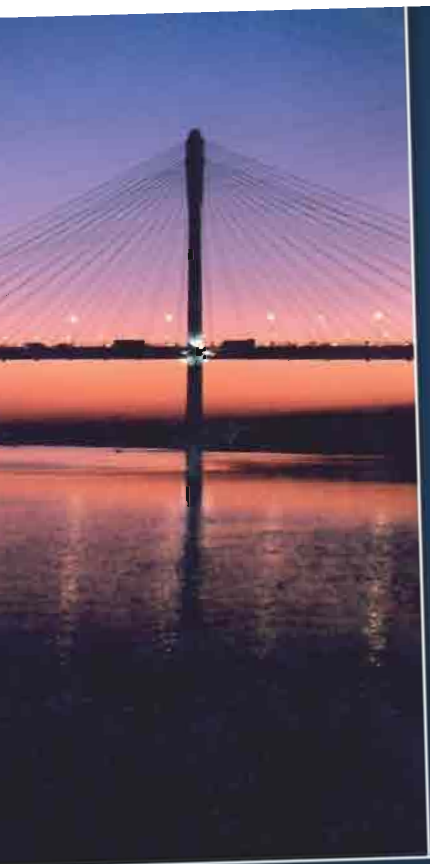
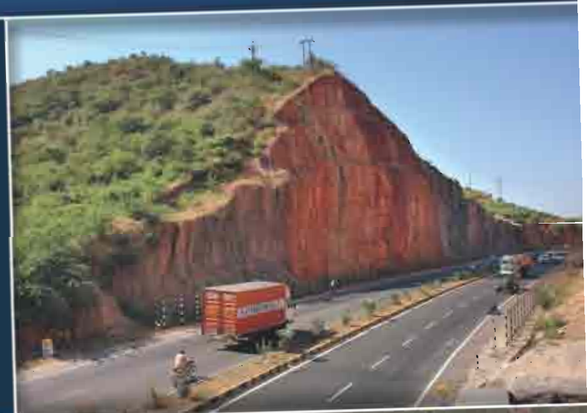


Annual Report 2017-18



Nation Building through Highways

National Highways Authority of India

(Ministry of Road Transport & Highways)

www.nhai.org

National Highways Authority of India

ANNUAL REPORT 2017-18

CONTENTS

INTRODUCTION

The National Highways Authority of India (NHAI) was constituted by an Act of Parliament namely National Highways Authority of India Act, 1988 for development, maintenance and management of National Highways vested or entrusted to it by the Central Government. The Authority became operational in February, 1995 with the appointment of its first Chairman. The Authority started functioning from Transport Bhawan and later on moved to its own corporate building in Dwarka in 2001.

Functions of the Authority are governed by National Highways Authority of India Act, 1988 and rules framed under the Act; Land acquisition for construction of national highways is governed by National Highways Act, 1956; and other matters related to encroachment and regulating the traffic on the highways are governed by The Control of National Highways (Land and Traffic) Act, 2002.

Initially, NHAI was entrusted with the task of developing 331 km of national highways with the assistance of Asian Development Bank (ADB). Subsequently, NHAI was mandated with an ambitious highway development program namely National Highways Development Project (NHDP) in the year 2000. Under phase-I of NHDP, 7522 km which included 5846 km of Golden Quadrilateral connecting four metro cities viz. Delhi, Mumbai, Chennai, Kolkata was to be upgraded to 4/6 lane. A target was set for award of contracts by March 2002. NHAI adopted a business model that rests on outsourcing of specific tasks related to design, construction and supervision of works and the subsequent management of corridors to manage such a large programme within the prescribed time frame.

NHAI's mandate was further expanded by entrustment of National Highway Development Project spanning over 7 phases whereby upgradation of existing highways of over 54,000 km to primarily 4/6 lane was envisaged. Further, in 2017, Government has announced, India's largest ever highway development program, Bharatmala Pariyojna, under which 34,800 km National Highways are to be upgraded in phase 1 at an estimated cost of ₹5,35,000 crores. Bharatmala Pariyojna promises to optimise the efficiency of road traffic movement across the country by bridging critical infrastructure gaps. NHAI also envisages development of new green corridors under the Bharatmala Pariyojana to connect remote areas and opening of new avenues for the socio-economic development of the country. The focus is on reducing the cost of logistics, providing multimodal and efficient transport, last-mile connectivity and improved existing supply chain infrastructure in the country.

NHAI has evolved as a multidisciplinary professional body and the backbone for the road sector in the country. NHAI has a clear and evolving strategy to undertake these mega projects in a time bound and cost effective manner. The process of continuous improvement in the system is the hallmark of NHAI's functioning. NHAI aims towards improvement of national highways across the country to bring about socio-economic development in the region and promote trade and commerce.

VISION

To meet the Nation's need for provision and maintenance of National Highways network to global standards and to meet the user's expectations in the most time bound and cost-effective manner, within the strategic policy framework set by the Government of India and thus promote economic well-being and quality of life of the people.

MISSION

- To develop, maintain and manage National Highways vested in it by the Central Government.
- To regulate and control the plying of vehicles on National Highways for its proper management.
- To develop and provide consultancy and construction services in India and abroad, and carry out research activities in relation to the development, maintenance and management of highways or any other facilities thereat.
- Provide such facilities and amenities for the users of the highways vested in, or entrusted to, it as are, in the opinion of the Authority, necessary for the smooth flow of traffic on such highways.
- Construct offices or workshops and establish and maintain hotels, motels, restaurants and rest-rooms at or near the highways vested in or entrusted to it.
- To advise the Central Government on matters relating to highways.
- To assist, on such terms and conditions as may be mutually agreed upon, any State Government in the formulation and implementation of schemes for highway development.

2. CHAIRMAN'S REPORT

Greetings to all. I am honoured to share my views with all stakeholders and officials of National Highways Authority of India.

The highway sector has played a vital role in the country's growth story. The importance of this sector stems from the fact that the highways constitute only about 2% of total road network but caters to 40% of the traffic. Over the past 23 years, NHAI has been the driving force in the highway sector, which has resulted in upgradation of 31,550 km of highways primarily to 4/6 lane standards. NHAI has brought a professional approach in building highways. What is most satisfying for NHAI is not the construction of roads but the prosperity it brings by connecting regions, bringing goods and consumers closer, and truly, NHAI's impact extends beyond just what is plainly visible in its achievements. NHAI has continued with the outsourcing model which brings about advantage of keeping the organization relatively lean, at the same time, harnessing private sector efficiencies. NHAI nevertheless remains accountable to the NH users and the Government of India for the quality of service/ output provided by contracted service providers, hence, NHAI has built capacity over the time for efficient procurement and monitoring of contract outputs and services. Since its inception, NHAI has completed 31550 km till March 2018. Year 2017 has been a milestone year for NHAI and has witnessed a quantum jump in the award and construction of the highways surpassing its own achievement of previous years. This was the year when engineering marvels like 9 km long Chenani-Nashri Tunnel on Jammu-Srinagar National Highway, Extra-dosed cable stayed bridge across river Narmada at Bharuch and Cable stayed bridge across river Chambal at Kota were opened. This connected far off areas paving the way for the socio-economic development. NHAI is the trendsetter in devising new financing models in infrastructure sector. NHAI is instrumental in introduction and implementation of innovative models viz. Hybrid Annuity Model, Asset recycling by way of Toll-Operate Transfer model etc. First TOT bundle has been successfully awarded during 2017- 18. This year, NHAI has also revived large number of languishing projects by adopting measures such as one time fund infusion, extension of concession period, rationalised compensation etc.

NHAI's endeavour is to accomplish the task of implementing Bharatmala Pariyojana in a time bound manner. NHAI is fully geared to take up the challenge of the implementation of enhanced mandate. It continuously strives to improve its systems for meeting these targets and fulfilling the aspirations of the public.

3. INDIAN ECONOMY AND ROAD SECTOR

3.1 Indian Economy

3.1.1 India has emerged as the fastest growing major economy in the world as per the Central Statistics Office (CSO) and International Monetary Fund (IMF). It is expected to be one of the top three economic powers of the world over the next 10-15 years, backed by its strong democracy and partnerships. The economy appears to be recovering due to stable macro-economic indicators, structural reforms, improving business ecosystem, thrust on infrastructure development and liberal FDI regime which have resulted in high foreign capital inflows and provided the much needed impetus to make India a favoured investment destination.

