

**No. H-24031/07/2014-P&P**  
Government of India  
Ministry of Road Transport & Highways  
(Highways Section)

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1, Sansad Marg, Transport Bhavan,  
New Delhi, dated 17<sup>th</sup> August, 2016

**Circular**

**SUBJECT: AUTHORIZING NATIONAL HIGHWAYS AUTHORITY OF INDIA (NHAI) FOR MONETIZATION OF PUBLIC FUNDED, OPERATIONAL NATIONAL HIGHWAY PROJECTS-reg.**

The Competent Authority approved the above mentioned proposal of this Ministry on **03<sup>rd</sup> August, 2016 (Case No. 65/CCEA/2016)**. National Highways Authority of India (NHAI) is authorized to monetize public funded NH projects which are operational and are collecting toll for at least two years after the COD through the Toll Operate Transfer (ToT) Model subject to, approval of the Competent Authority in MoRTH/NHAI on a case to case basis.

2. In TOT Model, the right of collection and appropriation of Fees for selected operational National Highway (NH) projects constructed through public funding shall be assigned for a pre-determined concession period to concessionaires (developers/investors) against upfront payment of a lump-sum amount to NHAI. Such assignment of rights shall be based on toll revenue potential of the identified NH projects. Operation & Maintenance (O&M) obligations of such projects shall be with the concessionaire till the completion of concession period. The concessionaires for such projects shall be appointed through open, transparent and competitive bidding process within the ambit of a pre-defined and approved implementation framework.

3. Salient features of the Model are as follows:-

I. **Applicability** – the Model is applicable to completed EPC (Lump Sum and /Item Rate) and BOT (Annuity) highway projects subject to adequate toll revenue potential. The Target Projects are Brownfield assets which are intended to be monetized by transferring to private/institutional investors with long term investment perspective.

II. **Eligible Projects** - The projects should have completed at least 2 years from COD. These assets should demonstrate stability in traffic numbers post COD.

III. **E-Tolling and weigh-in motion:** It would be mandatory for the concessionaire to implement e-Tolling and weigh-in motion [WIM] facilities at such stretches, if not implemented already.

IV. **Key bid modalities**

a. The procurement to be carried out on e-tendering platform shall involve a Single Stage 2 Envelope Process.



- b. NHAI shall share the year wise distribution of the **Initial Estimated Concession Value** of Authority as a part of the Request for Proposal (RFP) document and the Total Project Cost (TPC) at which the project achieved Commencement of Operations (COD). **Initial Estimated Concession Value** shall mean the discounted value (discounted at rate of three percent above Bank Rate) of the Free Cash flow expected to be generated by the Project Road from the valuation date until end of concession period of 30 years **as estimated by NHAI**.
- c. Due Diligence Period of 3 months shall be given to bidders for Survey, Investigation with due facilitation from the Authority (Creation of Data Rooms, As-Built-Drawings, Pavement Design, Structures, Traffic History etc will be provided).
- d. **Bid Parameter** – the **Bid Concession Fee** payable by the concessionaire to NHAI shall be the bid parameter. The **Bid Concession Fee** would be the summation of Net Present Value (NPV) of Free Cash Flows as estimated by the concessionaire during the entire Concession Period at the concessionaire's own Discount Rate.
- e. **Pre – qualification criteria for bidders** – it shall be based on Technical Capability relevant to O&M of highway projects as well as Financial capability either individually or through consortium route.
- f. **Bid Security** - the Bid Security shall be 5% of the Initial Estimated Concession Value of Authority.

#### V. Project Appraisal and Approval

- a. Projects to be undertaken in the TOT Model are to be treated as PPP projects. Therefore, the appraisal & approval mechanism for projects under the Model shall be same as the notified procedure for PPP projects.
- b. Project Appraisal shall include adequate due diligence on the following aspects:
  - i. Physical Condition of the highway stretch under consideration
  - ii. Existing levels of toll revenue collection including historical data
  - iii. General assessment of the economic activity in the project influence area. Since such monetization of projects shall be done at least 2 years from COD, traffic on such project stretches would stabilize by that time.

#### VI. Bundling of Projects

- a. Bundling of projects may be undertaken on a case to case basis for implementing projects under the Model. This would enable the concessionaire to achieve economies of scale, synergy in operations and achieve an appropriate investment size. Based on market inputs, such bundling of projects could be done considering the following:-
  - i. Geographical proximity of the NH stretches
  - ii. Ensuring minimum investment size of US \$ 100-150 million (Rs 650 – 975 crores)
  - iii. Adequate toll revenue potential for the bundle as a whole
- b. In case of such bundled assets, there shall be a common RFP process. However, there shall be separate Concession Agreements for each of the bundled assets. In case of default of the

concessionaire in one of the projects within a bundle, the concessionaire shall not be unduly penalized for the remaining projects in the bundle.


**VII. Utilization of proceeds from proposed monetization:** The proceeds will go to the Consolidated Fund of India, and be ring-fenced for utilization by NHAI via a mechanism similar to the toll plough back.

4. Procedure to be followed for award of project on ToT Model:

- i. NHAI shall identify projects for potential monetization using the TOT Model as per applicability prescribed at para 3(I) & 3(II) above.
- ii. Projects shall be taken up either individually or in bundles on a case to case basis.
- iii. Appraisal and Approval of Competent Authority shall be taken as per prevailing delegation of powers issued by Ministry of Finance.
- iv. The project concessionaire shall be selected through an open, transparent and competitive bid mechanism.

5. Model Concession Agreement (MCA) and Request for Proposal (RFP) documents shall be provided after due approval of the Competent Authority.

6. This has the approval of Competent Authority.

  
(Debjani Chakrabarti)  
Director  
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To

- i. CEO, NITI Aayog, Yojana Bhawan, New Delhi
- ii. Secretary, Department of Economic Affairs, Ministry of Finance, North Block, New Delhi
- iii. Secretary, Department of Expenditure, Ministry of Finance, North Block, New Delhi
- iv. Chairman, NHAI
- v. AS&FA, MoRTH
- vi. DG(RD) & SS, MoRTH
- vii. MD, NHIDCL
- viii. All ADGs/Co-ordinators/CEs in MoRTH
- ix. SE(PPP)- I & II/US(P&P)
- x. NIC Cell for uploading the circular on Ministry's website.

**Copy to:-** Cabinet Secretariat {Shri S.G.P.Verghese, Director (Cabinet)}, Rashtrapati Bhavan, New Delhi with reference to Cabinet Secretariat's communication No.CCEA/22/2016(i) dated 08.08.2016.

**Copy also to:** PS to Hon'ble Minister (RT&H), M/o RT&H/PS to Hon'ble MoS (RT&H)-PR/PS to Hon'ble MoS (RT&H)-MM/PPS to Secretary (RT&H)/PPS to JS(H).