

## **Synopsis of Bidding process for Acquisition, Operation and Management of Barges on NW-2, on Joint Venture Basis.**

### **1.0 Introduction**

Inland Waterways Transport (IWT) is an efficient and effective mode of transportation from the point of energy consumption, cost of transportation and environment friendliness. The vast hinterland in India is expected to play a major role in meeting the emerging transport infrastructure requirements of the country through IWT route. Currently, about 5,200 km of major rivers and 485 km of canals are suitable for mechanised crafts. The mechanised operations are, however, confined only to a few locations since most of the navigable waterways lack the required infrastructure such as navigational aids, terminals and communication facilities. Cargo transportation in an organized manner is broadly confined to Goa, West Bengal, Assam and Kerala.

The business potential of cargo movement through waterways is still in infancy in India, which is mainly attributable to inadequate infrastructure and improper logistic management. The vast hinterland provides extensive opportunity to transport goods through the cheaper mode of transportation (IWT) which has hitherto remained unexploited. While the total inland cargo movement in the country was 1000 billion tonne kms the transportation of the goods through IWT sector was at minuscule level of 20 million tonnes equivalent to 1.5 billion tonne kms representing 0.15% of total inland cargo. The planned development of waterways with the ultimate aim of integrating hinterland with coastal destinations could go a long way in providing total optimal solutions for transportation of goods across the country. The imports and exports could be well integrated in a cost effective manner using efficient IWT mechanism. Towards this objective, IWAI has planned initiatives to augment the waterways sector through strategic development, complementing one activity with other to ensure efficient and effective movement of goods within the country for in-bound and out-bound destinations.

### **2.0 IWAI**

2.1 As part of the Government's policy to develop and harness optimally the potential of the Inland Waterways of the country, Inland Waterways Authority of

India was set up in October, 1986 under the IWAI Act, 1985. The Headquarter of the Authority is situated at NOIDA, Uttar Pradesh and its field offices are located at Kolkata, Farakka, Bhagalpur, Patna, Varanasi and Allahabad on National Waterway-1; Guwahati on NW-2; and, Kochi and Kollam on NW-3.

- 2.1 Inland Waterways Authority of India (IWAI), in order to facilitate the development of the Inland Water Transport (IWT) Sector invited Bids from reputed consultants to provide comprehensive advise to IWAI for harnessing the optimum potential of the waterways through Private Sector Participation. In the process of open competitive bidding IFCI Ltd. (IFCI) was selected as advisor to IWAI for identifying, screening & processing of IWT projects with private sector participation on Joint Venture/BOT Basis.

### **3.0 IFCI**

- 3.1 IFCI Limited, was the first Development Financial Institution in India, established in 1948 by an Act of Parliament to pioneer institutional credit to medium and large-scale industries. Since then it has been instrumental in translating Govt.'s Plan priorities, relating to industrial and economic development, into reality. In that, its record of performance broadly runs parallel to the course of progress of independent India. It was the first Development Financial Institution to be converted into a Public Limited Company in 1993.
- 3.2 IFCI has full fledged Corporate and Infrastructure Advisory Department which provides a gamut of Advisory services including Project Advisory, Infrastructure Advisory, Corporate Finance, Investment Banking, Bid Process Management, Corporate Restructuring Advisory, PSU Restructuring/ Disinvestment, Re-organisation / Corporatisation, Joint Venture Advisory, Buy/Sell Advisory, Loan Syndication and Investment Banking.

### **4.0 Bidding Process**

- 4.1 IWAI, as part of the national initiative for developing the IWT Sector, intends to invite Private Sector Participation (PSP) on Joint Venture basis for Acquisition, Operation and Management of Barges on National Waterways-2 (Stretch of Sadiya-Dibrugarh-Neamati-Tezpur-Pandu (Guwahati)-Dhubri-passing through

Bangladesh-Sundarbans-Haldia-Calcutta) on river Brahmaputra, as detailed below:

Sl. No.	Project	Origin-Destination	No. of barges	Size of one barge (DWT)	Fleet Capacity (DWT)
1.	Transportation	Dhubri-Kolkata	2 (Two)	1000	2000
2.	Transportation	Jogighopa-Kolkata	8 (Eight)	1000	8000
3.	Transportation	Pandu-Kolkata	6 (Six)	1000	6000
4.	Transportation	Dibrugarh to Kolkata	7 (Seven)	600	4200

As per the policy, there is no restriction on the movement of barges to any particular OD pair. However, the selection of bidder would be based on responsiveness to the selection criteria for specific OD pair for which the bid would be submitted. A JV company once formed and operational would be free to decide about the movement of barges at different OD pairs.