3.1.2 The GST regime and other reforms such as Insolvency & Bankruptcy Code, Demonetization and RERA are the building blocks of a healthier, more wholesome economic environment. FY 2017-18 marked a significant economic measure by the government: The Goods and Services Tax (GST) was implemented in July 2017 as the nation moved to 'one nation-one tax'. The reform measure has helped India move into the Top 100 Club of World Bank's 'Global Ease of Doing Business' rankings. It is expected that the economic reforms initiated by the Government will expand the tax base, enhance revenues and in turn spur GDP growth and infrastructure allocations. The Government has laid emphasis on development of infrastructure and energy facilities to drive strong, sustainable economic growth.

3.1.3 According to data released by Central Statistics Office (CSO) India's Gross Domestic Product (GDP) has seen a growth of 6.7 percent during the financial year that ended on March 31, 2018, however the growth of GDP during FY 2016-17 was 7.1 percent. But GDP has grown 7.7 per cent in the fourth quarter of the fiscal year 2017-18.

3.2 Infrastructure Sector in India

Infrastructure development has been the focus for the government and has achieved significant progress in recent past. The focus is on reducing the cost of logistics, providing multimodal and effticient transport, last-mile connectivity and improved existing supply chain infrastructure in the country. In order to achieve this, there has been a surge in activities in terms of policy initiatives and regulatory reforms across various infrastructure sectors to attract private and foreign investments. Various key reforming initiatives introduced by Govt. of India are as under:

- Strong budgetary support
- Foreign direct investment upto 100% in road sector subject to applicable laws and regulations.
- Duty free import of high capacity and modern construction equipment.
- Capital grant (viability gap funding) upto 40% of project cost to enhance viability on case to case basis.
- Focusing on financing issues through rupee denominated bonds (masala bonds) and InViTs.
- Increasing more PPP participation through innovative models such as Hybrid Annuity Model (HAM) and Toll Operate and Transfer (ToT).
- Focusing on Bharatmala Pariyojana for Highway development and Sagarmala for port infrastructure

3.3 Road Sector

3.3.1 Road Transport is considered to be one of the most cost effective and preferred modes of transport, both for freight and passengers as it provides last mile connectivity and penetration in populated areas. A good road network is vital to the economic development and social integration of the country. It provides connectivity to remote areas, accessibility to markets, schools and hospitals; and opens up backward regions to trade and investment. Roads also play an important role in inter-modal transport development, establishing links with airports, railway stations, and ports.

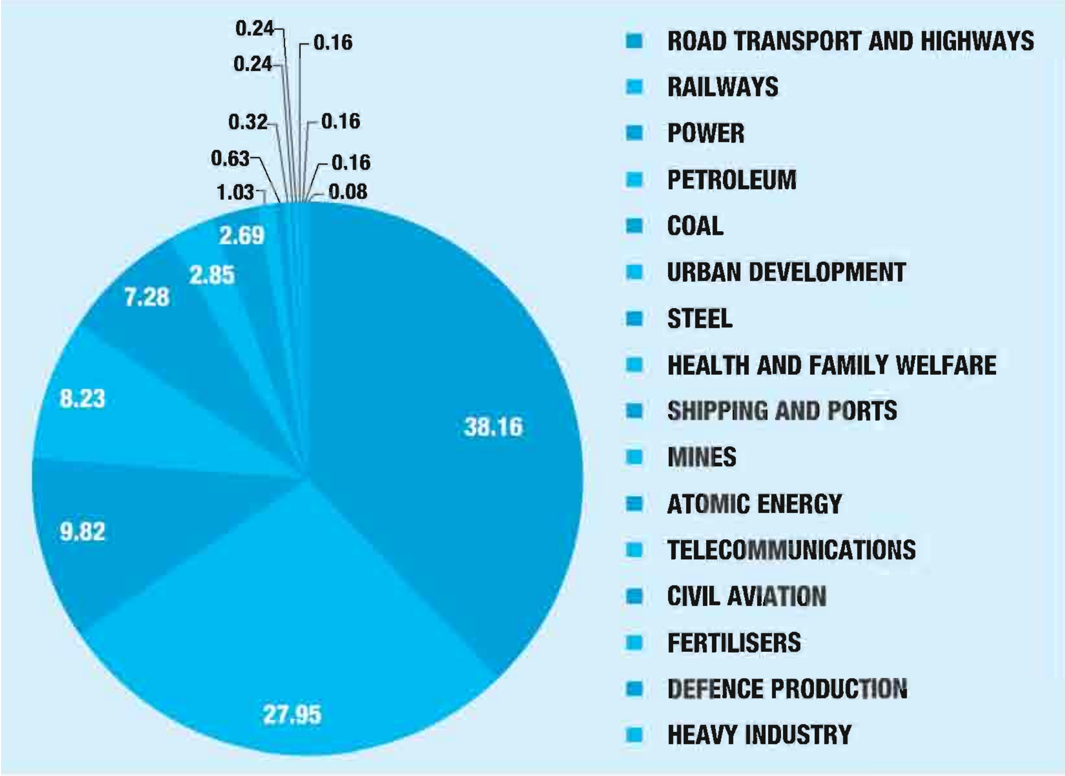
3.3.2 National Highways form the economic backbone of the country and have often facilitated development along their routes with many new towns developing alongside the major highways. It also contributes to generate long term employment through a large number of small restaurants, inns (known as dhabas) and other amenities along their length. The National Highways facilitate medium and long distance inter-city passenger and freight traffic across the country. The State Highways are intended to carry the traffic along major centres within the State. Other District Roads and Village Roads provide accessibility to the towns and villages to meet their social needs as also the means to transport agriculture produce from villages to nearby markets. Major District Roads provide the secondary function of linkage between main roads and rural roads.

3.3.3 India has the second largest road network in the world after USA. India's road network stands at over 54,82,809 km. This comprises National Highways, Expressways, State Highways, Major District Roads, other District Roads and Village Roads as under;

National Highways/ Expressway	1,20,543 km
State Highways	*1,55,222 km
Other Roads	*52,07,044 km
Total	54,82,809 km

Source: Ministry of Road Transport & Highways December 2017

3.3.4 The Govt. of India lays great emphasis on the road sector to energize the economy. It is evident from the report of Ministry of Statistics and Programme Implementation (MoSPI) which is as follows:



Source: Annual Report of Ministry of Statistics and Programme Implementation (MOSPI), GOI FY 2017-18

3.3.5 As shown in the figure above, approximately 38.16% of total projects under implementation during FY 2017-18 pertained to Road Transport & Highways. These projects are being handled by the Ministry of Road Transport and Highways (Roads Wing), National Highways Authority of India (NHAI), State PWDs, Border Roads Organization (BRO) and the National Highways & Infrastructure Development Corporation Limited (NHIDCL).

4. ADMINISTRATION

4.1 Organisational set up

NHAI has a good mix of permanent officers and officers on deputation. The officers on deputation are drawn from Ministry of Road Transport & Highways, various state PWDs, and other related organisations. While NHAI benefits from the rich experience of the professionals from various departments, it faces challenges as all the employees on deputation may not adjust equally to NHAI's business model. There is also the possible loss of continuity within NHAI as employees on deputation revert back to parent organizations.

NHAI has been mandated to increase the strength of regular officers to the tune of 50% of the total work force. NHAI is moving in this direction by inducting technical officers at the level of deputy manager through GATE score of IIT. Also, NHAI has been empowered to create all posts upto the level of General Manager to meet its rapidly changing requirements. Such permanent technical employees are allowed to gain experience of both core functions and operational/ corporate planning functions over a period of time to build a core of officers within NHAI that can provide long-term leadership and managerial material for the organization. It facilitates knowledge management and the creation of a long term "institutional memory" without fundamentally altering the outsourcing model.

4.2 NHAI BOARD

NHAI Board comprises Chairman, six full time members and four part time members. The status of the board as on 31.03.2018 is as under :

Full-time Members	
Chairman	Shri Deepak Kumar
Member (Administration)	Vacant
Member (Finance)	Shri Rohit Kumar Singh
Member (PPP)	Shri Niraj Verma
Member (Projects)	Shri R. K. Pandey
Member (Projects)	Shri Anand Kumar Singh
Member (Technical)	Shri D.O. Tawade

Part-time Members	
Secretary, Department of Expenditure, Ministry of Finance	Shri A.N. Jha
CEO NITI Aayog	Shri Amitabh Kant
Secretary (RT&H)	Shri Yudhvir Singh Malik
MoRT&H Director General (RD) & SS,MoRT&H	Shri Manoj Kumar

4.3 Human Resource

NHAI is a lean organisation and has a staff strength of 1079 for managing the projects portfolio of more than 55,000 km. NHAI has a three tier system i.e. HQ, Regional Offices and Project Implementation Units (PIUs) for supervising and close monitoring of the projects. Regional Offices have their presence in all the State Capitals where projects are being implemented. List of Regional Offices and Project Implementation Units is enclosed at Annexure 1.

