuram	Bapatla	Narsipatnam	Palakollu	Penukonda									
Tot	48.00 Acr	49.66 Ac	46.90 Acr	48.50 Ac	49.66 Acr									

		al P roje ct S ite	e	re	e	re	e
		Pha sing of Inve stm ent	Y1: 60% Y2: 40%	Y1: 60% Y2: 40%	Y1: 60% Y2: 40%	Y1: 60% Y2: 40%	Y1: 60% Y2: 40%
		Tot al C onc essi on peri od	66 Years (including 2 years of construction period from the Appointed Date)				
		Proj ect Mile ston es	COD of Teaching Hospital and Nursing College – 2nd Anniversary from the Appointed Date. The Concessionaire shall develop a 625-bedded Teaching Hospital as per NMC norms, 150 seats Medical College with Hostels, as per NMC norms, and a 60-seat Nursing College with hostel and ancillary facilities as per INC norms. COD of Medical College-4th Anniversary from the Appointed Date. The Concessionaire shall develop 150 seats UG and 24 seats PG with Hostel and Ancillary Facilities.				
7	Estimated Total Project Cost with breakup under major heads of expenditure. Also indicate the basis of cost estimation	Comp onents	Basis	All Cost in INR Crore			
				A ma lap ura m	B a p at la	Na rsi pat na m	P al a ko nd a
		Civil Cost	Estimated contract value as per SOR 2021-22, escalated @ 4% p.a.-for 2025-26 rates & its inclusive of GST	431.6258	530.58	461.7211	4482.23
		Furniture & Minor Equipment	AP- e-Procurement/ APMSID C procurement rates & its inclusive of GST	59.00	59.00	59.00	59.00

		Medical Equipment	AP- e-Procurement/ APMSID C procurement rates & its inclusive of GST	10.9	10.9	10.9	10.9	10.9
		Plant & Machinery	Its inclusive of GST	6.12	1.88	9.87	6.53	5.88
		Contingency	1% in line with Industry standards	5.98	7.02	6.32	6.51	6.18
		Consultancy	1% in line with Industry standards	5.98	7.02	6.32	6.51	6.18
		Financing Cost	1% in line with Industry standards	3.56	3.31	3.46	3.43	3.52
		Inflation	4% in line with Industry standards	39.84	46.24	42.00	43.05	41.06
		Interest During Construction	@10% Cost of Debt	42.74	42.00	42.33	42.53	42.85
		Total Project Cost		695.82	880.03	732.02	752.88	719.94
8	Revenue Streams of the Project (Annual flows over project life)	Revenue Streams	Amalapuram	Bapatla	Narsipatnam	Palakollu	Penukonda	
		Hospital Revenue	Particulars	Value		Assumptions		
			Revenue per IPD bed (PMJAY/INTRVST)	70% of the total IPD bed @ ₹17,577		Package rates as per PMJAY (based on Average Claims and patient admitted)		
			Revenue per IPD bed (CGHS rates)	₹17,577		CGHS IP (avg. cost per IP)		
			Revenue	30% of the Tot		Based on stake		

					e per IPD bed (Market rate)	al IPD beds @ (up to 1.5 times the CGHS rate)	holder consultation and market assessment		
					Revenue from OPD	Free	As per DCA of NITI Aayog		
					Diagnostics and Daycare	Free for free patients and @ 1.5 times the CGHS rates for the paid patients	As per industry standards		
					Pharmacy Revenue	5% of IPD Revenue	Based on market assessment		
			Medical College & Hostel fees and Nursing College & Hostel fees	S No	Quota	Seat Allocation	MBBS tuition fee in INR/ year/ seat	PG tuition fee in INR/ year/ seat	Nursing tuition fee in INR/ year/ seat
				1	Go AP	50 %	16,500	4,96,800	15,000
				2	Mgmt Quota	35 %	13,20,000	9,93,600	15,000
				3	NR I Quota	15 %	39,60,000	57,50,000	15,000
				4	Hostel Fee		1,50,000	1,50,000	30,000

4. The Government of Andhra Pradesh has approved the establishment of 17 new Teaching Hospitals with integrated Medical Colleges across the State in three phases. Under Phase I, facilities at Vizianagaram, Rajahmundry, Eluru, Machilipatnam, Nandyal and Paderu have been completed and are operational. Under Phases II and III, projects were taken up at Markapuram, Adoni, Madanapalle, Pulivendula, Parvathipuram, Narsipatnam, Amalapuram, Palakollu, Bapatla, Piduguralla and Penukonda. Construction commenced at all these locations except Parvathipuram. However, due to fiscal constraints faced by the State Government, the works could not be completed and have since been suspended. The projects are currently at varying stages of construction, while construction at Parvathipuram is yet to commence.

