

Most Immediate

No. NH-37012/09/2009-H
Government of India
Ministry of Road Transport & Highways
(Highways Section)

1, Sansad Marg, Parivahan Bhavan,
New Delhi, dated the 16th June, 2014.

Circular

Subject: Appraisal of PPP projects-standardize the formulation and appraisal parameters -reg.

In supersession to this Ministry's O.M No. NH-37017/1/2010-H dated 19th January, 2010 and with a view to standardize the assumptions for the Appraisal of the PPP Projects on a common platform for estimating VGF/Revenue Share based on common parameters, it has been decided to suggest the assumptions as give below for assessing the reasonableness of bids more objectively.

SI. No	Parameters	Suggested Assumptions
1	Total Project Cost	(a) Civil Construction Cost (<i>As per Feasibility Report escalated by 5% compounding per year upto the start of construction.</i>) (b) Contingency @ 1% of (a) (c) EPC Cost = (a) + (b) (d) IC/Pre Operative expenses @ 1% of (c) (e) Financing Charges (f) Escalation in EPC during construction (<i>compounded 5% every year on balance EPC at the start of an FY</i>) (g) Interest during construction (IDC) Total Project Cost= (c) + (d) +(e) + (f) + (g)
2	Construction period	As per Feasibility Report.
3	Debt Equity Ratio	70:30
4	Interest Rate on Debt	(a) Base Rate + 2.5% for BOT(Toll) (b) Base Rate + 2.0% for BOT(Annuity)
5	Financing Charges	Civil Cost upto Rs 500 Crore 2.0% of Debt Civil Cost between Rs 500 Crore to Rs 1000 Crores 1.5% of Debt Civil Cost > Rs 1000 Crore 1.0% of Debt
6	Rate of Inflation	5% Per Annum
7	Growth Rate in Traffic	5% Per Annum
8	Growth Rate in Toll Rates	As per Toll Rules 2008 and subsequent modifications
9	Income Tax Rate	As per IT Act
10	MAT Rate	As per IT Act
11	Tax Holiday	As per IT Act

12	Depreciation Rate	SLM	
13	Loan Repayment Period	Door to Door loan tenure	13 years
		Moratorium	Construction Period + 6 Months
		Loan Repayment	Balance Period
15	Return on Equity	15%	
16	Discount Rate for NPV	12%	
17	Likely VGF Requirement/ Premium Payment	To be recommended on the basis of above parameters.	

2. If the PPPAC approves the Total Project Cost (TPC) of any project and there is a gap > 1 year in PPPAC approval & Bid Invitation Date then PPPAC approved TPC may be revised w.r.t. escalation in civil construction cost @ 5% compounded annually. Further, if there is any revision in MAT Rate, Corporate Tax Rate and/or SBI PLR in between PPPAC approval and Bid Invitation Date, the TPC may be revised accordingly. For the avoidance of doubt, it is clarified that no change shall be made in TPC for any revision w.r.t. escalation in civil construction cost that has occurred within one year of PPPAC approval and no change shall be made in TPC for any revision whatsoever after the Bid Invitation Date.

3. NHAI and DG(Roads) and SS may use the above assumptions for Financial Analysis to be carried out by their appointed consultant for the highway projects. In case of any departure from these norms, they may justify such modifications giving reasons in respect of any assumptions and take appropriate approvals.

4 This issues with the approval of Competent Authority.



(S.K.Jha)

Under Secretary to the Government of India

Telephone No.23353141

To

- i. The Chairman, National Highways Authority of India, G 5 & 6, Section-10, Dwarka, New Delhi.
- ii. DG(RD) & SS, Ministry of Road Transport & Highways, New Delhi
- iii. CE(NHDP-IVA), MoRTH, New Delhi

Meeting of the Inter- Ministerial Group (IMG) for shifting of mode of delivery from BOT (Toll) to EPC mode under NHDP Phase-III & IV chaired by Secretary (RT&H) on 17.02.2014 at 02.00 PM.

List of Participants

1. Ministry of Road Transport & Highways

I	Shri Vijay Chhibber	Secretary, M/o RT&H In Chair
II	Shri Alkesh Sharma	JS (LA&P)
III	Shri A.K. Nagpal	CE (NHDP-IV)
IV	Shri Rohit Kumar	Dir (F)
V	Shri N.K.Sharma	Dir (Toll & Coord.)
VI	Shri S.K.Singh	SE (NHDP-IV)
VII	Shri Atul Kumar	SE (NHDP-IVA)

2. Ministry of Finance

I	Ms. Meena Agarwal	OSD (PPD)
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3. Planning Commission

I	Shri Praveen Mahto	Director (Plg.)
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4. Ministry of Law & Justice

I	Shri Mahesh Tyagi	DLA
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5. National Highways Authority of India

I	Shri B.N.Singh	Member (P)
II	Shri S.C.Jindal	CGM (T)
III	Shri V. Uthaya Kumar	DGM (T)
