

## **Record of Discussion of 94<sup>th</sup> Meeting of Public Private Partnership Appraisal Committee (PPPAC)**

The 94<sup>th</sup> meeting of the PPPAC, chaired by Secretary (Economic Affairs) was held on 01.06.2020 at 12.30 PM via Video Conferencing in Room No. 131-A, North Block to consider the proposal of M/o Shipping for Operation, Management & Development (OMD) of Multi-modal Terminal (MMT) at Sahibganj on PPP mode and M/o Petroleum & Natural Gas proposal of Development of Strategic Crude Oil Storage Cavern Facilities at Chandikhol, Odisha and Padur II, Karnataka on DBFOT basis under PPP Mode. The list of participants as per **Annexure-II**.

### **Agenda 1: Ministry of Shipping's proposal on Operation, Management & Development of Multi-modal Terminal (MMT) at Sahibganj**

**Project Description:** To meet the existing demand and projected increase in traffic volume, Operation, Management & Development (OMD) of the MMT at Sahibganj are proposed to be entrusted to Private Operator under the PPP model. The State-of-the-art mechanized handling system is there to handle commodities such as stone chips and coal.

**Project Cost:** IWAI contribution towards development of terminal would be Rs. 280 crore (Phase-I with rated capacity of 3.03 MMTPA)). OMD Concessionaire is expected to spend Rs. 375.59 crore (Phase-II to increase rated capacity to 5.48 MMTPA).

**Timeline for implementation:** Expansion phase development need to be initiated when utilization reaches 2.42 mmtpa (i.e. 60% of 3.03 mmtpa) for 2 consecutive years & cumulative capacity of 5.48 mmtpa is developed latest by 10<sup>th</sup> anniversary of COD.

**Implementing Agency:** Inland Waterways Authority of India (IWAI)

**Bidding Parameter:** Royalty per ton.

**Land Status:** Land measuring 251.67 acre (already available to IWAI)

**Agreement Period:** 30 years (extendable by 20 years) / 50 years

2. JS(IPF) informed that the above mentioned proposals have been received for consideration of PPPAC. Regarding proposal of M/o Shipping, it may be considered by the PPPAC for 'In-principle' & 'final' approval simultaneously in line with PPPAC approval for OMD of MMT at Varanasi held on 28.02.2019. After discussions and deliberations, the PPPAC agreed to consider the proposal for 'In-principle' & 'Final' approval simultaneously.

3. Vice Chairman, Inland Waterways Authority of India (IWAI) made a presentation on the proposal. A copy of the presentation is at **Annexure-III**. He informed that the PPPAC Memo, Draft Concession Agreement, RFP etc. had been circulated to NITI Aayog, Department of Economic Affairs, Department of Expenditure, Department of Legal Affairs, Ministry of Law and Justice, Ministry of Environment, Forest and Climate Change and Ministry of Railways. Comments from NITI Aayog, Department of Economic Affairs, Department of Expenditure and Ministry of Environment, Forest & Climate Change have since been received. He stated that the bidding documents have been prepared based upon

Model Concession Agreement for Major Ports, 2018 and bidding documents of Varanasi MMT recommended by PPPAC in its 86<sup>th</sup> and 87<sup>th</sup> meeting. He informed PPPAC that almost 100% of physical work of phase 1 of Sahibganj MMT has been completed. The capacity of Sahibganj MMT (Phase 1) is 3.03 mmtpa with existing facilities for which IWAI has invested Rs. 280 crore and Rs. 376 crore is expected from the selected private operator responsible to complete phase 2 of Sahibganj MMT. Apart from this, IWAI envisages development of railway connectivity to the MMT at an estimated cost of INR 78 crore at a later stage after due approvals, land acquisition etc. The land of terminal is 251.67 acre and the same has been acquired. Thereafter, he presented the 63 comments received from various ministries and departments and explained IWAI's response against those comments

4. The Committee further deliberated upon most suitable contours for deciding the features of the Sahibganj MMT OMD project.

