

COUNCIL'S SPECIAL MEETING

NO. 05/2017-2018

DATE	:	06TH SEPTEMBER, 2017 (WEDNESDAY)
TIME	:	12-00 NOON
VENUE	:	COUNCIL ROOM, 3RD FLOOR, PALIKA KENDRA, NEW DELHI.



नई दिल्ली नगर पालिका परिषद्

**NEW DELHI MUNICIPAL COUNCIL
PALIKA KENDRA : NEW DELHI**



नई दिल्ली नगरपालिका परिषद्

NEW DELHI MUNICIPAL COUNCIL

पालिका केन्द्र, संसद मार्ग, नई दिल्ली-११०००१

Palika Kendra, Sansad Marg, New Delhi-110001

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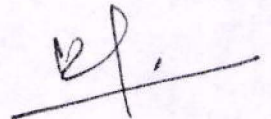
Dated: 04.09.2017

MEETING NOTICE

A Special meeting of the Council, No. 05/2017-18, will be held on Wednesday, 06th September, 2017 at 12-00 Noon in the Council Room, 3rd Floor, Palika Kendra, New Delhi.

The list of business in enclosed herewith.

You are requested to kindly make it convenient to attend the same.


(CHANCHAL YADAV)
Secretary

ALL MEMBERS OF THE COUNCIL

NEW DELHI MUNICIPAL COUNCIL
PALIKA KENDRA : NEW DELHI

COUNCIL'S SPECIAL MEETING NO. 05/2017-18 DATED 06.09.2017 AT 12-00 NOON.

Arrangement of business

ITEM NO.	SUBJECT	PAGE	ANNEXURE
01 (L-13)	Proposal for Re- e-auctioning of property situated at 1, Janpath earlier known as Hotel Asian International - Reference Agenda for Council meeting held on 21.8.2017 [Item No. 31(L-07)] and 28.8.2017 [Item No. 05(L-12)].	2 – 5	6 – 22
02 (L-14)	Proposal for e-auctioning of hotel property situated at Plot No.37, Shaheed Bhagat Singh Marg, New Delhi, earlier known as Hotel 'The Connaught' - Reference Agenda for Council meeting held on 21.8.2017 [Item No. 32(L-08)] and 28.8.2017 [Item No. 04(L-11)].	23 – 26	27 – 43
03 (L-15)	Auction of Hotel Property situated at 1, Mansingh Road commonly known as Hotel Taj Mansingh – Reference Agenda for Council meeting held on 21.8.2017 [Item No. 33(L-09)] and 28.8.2017 [Item No. 03(L-10)].	44 – 48	49 – 65

ITEM NO. 01 (L-13)**1. Name of the Subject:**

Proposal for Re- e-auctioning of property situated at 1, Janpath earlier known as Hotel Asian International - Reference Agenda for Council meeting held on 21.8.2017 [Item No. 31(L-07)] and 28.8.2017 [Item No. 05(L-12)].

2. Name of the Department:

Estate-I Department

3. Brief History:

3.1 The matter relating to auction of hotel property situated at 1, Janpath Lane, New Delhi earlier known as Hotel 'Asian International' was discussed vide agenda item no. 31(L-07) in the Council meeting held on 21.8.2017.

3.2 Subsequently, the matter was again discussed in the meeting of Council on 28.8.2017 vide agenda item no. 05(L-12). Vide para 4.5 of this agenda, the department has apprised the Council about the revisions that have been proposed pursuant to the discussion taken place in Council meeting on 21.8.2017. SBICAPS Ltd. has made a presentation before the Council on 28.8.2017 in this meeting giving details of structures of auction process including the changes/revisions that have made in the Tender Document. The presentation of SBICAPS was part and parcel of the agenda item No. 05(L-12) dated 28.08.2017.

3.3 Pursuance to the earlier Council agenda dated 21.8.2017 and after detailed presentation before the Council by SBICAPS Ltd. on 28.8.2017, few issues/points were identified and the Council resolved to discuss these matter again at 12.00 noon on 06.9.2017 (Wednesday). Accordingly, the Council resolved that the SBICAPS should examine the following points:

- (i) increase of percentage every year on Minimum Guarantee Fee from 2.5% to 5%;
- (ii) circle rate as base price;
- (iii) definition of word "affiliate";
- (iv) quantum of penalty after 6 months of refurbishment period in case the successful bidder fails to operationalize the property.

3.4 Accordingly, SBICAPS Ltd. has studied these points and sent a presentation, which is placed at Annexure (See pages 6-22) of this agenda. As per the presentation submitted by SBICAPS Ltd., the following revisions are proposed by the SBICAPS in the Tender Document, pursuant to the Council agenda dated 28.8.2017:

3.4.1 Regarding increase of percentage every year on Minimum Guarantee Fee from 2.5% to 5%

SBICAPS proposed that an escalation rate of 2.5% per annum on compounding basis may be more appropriate given the unpredictable nature of hospitality industry, as economy is likely to be more mature and plateau over the next three decades. To ensure that the licence fee being paid by the Licencee is commensurate with the prevailing market conditions, Minimum Guarantee Fee (MGF) is proposed to reset every 12-years (based on actual licence fee received by NDMC) (Slide Number 8 to 11 of Annexure).

3.4.2 Regarding circle rate as base price

SBICAPS informed that Circle Rates are used for computing outright sale value of land, however, rental yields depend on the underlying activity/economic activity. For example, for the same area in a city the rental yields from the following activities will be different, like in case of Park, Parking lot, School, Hospital, Hotel, Residential area, Commercial complex. Each activity above will give different rental yields and each activity is not comparable with others for the sake of rental yields. Accordingly, SBICAPS proposed that linking Circle Rate for computing MGF may not be reasonable (Slide Number 13 of Annexure).

3.4.3 Regarding definition of word "affiliate"

As per reasons mentioned in the presentation, the SBICAPS has proposed the following changes w.r.t. 'Affiliate' (Slide Number 3 to 7 of Annexure).:

Proposed by SBICAPS earlier	Proposed by SBICAPS now
Either the Bidder or any one of its Affiliates must individually fulfill the entire eligibility criteria i.e. aggregation of Experience, Turnover or Net Worth of any one of its Affiliates or Bidder, is not permitted	Either the Bidder or any one of its Affiliates may jointly fulfill the entire eligibility criteria i.e. aggregation of Experience, Turnover or Net Worth of any one of its Affiliates or Bidder, is permitted
It has not been explicitly stated that the Bidder also needs to meet certain minimum eligibility in case Bidder chooses to use credentials of any of its Affiliates	Bidder also needs to meet following minimum eligibility in case Bidder chooses to use credentials of any one of its Affiliates <ul style="list-style-type: none"> • 1, Man Singh Road – minimum 2 hotels of 100 rooms each and 1/3rd of the financial eligibility conditions • 37, Shaheed Bhagat Singh Marg – minimum 1 hotel of 50 rooms and 1/3rd of the financial eligibility conditions • 1, Janpath Lane – min. 1 hotel of 25 rooms and 1/3rd of the financial eligibility conditions

3.4.4 Regarding 18 months of refurbishment period in case the successful bidder fails to operationalize the property

SBICAPS informed that under proposed payment structure, NDMC will receive its licence fee irrespective of whether the hotel is operational or not, for refurbishment period of 6 months as non-refundable Upfront Fee in advance. On completion of refurbishment, the Licencee shall pay higher of

- Revenue Share (i.e. Percentage Share in Gross Revenue) quoted by him in the e-auction [OR]
- Fixed Minimum Guarantee Fee that is escalated annually

The refurbishment period stipulated by NDMC for the property is just adequate and there may not be much margin for delay, and should have been based on technical studies. The adequacy of refurbishment period is contingent on approvals and consents needed from NDMC and other statutory bodies for operations. Accordingly, any unreasonable penal provisions may not be tenable.

SBICAPS therefore suggested that penal provisions for the extended refurbishment period may be kept at 3% per month of the MGF (i.e. 36% per annum) (Slide Number 12 of Annexure).

3.4.5 Other changes proposed by SBICAPS

SBICAPS has proposed that security clearance could be made mandatory for the successful bidder for 1, Man Singh Road, and execution of the Licence Agreement with the Successful Bidder will be contingent on obtaining security clearance by him. However, no such security clearance would not be required in case of premises situated at 37, Shaheed Bhagat Singh Marg and 1, Janpath Lane considering height of these properties (Slide Number 16 of Annexure).

4. Recommendations:

The Council may consider the recommendations placed before it vide Agenda Item No. 05(L-12) dated 28.8.2017 subject to changes proposed by SBICAPS as mentioned in Para 3.4 above.

COUNCIL'S DECISION

The Council resolved to engage SBICAPS as Transaction Advisor for e-auction of licensing rights of Property situated at 1, Janpath Lane, New Delhi on nomination basis, under the provisions of Rule 194 of General Financial Rules, 2017 at a monthly retainer fee of Rs. Five (5) lakhs per month plus applicable taxes for a period of three (3) months. Further, a success fee of Rs. Fifteen (15) lakhs plus applicable taxes to be paid to SBICAPS by NDMC, which should be charged to the successful bidder. This shall be payable to SBICAPS only after completion of all formalities starting from issuing of tender to execution of licence agreement and handing over of possession to successful bidder.

SBICAPS made a presentation, which was circulated as Annexure of the Preamble, before the Council, which has been discussed and deliberated at length by the Council, after which the Council resolved to e-Auction of the property situated at 1, Janpath Lane, New Delhi through M/s. MSTC as per Tender Documents and Leave and Licence Agreement prepared by SBICAPS Ltd. and circulated as Annexure VI and VII respectively of the Agenda Item No. 05 (L-12) dated 28.08.2017, subject to following changes/amendments:

- (A) changes as resolved by the Council vide Agenda Item No. 31(L-07) dated 21.08.2017, which are as under:
- a) bidder has to submit an initial Price Offer, which should be a percentage of Gross Revenue and should be more than Minimum Revenue Share, alongwith the Technical Bid in the First Round of Auction;
 - b) only those technically qualified bidders, which are holding the first fifty percent of the ranks on the basis of the descending initial price offer submitted by them or the top five technically qualified bidders, whichever is higher, should qualify as qualified bidders for participating in the second round of electronic auction.
 - c) Tender Documents be made freely available through websites of NDMC and M/s MSTC Ltd.
 - d) Bidder should pay the Tender Fee and deposit the Bid Security alongwith necessary documents before Bid Due Date to M/s MSTC Ltd.;
 - e) Bid Security and Tender Fee be collected online through portal of M/s MSTC Ltd., which will be remitted to NDMC after completion of Second Round of Auction, to maintain utmost transparency;
- (B) bid security should be Rs.80 lakhs;
- (C) refurbishment period should be six months;
- (D) initial performance guarantee (Rs.1.1928 crore) should be equal to twelve months of Minimum Guarantee Fee (MGF) with validity of atleast three years. Such performance security should be replenished appropriately 60 days prior to expiry of each Performance Security, with an amount equal to twelve months of applicable MGF for the relevant third year;
- (E) tender document fee should be Rs.25,000/-;
- (F) Upfront Fee should be Rs.59.64 lakhs;
- (G) Minimum Revenue Share should be 17.25%;
- (H) Minimum Guarantee Fee (monthly) should be Rs.9.94 lakh per month;
- (I) annual increase in Minimum Guarantee Fee should be linked to annual Wholesale Price Index, whether positive or negative, instead of 2.5% annual increase;
- (J) there should be no reset clause for Minimum Guarantee Fee every 12 years, as the Minimum Guarantee Fee is linked with a dynamic annual Wholesale Price Index instead of static 2.5% annual increase;
- (K) eligibility conditions should be amended suitable to incorporate the condition that the bidder must fulfill more than 50% of all the eligibility criteria. In case, the Bidder intends to use the credentials of the Affiliate to meet the eligibility criteria, then, the experience, Turnover and Net Worth of only *one single Affiliate* shall be considered,

- in case the bidder has more than 50% shareholding or ownership interest in such Affiliate. Turnover or Net Worth of other Affiliates shall not be permitted.
- (L) penal provisions for the extended refurbishment period after 6 months of refurbishment period should be kept at 3% per month of the Minimum Guarantee Fee (i.e. 36% per annum) in case the licensee fails to operationalize the property in prescribed refurbishment period of 6 months;
 - (M) Bidder should have Conflict of Interest as mentioned in clause 3.1.5(a) of the Tender Document in case having shareholding or ownership interest being in excess of 5%, instead of 20%.

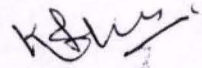
The Council further resolved to constitute a Committee comprising of (a) Representative of the Ministry of Urban Development, Government of India - Member of the Council; (b) Representative of the Government of NCT of Delhi - Member of the Council; (c) Secretary, NDMC; (d) Financial Advisor, NDMC; (e) Director(EBR), NDMC; (f) Director(Estate-I), NDMC and (g) Chief Architect, NDMC for incorporating necessary changes in Tender Document and Leave & Licence Agreement circulated vide Agenda Item No. 05 (L-12) dated 28.08.2017 as per this resolution, and in case of any suggestions, clarification etc. comes through pre-bid meeting or otherwise, as considered appropriate and reasonable by this Committee. This Committee may be empowered to auction the property as per such amended tender document and Leave & License Agreement prepared by the SBICAPs through M/s MSTC Ltd. platform.