- 4.2 IWAI in consultation with IFCI issued an advertisement (can be accessed at website) inviting bids for private sector participation and investment in IWT Sector for Acquisition, Operation and Management of Barges at National Waterways-2 (NW-2) inter alia envisaging acquisition, operation, its maintenance, identification and development of the market to managing the project on Joint Venture Basis. The details of the bid process culminating into selection of JV partner for each project are given in the **Bid Document, consisting of Bid Process, Shareholders Agreement and Memorandum Of Understanding** that can be obtained in person or by post during working hours on any working day on payment of Rs. 2000 /- (Rupees Two Thousand Only) by way of Demand Draft drawn in favour of Inland Waterways Authority of India Fund, payable at New Delhi/NOIDA, on any Nationalised /Scheduled bank from the addresses mentioned at 4.2.7. A brief of the Bid Process and abridged details of the relevant documents are as under:-

#### 4.2.1 Bid Documents

- 4.2.1.1 IWAI has identified four transportation projects on NW-2 (as mentioned at 4.1) on Joint Venture basis and has sought bids from eligible agencies for their implementation in accordance with terms and conditions detailed in the bid document. Pursuant to a competitive bidding process to be conducted by and on behalf of the IWAI, the Joint Venture Partner, having requisite

technical know-how and management expertise and claiming to be fully capable of setting up and running the Project, would be selected by IWAI for implementing the Project as defined and described hereinafter, through a Joint Venture company to be formed and managed in terms of Memorandum of Understanding (MOU). MOU is an agreement detailing the terms and conditions to incorporate a new company as joint venture between IWAI and the selected party.

The JV company so formed would be responsible for implementation and management of the said project(s).

4.2.1.2 The scope of work would inter alia involve acquisition, operation and management of barges on NW-2 as mentioned at 4.1, maintenance and management as a Joint Venture Project as per the norms / terms and conditions detailed in the bid document.

#### **4.2.1.3 Eligible Bidders**

The bidder may be a single firm/company/corporation, partnership firm, of Indian or foreign origin or consortium/joint venture of such entities who may individually or jointly commit to implement the project. The term 'bidder' used hereinafter would therefore apply to both, an individual entity, and a consortium. Bids submitted should comply with the following:

- i) The ownership structure of each member of the applicant entity must be in accordance with the extant laws in respect of capital, nationality and registration with the relevant agencies. In case of participation by foreign companies, their respective government(s) should accredit them, if required. The application should contain details of each member of the consortium.
- ii) The number of members of a consortium shall not exceed Eight participants.
- iii) The bidder's application shall be considered only if any one of the members of the consortium has purchased the document **for each bid** from IWAI/IFCI.

- iv) An individual applicant or a member of a particular consortium cannot be a member of any other Consortium applying for the same project.
- v) Members of a consortium shall nominate one of the members as a Lead Partner.
- vi) The Lead Partner shall not have less than 26% equity in the proposed JV with IWAI.
- vii) Members of a consortium shall enter into a Memorandum of Understanding for the purpose of this bid, which shall be valid till the signing of MoU with IWAI.
- viii) Bidders shall not be under a declaration of ineligibility for corrupt and fraudulent practices issued by Government of India or any state government or any of their agencies.

4.2.1.4 The Bid Document enumerates necessary instruction to bidders which inter alia include schedule of bidding process, brief outline of NW-2 and the transportation project thereon, Bid structure guidelines for bidding, evaluation criteria etc. The document also contains the necessary formats to be annexed as also the map of NW-2, IWT Policy, Protocol on Inland Water Transit and Trade, and Inland Vessel Building Subsidy Scheme, besides Draft MoU and Shareholders' Agreement.