In 2017-18, one new Regional Office, 30 new Project Implementation Units (PIUs) including one PIU at Myanmar. As on 31.03.2018, 25 Regional Offices and 170 PIUs in the country and 1 PIU abroad have been established for expediting the execution of projects.

The total manpower strength of the Authority under various categories as on 31.03.2018 is as under:

Group of post	Present strength of the employees	Regular	Deputation	Contract	SC	ST	OBC	Person with disability
A	654	362	283	9	65	19	137	4
B	308	24	10	274	49	3	85	0
C	117	8	0	109	8	2	44	0
Total	**1079**	**394**	**293**	**392**	**122**	**24**	**266**	**4**

The broad organisational structure is given in Annexure 2:

4. 4 Strengthening of Human Resources:

The provisions of National Highways Authority of India (Recruitment, Seniority and Promotion) Regulations, 1996 were amended to attract competent professionals from various sectors to work in NHAI on deputation. For Capacity building of officers/staff of NHAI, employees of NHAI were deputed to prestigious training institutions in India and abroad for various training programmes. Details of training programmes attended by officers/staff of NHAI are given below -

Domestic Training Programmes		Foreign Training Programmes	
No. of Programmes	No.of Officers who have attended the programme	No.of Programmes	No. of officers who attended the programme
73	**237**	**18**	**46**

5. PROJECT PORTFOLIO

5.1 Bharatmala Pariyojana

Overview:

Bharatmala Pariyojana is a new umbrella programme for the highway sector that focuses on improving the efficiency of road freight and passenger movement across the country by bridging critical infrastructure gaps in the highway infrastructure. Bharatmala Pariyojana has envisaged the development of 50 Economic Corridors in the country as opposed to the 6 developed at present viz., the four legs of Golden Quadrilateral, North - South and East - West corridors. With the development of Bharatmala Pariyojana, 70-80 percent of freight is expected to move on National Highways network as against the 40 percent at present. In addition, Bharatmala Pariyojana will provide connectivity to 550 districts in the country through NH linkages, as against 300 districts connected by National Highways currently. Bharatmala will also have a positive impact on the Logistic Performance Index (LPI) of the country through reduction in logistics costs and improvement in average speed of road travel in the country

The Cabinet Committee on Economic Affairs had approved the implementation of an umbrella programme for National Highways - "Bharatmala Pariyojana Phase-I" on 24th October 2017, spanning over a period of 5 years (2017-18 to 2021-22). A total of around 24,800 km of roads are being considered under Phase-I of Bharatmala Pariyojana. In addition, Bharatmala Pariyojana Phase-I also included 10,000 km of balance road works under NHDP, taking the total to 34,800 km at an estimated cost of ₹5,35,000 crore. Components of Phase-I and estimated outlay for each component are as follows:

Sr. No.	Components	Length (in km)	Outlay (₹ in crore)
1	Economic Corridors development	9,000	1,20,000
2	Inter-corridor and Feeder Routes	6,000	80,000
3	National Corridors Efficiency improvements	5,000	1,00,000
4	Border & International connectivity roads	2,000	25,000
5	Coastal and port connectivity roads	2,000	20,000
6	Expressways	800	40,000
	Total Bharatmala Pariyojana	**24,800**	**3,85,000**
	Balance road works under NHDP	10,000	1,50,000
	Grand Total (including balance NHDP works)	**34,800**	**5,35,000**

5.1.1 Optimization of Bharatmala Network:

The Bharatmala network was designed with an objective of enabling corridor based highway development in the country. Post the approval of Phase-I of the Bharatmala Pariyojana, based on traffic flow, capacity constraints and development being done by the State Governments, the network was optimized by adding, deleting and modifying certain stretches to provide straighter, shorter and faster connectivity between economic centers.

As part of the optimization exercise, relatively straighter greenfield alignments were identified for connecting important economic centers. This approach was adopted keeping in view various upgradation projects that had already been taken up, wherein the cost of pre-construction activities including cost of land acquisition was significantly high as compared to the civil cost of the project. Upgradation/ Expansion of the existing corridors (brownfield) presented multiple challenges in terms of higher land acquisition cost, need for rehabilitation and resettlement of population inhabiting the land parcels abutting the existing corridors, need for utility shifting, tree cutting, etc. To overcome these challenges and to provide alternate connectivity options for heavily congested routes, these greenfield alignments were identified. Moreover, this approach would have an added advantage of improving connectivity to hitherto unconnected / poorly connected and under developed areas in the country, thereby triggering economic activity in such regions.

Green-field alignments reduce the overall cost to the economy as compared to brownfield expansion, as the shorter green-field alignments enable significant reduction in capital cost and vehicle operating cost. Overall, based on the optimization, seven greenfield alignments have been identified and the preparation of the Detailed Project Reports is underway. The salient features of a few greenfield corridors are explained below

The Delhi-Vadodara greenfield expressway, along with the greenfield Vadodara-Mumbai expressway, has been planned a greenfield alternate for the Delhi-Mumbai route. Delhi-Mumbai is one of the busiest routes of the national highway network, witnessing an average traffic of greater than 80,000 PCUs per day. The proposed 1275 km access-controlled 8-lane expressway from Delhi - Mumbai will act as an alternate to the existing route along NH-48 which is longer (1400 km) as well as more congested. In addition, the alignment will serve as an alternate from Delhi to the cities of Jaipur, Kota, Chittorgarh, Indore, Ujjain, Bhopal, Ahmedabad and Vadodara.

Similarly, the Trans Haryana greenfield highway has been planned as a part of the Ambala-Kotputli corridor. The existing Ambala-Panipat-Delhi North-South and Delhi-Gurgaon-Kotputli (GQ) national corridors are amongst the busiest and most critical route of the national highways network with an average traffic of 60,000 - 80,000 PCUs. The greenfield Trans Haryana corridor, starting at Ismailabad near Pehowa and terminating at the Narnaul bypass, has been proposed as a 227 km 6-lane highway to service traffic originating from Himachal Pradesh, Chandigarh & Ambala and bound to Vadodara-Mumbai & Kandla/Mundra, and thus avoid the congested NH-44 and NH-48 route to cross Delhi/NCR. The corridor will also service a major logistics hub being developed near Nangal Choudhary near Narnaul in Haryana.

5.1.2 Award of projects under Bharatmala Pariyojana:

Out of the 24,800 km approved under Bharatmala Pariyojana Phase-I, a total of 76 projects of length 4,003 km have been awarded by NHAI, post the approval of Bharatmala Pariyojana in the FY 17-18. Similarly, out of the 10,000 km approved under residual NHDP in Bharatmala Phase-I, a total of 39 projects of length 1,755 km have been awarded post the approval of Bharatmala Pariyojana in FY 17-18. A summary of the awarded projects is shown in the table below:

Sr. No.	Type of Corridor	No.of Projects	Awarded length (km)
1	Economic Corridors	34	1,548
2	Inter Corridor Routes	2	98
3	Feeder Routes	3	96
4	National Corridors	23	1,073
5	Border Roads	6	973

Sr. No.	Type of Corridor	No.of Projects	Awarded length (km)
6	Port Connectivity Roads	3	90
7	Expressways	5	124
	Bharat mala Total	**76**	**4,003**
	Residual NHDP	**39**	**1,755**
	Grand Total	**115**	**5,758**

5.1.3 Financial outlay of projects awarded under Bharatmala Pariyojana Phase-I:

Out of the total approved financial outlay of ₹3,85,000 Crore for projects to be awarded under Bharatmala Pariyojana Phase-I, projects of 4,003 km length have been awarded by NHAI in FY 17-18 post the approval of Bharatmala Pariyojana, with total expected financial outlay of ₹95,558 Crore. Similarly, against the approved outlay of ₹1,50,000 Crore for residual NHDP projects, 1,755 km has been awarded in FY 17-18 post the approval of BharatmalaPariyojana, with total expected financial outlay of ₹40,304 Crore. The overall total capital cost per km for the awarded projects is ~ ₹23.6 Crore/Km. A summary of the total capital cost for different corridor types of the Bharatmala Pariyojana Phase-I is given below:

Sr. No.	Type of Corridor	Awarded length (km)	Total Capital Cost (₹ Crore)
1	Economic Corridors	1,548	42,675
2	Inter Corridor Routes	98	1,144
3	Feeder Routes	96	2,739
4	National Corridors	1,073	31,782
5	Border Roads	973	4,563
6	Port Connectivity Roads	90	1,351
7	Expressways	124	11,304
	Bharatmala Total	**4,003**	**95,558**
	Residual NHDP	**1,755**	**40,304**
	Grand Total	**5,758**	**135,862**

Component wise breakup of total capital cost for different corridors of Bharatmala Pariyojana Phase-I

5.1.4 Status of Project Preparation Activities:

In addition to the 76 projects (4,003 km) awarded post the approval of Bharatmala Pariyojana in FY17-18, Detailed Project Reports are currently being prepared for ~ 22,700 km. These projects shall be prioritized for award based on the project viability (current and induced traffic) and readiness of pre-project preparation activities (land acquisition). The following table gives a corridor type wise view of the DPRs in process:

Sr. No.	Type of Corridor	Length (km)
1	Economic Corridor	8,236
2	Inter Corridor Route	3,617
3	Feeder Route	3,225
4	National Corridor	1,052
5	New National Corridors	1,981

Sr. No.	Type of Corridor	Length (km)
6	Border Road	672
7	International Connectivity	460
8	Coastal Road	1,371
9	Port Connectivity Road	692
10	Expressway	1,384
	Total	**22,689**

5.1.5 Congestion Points:

It was observed that even on the already developed corridors such as the Golden Quadrilateral and North-South, East-West corridors, and other high density routes, there are multiple points of local congestion hampering the speed of vehicular movement, driven by the interaction of city traffic with the highway traffic. 191 such points of local congestion had been identified on the entire network. These congestion points are being addressed by separating the city traffic from the highway through traffic through development of grade separators, city bypasses, ring roads, etc.

These 191 congestion points are being addressed as a part of several highway projects being executed across the country. Out of the 191 congestion points, interventions have already been completed in 13 congestion points and interventions are under construction in 80 congestion points. In addition, detailed project reports are being prepared for 93 congestion points. There are 5 congestion points for which the detailed project reports are still to be initiated.

The summary of status of the intervention of the 191 congestion points identified is provided in the table below -

Sr. No.	Status of Intervention Planned	# of Congestion Points
1	Completed	13
2	Under Construction	80
3	Detailed Project Report Being Prepared	93
4	DPR to be initiated	5
	Grand Total	**191**

5.1.6 Multimodal Logistics Parks:

Multimodal Logistics Parks have been conceptualized to act as freight aggregation and disaggregation centers to enable migration to more efficient modes such as higher sized trucks, rail or coastal shipping, thereby decongesting and improving the efficiency of the existing National corridors. A network of 35 Multimodal Logistics Parks had been identified for development in the Phase-1 of Bharatmala Pariyojana.

The availability of the land parcels for development of Multimodal Logistics Parks has been confirmed at 7 locations and the preparation of the Detailed Project Reports is being initiated in these locations. The details of the location and the status are provided in the table below.

Sr. No.	Node	Site	Status of Project Preparation Activity
1	Nagpur	Khapri	DPR On-going
2	Mumbai	Mira Bhayander/ Badlapur (To be confirmed)	
3	Bengaluru	Dabbaspette	DPR being initiated
4	Chennai	Mappedu	
5	Surat	Diamond City	
6	Sangrur	BaladKalan	
7	Guwahati	Jogighopha	

5.1.7 Corridor Efficiency Improvement Study:

As a part of Bharatmala Pariyojana Phase-I, detailed studies are in progress for improving efficiency of National and Economic corridors across 4 corridors, namely, Pune-Vijayawada, Mumbai-Kolkata, Bangalore-Kanyakumari and Agra-Mumbai. In order to ensure that the performance of corridors in India match up to best-in-class international standards, a robust corridor rating mechanism has been developed which will focus on evaluating the above corridors on the following 5 factors:

- Mobility and Reliability
- Safety and Ride Comfort
- Incidence Response Management
- User Satisfaction
- Environment

Cut-off values have been selected to rate each corridor as Excellent (E), Medium (M) or Low (L) on a particular parameter. Weightages and measurement methodologies have been defined for each parameter based on IRC guidelines and international practices. Going forward, the respective the performance of these four corridors will be evaluated and a rating score will be derived for each corridor. Subsequently, the interventions required to improve the rating scores for each corridor will be identified. Post the assessment of outputs for these 4 corridors, the study will be extended to other National and Economic corridors being developed under Bharatmala Pariyojana.

5.2 National Highways Development Project (NHDP)

The National Highways have a total length of 1,20,543 km to serve as the arterial network of the country and their development is the responsibility of the Government of India. The Government of India has launched major initiatives to upgrade and strengthen National Highways through various phases of National Highways Development project (NHDP), which are briefly as under:

Phases	Total Length in km	Date of Approval	Approved Cost in ₹ Crore	Length Completed in km	Length under Imp.	To be award-ed	No. of Proj-ects UI
Phase-I (GQ, NS-EW corridors, Port connectivity & others)	7,522*	12.12.2000	30,300	7521	1	-	1
Phase-II (4/6-laning North South-East West Corridor, Others)	6,647	18.12.2003	34,339	6110	338	199	29
Phase-III (Phase III A + III B) Upgradation, 4/6-laning	12,109** 11,809	-	80,626	8156	2586	1067	93
Phase-IV (2 - laning with paved shoulders)	20,000*** 13,203	July -2008 for 5000 km	27,800	5716	5801	1686	126
Phase-V (6-laning of GQ and High-density corridor)	6,500	July -2008 for5000 km	27,800	2757	2070	1686	46
Phase-VI (Expressways)	1000	02.11.2006	16,680	132	208	660	15
Phase-VII (Ring Roads, Bypasses & flyovers and other structures)	700 km of ring roads/ bypass +flyovers	06.12.2007	16,680	44	417	239	13

* Chennai - Ennore port connectivity two projects (24 km) has been re-awarded, these two projects was merged to another projects (6 km) under Phase-I . Total length increased by 24 km.

** 11809 km was assigned to NHAI remaining 300 km with MoRT&H

*** 13203 km was assigned to NHAI remaining 6797 km with MoRT&H.

5.2.1 Progress of the NHDP and other projects:

The NHAI has constructed 3,071 km of National Highways and awarded contracts for 150 Projects aggregating to a length in 7,396 km costing about ₹127630 crores during the current financial year 2017-18. The progress of the NHDP and other projects, as on 31 March, 2018, is as follows:

Phase	Total length	4/6 laning completed	Under implementation	Balance for award
Golden Quadrilateral	5,846	5,846	0	0
North-South & East-West	7,142*	6608	335	199
Port Connectivity & Other projects	5,865	2181	3684	0
NHDP Phase III	12,109**	8156	2586	1067
NHDP Phase IV	20,000***	5716	5801	1686
NHDP Phase V	6,500	2757	2070	1673
NHDP Phase VI	1,000	132	208	660
NHDP Phase VII	700	44	417	239
SARDP-NE	110	110	0	0
Total	**59272**	**31550**	**15101**	**5524**

* The original approved length of Corridors is 7300 km. The variation in the actual length of 7142 km from the original approved length of 7300 km is mainly on account of variation in the design length after preparation of DPRs.

** 11,809 km is assigned to NHAI.

*** 13,203 km is assigned to NHAI.

6 SOME OF THE ICONIC PROJECTS COMPLETED BY NHAI IN 2017-18

6.1 Chenani-Nashri Tunnel

A benchmark project of 9 km long twin tube all weather tunnel between Udhampur and Ramban in J&K has been constructed at a cost of ₹3,720 crores and is a part of 286 km long project for four laning of Jammu-Srinagar national highway. It is not only India's longest highway tunnel but also Asia's longest bi-directional highway tunnel. Built at an elevation of 1200 metres, on one of the most difficult Himalayan terrains, the tunnel will cut the travel time between Jammu and Srinagar by two hours, bypassing about 41 km of road length.