5. Accordingly, the HM&FW Department has identified eight projects for implementation on a Design, Build, Finance, Operate and Transfer (DBFOT) basis. Of these, five projects under Phase III—Amalapuram, Bapatla, Narsipatnam, Palakollu and Penukonda—have been submitted to the PPPAC for consideration. Each project envisages the development of a 625-bed teaching hospital, with 150 MBBS seats, 24 PG seats and a 60-seat nursing college, on Government land. These projects were initially awarded under EPC mode, and construction had commenced at all five locations. However, the works were subsequently suspended, with the projects currently at varying stages of completion.
6. The projects are now proposed to be completed and operated through private sector participation under a DBFOT framework, with the private partner responsible for design, financing, construction, operation and maintenance during the concession period. Based on the financial viability assessment, all five projects require Viability Gap Funding (VGF) to become financially viable and attractive to private bidders.
7. Overall, the five projects entail an estimated total project cost of Rs. 3,706.60 crore and require approximately Rs. 1,239.96 crore of VGF support under the base case scenario, which assumes 70% initial hospital occupancy at COD. The PPP approach is intended to leverage private sector financing and operational capabilities to complete the stalled healthcare infrastructure and ensure long-term operation and maintenance of the facilities.
8. The financial model assumes a 70:30 debt-equity structure, 10% cost of debt, 14% cost of equity and 4% cost escalation. Project revenues are primarily expected from IPD services, medical college and nursing college tuition fees, hostel fees, diagnostics/day-care services and pharmacy revenue. With VGF support, the estimated project IRRs range between 13.68% and 13.91%, while equity IRRs range between 15.06% and 15.37%. The concession period for the project is 66 years, including construction periods of 2 years for each projects.
9. Following the detailed presentation, the Chair invited the EC members to provide their observations and comments on the project proposal.
10. The observations raised by **PD NITI Aayog** and the responses therein by HMF&W, Andhra Pradesh are given below:

- i. **What would be the impact on the VGF requirement if the concession period is reduced from the proposed 66 years to 60, 50, or 40 years?**

Response: The proposed 66-year concession period has been assessed based on financial viability of the project. The financial model has been developed using relatively conservative assumptions. Any reduction in the concession period would adversely impact the project cash flows and returns and, consequently, would result in an increase in the VGF requirement.

- ii. **The project IRR has been considered at 13.68% - 13.90%, which seems relatively high. If a project IRR of around 12% is considered, along with a 10% cost of debt, the VGF requirement could be lower. What is the reason for using the higher project IRR, and can the Authority reassess the VGF requirement based on a 12% project IRR?**

Response: The Authority has assessed the VGF requirement considering a Project IRR of around 12%. However, under this scenario, the Equity IRR is approximately 13% and the Equity NPV remains negative across all projects, indicating inadequate returns to the concessionaire considering the revenue and operational risks involved. Accordingly, a benchmark Equity IRR of 15% has been adopted for determining the indicative VGF requirement and ensuring project bankability and adequate private sector participation. It may also be noted that the VGF sought at this stage is only in-principle, and the final requirement will be determined through competitive bidding and market discovery. Therefore, it is submitted to approve the grant as requested by the GoAP. *(The VGF requirement with 12% project IRR is given at Annexure II, SN. lii which shows that the Equity NPV is negative and Equity IRR is 13%)*

iii. **What is the mechanism in the Concession Agreement to ensure that the NMC norms are complied by the Concessionaire?**

Response: The responsibility for ensuring compliance with the applicable NMC norms and requirements, including addressing any deficiencies arising during construction or at the stage of obtaining the licence to operate, shall rest with the concessionaire. In case of non-compliance the license will not be issued.

iv. **The RFP permits bidders to bid for multiple Projects leading to the possibility of awarding more than one project to a single bidder. What is the financial and eligibility criteria if a bidder bids for all the five projects and emerges as the selected bidder?**

