MPRDC

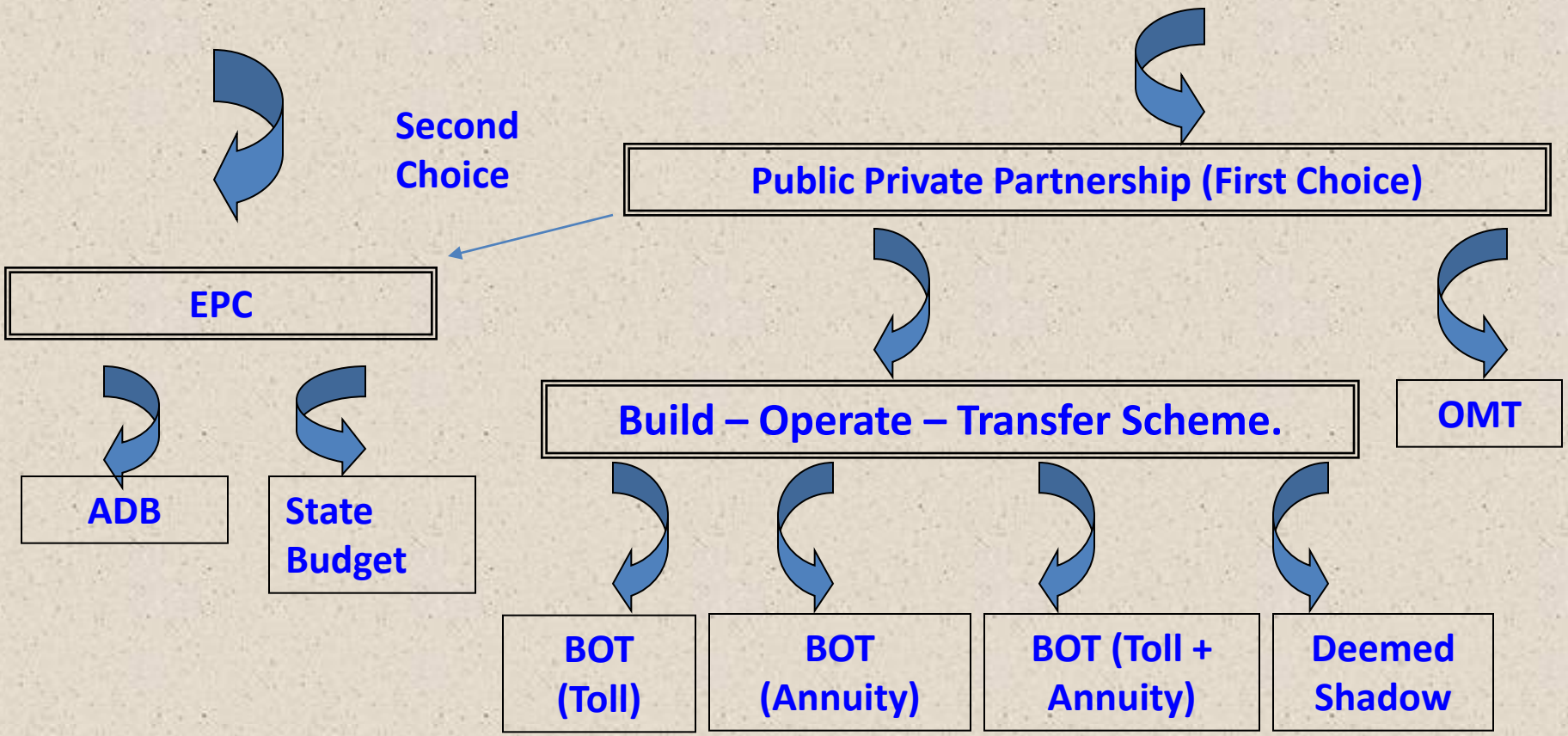
Vivek Aggarwal
Managing Director,
MP Road Dev. Corporation
Bhopal (M.P.), INDIA

Madhya Pradesh Road Development Corporation

- MP Road Development Corporation Ltd. incorporated in July 2004.
- Chief Minister heads the Board of Directors with PWD minister and Chief Secretary as Vice Chairperson.
- Acts as State Highway Authority.
- Upgrades, constructs and strengthens the total length of State Highways.
- Develops projects in the State on public private partnership basis.

