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NHAI to Offer Risk Cover to Wood Investors for Toll Roads' Auction

Roads ministry expects to raise ₹70,000 crore by leasing out over 100 NH projects to investors

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New Delhi: Foreign funds willing to invest in government owned operational national highways need not worry about loss of traffic and other unforeseen risks like engineering faults associated with projects, because National Highways Authority of India (NHAI) has agreed to provide a risk cover to such investors.

The government had recently authorised NHAI to monetise operational public-funded national highways that are collecting tolls by leasing out them to investors for 25 years against an upfront payment through auctions.

Roads ministry expects to raise close to ₹70,000 crore by leasing out over 100 national highway projects to investors who'll then be responsible for collection of toll and the operation and management of the stretch, through a toll operate transfer (TOT) model.

In a recent meeting with the government, potential investors had flagged the huge financial risk associated with the possibility of structural design faults, sub-standard quality of construction and loss of



On a High!

GOVT RECENTLY authorised NHAI to monetise operational public-funded NHs collecting tolls

ALLOWED NHAI to lease out for 25 years against an upfront payment via auctions

INVESTORS TO COLLECT toll and operate & manage NHs through TOT model



POTENTIAL investors had flagged the huge financial risks involved & wanted them covered

NHAI ALSO proposing a third party engineering audit of projects before the bidding

ROADS MINISTRY expects to raise ₹70,000 cr by leasing out over 100 NHs

TOTAL SUPPORT

If there's a loss in toll collection or a big structural damage due to an engineering issue, NHAI would provide cover

RAGHAV CHANDRA
Chairman, NHAI

traffic, and said they would invest only if these risks were covered.

"A pension fund or its operation management agency cannot run after NHAI or roads ministry officials to provide compensation for any big structural damage or loss in toll revenue. The government needs to cover all this risk in the model concession agreement," a senior executive of an international pension fund told ET.

NHAI has started the work on mentioning all these risks and who

will underwrite the liability in the master concession agreement (MCA) for TOT deals.

"Suppose there's a loss in toll collection or a big structural damage due to some engineering problem, NHAI would provide the cover for it. We are building enough safeguards in the system so that investor confidence remains intact," NHAI chairman Raghav Chandra told ET. NHAI is also proposing a third party engineering audit of the projects before they are bid out.

Chandra said the bidding process for leasing out projects would start soon. "Till now we were addressing the concerns flagged by the investors. We are including everything in the MCA so that there's nothing that remains in doubt for the future. Now, we'll start the process of bidding," he said.

Several international pension funds including CDPQ, Brookfield, Ontario Teachers and Al Dhabi Investment Authority have evinced interest in investing in the government's drive to monetise road assets to fund new roads.

NHAI plans to bundle various projects for investors based on regional proximity, and the entire portfolio would be bid out.