

No.K-14011/34/90-UD.II/MRTS/Metro
Government of India
Ministry of Urban Development
Metro Rail Cell

New Delhi, dated 11th May, 2006

To

1. Shri B.K. Das,
Chief Secretary,
Government of Karnataka,
Vidhana Soudha,
Bangalore - 560001
2. Shri D. Madhu,
MD, BMRCL,
305, Third Floor,
Blue Cross Chambers,
11, Infantry Road Cross,
Bangalore - 560 001.
Fax: 080-2559 1699

Subject: Bangalore Metro Rail project.

The undersigned is directed to convey the approval of the Government of India (GOI) for the implementation of the rail-based mass rapid transit system called Bangalore Metro Rail Project covering a length of 33 kms in 2 corridors at an estimated completion cost of Rs. 6395 crores in 5 years in stages by Bangalore Metro Rail Corporation Limited (BMRCL) with contribution of Govt. of India in the form of Equity and Sub-ordinate debt totaling to 25% of the project cost subject to the conditions as detailed in Para (8).

2. The design and technology of the system to be implemented will be in accordance with the Detailed Project Report prepared by DMRC in May 2003 and approved by the Government of Karnataka. The BMRCL will work as a special purpose vehicle (SPV) for the implementation of the project. The State Government would enact appropriate legislation to regulate the construction, operation and maintenance of the system as per the decision of Government of India on gauge and legislative competence for Metro Rail Systems in the country communicated vide this Ministry's letter No. K-14011/1/2005-Metro dated 26th April 2006.

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3. Corridor:

The details of the two corridors approved by the Government of India are as under:

Corridor	East West (Byappanahalli- Road) Mysore		North South (Yeshwantpur Rly. Stn. - Jayanagar)	
	Length (Km.)	Stations	Length (Km.)	Stations
Elevated	14.35	13	11.30	10
Underground	3.40	4	3.30	3
Surface	0.35	1	0.30	1
Total	18.1 KM	18	14.9 KM	14

4. Cost of the project:-

The estimated cost of the project approved by the Government of India based on April 2005 prices is as under:-

	(In Rs. Crore)
Construction cost	5080 (5912)*
Interest during construction	348 (449)*
Financing charges and preoperative expenses	25 (29)*
TOTAL Current Cost	5453 (6395)*

* Figures in bracket refer to completion cost which is the current cost plus an annual escalation of 5% per year for the likely duration of the project.

Break up of the cost is at Annexure

5. Project Financing :-

The above stated cost of the project will be financed as per the pattern given below:-

Current Cost	Rs 5453 crore	
Completion Cost	Rs 6395 crore	
Contribution by	GoI	GoK
Equity	15%	15%
Subordinate debt	10%	15%
Senior term debt	45%	

The Government of Karnataka will waive its taxes and duties. There will, however, be no waiver of taxes and duties by the Govt. of India.

6. Cost escalation:-

Any cost escalation due to changes in the statutory levies and duties, exchange rate variation and price escalation within the approved project time cycle will be shared equally between the project promoters. Any other cost escalation due to change in scope or beyond the approved project time cycle will be borne by the GOK.

7. Institutional Arrangement:

- a) Bangalore Metro Rail Corporation is presently a wholly owned company of GoK. It will be made a joint venture company of GoK and GoI by suitably enhancing its authorized capital and the two promoters taking equity shares as envisaged in the Financing pattern mentioned above.
- b) The BMRCL Board shall be reconstituted with ten Directors, each promoter nominating five Directors. While the Secretary, Ministry of Urban Development, GOI, would be the chairman of the Board, the Managing Director shall be appointed by GoK with prior consent of GoI.