Response: The RFP will be suitably modified to clarify the mechanism for multiple Project awards. Technical Bids for all Projects will be evaluated together, while Financial Bids of Qualified Bidders will be evaluated sequentially in the prescribed order of Projects. Following each award, the Bidder's available Technical and Financial Capacity will be reduced by the capacity requirement of the awarded Project (**Capacity Deduction**). The Bidder's eligibility for subsequent Projects will then be reassessed based on its remaining capacity. In case of a Consortium, the deduction will be applied to the Consortium Members in accordance with their declared shares. A Bidder may be awarded multiple Projects only if it continues to meet the prescribed eligibility and capacity requirements. However, the number of Projects awarded to a Bidder / Consortium Member shall be limited to 50% of the Projects being bid out at the relevant time, subject to a maximum of two (2) Projects. Once the maximum is reached, its Financial Bids for subsequent Projects shall not be considered. For each Project, the **Highest Bidder** shall be the Qualified Bidder, after accounting for Capacity Deduction, quoting the lowest VGF. The RFP will include illustrative scenarios to clarify the application of this mechanism, aligned with the approach adopted for the recently awarded Odisha Hospital PPP projects. *(GoAP has provided the mechanism for evaluation and scenarios- details presented at Annexure II, SN. iv)*

11. The observations made by the **Deputy Secretary, Department of Expenditure** and the responses therein by HMFW are given below:

- i. **Whether the 4% escalation has been applied to the entire initial project cost or only to the balance project cost, excluding the cost of the already constructed building.**

Response: The 4% escalation has been applied only to the balance project cost, excluding the cost of the already constructed building.

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

- i. **The Technical Criteria for evaluation are experience of constructing and operating a hospital of 420 beds or 2 hospital of 220 beds each and medical college with greater than equal to 100 seats for past 10 years in India. The financial criteria are net worth should be greater than equal to 30% of the Total Project Cost. In case of high-net-worth, i.e., net worth greater than/or equal to 60% of TPC, they are exempted from Technical Criteria. How will the bidders be compared, in case one bidder is evaluated on both technical and financial capacity whereas another bidder is evaluated on High-Net-Worth Criteria?**

Response: The Technical and Financial eligibility and high-net worth would indicate if a concessionaire has the capacity to execute the project. However, lowest VGF sought is the bidding parameter. Accordingly, bidders meeting the prescribed technical and financial eligibility criteria or high-net-worth criteria including through consortium arrangements, would be eligible to participate in the bidding process. The bid evaluation would be based on the VGF quoted by the qualified bidders.

- ii. **It may be clarified if the reservation of seats are based on 'Free beds' or 'Free bed days'?**

Response: Free bed concept has been used to reserve beds. Under the proposed approach, up to 70% of the total bed capacity will be reserved for free patients. Accordingly, where the hospital has a total capacity of 100 beds, the requirement would be to ensure that up to 70 beds are available for free patients, with the remaining beds available for market patients.

- iii. **What is the mechanism to ensure that the prescribed capping of tariff is not breached, particularly in cases where tests are not covered under CGHS and are charged at market rates.**

Response: The Article 27 of the DCA provides for the requisite monitoring mechanism. A Board has been constituted for this purpose, along with provisions for audit and other checks and balances to ensure compliance with the prescribed capping.

- iv. **The applicability of both NTRVST and CGHS rates might lead to ambiguity. Therefore, the applicable rates should be clearly indicated.**

Response: The CGHS rates will be applicable in districts where CGHS rates are available. In districts where CGHS rates are not available, NTRVST rates will apply.

- v. **What is the rationale for assuming a zero-moratorium period ?**

Response: the moratorium period will ultimately be determined by the senior lenders and the consortium, based on the project's debt-servicing capacity. Hospital revenues are expected to commence from Day 1, while college revenues are expected to commence after approximately one year and are projected to support debt servicing. Further, a higher moratorium would result in capitalisation of additional interest, increasing the total project cost (TPC) and consequently the VGF requirement. The zero-moratorium assumption therefore seeks to minimise TPC and the associated VGF requirement.

13. The observations made by the **Secretary, Ministry of Health and Family Welfare** and the responses are given below:

- i. **Why has 70% occupancy been considered for the project? Generally, the occupancy level of around 80% of bed has been considered for the projects?**

Response: Considering the hospital capacity of 625 beds, achieving 80% occupancy from the first year is ambitious. Based on the experience of similar projects in Jharkhand and other States, occupancy typically ramps up gradually. However, considering the higher population and anticipated demand, 70% occupancy has been considered as a reasonable assumption.

- ii. **Where adequate allied healthcare facilities are not available nearby, could the feasibility of introducing allied healthcare training programmes within the medical college be explored? This would help address the shortage of trained allied healthcare professionals at the district level.**

Response: The feasibility of introducing allied healthcare training programmes within the medical colleges will be explored, taking into consideration the programmes and courses currently being offered by various colleges in the State.

