



Government of India
Ministry of Shipping, Road Transport & Highways
Department of Road Transport & Highways

Transport Bhawan,
1, Parliament Street,
New Delhi - 110001

NO. RW/NH-32011/23/2007-PIC

Dated: 11th December, 2007

To

The Chairman,
National Highways Authority of India,
G- 5 & 6, Sector - 10, Dwarka,
New Delhi - 110075

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P/L
GM(MOII)

[Kind attention: Sh. A.V. Sinha, Member (T)]

Sub: Six laning of five stretches of NHs under NHDP Phase-V- Approval of Secy. (RT&H) to the changes approved in the MCA by PPPAC in its earlier meetings.

Sir,

Please refer to your letter no. NHAI/NHDP-V/MC-II/BOT/Concessionaire/177 dated 23rd August, 2007 requesting approval of Secretary (RT&H) on the following:

- (i) Bidding documents to be based on old toll policy with new toll figures as approved by COS of [para 2(xiii) of the minutes of the meeting of PPPAC of 11th May, 2007].
- (ii) Changes approved by PPPAC in its earlier meetings to be incorporated in the bidding document (para 11 of the minutes of the meeting of PPPAC of 4th June, 2007).

2. Regarding approval no. (i) above, it is inform that the Government has approved investment decision/ award of the following 4 sub-projects under NHDP Phase-V by NHAI Board by using old (existing) fee (toll) rates as per old (existing) fee (toll) rules.

No.	Section	NH No.	Length (km)
1	Gurgaon - Kotputli - Jaipur section in the State of Haryana/Rajasthan	8	225.60
2	Surat-Dahisar in the State of Gujarat/Maharashtra	8	239.00
3	Chilkaluripet - Vijayawada in the State of Andhra Pradesh	5	82.50
4	Panipat - Jalandhar in the State of Haryana / Punjab	1	291.00
Total			838.10


A.V. Sinha

Project Director:
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3. In respect of the project of six-laning of Chhannar section of NH-5, approval of Finance Minister has been sought for investment decision award of this work using old (existing) fee (toll) rates as per old (existing) fee (toll) rules. Approval from Finance Minister is awaited.

4. Regarding approval no. (ii) above it is to inform that the changes approved in the MCA (as brought out by NHAI in Annexure-I & II vide NHAI letter no. NHAI/NHDP-V/MC-II/525 dated 4th December, 2007) by PITAC in its earlier meetings have been approved by Secretary (RT&H).

Yours faithfully,



(R.K. Singh)

Superintending Engineer (PIC)

For Director General (Road Development) & SS

Telefax: 23739075



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BACKGROUND

Purpose of the Engagement

National Highways Authority of India ('NHAI') has appointed Ernst & Young Pvt. Ltd. ('E&Y') as financial consultants for six laning of the following 5 stretches of National Highways to be executed as BOT (Toll) projects on DBFO pattern under NHDP V.

No.	Project Stretches	NH No.
1.	Chennai - Tada	5
2.	Gurgaon - Kotputli - Jaipur	8
3.	Surat - Dahisar	8
4.	Chilkaluriupet - Vijaywada - Elluru - Rajamundri	5
5.	Panipat - Jalandhar	1

Scope of the Engagement

The scope of work under this engagement comprises assisting NHAI in the entire process leading to the award of BOT concessions for implementation of each of the above 5 stretches on DBFO pattern. The various stages at which E&Y shall assist NHAI are:

Stage I: Review of RFQ proposals of the bidders with the objective to identify bidders that meet the qualification criteria and who may participate in the RFP stage of bid process.

Stage II: Review of MCA, Financial appraisal and modeling of the projects, and estimation of positive or negative viability gap funding;

Stage III: Preparation and issue of complete RFP documents along with all the schedules to the concession agreement;

Stage IV: Assistance in pre-bid meeting and replies to the pre-bid queries;


Stage V: Assistance in evaluation of bids and issue of letter of acceptance;

Stage VI: Satisfaction of bid conditions before signing of the concession agreement;

Stage VII: Satisfaction of conditions precedent by the parties by the appointed date; and

Stage VIII: Review and examination of the financing documents and other agreements to be submitted by the concessionaire at the time of financial close.