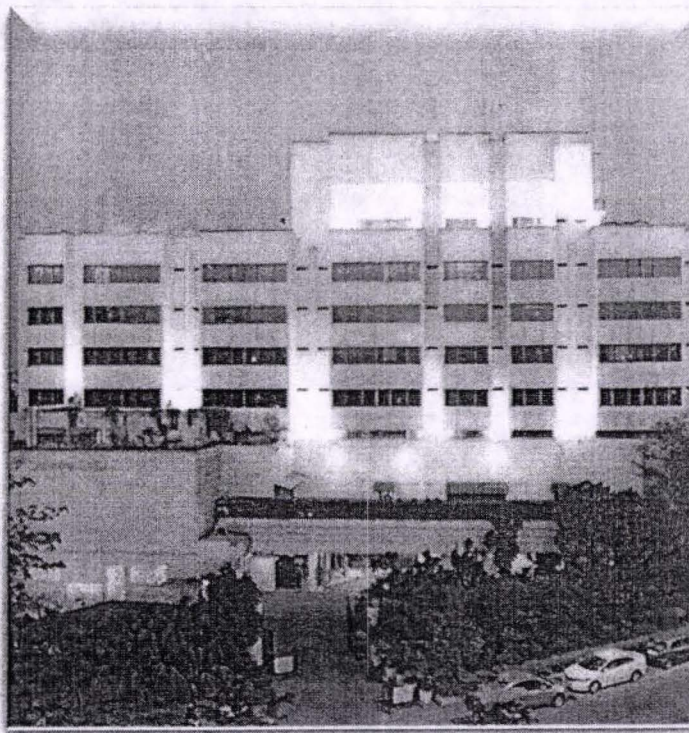
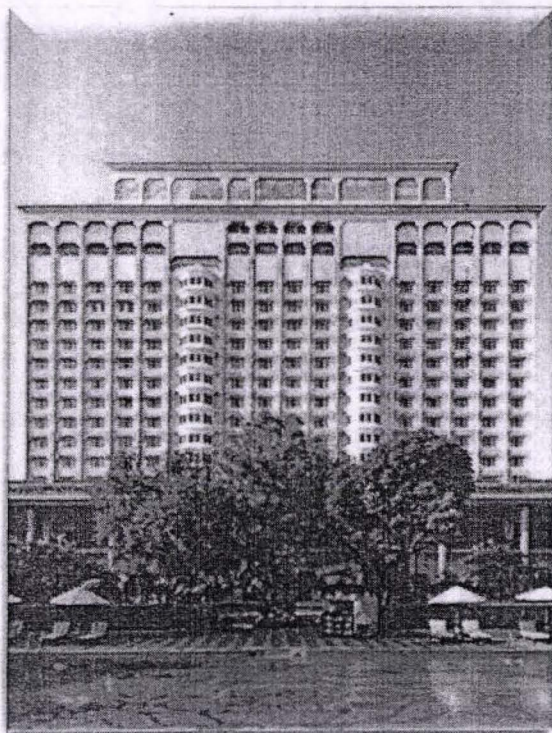
The Council further resolved to amend Integrity Pact (Annexure VIII of the Tender Document circulated vide Agenda Item No. 05 (L-12) dated 28.08.2017) in light of the instructions of the CVC's Circular No. 02/01/2017 issued vide No. 015/VGL/091 dated 13.01.2017 read with Department of Expenditure, Government of India's OM dated 19.07.2011.

The Council also resolved to authorize two officers [i.e. Dy. Director(Estate-I) and Joint Director-1 of Estate-I Department, NDMC] for conducting the entire bid process, whose digital signatures will be used on the e-auction portal of MSTC for various purposes during the course of e-auction.

The Council also resolved that the successful bidder should be liable to pay the service charge to M/s MSTC Ltd. an amount as recommended by the Committee constituted by the Council vide its resolution no. 31(L-07) dated 21.8.2017 after considering the proposal of the M/s MSTC Ltd. dated 24.8.2017.

The Council further resolved that the department may initiate further necessary action in anticipation of confirmation of the minutes of the Council.


For Secretary
New Delhi Municipal Council
New Delhi.



Key Outstanding Issues

Auction of Licence Rights of Hotels

Presentation to the Council

New Delhi Municipal Council

September 6, 2017

*Shamim Abbas
Aut. Vice President
SBI Capital Markets*

Issues

- ◎ Key Outstanding Issues as per Council's decision dated 28.8.2017
 - ◎ Usage of "Affiliate" in Tender Document
 - ◎ Annual Escalation Rate for Minimum Guarantee Fee
(i.e. the minimum monthly licence fee payable by the Licencee)
 - ◎ Penal provisions for completion delays
 - ◎ Circle Rate as Base Price
- ◎ Other matters
 - ◎ Safeguards for protecting interests of NDMC
 - ◎ Security clearance

Rationale for “Affiliate”

- ◎ Prospective bidders being targeted for auction of licence rights of 1, Mansingh Road and 37, Shaheed Bhagat Singh Road, *inter alia* include
 - ◎ Indian hospitality groups (Taj, Oberoi, ITC, Lalit, Lemontree etc.)
 - ◎ International hospitality groups
 - Starwood (Marriott, Ritz-Carlton, Sheraton, Le Meridien, Westin etc.)
 - IHG (Crowne Plaza, InterContinental, Holiday Inn etc.)
 - Accor (Sofitel, Fairmont, Pullman, Grand Mercure, Novotel etc.)
 - Hilton (Waldorf Astoria, Hilton, Double Tree, Conrad, Canopy etc.)
 - Carlson Rezidor (Radisson, Park Plaza, Park Inn etc.)
- ◎ These hospitality groups organise their businesses under multiple companies due to various factors such as
 - ◎ accounting and reporting compliances, taxation, geography, brand positioning, business model, operational efficiencies, de-risking etc.

Rationale for “Affiliate” ...2

- ⊙ Auction design should ensure **wider participation** of desired target of bidders for better price realisation
- ⊙ **Eligibility criteria** are fixed to ensure that reputed/credible players participate, yet wider participation could be enabled **without diluting** standard of targeted profile of bidders
- ⊙ Many hospitality sector players who have limited presence or no presence in India have also evinced **keen interest** about 1, Mansingh Road during preliminary stakeholders meeting
- ⊙ To enable wider participation, “Affiliate” structure has been taken so that bidder could participate in auction through appropriate entity
- ⊙ It is a well established commercial practice – parent or subsidiary **credentials** could be utilised for participating in auction
 - ⊙ The Mineral (Auction) Rules, 2015 allows a bidder to use its parent’s net **worth** to meet prescribed net worth for participating in auction of mineral block

“Affiliate” under Proposed Structure

- ⊙ Bidder can participate in auction either using his own credentials or any one of his “Affiliates” for qualification of specified eligibility conditions and must
 - ⊙ meet specific financial eligibility conditions; and
 - ⊙ have certain minimum experience in hospitality industry
- ⊙ The Companies Act, 2013 defines an “Affiliate” company – however, under the proposed structure “Affiliate” has been made more stringent yet the structure allows for reasonable flexibility to bidders
- ⊙ “Affiliate” as per the tender document
 - ⊙ “Company holding more than 50% of shares or voting rights in a Bidder, or in which the Bidder holds more than 50% shares or voting rights”
- ⊙ Either the **Bidder or any one of it's Affiliates** must individually fulfill the entire eligibility criteria
 - ⊙ **Aggregation** of Experience, Turnover or Net Worth across different Affiliates or Bidder, **is not permitted**

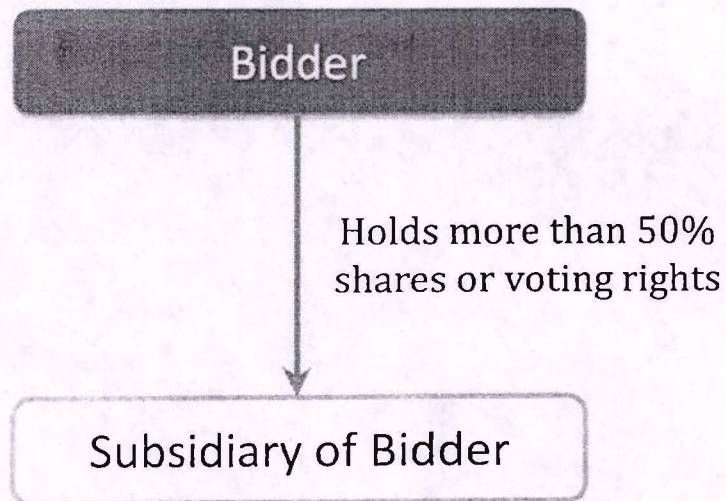
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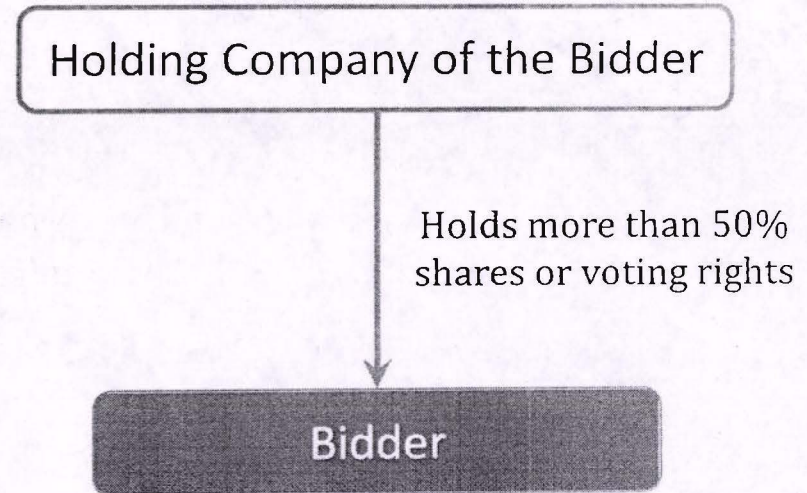
“Affiliate” under Proposed Structure ...2

- © Two scenarios how a bidder could use credentials of its Affiliate

Scenario A Bidder uses a subsidiary as an Affiliate



Scenario B Bidder uses a holding company as an Affiliate



Bidder can use its own credentials or credentials of one of its Affiliates as shown above

- © If credentials of an Affiliate are used, then such an Affiliate will have to continue to **remain an Affiliate** of the Bidder for **at least 7 years** after commencement of Licence Period

Affiliate | New Considerations

- After deliberating further regarding Affiliate structure, the following are being suggested for the consideration of the Council

Proposed Earlier	Proposed Now
Either the Bidder or any one of it's Affiliates must individually fulfill the entire eligibility criteria i.e. aggregation of Experience, Turnover or Net Worth of any one of its Affiliates or Bidder, is not permitted	Either the Bidder or any one of it's Affiliates may jointly fulfill the entire eligibility criteria i.e. aggregation of Experience, Turnover or Net Worth of any one of its Affiliates or Bidder, is permitted
It has not been explicitly stated that the Bidder also needs to meet certain minimum eligibility in case Bidder chooses to use credentials of any of its Affiliates	<p>Bidder also needs to meet following minimum eligibility in case Bidder chooses to use credentials of any one of its Affiliates</p> <ul style="list-style-type: none"> 1, Man Singh Road – min. 2 hotels of 100 rooms each and 1/3rd of the financial eligibility conditions 37, Shaheed Bhagat Singh Marg – min. 1 hotel of 50 rooms and 1/3rd of the financial eligibility conditions 1, Janpath Lane – min. 1 hotel of 25 rooms and 1/3rd of the financial eligibility conditions

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Long Term Contracts | Indexation

- ◎ Indexation is a widely accepted commercial concept for many long term contracts across multiple sectors/industries world-wide
 - ◎ LIBOR or EURIBOR linked debt instruments (loan, bonds etc.)
 - ◎ London Metal Exchange based contracts for Aluminium, Copper, Zinc, Tin, Lead etc.
 - ◎ London Bullion Market Association based contracts for Gold, Platinum, Silver, Palladium
 - ◎ Brent and WTI based crude oil contracts
 - ◎ Newcastle Index and Indonesian Coal Index for coal
- ◎ 33-year licence being long term contract, it is imperative that the licence terms should have appropriate indexation to ensure that
 - ◎ the licence fee being paid by the Licencee is commensurate with the prevailing market conditions
- ◎ In the absence of any hospitality sector related index in India
 - ◎ Likely indexation options in India – (i) Wholesale Price Index (WPI) and/or (ii) Consumer Price Index (CPI)

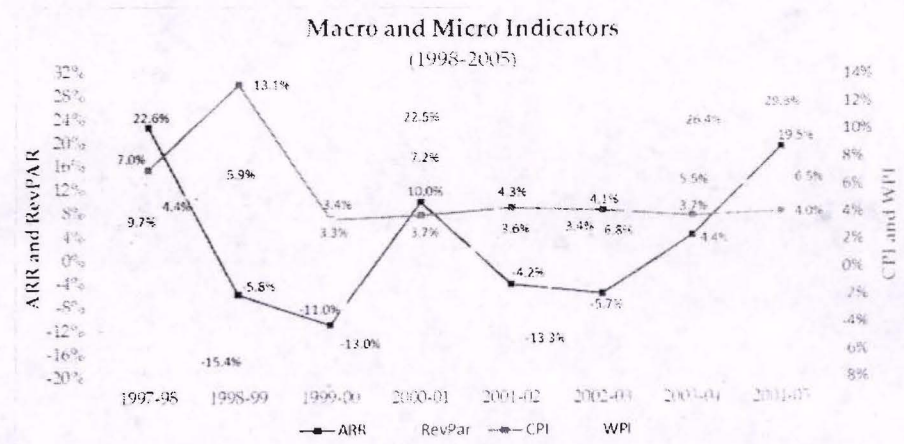
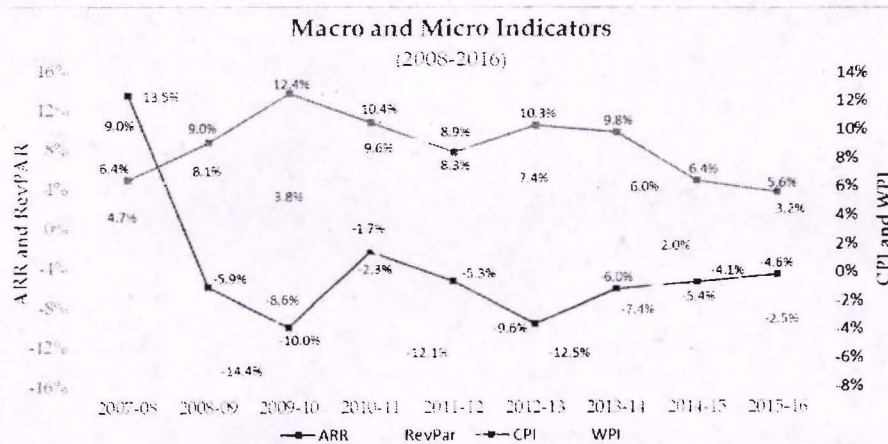
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*Shamim Akhtar
Asst. Vice President
SBI Capital Markets
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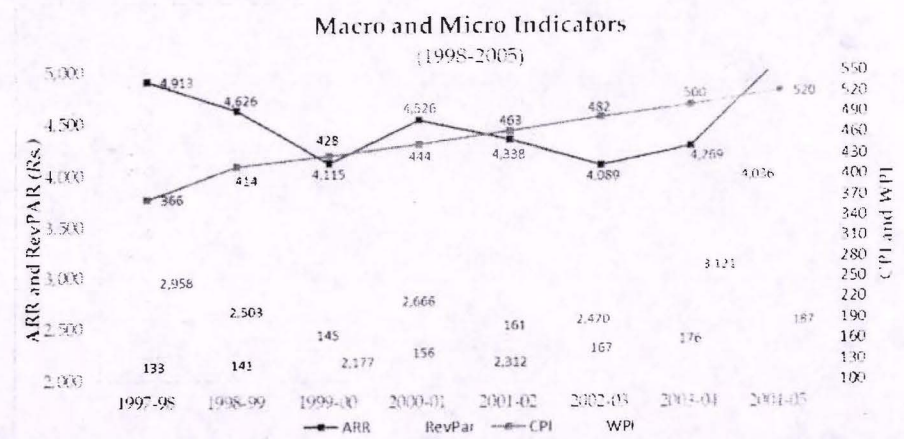
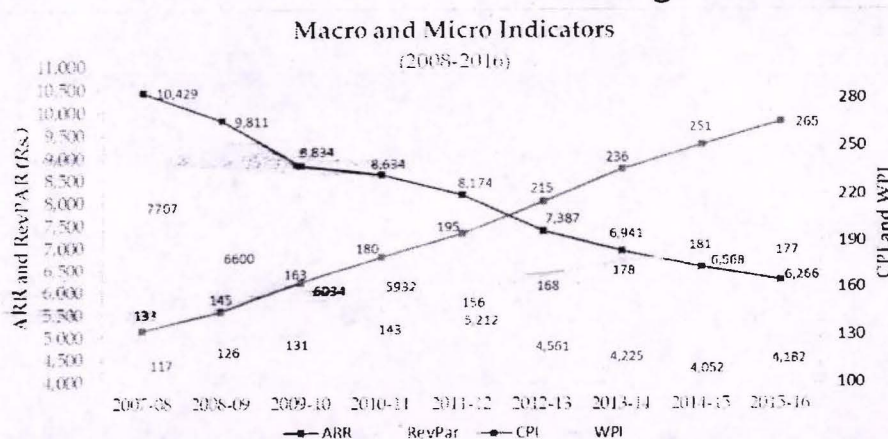
WPI and CPI Vs. ARR and RevPAR

