



Press Release

August 22, 2016

Gujarat's toll exemption policy for passenger vehicles to affect nine PPP road projects, pose a risk to state-led BOT model: ICRA

Nine toll road projects, awarded through public private partnership (PPP) route in the state of Gujarat, will be affected with the implementation of the toll exemption policy for passenger vehicles and state transport buses.

The Government of Gujarat (GoG) has exempted the car/jeep/van category along with state transport buses from toll on state highways starting August 15, 2016. It plans to compensate the revenue loss incurred from such toll exemption, by way of monthly reimbursements for exempted vehicles.

Of the nine projects, three are promoted by L&T, two by IL&FS Transportation Networks Limited (ITNL), two by Welspun Enterprises and one each by Ranjit Buildcon Limited and M.S. Khurana Engineering Limited. On two of the projects promoted by ITNL, toll is also being levied on two-wheelers, whereas for the remaining seven projects, it is being levied on cars along with other commercial vehicles.

The Government has directed the concessionaires to set up exclusive lanes for cars, jeeps and vans and count the vehicles using automatic vehicle counters (AVC). Based on historical data, a formula would be derived to make necessary adjustments for exempted traffic, local users, traffic availing return journey and monthly passes. For state transport buses, zero-value coupons would be issued which are required to be produced by the concessionaires to claim the compensation. The count from AVCs, as derived from the formula in case of private vehicles, together with coupons for state transport buses would be used to arrive at the compensation. The monthly bill for reimbursements is to be submitted by the 5th of every month and the GoG intends to reimburse the amount by the 20th of every month.

Mr. Shubham Jain, Vice-President, ICRA, said: *“The actual traffic on a majority of these stretches is at around 60-65% of that of initial estimates. Projects for which there is a revenue share payable to the Gujarat State Road Development Corporation Limited, have already sought deferment due to weak toll collections. Toll exemption for private vehicles and state transport buses will be an additional burden on the cash flow and*

would affect the debt-servicing capability further. Therefore, timely and adequate reimbursements from the State Government body remain critical from the debt-servicing point of view.”

Making the state roads toll free for passenger vehicles could result in increased usage of these stretches by these vehicles – either due to increased frequency of use or shift of traffic which was earlier re-routing through alternate routes to these stretches. The Government has clearly specified that in case of an unreasonable rise in exempted traffic, it will restrict itself to the compensation considering reasonable growth rate of traffic.

For eight of the nine projects, the total revenue for FY2016 is estimated to be Rs.5.01 billion[†]. Assuming a growth of 6% in toll collections every year, the total revenues during the concession period for these projects is estimated to be Rs.137.47 billion. Therefore, the total burden on the Government of Gujarat is estimated to be in the range of Rs.30.24-34.36 billion.

“Toll exemption is likely to result in disputes as the quantum of compensation in such cases is always not agreeable to all parties as seen in Maharashtra. At a time when the participation from the private sector is already low and lenders are cautious towards lending for new infrastructure projects, this move could further dent the confidence of both private participants and lenders,” Mr. Jain reiterated.

Table 1: State road projects in Gujarat under BOT (Toll) mode

S.No	Project Stretch	Number of kms	Number of toll plazas	Name of Concessionaire	Sponsor	Concession agreement date	Concession period
1	Bhuj-Nakhatrana	45.00	2	M.S.Khurana Infrastructure and Toll Road Pvt. Ltd.	M.S.Khurana Infrastructure	Nov-05	13.25 years
2	Kim-Mandvi road	45.00	2	MSK Projects Pvt. Ltd.	Welspun Enterprises	Nov-05	20 years
3	Deesa Panthavada Gundari road	44.12	2	Ranjit Toll Road Pvt. Ltd.	Ranjit Buildcon Ltd	Apr-09	28 years
4	Ahmedabad Mehsana	51.60	3	Gujarat Road Infrastructure and Company Limited	IL&FS Transportation Networks	Sep-00	30 years
5	Vadodara Halol	31.70	2	Gujarat Road Infrastructure and Company Limited	IL&FS Transportation	May-99	30 years

[†] Estimate based on publicly available information for eight projects (all except Bhuj-Nakhatrana mentioned in table 1)

				Networks			
6	Himatnagar Bypass	8.70	1	MSK Projects Pvt. Ltd.	Welspun Enterprises	Apr-05	15 years
7	Rajkot Vadinar section	131.65	3	L&T Rajkot Vadinar Tollway Ltd.	L&T Limited	Sep-08	20 years
8	Ahmedabad-Viramgam_Maliya	180.05	4	L&T Ahmedabad Maliya Tollway Ltd.	L&T Limited	Sep-08	22 years
9	Halol Godhara Shamalaji	173.03	4	L&T Halol Shamalaji Tollway Ltd.	L&T Limited	Sep-08	20 years
Total by private players		710.85	23				

For further information, please contact:

Media Contacts:

Naznin Prodhani
 Manager PR
 ICRA Ltd
 Tel: + (91 124) 4545300, Dir - 4545860
 Email: naznin.prodhani@icraindia.com

Girish Dikey/ Khushal Devera
 Ketchum Sampark
 Mob: 7738020260/ 9819666376
 Email :girish.dikey@ketchumsampark.com/khushal.devera@ketchumsampark.com

© Copyright, 2016 ICRA Limited. All Rights Reserved.

All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable. Although reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies, while publishing or otherwise disseminating other reports may have presented data, analyses and/or opinions that may be inconsistent with the data, analyses and/or opinions presented in this publication. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.

Disclaimer:

This Press Release is being transmitted to you for the sole purpose of dissemination through your newspaper/magazine/agency. The Press Release may be used by you in full or in part without changing the meaning or context thereof, but with due credit to ICRA Limited. However, ICRA Limited alone has the sole right of distribution of its Press Releases for consideration or otherwise through any media including, but not limited to, websites and portals.