

Vizhinjam Port

A case study



The Project

- Development of a Deepwater International Container Transshipment Terminal with Public Private Participation on BOT basis

Location

- 20 km south of trivandrum City, the Capital of Kerala



Why Vizhinjam

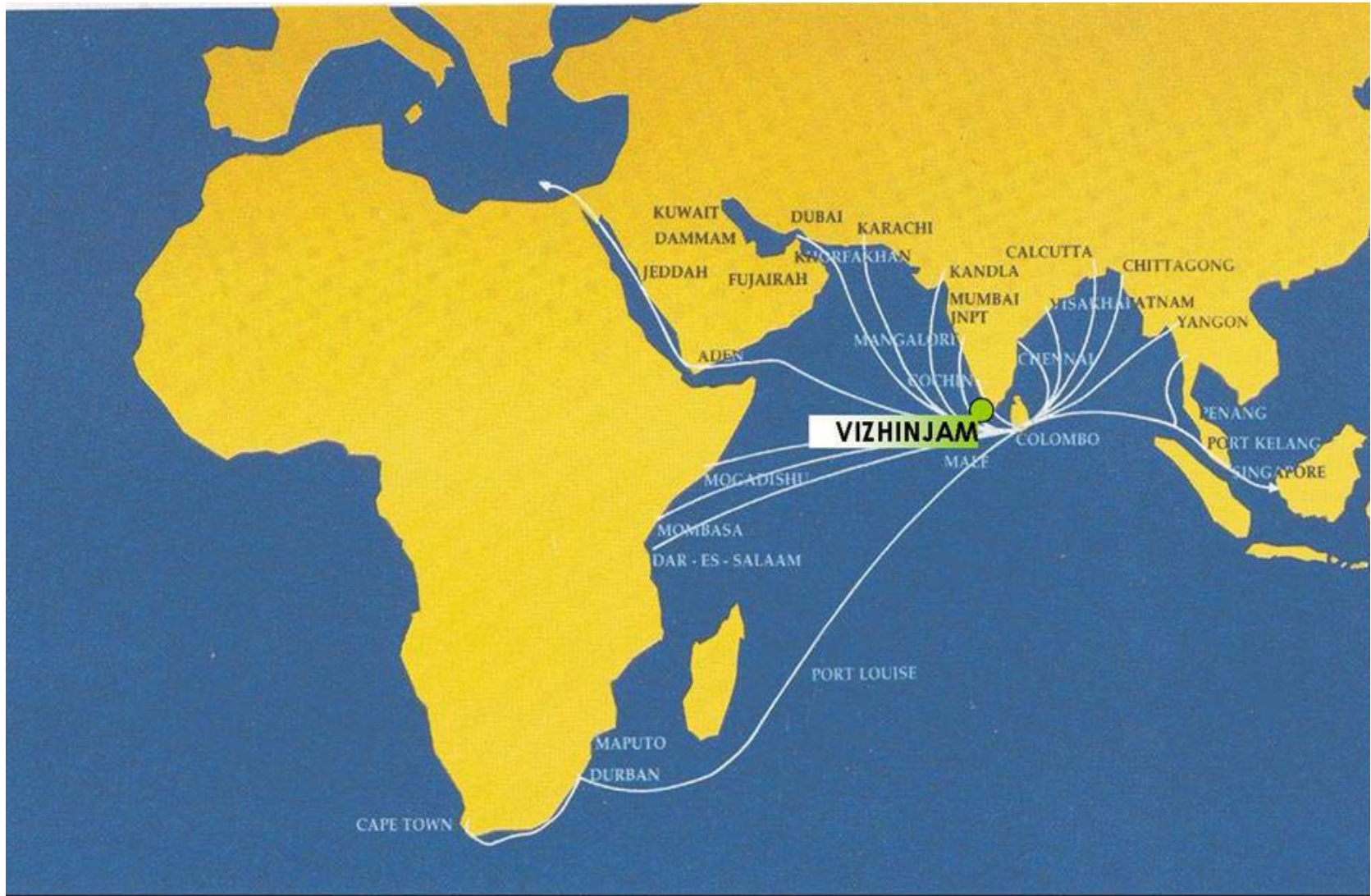
Natural Advantages

- Proximity to international sea route and East-West Shipping Axis
- Natural water depth of > 20 m within a nautical mile from coast - Minimal capital dredging requirements
- Least Littoral Drift - low maintenance dredging
- Central to Coast line of India, can cater to the needs of West and East Coast in long run

