CASE STUDY

PPP in urban transport infra

An impetus to development of satellite cities alongside our major cities will ensure a more distributed development through out the country. But this would not be possible without creating infrastructure for urban public transport. ***Mukesh Kumar*** *and* ***Lalit Mohan*** *describe how financing of an urban transport infrastructure project—a bus terminal-cum-commercial complex on DBOT in Mohali, on the outskirts of Chandigarh, helped address the key issues in urban infrastructure.*

PROJECT BACKGROUND

The rapid growth and development of Chandigarh resulted in additional demand and exerted pressures on its services and utilities, giving birth to two townships, Mohali in Punjab and Panchkula in Haryana as satellite towns. Mohali is now an investment destination for IT, Electronics, real estate development and has also become a commercial and institutional hub. The Government of Punjab (GoP) has established a separate authority—Greater Mohali Area Development Authority (GMADA) for the overall development of Mohali and Punjab Infrastructure Development Board (PIDB), a nodal agency for implementation and development of infrastructure projects under the public private partnership (PPP) format.

At present a small bus terminal is located in the city, but majority of the terminal traffic misses the location and bus-queue shelters in certain areas are acting as major transit points. However, the full transportation demand of the city is not being met by the existing bus terminal.

Keeping in view the requirement of bus traffic and to improve the overall infrastructure of the city, GMADA, Department of Transport (DoT), Government of Punjab and PIDB initiated the development of a full-fledged bus terminal with state-of-the-art facilities at Mohali through PPP mode on design, build, operate and transfer (DBOT) basis.

The proposed terminal would improve the transportation network and is vital in the economic development of the city. However, a bus terminal with state-of-the-art facilities wasn't financially attractive enough on stand alone basis to attract participation. To make the project more attractive, it was amended to include the development of a commercial complex alongside in addition to the bus terminal.

GMADA followed a two stage international competitive bidding process for selection of the concessionaire for the project based on minimum eligibility criteria primarily comprising of experience of similar projects and net worth. The project was awarded to C&C Constructions (C&C) on the basis of highest bid for upfront consideration of Rs 57 crore (the reserve price for upfront fee was Rs 52 crore) which has to be paid to GMADA in addition to Rs 1.25 crore as project development fee to Government of Punjab and Rs 2.85 crore (being five per cent of the upfront consideration) as annual concession fee in the first year and an increase of 15 per cent every three years thereafter. The agreement was executed on 15 April 2009.

PROJECT DESCRIPTION

The features of the project are:

Revenue streams

1. From the bus terminal operations:

a) Adda fee: The adda fee is the major revenue source for the bus terminal. All buses, including the Punjab Roadways Buses, shall pay the adda fee at the exits of the bus terminal.

Items	Description
Location	Verka Showk, Sector 57, Mohali on NH-21
Area	7.02 acre
FAR and ground coverage	1:3 and 40 per cent
Location advantages	Corner site with three way access; Wide roads along all sides of the proposed site; Enroute Northern Punjab, Himachal Pradesh and J&K buses.
Built up area	Minimum: 6 lakh sq ft (10 storied building) Maximum: around 9.20 lakh sq ft
Potential bus trips	~ 2,000
Parking for commercial development	3 ECS per 100 sq m covered area
Concession period	20 years for bus terminal 90 years for commercial complexes
Construction period	18 months for bus terminal 30 months for commercial complex

b) Annual lease for cycle stand and parking areas

c) Revenues from the sub-lease of shops at the bus terminal

d) Revenue from the helipad: The successful bidder shall have the right to levy, demand and collect landing charges/ fees from helipad services.

e) Advertisement rights

2. **From the commercial complex:**

a) Hotel: The revenue from the hotel is one of the major revenues for this portion of the project.

b) Commercial space: The revenue can be generated either from rental or long-term lease.

c) Parking fees and advertisement

PROJECT COST AND MEANS OF FINANCE

The total project cost has been estimated at around Rs 432 crore and has been funded through a debt:equity mix of 0.86:1. The total equity contribution for the project has been proposed at Rs 232 crore, which will include revenues generated during construction period from sale of commercial space. A firm tie-up for sale of 100,000 sq ft of commercial space at a minimum rate of Rs 5,000 per sq ft clearly shows the strength of the project.

