



**भारतीय राष्ट्रीय राजमार्ग प्राधिकरण**  
(सड़क परिवहन और राजमार्ग मंत्रालय)  
**National Highways Authority of India**

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**NHAI/ Policy Guidelines/EPC-Civil Works/ 2019**

**No.9.2.26/2019 dated the 16<sup>th</sup> August, 2019**

**[Decision taken in EC Meeting held on 01.08.2019 & on File no. NHAI/CMD/2019/9 of Contract Management Division]**

**Sub : Interest Bearing Working Capital Advance against unbilled executed work to mitigate the cashflow problems of Contractors of EPC Projects.**

The Authority (NHAI) 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. The cashflow issue had been earlier identified by the MoRTH/NHAI 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.

3. In order to revive the projects facing such cashflow problem and complete the projects early, Executive Committee in its meeting held on 01.08.2019 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 available only once during the construction period against the work done, which could not be billed.
- (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.

- (iv) The amounts so determined by AE shall be verified by Project Director of NHAI (PD) and restricted to 90% of the amount assessed by AE, which shall not in any case exceed 10% of the Contract Price.
- (v) 90% of the amount assessed by AE and verified & restricted to 10% of Contract Price by PD as per Para-3(iv) above shall be released by PD with the approval of Regional Officer of NHAI (RO) as Interest Bearing Working Capital Advance against work done by the Contractor. While releasing such amounts, Bank Guarantee or any other security shall not be sought, as the advance is against work already done.
- (vi) RO is delegated with power to sanction such advance. However, in case of the project, where Cure Period Notice has been issued, a decision on sanctioning of Interest Bearing Working Capital Advance shall be taken by Member concerned, considering the chances of revival of the project on payment of such advance.
- (vii) The amounts so released as per Para-3(v) above alongwith interest @ Bank Rate+ 3% per annum to be compounded annually on reducing balance basis shall be recovered by PD @ 50% value of eligible invoices becoming due & payable immediately after release of such advance.
- (viii) The Working Capital Advance shall be released to an escrow account, for which an escrow agreement shall be signed by NHAI, EPC Contractor & the bank. The format of escrow agreement shall be finalized and circulated by the Finance Division within 10 days of issue of this Circular and PD will sign the escrow agreement on behalf of NHAI in the prescribed format.
- (ix) AE/PD shall ensure that the advance is utilized strictly for completion of the project.

4. This issues with the approval of EC Members.

  
(Sanjeev Sharma)  
GM (Coord)

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