



# Experience with TOD Projects in India: **Key Learnings**

June 15, 2019

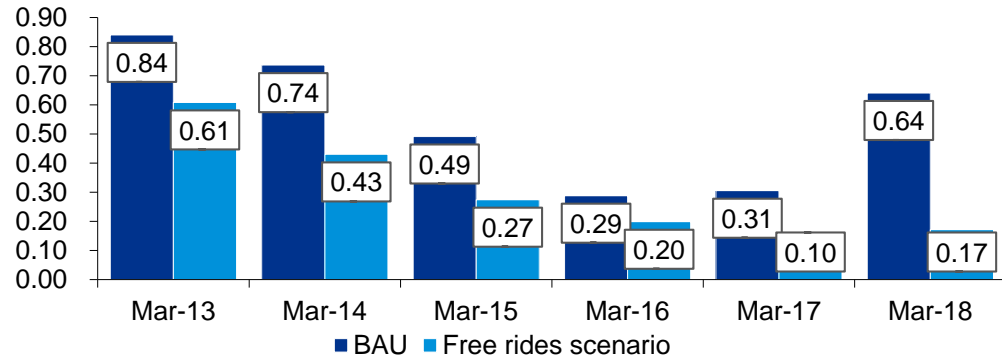


# Recent announcement



# What does it mean for DMRC?

## DSCR with only Fare Revenues

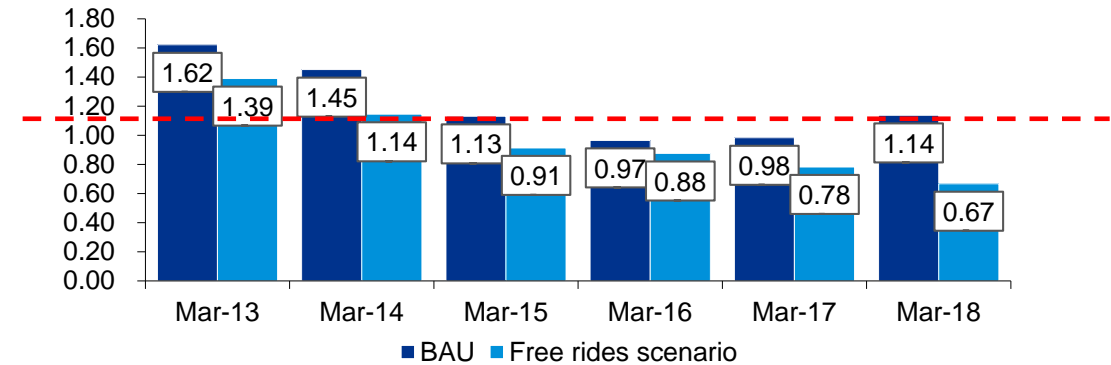


Source: DMRC Annual Reports, KPMG analysis

Note: Free ride scenario assumes that women constitute 30% of overall ridership who are not charged for their journey

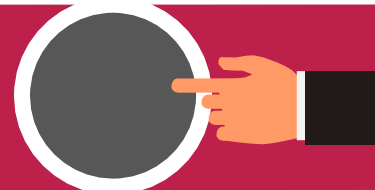
- DMRC not capable of repaying its debt & interest obligations even when all passengers are charged