The following committees will be set up for various levels of management of issues relating to the project

- i. **High Power Committee:** During implementation several problems with regard to land acquisition, diversion of utilities, shifting of structures in the project alignment, rehabilitation of project-affected persons, etc. are likely to arise. In order to take an expeditious decision on these problems, a High Power Committee under the Chairmanship of Chief Secretary GoK will be setup. Other members of the committee will be Secretaries of the concerned departments of the State Government, heads of civic bodies, etc. This committee will meet once in a month to sort out all such issues.
- ii. **Empowered Committee:** The role of the Empowered Committee for MRTS Project in Delhi will be extended to cover the Bangalore Metro project by including Chief Secretary, GoK as one of its members.
- iii. **Group of Ministers:** Role of the Group of Ministers (GOM) set up to take policy decisions and review the progress of the Delhi MRTS Project will be extended to the Bangalore Metro Project, with Chief Minister of Karnataka as one of its permanent invitees.

Constitution of these committees will be as notified in due course.

8. Conditions:

- a) The Govt. of Karnataka will bear the entire cost of land through interest free subordinate debt.
- b) Govt. of Karnataka will ensure that electric power is made available to the project on a no profit-no loss basis.
- c) As far as possible, the equity contribution and subordinate debt may be provided and utilized before taking recourse to senior debt, with a view to minimizing the interest burden.
- d) Govt. of Karnataka would ensure price based measure to promote and facilitate metro ridership, as part of an integrated traffic rationalization plan for the Bangalore city with a view to ensure that the projected ridership is realized.
- e) Integration of various modes of transport which would act as feeder/evacuation systems to the Bangalore metro for improved ridership would be given high priority by the Govt. of Karnataka.
- f) The Govt. of India will not share any cost towards procurement of additional rolling stock in the second year of operation as this would not be a part of the project cost.
- g) The Govt. of India would not finance cash losses and capital expenditure during the operational phase and its requirements would need to be financed by the SPV and/or GOK.

9. BMRCL may implement the project and raise senior term debt from the market without seeking any Govt. guarantee subject however to the condition that foreign loans, if any, will be regulated by the terms as may be approved by Government of India. It may, however, offer the following comforts to the lender :-

- a. Revenue generated to be escrowed after allowing O&M charges.
- b. First mortgage on movable and immovable assets.
- c. Assignment of all project contracts, Insurance documents.
- d. Assignments of contractor guarantee, performance bond and liquidated damages.
- e. Creation of second charge on 51% equity held by the promoters.

The sanction of the funds for the project will be from the Plan Budget under MH-4217 Sub Head 06.01.54 and loans will be from the Head 6217 subhead/detailed Head 14.02.055.

10. This issues with the concurrence of the Internal Finance Division of this Ministry accorded vide their diary No.1053- F dated 10.5.2006.

Yours faithfully,


(G. Sridharan)

o/c Under Secretary to the Govt. of India

Copy to:

1. Member Secretary, Planning Commission
2. Secretary, Department of Expenditure, Ministry of Finance
3. Secretary, Department of Economic Affairs.


(G. Sridharan)

o/c Under Secretary to the Govt. of India

ANNEXURE

Bangalore Metro Rail Project Cost
(At April 2005 prices without Central Tax waiver of Rs.490 Crs. but
with State Tax waiver of Rs.177 Crs.)

(Rs. Crs.)

Sl. No.	Description	Current Cost	Completion Cost
1	Construction Cost		
	Land Acquisition	600	600
	Alignment & Formation	1,408	1655.33
	Station Buildings (elevated & At-grade)	589	676.29
	Permanent Way	194	227.62
	OCC & Administrative Building	31	36.44
	Traction & Power Supply	415	507.01
	VAC	78	96.07
	Signalling & Telecommunication (incl. Cable diversions)	322	393.90
	AFC Installations at Stations	69	85.34
	Depots	166	186.89
	Rolling stock	876	1054.44
	General Charges @ 10% (including Contingency @3%)	332	397.54
	Total Construction Cost:	5,080	5912
2	Pre-operative Expenses:		
	Guarantee Charges		
	Upfront Fees	12	14.39
	Arrangement fees	10	11.51
	Documentation Fees	2	2.88
	Total	25	28.78
3	Interest During Construction	348	449
	Total Project Cost	5,453	6,395

<<<< MEMORY FULL >>>>

PROCEEDINGS OF THE GOVERNMENT OF KARNATAKA

Sub : State Government's Financial Support for
Bangalore Metro Rail Project - Phase-I.