6.2 4-lane extradosed bridge on Narmada river at Bharuch, Gujarat

India's longest extradosed bridge of 1.4 km has been completed on Narmada River at Bharuch. This facilitates speed, safety and economic development of the area. This bridge will enhance the business activities and development in South Gujarat and Ahmedabad-Mumbai section of Golden Quadrilateral.

6.3 Bridge over River Chambal at Kota

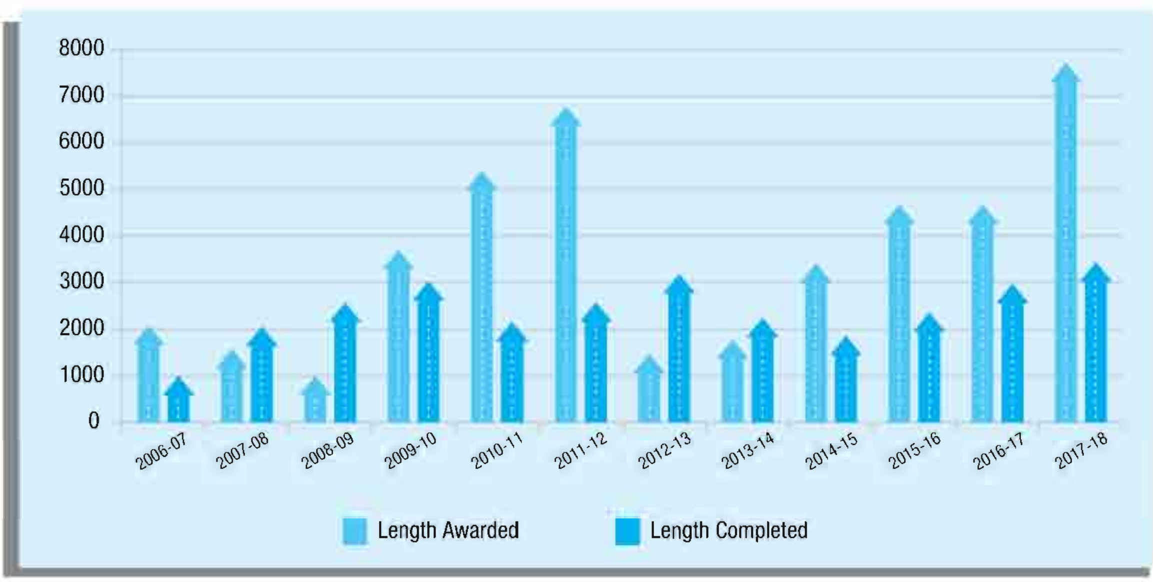
1.4 km long 6-lane Cable Stayed Bridge over river Chambal at Kota on NH-27, built at a cost of ₹278 crores, marks completion of the East-West corridor.

7 KEY OPERATIONAL HIGHLIGHTS

7.1 Project Award & Completion:

NHAI has achieved highest targets in terms of award of projects and length completed in the year 2017-18. A summary of length awarded and length completed since 2006-07 is as follows;

Financial Year	Length Awarded	Length Completed
2006-07	1730	636
2007-08	1234	1684
2008-09	643	2205
2009-10	3359	2693
2010-11	5058	1783
2011-12	6491	2248
2012-13	1116	2844
2013-14	1435	1901
2014-15	3067	1501
2015-16	4344	1988
2016-17	4335	2628
2017-18	7396	3071



7.2 Land Acquisition :

Sr.No.	Achievements	2014-15	2015-16	2016-17	2017-18
1	Land notified u/s 3 D (Ha)	6,719	6,432	8,303	10,275
2	Possession (Ha)	6,733	9,285	7,491	9,494

7.3 Collection of user fee:

During the year 2017-18, 2309 Km (Public Funded: 1591 km and BOT (Toll): 718 km) of completed National Highway sections have been added for tolling. The total length under tolling is 22,378 km. [Public Funded 10,792 km; and BOT (Toll) 11,586 km]. User Fee (Toll) on 10,792 km length/sections completed on Public Funded / BOT (Annuity)/OMT mode involving **200 user fee plazas** is being collected through following methods:-

OMT Contracts: In this method, the agency selected through competitive bidding is responsible for operation, maintenance and collection of Toll/ User Fee for the stretch, with a right to retain the toll collected against payment of a fixed sum to NHAI over a fixed concession period. 2388 km (comprising of **42 user fee plazas**) have already been handed over to OMT Concessionaires.

Three months Contract based on e-bids: This is a time gap arrangement wherein, toll is collected and retained by the successful bidder (contractor) selected through competitive e-bidding, against payment of a fixed sum to NHAI on daily basis for a period of three months or mobilization of new agency on regular basis whoever is earlier.

One year Contracts based on e-bids: In this method, toll is collected and retained by the successful bidder (contractor), selected through competitive e-bidding, against payment of a fixed sum to NHAI on weekly basis for a period of one year.

Four year Contract based on e-bids: In this method, toll is collected and retained by the successful bidder(contractor) selected through competitive e-bidding, against payment of a fixed sum to NHAI on monthly basis in advance for a period of four year.

7.4 Toll-Operate-Transfer (ToT) contracts

NHAI has been authorised to monetize public funded NH projects which are operational and are collecting toll for atleast 2 years through the Toll Operate Transfer (TOT) model subject to, approval of the Competent Authority in MoRTH/NHAI on case to case basis.

ToT model is a new concept for asset recycling to generate more resources for construction of future highways which envisages long-term investment opportunity in the highway sector with O&M obligations with the concessionaire during the concession period (30 years).

75 numbers of projects were earlier tentatively identified as suitable for ToT and these projects are EPC/ BOT (Annuity) stretches with minimum 2 years under tolling. Subsequently due to inclusion of few other stretches the total number of tentatively identified stretches for ToT is now 82.

TOT Bundle-1 comprising of 9 stretches (10 Toll Plaza) with a total length of 680 km length in the states of Andhra Pradesh & Gujarat is awarded to M/s MAIF 2 Investments India 2 Pvt. Ltd.- Ashoka Buildcon Limited Consortium at Bid Concession fee of ₹9681.5 cr. (against NHAI estimated IECV of ₹6258 Cr). LOA issued on 05.03.2018.

8 KEY FINANCIAL HIGHLIGHTS

8.1 Sources of Funds

8.1.1 NHAI receives its funding through:

(i) Government support in the form of capital base, cess fund, additional budgetary support, capital grant, maintenance grant, ploughing back of toll revenue;

(ii) Loan from multilateral agencies, and

(iii) Market borrowings

(iv) Borrowing from International market through Masala Bonds by Inaugural international debt offering.

8.1.2 The sources of Funds during the year 2017-18 are as under:

(i) A sum of ₹12429.45 Crore in the form of Cess Fund for Capital investment in National Highways from Central Road Fund, ₹4336 Crore (including ₹186 Crore as EAP grant) for development of other special projects, ₹575 Crore for O&M Expenditure and ₹72.60 Crore for Swachhta Action Plan (SAP) was received by NHAI from Ministry of Road Transport & Highways through Union Budget.

(ii) NHAI has raised ₹6657.413 Crore by way of issue of Capital Gain Tax Exemption Bonds under section 54EC of Income Tax Act, 1961, apart from raising ₹40875 Crore from domestic Market, EPFO, LIC, NSSF loan and ₹3000 Crore through issuance of Masala Bonds from International Market.

(iii) NHAI has deposited a total amount of ₹8840.754 Crores in Consolidated Fund of India (CFI) during 2017-18 towards User Fee collection, Revenue share, Negative Grant and interest thereon; against this the Ministry has released ₹8462.14 Crore to NHAI through Permanent Bridge Fee Fund (PBFF) as plough back of Toll Remittance made to CFI.

8.2 Achievements:

i) The funds raised by way of 54EC Bonds during the reported period is appx 110% against the target for the same.

ii) NHAI launched an issue of Masala Bonds at the London Stock Exchange in May 2017. The Masala Bond saw an overwhelming response from a wide spectrum of investors. The initial benchmark issue of ₹1500 crore was upsized to ₹3000 crore. Asia contributed 60% and Europe 40% of subscription. NHAI has won the industry's most prestigious "The Assets Country Award 2017" in the category of inaugural international debt offering and the Best and largest Masala Bonds transaction by any Indian PSU".

iii) The International Credit Ratings i.e. S&P Global and Moody's Investor Services have assigned the rating as BBB- and Baa2 respectively for the issuer (NHAI). The rating provided by both the agency is equal to the rating assigned to the sovereign.

iv) The MTN programme of ₹25000 Crore was listed on London Stock Exchange, Singapore Stock Exchange and India INX during March 2018.