## DSCR with Fare & Non-Fare Revenues

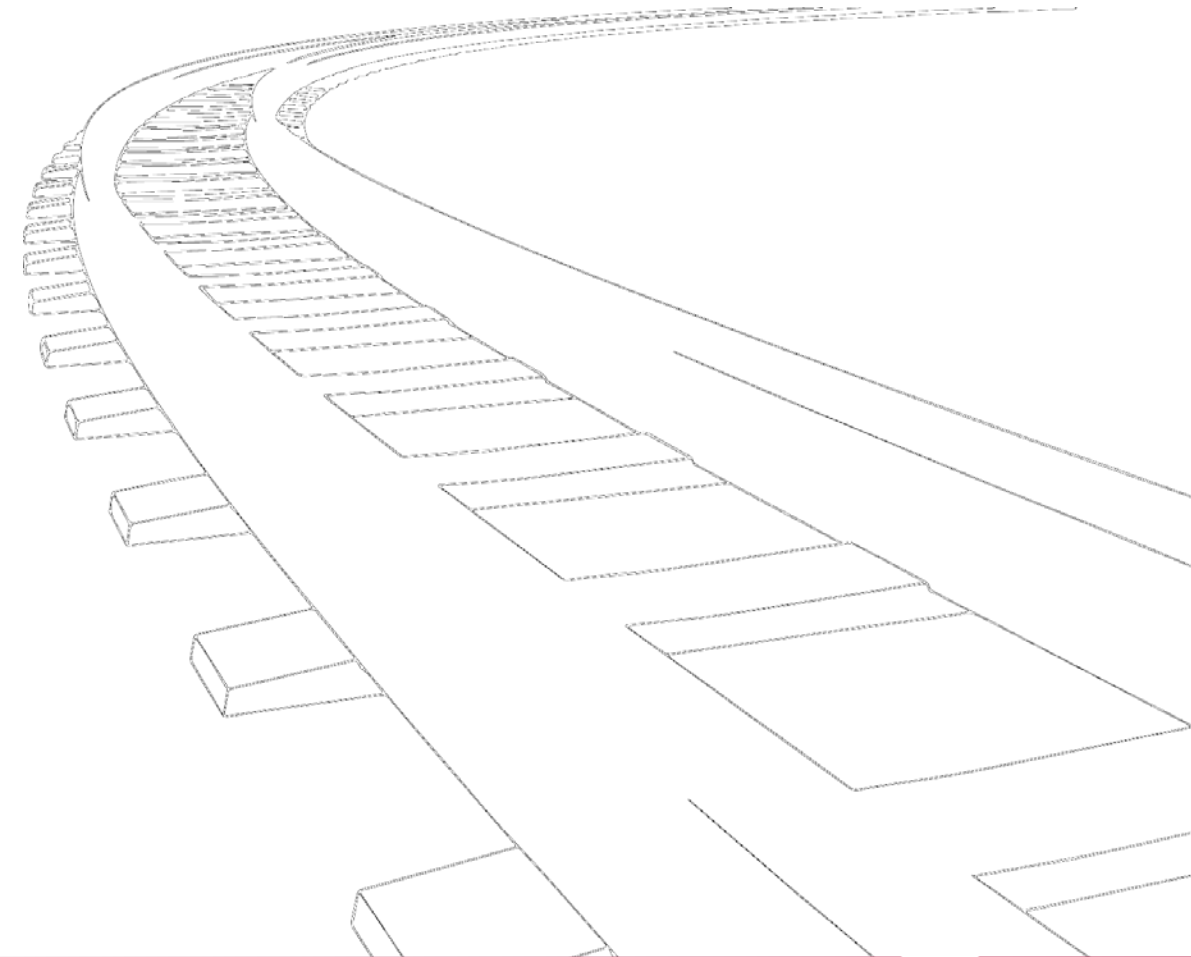
