

Amid a funding squeeze, NHAI seeks bids for fourth bundle of road assets

The nodal agency has set a concession value of ₹4,170 cr for the seven road assets totalling around 401km

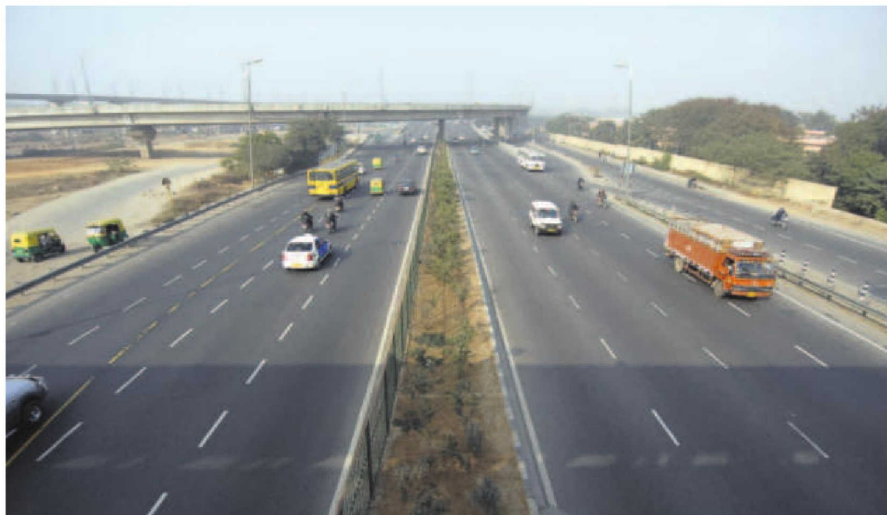
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The National Highways Authority of India (NHAI) has invited bids for its fourth bundle of road assets to be auctioned under the toll-operate-transfer (TOT) model, as it looks to meet divestment targets and raise funds for new projects.

This despite the fact that the third round, which has a base price of ₹4,995 crore, is yet to close. In fact, the NHAI has deferred the deadline to submit bids twice—from mid-September to 31 October—following investors' requests for more time.

In a public notification released late on Wednesday night, NHAI, which is the nodal agency of the ministry of road transport and highways, has set an initial estimated concession value of ₹4,170 crore for the bundle. Bidding is expected to close by January 2020. Under the TOT model, long-term concessions for collecting toll revenues are auctioned to the highest bidder.

The fourth bundle has seven stretches totaling around 401km spread across five states. In terms of revenue (toll collection) concentration, a single stretch (Pimpalgaon-Nashik-Gonde also referred as PNG) accounts for around 35% of total collections, while the top two of the seven stretches account for around 55%. As per an Icrs note



The fourth bundle of roads is spread across five states.

PRADEEP GAUR/MINT

released on Thursday: "PNG could be the Achilles' heel for fourth TOT bundle, given PNG's chequered history of political agitations disrupting toll collections, which consequently resulted in termination of concession agreement by the earlier BOT concessionaire."

Rajeshwar Burla, vice-president and associate head, corporate ratings, Icrs, said: "The ratio of initial estimated concession value (IECV/NHAI's expectation) to previous year's toll collection is in the range of 13.2-13.4 times for third

and fourth bundles when compared to 17.9 times for second bundle indicating significant moderation in NHAI's expectation for the third and fourth TOT bundles

Icrs said in its note that NHAI hopes to raise ₹34,000 crore through TOT monetization over FY19-FY22, and ₹1.06 trillion through private sector participa-

tion, thereby necessitating dependence on other funding avenues. "In this context, success of the TOT will be critical to plug the shortfall in budgetary allocations."

The median toll collection track record is low at 4.5 years for the fourth bundle when compared to 7 years for the third bundle, Icrs added. For the first and second TOT bundles the median toll collection track record was 10.89 years and 6.65 years, respectively, giving investors more confidence.

"Because the second round was cancelled, the gap since the first auction (February 2018) has grown," a senior executive at an infrastructure PE firm said, requesting anonymity. "The NHAI is keen to wrap up the next few rounds quickly and is under pressure to raise money. The pace at which it has been awarding roads has slowed down this year and payments are pending to its EPC contractors."

NHAI has so far conducted three TOT auctions, with varying degrees of success. The first round in February 2018 was a success, where Australia's Macquarie, the winning bidder, offered ₹9,691 crore, as against the reserve price of ₹6,258 crore for 700km of highways. However, NHAI cancelled the second bundle spread over 584km across four states as the bids were far below expectation.

CHEQUERED HISTORY

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THE first round in February 2018 was a success, with Macquarie placing the winning bid

THE second round, however, was cancelled by NHAI as the bids were far below expectations

NHAI has already twice deferred the deadline to submit bids for the third round

which could attract investors. As far as success of fourth bundle is concerned, a lot would depend on how investors view PNG."

tion. Burla said although the NHAI's borrowing programme is on track, the budgetary allocation in the last two budgets was lower



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