

Text of the material conveying the Govt. of India's approval for the implementation of the Bangalore Metro Rail Project to the Govt. of Karnataka under letter No. K-14011/34/90-UD.II/MRTS/Metro dated 11th May 2006

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.

3. Corridor:

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

Corridor	East West (Byappanhalli- Mysore Road)		North South (Yeshwantpur Rly. Stn. - Jayanagar)	
		Baiyappanahalli - Indira Nagar - CMH Road - Swami Vivekanand Road - MG Road - Ambedkar Road - Post Office Road - K G Road - Majestic - KSRTC Bus Stand - Bangalore City Railway Station - Magadi Road - Toll Gate Junction - Chord Road - Vijay Nagar - Mysore Road upto Ring Road Junction.		Yeshwantpur - Chord Road - Mahakavi Kuvempu Road - Swastik - Platform Road - KSRTC Bus Stand - Chikpet - City Market - K R Road - Vanivilas Road - Lal Bagh - Southend circle - R V Road upto 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.

c) 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,

Sd/-
(G. Sridharan)
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 (inlc. 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