

DEFINATION

A memorandum of understanding (MOU) is a legal document describing a bilateral agreement between parties. It expresses a convergence of will between the parties, indicating an intended common line of action, rather than a legal commitment. It is a more formal alternative to a gentlemen's agreement, but generally lacks the binding power of a contract.

Extended learning

<http://ppp.od.nih.gov/mou/mou.asp>

National Treasury PPP Toolkit for Tourism

<http://rru.worldbank.org/>

http://rru.worldbank.org/Documents/Toolkits/Highways/1_OVERDIAG/12/12.htm

MOU Format

1. Date, Place, Between (Name of Organizations)
2. Objective/Purpose
3. Type of Organization
4. Statutory Frame Works under which it will work
5. Initial Financial Arrangement/share capital/debts
6. Intention & mode of of agreements to be finalized
7. Operational responsibilities to be shared
8. Liabilities

MoU signed for rail line to Krishnapatnam port

Hyderabad , Nov. 22 ,2005

RAIL Vikas Nigam Ltd (RVNL), Krishnapatnam Port Company Ltd (KPCL) and the Andhra Pradesh Government have entered into an agreement to develop a new rail line of 114 kilometres from Obulavaripalle in Kadapa district to Krishnapatnam port in Nellore district through the public-private-partnership (PPP) model.

The Rs 580-crore project will provide rail connectivity for the iron ore projects in the Hospet-Bellary belt to the Krishnapatnam port.

The project assumes significance in the light of the Chennai Port's decision to discontinue handling of iron ore from 2007-08, the RVNL Managing Director, Mr J.P. Shukla, told newsmen here on Tuesday.

As per the MoU, **a special purpose company** - Krishnapatnam Rail Road Company Ltd - will execute the railway line project.

The project will be **funded through a debt-equity ratio** of 1:1.

According to the RVNL Executive Director, Mr Sanjiv Garg, the project will raise Rs 266.1 crore as equity and Rs 238 crore as debt with a viability gap funding from the Government of India for an amount of Rs 50 crore.

Both RVNL and KPCL will invest Rs 79.8 crore each and have an equity holding of 30 per cent.

The AP Government will invest Rs 49.2 crore for 13 per cent equity, while strategic investors, mostly iron ore exporters, will pump in Rs 61.2 crore, constituting an equity holding of 27 per cent.

It promises to make the country's imports and exports from the region more competitive in the international markets and make the interior areas of Rayalaseema accessible to the coastal areas.

Presenting details on the traffic potential for the railway project, Mr Garg said the iron ore transportation would touch six million tonnes per annum (tpa) by 2010 and go up to nine million tpa by 2016.

The thermal coal traffic through the new railway line is estimated to touch two million tpa by 2010 and 4.5-million tpa by 2016, while barytes and others will amount to 0.6-million tpa. The iron ore exporters are expected to enjoy direct savings of Rs 8 crore to Rs 18 crore per million tonne of ore exported through the new railway project, Mr Garg said

Memorandum of Understanding **<http://www.pipavavrailway.com/>**

This Memorandum of Understanding is executed at Rail Bhavan, New Delhi on 20th of January 2000.

Between- The President of India acting through the Executive Director (Perspective Planning) of the Ministry of Railways (hereinafter called MOR) of the Part

And

Gujarat Pipavav Port Limited, a company incorporated in India Having its registered office at B-1, Maharaja Palace, Univeristy Road Navrangpura, Ahmedabad-380009, India (hereinafter referred to as GPPL which expression shall include its successors and permitted assigns) of the other part.

Whereas

- 1. GPPL, a public limited company, is engaged in the development, management and operations of the Port of Pipavav, located at Taluka Rajula, Amreli, on the West Coast of India and south coast of India.**
- 2. MOR is desirous of inviting GPPL together with other investors to set up a Joint Venture company, to implement the broad gauge link between Surendranagar and the Port of Pipavav.**
- 3. Ministry of Railways and GPPL have agreed in principle for formation of a Special Purpose Vehicle (SPV) for the purpose of executing the Surendranagar – Pipavav broad gauge link**

Based on the above, without prejudice, the following terms of principle have been agreed upon for entering into a formal agreement:

- 1. The object of the alliance between MOR and GPPL is to implement the Broad Gauge Rail Link Connectivity between Surendranagar and the Port of Pipavav together with the rail yard facility at Pipavav.**
- 2. The alliance shall be in the form of a Special Purpose Vehicle (SPV) I.e. a joint venture company between Ministry of Railways and its Public Sector Undertakings (PSUs)
And GPPL and (others, to be specified)**

