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19 Dec 2019

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**INTEREST BEARING WORKING CAPITAL ADVANCE AGAINST UNBILLED EXECUTED WORK TO MITIGATE THE CASH FLOW PROBLEMS OF HAM CONCESSIONAIRE & EPC CONTRACTORS AND MODIFICATION IN SCHEDULE-H OF THE EPC CONTRACT**

1. A copy of Govt of India Ministry of Road Transport & Highways project Zone-IV letter No.RO/MUM/NHDP-39/2015-16 (Computer No. 176793) dated 09 Nov 2019 is forwarded herewith for your information and necessary action please.

  
**(Ashwani Kumar)**  
AEE (Civ)  
Asst Dir (EPC)  
For Dir Gen Border Roads

6

Encls:03 Sheets

**Copy to :- (Internal)**

HQ DGBR/EDP Cell

- :- 1. Soft copy of above mentioned letter is forwarded herewith.  
2. You are requested to upload the policy on BRO website on Civil work.

RO/MUM/NHDP-39/2015-16 (Computer No. 176793)  
Government of India  
Ministry of Road Transport & Highways  
Project Zone-IV  
Transport Bhawan, I, Parliament Street, New Delhi -110001.

Dated: 9<sup>th</sup> Nov, 2019

To,

1. The Chief Secretaries of all the State Governments/ UTs.
2. The Chairman, National Highways Authority of India, G-5 & 6, Sector-10, Dwarka, New Delhi-110 075.
3. The Managing Director, NHIDCL, PTI Building, New Delhi-110001.
4. The Principal Secretaries/ Secretaries of all States/ UTs Public Works Department/ Road Construction Department/ Highways Department (dealing with National Highways and other centrally sponsored schemes).
5. All Engineers-in-Chief and Chief Engineers of Public Works Department of States/ UTs/ Road Construction Department/ Highways Departments (dealing with National Highways and other centrally sponsored schemes).
6. The Director General (Border Roads), Seema Sadak Bhawan, Ring Road, New Delhi-110 010.
7. All CE-ROs, ROs and ELOs of the Ministry.

**Subject: Interest Bearing Working Capital Advance against unbilled executed work to mitigate the cash flow problems of HAM Concessionaire & EPC contractors and modification in Schedule – H of the EPC Contract.**

**1. Interest Bearing Working Capital Advance for HAM projects: -**

Ministry of Road Transport & Highways/ NHAI/ NHIDCL has awarded many projects on Hybrid Annuity Mode (HAM) in which the payments for the works carried out by the Concessionaire are made as per provisions of Article-23 (Payment of Bid project cost) of the Concession Agreement. The Payment of bid project cost is payable in two parts (i) [40% (forty per cent) of the Bid Project Cost, adjusted for the Price Index Multiple, shall be due and payable to the Concessionaire in 5 (five) equal installments of [8% (eight per cent)] each during the Construction period in accordance with the provisions of Clause 23.4 and (ii) The remaining Bid Project Cost, adjusted for the Price Index Multiple, shall be due and payable in [30 (thirty)] biannual installments commencing from the 180<sup>th</sup> (one hundred and eightieth) day of COD in accordance with the provision of Clause 23.6.

1.1 It has been observed that despite clear provisions on the obligations of the parties and all favorable conditions to execute the works, there are instances where the Concessionaire could not demonstrate the progress of work due to reasons of poor planning, lack of resources, poor mobilization, financial problems of the Concessionaire Company, lack of external financial support, etc. Also, knowing fully well the payment conditions,

(vi) The above modifications shall be incorporated in the subsequent amendment of the above document.

2. **Interest Bearing Working Capital Advance for EPC projects: -**

**Ministry of Road Transport & Highways/ NHAI/ NHIDCL** has awarded many projects on Engineering, Procurement and Construction (EPC) Mode in which the payments for the works carried out by the Contractors are made as per provisions of Article-19 (Payments) of the Contract Agreement. The Stage/ Interim Payments as per Article-19 are governed by the provisions in Schedule-H of the Contract Agreement.

2.1 The cash flow issue had been earlier identified by the MoRTH/ NHAI/NHIDCL and requisite modifications had already been made in Schedule-H. However, it has been observed that despite clear provisions on the obligations of the parties and all favorable conditions to execute the works, there are instances where the Contractors could not demonstrate the progress of work due to reasons of poor planning, lack of resources, poor mobilization, financial problems of the Contractor's Company, lack of external financial support etc. Also, knowing fully well the payment conditions, the Contractors quote the cashflow problem due to executed works not qualifying for payment under stage payment conditions stipulated in Schedule-H.

2.2 In order to revive the projects facing such cash flow problem and to complete the projects early, it has decided to extend the facility of Interest Bearing Working Capital Advance against unbilled executed work, not qualifying for payment under stage payment conditions, in the following manner:

- (i) The revival of the project is possible by extending this facility.
- (ii) Such Working Capital Advance shall be eligible for release at one intermediate stage during the construction period against the work done, which could not be billed and not qualify for payment under various stage of payment as per Schedule - H subject to the condition that the cumulative value of such works exceeds 5% of contract value.
- (iii) On receipt of request from EPC Contractor for Working Capital Advance, Authority's Engineer (AE) shall determine the value of work done, which could not be billed and is not qualifying for payment under stage payment conditions *but qualifying the requisite quality standards & specifications as per contract agreement.*
- (iv) The amounts so determined by AE shall be verified by Executive Engineer/ Project Director of executing agency and restricted to 90% of the amount assessed by AE, which shall not in any case exceed 10% of the Contract Price.

(a) Payment procedure of other works including Major Bridges, Minor Bridges, VUP, PUP, ROB etc. shall remain unchanged.

(b) The sum of payment to be computed in respect of all the items of work for the project shall not exceed the contract price.

3.1 Such modification in the Schedule H shall be approved at the level of Concerned Regional Officers of MoRTH/ NHAI/ NHIDCL.

4. The above modifications shall be incorporated in the subsequent amendment of the above documents.

5. This issues as per IFD concurrence Note No #80 dated 08.11.2019 and with the approval of Competent Authority.

Yours faithfully,



(Pankaj Kumar Mourya)

Superintending Engineer – Zone (IV)-II

For Director General (Road Development) & SS

**Copy to:**

1. All CEs in the Ministry of Road Transport & Highways
2. The Secretary General, Indian Roads Congress
3. NIC-for uploading on Ministry's website under "What's new"

**Copy for kind information to:**

1. Sr. PPS to Secretary (RT&H)
2. PPS to DG (RD) & SS
3. PPS to SS
4. PPS to SS&FA
5. PS to ADG-I
6. PS to JS (T)/ JS (H)/ JS (LA&C)/ JS (EIC)