- iii. **If schemes such as PMJAY or the State's payment mechanism are changed or discontinued during the concession period, how will these changes be handled under the concession agreement? What provisions**

are included to protect the project from the resulting financial impact or payment-related risks?

Response: In the event that the existing government schemes or payment mechanisms are discontinued during the concession period and a successor scheme comes into effect, then the rates shall be based on successor scheme. In case there is no successor scheme, the Authority and the concessionaire may mutually discuss and agree upon an alternative payment mechanism to ensure the continued viability of the project through a supplementary agreement. Appropriate provisions to address such changes between the parties have been incorporated in the Concession Agreement.

- iv. **If the concessionaire is unable to meet its obligations due to risks allocated to it and this results in a default, how will the Authority address the situation? Could the Concession Agreement clearly define the process for handling such defaults, including the responsibilities of both parties and the procedure for exit from the project?**

Response: The Concession Agreement provides for appropriate mechanisms to address such situations. In the event of a default, the provisions related to damages, termination of the agreement, substitution of the concessionaire etc., will trigger as appropriate. Further, Key Performance Indicators (KPIs) have been incorporated to monitor the concessionaire's performance and ensure compliance with the prescribed obligations.

14. The observations made by the **Chair** and the responses therein by HMFV officials are given below:

- i. **Has the land allocation for the proposed projects been carried out as per the applicable norms?**

Response: Yes. The applicable norms have been duly considered while determining the required land area for each project, and the land has been allocated accordingly.

- ii. **It has been observed that the estimated project cost under the EPC mode was within ₹400 crore across all districts, whereas the estimated cost under the PPP mode has increased substantially to approximately ₹700 to 800 crore. What are the reasons for this significant increase in project cost under the PPP mode?**

Response: The project costs estimated under the EPC mode were based on the ECV derived from SOR 2021-22 and did not include several components that are required to determine the Total Project Cost under the PPP model. In particular, the EPC estimates excluded the cost of major medical equipment, escalation to current price levels, GST, inflation during construction, interest during construction, financing costs, contingencies,

insurance, and other project-related soft costs. For PPP cost determination, the base EPC cost was benchmarked with the completed Pulivendula project, adjusted for project-specific requirements, escalated to the 2025-26 price level, and supplemented with the cost of medical equipment and other financing and lifecycle cost components. Accordingly, while the EPC cost was approximately Rs. 400 crore, the inclusion of medical equipment increases the effective cost to around Rs. 550 crore. Further additions towards escalation, inflation during construction, interest during construction, financing costs, contingencies, and other soft costs result in the higher Total Project Cost considered under the PPP model. Therefore, the PPP project cost represents the comprehensive project cost at the 2025-26 price level, including all capital, financing, and lifecycle-related expenses, GST and is not directly comparable with the EPC cost estimate. (GoAP has provided the justification for higher cost- details presented at Annexure II, SN. ii)

- iii. **As per the financial model, a VGF (Capital Grant) of 41.5% has been assumed for Bapatla, which appears to be hard coded in the assumptions and consistently applied across locations. What is the methodology, calculation basis, or benchmark considered for arriving at the 41.5% VGF assumption?**

Response: The VGF requirement has been determined based on the overall project cost, projected cash flows, and expected returns. A detailed year-wise cash flow analysis has been undertaken for each project to assess the funding requirement and project viability. Accordingly, the VGF amount is not a pre-determined or fixed assumption, but an outcome of the financial analysis and has been arrived at based on the VGF required to ensure the viability of the respective project. (GoAP has provided the assumptions and methodology for VGF calculations- details presented at Annexure II, SN. iii)

- iv. **Since a consortium of up to three members is allowed, can one member meet the financial requirement while another member meets the technical requirement? Is such an arrangement allowed?**

Response: Yes, in case of a consortium, the financial and technical eligibility requirements may be met by different consortium members. Accordingly, one member may fulfil the financial eligibility criteria, while another member may fulfil the prescribed technical eligibility criteria, subject to compliance with the other requirements specified in the tender document.

- v. **The concession period for all projects has been considered as 66 years. What is the rationale for adopting such a long concession period?**

Response: The 66-year concession period has been determined based on the investment required by the concessionaire and the period necessary to

achieve a reasonable return on investment. The concession period has been assessed through the project financial model, considering key factors including projected cash flows, debt repayment obligations, and the overall financial viability of the project.