Other Advantages

- Greenfield nature, away from city - flexibility in design & connectivity
- No significant environmental/ social issues
- Proximity to rail/ road network & airport
- Nearness to Thiruvananthapuram having human resources & social infrastructure

Shipping Corridors



The Project – Development Plan

- Total Investment : Rs. 4360 Crores
- To be developed in 3 phases
 - Phase I : Rs. 1850 Cr.
 - Phase II : Rs. 989 Cr.
 - Phase III : Rs. 1521 Cr.
- Phase I components:
 - 5 Berths
 - Breakwater 4 kms
 - Dredging upto 16 m at Berths
 - Reclamation of 97 ha
- Would cater to Vessel Sizes of 8000 TEU (Twenty feet Equivalent Units) in Ph. I & up to 12,000 TEU subsequently
- Projected Container Traffic: 4.10 million TEU by year 2033
 - Current Container Traffic in India is ~4 million TEU

Project Structure

- License Period - 30 years (post construction)
- State Debt Support - Zero Coupon, to be repaid in 10 annual installments from 11th Yr. of operation: **Bid Parameter**
- Initial Revenue Support: 20% of State Debt Support (as Grant-in-aid for the first 3 years of operation)
 - Propose to access Govt. of India Viability gap Funding
- GoK's Equity: 24% of Phase I
- GoK to provide external infrastructure (Rail & Road connectivity and water & electricity upto the port boundary)

Project Financial Performance

- Project is viable with the Equity IRR at about 20% nominal (15% real).

