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What does it take for road projects?

*Strengthening Private Sector Participation and
Investment in Physical Infrastructure
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Anupam Rastogi

Infrastructure Development Finance Company Limited

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Annuity based road project

- BOT Concession - 17.5 years
2.5 years for building, 15 years for operation
- Composite contract
- Return to investor - 30 equal semi-annual payments
- Payment commences after completion
- Appointment of independent engineer

- Two stage bidding
 - Assessment of technical experience and financial capability
 - Financial proposal
 - ❖ Simple evaluation criteria - annuity quote of the bidder

- Private sector financial model
 - Estimates of capital costs
 - Operating costs
 - Periodic maintenance expenses
 - Cost of debt finances
- Public sector financial model
 - Public sector benchmarks - under conventional approach
 - Calculate equivalent annuity for NHAI using DCF analysis

- Panagarh-Palsit - 4 laning, 65 Kms
- 8 bidders including 6 international
- 6 qualified but only 3 submitted the bid
- First round quote were high as bidders did not understand risk mitigations

Bidding Experience (cont..)

- Second phase:
 - 3 new projects (200 kms), aggressive bidding, given only 2 to one developer
- Third phase
 - 3 more new projects (200 kms), avg of all quote received was low
- Fourth phase
 - Intensive competition, 2 projects, both awarded

What was achieved?

■ In 24 months

- Framework ready
- Transparent bidding process
- All projects currently operational
- All got completed before their scheduled completion date



- Initial projects provided key inputs to develop output based specification for the second phase
- Improved the financial model
- Further savings for the NHAI

Thank you