*i. Timelines for terminal expansion:* It was discussed that the trigger for initiating expansion phase should be related to utilization of existing capacity (of 3.03 mmtpa). It was also noted that the earlier attempt of giving Varanasi on PPP mode did not succeed. Given the Covid conditions, it is important that the conditions on the concessionaire on achieving the capacity utilization should not be very onerous. It was also informed that once the concessionaire is in place it should be in his interest that he achieves utilization of existing capacity and also expands the capacity. However, it is also important to have an outer deadline for completion of terminal expansion such that there may not be an artificial delay in augmenting capacity utilization. Therefore, it was decided that concessionaire shall initiate expansion on achieving capacity utilization of 1.818 mmtpa (i.e. 60% of 3.03 mmtpa) for two consecutive years, such that cumulative terminal capacity of 5.48 mmtpa is developed latest by 10th anniversary of COD. Moreover, it was also decided that Concessionaire shall be permitted to conduct terminal expansion in incremental steps to develop cumulative capacity of 5.48 mmtpa.

*ii. Minimum Guaranteed Cargo (MGC):* It was explained that in order to mitigate down-side of traffic risk for the Concessioneing Authority (i.e. IWAI) at Sahibganj MMT, the provision of MGC for riverine cargo has been introduced. It was further discussed that volume slabs for MGC should be based on terminal capacity. Additionally, it was considered that as in the case of a port, MMT is considered efficient when it operates at 70% of rated capacity. Therefore, it was decided that MGC slabs shall be incorporated starting from 7% (10% of 70%) of initial rated capacity up till 35% (50% of 70%) of final rated capacity. The rationale of the decisions on MGC is that keeping in view the nascent stage of the sector, there exists a need to avoid imposing financial burden on the concessionaire for not attracting enough cargo. Moreover, in previously conducted similar bid (of Varanasi MMT OMD) it was highlighted by qualified bidders that high MGC slabs impact the bankability of the project. MCG slabs given at **Annexure-I** are approved by the PPPAC after detailed discussions.

*iii. Concession period:* The chairman asked the Ministry of Shipping about the IRR for these three options: i) 30 years, ii) 30+20 years, and iii) 50 years. As for Ministry of Shipping, the IRR for these three options are as under:

Options	Concession period 30 years	Concession Period 30+20 years	Concession Period 50 years
FIRR (%)	26.51	26.58	26.58

As there was no substantial difference between the IRR for 30 & 30+20 or 50 years, therefore, after detailed deliberations, it was decided to approve 30 years as concession period.

*iv. Shareholding lock-in period:* On the issue of Shareholding lock-in period, M/o Shipping informed that MCA (2018) suggested 2 years lock-in period but such a short lock-in period may lead to frivolous bids if change in ownership is allowed before moratorium period. In light of this, IWAI proposed that it should be coterminous with expansion phase completion to ensure that the operator makes sincere efforts to promote this sector and the Terminal. After deliberations, PPPAC agreed to IWAI proposal.

*v. Minimum Reserve Price:* On provision of Minimum Reserve Rate, M/o Shipping informed that 'Minimum Reserve rate' was included in line with PPPAC decision for OMD of MMT at Varanasi. However no bids were received for tender of MMT Varanasi, therefore, provision of minimum reserve price may be removed. After deliberations, PPPAC agreed to M/o Shipping proposal.

*vi. Moratorium for riverine royalty payment:* M/o Shipping informed that to accommodate time for market development and channel stabilization a moratorium of 4 years on minimum cargo guarantee was permitted to the concessionaire. The riverine royalty payment will have similar moratorium of 4 years. After deliberations, PPPAC agreed to M/o Shipping proposal.

*vii. Tariff & Royalty revision:* M/o Shipping informed that as per Draft Concession Agreement, Royalty per MT of cargo is proposed to be indexed to as per the variations in the Wholesale Price Index (WPI) annually. However, M/o Shipping advised that such revision shall be based on indexation against 60% of the variation in WPI for the relevant year in line with the methodology approved for Varanasi MMT EOT and Haldia MMT EOT projects during SFC/EFC meeting held on 23.04.2020. After deliberations, PPPAC agreed that the revision of tariff and royalty will be in line with indexation as per 60% of variation in WPI.

