

Roads & Highways

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Cabinet approves amendments and modifications in the Toll-Operate-Transfer (TOT) model

The Cabinet Committee on Economic Affairs, chaired by The Prime Minister has given its approval to the amendments proposed in the Toll Operate Transfer (TOT) Model by National Highways Authority of India (NHAI).

- Public funded National Highway (NH) projects which are operational and have toll revenue generation history of one year after the Commercial Operations Date (COD) shall be monetized through the TOT Model. The monetization will be subject to approval of the Competent Authority in Ministry of Road Transport and Highways (MoRTH) / NHAI on a case to case basis.

Around 75 operational NH projects have been identified for potential monetization using the TOT Model, and bundled into 10 separate bids to attract economics of scale for the private sector. The corpus generated from proceeds of such project monetization shall be utilized by the Government to meet its fund requirements regarding future development and O&M of highways in the country. The Model would facilitate efficient toll realization through private sector.

Implementation Strategy and targets:

Prior to this amendment, the existing TOT Model authorized NHAI to monetize public funded NH projects, such as EPC/BOT (Annuity) projects, which are operational and have a proven toll collection history of at least two years. The approved TOT Model provides for a fixed 30-year concession period. The fund generated from proceeds of monetization are being utilized by the Government to meet its financing requirements regarding future development of NHs in the country, including their operation and maintenance.

NHAI has already monetized one bundle of projects under TOT Model, generating a revenue of Rs. 9681.50 crore for the government. However, the second bundle saw deviation in the market valuation of assets from NHAI's valuation. The third bundle of TOT has evinced interest and the Authority is expected to officially sign the concession agreement with the successful bidder. NHAI has conducted several rounds of discussions with the private sector to reduce uncertainty in the Model. The approved amendments in the model will allow more efficient asset monetization through TOT Mode.

The TOT Model allows NHAI to improve and ensure efficient management of operational NH projects and it also helps in mobilizing additional funds for development of NH projects.

Concluding Remarks

- The Cabinet Approval is in line with NHAIs efforts to maintain pace of completion of projects under its flagship highway development scheme “Bharatmala Pariyojana”. The move would help NHAI to raise more funds through asset recycling.

- This approval would ensure inclusion of wider set of assets for monetization by reducing minimum operational track record from two years to one year. Operational track record of one year is inadequate for future toll projections and Investors will have to rely upon their own traffic assessments rather than operational track record.
- However, decision to provide flexibility in concession period is expected to evince better interest from investors as shorter concession period would reduce refinancing risk and it is also easier to do traffic assessment for shorter concession period.

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