

F. No. 2/4/2018-PPP  
Government of India  
Ministry of Finance  
Department of Economic Affairs  
PPP Cell

North Block, New Delhi  
Dated 12<sup>th</sup> October, 2020

**Office Memorandum**

**Sub: Record of Discussion of the 96<sup>th</sup> Meeting of the PPPAC to consider the Development of Eco-Tourism Resorts in Lalaji Bay Long Island, A&N Island & Minicoy Island in Lakshadweep on PPP mode.**

The undersigned is directed to forward the Record of Discussion of the 96<sup>th</sup> Meeting of the PPPAC to consider the Development of Eco-Tourism Resorts in Lalaji Bay Long Island, A&N Island & Minicoy Island in Lakshadweep on PPP mode held on 16<sup>th</sup> Sept, 2020 at 4.00 PM at Room No. 131 A, North Block (through VC) for your information and necessary action.

Encl. as above



(Mukesh Kumar Gupta)  
Director (PPP)

To,

1. Home Secretary, North Block, New Delhi
2. CEO, NITI Aayog, Sansad Marg, New Delhi
3. Secretary, Department of Expenditure, North Block, New Delhi
4. Secretary, Department of Legal Affairs, Shastri Bhawan, New Delhi

Copy to.

1. MD, ANIIDCO
2. Administrator, UT of Lakshadweep
3. PPS to Secretary (EA)
4. PPS to JS (IPF)

**Record of Discussion of 96<sup>th</sup> Meeting of PPPAC to consider Development of Eco-Tourism Resort in Lalaji Bay Long Island, A&N Island & Minicoy Island in Lakshadweep on PPP mode.**

The 96<sup>th</sup> Meeting of PPPAC under the chairmanship of S(EA) to consider the Development of Eco-Tourism Resorts in Lalaji Bay Long Island, A&N Island & Minicoy Island in Lakshadweep on PPP mode held on 16<sup>th</sup> Sept, 2020 at 4.00 PM at Room No. 131-A, North Block (through VC). The list of participants is annexed.

**I. Proposal from Ministry of Home Affairs**

**A. Development of Eco-Tourism resorts in Lalaji Bay, Long Island, Andaman & Nicobar Islands on DBFOT basis for final approval (Proposal from MHA):**

<b>Project Description and its Components</b>	Designing, Financing, Procurement and Construction of 220 keys (440 beds) along with all necessary & incidental infrastructure and management, operation and maintenance of the resort. Authority will provide land of around 42.2 hectare to selected private developer (Total Build-up area is 3.96 Ha).
<b>Construction Period</b>	4 years period for completion for 110 rooms (keys) & it is up to concessionaire to build additional rooms subject to a maximum of 220 rooms over 15 years. The project shall be deemed complete with completion of minimum 110 rooms in 04 years.
<b>Estimated Project Cost</b>	Rs. 391 crore
<b>Concession Period</b>	75 years (including 4 years construction period).
<b>Concessionaire Revenues</b>	Room Rental, Food & Beverages, Banqueting, Minor operations (cab services, laundry, etc) and Beach activities.
<b>Financial returns</b>	Project IRR: 24.60%, Equity IRR: 26.50%, Economic IRR: 28.04% NPV of revenue streams with 12% discounting: Rs.2488 crore
<b>Bidding Process &amp; Bidding Parameter</b>	Annual Concession Fee shall be the bidding parameter and its annual revision shall be linked to Wholesale Price Index (WPI). Two Stage bidding process to be followed. RFQ process has been completed and Chalet Hotels Ltd and Golkonda Hospitality Services & Resorts Ltd are shortlisted applicants

2. Joint Secretary IPF informed the PPPAC that the proposal was granted in-principle approval in the 89<sup>th</sup> PPPAC meeting held on 27.08.2019. The Ministry of Home Affairs has now forwarded the proposal for final approval.

3. MD, Andaman and Nicobar Islands Integrated Development Corporation Ltd (ANIIDCO) made a brief presentation on the proposal. He informed that RFQ was invited and 4 applications were received. On evaluation, only 2 applicants M/s Chalet Hotels, Raheja Group and Consortium of Golkonda Hotel Hyderabad were shortlisted for RFP stage. He also informed that CRZ and Environmental Clearance for the project has been obtained and the UT Administration will provide support infrastructure in terms of connectivity, floating jetty, internal road, etc.

3. Advisor PPP NITI Aayog raised the issue that the revenue from additional services if becoming permissible due to 'Change of Law' has not been captured in the DCA. He suggested that the provision of 15% revenue share arising out of Optional Development Obligation may also be adopted in case of additional services becoming permissible due to 'Change of Law.' The PPPAC agreed to it.

4. The Department of Expenditure raised the following issues:

- a. The built-up area of the project is 3.9 Ha whereas 42.2 Ha land is being offered to the concessionaire. It was clarified by the ANIIDCO that they propose to setup a world class luxury resort based on the best practices of popular tourist locations (with general built range of 5-10% of total land). Thus, as such a large land parcel has been proposed.
- b. The developer has been given the discretion to continue with 110 keys which needs to be explained. It was clarified by the ANIIDCO that based on consultations and assessment of room requirements of boutique hotels and potential of the site such discretion has been given to the developer.
- c. The project cost for 1<sup>st</sup> phase of 110 rooms is Rs. 154 Cr. whereas for the 2<sup>nd</sup> phase of 110 rooms the project cost is Rs. 237 Cr. It was clarified by the Chief Secretary (A&N Administration) that the project cost for the 110 rooms in the 2<sup>nd</sup> phase is on the higher side on account of natural escalation in cost of the construction will happen later as also for providing more luxurious construction and facility in the 2<sup>nd</sup> phase. It is expected that by the time the 2<sup>nd</sup> phase of construction takes place, the revenue stream of the concessionaire would also have stabilized.