- ⊙ Average Room Rent (ARR) and Revenue Per Available Room (RevPAR) are benchmark indicators for hotel industry performance
- ⊙ $\text{RevPAR} = \text{Occupancy Rate} \times \text{ARR}$

Percentage Change in WPI and CPI Vs. ARR and RevPAR



Change in WPI and CPI Vs. ARR and RevPAR



Indexation | Challenges

- ⊙ Indexation is on the basis of its relevance, how reflective it is of the underlying sector and its market acceptability
- ⊙ WPI and CPI indicating the inflation are widely used for economic analysis but not used widely as indices for contracts
- ⊙ WPI and CPI were moving more or less in tandem during last 20 years and were highly divergent with ARR and RevPAR
- ⊙ Based on empirical data relating to WPI and CPI Vs. ARR and RevPAR following could be inferred
 - ⊙ The underlying constituents of WPI and CPI are very wide and establishing any correlation with ARR and RevPAR is a challenge
 - ⊙ ~~Threat~~ perception, tourist arrivals, forex fluctuations etc. have huge impact on hospitality sector – these factors which are not linked to **inflation** seem to be reason for high divergence

MGF | Suggested Annual Escalation Rate

- Historic Compounded Annual Growth Rates (CAGR) of ARR and RevPARs for hotels in Delhi are as follows:

Description	ARR	RevPAR
CAGR (last 20 years)	3.66%	3.29%
CAGR (last 12 years)	1.88%	0.32%
CAGR (last 6 years)	(6.21%)	(6.75%)

ARR and RevPAR data is based on HVS 2016 report titled "Hotels in India, Trends & Opportunities" and internal data of Knight Frank (India) Pvt. Ltd.

- Based on past 20-year RevPAR data, an escalation rate of 2.5% per annum on compounding basis may be more appropriate given the **unpredictable** nature of hospitality industry
 - Economy is likely to be **more mature and plateau** over the next three decades
- To ensure that the licence fee being paid by the Licencee is **commensurate** with the prevailing market conditions, MGF is **reset every 12-years** (based on actual licence fee received by NDMC)

Delay in Commencement of Operations

- ⊙ Under proposed payment structure, NDMC will receive its licence fee **irrespective** of whether the hotel is operational or not
 - ⊙ For refurbishment period (as **non-refundable Upfront Fee in advance**)
- ⊙ On completion of refurbishment, the Licencee shall pay **higher of** .
 - ⊙ Revenue Share (i.e. **Percentage Share in Gross Revenue**) quoted by him in the e-auction [OR]
 - ⊙ Fixed **Minimum Guarantee Fee** that is **escalated annually**
- ⊙ The refurbishment period stipulated by NDMC for all three properties
 - ⊙ Is just **adequate** and there may not be much margin for delay
 - ⊙ Should have been based on **technical studies**
- ⊙ The adequacy of refurbishment period is **contingent** on approvals and consents needed from NDMC and other statutory bodies for operations
 - ⊙ Accordingly, any **unreasonable** penal provisions may not be tenable
- ⊙ **Suggested** penal provisions for the extended refurbishment period may be kept at **3% per month** of the MGF (i.e. 36% per annum)

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Circle Rate for Computing MGF

- ⊙ Circle Rate refers to the minimum rates notified by the Government for valuation of land and immovable properties
- ⊙ Circle Rates are used for computing outright **sale value** of land, however, rental yields depend on the underlying activity/economic activity
- ⊙ For example, for the **same area** in a city the rental yields from the following activities will be different
 - ⊙ Park
 - ⊙ Parking lot
 - ⊙ School
 - ⊙ Hospital
 - ⊙ Hotel
 - ⊙ Residential area
 - ⊙ ~~Commercial~~ complex
- ⊙ Each activity above will give **different** rental yields and each activity is **not comparable** with others for the sake of rental yields
- ⊙ Accordingly, linking Circle Rate for computing MGF may not be reasonable

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Proposed Structure | NDMC Interests

- ◎ **Safeguards** to protect NDMC Interests
 - ◎ Licence Fee to be computed as the **higher of**
 - **Revenue Share** (i.e. Percentage Share in Gross Revenue) as quoted by the Successful Bidder in the e-auction [OR]
 - Fixed **Minimum Guarantee Fee** (MGF) that is **escalated annually**
 - ◎ MGF is **reset after every 12 years** based on actual revenues received by NDMC, so as to align MGF with market movements
 - ◎ NDMC will receive the licence fee **irrespective** of whether the hotel is operational or not
 - Even for the entire refurbishment period, licence fee is payable in **advance** as an Upfront Fee which is **non-refundable**
 - ◎ Participation in auctions is restricted to hospitality sector players
 - **Consortium** not permitted and operator plus brand owner or operator is permitted in auction

Proposed Structure | NDMC Interests ...2

- ◎ **Safeguards** to protect NDMC Interests
 - ◎ **2-stage ascending forward** e-auction that has
 - Initial price discovery round (i.e. **Initial Price Offers**) and also some bidders may get dropped in first round itself
 - Followed by ascending forward e-auction which starts with **highest price** discovered in the first round
 - ◎ Bid Security equivalent to **8 months of MGF** through RTGS/NEFT/IMPS, which will be forfeited, if
 - the Successful Bidder fails to pay Upfront Fee or fails to execute Licence Agreement in stipulated time (also for other lapses, if any)
 - ◎ **Increasing** Performance Security equivalent to **12 months of MGF** (which will be increased every 3 years) will be forfeited, if
 - the Licencee fails to comply with performance obligations **at any point** during 33-year licence term and **also 1 year after expiry/termination** of ~~licence agreement~~ (full or part term of licence period)
 - ◎ Affiliate with more than 50% shares or voting rights is only permitted
 - ◎ 15% p.a. compound interest on overdue amount

Shamir Akh
Ad. Vice President
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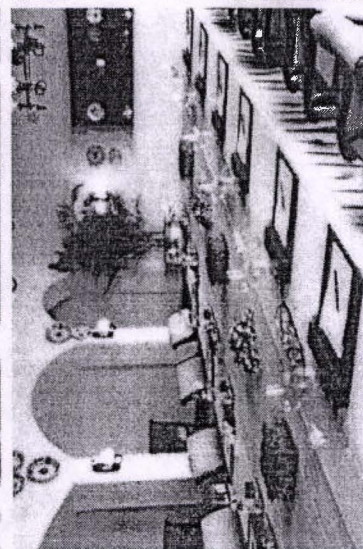
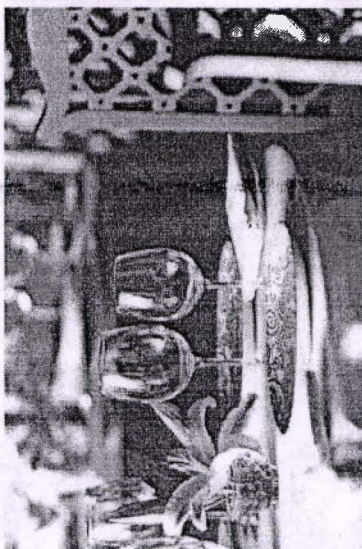
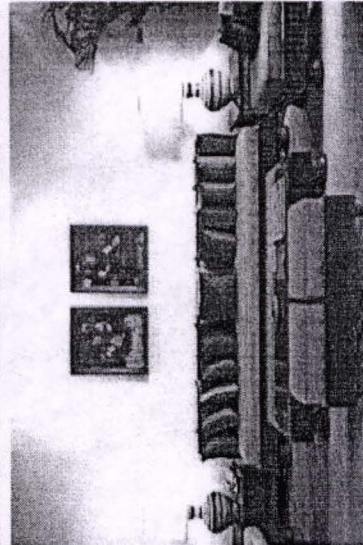
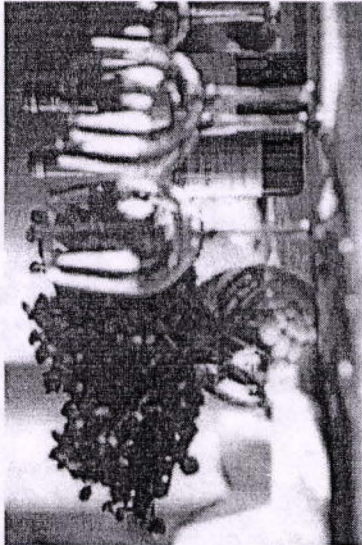
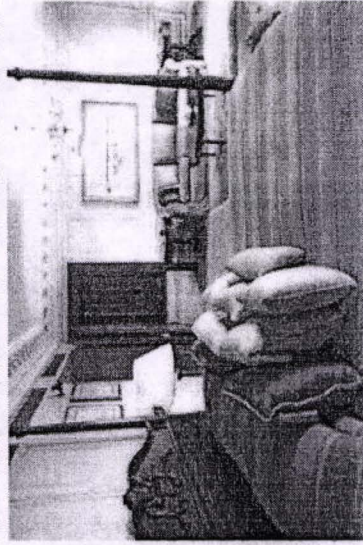
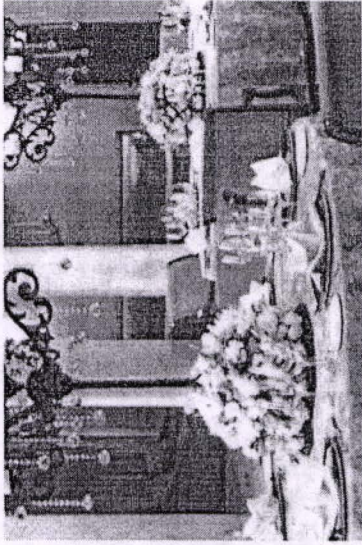
Security Clearance

- ⊙ Security clearance could be made mandatory for the successful bidder for 1, Man Singh Road
 - ⊙ Execution of the Licence Agreement with the Successful Bidder will be contingent on obtaining security clearance by him
- ⊙ Security clearance would not be required in case of premises situated at 37, Shaheed Bhagat Singh Marg and 1, Janpath Lane considering height of these properties

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④



Thank You

ITEM NO. 02 (L-14)

1. Name of the Subject:

Proposal for e-auctioning of hotel property situated at Plot No.37, Shaheed Bhagat Singh Marg, New Delhi, earlier known as Hotel 'The Connaught' - Reference Agenda for Council meeting held on 21.8.2017 [Item No. 32(L-08)] and 28.8.2017 [Item No. 04(L-11)].

2. Name of the Department:

Estate-I Department

3. Brief History:

3.1 The matter relating to auction of hotel property situated at 37, Shaheed Bhagat Singh Marg, New Delhi earlier known as Hotel 'The Connaught' was discussed vide agenda item no. 32(L-08) in the Council meeting held on 21.8.2017.

3.2 Subsequently, the matter was again discussed in the meeting of Council on 28.8.2017 vide agenda item no. 04(L-11). Vide para 4.4 of this agenda, the department has apprised the Council about the revisions that have been proposed pursuant to the discussion taken place in Council meeting on 21.8.2017. SBICAPS Ltd. has made a presentation before the Council on 28.8.2017 in this meeting giving details of structures of auction process including the changes/revisions that have made in the Tender Document. The presentation of SBICAPS was part and parcel of the agenda item No. 04(L-11) dated 28.08.2017.

3.3 Pursuance to the earlier Council agenda dated 21.8.2017 and after detailed presentation before the Council by SBICAPS Ltd. on 28.8.2017, few issues/points were identified and the Council resolved to discuss these matter again at 12.00 noon on 06.9.2017 (Wednesday). Accordingly, the Council resolved that the SBICAPS should examine the following points:

- (i) increase of percentage every year on Minimum Guarantee Fee from 2.5% to 5%;
- (ii) circle rate as base price;
- (iii) definition of word "affiliate";
- (iv) quantum of penalty after 9 months of refurbishment period in case the successful bidder fails to operationalize the property.

3.4 Accordingly, SBICAPS Ltd. has studied these points and sent a presentation, which is placed at Annexure (See pages 27-43) of this agenda. As per the presentation submitted by SBICAPS Ltd., the following revisions are proposed by the SBICAPS in the Tender Document, pursuant to the Council agenda dated 28.8.2017:

3.4.1 Regarding increase of percentage every year on Minimum Guarantee Fee from 2.5% to 5%

SBICAPS proposed that an escalation rate of 2.5% per annum on compounding basis may be more appropriate given the unpredictable nature of hospitality industry, as economy is likely to be more mature and plateau over the next three decades. To ensure that the licence fee being paid by the Licencee is commensurate with the prevailing market conditions, Minimum Guarantee Fee (MGF) is proposed to reset every 12-years (based on actual licence fee received by NDMC) (Slide Number 8 to 11 of Annexure).

3.4.2 Regarding circle rate as base price

SBICAPS informed that Circle Rates are used for computing outright sale value of land, however, rental yields depend on the underlying activity/economic activity. For example, for the same area in a city the rental yields from the following activities will be different, like in case of Park, Parking lot, School, Hospital, Hotel, Residential area, Commercial complex. Each activity above will give different rental yields and each activity is not comparable with others for the sake of rental yields. Accordingly, SBICAPS proposed that linking Circle Rate for computing MGF may not be reasonable (Slide Number 13 of Annexure).

