



# Highway Projects: Steps taken to address financial challenges

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31 numbers of national highways projects have reached financial closure during the last three years and the current year. The modes of delivery for implementation of the projects are Build Operate Transfer (Toll/Annuity), Hybrid Annuity model (HAM), Engineering Procurement & Construction (EPC) and Item rate.

Some of the challenges faced by the Ministry are achievement of financial closure within time limit, payment of premium by concessionaire construction completion, shortage of equity with private developers, high cost of debt, stake holder demand for exit etc. In this regard, following steps have been taken by the Ministry:

(i) Premium Deferment in stressed projects: Allowing restructuring of premiums committed by Concessionaires during the bid stage in projects which is renegotiable only once through the life of the Concession.

(ii) Harmonious Substitution in Financially stressed projects: Permitting substitution of existing Concessionaire or the selected bidder /consortium member of such project SPV in a harmonious manner.

(iii) One time fund infusion to revive and physically complete languishing BOT projects: Provision of financial assistance in the form of a loan at bank rate + 2% subject to first charge on the Toll /Annuity receivables of those projects which has achieved at least 50% physical completion.

(iv) 100% equity divestment after two years of construction completion for all BOT projects irrespective of year of award which facilitates concessionaires to invest in any other projects.

(v) Authorizing NHAI for rationalized compensation to Concessionaires in case of delays not attributable to Concessionaires for languishing highway projects on BOT mode.

(vi) Securitization of future cash flows in BOT Projects: Granting of permission by NHAI to the Concessionaires of PPP projects which have Toll /Annuity revenue significantly surplus to the repayment obligations to raise subordinate loan on the strength of future surplus cash flows of their operational BOT Road projects

This information was given by Minister of State for Road Transport and Highways and Shipping Shri Pon. Radhakrishnan in a written reply to a question in the Lok Sabha today.

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