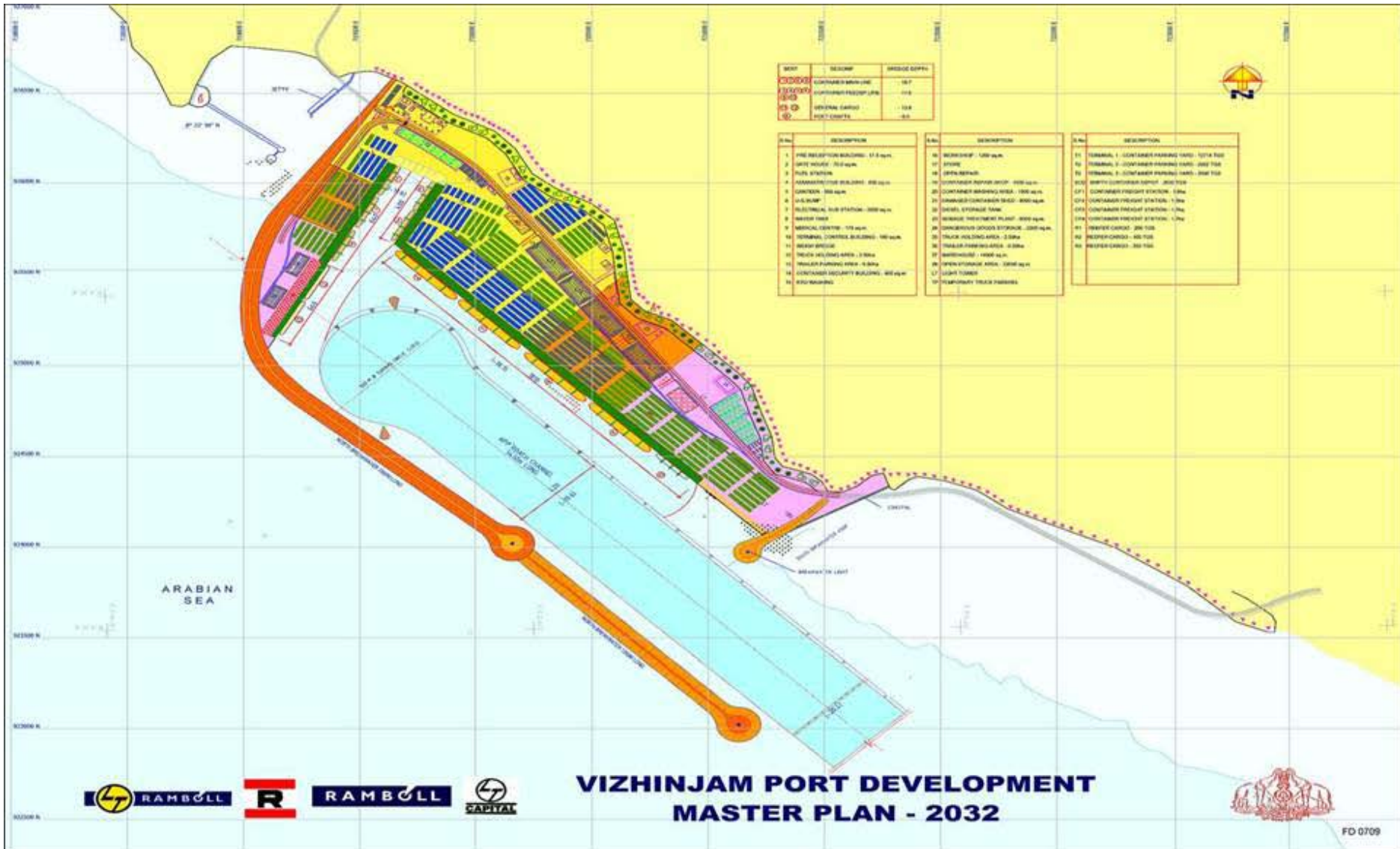
In Nominal Terms

Project IRR		Equity IRR	DSCR-Average
Post-tax	Pre-tax		
15.5%	17.2%	19.9%	1.85

Government Support

- Consent to Establish issued by Kerala State Pollution Board
- Vizhinjam International Seaport Ltd. (VISL) set-up as 100% GOK company: Main objectives
 - External support infrastructure
 - Planning and development of logistics centre / free trade warehousing zone / SEZ (upsides to port project)
 - Development of coastal shipping and feeder lines

Master Plan



VIZHINJAM PORT DEVELOPMENT MASTER PLAN - 2032



FD 0709

Bid Process

Bid Process Design

Stage 1

- Expression of Interests Issued (Dec. 2003)
 - 11 Eols received
- Bidding Started (July 2004)

Stage 2

- Three-envelope Bidding Process through issue of Request for Proposal
 - Envelope 1: Qualification (pass/fail)
 - Envelope 2: Technical Bid (pass/fail)
 - Envelope 3: Price Bid (bid parameter)

Bidding

No bids received till last date (20th Dec 2004)

Bidding Strategy

- Meeting arranged with bidders (Jan 2005)
- Main concerns raised:
 - License period
 - Variation in cost due to site condition (specifically breakwater)
 - Development obligations
 - Environmental Clearance

Project Restructuring

- License period – No change as per port policy
- GoK to share 75% of Additional Civil Cost upto a ceiling of Rs. 67.5 Cr.
- Development obligation – instead of time bound, linked to actual throughput
- Developer to pay the project development fee only after getting the environmental Clearance.

Re-bidding started in January 2005

Re-bidding

- 22 firms procured the RFP documents
- Pre-bid meeting conducted
- Two bids received by 17th August, 2005
 - Consortium of, Kaidi Electric Power Co. Ltd, China, Zoom Developers, Mumbai & China Harbor Engineering Group II Engineering Institute, China.
 - Gammon India Limited, Mumbai
- Consortium led by Kaidi Electric Power Co. Ltd. was selected to be evaluated.

Qualification Criteria

- Net-worth should be met and any two of Turnover & Cash Accruals to be met for any 2 years)
- Lead member to meet 50% of criteria

Criteria	Rs. in Crores
Net-worth	315
Turnover	2250
Cash Accrual	135

Evaluation – Issues

- **Qualification Criteria**
 - Different financial years in different countries
 - Difference in Exchange Rate adopted
 - Consideration of Averaging/indexation
- **Technical Proposal opened and consortium qualified**
- **Political clearance**
- **Tariff regulation – Minor/major port**
 - Vizhinjam being a minor port – no tariff regulation
- **Foreign Direct Investment (FDI) in port sector**
 - 100% in port sector

Financial Bid – Salient Features

Bid Parameter

State Debt Support (SDS)	Rs. 98.73 Crores
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Qualitative Parameters

Internal Rate of Return (IRR): (post tax) in real terms	10.2%
Lead member equity	> 26%

Bidder furnished details projected profit & loss and cash-flow statements, financing investments and major assumptions

Bidders financial proposal was found positive and acceptable

Current status

- Project could not be awarded to Chinese Consortium since GOI did not provide clearance.
- Project was re-bid out (complete fresh bidding) by the Government in 2007
- LANCO was chosen as the preferred bidder.
- Due to certain issues, project has again gone to the Court and is in standstill status.

Thank You