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Ministry's final push to rescue 14 highways

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New Delhi, 7 August

The Ministry of Road Transport and Highways, in a last-ditch attempt, has come up with another mechanism for saving the 14 remaining projects, though with riders.

The ministry may adopt a risk-and-cost approach or model by which the National Highways Authority of India (NHAI) will take over the highway projects where 60-70 per cent of construction work is complete.

It would then construct the project and recover some cost from the annuity and, being the road developer, the government would have the first right on annuity, an official in the know said.

The concessionaire will also pay a 20 per cent fine on the remaining (30-40 per cent) work to the NHAI.

"We would not like to call it a model (risk and cost), rather it is a drive to revive the remaining projects that are stuck due to some issue or the other," a senior road ministry official told *Business Standard*.

He said the 14 languishing projects would be dealt with case by case because they are delayed owing to disparate reasons.

These projects belong to Transtroy (India) Ltd (4), Madhucon Projects (3), IL&FS (1), Era Infra Engineering (3) and VIL Ltd (3).

Era Infra Engineering is under corporate insolvency. Queries sent to the remaining companies did not get a response.

Some experts say there should be punitive action against these companies. One industry expert said they should be blacklisted for two-three years or some other kind of punishment should be there.

In 2014, 163 of 982 National Highway projects across the country were delayed.

Road Transport Minister Nitin Gadkari had said the main reasons for delay were land acquisition and shifting utilities, contractual issues, arbitration, and environment and forest clearances.

The ministry said some highway projects were delayed over the issue of road over-bridges (ROBs) and road under-bridges (RUBs) with the Indian Railways. This was later sorted out by an agreement between the two ministries to build more ROBs and RUBs.

To expedite work on delayed projects the central government addressed major bottlenecks by bringing in the exit policy for equity investors and concessionaires, rescheduling premiums for stressed projects, mutual termination and cancelling awarded road projects and subsequent re-bidding, revamping the dispute resolution mechanism, etc.

"Earlier the banks were a bit queasy in funding the languishing projects but the government itself pushing for completing these projects is a better idea. Roads are a public utility and should be addressed on priority," former road secretary Vijay Chhibber said.

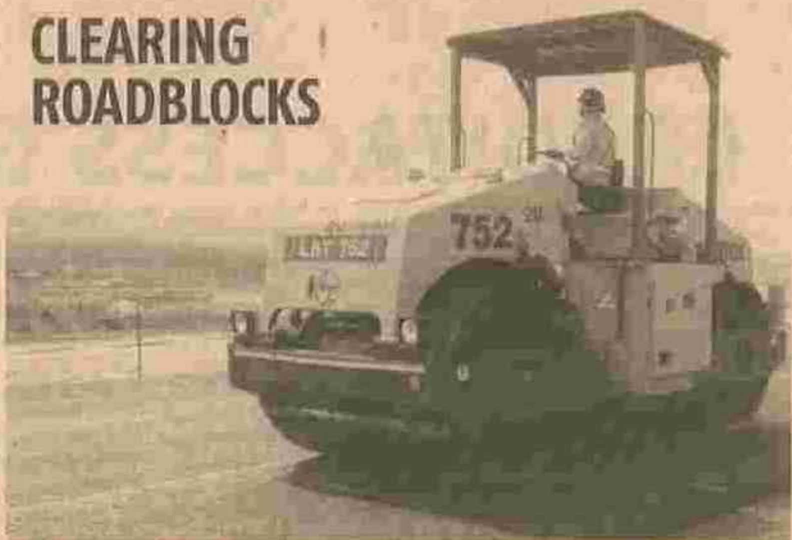
Last year, Gadkari had said the government would not shy away from terminating around 10 highway contracts that had turned "chronic" over land acquisition and environment clearance delays. They would then be put up for re-bidding.

The factors responsible were delays in clearances, lack of supporting infrastructure, law and order problems, delay in shifting utilities, pre-project activities, equipment supply, fund constraints and geological surprises. In 2016-17, the central government began re-bidding stalled projects flagged by banks as likely non-performing assets.

Some contracts were re-tendered by the government and the NHAI and global investors such as Macquarie, Brookfield and Cube Highways picked up stakes in 10 highway projects worth ₹41.50 billion.

The Cabinet in May 2015 approved a policy that allowed project concessionaires to divest 100 per cent equity two years after completing construction.

CLEARING ROADBLOCKS



- Macquarie, Brookfield & Cube Highways picked up equity in 10 national highway projects
- Private promoters had exited these projects
- Cabinet approved exit policy for developers in May 2015
- Exit policy allows developers to divest 100 per cent equity in projects two years after the completion of construction