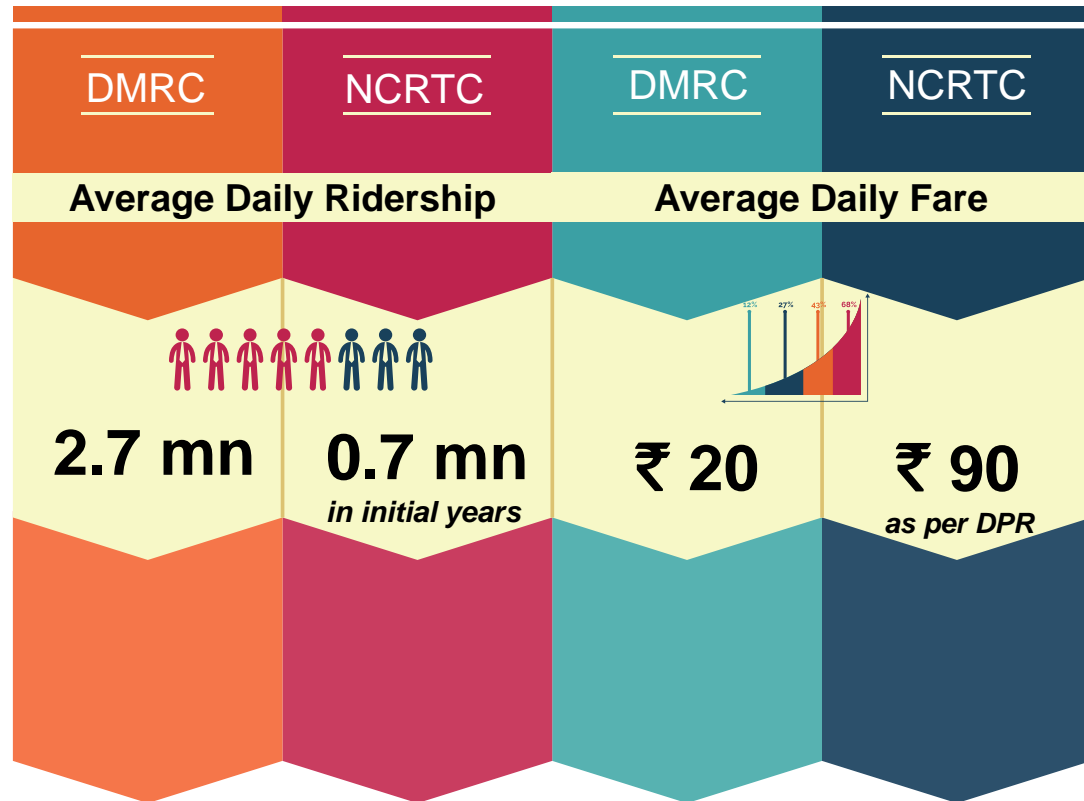


