

No.K-14011/4/2012-Metro (Vol.III)
Government of India
Ministry of Urban Development
(MRTS-Cell)

311 'B', Nirman Bhawan, New Delhi-110011
Dated the 21st February, 2014

To

The Chief Secretary,
Government of Karnataka
Vidhana Soudha
Bangalore - 560001

Subject: Bangalore Metro Rail Project Phase-2.

Sir,

I am directed to convey the approval of Government of India (GoI) for implementation of the rail-based Mass Rapid Transit System called the "Bangalore Metro Rail Project Phase-2" covering a total length of 72.1 k.m. with 61 Stations (49 Elevated and 12 Underground) providing four extension lines to the Bangalore Metro Rail Phase-1 namely, (i) Baiyappanahalli to ITPL-Whitefield, (ii) Mysore Road Terminal to Kengeri, (iii) Hesaraghatta Cross to BIEC, (iv) Puttenahalli Cross to Anjanapura Township; and two New Lines, namely, (i) R.V. Road to Bommasandra and (ii) Gottigere to Nagawara at a total completion cost of Rs.26,405.14 crore (Rupees Twenty Six Thousand Four Hundred Five Crores and Fourteen Lakhs only) (including escalation @ 5% per annum and Central taxes and excluding State taxes and duties) by the Bangalore Metro Rail Corporation Limited (BMRCL), with contribution of Government of India (GoI) in the form of Equity, Subordinate Debt and Senior Term Debt as per the details given in Para 4 below and subject to the conditions as detailed in Para 7 below.

2. The Project is scheduled to be completed in five years from the date of start of work.

3. **Legal Framework:** Legal cover for the proposed Bangalore Metro Rail Project Phase-2 shall be under the Metro Railways (Construction of Works) Act, 1978, the Railways Act, 1989 and the Metro Railways (Operation and Maintenance) Act, 2002, as amended from time to time.

4. **Project Financing:** The cost of the Project will be financed as per the pattern given below:-

	Rs. Crore	Percentage
Total Project Cost	26,405.14	100.00
Govt. of Karnataka (GoK) Equity Contribution	3,868.35	14.65
Govt. of India (GoI) Equity Contribution	3,868.35	14.65
Grant Contribution from GoK	1,689.90	6.40
Subordinate-Debt from GoK	3,424.75	12.97
Subordinate-Debt from GoI	1,412.65	5.35
Senior Debt	12,141.14	45.98
GoI share	5,281.00	20.00
GoK share	8,983.00	34.02
Senior Debt	12,141.14	45.98
Total	26,405.14	100.00

5. **Institutional Arrangements:** The Bangalore Metro Rail Project Phase-2 will be implemented by the existing Special Purpose Vehicle (SPV), namely the Bangalore Metro Rail Corporation Ltd. (BMRCL), which is a joint ownership (50:50) SPV of GoI and GoK, on similar pattern of Bangalore Metro Rail Project Phase-1.

6. **Committees:** The following Committees will be set up for various levels of management and for issues relating to the Project:-

- (i) **High Powered Committee :** During implementation of the Project, the existing High Powered Committee under the chairmanship of the Chief Secretary to the GoK, with other Secretaries concerned, as members, will take expeditious decisions on matters relating to land acquisition, shifting of utilities and other structures in the project alignment, rehabilitation of Project Affected Persons, multimodal integration and such other matters where the State Government has to facilitate quick action including various conditions of sanction of this Project.
- (ii) **Empowered Committee :** GoI vide O.M. No K-14011/59/88-UD.II(Pt-III) dated 9th June 1995 had approved the constitution of the Empowered Committee (EC) under the chairmanship of Cabinet Secretary to consider and take decisions on various issues related to funding and implementation of the Multi-modal Mass Rapid Transit System Projects for Delhi. The role of the EC is extended to cover Bangalore Metro Rail Project Phase-2 also, by including the Chief Secretary, GoK as one of its Members.

- (iii) **Empowered Group of Ministers (EGoM)** : The Cabinet has approved extension of the role of Empowered Group of Ministers (EGoM) on MRTS to cover all the future Metro Rail Projects in India. Accordingly, the role of the EGoM set up to take all policy decisions and review the progress of MRTS Project in Delhi and other Metro Rail Projects will cover Bangalore Metro Rail Project Phase-2 also, by including the Chief Minister, Karnataka as one of its invitees when matters relating to this Project are considered.