PROPOSED FACILITIES

As per the provision of the Concession Agreement, the concessionaire proposes to develop the project with the following facilities. The project envisages development of three towers comprising of facilities like Tower A (bus terminal, passenger amenities and retail), Tower B (hotel cum retail), and Tower C (commercial cum retail).

Bus terminal and passenger amenities (Tower A–1.17 lakh sq ft): The bus terminal shall have a fully air-conditioned terminal with various facilities like planned waiting lounges, commercial areas, baggage trolleys, ATM's, toilets, etc. It would also have a complete enclosed passenger concourse. The facility would be able to handle about 2,000 bus trip per day.

Retail space (6.84 lakh sq ft): A substantial portion at the lower ground floor of Tower A would be dedicated to a proposed hyper mart which would include activities like a 10 screen multiplex, kids zone, food court, fun city, food stalls, including fashion and boutique showrooms.

Commercial office space (Tower B–4.06 lakh sq ft): It is proposed to be dedicated to commercial office space.

Hotel (2 lakh sq ft): Tower C would be utilised for the development of a hotel of approximately 150 rooms and shall include two restaurants and a bar with a total cover capacity of 240 people.

Helipad: The facilities would come over the hotel tower, ie, Tower C.

PROJECT SPONSOR

C&C Constructions (CCCL), incorporated in July 1996, is engaged in the construction business in highways, airports, telecom infrastructure and power transmission. C&C will be executing the project through C&C Towers (CCTL), a special purpose vehicle, through its wholly owned step down subsidiary, ie, C&C Projects.

STRENGTHS OF THE PROJECT

- The proposed project aims to provide a bus terminus with state-of-the-art facilities which would improve commutation between Chandigarh/Mohali, Jalandhar, Ludhiana, Amritsar and the industrial hub of NCR Delhi, and will be able to provide an impetus to the growth of the whole region.
- Availability of improved urban infrastructure support to the growing area of Chandigarh/Mohali.
- The sponsor, CCCL, has significant experience in development of infrastructure and real estate projects. In addition CCCL also has excellent financial, managerial and implementation capability.

UNIQUENESS OF THE PROJECT AND FINANCING

The proposed project is first of its kind and had several financing challenges, some of which are as follows:

Enhancement in viability: It is a one of a kind PPP project where a standalone bus terminal project was made attractive to private players by granting development rights of real estate alongside, thus enhancing the overall viability.

Financing plan: The transaction has uniqueness in terms that the cash flows from the real estate development during construction will be used to part-finance the project. The same has been considered as part of the equity contribution for the project to make attractive DER for the purpose of financing the project.

Different concession period and commercial operation date: As the project entails two different facilities, the bus terminal and commercial complex, the concession period for the bus terminal portion is 20 years including a construction period of 18 months and 90 years including the construction period of 30 months for the commercial complex.

Adverse market conditions: The financing of the project has been done during a period when real estate sector was not lucrative for lenders owing to the adverse market conditions due to the sub prime crisis in USA.

Cash sweep mechanism: While the project viability in the base case scenario has been assessed by considering the revenues, a provision has been made to capture the upside/recovery in the real estate market by allowing accelerated repayment of debt through cash sweep mechanism.

Enhanced lenders comfort: The transaction has been structured in a unique way to provide comfort to lenders by ensuring a tie up of 50 per cent of the funds from the sale commercial complex required to finance the project before the first disbursement. All the cash flows of the project are proposed to be trapped by a Trust and Retention Account (TRA).

Coverage of interest rate risk: Flexibility to prepay on annual reset dates without any penalty which prevents the concessionaire against interest rate risk.

Overall this PPP project brings out the importance of how a basic essential facility such as bus terminus can be developed under PPP with proper structuring and adequate in-built incentives to attract private investments. IT

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