



**KHAITAN
& CO**

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Major Real Estate & Infrastructure Development Opportunities Indian Railway Stations & Public Private Partnerships

September 2020 – Update



“Our ambition is to be a respectable law firm providing efficient and courteous service, to act with fairness, integrity and diligence, to be socially responsible and to enjoy life. We should put greater emphasis on working in consonance with our aforesaid values than on maximising earnings. Earn we should but with dignity and pleasure.”

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1. INTRODUCTION

Indian Railways has initiated an ambitious railway station development program for the redevelopment of stations and adjoining areas on Smart City lines to improve passenger amenities and access to stations and enabling optimal utilisation of railway land.

The plan is to redevelop 400 railway stations across 100 cities in India over approximately 2700 acres of land as world class infrastructure incorporating iconic structures, state of the art facilities and commercial uses.

Typically, these redevelopment projects have 2 major components:

- redevelopment of the railway station to deliver quality facilities, amenities, and functionality for railway station users; and
- development of surplus land and air rights for commercial and potential ancillary uses including retail, offices, entertainment, hotels and residential.

Indian Railways is seeking to procure these projects using several procurement models and many projects will be undertaken using the “Public Private Partnership” model.

As a result, private developers will be invited to participate in many of these projects which should be attractive because of the location of these properties and the significant development opportunity presented by surplus land and air rights. (“**PPP Opportunity**”).

The purpose of this document is to brief potential developers, investors, financiers, and other stakeholders on the PPP Opportunity.

2. PUBLIC PRIVATE PARTNERSHIP CONCEPT

A public private partnership (“**PPP**”) is a collaboration:

- between government, in this case through Indian Railways;
- the private sector, in this case individual developers;
- to procure design, financing construction, operation, and maintenance of infrastructure, in this case railway stations and associated facilities; and
- on a long-term basis.

Indian Railways’ program for station redevelopment is one of the largest and most ambitious projects of its kind in the world with an outlay of more than INR 1 Lakh Crore.

Indian Railways is inviting the private sector to assist in redeveloping, modernising and optimising these railway station assets through PPP because PPP affords to Indian Railways the opportunity to achieve its goals in efficiently upgrading railway stations quickly with minimum capital outlay and at the same time realizing a return on asset value which would otherwise not be realised.

There may be different types of PPP models which may be employed. However Indian Railways will be granting a concession and lease to the successful developer for a specific individual projects on the condition that the developer will undertake the redevelopment works in accordance with an agreed plan, specifications, and timetable.

3. POTENTIAL DEVELOPMENT OPPORTUNITY

Each project will offer different development potential and so each must be assessed on its own merits.

The first PPP in India under this program is Habibganj Railway Station in Bhopal which was awarded to Bansal Group under the PPP model in 2017. This project is due for completion soon and provides an example of opportunities available to developers who successfully bid for railway station projects.

The operation and maintenance responsibilities for the station were awarded to Bansal Group for a period of 8 years and Bansal Group also secured a concession lease for additional land for 45 years.



The Habibganj Railway Station has been designed as a world-class transit hub, with a central concourse equipped with amenities for waiting passengers. Arriving and departing passengers will be segregated. The environment-friendly station will be powered by solar energy and has facilities for the differently abled. The station will have 6 lifts, 11 escalators and 3 travelators, along with 2 underpasses providing for arriving passengers along with parking space for 300 cars and facilities for taxis and buses.

In addition to redevelopment of the Railway Station, Bansal Group is planning a phased development of approximately 17000 square meters of additional land included in the concession lease which is being developed for the following uses:

- 2 office buildings;
- retail complex;
- multi-speciality hospital;
- budget hotel; and
- luxury hotel.

4. SPECIFIC PROPERTIES

In the fiscal year ending 31 March 2021, the Government of India is looking to award 50 stations for redevelopment requiring an investment of around INR 50,000 crore. It should be noted that these station redevelopment projects will qualify as "*infrastructure sub-sector*" under the Harmonised Master List of Infrastructure Sub-sectors issued by Ministry of Finance.

Ministry of Railways, Government of India has established the following project development agencies to implement these projects:

- Indian Railways Stations Development Corporation Limited ("**IRSDC**"); and
- Rail Land Development Authority ("**RLDA**").

IRSDC and RLDA have separately issued requests for qualification ("**RFQ**") for selection of prospective bidders, to upgrade / redevelop, operate and maintain railway stations on a PPP model to design, build, finance, operate and transfer.

To date, RFQs have been issued by IRSDC for the following railway stations ("**IRSDC Stations**"):

Railway Station	Indicative Cost (in INR crore)
Nagpur, Maharashtra	465
Gwalior, Madhya Pradesh	300
Amritsar, Punjab	375
Sabarmati, Gujarat	156
Chhatrapati Shivaji Maharaj Terminus (CSMT), Mumbai, Maharashtra	1642

To date, RFQs have been issued by RLDA for the following railway stations ("**RLDA Stations**"):

Railway Station	Indicative Cost (in INR crore)
Dehradun, Uttarakhand	125
Nellore, Andhra Pradesh	53
Puducherry, Puducherry	44
Tirupati, Andhra Pradesh	230
New Delhi, Delhi	4925

The due date for application under the RFQs for all IRSDC Stations, except CSMT, was 26 June 2020. IRSDC received a total of 32 successful applications from Indian and international applicants including:

- GMR Business and Consultancy LLP;
- JKB Infrastructure Private Limited;
- ISQ Asia Infrastructure Investments;
- Kalpataru Power Transmission Limited;
- Anchorage Infrastructure Investments Holdings Limited;
- Monte Carlo Limited;
- GR Infra Projects Limited;
- Kalyan Toll Infrastructure Limited; and
- Cube Construction Engineering.