MPRDC Projects

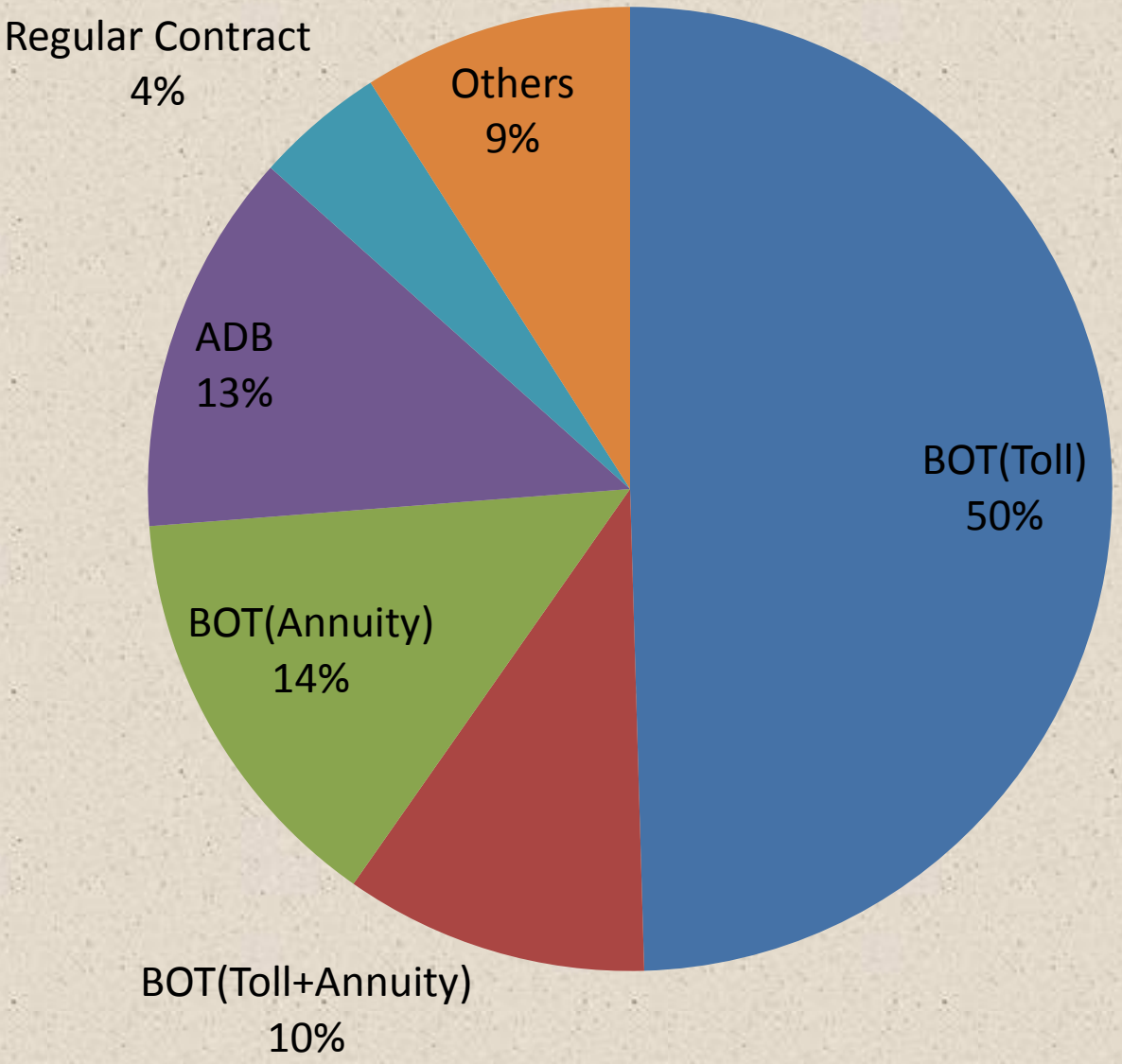
Invite private investment by providing grant/ premium to/by the concessionaire on competitive bidding



Portfolio of MPRDC

Category/Model	Cost (Rs.in Cr.)	Cost (in Million $)
BOT (Toll)	16047	3209.4
BOT (Toll+Annuity)	3302	660.4
BOT (Annuity)	4550	910
ADB	4160	832
Regular Contract	1408	281.6
ROB/RUB	1644	328.8
Border Checkpost	1094	218.8
OMT	64	12.8
Building Works	128	25.6
Grand Total	**32397**	**6479.4**