5. PPPAC also advised M/o Shipping & IWAI to consult M/o Railways for planning and execution of rail connectivity and other railway infrastructure related to this project to ensure smooth implementation.

6. The PPPAC accorded the 'in principle & final approval' to the proposal with discussion taken in para 4 of this RoD and recommended for approval of the Competent Authority subject to the following conditions:

- i. Ministry of Shipping will circulate the revised documents as noted above to the members of PPPAC for concurrence.
- ii. MoS shall ensure legal vetting of all the revised documents to ensure their legal sanctity.
- iii. MoS shall obtain prior approval of PPPAC for any change in scope of work or project configuration.
- iv. The entire land (including project facilities) given to the concessionaire should be transferred back to the Authority free of cost after end of the concession period.

**Agenda 2: Development of Strategic Crude Oil Storage Cavern Facilities at Chandikhol, Odisha (4 MMT) and Padur II, Karnataka (2.5 MMT) on DBFOT basis under PPP Mode**

7. The PPPAC decided to defer the proposal as it could not be discussed completely. It was noted that the project does not have any inflow of revenue for the project proponent. The MoPNG was also asked to look into whether this proposal exactly fulfills the PPP model?

The Meeting ended with vote of thanks to the Chair.

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## Annexure-I

## Minimum Guaranteed Cargo slabs:

	MGC (Phase I)		MGC (Phase II)		Total MGC
	Capacity = 70% x 3.03 = 2.12 mmtpa		Additional capacity = 70% x 2.45 = 1.72 mmtpa		MGC (Phase I) + MGC (Phase II)
Year	% of capacity	mmtpa	% of capacity	mmtpa	mmtpa
<b>5 to 7</b>	10%	0.21	0%	0.00	<b>0.21</b>
<b>8 to 10</b>	20%	0.42	0%	0.00	<b>0.42</b>
<b>11 to 13</b>	30%	0.64	10%	0.17	<b>0.81</b>
<b>14 to 16</b>	40%	0.85	20%	0.34	<b>1.19</b>
<b>17 to 19</b>	50%	1.06	30%	0.51	<b>1.58</b>
<b>20 to 22</b>	50%	1.06	40%	0.69	<b>1.75</b>
<b>23 onwards</b>	50%	1.06	50%	0.86	<b>1.92</b>

**Annexure-II**

**Record of Discussion of 94<sup>th</sup> Meeting Public Private Partnership Appraisal Committee held on June 1<sup>st</sup>, 2020.**

List of Participants:

<b>Sl. No.</b>	<b>Name</b>	<b>Designation</b>
1.	Shri Tarun Bajaj	Secretary (D/o Economic Affairs) – in Chair
2.	Shri Sanjeev Ranjan	Secretary, Ministry of Shipping
3.	Shri Tarun Kapoor	Secretary, M/o Petroleum & Natural Gas
4.	Dr. Amita Prasad	Chairman, IWAI
5.	Shri Rajeev Ranjan	Additional Secretary, D/o Expenditure
6.	Shri Rajat Sachar,	Senior Economic Adviser, Ministry of Shipping
7.	Shri Pravir Pandey	Vice Chairman, IWAI
8.	Shri BaldeoPurushartha	Joint Secretary (IPF), DEA
9.	Shri B.N. Reddy	Joint Secretary(I/C), Petroleum & Natural Gas
10.	Shri Abhijeet N	ED (Infrastructure), Railway Board
11.	Shri S K Saha	Adviser, NITI Aayog
12.	Shri AlokRanjan	Member (Finance), IWAI
13.	Shri HPS Ahuja	MD and CEO, ISPRL
14.	Shri Ajay Dashore	Deputy CEO, ISPRL
15.	Ms. Esha Srivastava	Director (I/C), MoPNG
16.	Shri Chandramani Rout	Director (IWT), Ministry of Shipping
17.	Shri Mukesh Kumar Gupta	Director (PPP), DEA
18.	Shri Manoj Kumar Madholia	Deputy Director (PPP), DEA
19.	Shri Shubham Goyal	Assistant Director (PPP), DEA