

DRAFT SUBJECT

Re.No.2460/02/F4.

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Subject no: 86

Sub: VUDA, Visakhapatnam – Establishment of Circular Toy Train on Kailasa Hill – Development of project under Private Participation Project Consultancy with M/S Ferguson & Co, Hyderabad – Evaluation Report Furnished - perusal – Regarding.

Agenda Note:-

The VUDA has proposed to establish Circular Toy Train on Kailasa Hills under private participation. The matter has been placed before the VUDA Board and the VUDA Board in its Resolution No. 60 dated 09.11.2002 has resolved to peruse the action taken on Establishment of the Toy Train at Kailasa Hills and authorized to go ahead with execution of the project through M/S Sarada Road Ways, Hyderabad subject to the recommendation of the consultant. The evaluation and appraisal work of this project was entrusted to a private consultancy M/S A.F Ferguson and Co, Hyderabad. Subsequently bids called from the two active companies came forward to set up the Toy Train on the Kailasa Hills namely M/S Haigreeva Engg. Co, Visakhapatnam and M/S Sarada Road Ways, Hyderabad.

The sealed tenders pertaining to the financial bids by the said firms have been opened by the Secretary, VUDA in their presence, while Sri Prakasam of M/S Ferguson & Co (Technical Consultant to VUDA for Circular Toy Train on Kailasa Hills) have read over the contents to them thereafter.

The reports given by the said firms including the financial bids, sent to M/S AF Ferguson & Co, Hyderabad in VUDA letter Re.No.2460/02/F4, dated 17.01.2003 and requested to submit evaluation report pertaining to the Circular Toy Train between the two firms.

In gist, the consultant has reported that, both the bidders do not have any past experience in development, operation and maintenance of Tourism project. However, the project is conceptually and technically more stronger in case of Sarada Road Ways as compared to Haigreeva Engg. Co (79% for SRW as against 54% for HEC).

Similarly, the business model as presented by Haigreeva Engg. Co is very pessimistic, indicating poor quality in projecting and planning a business model. Business model in case of Sarada Road Ways is comparatively better, however the project demands professional support for realizing a fair return out of this venture.

VUDA Resolution No.86 dated 14.5.2003

Resolved to approve the proposals of entrustment of the Circular Toy Train Project at Kailasa Hills to M/s Sarada Road Ways on BOT system in accordance with the terms and conditions suggested in the evaluation report of M/s Feruguson & Co. Hyderabad.

Taken note of letter of intention issued to the developer as recommended by the consultants and to finalise the alignment soon to step up progress. Performance of the developer to be watched at regular intervals.

The Board have also taken note of and recorded the expression of interest by M/s Gold Stone, Hospitality Inc Ramda Inn Conference Center, Macon VS for the facility to be reserved to Art Gallery at Kailasa Hills – on NRI project and connected infrastructure development.



CHAIRMAN

They have further reported that "for Haigreeva Engg. Co, the business proposal is not viable even in the 20th year (IRR of 5.90% and negative NPV of Rs.95.00 lakhs). The break even period of the project is estimated at 12 years by Haigreeva Engg. Co as against 9 years in case of Sarada Road Ways. Also, return to VUDA for equal concession period in case of Sarada Road Ways is higher than Haigreeva Engg. Co..

Based on above, M/S.A.F. FERGUSON & CO has recommended VUDA, to enter in to a BOT agreement with Sarada Road Ways, after obtaining necessary support documents as to tie up with the technical consultants, supplier and financial institutions. Also, personal commitment of Mr. VGK Prasad, representing the venture undertaking the project, is desired."

The NPV and IRR figures of Sarada Road Ways are comparatively sound and reasonable. The concession period for BOT can be 13 to 15 years, after considering a fair return to the private developer during the said period.

Returns for the 1st is comparatively given hereunder.

Name of the Firm	Project Duration in years	Return to VUDA upfront fee	Development premium per year	Total (Rs.in Lakhs)
Sarada Road Ways	12 to 22	1.00 lakh	6.76 lakhs	7.76
Haigreeva Engg. Co	12 to 20	1.00 lakh	4.80 lakhs	5.80

Since the returns to VUDA ^{through} and to Sarada Road Ways (as per their business proposal) ^{for the project period} are found reasonable and ^{higher than the other bidders} adequate, the consultant recommend VUDA to further negotiate with Sarada Road Ways on the concession period vis-à-vis additional development premium proposed in the financial proposal.

In view of the recommendation of the M/S Ferguson and Co, Hyderabad and in terms of the evaluation report submitted by the above firm the matter is submitted for favor of perusal of the VUDA Board and to take a decision for entrustment of the Circular Toy Train Project at Kailasa Hills to M/S Sarada Road Ways on BOT system in accordance with the terms & conditions suggested in the evaluation report of M/S Ferguson & Co, Hyderabad.