

Interview with N.V.S. Reddy

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What have been the key developments in the Hyderabad Metro project?

The 72 km metro project is estimated to cost over Rs 140 billion. The central government is extending Rs 14.58 billion as VGF, and the remaining is being invested by Larsen & Toubro (L&T) in a debt-equity ratio of 70:30. In addition, the state government's contribution is about Rs 19.8 billion on land acquisition, R&R activities, utility shifting, etc.

We have completed about 28 km of viaduct work in less than two years. In contrast, about 11 km of viaduct work in Mumbai took almost seven years; 25 km in Chennai and Bengaluru took about five years; 25 km of viaduct work in Delhi took about four years. L&T has initiated work on 2,400 pillars (out of 2,800 pillars), and has completed 60 per cent of the work. HMRL has also started developing entire stations on a single pier. Stage I, covering 8 km, will be completed on March 21, 2015; stage II, covering 11.5 km, by August 15, 2014; and the remaining by June 2017.

What are the differences between a government and a PPP project model?

PPP is a much tougher model as compared to the government model. The government model involves less uncertainty once the government finalises the funding arrangement. However, PPP ensures flexibility in taking decisions, for instance, if the life-cycle cost is to be considered under PPP. Right of way, land acquisition, widening of roads, utility shifting, and redesigning of the city are HMRL's responsibility. This facilitates faster progress and L&T can concentrate only on the engineering aspect of the project. A PPP operator ensures optimisation of space, economies in design, scale etc.

L&T has negotiated the cost for many packages commendably and has managed to



secure very competitive rates in comparison to other metro projects.

What kind of transit-oriented development rights does L&T have?

The concession period for the project is 35 years, extendable by 25 years, with first the first years as the construction period. As per the revenue model, about 50 per cent of the revenues will come from passenger fares, 45 per cent from property development and 5 per cent from advertisements.

Of the 269 acres of land under the project, 212 acres is being used for development for depots. The remaining 57 acres will be used for parking and circulation for 20 stations (total stations 66). Of the total land, 18.9 million square feet of property can be developed. L&T can lease the developed real estate property but cannot sell it. At the end of the concession period, the real estate property along with the project will be handed over to the state government. In the first phase, L&T is developing about 6 million square feet. Transit-oriented development has been notified as a part of town planning under the master plan for the city. Up to 300 metres on

either side of the mass transit system has been declared as a multi-user zone which can be exploited by L&T and other builders for densification and this will ensure more revenues for the metro rail system.

How was the construction contract awarded to L&T ECC?

The cost analysis given by L&T was found to be competitive as per market rates. The government has leased out two large parcels of additional land for precast yards (India's biggest urban precast yards, 72 acres and 62 acres) and L&T has undertaken mass production activity there.

How do you ensure transparency in awarding contracts under the projects?

HMRL is an SPV of the government. L&T has awarded contracts based on a technology neutral manual of specifications developed by HMRL for the project. The manual lays down technical specifications and performance standards. All designs are submitted to HMRL for a thorough check. HMRL has formed a panel of experts to check the design standards. L&T Metro Rail Hyderabad has a government representative (MD, HMRL) on its board to monitor the decision making process.

What are the key learnings from this project?

PPP in rail mass transit can be successful in big Indian cities. The kind of vision I have developed through the course of handling several impediments in project implementation has been a great experience. With hindsight, I can now say that I have tried to take all the criticism from various stakeholders in a positive way and provide techno-managerial solutions for each one's criticism which has ultimately resulted in value addition. ▀