8.3 Credit Rating

NHAI has been rated AAA, the highest credit rating, by all the major credit rating agencies such as CRISIL, ICRA, CARE and India Rating for NHAI Borrowing Programme of ₹59,000 Crore for FY 2017-18. These ratings enable NHAI to borrow funds at competitive rates.

8.4 Following are the Highlights of Financial performance for FY 2017-18

Sources of Funds	2016-17	2017-18
Receipts of Cess	2,326.50	12,429.45
Toll Plough Back	7,500.00	8,462.14
Additional Budgetary Support	5,649.02	4,150.00
Capital Grant (JICA & WB)	-	186.00
Capital Gain Tax Exemption Bonds	5,572.74	6,657.41
Taxable Bonds	27,545.00	20,875.00
Rupee Denominated Offshore (Masala) Bonds	-	3,000.00
Loan from National Small Saving Fund	-	20,000.00
Other Sources/Working capital changes	1,900.25	3,145.24
Total	**50,493.51**	**78,905.24**

Application of Funds	2016-17	2017-18
Land Acquisition	17,823.16	32,142.56
Project Expenditure	20,843.15	30,647.94
Repayment of Loans and Interest thereon	7,010.29	89,46.16
Increase in Cash	1,636.00	-
Other Outflow	3,180.91	71,68.58
Total	**50,493.51**	**78,905.24**

9 KEY CONTRACTING MODELS FOR HIGHWAY CONSTRUCTION

9.1 BOT (Toll)

In BOT (Toll) pattern, the private developers/ operators meets the upfront cost and expenditure on annual maintenance and recovers the entire cost along with the interest from toll collections as per toll policy during the concession period. To increase the viability of projects, a capital grant upto a maximum of 40% is provided by NHAI.

9.2 BOT (Annuity)

In BOT (Annuity) projects, the private sector is required to meet the entire upfront cost and the expenditure on annual maintenance. The concessionaire recovers the entire investment through pre-determined annuity payments by NHAI. Government is responsible for collecting toll revenue and thereby commercial risk is not transferred to the concessionaire.

9.3 Engineering, Procurement and Construction (EPC)

In new Engineering, Procurement and Construction (EPC) model, projects are contracted for a fixed term, fixed time and fixed cost. There is a shift from an item rate construction contract to an EPC (lump sum) contract to minimise time and cost overruns. The Government collects toll revenue after construction period. No commercial risk for the Contractor except maintenance for 4 years of defect liability period.

9.4 Hybrid Annuity Model

HAM assures better risk allocation amongst private concessionaires and NHAI. 40% of bid project cost is payable to the concessionaire by NHAI in five equal instalments linked to project completion milestones and concessionaires shall have to arrange the balance 60% of the bid project cost.

Once the project is completed, the NHAI collect toll and pay annuities till the end of concession period. The toll collection is done by NHAI. For concessionaires, the traffic risk is not associated with them as compared to BOT Toll model. It gives them some comfort level to borrow from the banks.

9.5 Special Purpose Vehicle (SPV) for Port Connectivity

NHAI has taken up development of port connectivity projects by setting up Special Purpose Vehicles (SPVs) wherein NHAI contributes upto 30% of the project cost as equity. The SPVs also have equity participation by port trusts, State Governments or their representative entities.

10 ROAD SAFETY

For improvement of road safety on national highways, NHAI has taken various steps including rectification of black spots, road safety awareness campaign, training to field officers, concessionaires and other stakeholders on awareness and sensitization on road safety engineering.

Out of 789 black spots identified on national highways, 506 are under NHAI jurisdiction. 24 black spots were rectified through long term measures summing up the total black spots rectified by end of 2017-18 as 195. Another 15 black spots in different States, having peculiar site characteristics with very high accident rates, were investigated separately giving appropriate design of the rectification measures. During the year, a two days training was conducted by the Road Safety Expert Team for the NHAI Field officers, Concessionaires, Consultants, Contractors, and IE/AE teams engaged in delivery of projects under various Regional Offices of NHAI across the country. This training on Awareness and Sensitization on Road Safety Engineering was attended by 1,143 trainees in sixteen trainings sessions conducted at different locations.

Road Safety Audit (RSA) is conducted mandatorily in all projects of NHAI at all stages (development, construction and operation) through independent Safety Consultants appointed for the projects. Out of a total of about 55,000 kms of NHs with NHAI, a total of 38,401 km was taken for RSA till March 2018 and audit recommendations for 18,188 km have been complied and implemented. In addition, Road Safety Audit was carried out during the year through Road Safety Expert team for various critical projects, having a total cumulative length of 1,207 kms.

A road safety awareness campaign was carried out across the entire NHs network under NHAI through field offices of NHAI and the project teams of Concessionaire/Contractor and IE/AE across the whole country during 2nd October to 6th October 2017. During this programme of road safety campaign, Free Eye Check-up Camp for truck and bus drivers was organized in which 622 Eye Specialist were engaged across the whole country at various camps and 24,031 drivers were checked for their eye sight. Free eye-glasses with basic frame was given to 12,592 drivers with deficient eye sight.

11 IT INITIATIVE

11.1 Greater thrust on Information Technology (IT):

Information Technology is crucial for quick communication and collaboration. It is equally important during the planning, monitoring and evaluation process, and hence introduction of IT is one of the major focus areas in NHAI.

NHAI is imbibing the best & latest information technologies in various aspects of highway development and management. In the past, NHAI had used technologies and knowledge management tools to a limited extent. But in last 02 years NHAI has introduced advance IT tools and applications such as AI (Artificial Intelligence), drones, Satellite monitoring, GPS- GIS mapping and Electronic Toll Collections effectively with a significant thrust on technology envisaged to be one of the important strategies for NHAI to successfully manage its systems. Therefore, a comprehensive strengthening of the IT system is being carried out.

11.2 Project Management Information System:

Project Monitoring Information System (PMIS) has been developed in-house in National Highways Authority of India (NHAI) is one of the finest project monitoring applications in the highways sector. With the help of this tool, more than 3000 projects of highways construction works, which include pre-construction stages, under construction stages and post-construction (O&M) stages are monitored in very elaborative manner.

PMIS is robust and comprehensive tool equipped with GIS mapping and Mobile application for monitoring Highway projects that covers key operational parameters such as toll, traffic information, Land acquisition, compensation disbursement, clearance proposals etc. The system also provides structured dashboard mechanisms for various levels of authorizations/ levels of authority. PMIS also provides analytical tools for measuring parametric progress of projects. Effective monitoring through PMIS led to increase in the annual award target of National Highways from 2300 km/annum to 7400 km/ annum and construction of NH from 11 km per day to over 30 km per day.

11.3 E-Procurement System:

In order to improve transparency and accountability, NHAI has switched to e-procurement and e-tending for all types of projects including BOT since July, 2011. Presently, NHAI is using e-procurement solution, Central Public Procurement Portal (CPPP) developed by National Informatics Centre (NIC) for all tenders of NHAI.

11.4 Central Command Control Centre

A State-of-the-art Central Command Control Centre is to be set up at NHAI to facilitate decisions making based on the analysis of various digital inputs received in ERP/PMIS and then disseminate the relevant informations back to the stake holders. The CCC is to facilitate the following activities:

(i) View / Monitor all other digital records/ videos received from any source such as LiDAR/ Network Survey Vehicle (NSV)/ Highway Pavement Management System (HPMS)/ Drones/ Satellite Imagery/ NECTAR/ PMIS/ RAMS/ Project Reports/ DPRs/ IE Report/ any other source and display on the video wall in conjunction with the toll plaza monitoring.

(ii) Display mapped black spots/ safety related points on the GIS map of NH on the video wall.

11.5 Modern Survey Techniques for Digital Inventory of National Highways

NHAI is also working on modern techniques for survey and is preparing a digital inventory of various assets. The study shall develop a web-based GIS network of NHAI road network database assets and related inventory. NHAI has already completed pilot data collection of 3000+ kilometres and published RFP for Engagement of Consultant for Highway Pavement Management System for Maintenance of National Highways in India to institutionalize the techniques. The techniques will help NHAI enhance its monitoring and maintenance capabilities, allow for proactive road maintenance, and reduce the overall maintenance costs.