In effectively fulfilling the above activities, E&Y shall depend on the inputs from the Technical and Legal Consultants appointed by NHAI.



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Statement of Limiting Conditions

- a) Nothing has come to our attention to cause us to believe that the facts and data set forth in this report are not correct.
- b) E&Y assumes no responsibility as to whether the entities who have submitted the bids have been barred to do so by NHAI. It is assumed that NHAI's acceptance of the bids received would tantamount to the entities being eligible to bid for the projects considered herein even if they had been previously barred to bid by NHAI.
- c) E&Y does not have a financial interest in the proposed project. Additionally, the fee for this report is not contingent upon the recommendations reported herein.
- d) This is only a report submitted to NHAI based on the Evaluation of the Price Proposal by the Evaluation Committee and is not a recommendation of a Legal, Accounting or Tax opinion by E&Y. Accordingly, no responsibility is assumed for matters of a technical, legal or tax nature.
- e) Neither E&Y nor any individual signing or associated with this report shall be required by reason of this report to give testimony or appear in court or other legal proceedings, unless specific arrangements therefore have been made.

Circulation of this Report

The report is confidential, being for the use of NHAI, to whom it is issued. In case this report is copied, disclosed or circulated, or referred to in correspondence or discussion with any person other than to whom it is issued, E&Y shall have no responsibility or liability to such other person. This report contains select information on a confidential basis.

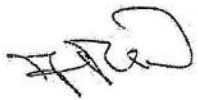
Contact Information


Questions and requests for additional information should be directed to any of the following officials of Ernst & Young:

Name	Telephone	Mobile	E-mail
Jayesh Desai	(91) 124 4644550	(91) 98110 75707	Jayesh.Desai@in.ey.com
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Background of the Engagement

In light of the change in project parameters like Project Length and Estimated Cost for 5 projects and non-finalisation of technical aspects for 3 projects, NHAI re-opened the RFQ process for the following 5 projects:

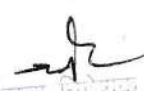
No.	Project Stretches	NH No.	Length (km)	Estimated Total Project Cost (Rs. Cr)
1.	Chennai-Tada	5	43.4	335.0
2.	Gurgaon-Kotputli- Jaipur	8	225.6	1517.0
3.	Surat-Dahisar	8	239.0	1355.0
4.	Chilikaluriupet – Vijaywada	5	82.5	540.0
5.	Panipat – Jalandhar	1	291.1	2198.0
	Total		881.6	5945.0

All existing and new Proposals for the above mentioned 5 Projects were subsequently evaluated by E&Y. Based on the findings of the RFQ Evaluation for the above 5 projects, NHAI had invited RFP Proposals in November 2007 from all Qualified Applicants who had purchased the RFP Documents. During this RFP process, NHAI received 26 proposals which were subsequently evaluated by E&Y and an RFP Evaluation Report was submitted. The Price Bid of all 26 bidders was opened on January 8, 2008. E&Y has not seen the Original Price Bids. The Price Bid was evaluated by an Evaluation Committee, set up by NHAI.