3.4.3 Regarding definition of word "affiliate"

As per reasons mentioned in the presentation, the SBICAPS has proposed the following changes w.r.t. 'Affiliate' (Slide Number 3 to 7 of Annexure).:

Proposed by SBICAPS earlier	Proposed by SBICAPS now
Either the Bidder or any one of it's Affiliates must individually fulfill the entire eligibility criteria i.e. aggregation of Experience, Turnover or Net Worth of any one of its Affiliates or Bidder, is not permitted	Either the Bidder or any one of it's Affiliates may jointly fulfill the entire eligibility criteria i.e. aggregation of Experience, Turnover or Net Worth of any one of its Affiliates or Bidder, is permitted
It has not been explicitly stated that the Bidder also needs to meet certain minimum eligibility in case Bidder chooses to use credentials of any of its Affiliates	<p>Bidder also needs to meet following minimum eligibility in case Bidder chooses to use credentials of any one of its Affiliates</p> <ul style="list-style-type: none"> • 1, Man Singh Road – minimum 2 hotels of 100 rooms each and 1/3rd of the financial eligibility conditions • 37, Shaheed Bhagat Singh Marg – minimum 1 hotel of 50 rooms and 1/3rd of the financial eligibility conditions • 1, Janpath Lane – min. 1 hotel of 25 rooms and 1/3rd of the financial eligibility conditions

3.4.4 Regarding 18 months of refurbishment period in case the successful bidder fails to operationalize the property

SBICAPS informed that under proposed payment structure, NDMC will receive its licence fee irrespective of whether the hotel is operational or not, for refurbishment period of 9 months as non-refundable Upfront Fee in advance. On completion of refurbishment, the Licencee shall pay higher of

- Revenue Share (i.e. Percentage Share in Gross Revenue) quoted by him in the e-auction [OR]
- Fixed Minimum Guarantee Fee that is escalated annually

The refurbishment period stipulated by NDMC for the property is just adequate and there may not be much margin for delay, and should have been based on technical studies. The adequacy of refurbishment period is contingent on approvals and consents needed from NDMC and other statutory bodies for operations. Accordingly, any unreasonable penal provisions may not be tenable.

SBICAPS therefore suggested that penal provisions for the extended refurbishment period may be kept at 3% per month of the MGF (i.e. 36% per annum) (Slide Number 12 of Annexure).

3.4.5 Other changes proposed by SBICAPS

SBICAPS has proposed that security clearance could be made mandatory for the successful bidder for 1, Man Singh Road, and execution of the Licence Agreement with the Successful Bidder will be contingent on obtaining security clearance by him. However, no such security clearance would not be required in case of premises situated at 37, Shaheed Bhagat Singh Marg and 1, Janpath Lane considering height of these properties (Slide Number 16 of Annexure).

4. Recommendations:

The Council may consider the recommendations placed before it vide Agenda Item No. 04(L-11) dated 28.8.2017 subject to changes proposed by SBICAPS as mentioned in Para 3.4 above.

COUNCIL'S DECISION

The Council resolved to engage SBICAPS as Transaction Advisor for e-auction of licensing rights of Property situated at 37, Shaheed Bhagat Singh Marg, New Delhi on nomination basis, under the provisions of Rule 194 of General Financial Rules, 2017 at a monthly retainer fee of Rs. Five (5) lakhs per month plus applicable taxes for a period of three (3) months. Further, a success fee of Rs. Thirty (30) lakhs plus applicable taxes to be paid to SBICAPS by NDMC, which should be charged to the successful bidder. This shall be payable to SBICAPS only after completion of all formalities starting from issuing of tender to execution of licence agreement and handing over of possession to successful bidder.

SBICAPS made a presentation, which was circulated as Annexure of the Preamble, before the Council, which has been discussed and deliberated at length by the Council, after which the Council resolved to e-Auction of the property situated at 37, Shaheed Bhagat Singh Marg, New Delhi through M/s. MSTC as per Tender Documents and Leave and Licence Agreement prepared by SBICAPS Ltd. and circulated as Annexure III and IV respectively of the Agenda Item No. 04 (L-11) dated 28.08.2017, subject to following changes/amendments:

- (A) changes as resolved by the Council vide Agenda Item No. 32(L-08) dated 21.08.2017, which are as under:
 - a) bidder has to submit an initial Price Offer, which should be a percentage of Gross Revenue and should be more than Minimum Revenue Share, alongwith the Technical Bid in the First Round of Auction;
 - b) only those technically qualified bidders, which are holding the first fifty percent of the ranks on the basis of the descending initial price offer submitted by them or the top five technically qualified bidders, whichever is higher, should qualify as qualified bidders for participating in the second round of electronic auction.
 - c) Tender Documents be made freely available through websites of NDMC and M/s MSTC Ltd.
 - d) Bidder should pay the Tender Fee and deposit the Bid Security alongwith necessary documents before Bid Due Date to M/s MSTC Ltd.;
 - e) Bid Security and Tender Fee be collected online through portal of M/s MSTC Ltd., which will be remitted to NDMC after completion of Second Round of Auction, to maintain utmost transparency;
- (B) bid security should be Rs.3.92 crore;
- (C) refurbishment period should be nine months;
- (D) initial performance guarantee (Rs.5.868 crore) should be equal to twelve months of Minimum Guarantee Fee (MGF) with validity of atleast three years. Such performance security should be replenished appropriately 60 days prior to expiry of each Performance Security, with an amount equal to twelve months of applicable MGF for the relevant third year;
- (E) tender document fee should be Rs.1,00,000/-;
- (F) Upfront Fee should be Rs.4.401crore;
- (G) Minimum Revenue Share should be 17.25%;
- (H) Minimum Guarantee Fee (monthly) should be Rs.48.90lakh per month;
- (I) annual increase in Minimum Guarantee Fee should be linked to annual Wholesale Price Index, whether positive or negative, instead of 2.5% annual increase;
- (J) there should be no reset clause for Minimum Guarantee Fee every 12 years, as the Minimum Guarantee Fee is linked with a dynamic annual Wholesale Price Index instead of static 2.5% annual increase;
- (K) eligibility conditions should be amended suitable to incorporate the condition that the bidder must fulfill more than 50% of all the eligibility criteria. In case, the Bidder intends to use the credentials of the Affiliate to meet the eligibility criteria, then, the

experience, Turnover and Net Worth of only *one single Affiliate* shall be considered, in case the bidder has more than 50% shareholding or ownership interest in such Affiliate. Turnover or Net Worth of other Affiliates shall not be permitted.

- (L) penal provisions for the extended refurbishment period after 9 months of refurbishment period should be kept at 3% per month of the Minimum Guarantee Fee (i.e. 36% per annum) in case the licensee fails to operationalize the property in prescribed refurbishment period of 9 months;
- (M) Bidder should have Conflict of Interest as mentioned in clause 3.1.5(a) of the Tender Document in case having shareholding or ownership interest being in excess of 5%, instead of 20%.

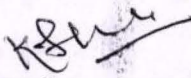
The Council further resolved to constitute a Committee comprising of (a) Representative of the Ministry of Urban Development, Government of India - Member of the Council; (b) Representative of the Government of NCT of Delhi - Member of the Council; (c) Secretary, NDMC; (d) Financial Advisor, NDMC; (e) Director(EBR), NDMC; (f) Director(Estate-I), NDMC and (g) Chief Architect, NDMC for incorporating necessary changes in Tender Document and Leave & Licence Agreement circulated vide Agenda Item No. 04 (L-11) dated 28.08.2017 as per this resolution, and in case of any suggestions, clarification etc. comes through pre-bid meeting or otherwise, as considered appropriate and reasonable by this Committee. This Committee may be empowered to auction the property as per such amended tender document and Leave & License Agreement prepared by the SBICAPs through M/s MSTC Ltd. platform.

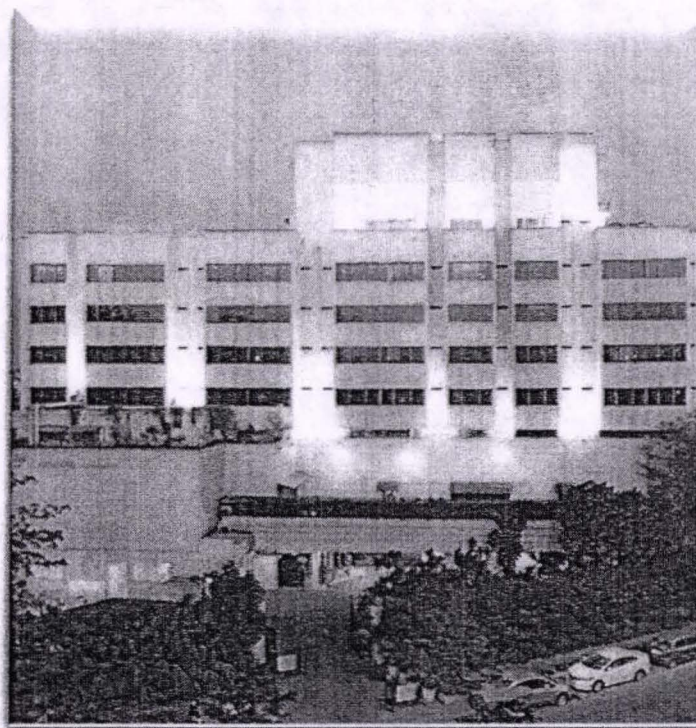
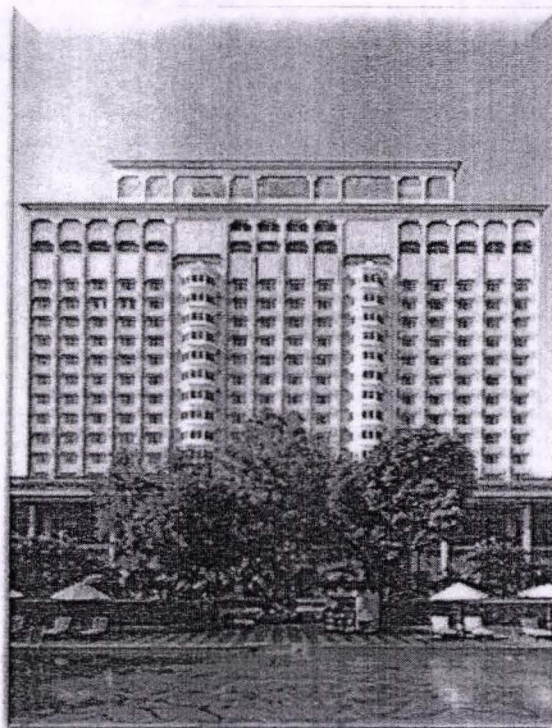
The Council further resolved to amend Integrity Pact (Annexure VIII of the Tender Document circulated vide Agenda Item No. 04 (L-11) dated 28.08.2017) in light of the instructions of the CVC's Circular No. 02/01/2017 issued vide No. 015/VGL/091 dated 13.01.2017 read with Department of Expenditure, Government of India's OM dated 19.07.2011.

The Council also resolved to authorize two officers [i.e. Dy. Director(Estate-I) and Joint Director-1 of Estate-I Department, NDMC] for conducting the entire bid process, whose digital signatures will be used on the e-auction portal of MSTC for various purposes during the course of e-auction.

The Council also resolved that the successful bidder should be liable to pay the service charge to M/s MSTC Ltd. an amount as recommended by the Committee constituted by the Council vide its resolution no. 32(L-08) dated 21.8.2017 after considering the proposal of the M/s MSTC Ltd. dated 24.8.2017.

The Council further resolved that the department may initiate further necessary action in anticipation of confirmation of the minutes of the Council.


 For Secretary
 New Delhi Municipal Council
 New Delhi.



Key Outstanding Issues Auction of Licence Rights of Hotels

Presentation to the Council

New Delhi Municipal Council

September 6, 2017

*Shomim Abhe
Asst. Vice President
SBI Capital Markets Ltd*

Issues

- ⊙ Key Outstanding Issues as per Council's decision dated 28.8.2017
 - ⊙ Usage of "Affiliate" in Tender Document
 - ⊙ Annual Escalation Rate for Minimum Guarantee Fee
(i.e. the minimum monthly licence fee payable by the Licencee)
 - ⊙ Penal provisions for completion delays
 - ⊙ Circle Rate as Base Price
- ⊙ Other matters
 - ⊙ Safeguards for protecting interests of NDMC
 - ⊙ Security clearance

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Rationale for “Affiliate”

- ◎ Prospective bidders being targeted for auction of licence rights of 1, Mansingh Road and 37, Shaheed Bhagat Singh Road, *inter alia* include
 - ◎ Indian hospitality groups (Taj, Oberoi, ITC, Lalit, Lemontree etc.)
 - ◎ International hospitality groups
 - Starwood (Marriott, Ritz-Carlton, Sheraton, Le Meridien, Westin etc.)
 - IHG (Crowne Plaza, InterContinental, Holiday Inn etc.)
 - Accor (Sofitel, Fairmont, Pullman, Grand Mercure, Novotel etc.)
 - Hilton (Waldorf Astoria, Hilton, Double Tree, Conrad, Canopy etc.)
 - Carlson Rezidor (Radisson, Park Plaza, Park Inn etc.)
- ◎ These hospitality groups organise their businesses under multiple companies due to various factors such as
 - ◎ accounting and reporting compliances, taxation, geography, brand positioning, business model, operational efficiencies, de-risking etc.

