

New BOT may still not be preferred mode for highways



STATUS CHECK (in km)

Year	Award	Execution
2014-15	3,067	1,500
2015-16	4,344	2,017
2016-17	4,337	2,562
2017-18	7,397	3,071
2018-19	2,222	3,320

Source: ICRA

MEGHA MANCHANDA
New Delhi, 9 February

The Union government's ambitious Bharatmala project would only see a minuscule contribution from the Build Operate Transfer (BOT) model projects as there are few takers for such projects.

To revive the BOT mode, the National Highways Authority of India (NHAI) recently came out with new set of guidelines — draft Model concessionaire agreement (MCA) — a move that may provide relief to the stuck projects.

“The MCA has tightened the norms for BOT but the bigger part of the equation is market risk. Healthy traffic forecast is the primary factor,” an official told Business Standard.

Experts feel the traffic and stretches will decide the future of BOT projects. The performance of the existing BOT projects in terms of traffic is average 22 per cent.

According to industry estimates, the contribution of BOT projects in the Bharatmala scheme would be 12 per cent. Hybrid-annuity and EPC (engineering, procurement and construction) projects would equally share the remaining share of projects.

To bring the focus back on BOT contracts, Highways Minister Nitin Gadkari had said the Centre would focus on those projects. However, the concessionaires or the construction firms were shying away from these models as they found these projects capital intensive and more risky.

The NHAI has introduced 'harmonious exit' clause in the new concession pacts for the BOT projects.

According to the draft MCA, the NHAI and the Concessionaire would agree that in case of any financial default, the lender or banks can invite, negotiate and procure offers, either by private negotiations or public auction or tenders for the take over and transfer of the project highway.

If the authority has any objection to the transfer of concession in favour of the nominated company in accordance with this agreement, it shall within 15 days from the date of proposal made by the lenders' representative give a reasoned order after hearing the representative, the draft said. If no objection is raised by NHAI, it shall be deemed to have been accepted.

The NHAI's latest available annual report, for FY18, shows the authority had 1,014 cases of arbitration — significantly higher from 125 in FY17 and 119 in FY16. The value of claims for FY18 was pegged at ₹55,344 crore, as against ₹42,074 crore in FY17 and ₹30,071 crore in FY16. The data for FY19 was not available.

Besides harmonious exit, the other major modifications proposed in the MCA are related to capping of liabilities of either party throughout the subsistence of the agreement, tightening of conditions precedent prior to declaration of appointed date, and amendment in dispute resolution mechanism.

They also include changes incorporated from the recent updates in model agreements in other modes of implementation such as Hybrid Annuity Mode (HAM) and engineering, procurement, and construction (EPC).

This move will ensure to draw a fine line of functional balance of public-private partnership for development of highway infrastructure.

MNS HOLDS PRO-CAA RALLY IN MUMBAI



Maharashtra Navnirman Sena (MNS) chief Raj Thackeray warned of a fitting reply to rallies against CAA and NRC, at a mega protest march against illegal Bangladeshi and Pakistani migrants in Mumbai on Sunday

PHOTO: KAMLESH PEDNEKAR

Varanasi among 20 best performing smart cities

PRESS TRUST OF INDIA
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With some of the 100 selected Smart Cities lagging behind, Prime Minister Narendra Modi's parliamentary constituency Varanasi will guide Amritsar and Ahmedabad will help Chandigarh in implementing projects under the mission.

The Union Housing and Urban Affairs Ministry has paired up 20 best performing cities with the 20 bottom cities and they will work as "sister cities".

Ahmedabad (1st rank), Nagpur, Tiruppur, Ranchi, Bhopal, Surat, Kanpur, Indore, Visakhapatnam, Vellore, Vadodara, Nashik, Agra, Varanasi, Davanagere, Kota, Pune, Udaipur, Dehradun and Amravati are the 20 best performing cities, according to internal rankings.

An official said that under the 20-20 formula, Ranchi and Pune will team up with Shimla and Dharamsala respectively, and share ideas



with them to improve their performance.

The ministry has issued an advisory for the same and asked the 20 best performing cities and the 20 bottom cities to sign an MoU before February 20.

According to the official, cities have been paired up with those from a similar region and culture.

He said that for instance, Varanasi, a holy city, has been paired up with another holy city Amritsar which

need to improve its performance under the mission.

Smart Cities Mission, launched in 2015, is aimed at ensuring all-round developments of a city which has advanced facilities for its citizens.

Visakhapatnam and Surat will help Diu and Sharanpur improve their performance respectively, while Bhopal will share its ideas with Mizoram's capital city Aizawl.

“The pair of sister cities will have to sign an MoU before February 20 to ensure expeditious execution of projects and report compliance to the Smart Cities Mission Directorate,” the official said.

“Sister cities” will undertake a 100-day challenge from the day of its announcement to enhance the ranks and performance of the bottom 20 cities.

Under the mission, 100 selected smart cities have identified 5151 projects worth ₹2,05,018 crore to be executed.