- DMRC just maintaining enough cushion to repay its debt obligations; with a free-ride scenario, they will not be able to honor their commitments

Fares will be subject to political sensitivities; Non-fare box is within the organizations purview and critical to ensure financial sustainability



# NCRTC will face similar challenges in Delhi - Meerut corridor



With over ₹ 20,000 cr debt, the project will have an interest obligation of nearly ₹ 800 – 1,000 cr in the initial years, which may not suffice through fare revenue generation along





# Non-fare box focus brings several advantages

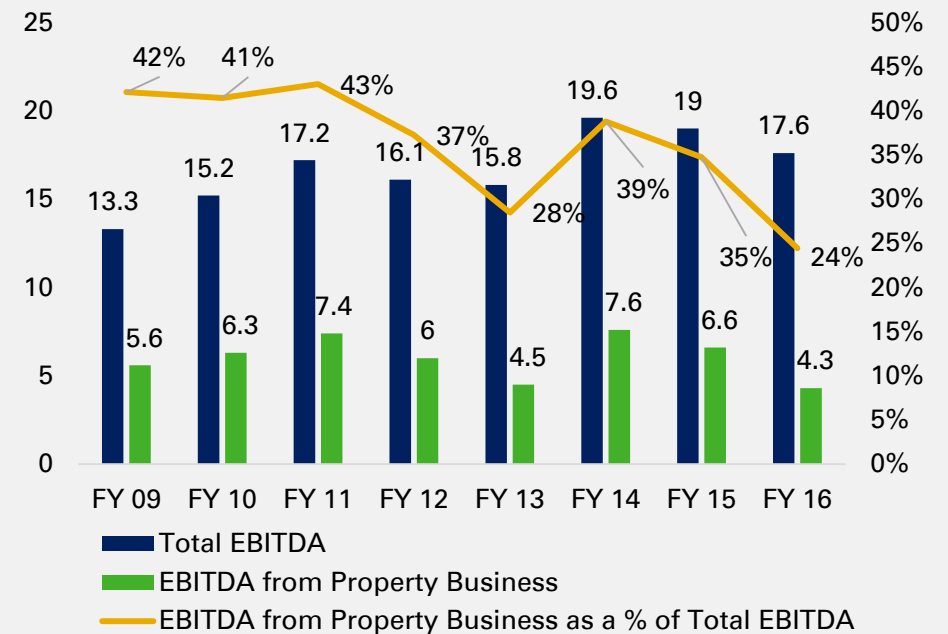


**De-risk top line**, reduces dependence on fare increase



**Strengthens bottom-line** due to high profitability

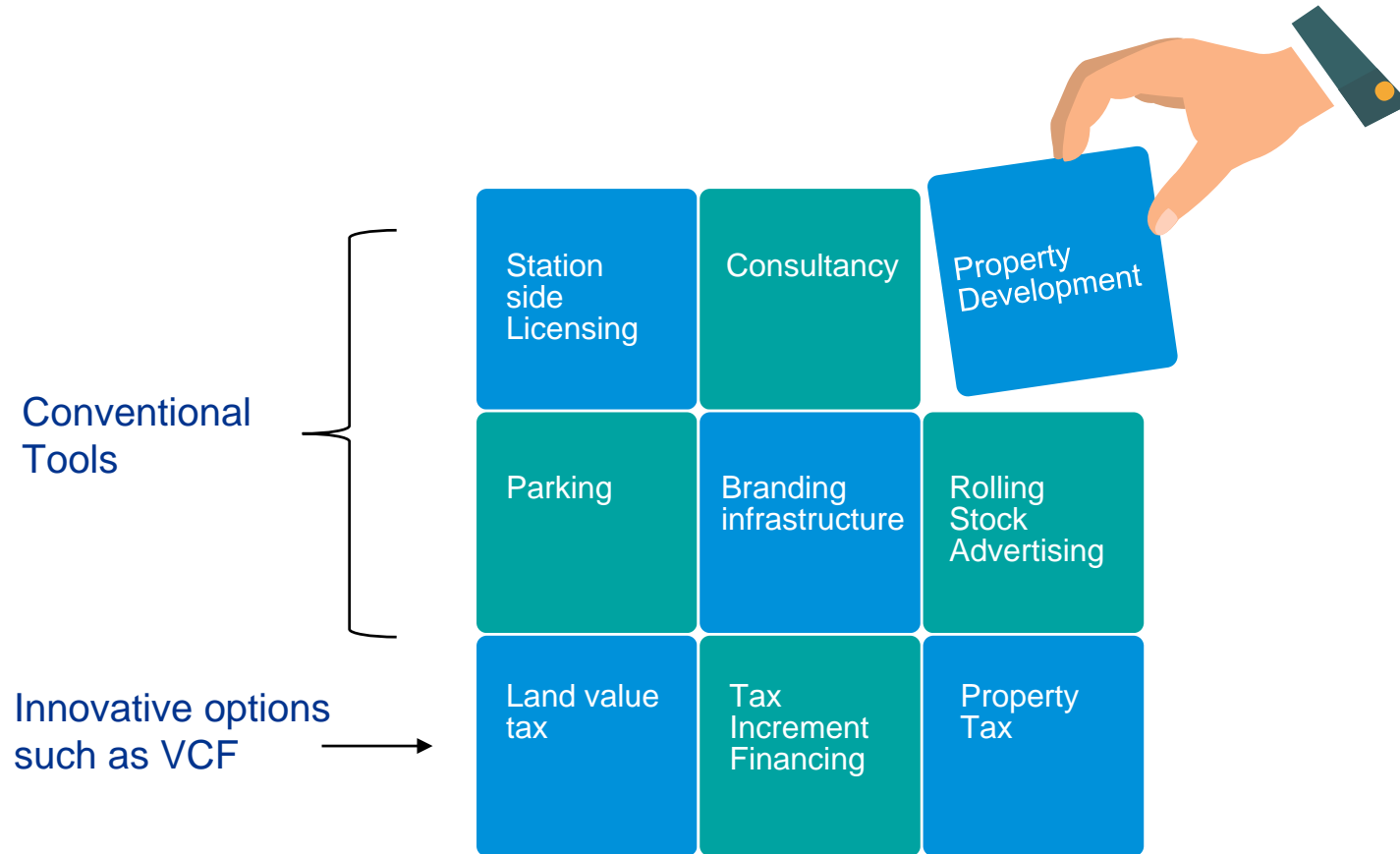
**Hong Kong Metro Operating Profit from Property Business (Bn HK\$)**



