Q) Do you think that financing problems in highways construction sector is one of the major problems in construction of new projects? Comment.

At present 35% of National Highway Authority of India's (NHAI) annual expenditure goes in to construction of national highways, and 30% for land acquisition and 16% for grants of projects and 15% for debt servicing and remaining 4% in to payment of annuity

"NHAI Project Model divided in to three".

1) Build Operate and transfer model (BOT)

2) Engineering, Procurement and Construction model (EPC)

3) Hybrid Annuity Model (HAM)

Risks in each models (financial and other risks)

BOT

- government funding is low and contractors risk is high
- Contractor get returns from toll collection
- only Powerful (in financial means) got opportunity of bidding

EPC

- 100% government funded
- New ideas will get from ignited Private Players
- more financial risk to government

HAM

- Mix of both BOT + EPC
- 40% Project cost provided by government in 5 years, remaining 60% within 15 years
- Contractor need financial support from banks but bank has reluctance to support this project due to liquidity crisis

Learn from Bharatmala Project

Apart from a Infrastructural Project it has some Strategic importance, then government approach this Project with the new Mix BOT model, by this model Completion time is less and risk will be equally share among bidders.

Way forward

i) NHAI should changed to an asset management Company

ii) NHAI should have a clear blue Print about each Project with proper analysis of financial requirement from land acquisition to final Completion

iii) Develop a new model with less financial risk to government and Contractors with involvement of new technologies in Construction Sector.