Portfolio of MPRDC



Application of VFM in MPRDC

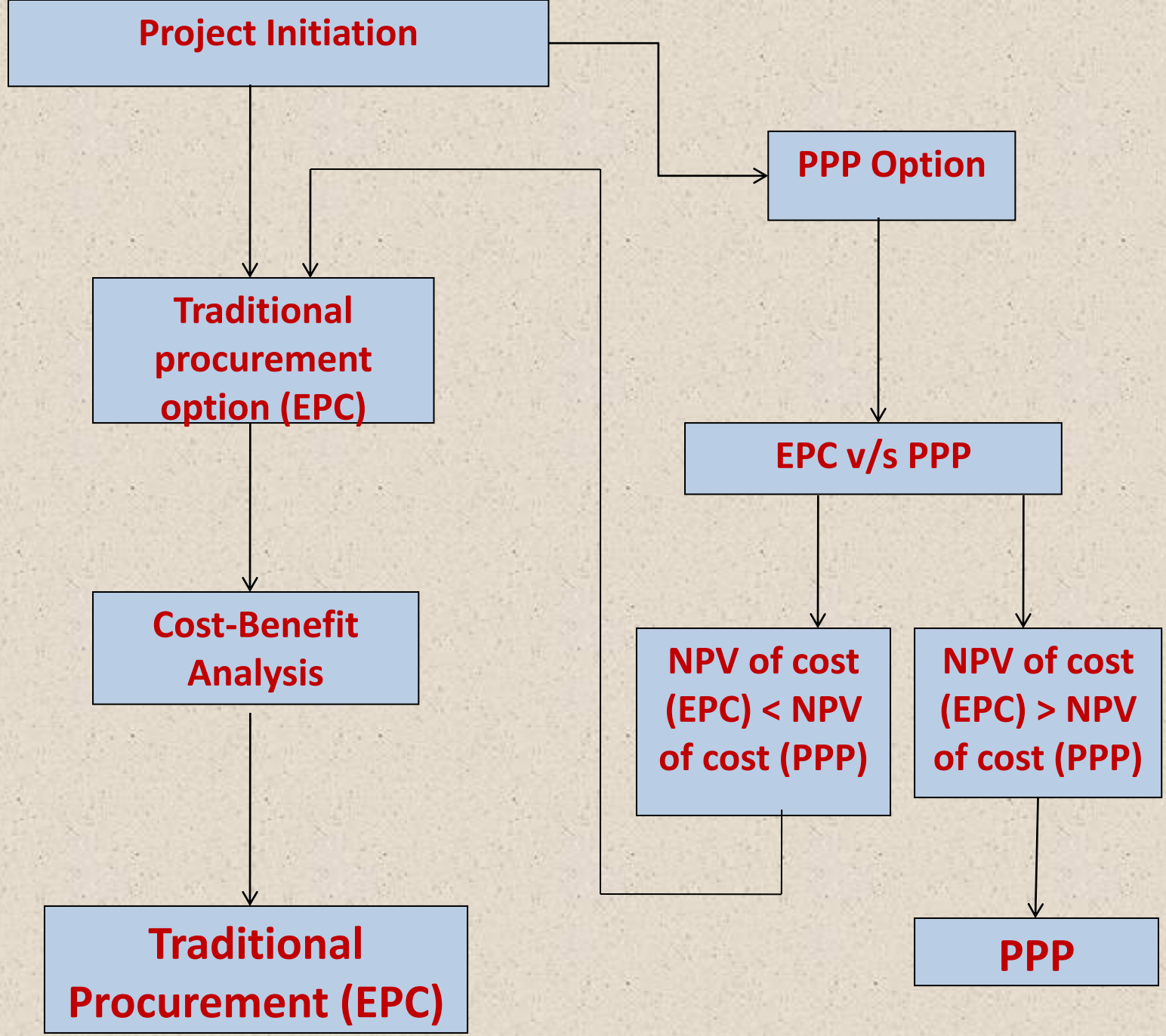
- The concept of VFM was considered during conceptualization of Annuity projects.
- Earlier MPRDC was executing BOT (Toll) Projects.
- Annuity model was envisaged for the projects which were not viable on BOT(Toll) mode.
- Under Annuity mode, BOT(Toll+Annuity) & BOT (Annuity) models are developed.

Application of VFM in MPRDC

- Annuity model was first developed for development of 2100Km. MDRs worth project cost $600 Million.
- Then it was applied for State Highways also.
- The model was tested in market through Bidding.
- After successful bidding, Annuity model has been adopted for execution of BOT Road projects.

