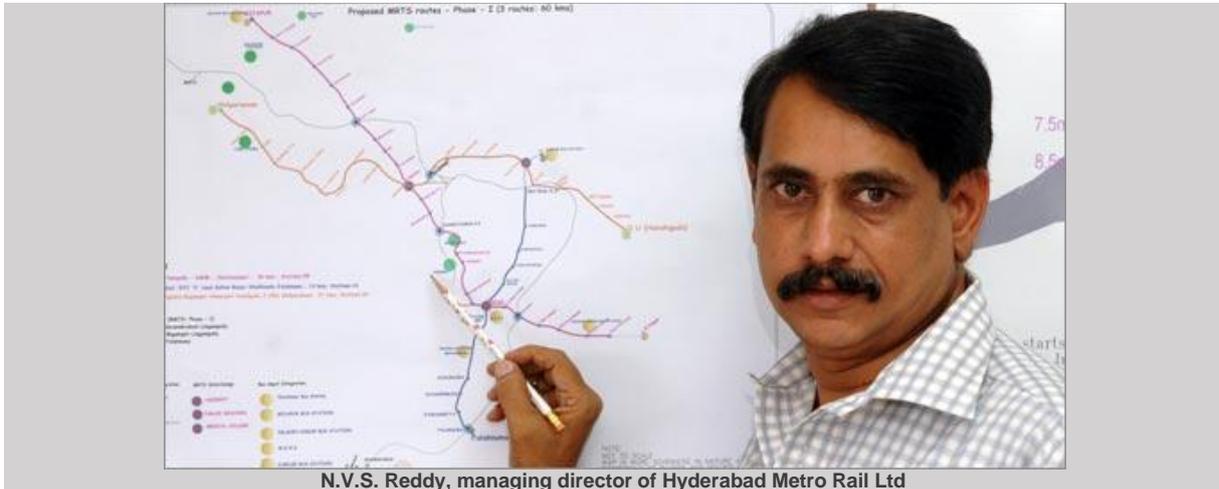


Source: <http://businesstoday.intoday.in/story/hyderabad-metro-revenue-nvp-reddy/1/191778.html>

'Half of Hyderabad Metro's revenues will come from property development and rentals'

E. Kumar Sharma Last Updated: January 23, 2013 | 21:07 IST



Public-private partnership (PPP) projects are not easy to manage. The **Delhi Airport Metro** may have recommenced operations on January 22 after a six-month shutdown for repairs, but the **project's problems** are far from over. The two PPP partners, Reliance Infrastructure, part of Anil Ambani's Reliance Group, and the Delhi Metro Rail Corporation, still have differences that await arbitration. World-over, **metro rail projects** are a tough business. Of the 200 or so global metro rail systems, only four - Hong Kong, Tokyo, Singapore and Taipei - have been financially viable. But these, too, had active government backing.

Even though the evidence overwhelmingly indicates otherwise, those at the helm of the Rs 14,132 crore elevated metro rail project in Hyderabad, another PPP, say the project is viable and will be executed on time. **L&T** is the private sector partner in the project, which is being supplied with railway tracks from a Tata Corus unit in France and coaches from South Korea's Hyundai Rotem. Recently, N.V.S. Reddy, Managing Director of Hyderabad Metro Rail Ltd, spoke to E. Kumar Sharma and explained why he believed the project would not meet the fate of other PPPs.

Q: How is your project different from other metro PPPs and what makes you think it can succeed?

A: The key reason the project will be successful is because of its structure. Half the revenues are to come from passenger fare and the rest from property development and rentals. Of the 269 acres allocated for the Rs 14,132 crore project, 57 acres and 18.5 million sq. ft. of built-up space are available for commercial exploitation. The project could enjoy lease rentals for 30 years, extendable by another 30 years, after which it would have to be handed over to the government.

Q: What is the scope for commercial exploitation to earn revenue from sources other than passenger fare?

A: The project has 66 stations at 63 locations. Most of the commercial development would be in highly dense corridors as they are in the heart of the city. Real estate earnings will be high and our ridership (traffic) projection is 1.5 million to 2.5 million per day in a 10-year span. But still, it is very likely that the project may suffer losses initially - we may suffer losses in the first five to six years but that is a very small period in the 60 years of the project.

Q: How prepared are you to handle delays?

A: We do not expect any delays. The right of way is available and almost all the land required for the project has been handed over by the government.

Q: Any new features in the project that others have not tried?

A: I have a late-comer advantage. We have studied different metro projects and are trying to incorporate some of the features. For instance, we are exploring the idea of connecting skywalks leading from the overhead metro stations to offices, commercial or public establishments. In such cases, a user need not get down onto the road and can directly walk to their destinations straight from the station