

**Atmanirbhar Bharat :  
Relief a positive for  
contractors & developers,  
implementation key to  
success**

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The lockdown owing to Covid-19 pandemic resulted in stoppage of work at various construction sites. Though the lockdown is being lifted now in various zones as part of phase I of the 'unlockdown', the impact of the labour movement due to the lockdown and also supply chain disruptions will continue to impact construction activities for some more months to come. The slowdown in the work has led to government making some relief announcements for the contractors as part of the Atmanirbhar Bharat financial package announcements.

**Key announcements:**

A. In the first tranche of economic package announced on May 13, 2020, the Government of India announced certain relief measures for the contractors.

B. Subsequently, MoRTH vide its press release-Atmanirbhar Bharat Relief for the contractors/developers of road sector dated June 3, 2020, announced certain relaxations for contractors/ developers of National Highway (NH) works .

The announcements are broadly as under:

**1. Liquidity Related:**

- Retention money to be released (for contractors)/ performance guarantee to be released (for HAM/BOT concessionaires) on proportionate basis for the work already executed
- Further retention money on bills from the period from 03 months to upto 06 months may not be deducted from the bills raised by the contractor.
- Relaxation in contract terms (specifically, Schedule H, providing proportionate payments for different stages of construction of the project), wherein condition has been relaxed to enable payments at monthly intervals.
- Waiver of penalty for delay in submission of performance guaranty for new contracts entered into during March 2020 to September 2020.
- Direct payment to the approved sub-contractors by the Department Authorities for the works done.

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## 2. Extension of time (EoT):

- Extension of time (EoT) to contractors/concessionaires for meeting their obligations under the contract for 03 months to upto 06 months depending on site conditions.
- With respect to developers of HAM/ BOT projects, the concession period of contracts to be extended by 03 months to upto 06 months with respect to under construction projects. Additionally, concession period to be also extended for operating projects by a period till the time daily collection is below 90% of the average daily fees to compensate the loss in collection in user fee.

### Positive Impact for the contractors / developers

- The timing of this announcement is apt considering the efforts of the contractors/ developers to mobilise the sites post lifting of the lockdown and meeting of performance milestones that would have taken additional time subsequent to mobilisation of sites.
- The relaxation in payment terms from milestone basis to monthly intervals is likely to address the liquidity constraints immediately as the contractors will be able to raise invoices on monthly basis and realise the payments, thus improving the cash flow situation. Besides, the release of proportionate performance guarantee will free up the non-fund based lines which can be used for other projects or for fresh bidding. This is a breather for the contractors who are facing difficulties in getting enhancements in non-fund based limits from lenders. This would also lead to release of corresponding margin money and some savings in the finance costs of the contractors. Direct payments to sub-contractors would render liquidity at the hands of sub-contractors thereby helping them in increasing the pace of work.
- Blanket extension of time (EoT) for contracts and concession periods relieves the contractors of the time commitment it would have taken in obtaining such EoTs as well as bringing about a transparency in the entire value chain regarding waiver of penalties or liquidated damages etc. for delays in works on account of Covid-19.
- Further, there are announcements with respect to the relief to the developers (HAM/ BOT) as well, which will be another booster for the contractors, who are mostly holding companies of such operational/ under execution projects. This would lead to reduced dependence of SPVs on the parent's cash flows to that extent.

**In CARE Ratings' opinion, the aforesaid measures are likely to give a boost to the contractors/ developers. It will be, however, important to see the actual execution of these relief measures on the ground level.**