Further, NHAI has empanelled four (4) agencies to capture high resolution aerial videos of National Highways using Drones. Following are the key benefits of Drone videography on National Highways:

i) Status / conditions of highway sections before award of COD

ii) Monitoring/inspection during execution of highway projects.

iii) Aerial surveys based on specific requirement of HQ/RO/PIU

11.6 ETC Infrastructure

In order to remove bottlenecks, ensure seamless movement of traffic and collection of user fee, Electronic Toll Collection has been implemented on a pan India basis, using Radio Frequency Identification (RFID) technology. To support the surge in sales, NHAI is also working towards converting all lanes as ETC-enabled lanes. Further, all Toll plazas are being upgraded to ensure one dedicated lane at all Plazas. NHAI is also in the process of launching Integrated Toll Management System (ITMS) being developed for quick & real-time settlement of transactions at Toll Plazas.

11.7 FASTag

NHAI has launched a mobile application for tag purchase and top-up of FASTags named as My FASTag, and also initiated a public awareness drive for increasing the FASTag sales. NHAI has also tied up with CSC for offline Tag sales. Rapid growth has taken place in FASTag penetration; it has crossed 1.5 million new users in a short span of 1 year.

- The ETC transactions have increased by 1500% from 83 lakhs/day to 14 to 15 crores/day.
- Advantages of the program

➢ Enables cashless payments across toll plazas

➢ Dedicated lanes at toll plazas to enable seamless vehicle movement

➢ Cashback of 7.5% for FY - 2017-18, and 5% for 2018-19.

11.8 Network Architecture

New network architecture has been formulated and is under execution at NHAI Headquarter, considering the next stage of services to be offered at Toll plaza and Regional offices which will be connected to the HQ with video, voice and surveillance traffic. Futuristic upgradation of the network is planned with perspective of Network at Core, Distribution and Access Layer having Servers and Storage with adequate security.

11.9 Wi-Fi Zone, New Network and Data Centre

Entire NHAI field offices & HQ connected with 100 Mbps MPLS cloud, and is now Wi-Fi zone. Modernization of IT infra, Wi-Fi office and 1 Gbps connectivity are new addition.

11.10 Sukhad Yatra

Interactive mobile Application to empower National Highway users with relevant information inaugurated by Hon'ble Minister of MoRTH, Shri Nitin Gadkari. Key modules includes real-time toll plaza waiting time information, reporting of any highway related incident or provide feedback on Highway quality, exploring highway details and related amenities and purchasing FASTag.

11.11 Innovative Solution for Toll

- Aim to identify new technologies for highway construction and maintenance.
- Key technologies are utilized as:

➢ Initiative to charge tolls based on 'Pay as you Use' in progress.

➢ Mobile apps being tested for payment based on Bluetooth, Wi-Fi, and related technologies.

➢ Near Field Communication card (NFC) at Toll Plazas.

11.12 NHAI Website

Launched new website of NHAI with URL as **nhai.gov.in.** Contemporary outlook of NHAI on web is upgraded to state of art. 24x7 website is being maintained including uploading of tenders, news, recruitment etc.

11.13 Enterprise Resource Planning (ERP) of NHAI

EIT/DXC private limited has undertaken the project after issuance of award of work by MoRTH. Project started in February 2018. Blue prints of NHAI was finalized. The development of ERP, SAP modules are under progress.

11.14 Pilot Project of GPS/GSM Based Toll Collection System

NHAI is planning to conduct a pilot study to test feasibility of distance based free flow tolling system using GPS Technology on Delhi-Mumbai corridor of 1419 kms. The study will check ground feasibility of Hon'ble PM's vision of distance based free flow tolling using latest technologies i.e. collecting toll free without any physical toll plaza structure. If found successful, this will be a practical electronic tolling solution for free flow movement of the vehicles on National Highways especially suiting to Indian social-political-geographical conditions.

11.15 Integrated Toll Management System (ITMS)

To help achieve the above targets, and to develop a robust backbone to handle the anticipated surge in digital transactions. NHAI intends to develop a mega Software Platform " Integrated Toll Management Systerm" (ITMS). The ITMS shall offer a centralized, real-time, bank neutral platform for all the Tolling related operations conducted by NHAI on National Highways.

12 CHALLENGES AND REMEDIAL MEASURES:

12.1 Project Financing / Financial Closure Impediments:

Lack of Equity and over-leveraged Balance Sheets of the developers: Most developers have significantly leveraged their Balance Sheets in anticipation of high levels of growth. The economic downturn seen in the last few years has resulted in revenue realization at a much lower rate than what was anticipated. Many developers have taken significant future obligations which creates difficulties in debt servicing.

Stress on the existing road infrastructure loan portfolios of Financial Institutions: Reduced revenue realization due to economic slowdown is affecting the debt servicing ability of the concessionaires. Often the concessionaire is unable to service the debt and has to propose restructuring of the debt to the lenders. While the first restructuring exercise is permitted by lenders without any adverse asset classifications, any subsequent exercise automatically affects the assets classification in the books of its lenders leading to disproportionally high level of NPAs.

Mismatch between project and debt duration: The current practice of financing large infrastructure projects is based on revenue streams spread over 20 to 30 years. For a project with a debt that spans over 10 to 15 year tenure period, this leads to sustainability issues and a consequent asset liability mismatch.

Sector exposure norms of Financial Institutions getting exhausted: With the debt obligations mounting on account of debt repayment deferment, FI's exposure to this sector has increased significantly, reaching defined exposure norms for the sector.

Delayed Projects: A number of projects are stuck or delayed turning many bank loans into NPAs and further constraining the banks' lending to such infrastructure projects.

12.2 Regulatory Impediments:

12.2.1 Acquisition of Land (LA):

With the promulgation of the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013 (RFCTLARR Act), affected landowners have, in some cases, refused to hand over possession of land and have demanded higher compensation even in cases where land acquisition was completed before promulgation of the Act. Large quantum of litigation seeking enhanced compensation has affected project schedules.

Due to provisions of the new Act, land has become costly and land cost in some cases is more than project cost.

Legal challenges to some provisions of the National Highways Act, 1956 (NH Act) which deny payment of Solatium and Interest as admissible under the Land Acquisition Act, 1894, have resulted in substantial financial implication, besides causing delays in project implementation.

Competent Authorities for Land Acquisition (CALAs), who acquire land for highway-development projects are State Government officials. They accord low priority to land acquisition for NHAI vis-a-vis their regular official duties, and they also lack adequate infrastructure for expeditious acquisition of land.

12.2.2 Approval for shifting of utilities:

This requires close interaction and supervision of State level entities managing utilities such as power distribution, water supply, sewerage etc. In certain cases, projects have been inordinately delayed on account of such utilities not extending the required timely cooperation for shifting of utilities from the corridors.

12.2.3 Judicial Interventions & action by other Ministries & State governments:

National Green Tribunal abruptly stopped mining of sand. This resulted in the prices of sand shooting to extremely high levels. A similar handicap was faced when restrictions were placed on the mining of aggregates and on soil borrows by many State Governments.

12.3 Removal of Impediments and Measures for Operational efficiency:

12.3.1 Project Preparation:

Going forward, NHAI has decided to restrict the award of the projects until all regulatory approvals are obtained for the project and the minimum required land is available in possession to avoid post-bid delays and litigations.

12.3.2 Approvals for Railway Over Bridges (ROBs) / Railway Under Bridges (RUBs), General Approval Drawings (GADs), etc.:

To avoid delay in GAD from Railways, an MOU has been signed between MoRTH and Ministry of Railways on 10.11.2014. Time line of 60 days for GAD approval is proposed and various charges imposed by Railway has been waved off. After signing of this GAD approval became easier and fast. In this regard during year 2017-2018 total 23 number of GAD proposal of ROBs/RUBs of NHAI has been approved.

12.3.3 Simplification of process of Environment and Forest Clearance:

MoEF & CC vide OM dated 19.03.2013, Circular dated 20.08.2014 and Gazette Notification dated 10.10.2014 simplified the statutory clearance process of linear projects. The details is as under:

i) De-linking of environment and forest clearance- Consideration of projects for grant of environment clearances under EIA Notification 2006, which involve forest land-Procedure to be followed (OM dated 19.03.2013);

ii) Decentralisation of forest clearance of linear projects by constitution of Regional Empowered Committee (REC) in 10 Regional Offices of MOEF & CC;

iii) De-linking of grant of forest clearance from the clearance of Standing Committee of Wildlife (Circular dated 2.08.2014).