Application of VFM in MPRDC

- During VFM analysis of MDRs, 22% Annuity for BOT (Annuity) Projects was envisaged.
- However, after bidding, the projects have been awarded on Annuity of 18.30% under BOT(Annuity) projects & 12.88% as on average under BOT (Toll+Annuity) projects.
- Projects having cost of $476.66 Million & length of 1520.03 Km have been awarded on BOT (Annuity) mode whereas projects of $433.34 Million are in development & bidding process.
- Projects having cost of $592.10 Million & length of 1462.87 Km have been awarded on BOT(Toll+Annuity) whereas projects of $68.33 Million are in bidding process.


Project Initiation
PPP Option
Traditional procurement option (EPC)
EPC v/s PPP
Cost-Benefit Analysis
NPV of cost (EPC) < NPV of cost (PPP)
NPV of cost (EPC) > NPV of cost (PPP)
Traditional Procurement (EPC)
PPP

VFM Analysis

Project Details

Total Project Cost $476.66 Million

Total Length of the Projects 1520.03 Km

Average Annuity (actual) 18.30% of Project Cost

Parameters	EPC	BOT -Annuity
Construction Cost	$595.80 Million (Escalation by 25%)	$476.66 Million (Including 25% of TPC for financing cost, contingency & other charges)
Construction Period	2& ½ Years	1 & ½ yrs
O & M Exp		
Routine Maintenance	0.004M$/km/p.a.	-
Periodic Maintenance	0.02M$//km/p.a..	-
Electricity & Patrolling	0.002M$/km/p.a.	-

VFM Analysis

Parameters	EPC	BOT -Annuity
Interest	9.00%	13%
Debt:Equity Ratio	100	70:30
Funds Requirement	Immediately	6 months after COD
Discount Rate for NPV Calculation	15%	15%
Loan Repayment Period(in years)	10	10
Quality of Roads	Average	Excellent
Efficiency of private sector	Not availed	Availed
Technology	Traditionally applied	Latest available
Setting up of full infrastructure & staff	Required	Not required