Rationale for “Affiliate” ...2

- ◎ Auction design should ensure **wider participation** of desired target of bidders for better price realisation
- ◎ **Eligibility criteria** are fixed to ensure that reputed/credible players participate, yet wider participation could be enabled **without diluting** standard of targeted profile of bidders
- ◎ Many hospitality sector players who have limited presence or no presence in India have also evinced **keen interest** about 1, Mansingh Road during preliminary stakeholders meeting
- ◎ To enable wider participation, “Affiliate” structure has been taken so that bidder could participate in auction through appropriate entity
- ◎ It is a well established commercial practice – parent or subsidiary ~~credentials~~ could be utilised for participating in auction
 - ◎ The Mineral (Auction) Rules, 2015 allows a bidder to use its parent’s net **worth** to meet prescribed net worth for participating in auction of mineral block

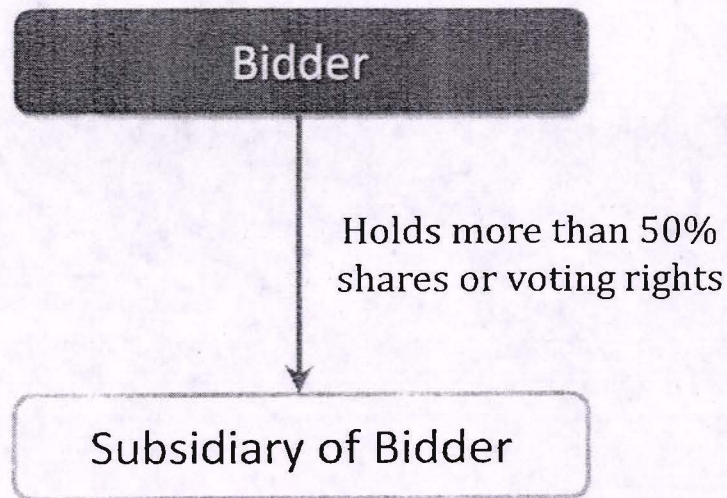
“Affiliate” under Proposed Structure

- ⊙ Bidder can participate in auction either using his own credentials or any one of his “Affiliates” for qualification of specified eligibility conditions and must
 - ⊙ meet specific financial eligibility conditions; and
 - ⊙ have certain minimum experience in hospitality industry
- ⊙ The Companies Act, 2013 defines an “Affiliate” company – however, under the proposed structure “Affiliate” has been made more stringent yet the structure allows for reasonable flexibility to bidders
- ⊙ “Affiliate” as per the tender document
 - ⊙ “Company holding more than 50% of shares or voting rights in a Bidder, or in which the Bidder holds more than 50% shares or voting rights”
- ⊙ Either the **Bidder or any one of it's Affiliates** must individually fulfill the ~~entire~~ eligibility criteria
 - ⊙ **Aggregation** of Experience, Turnover or Net Worth across different Affiliates or Bidder, **is not permitted**

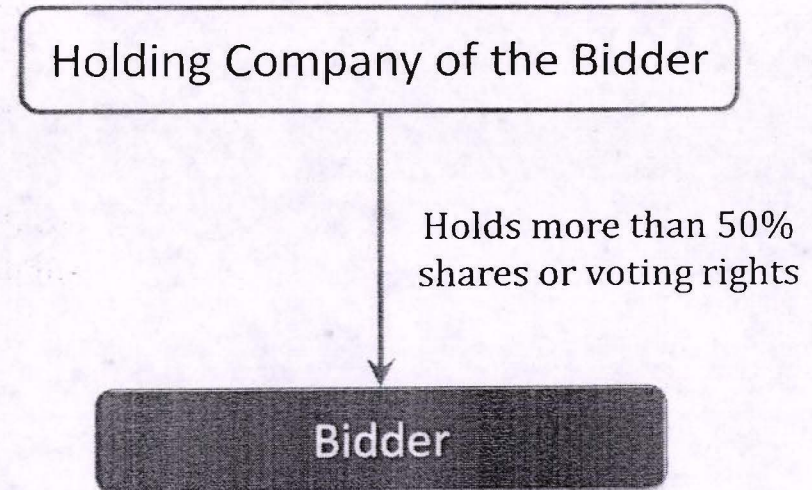
“Affiliate” under Proposed Structure ...2

- Two scenarios how a bidder could use credentials of its Affiliate

Scenario A Bidder uses a subsidiary as an Affiliate



Scenario B Bidder uses a holding company as an Affiliate



Bidder can use its own credentials or credentials of one of its Affiliates as shown above

- If credentials of an Affiliate are used, then such an Affiliate will **have to continue to remain an Affiliate** of the Bidder for **at least 7 years** after commencement of Licence Period

Affiliate | New Considerations

- After deliberating further regarding Affiliate structure, the following are being suggested for the consideration of the Council

Proposed Earlier	Proposed Now
Either the Bidder or any one of its Affiliates must individually fulfill the entire eligibility criteria i.e. aggregation of Experience, Turnover or Net Worth of any one of its Affiliates or Bidder, is not permitted	Either the Bidder or any one of its Affiliates may jointly fulfill the entire eligibility criteria i.e. aggregation of Experience, Turnover or Net Worth of any one of its Affiliates or Bidder, is permitted
It has not been explicitly stated that the Bidder also needs to meet certain minimum eligibility in case Bidder chooses to use credentials of any of its Affiliates	<p>Bidder also needs to meet following minimum eligibility in case Bidder chooses to use credentials of any one of its Affiliates</p> <ul style="list-style-type: none"> 1, Man Singh Road – min. 2 hotels of 100 rooms each and 1/3rd of the financial eligibility conditions 37, Shaheed Bhagat Singh Marg – min. 1 hotel of 50 rooms and 1/3rd of the financial eligibility conditions 1, Janpath Lane – min. 1 hotel of 25 rooms and 1/3rd of the financial eligibility conditions

Long Term Contracts | Indexation

- ◎ Indexation is a widely accepted commercial concept for many long term contracts across multiple sectors/industries world-wide
 - LIBOR or EURIBOR linked debt instruments (loan, bonds etc.)
 - London Metal Exchange based contracts for Aluminium, Copper, Zinc, Tin, Lead etc.
 - London Bullion Market Association based contracts for Gold, Platinum, Silver, Palladium
 - Brent and WTI based crude oil contracts
 - Newcastle Index and Indonesian Coal Index for coal
- ◎ 33-year licence being long term contract, it is imperative that the licence terms should have appropriate indexation to ensure that
 - the licence fee being paid by the Licencee is commensurate with the prevailing market conditions
- ◎ In the absence of any hospitality sector related index in India
 - **Likely indexation** options in India – (i) Wholesale Price Index (WPI) and/or (ii) Consumer Price Index (CPI)

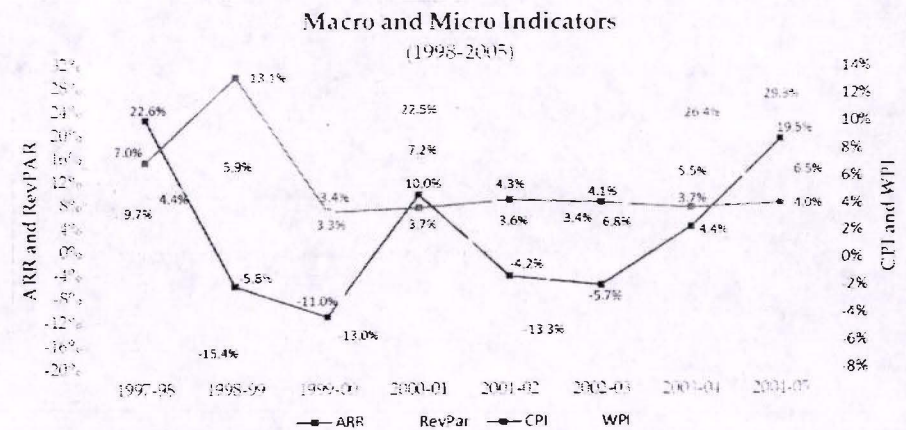
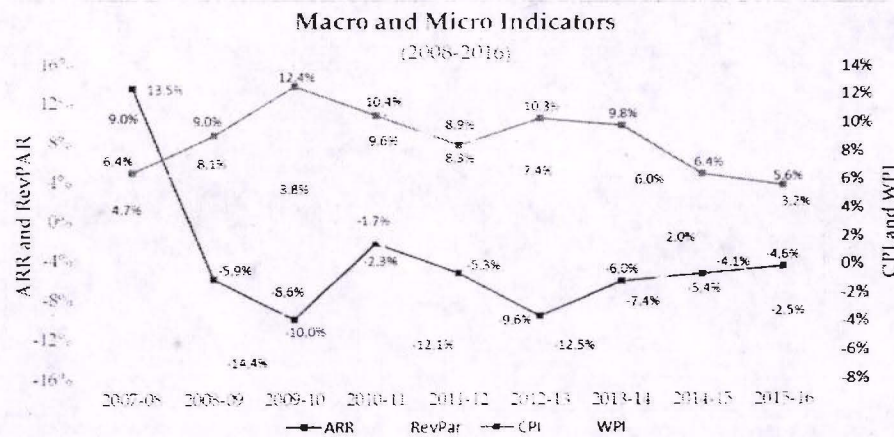
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Shamim Akhtar
Asst. Vice President
SBI Capital Market
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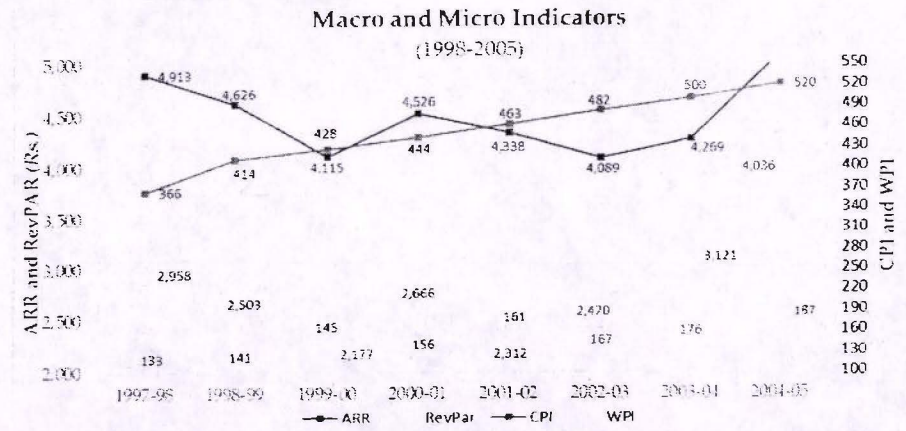
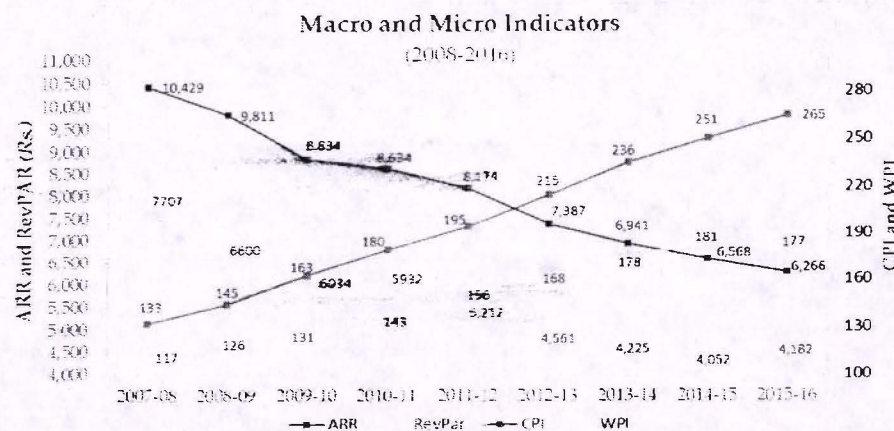
WPI and CPI Vs. ARR and RevPAR

- ◎ Average Room Rent (ARR) and Revenue Per Available Room (RevPAR) are benchmark indicators for hotel industry performance
- ◎ $\text{RevPAR} = \text{Occupancy Rate} \times \text{ARR}$

Percentage Change in WPI and CPI Vs. ARR and RevPAR



Change in WPI and CPI Vs. ARR and RevPAR



Indexation | Challenges

- ⊙ Indexation is on the basis of its relevance, how reflective it is of the underlying sector and its market acceptability
- ⊙ WPI and CPI indicating the inflation are widely used for economic analysis but not used widely as indices for contracts
- ⊙ WPI and CPI were moving more or less in tandem during last 20 years and were highly divergent with ARR and RevPAR
- ⊙ Based on empirical data relating to WPI and CPI Vs. ARR and RevPAR following could be inferred
 - ⊙ The underlying constituents of WPI and CPI are very wide and establishing any correlation with ARR and RevPAR is a challenge
 - ⊙ ~~Threat~~ perception, tourist arrivals, forex fluctuations etc. have huge impact on hospitality sector – these factors which are not linked to **inflation** seem to be reason for high divergence

MGF | Suggested Annual Escalation Rate

- Historic Compounded Annual Growth Rates (CAGR) of ARR and RevPARs for hotels in Delhi are as follows:

Description	ARR	RevPAR
CAGR (last 20 years)	3.66%	3.29%
CAGR (last 12 years)	1.88%	0.32%
CAGR (last 6 years)	(6.21%)	(6.75%)

ARR and RevPAR data is based on HVS 2016 report titled "Hotels in India, Trends & Opportunities" and internal data of Knight Frank (India) Pvt. Ltd.

- Based on past 20-year RevPAR data, an escalation rate of 2.5% per annum on compounding basis may be more appropriate given the **unpredictable** nature of hospitality industry
 - Economy is likely to be **more mature and plateau** over the next three **decades**
- To ensure that the licence fee being paid by the Licencee is **commensurate** with the prevailing market conditions, MGF is **reset every 12-years** (based on actual licence fee received by NDMC)

Delay in Commencement of Operations

- ⊙ Under proposed payment structure, NDMC will receive its licence fee **irrespective** of whether the hotel is operational or not
 - ⊙ For refurbishment period (as **non-refundable** Upfront Fee **in advance**)
- ⊙ On completion of refurbishment, the Licencee shall pay **higher of**
 - ⊙ Revenue Share (i.e. **Percentage Share in Gross Revenue**) quoted by him in the e-auction [OR]
 - ⊙ Fixed **Minimum Guarantee Fee** that is **escalated annually**
- ⊙ The refurbishment period stipulated by NDMC for all three properties
 - ⊙ Is just **adequate** and there may not be much margin for delay
 - ⊙ Should have been based on **technical studies**
- ⊙ The adequacy of refurbishment period is **contingent** on approvals and consents needed from NDMC and other statutory bodies for operations
 - ⊙ Accordingly, any **unreasonable** penal provisions may not be tenable
- ⊙ Suggested penal provisions for the extended refurbishment period may be kept at **3% per month** of the MGF (i.e. 36% per annum)

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Circle Rate for Computing MGF

- ⊙ Circle Rate refers to the minimum rates notified by the Government for valuation of land and immovable properties
- ⊙ Circle Rates are used for computing outright **sale value** of land, however, rental yields depend on the underlying activity/economic activity
- ⊙ For example, for the **same area** in a city the rental yields from the following activities will be different
 - ⊙ Park
 - ⊙ Parking lot
 - ⊙ School
 - ⊙ Hospital
 - ⊙ Hotel
 - ⊙ Residential area
 - ⊙ Commercial complex
- ⊙ Each activity above will give **different** rental yields and each activity is **not comparable** with others for the sake of rental yields
- ⊙ Accordingly, linking Circle Rate for computing MGF may not be reasonable

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Proposed Structure | NDMC Interests

- ◎ **Safeguards** to protect NDMC Interests
 - ◎ Licence Fee to be computed as the **higher of**
 - **Revenue Share** (i.e. Percentage Share in Gross Revenue) as quoted by the Successful Bidder in the e-auction [OR]
 - Fixed **Minimum Guarantee Fee (MGF)** that is **escalated annually**
 - ◎ MGF is **reset after every 12 years** based on actual revenues received by NDMC, so as to align MGF with market movements
 - ◎ NDMC will receive the licence fee **irrespective** of whether the hotel is operational or not
 - Even for the entire refurbishment period, licence fee is payable **in advance** as an Upfront Fee which is **non-refundable**
 - ◎ Participation in auctions is restricted to hospitality sector players
 - **Consortium** not permitted and operator plus brand owner or operator is permitted in auction

