

**F. No. 3/1/2016-PPP
Ministry of Finance
Department of Economic Affairs
(PPP Cell)**

New Delhi, the April 21, 2016

OFFICE MEMORANDUM

Subject: 70th Meeting of the Empowered Institution (EI) for the Scheme for Financial Support to PPPs in Infrastructure (Viability Gap Funding Scheme) – circulation of Record of Discussion regarding.

The Record of Discussion of the 70th Meeting of the Empowered Institution for the Scheme for Financial Support to PPPs in Infrastructure (Viability Gap Funding Scheme) held on April 8, 2016 under the Chairmanship of Additional Secretary (Investment), DEA is enclosed for information and necessary action.

Seema Jain
21/4/2016

**(Seema Jain)
Deputy Director (PPP)
Phone No. 2309 3404**

1. **Dr. Arunish Chawla**, Joint Secretary, Dept. of Expenditure, North Block, New Delhi.
1. **Shri Praveen Mehto**, Adviser (PPP, PAMD), Niti Aayog, Parliament Street, New Delhi.
2. **Shri R.K. Singh**, Joint Secretary, MoRTH, Transport Bhawan, New Delhi.
3. **Sh. Manish Rastogi**, Managing Director, MPRDCL, 45A, Arera Hills, Bhopal, Madhya Pradesh 462011.
4. **Sh. K.S. Krishna Reddy**, KES, Managing Director, KRDCCL, 1st Floor, 16/J, Miller Tank Bed Area, Thimmaiah Road Cross, Bangaluru – 560 052.

Copy to:

1. Sr. PPS to Additional Secretary (Investment), 2. PS to JS (Infra), 3. PS to Director (PPP)/ PS to Director (Infra).

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Government of India
Ministry of Finance
Department of Economic Affairs
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Empowered Institution
for the
Scheme for Financial Support to Public Private Partnerships in Infrastructure

70th Meeting held on April 8, 2016

Record Note of Discussions

The 70th meeting of the Empowered Institution (EI) for the **Scheme for Financial Support to Public Private Partnerships in Infrastructure (VGF Scheme)**, chaired by Additional Secretary, (Investment), Department of Economic Affairs (DEA) was held on April 8, 2016. The list of participants is attached.

The EI noted that there was a proposal from Government of Karnataka for consideration for final approval of the viability gap funding (VGF) support and two proposals, one each from Government of Rajasthan and Government of Madhya Pradesh for consideration of in-principle approval of VGF under the Government of India's (GoI) Scheme for Financial Support to Public Private Partnerships in Infrastructure (VGF Scheme). All the three proposals were from the Road sector.

The EI 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.

Devi

A. Road sector proposal from Government of Karnataka- Final Approval of VGF

Agenda Item I: Proposal from Karnataka Road Development Corporation Ltd. (KRDCL), Government of Karnataka (GoK) for grant of final approval for Development of Road from Ginigere – Gangavathi – Sindhanur on SH 23 from Km. 79.00 to Km. 162.00 on Design, Build, Finance, Operate and Transfer (DBFOT) toll basis.

Project Details: Length: 83.00 Km.; Total Project Cost: Rs. 190.16 Crores; Concession Period: 24 years including 2 years of construction period

Major development works/ structures: Major Bridge: 01; Minor Bridge: 07; Major intersections: 06; Pipe culverts: 11 nos.; Box culvert: 01; Slab culvert: 01, Toll Plaza: 2 Nos. at location Km 121.750 (Danpur village) and Km. 142.350 (Mukkumba)

VGF sought: Rs. 4.59 crore (2.41% of TPC of Rs. 190.16 crore) as VGF support from GoI

2. Joint Secretary, DEA informed the EI that the project was earlier approved by the EI at its 37th Meeting held on January 16, 2012. The EI had granted in-principle approval of estimated VGF support of Rs. 38.03 Crore (20% of total project cost (TPC) of Rs. 190.16 crores), with maximum contribution from GoI. KRDCL, based on competitive bidding, awarded the project to M/s GKC Projects Limited, which quoted lowest grant of Rs.4.59 crores. Sindhanur Gangavathi Tollway Private Ltd. (SGTPL) a special purpose Vehicle ("SPV") incorporated on July 11, 2012 by the selected bidder for implementation of the Project, signed the Concession Agreement (CA) with KRDCL on August 24, 2012. KRDCL has provided clarifications sought by the EI on various issues as mentioned in the Appraisal Notes and have submitted the signed project agreements. The project agreements have been circulated to the EI members.
3. The EI noted that there was an inordinate delay in reaching Financial Closure with the actual Appointed Date being February 10, 2014 when the Concession Agreement was executed in August, 2012. In reply to queries on whether the Authority had delayed grant of clearances and the reasons for the delay, Chief Engineer, KRDCL explained that the Concessionaire had earlier requested extension of the period for achieving Financial Closure due to downtrend in the infrastructure sector and constrained economic position and delay in fulfilling conditions precedent. The project is currently under O&M period,

provisional COD was declared on September 07, 2015 and tolling has commenced from September 27, 2015. Chief Engineer, KRDCCL requested the EI to approve the project.