7. **Conditions:** The conditions of sanction of the Project are as under:-

- (i) Government of Karnataka (GoK) would ensure price based measures to promote and facilitate Metro rider-ship, as part of an integrated traffic rationalization plan and Comprehensive Mobility Plan for the Bangalore City with a view to ensure that the projected rider-ship is realized.
- (ii) Integration of various modes of transport which would act as feeder/evacuation systems to the proposed Metro for improved ridership in the influence zone including pedestrianisation, public bike sharing facility, feeder buses, adequate parking space at stations, improvement in city bus service to introduce modern Intelligent Transport Systems (ITS) enabled buses, roll out of National Common Mobility Card 'More' and integrated ticketing across all modes and all operators as well as setting up of National Public Transport helpline would be given high priority by the GoK/ BMRCL.
- (iii) GoK, Government of India (GoI) and Bangalore Metro Rail Corporation Ltd. (BMRCL) shall enter into a tripartite MoU detailing terms and conditions of implementing the Project in accordance with the sanction of the Project by the Union Cabinet/EGOM.
- (iv) A suitable arrangement, independent of the Special Purpose Vehicle (SPV), shall be provided for periodic and automatic fare revision for not only the proposed Metro, but also for other competing modes. A mutually agreed schedule for periodic revision of fares for the metro as well as other modes of transport will also be incorporated by Ministry of Urban Development (MoUD) in the Memorandum of Understanding to be signed with the GoK.
- (v) GoK would ensure that land acquisition does not become reason for delay in implementation of the Project.
- (vi) The complete cost of land acquisition, resettlement and rehabilitation (including escalation) shall be met by GoK through its share of Subordinate Debt. In case of escalation of these components, the subordinate debt component of the GoK shall be accordingly increased.

- (vii) Any cost escalation due to changes in the statutory Central duties/ levies and exchange rate variation shall be shared equally between the Project promoters. Any other cost escalation including price escalation, change in scope or avoidable delay etc. within and beyond the approved time cycle as well as inclusion of essential items not reflected in Detail Project Report (DPR) shall be entirely borne by the GoK. The State/ local taxes shall be entirely waived/ reimbursed by GoK and will not be included in the Project cost. The Operational losses are also to be borne by the SPV or the State Government. As such no unlimited liability is mooted for Gol.
- (viii) Gol will not share any cost towards procurement of additional rolling stock in the second and subsequent years of operation, as this would not be a part of the Project cost.
- (ix) In view of the fact that the extent of ridership on the proposed metro as well as the revenue generation by the BMRCL besides fares, through property development, advertisement etc. would depend entirely on the various policies/action plans of the GoK/Urban Local Body, the Gol would not finance cash losses and capital expenditure during the operational phase and its requirements would be financed by BMRCL and / or GoK from its own resources.
- (x) In case of SPV not being able to repay the loan (as and when it becomes due) on account of cash losses, the responsibility for the same shall also be borne by the GoK and not by Gol. The GoK will ensure that the interest on Senior Debt for the Project for BMRCL, if raised from domestic sources, is pegged between 1.5% to 2% so that the debt service coverage ratio (DSCR) is more than 1; and interest payable beyond 2% (to maintain DSCR of more than 1) shall be shared by GoK from the dedicated Urban Transport Fund.
- (xi) The additional staff / other requirements required at Gol [(MoUD / Ministry of Railways (MoR)] or GoK level to handle extra work load on account of this Project, during construction, operation and maintenance phase, shall be provided by BMRCL and shall be chargeable to the Project. Such staff would be on contract basis so that no permanent liability is created on the Government.
- (xii) GoK would ensure that electric power is made available to the Project on a 'no profit no loss' basis.
- (xiii) The GoK and / or City Corporation would come up with parking policy and advertisement policy for the city as advised by the MoUD, Gol.

