

Centre to set up umbrella SPV to fund metro projects

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NEW DELHI, FEBRUARY 19

THE CENTRAL government is setting up a fully-owned Special Purpose Vehicle (SPV) to house all its equity and debt investments in metro rail projects across the country. The SPV, which will be under the Ministry of Housing & Urban Affairs, will also be monitoring all metro projects.

From financial year 2019-20, the SPV will raise funds through mix of equity, debt and also borrow from external agencies. The SPV will borrow funds directly through the market or from state-owned India Infrastructure Finance Company Ltd. The finance ministry has finalised the contours of the SPV after series of consultations with various ministries.

In the Union Budget 2018-19, Finance Minister Arun Jaitley had proposed the idea of streamlining the Centre's contribution in equity and debt of the metro ventures floated by state governments. The SPV, a kind of an umbrella body for investments in metro projects across the country, has been seen as an efficient approach to deal with these investments. While the Ministry of Housing & Urban Affairs will evaluate investment structure in metro projects, the SPV will be making these investments.

"The evaluation of metro projects and investment in individual metro projects and proportion of equity and debt will be decided by

TO ALSO MONITOR ALL METRO PROJECTS

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the MoHUA. The SPV will make the investment on the advise of MoHUA. The repayment of debt portion to Government of India for debt already released by Government of India for different metro projects may also be routed through the SPV," according to the Union finance ministry. The equity contribution to the SPV will be provided by the Central government.

Sources said the government may also allow the SPV to seek external assistance backed by the Centre's guarantee. Metro projects are implemented on various models in India such as a 50:50 joint venture between the Centre and a state government (Delhi Metro, Mumbai Line-3, Bangalore etc); full funding by the central government; full funding by the state (metro in Jaipur and Monorail in Mumbai); public private partnership with viability gap

funding from the Centre. The rapid metro in Gurgaon is another model where full funding is done by private concessionaire.

As per Metro Rail Policy of 2017, the Centre provides funding support to metro projects through various options. In a PPP-based metro rail project, Central funding is governed by VGF norms.

Another way is the Central Government providing grant of 10 per cent of project cost, excluding private investment, cost of land, rehabilitation & resettlement and tax, to the state government. The Centre can have different forms of equity sharing agreements with the state to fund a metro project.

A total of 22 metro projects have been sanctioned across the country comprising total investment of Rs 2.42 lakh crore on completion cost basis, as per latest data available till August 2018. Delhi metro is the largest in among all these projects involving total cost of around Rs 83,000 crore (including cost for first three phases as well as Delhi Airport Express line). This is followed by Bangalore metro phase I and phase II involving completion cost of around Rs 40,000 crore.

The Jaipur metro rail project being implemented fully by the state of Rajasthan involves completion cost of Rs 3,149 crore. The formation of a SPV at the central government level will ensure that investment and monitoring of metro projects is done by a single agency, in close coordination with the government.