Recommendations:

15. After detailed deliberation, the EC unanimously granted In-principle Approval for VGF support under the Sub Scheme -1 of the VGF Scheme of DEA to the proposals for 'Development of a 625-bed teaching hospital along with a medical college (150 UG and 24 PG seats) and a nursing college (60 seats) at each of Amalapuram, Bapatla, Narsipatnam, Palakollu and Penukonda in Andhra Pradesh on a PPP basis', with the following conditions:

- i. The TPC and the maximum VGF granted approval are as follows:

Project	Total Project Cost (in INR crore)	VGF Requirement		VGF (in INR crore)	
		Central Share	State Share	Central Share	State Share
Amalapuram	695.82	27%	-	187.87	-
Bapatla	808.03	30%	11.5%	242.41	92.92
Narsipatnam	732.02	30%	2.5%	219.61	18.30
Palakollu	752.84	30%	5.0%	225.85	37.64
Penukonda	717.89	30%	-	215.37	
Total	3,706.60	-	-	1,091.1	148.86

- ii. The Authority to ensure that the eligibility criteria be reviewed and suitably refined to remove ambiguity, enable wider bidder participation, enhance competition, and facilitate better discovery of the VGF requirement. A Bidder may be awarded more than one Project only if it continues to satisfy the prescribed eligibility and capacity requirements after accounting for the capacity committed to previously awarded Projects subject to maximum limit of 2 projects.
- iii. It is recommended to incorporate the provision in the Concession Agreement that the CGHS rates shall be applicable in districts where CGHS rates are available. In districts where CGHS rates are not available, nearby CGHS rates or NTRVST rates whichever is less shall apply.
- iv. The provision of incorporating Allied Healthcare Courses within the medical colleges may be explored.
- v. It is recommended that the Concession Agreement incorporate a provision stating that, in the event that PMJAY or any state-funded health scheme ceases to exist, the successor scheme(s) shall apply. In the event that no successor scheme is in place during the concession period, the applicable rates may be mutually agreed upon by the Authority and the Concessionaire through a Supplementary Agreement.
- vi. The following shall be considered as the pre-determined user charges/tariffs and shall be appropriately incorporated in the concession agreement: -
 - a. If CGHS/NTRVST cease to exist in the future without any successor scheme,

then the user charges/tariffs for paid patients along with escalation mechanism shall be revised mutually by the Authority and the concessionaire and shall be recorded in a supplementary agreement to the concession agreement after factoring in the VGF granted under the scheme.

- b. In case, any regulatory/statutory mechanism subsequently comes into existence for determination of these user charges/tariffs from time to time, then such regulatory/statutory mechanism shall determine the user charges/tariffs for remaining concession period factoring in the VGF granted.
 - c. For medical college fees, the Fee Fixation Committee shall determine the fees of the seats factoring in VGF granted to the project.
-
- vii. Necessary amendments to the bid documents (including Concession Agreement) will be made to incorporate suggestions of Empowered Committee.
 - viii. The Authority to undertake legal vetting of the project documents post incorporation of the changes. A copy of the revised project documents be submitted to the Empowered Committee members for record purpose.
 - ix. Final Approval for VGF support is contingent upon compliance of all conditions of the VGF Scheme.
 - x. Revalidation of 'In Principle' Approval of the PPPAC from VGF angle is required for following pre-bid changes in the approved project documents:
 - a. Any downward revision in the number of medical education seats or hospital beds.
 - b. Any change in the formulation of pre-determined user charges/tariff.
 - c. Any change in concession period by more than 20%.
 - d. Any changes having impact on In-Principle approved amount of VGF for Govt. of India, on the higher side.
 - xi. Any change in the date/time period for any time-bound actions like appointed date, financial close, construction period etc., shall be approved by the PSA without any need of revalidation by the Empowered Committee and the PSA shall proceed with the process accordingly.
16. The meeting ended with vote of thanks to the Chair.