READ:

Letter No.BMRTL/MD/PS/04-05/450, dated.17-11-2004
from Managing Director, Bangalore Mass Rapid Transit Ltd.,

PREAMBLE:-

Bangalore is one of the fastest growing urban agglomerations of the country. This metropolitan city has experienced phenomenal growth in population in the last two decades, but this increasing population of the city still lack on efficient public mass rapid transport system. As a result, the number of motor vehicle have increased. This large population moving on motor vehicles is causing fuel wastage, environmental pollution and an unexpected level of road accidents.

2. Further, pursuant to Government of India's policy for Planning Rail based Urban Transport, the State Government vide its letter No. UDD 144 PRJ 2002 dated 19.9.2002 had asked BMRTL to commission Delhi Metro Rail Corporation (DMRC) to examine a Metro Rail project for the city. Accordingly, BMRTL assigned this work to DMRC who have recommended a versatile metro rail system for Bangalore city, to be taken up in phases and also submitted a Detailed Project Report (DPR) of Bangalore Metro Rail Project Phase-I in May 2003. The salient features of the DPR are explained in detail.

3. The Metro Rail Project will be of 33 Kms length and have two corridors - East-West and North-South. East-West corridor will be 18.1 Km in length and North-South corridor of 14.9 Km. Out of the 33 Kms, 6.7 Km is proposed to be under ground and 26.3 Km to be elevated and "At-Grade".

Route lengths are given below in Kms.

	At Grade	Elevated	Underground	Total
East-West	0.35	14.35	3.40	18.10
North-South	0.30	11.30	3.30	14.90
Total	0.65	25.65	6.70	33.00

4. EAST-WEST CORRIDOR:

This corridor starts from Mysore Road and ends at Byappanahalli (NGEF Complex). The route is via.,

Mysore Road, Chord Road (Deepanjali Nagar, Vijay Nagar, Hosahalli), Toll Gate, Magadi Road, City Railway Station, Majestic, Central College, Vidhana Soudha, Cricket Stadium, M.G. Road, Trinity Circle, Ulsoor, CMH Road, Indira Nagar, Byappanahalli,

The Main Depot of the Metro is planned at Byappanahalli in an area of about 20 Hectares. This land belongs to NGEF. Portion from Magadi Road, Leprosy Hospital to Cubbon Park, Jawahar Bhavan – 3.40 Kms. will be underground and the rest elevated.

5. NORTH-SOUTH CORRIDOR:

It starts from Yeshwanthpur and ends at Jayanagar. The route is via.,

Yeshwanthpur, Mahalaxmipuram, Rajajinagar, Kuvempu Road, Malleshwaram, Swastik, Majestic, Chickpet, City Market, K.R. Road, Lalbagh, South End Circle, Jayanagar.

A small Metro Depot has been planned at Yeshwanthapur in an area of about 12 Hectares.

Portion from Platform Road via Chickpet to Bangalore Medical College – 3.30 Kms. shall be underground and the rest elevated.

Both North-South and East-West Corridor meet underground below the KSRTC Bus station at Subhashnagar.

6. The basic planning for stations is on the model of the Delhi Metro. However, the size of stations for Bangalore Metro are smaller. 18 stations are planned on East-West corridor. Out of which, four are under-ground and one is on surface. On the North-South corridor, 14 stations are planned. Out of which, three are under-ground and one is on surface. The remaining stations on both the corridors are elevated. Stations located on the middle of the road have been designed with elevated concourse with access from both sides.

7. PROJECT COST

The project costing has been done based on the rates obtained by the Delhi Metro for various contracts and not on any specific schedule of rates. These have been escalated to bring the costs to April 2003 price level. The cost does not include customs duty on imports, central excise duty, sales tax and works contract tax.