Source: Hong Kong MTR Annual Reports, KPMG Analysis



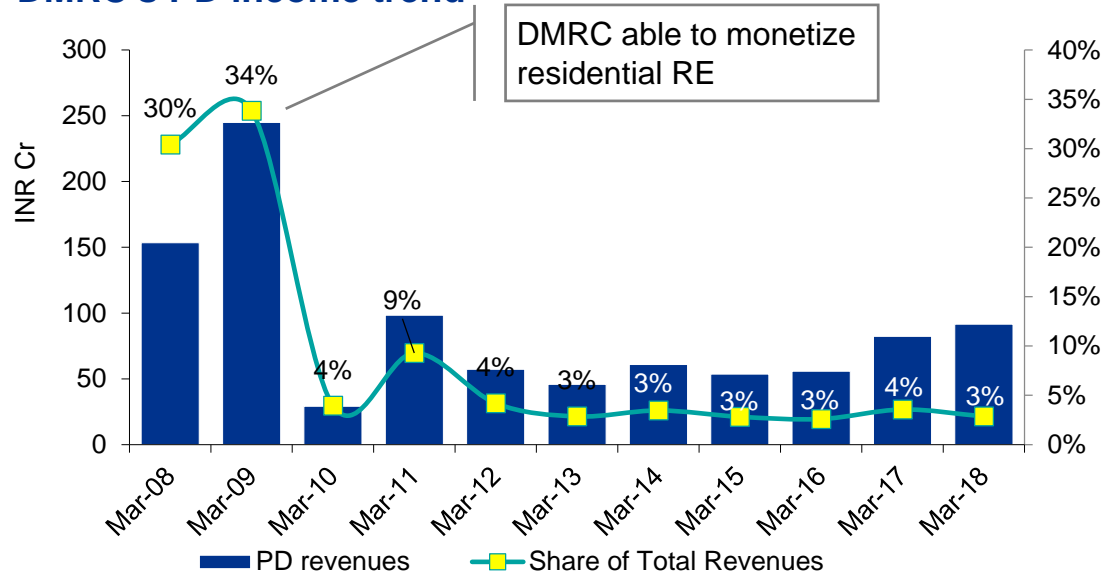
# Property Development (TOD) & Property Tax (VCF) are two critical sources if we apply an 80:20 principle



