

**Government of India**  
**Ministry of Road Transport & Highways**

Transport Bhawan,  
1 Parliament Street,  
New Delhi 110 001

No.NH-37017/1/2010-H

Dated: 19<sup>th</sup> January, 2010.

**OFFICE MEMORANDUM**

**Sub:- Appraisal of PPP projects - standardise the formulation and appraisal parameters.**

I am directed to convey that Planning commission has taken objections to making projections in the PPP projects for National Highways, based on varying parameters, such as IRR/RoE, as noticed by them during the course of appraisal of PPP projects sent by Ministry of Road Transport & Highways. This makes it difficult for the Planning Commission to appraise projects and it also becomes difficult to take a view on the reasonableness of the bids with reference to these varying parameters.

2. With a view to standardise the assumptions for the appraisal of the PPP projects on a common platform for estimating the VGF/Revenue Share based on such common parameters, it has been decided to suggest the assumptions as given below. This would also help in assessing the reasonableness of the bids more objectively. The assumptions suggested are:

S.No.	Parameters	Suggested assumptions
1	Total Project cost	(a) Civil construction cost (b) Financing cost @ 25% of (a) above (as per MCA) (c) Total project cost = (a) + (b)
2	Construction period	2 years (+/- 6 months)
3	Debt Equity Ratio	70 : 30
4	Interest rate on debt	SBI PLR (present PLR 11.75%)
5	Rate of Inflation	5% per annum.
6	Growth rate in Traffic	5% per annum
7	Growth rate in toll rates	As per Toll Rules, 2008
8	Income tax rate	As per IT Act
9	MAT rate	As per IT Act
10	Tax holiday	As per IT Act
11	Depreciation rate	SLM
12	Loan repayment period	80% of the concession period
13	Moratorium	2-3 years
14	Return on Equity	15%
15	Discount rate for NPV	12%
16	Likely VGF requirement/premium payment	To be recommended on the basis of above parameters.

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4. NHAI and DG (Roads) and SS may use the suggested assumptions for financial analyses to be carried out by their appointed consultants for the Highway Projects. In case of any departure from these norms, they may justify such modifications giving reasons in respect of any of these assumptions.

5. This issues with the approval of the competent authority.

*Puneet Kumar*  
(Puneet Kumar)  
Director (H)  
Tel : 23710211  
19/01/2010

*CTC*

1. The Chairman, National Highways Authority of India, G 5&6, Sector-10, Dwarka, New Delhi.

DG(RD) & SS, Ministry of RT&H, Transport Bhawan, New Delhi.

CE(NHDP-IV), M/o R.T. & H, Transport Bhawan, New Delhi

*On 19/1/10*

*Issued R*  
*19/01/2010*