To facilitate funding by the financial institutions, the project has been appraised by UTI Bank Ltd (UTIBL) during (October 2004). The revised project cost item-wise along with the corresponding figures considered in DPR are shown below:

Item	Rs. Crs.	
	DPR	UTIBL Appraisal
Land	360.00	600.00
Civil Engineering	1840.00	2174.43
Electric Traction & Air-conditioning	389.00	471.72
Signaling, Telecom and Automatic fare collection	310.00	374.99
Depots	134.00	153.97
Rolling Stock	643.00	785.07
General Charges etc.	294.00	377.53
Total construction cost	3970.00	4937.71
Escalation	409.00	****
IDC	610.00	637.95
Preliminary & Pre-operative Expenses	Xxxx	29.53
Total Project Cost	4989.00	5605.19
		Say 5605.00

**** Escalation included in the individual items

xxxx Not considered

These costs do not include taxes and duties.

8. FINANCING PLAN

It is proposed to fund the project with a mix of equity, interest-free subordinate debt and institutional credit. Further to the funding plan

formulated by ICICI Bank Limited in the DPR, UTIBL has reviewed the financing plan. It has considered the prevailing rates of interest as well as increase in the construction cost. It has rationalized the fare structure considering the revision in bus fare since the DPR. Most importantly, it has proposed only need based subsidy during operational phase essentially to pay the senior debt during the initial period of operations and the same has been stated as the Debt Service Reserve – Initial Feed. It has recommended the following financing plan-

	Rs. Crs.
a) Equity (Equally by GOI & GOK)	1800
b) Subordinate Debt (by GOK)	360
a) Interest subsidy during construction* (Equally by GOI & GOK)	492
b) Senior Term Debt ** (By financial institutions)	2953
Total	<u>5605</u>

In addition, GOI & GOK are required to provide Rs.127.50 Crs. each towards Debt Service Reserve-Initial Feed during the first year of operation (2010-11) and Rs.173.50 Crs. each during the second year of operation (2011-12) for the augmentation of rolling stock.

Only 2% interest rate on senior term debt is borne by the project and the rest to be given as interest subsidy by the promoters.

** The Senior Term Debt shall be raised equally through INR Term Loans and INR Bonds. The INR Term Loan shall have an interest rate of 8.5% with a door-to-door tenor of 16.5 years and a moratorium of 7 years. It shall be raised from commercial banks. The INR Bonds shall have a coupon rate of 9% with a door-to-door tenor of 26.5 years and a moratorium of 17 years. It shall be raised from insurance companies, pension & provident funds. No Government guarantee will be given to the lenders.

9. Year-wise cash outflow from Promoters

The year wise requirements of funds from the promoters during the construction period and first two years of operation shall be as under:

Year	GOK	GOI
2004-06	313.20	100.00
2006-07	325.20	70.00
2007-08	339.20	345.34
2008-09	255.20	315.33
2009-10	273.20	315.33
2010-11*	127.50	127.50
2011-12**	173.50	173.50
Total	1807.00	1447.00

* Debt Service Reserve - Initial Feed

** CAPEX for the augmentation of Rolling Stock

10. OTHER CONCESSIONS

The DPR seeks the following concessions from GoI and GoK as provided to Delhi Metro Project in particular and normally given to any infrastructure project in general:-

- (i) Concessions from GoI:- Exemption from Customs Duty, Central Excise Duty and Service Tax. The total concession on this account works out to Rs.797 Crores(October 2004 assessment).
- (ii) Concessions from GoK:- Exemption from 'Sales Tax and 'Works Contracts Tax'. The total concession on this account works out to Rs.172 Crores.

11. IMPLEMENTATION PERIOD

The project is to be implemented in a period of five years in stages. 1st stage of 7 Km of elevated corridor from Byappanahalli to Cricket Stadium can be commissioned in 3 to 3½ years time.