# What has been the TOD story so far for DMRC?

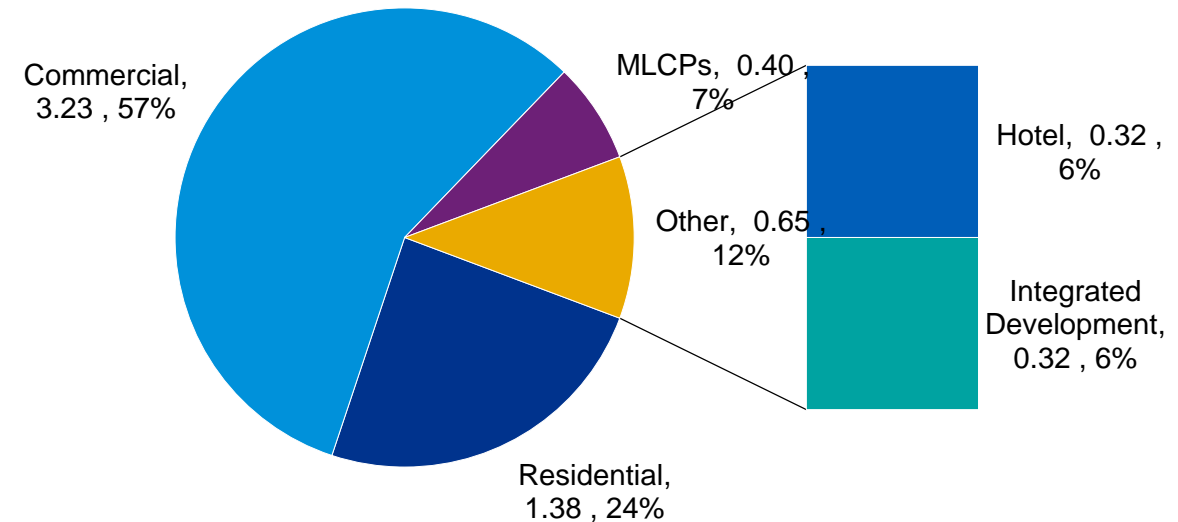
- DMRC permitted to undertake Property Development (PD) for revenue generation by Govt. notifications dated 1996
- Land is typically identified by DMRC for construction of metro corridor & PD, mostly from DDA, MCD, Indian Railways
- PD income has remained stagnant over years; less than **6 mn transacted in near two decades**

**DMRC's PD income trend**



Source: DMRC Annual Reports, KPMG analysis

**PD initiatives by DMRC over last two decades**



Note: Figures in mn sq.ft



# What issues are cropping up?

## Regulatory & Policy Related Issues

- **Significant time lost** in seeking approvals such as CLU, NOC from DDA/ MCD and other agencies such as AAI, ASI, DUAC
- **MPD 2021** enables PD yet **not exercised in spirit** (lower FAR granted, metro yards/ depots can't be exploited)

## Organization & Market Issues

- **Incorrect internal market assessment;** didn't reflect market conditions
- **Market sounding** inadequate
- Lease conditions rigid; **no incentive for departments** to innovate

Change of Land Use

Site	Applied	Received
Shahadra (Residential Green)	1999	2003
Seelampur (Green)	1999	2003
Shastri Park	1999	2003
Tis Hazari (Bungalow Zone)	1999	2003
Tri Nagar (Special Area)	1999	2005
Wazirpur	2001	2005
Vishwavidyalaya	2001	2005

NOC

Site	Applied	Received
Janakpuri	1/7/2009	15/3/2010
Azadpur	1/7/2009	15/3/2010
Malviya Nagar	1/7/2009	7/4/2010
Rithala	1/7/2009	29/3/2010
Parmeshwari Wala Ba	1/7/2009	7/4/2010