5. The following comments/observations of DEA were also discussed:

- a. A&N Administration shall finalize and disclose the reserve price for the annual concession fee after receiving the financial bids and before opening of the same. A&N Administration agreed to it.
- b. The Optional Development should not have any impact on the carrying capacity and the carrying capacity should be firmed up before inviting bids. A&N Administration agreed to it.
- c. The Independent Expert shall inspect the construction site at least once in 3 months rather than 6 months. The PPPAC agreed to it.
- d. Rather than having a separate penalty of INR 1 Lakh per week for delay in achieving Financial Closure, there should be a uniform penalty in terms of percentage as provided for other conditions precedents including Financial Closure. The PPPAC agreed to it.
- e. The decision of the 89<sup>th</sup> PPPAC meeting regarding provisions for Project Account to be retained (in place of Escrow Account) in the Concession Agreement wherein annual revenue from the project to the extent of 120% of Annual Concession Fee (bid parameter) to be routed to protect the interest of the Project Authority. After discussions, the PPPAC decided that the Concessionaire shall deposit from the annual revenue in the Project Account to the extent of 120% of the Annual Concession Fee and in case, the annual revenue is lesser than this amount, than the Concessionaire shall make good the balance amount (to reach the overall figure of 120% of the ACF) from his own sources.
- f. There should be a clear mention in the bid and concession documents that upon termination on expiry of concession period, all project assets including land should be transferred to the Authority. Such transfer upon expiry of concession period will not require any payment towards the same from the Authority; however, termination payment to be payable in the event of prior determination of the concession period upon



Concessionaire or Authority default - extant provisions of the MCA to be followed. A&N Administration agreed to it.

g. Regarding Termination Payment (Clause 32.3.3) on concessionaire default at any time prior to Project COD, no termination payment shall be made to the concessionaire and extant provisions of the MCA should be followed. A&N Administration agreed to it.

6. After deliberations, the PPPAC granted the final approval to the proposal subject to the following conditions in addition to decisions/ agreements made under para 4 and 5:

- a. The MHA/UT Administration shall ensure that all conditions as per the decision of 89<sup>th</sup> and this meeting of the PPPAC are complied with.
- b. MHA/UT Administration shall ensure legal vetting of all the revised documents to ensure their legal sanctity.
- c. The MHA/UT Administration shall obtain prior approval of PPPAC for any major change in scope of work or project configuration.

**B. Development of Eco-Tourism resorts in Minicoy Island in Lakshadweep Islands on DBFOT basis under PPP mode (Proposal from MHA):**

<b>Project Description and its Components</b>	Concessionaire shall be responsible for designing, financing, procurement and construction of 150 keys resort (110 keys for Beach villas and 40 Keys for Water Villas) along with all necessary and incidental infrastructure, for a state-of-the-art island resort and the management, operation and maintenance of the island resort. Authority will provide total land area of around 8.53 ha of which total developable area is 4.0 Ha for Beach Villa & Total Lagoon area of around 6 ha for water villa on concession to selected private developer for development of proposed project.
<b>Estimated Project Cost</b>	Rs.302 crore (Rs 319.00 crore with inflation)
<b>Concession Period</b>	75 years (including 3 years construction period)
<b>Concessionaire Revenues</b>	Room Rental, Food & Beverages, Banqueting, Minor operations (cab services, laundry, etc) and Beach activities.
<b>Bidding Parameter</b>	Annual Concession Fee shall be the bidding parameter and its annual revision shall be linked to Wholesale Price Index (WPI).

7. The project was granted in-principle approval in the 89<sup>th</sup> PPPAC meeting held on 27.08.2019. The Ministry of Home Affairs has again forwarded the PPPAC memo for "in-principle approval" with some changes as no bidder was found eligible on the basis of RFQ.

8. UT Administration indicated that since no applicants could qualify under the extant 'conditions of eligibility', certain relaxations therein may be necessary to enable reasonable participation for bidding to be competitive. After deliberations, it was decided that the MHA/UT Administration may structure the project for a 'single stage - 2 envelope' bidding to make up for the lost time. That the RfP document would be structured accordingly and will be submitted to the PPPAC for final approval prior to inviting bids

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Annexure

List of participants of the 96<sup>th</sup> Meeting of PPPAC to consider Development of Eco-Tourism Resort in Lalaji Bay Long Island, A&N Island & Minicoy Island in Lakshadweep on PPP mode

Sl.No	Name	Designation and Department
1	Shri Tarun Bajaj	Secretary, EA - in Chair
2	Shri Chetan B. Sanghi	Chief Secretary, Andaman and Nicobar Islands
3	Shri Govind Mohan	Additional Secretary, Ministry of Home Affairs
4	Shri P Krishnamurthy	Advisor to Administrator, UT Lakshadweep
5	Shri B. Purushartha	Joint Secretary (IPF), DEA
6	Shri Anuj Sharma	Joint Secretary, MHA
7	Shri S.K. Saha	Adviser, PAMD/PPP, NITI Aayog
8	Shri Mukesh Kumar Gupta	Director (PPP), DEA
9	Shri Shreeshail Malge	Director, Ministry of Home Affairs
10	Ms Anu Kukreja	Joint Director, Department of Expenditure
11	Shri Abhishek Dev	MD, ANIDCO, A&N Administration
12	Shri Asgar Ali	MD, SPORTS, Lakshadweep Administration
12	Shri Manoj Kumar Madholia	Deputy Director (PPP), DEA
14	Shri Arun Dewan	OSD (PPP), DEA