12. CAPITAL EXPENDITURE SUPPORT:

Considering the yearly increase in the number of commuters, the DPR envisages augmentation of rolling stock during the years 2011-12 & 2020-21. CAPEX support of Rs.347 crs. during the year 2011-12 (second year of operation) is required to be provided by the promoters in equal proportion. This will be accounted as additional equity contribution. The project will augment its Rolling Stock in the year 2020-21 out of its internal accruals/debt (Rs.495 crs.).

This Project also will result in socio- economic and environmental benefits to the citizens of the Bangalore City.

13. INSTITUTIONAL ARRANGEMENT

Bangalore Mass Rapid Transit Limited (BMRTL) is presently a wholly owned company of GoK. After obtaining approval from Government of India, it is proposed to make it a joint venture company of GoK and GoI by suitably enhancing its authorized capital and the two promoters taking equity shares as envisaged in the Financing Plan. BMRTL will then work as a Special Purpose Vehicle (SPV) for the implementation of the project.

State Government has earlier given in principle approval for signing of the MOU with Government of India. The project proposal of the MOU is already submitted to Government of India for clearance and is under correspondence. The Planning Commission has already accorded its in-principle approval to the project. Under the circumstances, in order to proceed further in the matter, the following orders are issued:-

GOVERNMENT ORDER NO.UDD 144 PRJ 2001, BANGALORE,
DATED.24-3-2005

In the circumstances explained above, Government are pleased to approve the revised project cost estimated at Rs.5605 crores for implementation of the Bangalore Metro Rail Project Phase-I, as per appraisal report of M/s.UTI Bank Ltd., along with the Financing Plan indicated in Para.8.

Government are also pleased to permit BMRTL to go ahead with the preliminary works like planning & designing, preparation for land acquisition, utility services shifting, identification & short-listing of vendors as per rules.

This order issues with the concurrence of the Finance Department vide the U.O. Note No. FD 23 Exp. 9/04, dated. 1-3-2005.

By Order and in the name of the
Governor of Karnataka

(V.R.ILKAL) 24.3.05

Under Secretary to Government
Urban Development Department

TO:-

- 1) The Accountant General, Karnataka, Bangalore.
- 2) The Secretary to Government of India, Ministry of Urban Development & Poverty Alleviation (MRTS CELL), Nirman Bhavan, New Delhi.
- 3) The Managing Director, Delhi Metro Rail Corporation, New Delhi.
- 4) The Managing Director, BMRTL, Bangalore.
- 5) The Principal Secretary to Government, Urban Development Dept.
- 6) The Secretary to Government, Urban Development Department.
- 7) The Principal Secretary to Government, Finance Department.
- 8) The Principal Secretary to Government, Infrastructure Development Department, M.S. Building, Bangalore.
- 9) The Commissioner, Bangalore City Corporation, Bangalore.
- 10) The Commissioner, Bangalore Development Authority, Bangalore.
- 11) The Metropolitan Commissioner, BMRTL, Bangalore.
- 12) The Project Co-ordinator, M/s. UB Transit System Ltd, Bangalore
- 13) The Under Secretary to Government, Finance Department (Exp-9)
- 14) SGF/Spare Copies.

PROCEEDINGS OF THE GOVERNMENT OF KARNATAKA

Sub: Bangalore Metro Rail Project - Approval of completion cost and signing of Memorandum of Understanding (MoU) between Government of India (GOI) and Government of Karnataka (GOK).

- Read: 1. G.O.No. UDD 144 PRJ 2001, dt:24.3.2005,
2. Letter No. K-14011/34/90-LD-II/MRTS/Metro, dt:11.5.2006 from MoUD Government of India.
3. Letter No.BMRCL/MD/MOU/06-07/17 dt:17.5.2006

Preamble:

In the Government Order read at (1) above approval was accorded for undertaking Bangalore Metro Rail Project through BMRTL (now renamed as BMRCL) at a cost of Rs.5605 crores. This project was cleared by Public Investment Board (PIB) on 5.8.2005 with certain conditions. Based on the decision taken in the PIB, the Ministry of Urban Development (MoUD), Government of India vide their letter read at (2) above, has communicated the approved completion project cost at Rs.6395 crores by reworking the cost estimates taking into consideration the time frame of the project and source of funds. The details of project cost is as follows:

	(Rs.in Crores)	
	Project cost at April 2005 prices	Completion cost *
Construction cost	5080	5912
Interest during construction	348	449
Financing charges and preoperative expenses	25	29
Total current cost	5453	6395

(* completion cost is current cost + an annual escalation of 5% for the duration of the project)

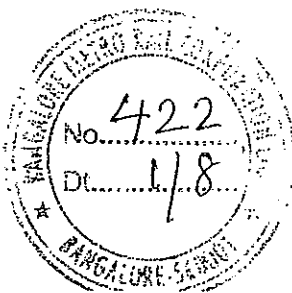
The pattern of funding as approved by GOI is given below:

Contribution by	GOI	GOK	Financial Institutions
Equity	15%	15%	
Subordinate debt	10%	15%	
Senior Debt			45%
Total	25%	30%	45%

The Metro Rail project would be implemented by BMRCL and GOI and GOK would be joint promoters. The GOI's contribution would be approximately Rs.1599 crores and GOK's share is approximately Rs.1918 crores.

BMRCL will be converted into a joint venture Company of GOK & GOI and the Board of BMRCL will be reconstituted as per terms of para 7 of GOI letter cited at (2) above.

GOK would constitute a High Power Committee under the Chairmanship of the Chief Secretary to take expeditious decisions with respect to problems relating land acquisition, diversion of utilities, rehabilitation of project affected families etc. The Empowered Committee for MRTS project in Delhi will be extended to govern the



Bangalore Metro Project. The Group of Ministers (GoM) set up to take policy decisions to review the progress of the Delhi MRTS will be extended to Bangalore Metro Project with Chief Minister of Karnataka as one of the permanent invitee. GOI also, inter alia, has stipulated certain conditions in part 8 of their letter cited at (2) above, which have been noted.

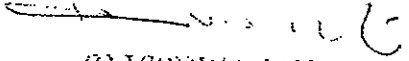
The Managing Director BMRCL vide his letter at (3) above has proposed that the understanding covenants and modalities in undertaking the project by GOI and GOK as joint promoters and through the Special Purpose Vehicle i.e, BMRCL shall be reduced in writing in the form of an MOU as decided in GOK's order read at (1) and consistent with GOI letter cited at reference (2) above. Hence the following order.

GOVERNMENT ORDER NO: UDD 96 BMR 2006
BANGALORE, DATED: 22 07 2006

In the circumstances explained above, Government are pleased to

- (i) approve implementation of the Bangalore Metro Rail Project Phase-I at a revised completion cost of Rs.6395 crores, as per terms & conditions approved by GOI in their letter of 11.05.2006.
- (ii) authorize the Bangalore Metro Rail Corporation Limited to undertake & manage all tasks, formulate regulations, employ personnel, source funds etc., to execute the project.
- (iii) accord approval to the signing of MOU between GOI and GOK, the contents of which will be decided by mutual agreement in terms of the approvals granted to the project till date.

By Order and in the name of the
Governor of Karnataka


(H. VISHWANATH) *22/7/06*
Under Secretary to Government,
Urban Development Department.

To:

1. The Accountant General, Karnataka, Bangalore.
2. The Secretary to Government of India, Ministry of Urban Development, Nirman Bhavan, New Delhi.
3. The Chief Secretary, Government of Karnataka, Bangalore.
4. The Principal Secretary to Chief Minister, Government of Karnataka.
5. Principal Secretary to Government Finance Department.
6. The Principal Secretary to Government Urban Development Department.
7. The Managing Director, BMRCL, Bangalore.
8. The Under Secretary to Government, Finance Department (Exp-9)
9. Cabinet Section with reference to Case No.C-183/2006.
10. SGE/Spare Copies.