Out of the total 32 applications, 9 applications were received for the Sabarmati station, in Gujarat. Request for proposals for IRSDC Stations are pending.

The RFQ for CSMT was issued in August 2020 and the last date for submitting the application in response to the RfQ is **22 October 2020**.

The due date for application under the RFQs for RLDA Stations, except New Delhi, was 10 July 2020. The list of qualified applicants for RLDA Stations is awaited.

The RFQ for New Delhi was issued in August 2020 and the last date for submitting the application in response to the RfQ is **6 November 2020**.

5. THE BID PROCESS

Two-stage bid process

IRSDC / RLDA will conduct bidding by a two-stage bidding process.

The first stage will be for qualification on the basis of technical (except in the case of CSMT and New Delhi) and financial criteria and second stage will be the request for proposal or bid stage in which bidders pre-qualified in the qualification stage will be required to submit financial proposals stating the premium in the form of:

- revenue share; and/or
- annual concession fee / payments; and/or
- upfront payments.

Which they are willing to offer to IRSDC / RLDA for award of the concession.



Redevelopment

The scope of work of the prospective bidders will include:

- redevelopment of the stations;
- operation and maintenance of the stations; and
- development of the railway land surrounding the stations and air rights.

Term

The pre-qualified bidders will be provided with a draft concession agreement at the request for proposal or bid stage.

The Ministry of Railways has released a draft concession agreement for development of stations for stakeholder comment which prescribes:

- a concession period of 35 to 60 years for operating and maintaining the stations; and
- lease of 60 to 99 years for the railway land surrounding the stations, with rights to sub-lease.

Revenue Stream

The successful bidder will be required to sign the concession agreement.

Under the concession agreement, the successful bidder will have following revenue sources:

- pre-determined user-fee for the specified facilities at the railway station;
- charges from service providers for use of specified spaces within the stations; and
- proceeds from commercial development of railway land surrounding the stations.

Pre-Qualification Eligibility

A prospective bidder can be a single entity / consortium / natural person / private / government company / investment fund.

A prospective bidder can also rely on the technical and financial capacity credentials of its associates.

Eligibility Technical Criteria

A prospective bidder in the last 5 financial years must have:

- paid for / or received payments for the construction of '*Eligible Projects*' / have paid for development of '*Eligible Projects*'; and / or

- collected and appropriated revenues from '*Eligible Projects*', of more than:

Railway Station	Amount (in INR crore)
Nagpur	930
Gwalior	600
Amritsar	750
Sabarmati	312
Dehradun	250
Nellore	100
Tirupati	460
Puducherry	88

In the case of CSMT and New Delhi, at the RfQ stage there is no technical qualification requirement to be satisfied by the applicants, and only an undertaking is required to be submitted stating that in the event the applicant is awarded the project, it will demonstrate the technical experience before the '*appointed date*' under the concession agreement.

For the CSMT and New Delhi stations the technical eligibility requirement will be that a prospective bidder in the last 5 financial years, must have paid for / or received payments for the construction of '*Eligible Projects*' and such amount is:

- 80% of estimated project cost from 1 *Eligible Project*; or
- 60% of estimated project cost each from 2 *Eligible Projects*; or
- 40% of estimated project cost each from 3 *Eligible Projects*; or
- 30% of estimated project cost each from 4 *Eligible Projects*.

'*Eligible Projects*' include experience in the airports, ports, railways and real estate sector.

Eligibility Financial Criteria

Net worth / minimum investible funds (ie, immediately available funds for investment and callable capital, net of estimated expenditure for

administration and management of the fund) calculated at the close of the preceding financial year as set out below:

Railway Station	Amount (in INR crore)
Nagpur	233
Gwalior	150
Amritsar	188
Sabarmati	78
Dehradun	62.5
Nellore	25
Tirupati	115
Puducherry	22
CSMT	821
New Delhi	1250

6. ROLE OF KHAITAN & CO

Khaitan & Co is a full-service law firm with more than 150 partners and 650 lawyers.

The firm offers an integrated service for major real estate and infrastructure projects of this kind which involve multiple expert skills including:

- Advice on bid and process;
- Bid and consortium structuring;
- Concession deed & ground lease advice;
- Real estate diligence;
- Real estate contacts;
- Project financing;
- Construction documentation and administration;
- Construction disputes;
- Property leasing for retail, office, and commercial uses;

- Special uses, for example, hotel management contracts and healthcare; and
- Direct & indirect tax advice on transaction structuring.

Khaitan & Co has an expert team that can deliver seamless “one stop shop” service to developers across all these expert areas.

Our team members for these projects have extensive experience and include:

Sudip Mullick	Project Co Leader - Real Estate	https://www.khaitanco.com/people/sudip-mullick
Dibyanshu	Project Co Leader - Infrastructure	https://www.khaitanco.com/people/dibyanshu
Harsh Parikh	Real Estate Diligence / Contracts & Development	https://www.khaitanco.com/people/harsh-parikh
Avnish Sharma	Real Estate Diligence / Contracts & Development	https://www.khaitanco.com/people/avnish-sharma
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Savita Singh	Property Leasing	https://www.khaitanco.com/people/savita-singh
Indruj Rai	Direct Tax	https://www.khaitanco.com/people/indruj-singh-rai
Abhishek Rastogi	Indirect Tax	https://www.khaitanco.com/people/abhishek-rastogi

7. CONCLUSION

Railway Station PPP projects present an excellent opportunity for real estate developers and others to secure what are likely to be unique development opportunities in key locations in major and secondary cities in India.

Khaitan & Co is well placed to assist interested parties in pursuing their interest in these projects and looks forward to being able to assist.

Please do not hesitate to contact any of the partners listed in section 6 or either of the Project Co Leaders namely:

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