4. All members of the EI were in agreement to grant final approval of the VGF support sought for the project.
5. The EI granted final approval to the project for Development of Road from Ginigere – Gangavathi – Sindhanur on SH 23 from Km. 79.00 to Km. 162.00 on Design, Build, Finance, Operate and Transfer (DBFOT) toll basis for TPC of Rs. 190.16 Crores with total VGF support of Rs. 4.59 crore from GoI under the VGF Scheme.

(Action: KRDCCL/GoK)

B. Road sector proposal from Government of Rajasthan(GoR) for in-principle approval

Agenda Item 2: In-Principle Approval for Road Project from Government of Rajasthan: Development, Operation and Maintenance of Chomu Chandwaji Highway Project comprising SH-8B from km 0 to km 15.450 through Public Private Partnership on DBFOT basis in the state of Rajasthan.

6. There was no representation from Government of Rajasthan / Rajasthan State Highways Authority (RSHA) to present the proposal hence the EI deferred the decision on the proposal. The proposal would be taken up at the next EI meeting with RSHA, Government of Rajasthan present.
7. The EI deferred the decision on the proposal from Government of Rajasthan: Development, Operation and Maintenance of Chomu Chandwaji Highway Project comprising SH-8B from km 0 to km 15.450 through Public Private Partnership on DBFOT basis in the state of Rajasthan. The proposal would be taken up at the next EI meeting with RSHA, Government of Rajasthan present.

(Action: GoR/ RSHA).



C. Road sector proposal from Government of Madhya Pradesh for in-principle approval

Agenda Item 3: Four/Six laning with paved shoulder of Dewas Bypass from km. 0/00 (Ujjain Dewas Junction) on SH-18 to km. 19/800 (Indore Junction) on NH-3 in the state of Madhya Pradesh on DBFOT basis.

Total length: 19.800 km; Total Project Cost: Rs 267.30 Crore; Concession Period: 25 years including construction period of 2 years.

Major Development Works / Structures: The existing two lane shall be Upgraded to Four / Six laning with paved shoulder from Km. 0.000 (Ujjain-Dewas junction) to Km 19.800 (Existing Length 19.800 km, Design Length 19.780 km). Four Laning of 7.00 km and Six Laning of 12.80 km.

Major Bridge: NIL; Minor Bridge: 1 No. (Widening, Construction of additional 3 lanes); Bypass: NIL, Realignment: NIL, ROB: 1 No. at km 3.500, VUP: 3 No.s, PUP: NIL, Slip road to VUP: 4 km on both the sides; Major Intersections: 4 No.s, Minor Intersections: 14 No.s, Flyovers: 2 No.s, Hume Pipe Culverts: Reconstruction 19 No.s, Repairs / Widening 15 No.s., Box Culvert: 1 No. (Repair, Strengthening and widening). A toll plaza at km 16+050, Truck Lay-byes: 1 No., Bus Shelters: 17 No.s.

8. Joint Secretary, DEA stated that the project from MPRDC, Government of Madhya Pradesh (GoMP) seeking in - principle approval of VGF Support from the GoI's VGF Scheme is for Four/Six Laning of Dewas bypass which has two sections. The section from Ujjain Dewas Junction (length 7 km) at Maksi Junction would be upgraded to four-lane and the Road section from Maksi Junction to Indore Junction would be upgraded to six- lane. MPRDC has stated that sufficient Right of Way is already available and hence land acquisition would not be required. The proposed concession period for the project is 25 years including construction period of 2 years and the estimated Total Project Cost (TPC) is Rs 267.30 Crore. GoMP has sought in-principle approval of VGF support for the Project. While GoMP has provided clarifications on most of the issues raised by the EI members, some of the issues are pending which need to be discussed.

9. The Chair stated that as per the Project EI memo, the Project is likely to fetch premium so it is unclear why VGF support has been sought. Chief Engineer, MPRDC stated that though ,as per the Feasibility Report, the Project would fetch a Premium, the actual requirement of VGF/Premium would be determined through

competitive bidding process. VGF approval has been sought as an abundant precaution in case VGF is required after the bidding process. This was agreed to.

10. Director (PF-II), Department of Expenditure, pointed out that the cost per kilometre (Rs 13.50 Crore / km) is much higher than the norms as per the B K Chaturvedi Committee report. Chief Engineer, MPRDC explained that the proposed project has 2 flyovers, 1 ROB and 4 km long slip road and because of these structures, the per kilometre cost of the project is high, though below the extant norms of MoRTH, GoI.