Annexure-I

List of the attendees of the 55th meeting of the Empowered Committee for consideration of the proposal “Development of Teaching Hospital (625 Beds) with Medical College (150 UG & 24 PG seats) and Nursing College (60 seats) at Amalapuram, Bapatla, Narsipatnam, Pallakollu and Penukonda in Andhra Pradesh on PPP basis

a. Department of Economic Affairs

1. Ms. Anuradha Thakur, Secretary
2. Ms. Laya Madduri, Joint Secretary (IFS)
3. Ms. Arya Balan Kumari, Joint Director (PIU)
4. Shri. Jai Patil, Deputy Secretary (PIU)
5. Shri. Suman Saurabh, Section Officer (PIU)

b. Department of Expenditure

1. Shri. Rajiv Saraswat, Deputy Secretary

c. NITI Aayog

1. Shri. Partha Sarathi Reddy, Program Director
2. Shri. Piyush Bhatnagar, Consultant Grade- 2
3. Shri. Sudhanshu Singh, Consultant Grade-1

d. Ministry of Health and Family Welfare

1. Ms. Punya Salila Srivastava, Secretary
2. Shri. Vijay Nehra, Additional Secretary
3. Kumar Rahul, Director

e. Health and Family Welfare, Andhra Pradesh

1. Shri. Veerrappandian, I.A.S, Secretary Health, Government of Andhra Pradesh
2. Dr. Vishnuvardhan, Director of Medical Education
3. Shri. R Ganapathirao, JD
4. Dr. V L M Raman, JD
5. Shri. P Nehru, Chief Engineer, APMSIDC
6. Shri. K Krishna Kumar, Executive Assistant

Annexure II

SN	Comments from DEA, MoF and NITI Aayog	Compliance
i.	Physical Progress and E	The projects in all five districts were initially taken up under the EPC mode. However, construction activities were subseq

	Expenditure Incurred under EPC Mode The Authority may provide the current status of completion of the projects undertaken under the EPC mode in all five districts, including the percentage of work completed and the expenditure incurred as of the date of suspension of works	fluently suspended due to fiscal constraints. Prior to suspension, each project had achieved a certain level of physical progress, and investments had been made by the Government of Andhra Pradesh (GoAP). The location-wise status of physical progress and the corresponding investments made by the Department are provided below. <table><tr><th>Sl. No.</th><th>Project Location</th><th>ECV Value (Rs crore) 2021-2022 rates (without GST)</th><th>Value of Work done (Rs crore)</th><th>Value of work done % age of ECV</th></tr><tr><td>1</td><td>Amalapuram</td><td>361.55</td><td>93.33</td><td>26%</td></tr><tr><td>2</td><td>Bapatla</td><td>377.59</td><td>60.13</td><td>16%</td></tr><tr><td>3</td><td>Narsipatnam</td><td>356.37</td><td>18.61</td><td>5%</td></tr><tr><td>4</td><td>Penukonda</td><td>356.04</td><td>42.70</td><td>12%</td></tr><tr><td>5</td><td>Palakurthi</td><td>362.29</td><td>55.53</td><td>15%</td></tr></table>	Sl. No.	Project Location	ECV Value (Rs crore) 2021-2022 rates (without GST)	Value of Work done (Rs crore)	Value of work done % age of ECV	1	Amalapuram	361.55	93.33	26%	2	Bapatla	377.59	60.13	16%	3	Narsipatnam	356.37	18.61	5%	4	Penukonda	356.04	42.70	12%	5	Palakurthi	362.29	55.53	15%
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ii.	Rationale for Higher Project Cost under the PPP Model The Authority may clarify the reasons for the higher Project Cost under the PPP mode (over Rs. 600 crore) compared to the EPC mode (approximately Rs. 400 crore), including the additional cost components and assumptions considered in determining the	The project costs estimated under the EPC mode were based on the ECV derived from SOR 2021-22 and did not include several components that are required to determine the Total Project Cost under the PPP model. In particular, the EPC estimates excluded the cost of major medical equipment, escalation to current price levels, GST, inflation during construction, interest during construction, financing costs, contingencies, insurance, and other project-related soft costs. For PPP cost determination, the base EPC cost was benchmarked with the completed Pulivendula project, adjusted for project-specific requirements, escalated to the 2025-26 price level, and supplemented with the cost of medical equipment and other financing and lifecycle cost components. Accordingly, while the EPC cost was approximately Rs. 400 crore, the inclusion of medical equipment increases the effective cost to around Rs. 550 crore. Further additions towards escalation, inflation during construction, interest during construction, financing costs, contingencies, and other soft costs result in the higher Total Project Cost considered under the PPP model. Therefore, the PPP project cost represents the comprehensive project cost at the 2025-26 price level, including all capital costs, financing, and lifecycle-related expenses, GST and is not directly comparable with the EPC cost estimate.																														

