

Pvt Firms Ready To Shell Out Negative Grants To Bag Projects

BOT bonanza: Cos pay NHAI to build roads

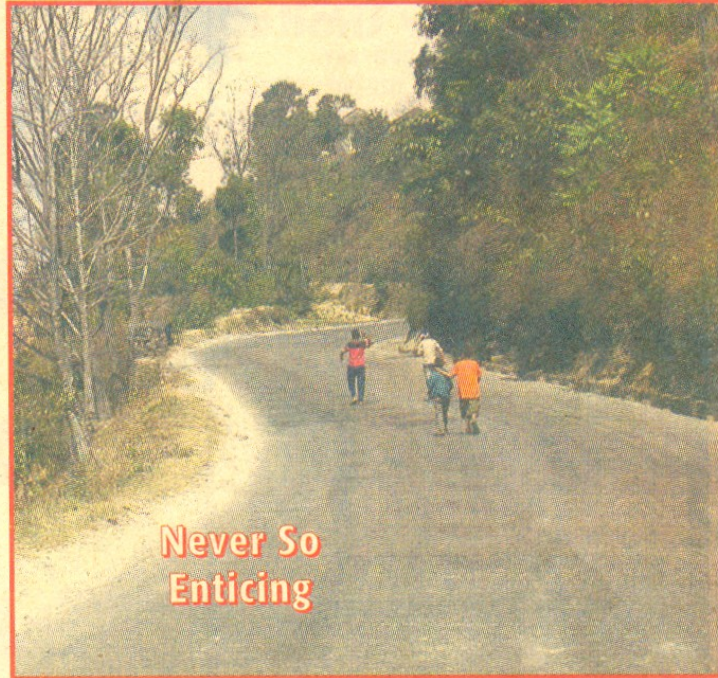
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NEW DELHI

BITUMEN, tar and concrete — prime ingredients for building roads and highways — are now the latest flavour of the private investment community. The growing interest in road infrastructure could well give the telecom sector a run for its money given the huge investments that have poured in and the competition amongst players to get a share of the pie.

Leading infrastructure companies like Larsen & Toubro (L&T), GMR, Soma Enterprise, IRCON and IVRCL are now vying with each other with offers to fork out huge investments to not only fund projects but also fund National Highways Authority of India (NHAI).

Unbelievable? Sample this. Private companies are now willing to pay up a grant to NHAI — negative grant, which is money paid to the government by private parties rather than vice-versa — to bag the project. This comes over and above the funds required to implement the road project. NHAI is estimated to have been assured of a negative grant of almost Rs 1000 crore on account of this new trend.

The public-private partnership (PPP) model adopted by the government allows 'viability gap' funding to construction companies to the tune of 40% of the project cost. However, construction majors are now funding the entire project in-



stead allowing part-funding by the government. And what's more, these companies are also willing to part-fund the NHAI through the concept of a negative grant.

NHAI is in the process of signing two build-operate-transfer (BOT) concession agreements for the Surat-Baruch section of Gujarat at a total cost of Rs 1,100 crore. Of which, it is expected to receive a negative grant of Rs 450 crore each from two concessionaires — IVRCL and L&T. NHAI is working as an autonomous body for development, maintenance and management of National Highways.

According to Mr Ankineedu Maganti, director, Soma Enterprise, "Negative grant largely depends on the economic viability of the project. As more

and more projects, which are economically viable, are being awarded on BOT basis, companies are offering negative grant to the government in order to outbid other players for a particular project where the toll will help them recover their costs in the long run. However, the government also provides positive grant (support) to projects which are economically unviable."

Soma-IRCON Consortium has bagged a Rs 556-crore project for upgrading 118 km of Dhule-Pimpalgaon section of Maharashtra. The project involves a negative grant of Rs 58 crore.

For NHAI, this trend of negative grants has come as a boon. It has already received more than Rs 600 crore from leading companies as negative grant.