



**F.No. RW/NH-37013/05/2012/PPP**  
**GOVERNMENT OF INDIA**  
**MINISTRY OF ROAD TRANSPORT & HIGHWAYS**  
 Transport Bhawan, 1, Parliament Street, New Delhi-110 001

Date : April 25, 2013

**OFFICE MEMORANDUM**

**Subject: Guidelines for calculating Capital Cost for the Highway Projects being undertaken on Operation, Maintenance and Transfer (OMT) basis.**

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This Ministry had issued an Office Memorandum dated 24.01.2013 bearing F. NO. RW/NH-37013/05/2012/PPP on the subject of "Guidelines for calculating Capital Cost for Road Project". On the basis of the input received from NHAI and the Department of Economic Affairs, Ministry of Finance, the following modified formulation are being issued for calculation of Capital Cost for the Highway Projects being undertaken on Operation, Maintenance and Transfer (OMT) basis to bring about clarity and uniformity.

**2. Calculation of Capital Cost and Cost recovery for OMT Projects**

**A. The components to be included in the capital cost:**

A-1. Capital cost of project including Interest During Construction (IDC) – For projects commissioned on EPC basis, the Project Cost shall be the actual payment made to the Contractor for completion of the defined scope of work. For projects funded from loans from multilateral sources i.e. World Bank, ADB or JICA, the EPC cost and actual interest paid during construction shall be considered for determining the Capital Cost. In the event a project is awarded on OMT basis with incomplete stretches, estimated Capital Cost (including IDC) for completion of the stretch will be considered for the purpose of Cost of the said OMT project.

A-2 The cost of pre-construction activities comprising of

- i) Cost of land acquired for last upgradation of the project.
- ii) Rehabilitation and resettlement cost actually incurred for the project.
- iii) Cost of shifting of utilities and cutting the trees actually incurred for the project.
- iv) Cost of compensatory afforestation, if done as part of the project.

A-3 Major maintenance costs which will include the maintenance work carried out to enhance the durability of the highways (routine repair & maintenance will be considered as recurring expenses and will be considered as part of operating cost of the project in a year and shall not be included in the Capital Cost).

(NOTE: Cost of Major Maintenance undertaken as part of an OMT project will not be considered while estimating the Capital Cost of the Project)

**The Capital Cost shall not be escalated.**

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**B. Estimation of Recoveries**

B-1 The revenue collected on the projects (tolling contracts or OMT project) shall be discounted @12% to arrive at their Net Present Value (NPV).

B-2 The NPVs shall be calculated as on the Scheduled Effective Date/date of COD of the OMT Project.

B-3 The NPV shall be calculated with reference to the Effective Date of the contract in respect of Tolling Contracts.

**C. Determination of Date of Full Recovery**

C-1 The balance sheet of each project will be prepared as per the guidelines mentioned above. The reduction in fee as per schedule 6(b) i.e. 40% of the existing fee will be applicable from the date of recovery of capital cost.

C-2 If the augmentation is done before the full recovery of the capital cost, new capital cost would be calculated with reference to completion of the augmentation by adding unrecovered part of the original capital cost (without escalating upto the date of augmentation) and the cost of augmentation.

This issues with the approval of Hon'ble Minister (RT&H).



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3. The Director General Border Roads, Seema Sadak Bhawan, Delhi Cantt, New Delhi
4. The Secretary General, Indian Roads Congress, New Delhi
5. The Director, Indian Academy of Highway Engineers, Noida.

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