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- 3. Upon incorporation, the SPV shall be bound by the Companies Act, 1956 and shall abide by all the rules and regulations stipulated therein.**

 - 4. The SPV shall undertake the proposed project of implementing the Broad Gauge rail link connectivity between Surendranagar and the Port of Pipavav.**
 - 5. Tentative project cost is Rs. 270 Crores (Rs. Two Hundred & Seventy Crores). Any cost over run, over and above the project cost of Rs. 270 Crs. Shall be on account of the SPV. The SPV will also provide for replacement of assets.**

6 . The project shall be funded in the following pattern


66 1/3 % of the Project Cost shall be funded through a share holding Equity.


33 1/3% of the project cost shall be funded through Debt.

Equity holding Patter:

- i) Ministry of Railways & its PSUs :50%**
- ii) GPPL & (others) :50%**

Note: The amount already spent by the Indian Railways on the proposed Broad Gauge Rail connectivity will be reckoned towards the equity contribution of MOR.


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- 7. There will be equal number of Directors in the Boards of SPV representing Indian Railways and its PSUs on the one hand and GPPL and others on the other, with the Chairmanship remaining with Indian Railways.**
 - 8. The land, station buildings, MG formation, bridge and all other existing assets of the MG system will continue to be the property of IR. These assets will be made available to the SPV on lease at a pre-specified rental after considering the capital-at-charge at historical cost.**



9. Subject to the above and upon entering into a detailed agreement between GPPL (& others) and MOR (& its PSUs) through GM/W.Rly, the SPC shall be responsible for carrying out the proposed project.

10. The construction activities shall be awarded to by the SPV on turnkey basis in keeping with the technical specifications of Railways. Upon completion, the work will require necessary certification by commissioner of Railway Safety as per extant rules and procedures.

11. MOR will guarantee to the SPV timely provision of sufficient number of rakes and wagons for the efficient movement of cargo to and from Surendranagar and the Port of Pipavav (GPPL). Similarly, the Port of Pipavav will guarantee to the SPV a minimum of 1 million tones of traffic on the first year, 2 million tones of traffic for the second year and 3 million tones of traffic from third year onwards. Suitable penal clauses for non-compliance of guarantees will be incorporated in the detailed agreement.



12. The operations and maintenance of the broad gauge rail link between Pipavav and Surendranagar shall remain the responsibility of the Ministry of Railways. Ministry of Railways will however, be fully compensated for such services based on an agreed methodology.

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- 13. IR will collect earnings from the traffic originating and terminating on this line, and the due share of the SPV will be apportioned to it after defraying the operation and maintenance costs.**
- 14. Apart from the traffic guaranteed by GPPL, Indian Railways will be entitled to run existing and additional freight and existing passenger services for with the SPV will receive its due apportionment. However, introduction of new passenger trains will require prior consultation with and consent of the SPV.**



15. Indian Railways will be entitled to provide rail connections along the length of the line, in tune with their future expansion plans.

16. In case of a national emergency, the exigencies of the national requirement will take precedence over everything else.


17. Public Tariff Rates as notified by the Indian Railways/CONCOR will be charged for traffic on the line. However, the SPV and the Indian Railways may by mutual consent quote special rates in specific case which may be approved and notified by Indian Railways.



18. The SPV shall protect and safeguard all the assets of the Indian Railways.


19. Any further changes in the MOU necessary to ensure the smooth functioning of the SPV may be made by mutual consent.

20. MOR and GPPL shall make all efforts on signing this Memorandum of Understanding for finalizing the terms and conditions of the final agreement within a stipulated timeframe. Each party will nominate a negotiating team for the purpose.



21. Both parties also agree not to divulge this intention to any third party and to maintain strict confidentiality on the subject whatsoever, till finalization of the final agreement.

22. It is hereby agreed and understood between the parties hereto that this MOU is being entered into on the basis of good faith and on the bonafide intention of giving effect to the object/terms of this memorandum of understanding.



23. This Memorandum of Understanding shall come into effect after due approval of the concerned agencies of the Government of India and on the date it is executed by the parties hereto and shall terminate upon the execution of the final Agreement.

24. In witness whereof the parties hereto have by their duly authorized representatives executed this memorandum of Understanding on the date and year first above written.



THANK YOU