Objective of this Report

This Report provides an overview of the Price Bids received from the Bidders and the L1 Bidders for the five projects as per Clause 4.9.2 of RFP Volume I. Annexure A contains the details of the Price Proposals of the various Bidders. Annexure B gives a comparison of the L1 Bids vis-à-vis the expectations of NHAI derived from the financial models. Annexure B also contains the name of the L1 Bidders for the five projects




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Annexure A

Name of the section- Chennai-Tada
Package No. - NHDP-V/MC-II/01

Sl. No.	Name of Firm/Consortium	Grant (in Rs.)	No. of Days for start of premium/ Revenue Share to NHAI from Appointed Date	Remarks
1	M/s Larsen & Toubro Ltd. -ECC	-	-5500 (15.07% + 2% = 17.07%)	L-1
2	M/s Ramky Infrastructure Ltd., Ramky Enviro Engineers Ltd., Waste Managemetn Ltd. & NCS Sugars Ltd.	-	-4599 (12.60% + 2% = 14.60%)	

Name of the section- Gurgaon-Kotputli-Jaipur
Package No. - NHDP-V/MC-II/05

Sl. No.	Name of Firm/Consortium	Grant (in Rs.)	No. of Days for start of premium/ Revenue Share to NHAI from Appointed Date	Remarks
1	M/s B.Seenaiah & Company (Projects) Ltd. & Infrastructure Development Finance Company Ltd. & C&C Constructions Ltd.	-	-2952 (8.09% + 2% = 10.09%)	
2	M/s GVK Industries Ltd. - Gammon India Ltd. - Gammon Infrastructure Projects Ltd.	-	-5005 (13.71% + 2% = 15.71%)	
3	M/s Lanco Kondapali Power Pvt. Ltd. - PNC Construction Ltd.	-	-2442 (6.69% + 2% = 8.69%)	
4	M/s HCC-NCC Consortium	-	-4500 (12.33% + 2% = 14.33%)	
5	M/s GMR Energy Limited - GMR Infrastructure Limited - Punj Llyod Limited Consortium	-	-12591 (34.50% + 2% = 36.50%)	
6	M/s IRB Infrastructure Developers Ltd. & Deutsche Bank AG	-	-6570 (18.0% + 2% = 20.0%)	
7	M/s Larsen & Toubro Ltd. (ECC Division)	-	-11008 (30.16% + 2% = 32.16%)	
8	M/s Reliance Energy	-	-11034 (30.23% + 2% = 32.23%)	
9	M/s Infrastructure Leasing & Financial Services Ltd.- IL& FS Transportation Networks Ltd. - SOMA Enterprises Ltd.	-	-11511 (31.50% + 2% = 33.50%)	

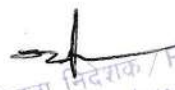
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10	M/s Italian-Thai Development Public Co. Ltd. & IMC Ltd	-	-7416 (20.32% + 2% = 22.32%)	
11	M/s KMC Constructions Ltd. & Emirates Trading Agency (Consortium)	-	-16812 (46.06% + 2% = 48.06%)	L-1

Name of the section- Surat-Dahisar
Package No. - NHDP-V/MC-II/06

Sl. No.	Name of Firm/Consortium	Grant (in Rs. crore)	No. of Days for start of premium/ Revenue Share to NHAI from Appointed Date	Remarks
1	Reliance Energy Ltd.	-	-11538 (31.61% + 2% = 33.61%)	
2	Plus Expressway Berhad	-	+1077 (2% starting 2.95 years after Appointed Date)	
3	Isolux Corsan Concessions S.A. - IVRCL Infrastructures & Projects Ltd. - Corsian Corviam Construction S.A.	-	-1400 (3.84% + 2% = 5.84%)	
4	Hindustan Construction Co. Ltd. - Nagarjuna Construction Company Ltd.	153.00.		
5	Infrastructure Leasing & Financial Services Ltd. - IL&FS Transportation Networks Ltd. - KMC Construction Ltd.	-	-11115 (30.45% + 2% = 32.45%)	
6	IRB Infrastructure Developers Ltd. - Deutsche Bank AG	-	-13140 (36.0% + 2% = 38.0%)	L-1
7	Larsen & Toubro Ltd.- ECC	-	-12121 (33.21% + 2% = 35.21%)	
8	Gammon India Ltd. - GVK Industries Ltd	-	+1098 (2% starting 3 years after Appointed Date)	


