

No. NH-24028/14/2014-H (Vol-II)
Government of India
Ministry of Road Transport & Highways
(Highways Section)

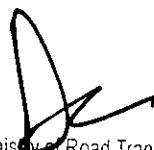
1, Sansad Marg, Transport Bhavan,
New Delhi, dated 09th February, 2016

Circular

SUBJECT: HYBRID ANNUITY MODEL FOR IMPLEMENTING HIGHWAY PROJECTS-reg.

The Competent Authority considered the above mentioned proposal of this Ministry on 27th January, 2016 (Case No. 5/CCEA/2016). Now, National Highway Projects are also to be implemented on the Hybrid Annuity Model as one of the modes of delivery. This model is a variant of PPP and may be adopted for projects not viable on BOT (Toll) mode.

2. Salient features of the Model are as follows:-
- i. The project concessionaire shall be selected through an open, transparent and competitive bid mechanism.
 - ii. **Bid Parameter – Life Cycle Cost** (Net Present Value (NPV) of the quoted Bid Project Cost + NPV of the O&M Cost for the entire Operations period) shall be the bid parameter.
 - iii. **Cash Construction Support of 40% of Bid Project Cost** shall be payable to the concessionaire by the Authority in five equal instalments linked to project completion milestones.
 - iv. **Concessionaire shall have to initially bear the balance 60% of the project cost** through a combination of equity and debt and construct the project highway.
 - v. **Semi-annual annuity payments** shall be made to the concessionaire by the Authority on completion of the project for the balance 60 % of the project cost. The annuity payments have been aligned with typical revenue

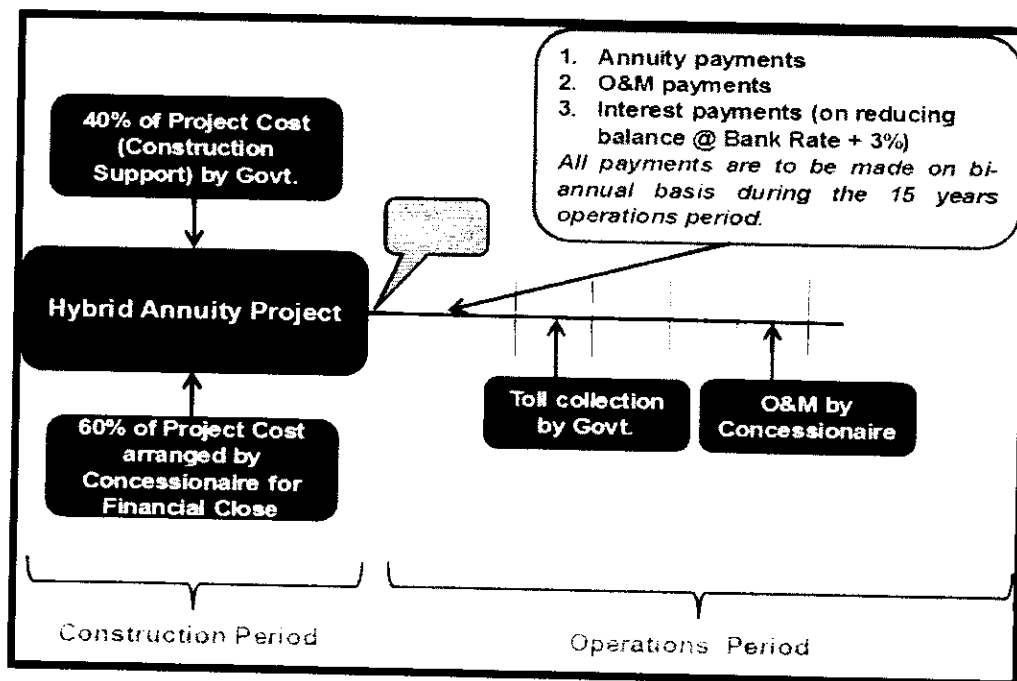

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profile for highway projects. Along with the annuity payments, interest shall be paid on reducing balance of cost. Interest Rate for the same shall be **Bank Rate +3.00%**.

- vi. Project costs shall be inflation indexed (through a **Price Index Multiple**), which is the weighted average of Wholesale Price Index (WPI) & Consumer Price Index for Industrial Workers (CPI) (IW) in the ratio of 70:30.
- vii. Concessionaire shall remain **responsible for the maintenance of the project** till the end of the concession period.
- viii. **Toll collection** shall be the responsibility of the Authority.
- ix. **O&M payments shall be made** to the concessionaire by the Authority, in accordance with the amount quoted which will be inflation indexed .
- x. Concession Period shall comprise **construction period, which shall be project specific and fixed operations period of 15 years.**
- xi. The appraisal & approval mechanism for projects under the Hybrid Annuity Model shall be the same as the existing procedure for highways projects in PPP mode.

For example, a project with a cost of Rs 1000 crores taken up through the above model would have the following basic parameters:

- i. Project Cost – Rs 1000 crores
 - ii. Construction Support by Authority - Rs 400 crores
 - iii. Balance Project Cost required to be funded by the concessionaire – Rs 600 crores
 - iv. Debt and Equity requirement (assuming a 70:30 Debt: Equity ratio)
 - a. Equity required – Rs 180 crores (as against Rs 300 crores under the conventional BOT(Toll) mode)
 - b. Debt required –Rs 420 crores (as against Rs 700 crores under the conventional BOT(Toll) mode)
3. The following block-diagram provides an overview of the Model.



4. The project implementing Authority shall source the expenditure requirements— for the construction period to the tune of 40% of the project cost and also for the operations periods for the annuity payments from the resource available with them including (a) the budgetary allocation; and (b) market borrowings as permitted by Ministry of Finance.

5. It is clarified that BOT (Toll) mode still remains the default and the preferred mode of delivery for national highway projects.

6. Revised RFP/MCA for the Hybrid Annuity Model is enclosed and also uploaded on the Ministry website.

7. This has the approval of Competent Authority.

DC
9/2/16

(Debjani Chakrabarti)
Deputy Secretary to the Government of India
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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

Ministry of Economic Affairs, Government of India
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- iii. Secretary, Department of Expenditure, Ministry of Finance, North Block, New Delhi
- iv. Chairman, NHA
- 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)

Copy to:- Cabinet Secretariat {Shri S.G.P.Verghese, Director (Cabinet)}, Rashtrapati Bhavan, New Delhi with reference to Cabinet Secretariat's communication No.CCEA/03/2016(i) dated 28.01.2016.

Copy also to: PS to Hon'ble Minister (RT&H), M/o RT&H/PS to Hon'ble MOS M/o RT&H/PPS to Secretary (RT&H)/PPS to JS(H)