



भारतीय राष्ट्रीय राजमार्ग प्राधिकरण

(सड़क परिवहन और राजमार्ग मंत्रालय)

National Highways Authority of India

(Ministry of Road Transport and Highways)

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G-5 & 6, Sector-10, Dwarka, New Delhi-110075

NHAI/Policy Guidelines/Viability Gap Funding/2017

No.8.4.15/2017 Dated, the 20th June, 2017

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Subject: Clarifications regarding release of Viability Gap Funding (VGF).

The Authority vide its Circular No. 11033/CGM (Fin)/2015-16 dated July 6, 2015, NHAI/BOT/11012/66/2005/3398 dated 20.02.2013, Letter No. NHAIMOT/WB/NH-34/2009/PQ-04/417 dated 04.09.2013 & Letter No. NHAI/11033/ CGM (FA)/ 1/2005/942 dated 01.04.2015 issued clarifications regarding release of VGF for individual projects. The matter has been further reviewed and the following clarifications are issued in supersession of all the previous letters / circulars in this matter.

2. Clause 25.2.3 of the Concession Agreement (executed prior to September 2015), which deals with release of VGF reads as under:-

"Equity support shall be due and payable to the Concessionaire after it has expended the Equity, and shall be disbursed proportionately along with the loan funds thereafter remaining to be disbursed by the Senior Lenders under the Financing Agreement. The Authority shall disburse each tranche of the Equity Support as and when due, but no later than 15 days of receiving a request form the Concessionaire along with necessary particulars."

3. It is clarified that the release of VGF in such cases will be in accordance to the formula given below:-

- a) No disbursement of VGF/Grant shall be made before the project receives full equity contribution^[1] as per the Financing Agreements/Plan.
- b) VGF has to be released strictly as per Clause 25.2.3 on the basis of balance loan remaining to be disbursed after infusion of equity by the Concessionaire.
- c) With the last tranche of debt, full VGF shall be released.
- d) VGF to be disbursed = (Equity Support X Loan Disbursed after infusion of Equity/ Loan remaining to be disbursed after infusion of equity) less any VGF (i.e. Grant) already disbursed.

4. ILLUSTRATION:

Project: Any BOT (Toll) Project with VGF

The Concessionaire Project Cost is Its 676.10 Crore. As per the Common Loan Agreement (CLA) of the project between banker and concessionaire submitted with documents of Financial Close, the Debt/Equity ratio is 41:59 [1:1.441]

Rs in Crores

1	Equity	133.30
2	Debt	276.40
3	VGF (Equity Support)	266.40
4	Debt/Equity Ratio as Common Loan Agreement	41:59 [1:1.44]


^[1] For the purpose of para 3, equity contribution shall not include Grant amount.

5. The lenders insisted on 50% upfront infusion of Equity before starting disbursement of debt as per CLA. The Lenders have released debt of Rs. 79.10 crore before full equity infusion and Rs. 86.90 crore after full equity infusion. The grant to be released will be as follows:-

		Rs in Crores
1.	Equity Infused	133.30
2.	Loan disbursed before full infusion of equity	79.10
3.	Loan fund remaining to be disbursed after infusion of full equity (Total debt- loan fund that have been disbursed till infusion of full equity) [Para 4(2)- 5(2) i.e. (276.4- 79.10)]	197.30
4.	Loan disbursed after full equity infusion	86.90
5.	VGF to be released- $\frac{\text{Grant} \times (4)}{(3)} = \frac{266.40 \times 86.90}{197.30}$	117.33

NOTE:

1. The Grant will be released with respect to the remaining loan to be disbursed by the Lenders.
2. If the lenders ask for release of VGF first before releasing the loan amount, then the Authority should have no objection. In such cases the Lenders Representative shall confirm to PIU the amount which is to be disbursed by them during the next tranche and depending on the quantum of loan to be disbursed by the lenders, VGF release is to be regulated. The progress of work, work plan etc. may also be kept in view.
3. If the Lenders have decided to stop lending for any reason then VGF is not be released unless the Lenders too decide to release to debt funds.
4. The above procedure will ensure that the release of VGF is strictly in accordance with Clause 25.2.3 of the Concession Agreement.
5. It may be noted that, as per Clause 25.2.4 of the concession agreement, in the event of occurrence of concessionaire's default, disbursement of Equity Support (VGF / Grant) shall be suspended till such default has been cured by the concessionaire.
6. This issues with the approval of Competent Authority.


(A.K. Sadhu)
Chief General Manager (Coord.)

To:

All Officers and Employees of HQ/ROs/PIUs/CMUs/Site Offices.