Proposed Structure | NDMC Interests ...2

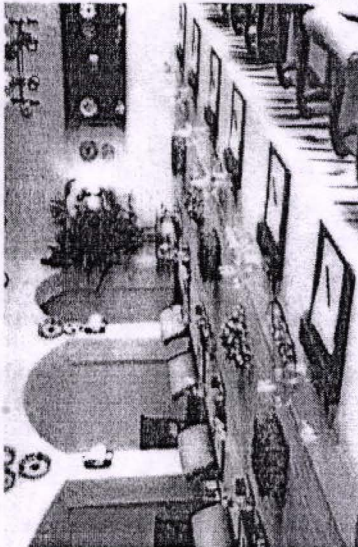
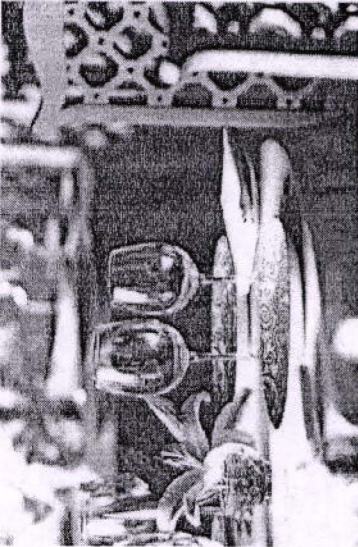
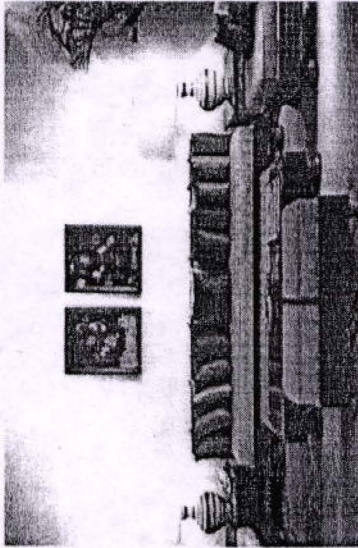
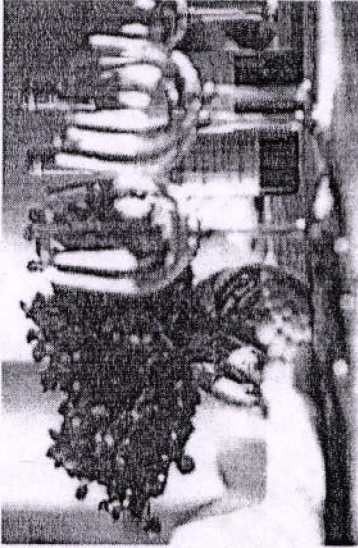
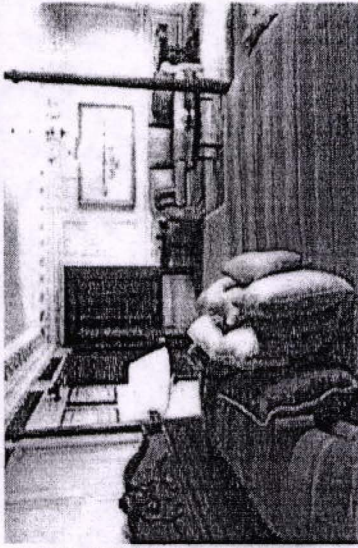
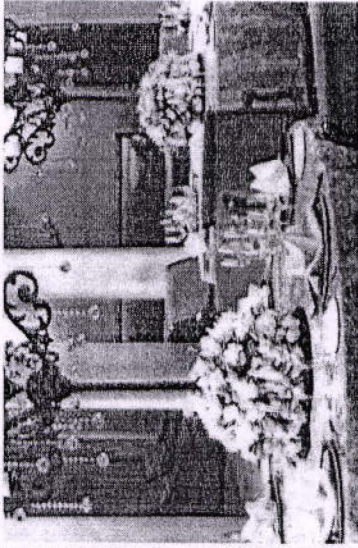
- ◎ **Safeguards** to protect NDMC Interests
 - ◎ **2-stage ascending forward** e-auction that has
 - Initial price discovery round (i.e. **Initial Price Offers**) and also some bidders may get dropped in first round itself
 - Followed by ascending forward e-auction which starts with **highest price** discovered in the first round
 - ◎ Bid Security equivalent to **8 months of MGF** through RTGS/NEFT/IMPS, which will be forfeited, if
 - the Successful Bidder fails to pay Upfront Fee or fails to execute Licence Agreement in stipulated time (also for other lapses, if any)
 - ◎ **Increasing** Performance Security equivalent to **12 months of MGF** (which will be increased every 3 years) will be forfeited, if
 - the Licencee fails to comply with performance obligations **at any point** during 33-year licence term and **also 1 year after expiry/termination** of ~~licence agreement~~ (full or part term of licence period)
 - ◎ Affiliate with more than 50% shares or voting rights is only permitted
 - ◎ **15% p.a. compound** interest on overdue amount

Shamini Akhig
Asst. Vice President
SBI Capital Mkt
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Security Clearance

- ⊙ Security clearance could be made mandatory for the successful bidder for 1, Man Singh Road
 - ⊙ Execution of the Licence Agreement with the Successful Bidder will be contingent on obtaining security clearance by him
- ⊙ Security clearance would not be required in case of premises situated at 37, Shaheed Bhagat Singh Marg and 1, Janpath Lane considering height of these properties

ⓧ



Thank You

ITEM NO. 03 (L-15)

1. Name of the Subject:

Auction of Hotel Property situated at 1, Mansingh Road commonly known as Hotel Taj Mansingh – Reference Agenda for Council meeting held on 21.8.2017 [Item No. 33(L-09)] and 28.8.2017 [Item No. 03(L-10)].

2. Name of the Department:

Estate-I Department

3. Brief History:

3.1 The matter relating to auction of hotel property situated at 1, Mansingh Road commonly known as Hotel Taj Mansingh was discussed vide agenda item no. 33(L-09) in the Council meeting held on 21.8.2017.

3.2 Subsequently, the matter was again discussed in the meeting of Council on 28.8.2017 vide agenda item no. 03(L-10). Vide para 4.2 of this agenda, the department has apprised the Council about the revisions that have been proposed pursuant to the discussion taken place in Council meeting on 21.8.2017. SBICAPS Ltd. has made a presentation before the Council on 28.8.2017 in this meeting giving details of structures of auction process including the changes/revisions that have made in the Tender Document. The presentation of SBICAPS was part and parcel of the agenda item No. 03(L-10) dated 28.08.2017.

3.3 Pursuance to the earlier Council agenda dated 21.8.2017 and after detailed presentation before the Council by SBICAPS Ltd. on 28.8.2017, few issues/points were identified and the Council resolved to discuss these matter again at 12.00 noon on 06.9.2017 (Wednesday). Accordingly, the Council resolved that the SBICAPS should examine the following points:

- (i) increase of percentage every year on Minimum Guarantee Fee from 2.5% to 5%;
- (ii) circle rate as base price;
- (iii) definition of word "affiliate";
- (iv) quantum of penalty after 18 months of refurbishment period in case the successful bidder fails to operationalize the property.

3.4 Accordingly, SBICAPS Ltd. has studied these points and sent a presentation, which is placed at Annexure (See pages 48-64) of this agenda. As per the presentation submitted by SBICAPS Ltd., the following revisions are proposed by the SBICAPS in the Tender Document, pursuant to the Council agenda dated 28.8.2017:

3.4.1 Regarding increase of percentage every year on Minimum Guarantee Fee from 2.5% to 5%

SBICAPS proposed that an escalation rate of 2.5% per annum on compounding basis may be more appropriate given the unpredictable nature of hospitality industry, as economy is likely to be more mature and plateau over the next three decades. To ensure that the licence fee being paid by the Licencee is commensurate with the prevailing market conditions, Minimum Guarantee Fee (MGF) is proposed to reset every 12-years (based on actual licence fee received by NDMC) (Slide Number 8 to 11 of Annexure).

3.4.2 Regarding circle rate as base price

SBICAPS informed that Circle Rates are used for computing outright sale value of land, however, rental yields depend on the underlying activity/economic activity. For example, for the same area in a city the rental yields from the following activities will be different, like in case of Park, Parking lot, School, Hospital, Hotel, Residential area, Commercial complex. Each activity above will give different rental yields and each activity is not comparable with others for the sake of rental yields. Accordingly, SBICAPS proposed that linking Circle Rate for computing MGF may not be reasonable (Slide Number 13 of Annexure).

3.4.3 Regarding definition of word "affiliate"

As per reasons mentioned in the presentation, the SBICAPS has proposed the following changes w.r.t. 'Affiliate' (Slide Number 3 to 7 of Annexure).:

Proposed by SBICAPS earlier	Proposed by SBICAPS now
Either the Bidder or any one of its Affiliates must individually fulfill the entire eligibility criteria i.e. aggregation of Experience, Turnover or Net Worth of any one of its Affiliates or Bidder, is not permitted	Either the Bidder or any one of its Affiliates may jointly fulfill the entire eligibility criteria i.e. aggregation of Experience, Turnover or Net Worth of any one of its Affiliates or Bidder, is permitted
It has not been explicitly stated that the Bidder also needs to meet certain minimum eligibility in case Bidder chooses to use credentials of any of its Affiliates	<p>Bidder also needs to meet following minimum eligibility in case Bidder chooses to use credentials of any one of its Affiliates</p> <ul style="list-style-type: none"> • 1, Man Singh Road – minimum 2 hotels of 100 rooms each and 1/3rd of the financial eligibility conditions • 37, Shaheed Bhagat Singh Marg – minimum 1 hotel of 50 rooms and 1/3rd of the financial eligibility conditions

- | | |
|--|--|
| | <ul style="list-style-type: none"> 1, Janpath Lane – min. 1 hotel of 25 rooms and 1/3rd of the financial eligibility conditions |
|--|--|

3.4.4 Regarding 18 months of refurbishment period in case the successful bidder fails to operationalize the property

SBICAPS informed that under proposed payment structure, NDMC will receive its licence fee irrespective of whether the hotel is operational or not, for refurbishment period of 18 months as non-refundable Upfront Fee in advance. On completion of refurbishment, the Licencee shall pay higher of

- Revenue Share (i.e. Percentage Share in Gross Revenue) quoted by him in the e-auction [OR]
- Fixed Minimum Guarantee Fee that is escalated annually

The refurbishment period stipulated by NDMC for the property is just adequate and there may not be much margin for delay, and should have been based on technical studies. The adequacy of refurbishment period is contingent on approvals and consents needed from NDMC and other statutory bodies for operations. Accordingly, any unreasonable penal provisions may not be tenable.

SBICAPS therefore suggested that penal provisions for the extended refurbishment period may be kept at 3% per month of the MGF (i.e. 36% per annum) (Slide Number 12 of Annexure).

3.4.5 Other changes proposed by SBICAPS

SBICAPS has proposed that security clearance could be made mandatory for the successful bidder for 1, Man Singh Road, and execution of the Licence Agreement with the Successful Bidder will be contingent on obtaining security clearance by him. However, no such security clearance would not be required in case of premises situated at 37, Shaheed Bhagat Singh Marg and 1, Janpath Lane considering height of these properties (Slide Number 16 of Annexure).

4. Recommendations:

The Council may consider the recommendations placed before it vide Agenda Item No. 03(L-10) dated 28.8.2017 subject to changes proposed by SBICAPS as mentioned in Para 3.4 above.

COUNCIL'S DECISION

SBICAPS made a presentation, which was circulated as Annexure of the Preamble, before the Council, which has been discussed and deliberated at length by the Council, after which the Council resolved to e-Auction of the property situated at 1, Man Singh Road, New Delhi through M/s. MSTC as per Tender Documents and Leave and Licence Agreement prepared by SBICAPS Ltd. and circulated as Annexure III and IV respectively

of the Agenda Item No. 03 (L-10) dated 28.08.2017, subject to following changes/amendments:

(A) changes as resolved by the Council vide Agenda Item No. 33(L-09) dated 21.08.2017, which are as under:

- a) bidder has to submit an initial Price Offer, which should be a percentage of Gross Revenue and should be more than Minimum Revenue Share, alongwith the Technical Bid in the First Round of Auction;
 - b) only those technically qualified bidders, which are holding the first fifty percent of the ranks on the basis of the descending initial price offer submitted by them or the top five technically qualified bidders, whichever is higher, should qualify as qualified bidders for participating in the second round of electronic auction;
 - c) Tender Documents be made freely available through websites of NDMC and M/s MSTC Ltd.;
 - d) Bidder should pay the Tender Fee and deposit the Bid Security alongwith necessary documents before Bid Due Date to M/s MSTC Ltd.;
 - e) Bid Security and Tender Fee be collected online through portal of M/s MSTC Ltd., which will be remitted to NDMC after completion of Second Round of Auction, to maintain utmost transparency;
- (B) bid security should be Rs.25 crore;
- (C) refurbishment period should be eighteen months;
- (D) initial performance guarantee (Rs.35,57,65,212/-) should be equal to twelve months of Minimum Guarantee Fee (MGF) with validity of atleast three years. Such performance security should be replenished appropriately 60 days prior to expiry of each Performance Security, with an amount equal to twelve months of applicable MGF for the relevant third year;
- (E) tender document fee should be Rs.5,00,000/-;
- (F) Upfront Fee should be Rs.53,36,47,818/-;
- (G) Minimum Revenue Share should be 17.25%;
- (H) Financial Advisor, NDMC informed that the payments received from IHCL during the financial years 2014, 2015-16 and 2016-17 are Rs.32.73 crores, Rs.32.56 crores and Rs.41.42 crores respectively. Further the Council vide its resolution item No. 04(L-10) dated 29.01.2016 resolved that Minimum guaranteed annual licence fee for the auction may be fixed based on the average annual licence fee received by NDMC during the last three financial years (i.e. FY 2012-2015). Accordingly, the Minimum Monthly Guaranteed Fee should be fixed based on the monthly average of Licence Fee received by NDMC during the last three financial years (i.e. FY 2014-15, 2015-16, 2016-17) i.e. Rs.2,96,47,101/- per month;
- (I) annual increase in Minimum Guarantee Fee should be linked to annual Wholesale Price Index, whether positive or negative, instead of 2.5% annual increase;
- (J) there should be no reset clause for Minimum Guarantee Fee every 12 years, as the Minimum Guarantee Fee is linked with a dynamic annual Wholesale Price Index instead of static 2.5% annual increase;
- (K) eligibility conditions should be amended suitably to incorporate the condition that the bidder must fulfill more than 50% of all the eligibility criteria. In case, the Bidder intends to use the credentials of the Affiliate to meet the eligibility criteria, then, the experience, Turnover and Net Worth of only *one single Affiliate* shall be considered, only in case the bidder has more than 50% shareholding or ownership interest in such Affiliate. Turnover or Net Worth of other Affiliates shall not be permitted;
- (L) penal provisions for the extended refurbishment period after 18 months of refurbishment period should be kept at 3% per month of the Minimum Guarantee Fee (i.e. 36% per annum) in case the licensee fails to operationalize the property in prescribed refurbishment period of 18 months;

- (M) Bidder should have Conflict of Interest as mentioned in clause 3.1.5(a) of the Tender Document in case having shareholding or ownership interest being in excess of 5%, instead of 20%;
- (N) security clearance requirement for successful bidder be added in the Tender documents as proposed by the SBICAPS in its presentation circulated as Annexure to the Preamble.