#### **4.2.2 Bidding Process & Award**

4.2.2.1 Bids will be received in two covers; the one containing the technical proposal and the other containing the financial bid. The Technical proposal would be evaluated and finalized by a Committee constituted by the IWAI. Such evaluation would be based on the criteria indicated in the bid document. The financial bid of only those bidders which meet the minimum technical standards (to be made known to bidders) will be considered for further evaluation.

4.2.2.2 The technical capability would be judged on the basis of the parameters of technical experience, managerial capacity, marketing capacity, and past experience in cargo handling and movements. These are detailed below.

- **Technical Experience:** The technical experience would be evaluated on the following criteria:

- Experience in IWT sector (barges/jetties/backup facilities);
- Experience in transportation sector (logistics park/multimodal hub/other modes); and
- Experience in development of other projects.

- **Managerial Capacity:** The managerial capacity would be evaluated on the basis of the following:

- Promoters' competence and business experience;
- Key persons' competence and business experience;
- Internal Control; and
- Industrial and Employee Relations.

- **Marketing Capacity:** The marketing capacity would be evaluated on the basis of the following:

- Marketing tie-up in respect of the proposed project;
- Presence of bidders' works/offices near the influence zone of waterways; and
- Captive cargo, if any, in respect of the proposed project.

- (iv) **Past Experience in Moving Cargo:** The bidders' past experience in moving cargo would include that of C&F Agents etc., and would be evaluated on the basis of the cargo moved in the last three years through various modes.

4.2.3 **Evaluation Of Financial Bids** - The evaluation of financial bids will take into account the equity participation desired from IWAI in the proposed joint venture. The bidder who desires the minimum equity from IWAI (as % of indicative cost of the project, with a commitment to retain the same percentage of equity in the event of upward revision in the cost of the project as finally would be arrived by the JV company) will be ranked as L-1, and will be selected to form the JV with IWAI. In case of a tie in financial bids, a gradation list of bidders would be prepared according to the marks obtained in the technical bid, and this would form the basis of selection of the JV partner.

#### 4.2.4 **Memorandum Of Understanding (MOU)**

The MOU is an agreement between IWAI and the selected party to form the Joint Venture company. MOU defines the rights and duties of the parties. It describes the commencement and duration of the agreement, structure of company, the composition of its Board, capital structure, details about Government and

Statutory clearances, disinvestment pattern of equity, Force majeure, applicable laws of arbitration and Jurisdiction.

The shareholding pattern would be governed by the term of this MOU and no party and/or its consortium members would be allowed to sell their quota of share to outsiders otherwise as mutually agreed in terms of this MOU. IWAI and the proposed JV would mutually agree upon with regard to followings points :

- Execution of shareholder agreement as per relevant articles of MOU.
- Inclusion of any new partner in proposed JV
- Details of the expenditure to be incurred and modalities of meeting of the same.
- Resource mobilisation capabilities of the Joint Venture Partner.

#### **4.2.5 Shareholders Agreement**

The proposed company will be Board managed with due representation from IWAI and the proposed selected partner as mutually agreed. The shareholders agreement shall be entered into between the parties to the Joint venture after signing the MOU. The relevant details about the same mentioned in the Shareholders Agreement are forming part of the Bid Documents.

#### **4.2.6 Miscellaneous**

The interested parties should go through all the apropos three documents of compendium which have clearly enumerated all the relevant information along with guidelines/rules and regulations.

#### **4.2.7 Addresses for Correspondence:**

Any further clarifications / queries in this regard may be addressed to the following:-

General Manager , Corporate & Infrastructure Services, IFCI Limited, 13 <sup>th</sup> Floor, IFCI Tower, 61, Nehru Place, New Delhi-110019 Telephone: +91-11-26230194 / 26230212 Fax: +91-11-26487440 E-mail: <a href="mailto:cafs@ficilttd.com">cafs@ficilttd.com</a>	Advisory	Director, Inland Waterways Authority of India, A-13, Sector - 1, NOIDA, Uttar Pradesh -201301 Telephone : +91-120-2522971  Fax: +91-120-2543664/2543973 E-mail: <a href="mailto:drrpkhare@rediffmail.com">drrpkhare@rediffmail.com</a>
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