Source: DMRC





# Imagine a scenario where this was plugged...

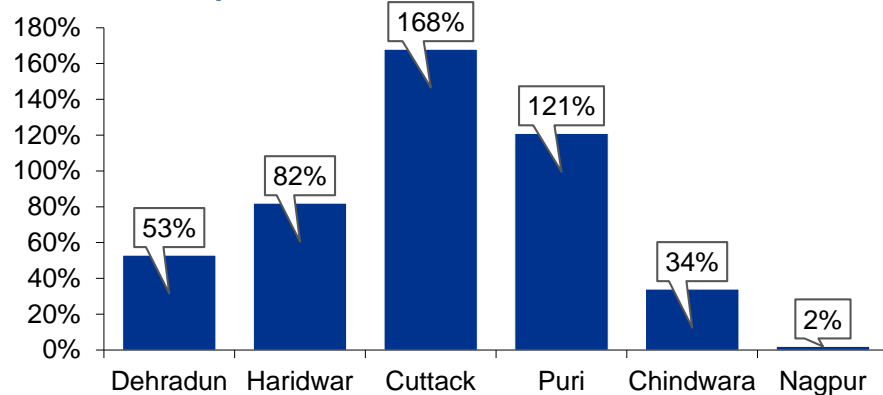
- Land belonging to MoHUA
- Located on ring road, near Moti Bagh, the government colony is spread **17 Ha (40 acres)** occupying around **1,400 govt. housing units**; Current FSI utilization ~ **0.75**
- Similar to NBCC, DMRC can be given this land for re-development & re-densification with TOD FSI of 4.00
- Allow residential to be monetized unlike NBCC model
- DMRC brings private partner and monetizes 1/3<sup>rd</sup> of land area.
- Potentially generate **Rs. 400 – 500 cr**



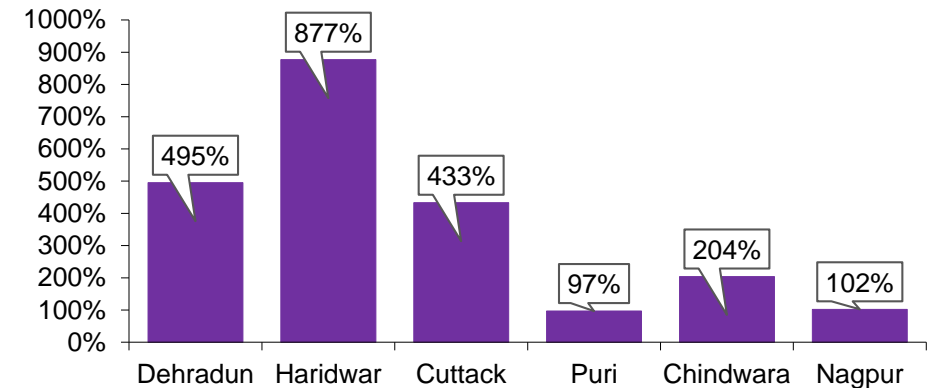
# Now imagine if this income is supplemented with VCF tools

- As a part of World Bank's CBUD Project, a **pilot study** for property tax assessment was carried out in **6 cities**
- **Improvements in tax administration** undertaken through computerization of property tax records, introduction of online assessment and collection, and establishing dispute resolution mechanism
- Exercise resulted in **60% increase in tax base** and nearly **200% increase in property tax demand**