- (xiv) GoK would facilitate Property Development by the BMRCL near stations, depots and metro alignments to the extent possible. It would also undertake Transit Oriented Development for the Bangalore Metro Phase-2 Corridors and its influence zone, for planned development of the region as well as to increase the ridership and decrease the overall travel demand.
- (xv) Land Use densification around the stations with mixed land use also needs to be done to increase the rider-ship and decrease the overall travel demand.
- (xvi) GoK would set up a dedicated Urban Transport Fund at State level & city level in consultation with MoUD, GoI through levy of dedicated taxes/levies, betterment tax / impact fee, development charges and higher FAR in the influence zone of Metro Railway stations as envisaged in National Urban Transport Policy, 2006 to create pool of resources for part financing this Project, replacement of assets and providing operational subsidies, interest subsidy if any, not only for this project but other Urban Transport projects as well. The amount realized from the increased land and property value capture from sale/rental proceeds would be credited to Dedicated Urban Transport Fund.
- (xvii) All relevant Central laws i.e. The Metro Railway (Construction of Works) Act, 1978, the Metro Railways (Operation and Maintenance) Act, 2002, as amended from time to time, would be applicable to the Project.
- (xviii) MoUD, GoI will take necessary steps in regard to standardization and indigenization across all metro systems.
- (xix) MoUD, GoI will work out details with regard to a Central Agency for safety certification for all metro systems.
- (xx) BMRCL shall generally adopt the guidelines of Department of Public Enterprises, the Department of Economic Affairs and the Central Vigilance Commission as necessary to strengthen the Corporate Governance and shall be subject to the audit by CAG and scrutiny by Parliament and State Legislature.
- (xxi) BMRCL shall obtain all necessary and statutory clearances of Central and State Government as applicable on this Project.
- (xxii) GoK and BMRCL will take note of the observations of Ministry of Home Affairs (MHA) on security issues and ensure adequate necessary steps accordingly.

(xxiii) Compliance to the comments on the DPR submitted by Ministry of Railways and as agreed to by MoUD needs to be incorporated in the DPR. For items which have been agreed to be decided after detailed studies, approval of MoR need to be obtained by BMRCL in due course.

(xxiv) BMRCL shall be bound by such directions on question of policy, as the Central Government may give in writing from time to time.

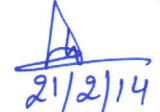
8. In case, the Grant funded by GoK from the Urban Infrastructure Fund through levy of dedicated taxes / levies / betterment tax etc. to this Project exceeds Rs.1,689.90 crore, the savings therefore will be utilized for bringing down the Subordinate Debt of Gol and GoK equally.

9. A tripartite MoU shall be signed between the Ministry of Urban Development (Gol), GoK and BMRCL, at the earliest, duly incorporating various conditions of sanction as mentioned in this sanction letter.

10. The sanction of funds in respect of Gol's Contribution and Pass Through Assistance (PTA) for the Project will be from the Plan Budget of MoUD under MH-4217, Sub Head / Detailed Head 06.01.54 towards Equity, while the Loans will be from the Major Head 6217, Sub Head / detailed Head 14.03.55 and 18.02.55 towards Pass Through Assistance (PTA) against JICA/AFD Loan and Subordinate Debt, respectively, from the year 2013-14.

11. This sanction issues with the approval of Chief Accounting Authority.

Yours faithfully,



(Deen Dayal)

Under Secretary to the Govt. of India

Telefax: 2306 2935

Copy to:

1. Principal Secretary, Urban Development Department, Government of Karnataka, Vidhana Soudha, Bangalore.
2. Managing Director, Bangalore Metro Rail Corporation Ltd., 3rd Floor, BMTCL Complex, K. H. Road, Shanthinagar, Bangalore- 560 027.
3. Resident Commissioner, Government of Karnataka, Karnataka Bhavan, 10, Kautilya Marg, Chanakypuri, New Delhi - 110 021.

Copy forwarded for information, to:

1. Principal Secretary to the Prime Minister, Prime Minister's Office, South Block, New Delhi.
2. Secretary, Planning Commission, Yojana Bhavan, New Delhi.
3. Chairman, Railway Board, Ministry of Railways, Rail Bhavan, New Delhi.
4. Secretary, Department of Economic Affairs, Ministry of Finance, North Block, New Delhi.
5. Secretary, Department of Expenditure, Ministry of Finance, North Block, New Delhi.
6. Secretary, Ministry of Environment & Forests, Paryavaran Bhavan, CGO Complex, New Delhi.
7. Secretary, Ministry of Statistics & Programme Implementation, Sardar Patel Bhavan, Sansad Marg, New Delhi.
8. Secretary (UD), Ministry of Urban Development, Nirman Bhavan, New Delhi.
9. Director (Cabinet), Cabinet Secretariat, Rashtrapati Bhavan, New Delhi, with reference to their communication No. 5/CM/2014 (i) dated 6.2.2014.
10. PS to UDM.
11. JS & FA, MoUD, New Delhi
12. JS (UT), MoUD, New Delhi
13. OSD(UT) & E.O.JS, MoUD, New Delhi
14. Director (UT) / Director (MRTS-I) / Director (UT-II) MoUD, New Delhi.


21/2/14

(Deen Dayal)

Under Secretary to the Govt. of India