11. Director, DEA stated that MPRDC in their proposal had provided in their Statement of Deviations from the Model Concession Agreement (MCA) that clause 37.33 of MCA related to Termination Payments during the construction period has been revised by MPRDC to state that no termination payment shall be due and payable upon termination on account of Concessionaire default during Construction period; this may be clarified. Chief Engineer, MPRDC stated that the State Government had adopted the "Model" Concession Agreement for State Highways published by the then Planning Commission in 2009 where there is no provision for termination payment during construction period on Concessionaire's default. Chief Engineer, MPRDC stated that in the year 2014, the Planning Commission had published a revised version of this Agreement wherein the clause for termination payment during construction period was inserted. At the time of finalization of this revised version, MPRDC had not supported the revised termination payment clause and this was a conscious decision of MPRDC not to provide for termination payment during construction period on account of Concessionaire's default. It may be noted that the MCA for National Highways (published in 2009) approved by MoRTH, GoI also does not have this provision. The Chair enquired whether there is financial implication to the Government arising out of the alteration in the clause. Chief Engineer, MPRDC clarified that there is no financial implication.

12. Raising the issue of possible breach of capacity during the Concession period, the EI pointed out that as per the traffic figures provided by MPRDC, total traffic is 24,989 PCUs in 2015 which is less than the design service volume corresponding to LOS 'C' for four lane highway i.e. 60,000 PCUs. The stretch is expected to qualify for six-laning in the year 2033-34 and would require two-stage

capacity augmentation. Chief Engineer, MPRDC clarified that the traffic count on proposed 4-lane section is 12,689 PCUs in 2015. The designed permissible capacity of 4-lane road as per IRC 84-2014 on level of service 'C' is 60,000 PCUs, which would not be exceeded till the end of the Concession Period. He further stated that the designed permissible capacity of 6-lane road is 1,30,000 PCU as per IRC SP 99-2013 on level of service 'C'. Hence, the traffic would not exceed the designed capacity on either of the sections of the project road.

13. To queries from the representative from MoRTH about the provision of grade separation / flyover at intersections since there are 4 major intersections and only 2 flyovers have been provided, Chief Engineer, MPRDC clarified that flyovers have been provided at the junction of the project road and NH-3 (towards Maksi) and also at the junction of the project road and SH-18 (towards Bhopal). The other two intersections are at the start and end of the project road respectively and hence flyovers are not provided as part of this project. The project alignment details may be seen at Appendices to Schedule A of the DCA. MoRTH pointed out that as per Schedule 'A', there is an underground gas pipeline in the existing road and enquired from MPRDC whether it is required to be relocated. It was stated that necessary action as required would be taken as per standard procedures.

14. All members of the EI were in agreement to grant in-principle approval of VGF support to the project under the GoI's VGF scheme.

15. **The EI granted in-principle approval of VGF Support to the project for four/six laning with paved shoulder of Dewas Bypass from km. 0/00 (Ujjain Dewas Junction) on SH-18 to km. 19/800 (Indore Junction) on NH-3 in the state of Madhya Pradesh on DBFOT basis as per the GoI's VGF Scheme subject to fulfilment of the following conditions:**

- a. MPRDC, GoMP shall obtain clearances such as environment and forest clearance, before commencing work on the project site.
- b. MPRDC, GoMP shall obtain prior approval of the 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.

(Action: GoMP / MPRDC)

Government of India
Ministry of Finance
Department of Economic Affairs
PPP Cell

Empowered Institution for the
Scheme to Support Public Private Partnerships in Infrastructure
70th Meeting on March 08, 2016

List of Participants

- I. Department of Economic Affairs
 1. Shri Ajay Tyagi, Additional Secretary, Investment (In Chair)
 2. Ms. Sharmila Chavaly, Joint Secretary
 3. Ms. Abhilasha Mahapatra, Director (PPP)
 4. Ms. Seema Jain, Deputy Director (PPP)
 5. Shri. Rajesh Gupta, Section Officer (PPP)
- II. NITI AAYOG
 6. Shri C.P.S. Reddy, Director, Niti Aayog
- III. Department of Expenditure
 7. Shri Chittaranjan Dash, Director (PF.II)
- IV. Ministry of Road Transport and Highways
 8. Shri Abhinav Kumar, Executive Engineer
- V. Madhya Pradesh Road Development Corporation(MPRDC)
 9. Shri Anil Chansoria, Chief Engineer
 10. Dr. Arun Paliwal, General Manager
- VI. Karnataka Road Development Corporation Ltd.(KRDCL)
 11. Shri Mazhar Javeed, Chief Engineer