**Increase in Properties Identified**

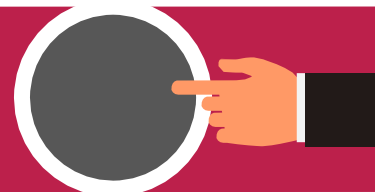


**Increase in Property Tax Demand**

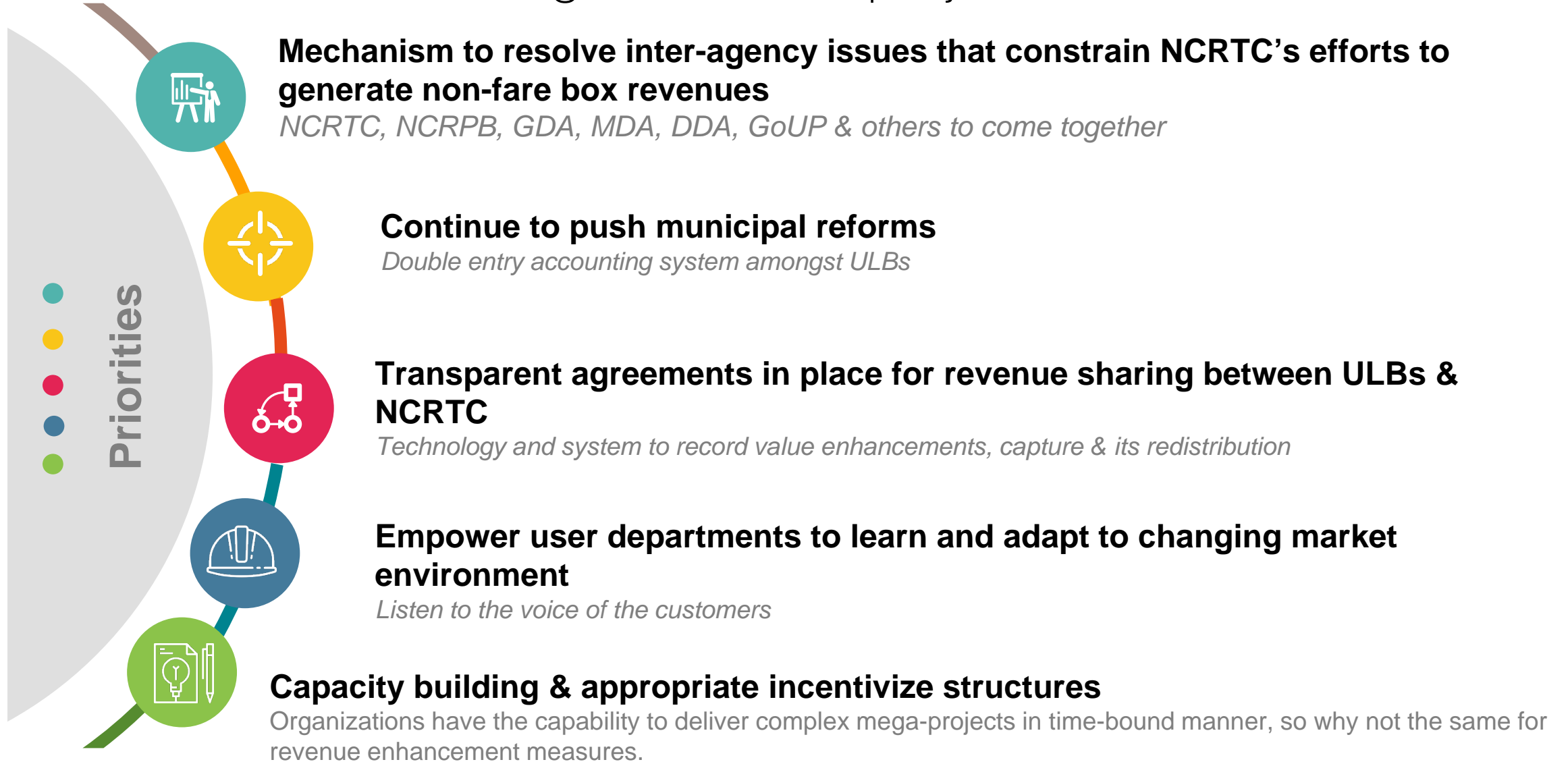


Source: Implementation Completion & Results Report, World Bank CBUD Project, Dec 2018

**Pilot studies indicate potential to increase tax base; GDA & MDA which fall under corridor influence have carried out similar studies**



# So what are the learnings for NCRTC project?



*“For an idea to fructify & sustain, it has to be politically acceptable, socially desirable, technologically feasible, financially viable, administratively doable and judicially tenable.”*

*Shri Anil Swarup, IAS (Retired)*





For more information, please contact:



**Anjul Mehrotra**  
Associate Director – Strategy & Operations  
Infrastructure, Government & Healthcare,  
KPMG Advisory Services Pvt. Ltd.  
[anjulm@kpmg.com](mailto:anjulm@kpmg.com)  
+91 9810012549



[kpmg.com/socialmedia](https://kpmg.com/socialmedia)



[kpmg.com/app](https://kpmg.com/app)

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2019 KPMG Advisory Services Private Limited, an Indian limited liability company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity. All rights reserved.