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Name of the section- Chilkaluripet-Vijayawada
Package No. - NHDP-V/MC-II/07

Sl. No.	Name of Firm/Consortium	Grant (in Rs.)	No. of Days for start of premium/ Revenue Share to NHAI from Appointed Date	Remarks
1.	IJM Corporation Berhad - IDFC Ltd.	-	+ 1698 (2% starting 4.65 years after Appointed Date)	L-1
2.	Lanco Kondapalli Power Pvt. Ltd.	-	+ 3996 (2% starting 10.95 years after Appointed Date)	

Name of the section- Panipat-Jalandhar
Package No. - NHDP-V/MC-II/08

Sl. No.	Name of Firm/Consortium	Grant (in Rs.)	No. of Days for start of premium/ Revenue Share to NHAI from Appointed Date	Remarks
1	Reliance Energy Ltd.		-1125 (3.08% + 2% = 5.08%)	
2	Isolux Corsan Concessions S.A. - Corsian Corviam Construction S.A. - Soma Enterprises Ltd.		-6622 (18.14% + 2% = 20.14%)	L-1
3	Larsen & Toubro Ltd. - B. Seenaiiah & Company (Projects) Ltd.		+ 913 (2% starting 2.5 years after Appointed Date)	

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Annexure B

The Table below gives a comparison of NHAI's expectations of Revenue Share / Grant from the 5 projects vis-à-vis the actual Price Proposal received from the Bidders

Sl No.	Name of the Project	Grant (in Rs. Crores)	No. of Days for start of premium/ Revenue Share to NHAI from Appointed Date as per the Financial Model	No. of Days for start of premium/ Revenue Share to NHAI from Appointed Date of the L1 Bidder
1	Chennai - Tada	-	-2464 (6.75% + 2% = 8.75%)	-5500 (15.07% + 2% = 17.07%)
2	Gurgaon - Kotputli - Jaipur	-	-1825 (5.0% + 2% = 7.0%)	-16812 (46.06% + 2% = 48.06%)
3	Surat - Dahisar	-	-6716 (18.40% + 2% = 20.40%)	-13140 (36.0% + 2% = 38.0%)
4	Chilikaluripet - Vijaywada	-	+3650 (2% - starting 10.0 years after Appointed Date)	+1698 (2% - starting 4.65 years after Appointed Date)
5	Panipat - Jalandhar	-	-91 (0.25% + 2% = 2.25%)	-6622 (18.14% + 2% = 20.14%)

The No. of Days for start of premium/ Revenue Share to NHAI from Appointed Date quoted by the Bidders are more than the expectations of NHAI as can be seen from the above table. It is recommended that NHAI may award these Projects to their L1 Bidders respectively as per Clause 4.9.2 of RFP Volume I at their quoted Premium

The name of the L1 Bidders for the five projects as per Clause 4.9.2 of RFP Volume I is given in the table below:

Sl No.	Name of the Project	No. of Days for start of premium/ Revenue Share to NHAI from Appointed Date of the L1 Bidder	Name of L1 Bidder as per Clause 4.9.2 of RFP Volume I
1	Chennai - Tada	-5500 (15.07% + 2% = 17.07%)	M/s Larsen & Toubro Ltd. -ECC
2	Gurgaon - Kotputli - Jaipur	-16812 (46.06% + 2% = 48.06%)	M/s KMC Constructions Ltd. & Emirates Trading Agency (Consortium)
3	Surat - Dahisar	-13140 (36.0% + 2% = 38.0%)	IRB Infrastructure Developers Ltd. - Deutsche Bank AG
4	Chilikaluripet - Vijaywada	+1698 (2% - starting 4.65 years after Appointed Date)	IJM Corporation Berhad - IDFC Ltd.
5	Panipat - Jalandhar	-6622 (18.14% + 2% = 20.14%)	Isolux Corsan Concessions S.A.. - Corsian Corviam Construction S.A. - Soma Enterprises Ltd.

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