The Council further resolved to constitute a Committee comprising of (a) Representative of the Ministry of Urban Development, Government of India - Member of the Council; (b) Representative of the Government of NCT of Delhi - Member of the Council; (c) Secretary, NDMC; (d) Financial Advisor, NDMC; (e) Director(EBR), NDMC; (f) Director(Estate-I), NDMC and (g) Chief Architect, NDMC for incorporating necessary changes in Tender Document and Leave & Licence Agreement circulated vide Agenda Item No. 03 (L-10) dated 28.08.2017 as per this resolution, and in case of any suggestions, clarification etc. comes through pre-bid meeting or otherwise, as considered appropriate and reasonable by this Committee. This Committee may be empowered to auction the property as per such amended tender document and Leave & License Agreement prepared by the SBICAPS through M/s MSTC Ltd. platform.

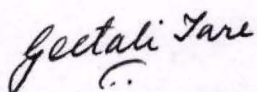
The Council further resolved to amend Integrity Pact (Annexure VIII of the Tender Document circulated vide Agenda Item No. 03 (L-10) dated 28.08.2017) in light of the instructions of the CVC's Circular No. 02/01/2017 issued vide No. 015/VGL/091 dated 13.01.2017 read with Department of Expenditure, Government of India's OM dated 19.07.2011.

The Council also resolved to authorize two officers [i.e. Dy. Director(Estate-I) and Joint Director-1 of Estate-I Department, NDMC] for conducting the entire bid process, whose digital signatures will be used on the e-auction portal of MSTC for various purposes during the course of e-auction.

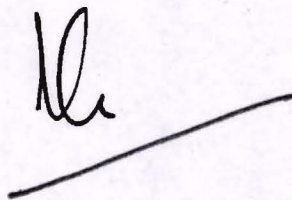
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The Council also resolved that the licence period of IHCL be deemed extended till 6 months from the date of issuance of Letter of Award, subject to an appropriate undertaking within a period of four weeks from such date, as per the Hon'ble Supreme Court judgment dated 20.4.2017 in SLP(Civil) No. 33397/2016.

The Council further resolved that the department may initiate further necessary action in anticipation of confirmation of the minutes of the Council.



(GEETALI TARE)
F.A. / SECRETARY



(NARESH KUMAR)
CHAIRPERSON



(ARVIND KEJRIWAL)
PRESIDING OFFICER

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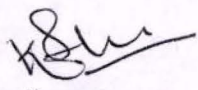
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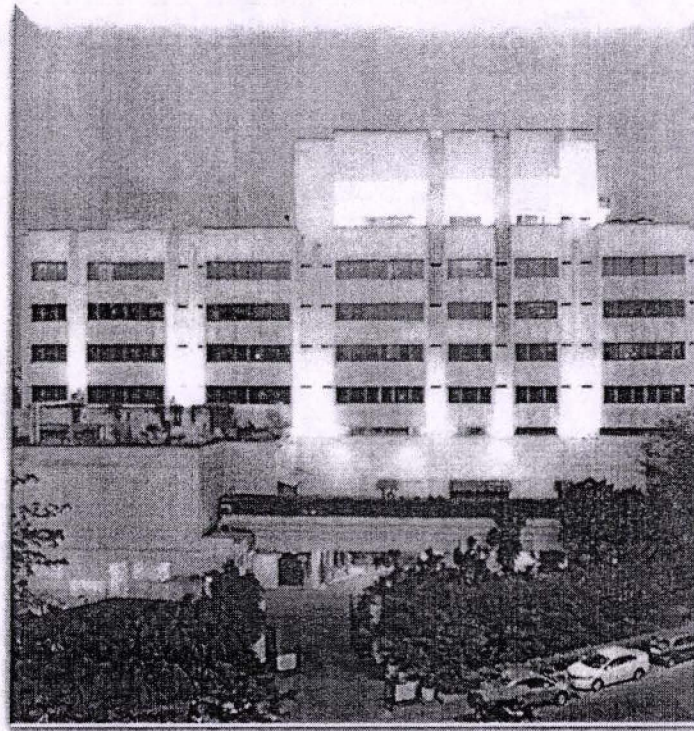
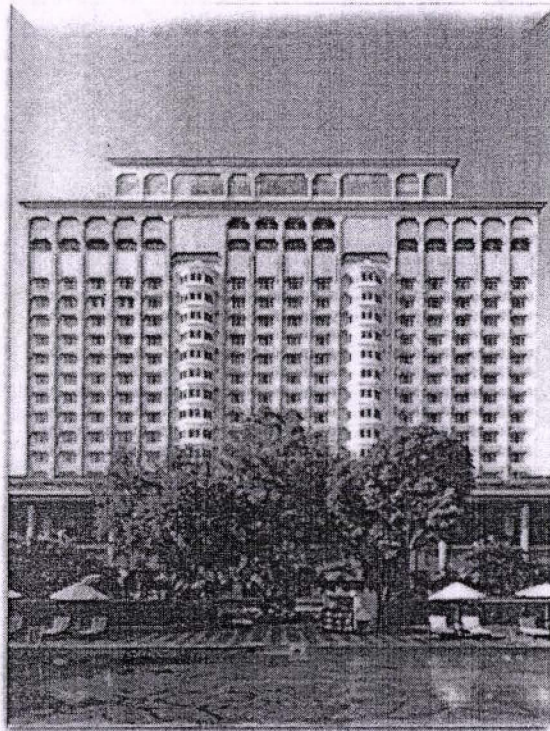
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The Council further resolved that the department may initiate further necessary action in anticipation of confirmation of the minutes of the Council.


 For Secretary
 New Delhi Municipal Council
 New Delhi.



Key Outstanding Issues

Auction of Licence Rights of Hotels

Presentation to the Council

New Delhi Municipal Council

September 6, 2017

*Shomins Akke
Asst. Vice President
SBI Capital Markets Ltd*

Issues

- ⊙ Key Outstanding Issues as per Council's decision dated 28.8.2017
 - ⊙ Usage of "Affiliate" in Tender Document
 - ⊙ Annual Escalation Rate for Minimum Guarantee Fee
(i.e. the minimum monthly licence fee payable by the Licencee)
 - ⊙ Penal provisions for completion delays
 - ⊙ Circle Rate as Base Price
- ⊙ Other matters
 - ⊙ Safeguards for protecting interests of NDMC
 - ⊙ Security clearance

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Rationale for “Affiliate”

- ◎ Prospective bidders being targeted for auction of licence rights of 1, Mansingh Road and 37, Shaheed Bhagat Singh Road, *inter alia* include
 - Indian hospitality groups (Taj, Oberoi, ITC, Lalit, Lemontree etc.)
 - International hospitality groups
 - Starwood (Marriott, Ritz-Carlton, Sheraton, Le Meridien, Westin etc.)
 - IHG (Crowne Plaza, InterContinental, Holiday Inn etc.)
 - Accor (Sofitel, Fairmont, Pullman, Grand Mercure, Novotel etc.)
 - Hilton (Waldorf Astoria, Hilton, Double Tree, Conrad, Canopy etc.)
 - Carlson Rezidor (Radisson, Park Plaza, Park Inn etc.)
- ◎ These hospitality groups organise their businesses under multiple companies due to various factors such as
 - accounting and reporting compliances, taxation, geography, brand positioning, business model, operational efficiencies, de-risking etc.

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Rationale for “Affiliate” ...2

- ⊙ Auction design should ensure **wider participation** of desired target of bidders for better price realisation
- ⊙ **Eligibility criteria** are fixed to ensure that reputed/credible players participate, yet wider participation could be enabled **without diluting** standard of targeted profile of bidders
- ⊙ Many hospitality sector players who have limited presence or no presence in India have also evinced **keen interest** about 1, Mansingh Road during preliminary stakeholders meeting
- ⊙ To enable wider participation, “Affiliate” structure has been taken so that bidder could participate in auction through appropriate entity
- ⊙ It is a well established commercial practice – parent or subsidiary credentials could be utilised for participating in auction
 - ⊙ The Mineral (Auction) Rules, 2015 allows a bidder to use its parent’s net worth to meet prescribed net worth for participating in auction of mineral block

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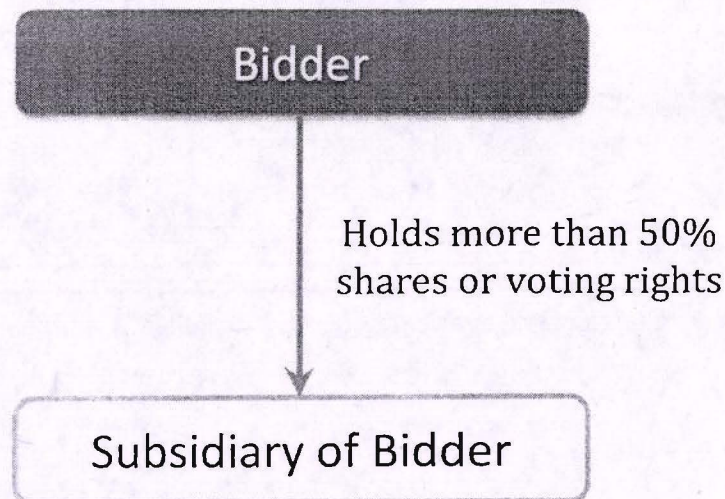
“Affiliate” under Proposed Structure

- ⊙ Bidder can participate in auction either using his own credentials or any one of his “Affiliates” for qualification of specified eligibility conditions and must
 - ⊙ meet specific financial eligibility conditions; and
 - ⊙ have certain minimum experience in hospitality industry
- ⊙ The Companies Act, 2013 defines an “Affiliate” company – however, under the proposed structure “Affiliate” has been made more stringent yet the structure allows for reasonable flexibility to bidders
- ⊙ “Affiliate” as per the tender document
 - ⊙ “Company holding more than 50% of shares or voting rights in a Bidder, or in which the Bidder holds more than 50% shares or voting rights”
- ⊙ Either the **Bidder or any one of it's Affiliates** must individually fulfill the entire eligibility criteria
 - ⊙ **Aggregation** of Experience, Turnover or Net Worth across different Affiliates or Bidder, **is not permitted**

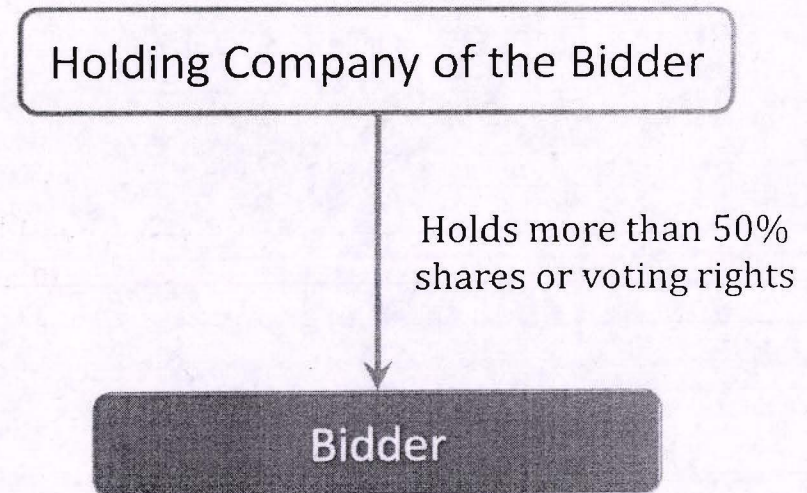
“Affiliate” under Proposed Structure ...2

- Two scenarios how a bidder could use credentials of its Affiliate

Scenario A Bidder uses a subsidiary as an Affiliate



Scenario B Bidder uses a holding company as an Affiliate



Bidder can use its own credentials or credentials of one of its Affiliates as shown above

- If credentials of an Affiliate are used, then such an Affiliate will have to continue to **remain an Affiliate** of the Bidder for **at least 7 years** after commencement of Licence Period

Affiliate | New Considerations

- After deliberating further regarding Affiliate structure, the following are being suggested for the consideration of the Council

Proposed Earlier	Proposed Now
Either the Bidder or any one of it's Affiliates must individually fulfill the entire eligibility criteria i.e. aggregation of Experience, Turnover or Net Worth of any one of its Affiliates or Bidder, is not permitted	Either the Bidder or any one of it's Affiliates may jointly fulfill the entire eligibility criteria i.e. aggregation of Experience, Turnover or Net Worth of any one of its Affiliates or Bidder, is permitted
It has not been explicitly stated that the Bidder also needs to meet certain minimum eligibility in case Bidder chooses to use credentials of any of its Affiliates	<p>Bidder also needs to meet following minimum eligibility in case Bidder chooses to use credentials of any one of its Affiliates</p> <ul style="list-style-type: none"> 1, Man Singh Road – min. 2 hotels of 100 rooms each and 1/3rd of the financial eligibility conditions 37, Shaheed Bhagat Singh Marg – min. 1 hotel of 50 rooms and 1/3rd of the financial eligibility conditions 1, Janpath Lane – min. 1 hotel of 25 rooms and 1/3rd of the financial eligibility conditions