VFM Analysis

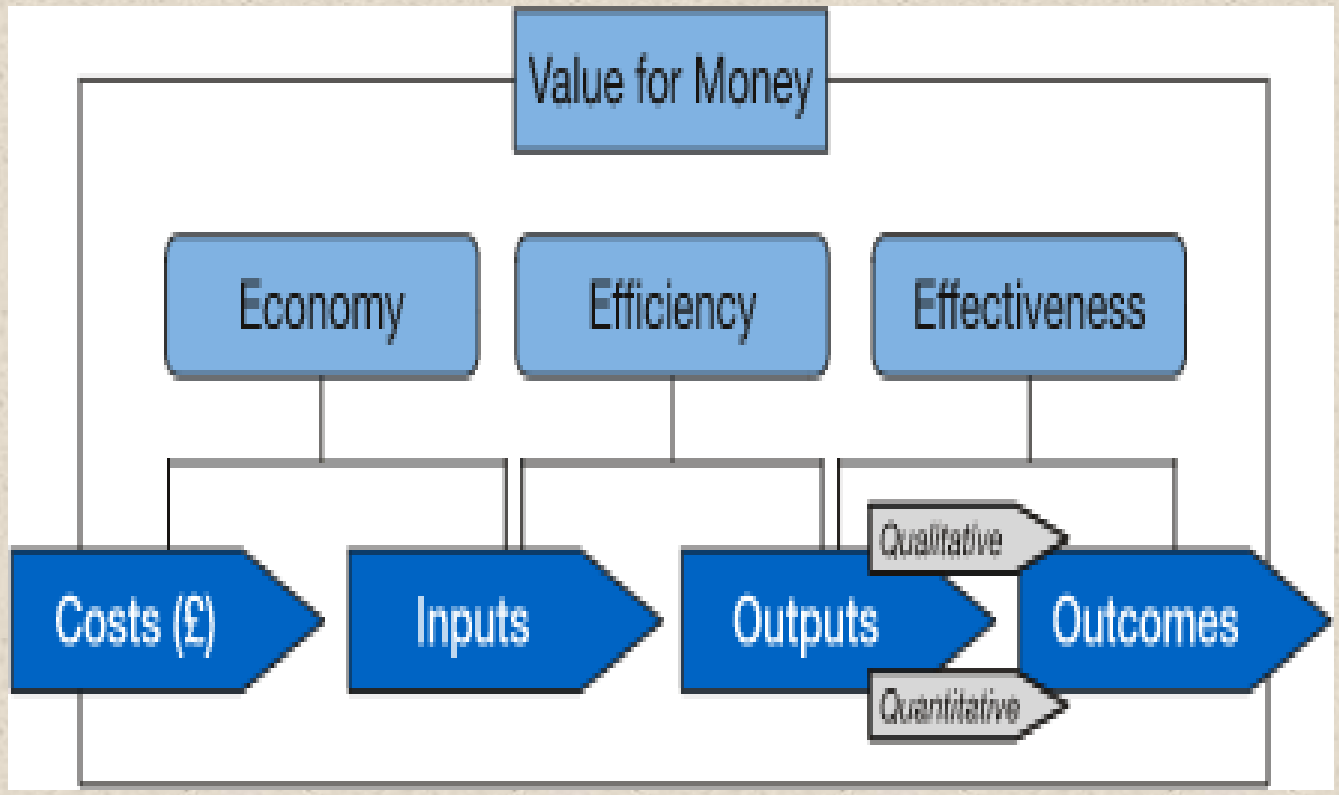
Figure in $Million

Parameter	EPC	BOT-Annuity
NPV calculated	456.40	401.23
Value for Money (NPV of EPC – NPV of Annuity)	**55.17**	

VFM Analysis

- It is observed in VFM analysis of 1520.03 Kms of road having cost of $476.66 Million awarded on average annuity of 18.30% of TPC that
  - NPV of Annuity model < NPV of EPC model.
  - Annuity model provides Value for Money.
  - Annuity model is Economic, Efficient & Effective.

3 E's of Value for Money



VFM of Annuity Projects v/s ADB Projects

MPRDC executes road projects through EPC with budgetary support of the state government & also with the funding of ADB.

Parameters	EPC through ADB funding	BOT-Annuity
Preparation of DPR/Feasibility Report	6 Months	3 Months
Procurement & Award of the project to successful bidder	Consume more time due to requirement of approval of ADB	Consume less time
Construction Period	2- 2½ years	1½ years

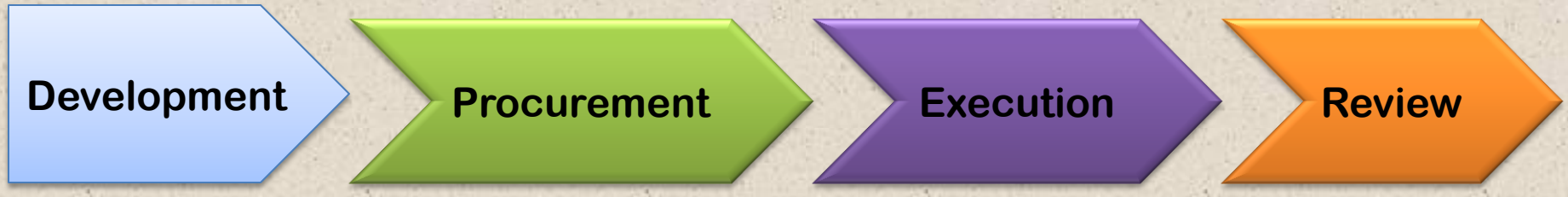
VFM of Annuity Projects v/s ADB Projects

Parameters	EPC through ADB funding	BOT-Annuity
Cost Escalation	15%	Incorporated as an element under 25% of the project cost along with financing cost, environment mitigation cost, contingency charges etc.
Cost of Supervision Consultant/Independent Engineer	Borne by ADB	Borne by Concessionaire
Maintenance	Remains with MPRDC	Maintained by the concessionaire during entire concession period
Quality of roads	Average	Excellent

Conclusion

- Thus, BOT(Annuity) projects derive VFM in terms of Economy, Efficiency & Effectiveness in comparison with EPC projects whether they are funded by the state government or by ADB.
- Not only BOT(Annuity) projects but also BOT (Toll+Annuity) & BOT(Toll) projects provide Value for Money.
- MPRDC is largely into Public Private Partnership projects which ensure Value for Money over the project lifecycle.

PPP Project Lifecycle



A country has to pay for its roads, whether it has them or not, it pays more for those it does not have.

So Lets Have them.....

Thanks.....

MPRDC

Our commitments remains...

Connecting People Through Quality Infrastructure