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iii.	Methodology for Determination of VGF Requirement: The Authority may clarify the rationale for the VGF requirement proposed for all districts. Given that at the VGF percentages appear to be predetermined, please explain the methodology, assumptions, and financial parameters considered in arriving at these VGF levels.	The VGF requirement has been assessed based on the Total Project Cost and projected revenues from the hospital, medical college, and nursing college. A 70% bed occupancy rate has been adopted for the initial years based on market analysis and benchmarking with comparable hospitals. This is considered a prudent assumption, as higher occupancy levels may overstate revenues and increase risk for the Concessionaire. The VGF requirement is derived through financial modelling and sensitivity analysis, considering project costs, cash flows, and funding needs. The VGF percentage is calibrated to achieve the benchmark Equity IRR (EIRR) of 15% for the Concessionaire. Accordingly, the VGF is not a predetermined or hardcoded value, but the outcome of an iterative project viability assessment. <table><tr><th>Description</th><th>Amalapuram</th><th>Bapatla</th><th>Narsipatnam</th><th>Palakollu</th><th>Penukonda</th></tr><tr><td>Total Project Cost</td><td>₹ 695.82</td><td>₹ 808.03</td><td>₹ 732.02</td><td>₹ 752.84</td><td>₹ 717.89</td></tr><tr><td>VGF (INR cr)</td><td>₹ 187.87</td><td>₹ 335.33</td><td>₹ 237.91</td><td>₹ 263.49</td><td>₹ 215.37</td></tr><tr><td>VGF (%)</td><td>27%</td><td>41.5%</td><td>32.5%</td><td>35%</td><td>30%</td></tr><tr><td>Gol Share (Upto 30% : Sub scheme-I)</td><td>₹187.87</td><td>₹ 242.41</td><td>₹ 219.61</td><td>₹ 225.85</td><td>₹ 215.37</td></tr><tr><td>GoAP Share</td><td>-</td><td>₹ 92.92</td><td>₹ 18.3</td><td>₹ 37.64</td><td>-</td></tr><tr><td>Project IRR</td><td>13.36%</td><td>13.54%</td><td>13.40%</td><td>13.47%</td><td>13.38%</td></tr><tr><td>Equity IRR</td><td>15.00%</td><td>15.00%</td><td>15.00%</td><td>15.00%</td><td>15.00%</td></tr><tr><td>Project NPV (INR Cr)</td><td>₹ 349.4</td><td>₹ 344.4</td><td>₹ 348</td><td>₹ 348.6</td><td>₹ 348</td></tr><tr><td>Equity NPV (INR Cr)</td><td>₹ 26.9</td><td>₹ 26.2</td><td>₹ 27.3</td><td>₹ 27.4</td><td>₹ 26.2</td></tr></table> The financial analysis has been carried out by benchmarking an Equity IRR of 15%, which is generally considered an appropriate return expectation for social infrastructure projects. Based on this target equity return, the required Viability Gap Funding (VGF) has been estimated through an iterative process. Under this approach, all five projects achieve an Equity IRR of 15% and generate a positive Equity NPV exceeding ₹ 25 crore, indicating that the projects are financially viable and acceptable from an investor perspective.	Description	Amalapuram	Bapatla	Narsipatnam	Palakollu	Penukonda	Total Project Cost	₹ 695.82	₹ 808.03	₹ 732.02	₹ 752.84	₹ 717.89	VGF (INR cr)	₹ 187.87	₹ 335.33	₹ 237.91	₹ 263.49	₹ 215.37	VGF (%)	27%	41.5%	32.5%	35%	30%	Gol Share (Upto 30% : Sub scheme-I)	₹187.87	₹ 242.41	₹ 219.61	₹ 225.85	₹ 215.37	GoAP Share	-	₹ 92.92	₹ 18.3	₹ 37.64	-	Project IRR	13.36%	13.54%	13.40%	13.47%	13.38%	Equity IRR	15.00%	15.00%	15.00%	15.00%	15.00%	Project NPV (INR Cr)	₹ 349.4	₹ 344.4	₹ 348	₹ 348.6	₹ 348	Equity NPV (INR Cr)	₹ 26.9	₹ 26.2	₹ 27.3	₹ 27.4	₹ 26.2
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As an alternative scenario, the analysis was undertaken by targeting a Project IRR of 12%. Under this approach, the resulting Equity IRR declines to approximately 13%, and the Equity NPV turns negative across all projects. A negative Equity NPV implies that, after considering the initial equity investment and discounting future cash flows, the projects do not generate adequate value for the concessionaire. In other words, the expected returns are insufficient to compensate investors for the risks being undertaken.