Long Term Contracts | Indexation

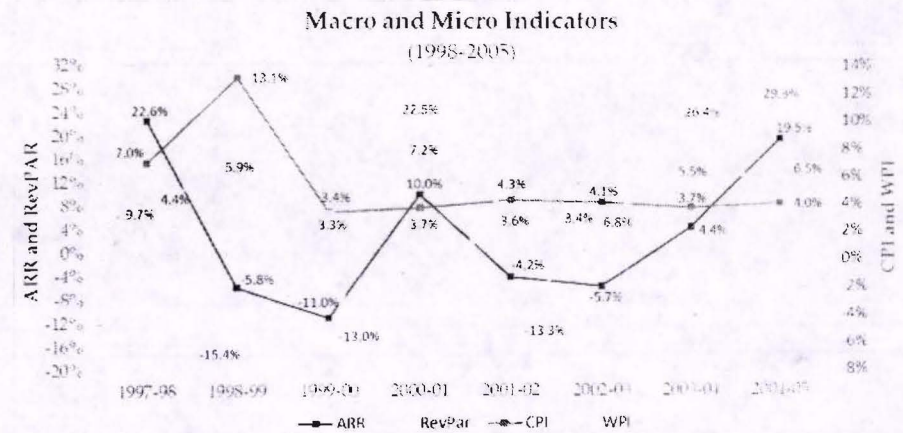
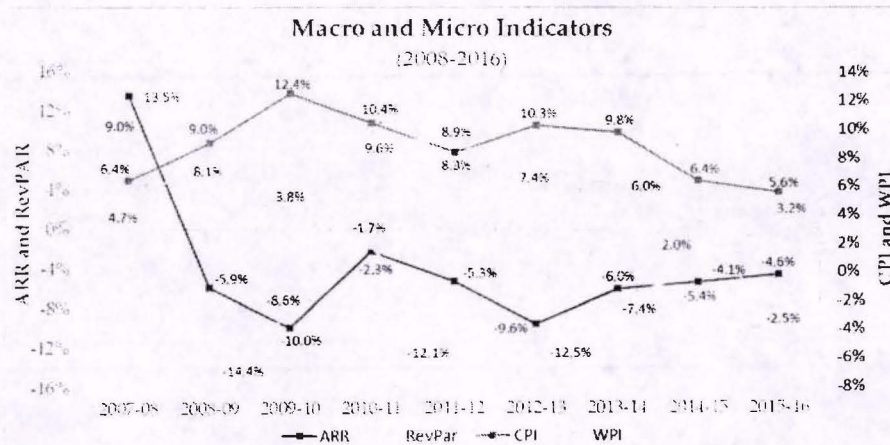
- ⊙ Indexation is a widely accepted commercial concept for many long term contracts across multiple sectors/industries world-wide
 - ⊙ LIBOR or EURIBOR linked debt instruments (loan, bonds etc.)
 - ⊙ London Metal Exchange based contracts for Aluminium, Copper, Zinc, Tin, Lead etc.
 - ⊙ London Bullion Market Association based contracts for Gold, Platinum, Silver, Palladium
 - ⊙ Brent and WTI based crude oil contracts
 - ⊙ Newcastle Index and Indonesian Coal Index for coal
- ⊙ 33-year licence being long term contract, it is imperative that the licence terms should have appropriate indexation to ensure that
 - ⊙ the licence fee being paid by the Licencee is commensurate with the prevailing market conditions
- ⊙ In the absence of any hospitality sector related index in India
 - ⊙ **Likely** indexation options in India – (i) Wholesale Price Index (WPI) and/or (ii) Consumer Price Index (CPI)

Shamim Akhtar
Asst. Vice President
SBI Capital Markets
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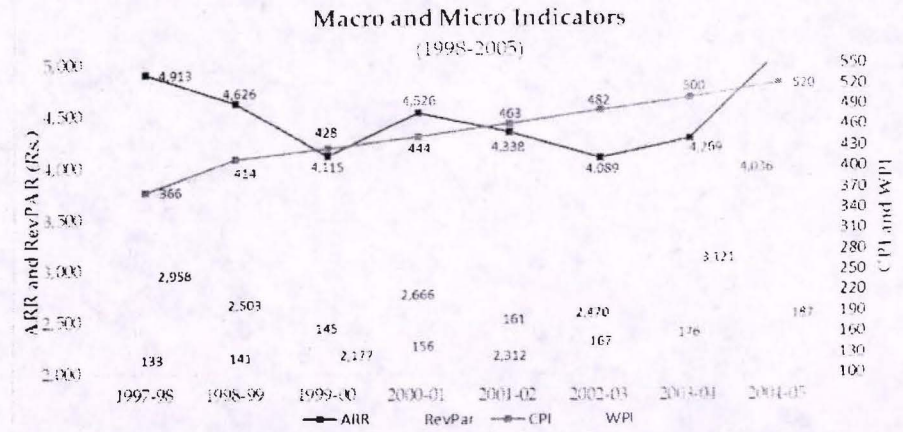
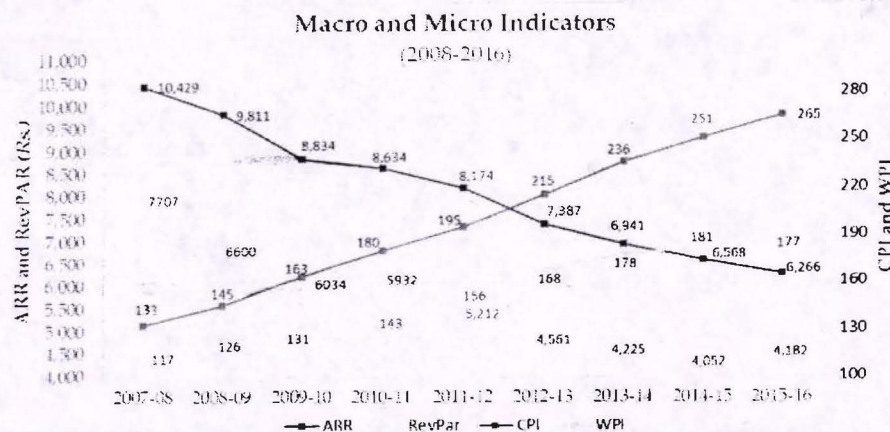
WPI and CPI Vs. ARR and RevPAR

- ◎ Average Room Rent (ARR) and Revenue Per Available Room (RevPAR) are benchmark indicators for hotel industry performance
- ◎ $\text{RevPAR} = \text{Occupancy Rate} \times \text{ARR}$

Percentage Change in WPI and CPI Vs. ARR and RevPAR



Change in WPI and CPI Vs. ARR and RevPAR



Indexation | Challenges

- ⊙ Indexation is on the basis of its relevance, how reflective it is of the underlying sector and its market acceptability
- ⊙ WPI and CPI indicating the inflation are widely used for economic analysis but not used widely as indices for contracts
- ⊙ WPI and CPI were moving more or less in tandem during last 20 years and were highly divergent with ARR and RevPAR
- ⊙ Based on empirical data relating to WPI and CPI Vs. ARR and RevPAR following could be inferred
 - ⊙ The underlying constituents of WPI and CPI are very wide and establishing any correlation with ARR and RevPAR is a challenge
 - ⊙ Threat perception, tourist arrivals, forex fluctuations etc. have huge impact on hospitality sector – these factors which are not linked to inflation seem to be reason for high divergence

MGF | Suggested Annual Escalation Rate

- Historic Compounded Annual Growth Rates (CAGR) of ARR and RevPARs for hotels in Delhi are as follows:

Description	ARR	RevPAR
CAGR (last 20 years)	3.66%	3.29%
CAGR (last 12 years)	1.88%	0.32%
CAGR (last 6 years)	(6.21%)	(6.75%)

ARR and RevPAR data is based on HVS 2016 report titled "Hotels in India, Trends & Opportunities" and internal data of Knight Frank (India) Pvt. Ltd.

- Based on past 20-year RevPAR data, an escalation rate of 2.5% per annum on compounding basis may be more appropriate given the **unpredictable** nature of hospitality industry
 - Economy is likely to be **more mature and plateau** over the next three decades
- To ensure that the licence fee being paid by the Licencee is commensurate with the prevailing market conditions, MGF is **reset every 12-years** (based on actual licence fee received by NDMC)

Delay in Commencement of Operations

- ⊙ Under proposed payment structure, NDMC will receive its licence fee **irrespective** of whether the hotel is operational or not
 - ⊙ For refurbishment period (as **non-refundable** Upfront Fee **in advance**)
- ⊙ On completion of refurbishment, the Licencee shall pay **higher of**
 - ⊙ Revenue Share (i.e. **Percentage Share in Gross Revenue**) quoted by him in the e-auction [OR]
 - ⊙ Fixed **Minimum Guarantee Fee** that is **escalated annually**
- ⊙ The refurbishment period stipulated by NDMC for all three properties
 - ⊙ Is just **adequate** and there may not be much margin for delay
 - ⊙ Should have been based on **technical studies**
- ⊙ The adequacy of refurbishment period is **contingent** on approvals and consents needed from NDMC and other statutory bodies for operations
 - ⊙ Accordingly, any **unreasonable** penal provisions may not be tenable
- ⊙ **Suggested** penal provisions for the extended refurbishment period may be kept at **3% per month** of the MGF (i.e. 36% per annum)

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Circle Rate for Computing MGF

- ⊙ Circle Rate refers to the minimum rates notified by the Government for valuation of land and immovable properties
- ⊙ Circle Rates are used for computing outright **sale value** of land, however, rental yields depend on the underlying activity/economic activity
- ⊙ For example, for the **same area** in a city the rental yields from the following activities will be different
 - ⊙ Park
 - ⊙ Parking lot
 - ⊙ School
 - ⊙ Hospital
 - ⊙ Hotel
 - ⊙ Residential area
 - ⊙ ~~Commercial~~ commercial complex
- ⊙ Each activity above will give **different** rental yields and each activity is **not comparable** with others for the sake of rental yields
- ⊙ Accordingly, linking Circle Rate for computing MGF may not be reasonable

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Proposed Structure | NDMC Interests

- ⊙ **Safeguards** to protect NDMC Interests
 - ⊙ Licence Fee to be computed as the **higher of**
 - **Revenue Share** (i.e. Percentage Share in Gross Revenue) as quoted by the Successful Bidder in the e-auction [OR]
 - Fixed **Minimum Guarantee Fee** (MGF) that is **escalated annually**
 - ⊙ MGF is **reset after every 12 years** based on actual revenues received by NDMC, so as to align MGF with market movements
 - ⊙ NDMC will receive the licence fee **irrespective** of whether the hotel is operational or not
 - Even for the entire refurbishment period, licence fee is payable **in advance** as an Upfront Fee which is **non-refundable**
 - ⊙ Participation in auctions is restricted to hospitality sector players
 - **Consortium** not permitted and operator plus brand owner or operator is permitted in auction

Proposed Structure | NDMC Interests ...2

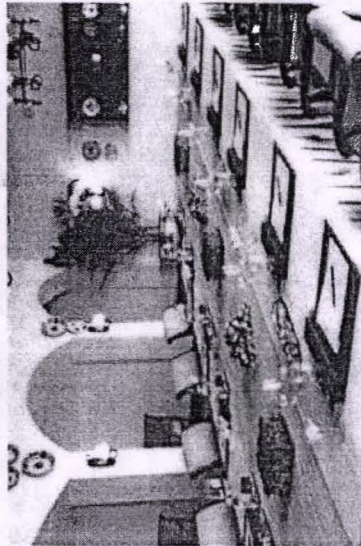
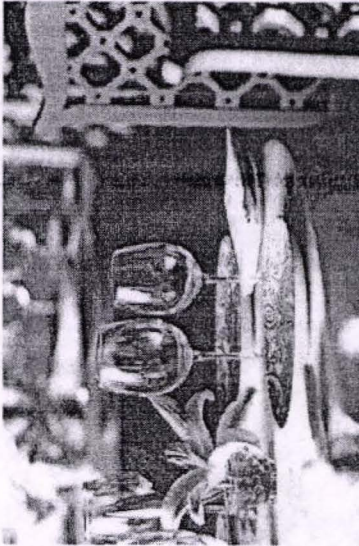
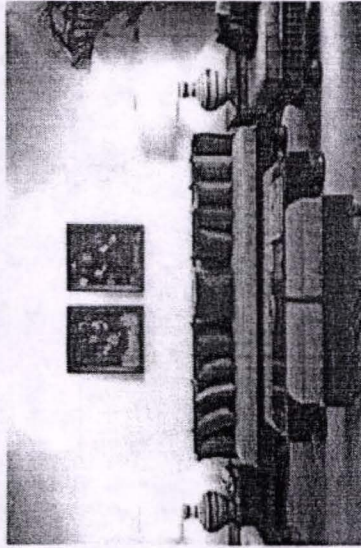
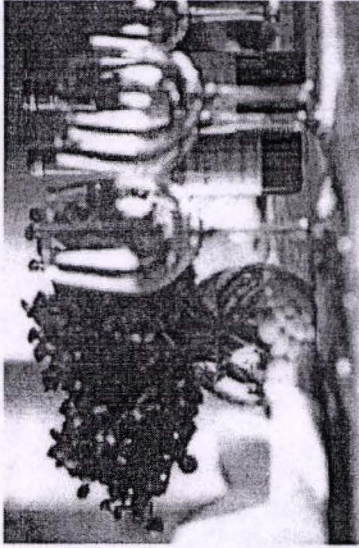
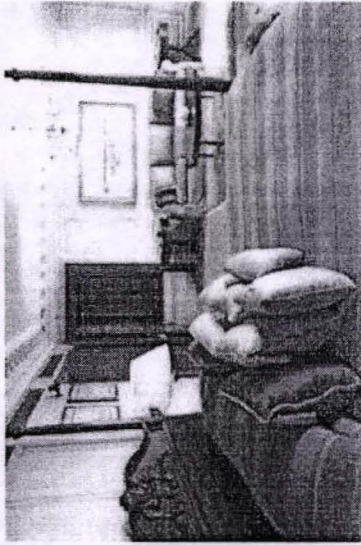
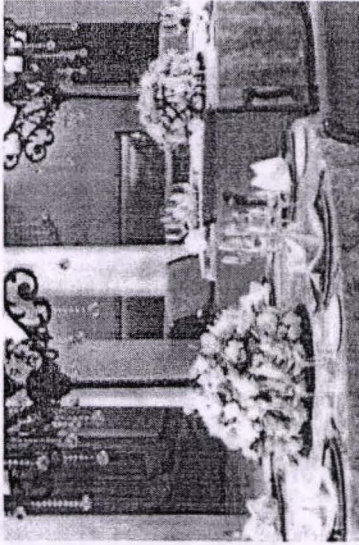
- ◎ **Safeguards** to protect NDMC Interests
 - ◎ **2-stage ascending forward** e-auction that has
 - Initial price discovery round (i.e. **Initial Price Offers**) and also some bidders may get dropped in first round itself
 - Followed by ascending forward e-auction which starts with **highest price** discovered in the first round
 - ◎ Bid Security equivalent to **8 months of MGF** through RTGS/NEFT/IMPS, which will be forfeited, if
 - the Successful Bidder fails to pay Upfront Fee or fails to execute Licence Agreement in stipulated time (also for other lapses, if any)
 - ◎ **Increasing** Performance Security equivalent to **12 months of MGF** (which will be increased every 3 years) will be forfeited, if
 - the Licencee fails to comply with performance obligations **at any point** during 33-year licence term and **also 1 year after expiry/termination** of licence agreement (full or part term of licence period)
 - ◎ Affiliate with more than 50% shares or voting rights is only permitted
 - ◎ 15% p.a. compound interest on overdue amount

Shamir Akh
Ad. Vice President
Capital Markets
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Security Clearance

- ⊙ Security clearance could be made mandatory for the successful bidder for 1, Man Singh Road
 - ⊙ Execution of the Licence Agreement with the Successful Bidder will be contingent on obtaining security clearance by him
- ⊙ Security clearance would not be required in case of premises situated at 37, Shaheed Bhagat Singh Marg and 1, Janpath Lane considering height of these properties

④



Thank You