Description	Amalap uram	Bap atla	Narsipa tnam	Palak ollu	Penuk onda
Total Project Cost (INR Cr)	₹ 703	₹ 816	₹ 739	₹ 761	₹ 725
VGF (INR cr)	₹ 98.37	₹ 244.83	₹ 147.9	₹ 167.4	₹ 130.43
VGF (%)	14%	30%	20%	22%	18%
Gol Share (Upto 30% : Sub scheme-I)	₹98.37	₹ 244.83	₹ 147.9	₹ 167.4	₹ 130.43
GoAP Share	-	-	-	-	-
Project IRR (Benchmark)	12.1%	12.1%	12.1%	12.0%	12.1%
Equity IRR	13.2%	13.1%	13.12%	13.0%	13.00%
Project NPV (INR Cr)	₹ 266.9	₹ 259	₹ 264	₹ 258.9	₹ 269.2
Equity NPV (INR Cr)	(₹34.4)	(₹36.5)	(₹34.6)	(₹38.9)	(₹32.2)

It is important to note that the medical colleges constitute the primary revenue source for the concessionaire, and therefore the concessionaire assumes significant revenue risk associated with student intake, fee realization, occupancy levels, and overall operational performance. Furthermore, the financial model has been prepared using optimistic assumptions for key project parameters. Even under these assumptions, the scenario based on a 12% Project IRR results in inadequate returns to equity investors. Consequently, such projects may not attract sufficient market interest and could lead to a weak bidding response or potential failure in achieving successful project award.

It may also be highlighted that the proposed VGF being sought at this stage is only an In-principle approval. The actual VGF requirement will ultimately be determined through a competitive bidding process and discovered by the market. Therefore, for the purpose of estimating the VGF requirement an

		ld ensuring project bankability, a benchmark Equity IRR of 15 % has been adopted. Based on this benchmark, the VGF requirement has been computed to ensure that the projects are financially attractive, capable of attracting credible private sector participation, and deliver successful project implementation.
iv.	Award of Multiple Projects and Capacity Deduction As per clause 2.2.1(e) of the Request for Proposal (RFP) states that bidders may participate in more than one project/bid and that the Authority reserves the right to award more than one project to a single bidder, subject to the bidder demonstrating the required financial capacity separately for each project. In this regard, the Authority may clarify the bidder selection and award process in cases where a bidder emerges as the preferred bidder for more than one project. Specifically, please explain	The bidders may participate in more than one Project. However, the Authority reserves the right to award more than one (1) Project to a single bidder, subject to the bidder meeting the prescribed financial capacity and annual turnover requirements. The evaluation methodology for multiple project awards shall be aligned with the approach adopted for the recently awarded Odisha Hospital PPP projects. The Technical Bids for all Projects shall be evaluated together. Bidders meeting the responsiveness and eligibility requirements for a Project shall be declared as Qualified Bidders for that Project. The Financial Bids of Qualified Bidders shall then be opened and evaluated sequentially for each Project in the prescribed order (Project A, Project B, Project C, Project D, and so on). Where a Bidder is selected for a Project, its available Technical Capacity and Financial Capacity shall be reduced by the capacity requirement of the awarded Project ("Capacity Deduction"). In the case of a Consortium, such deduction shall be applied to the capacities of the Consortium Members in accordance with their declared shares. Following each award, the Bidder's remaining capacity shall be re-evaluated for the Projects for which it has also submitted bids. If, after Capacity Deduction, the Bidder no longer satisfies the minimum eligibility requirements for any remaining Project, it shall cease to be a Qualified Bidder for separately for each Project(s). Accordingly, a Bidder may be awarded more than one Project only if it continues to satisfy the prescribed eligibility and capacity requirements after accounting for the capacity committed to previously awarded Projects. Each Project shall be awarded to the Highest Bidder for such Project. The number of Projects to be awarded to a particular Bidder /Consortium Member shall be 50% of the Projects being bid out at the time, subject to a maximum of 2 (two) Projects. In case a particular Bidder /Consortium Member is awarded the maximum number of Projects, the financial bids of the Bidder or Consortium Member shall not be considered for further Projects. In this RFP, the term "Highest Bidder" for each Project shall mean the Qualified Bidder for the concerned Project (after taking into account Capacity Deduction) who has

tain the methodology and criteria that will be applied for allocation and award of multiple projects to a single bidder.	as quoted the lowest VGF. Generally, the Highest Bidder shall be the Selected Bidder for each Project.
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