12.3.4 Shifting of utilities:

System of identification of utilities requiring shifting has been digitized by way of mandatory survey at the stage of preparation of detailed project report through Light Detection and Ranging (LIDAR) technique and ground penetration radars for timely identification. System of approval of estimates for utility shifting has been streamlined with delegation to field officers for timely utility shifting.

12.3.5 Measures Facilitating Investment:

12.3.5.1 Loans to Highway Projects classified as "secured" by Lenders:

At NHAI's initiative, Reserve Bank of India has effected a policy shift mandating that the Financial Institutions now consider loans to Highway Projects as secured loan to the extent covered by termination payment provisions under the Concession Agreement. Due to this changed classification, the road sector projects will not be able to access debt funds from a larger pool for secured loans (as against the restricted pool available for unsecured loans) and also get the benefit of lesser interest rates.

12.3.5.2 Refinancing/restructuring loan:

NHAI is actively supporting refinancing /restructuring of loans. The Authority has decided that in refinancing /restructuring of the loan, where there is no increase in the overall liability of NHAI (though, it may differ on any particular date as per the revised repayment schedule), should actively supported. During 2017-18, 17 projects were refinanced to the extent of ₹4363.752 crores (Outstanding senior debt) and ₹1082.05 Crore (additional debt) by the banks.

12.3.5.3 Equity Divestment:

During 2015-16, the cabinet Committee on Economic affairs (CCEA) approved the proposal for permitting 100% Equity divestment after Two years of construction completion for all BOT projects. Accordingly, 3 Projects, 100% equity divestment was permitted during the period under report i.e. F.Y 2017-18.

12.3.5.4 Infrastructure Debt Fund:

The infrastructure Debt fund created in the last fiscal year is a step towards easing the burden for the banks. During 2017-18, 5 projects received IDF Funding of ₹1358.62 Crore.

12.3.5.5 Premium Rescheduling:

To ensure that project execution does not suffer due to cash flow constraints, an Expert Committee was constituted by the Central Government, on the proposal made by NHAI, and rescheduling of premium was approved, which is being made available to concessionaire which have a revenue shortfall. Till 31st March, 2018, 25 projects were considered and approved by the Board of NHAI for grant deferment of premium. In all, these 25 proposals involve deferment of premium for a total value of ₹10916.47 Crore. The period during which such deferment has been considered spans FY 2015 to FY 2031, with the deferment granted during FY18 amounting to ₹96.87 Crore. This facility should provide breathing space to cash constrained Concessionaire.

12.3.5.6 One-time fund infusion

One-time fund infusion is to revive and physically complete languishing projects under the extension provision available for BOT (Toll) & BOT (Annuity) projects. Ensure completion of project giving respite to bankers. Solution for financially stressed projects.

12.3.5.7 Hybrid Annuity Mode:

A new PPP mode i.e. Hybrid Annuity Mode (HAM) was introduced whereby NHAI bears 40% of the Project Cost besides providing semi-annual Annuities for 15 years during operation and maintenance period.

12.6 Dispute Resolution:

NHAI has made efforts for dispute resolution through the established mechanism of Alternate Dispute Resolution through three tier stages of (i) 3-CGMs committees, (ii) Independent Settlement Advisory Committee (ISAC) and (iii) Executive Committee / Board of NHAI for settlement/conciliation of disputes. As a result, the claims amounting to ₹381.156 crore were settled for an amount of ₹29.722 crore during the year 2017-18.

NHAI on 02.06.2017 established Conciliation through Committee of Independent Experts (CCIE). 2 CCIEs have been constituted and cases have been referred to them.

12.7 Society for Affordable Redressal of Disputes (SAROD):

NHAI, in association with National Highways Builders Federation (NHBF), has formed a society for the speedy and affordable redressal of disputes called as the Society for Affordable Redressal of Disputes (SAROD) registered under the Societies Registration Act, 1860. Builders/Contractors are the Primary Members and Consultants are the Associate Members. This provides for dispute resolution at reasonable cost. Provision for mandatory application of this mode of dispute resolution has also been incorporated in the Model Concession Agreement (MCA). 29 Primary Members and 5 Associate Members have been enrolled with SAROD. A total of 347 Arbitrators have already been empanelled.

13 SYSTEMIC IMPROVEMENTS:

13.1 Improvement in Toll Collection:

(a) Electronic Toll Collection (ETC) was rolled out across the country on 25th April 2016. In order to enhance the adoption of interoperability toll payment; Ministry of Road Transport & Highways (MoRTH), along with the National Highways Authority of India (NHAI) had re-launched the National Electronic Toll Payment System (NETC) based on RFID technology at all National Toll Plazas on 3rd December, 2016 with inclusion of multiple issues and multiple acquirers bank model incorporating NPCI (National Payment Corporation of India) as CCH (Central Clearing House).

(b) FASTag is a device that employs Radio Frequency Identification (RFID) technology for making toll payments directly from the prepaid or savings account linked to it. It is affixed on the windscreen of a vehicle and enables one to drive non-stop through the toll plazas without any hassle of cash transactions. The tag can be purchased from Tag issuers and can be recharged as per the user's requirement.

(c) Indian Highway Management Company Limited (IHMCL), a company formed in association with select financial institutions & developers/ promoters of concessionaires under the Companies Act, 1956 with equity participation from NHAI (25%), Concessionaires (50%) and Financial Institutions (25%), is actively involved in implementation of ETC. 392 toll plazas (122 Public Funded & 270 PPP) across the country have been enabled with ETC and 16,33,868 RFID tags have been issued.

13.2 CCTV Surveillance System

Going forward, IP (Internet Protocol) based CCTV Surveillance Systems are proposed to be installed at toll plazas. The CCTV system will be used to monitor the lane area. A control centre equipped with Video Wall for online monitoring of Video feeds from all toll plazas will be established at NHAI Head Quarter.

13.3 Implementation of Automatic Vehicle Counter & Classifier (AVCC) System at Toll Plazas

AVCC Systems provide classification and counting of vehicles passing through the lanes and used as an audit tool for toll collection. Toll Management System checks AVCC class and classification entered by the Toll Collector. If there is a mismatch, the Lane Camera captures a digital image of the vehicle together with details of the class discrepancy message, transaction number with its date and time, lane number and toll collector. The image and discrepancy information is communicated to the supervisory console for further processing by the toll supervision staff. Data on counting and classification can also be accessed remotely. Necessary action has already been initiated for implementation of AVCC systems at all toll plazas.

14 OTHER MANAGEMENT INITIATIVES

14.1 Decentralised decision making process:

(i) Regional Officers and Project Directors in the field have been further delegated financial powers for quick decision making to expedite the project implementation.

(ii) Standard guidelines and procedures have been formulated to expedite Land Acquisition and Utility Shifting.

(iii) Regional Officers are empowered to augment the Human Resources required at the field level by hiring retired Central/ State Government Officials and private personnel through the outsourcing agencies.

(iv) Video Conferencing facility is also introduced in all Regional Offices for regular reviews and interaction with the Headquarters to expedite the decision making process.

(v) Regional Officers have been made the nodal officers and the Convener of the High Powered Committees chaired by the Chief Secretary of the concerned States to sort out the local issues for expediting the preconstruction activities like Land Acquisition and Environment Clearances etc.

14.2 Improvement in Planning and Execution Process:

(i) Based on the feedback received from all the stakeholders, the process for preparation of Detailed Project Report (DPR) has been revamped which will enable futuristic planning of highways with greater emphasis on expeditious land acquisition. The timelines for various activities have also been worked out for optimization of planning process of national highways projects.

(ii) The RFP for Authority Engineer/ Independent Engineer/ Supervision Consultant for projects under implementation/ O&M Phase have been modified to include equipment based monitoring of National Highways which would help improve the life of pavements with better riding quality.

(iii) To encourage usage of new technology/ material/ processes, research studies have been assigned to IITs for laboratory/ field trials and these technologies shall be adopted in road construction based on recommendations from these institutions.

14.3 Focus on a network-wise approach for managing the highways under its purview:

An integrated approach focusing on an entire network rather than the operational aspects of individual highway stretches is a key strategy area for NHAI which includes asset management, revenue management, road safety, security management, traffic management etc.

14.4 Wayside Amenities

NHAI is developing Wayside amenities along national highways to provide rest and refreshment for highway commuters. These facilities are classified in three categories :

Highway Nest (Mini) - 118 nos. of Nest Mini facilities have been developed near toll plazas approx.. 200 meters downstream providing facilities of toilets, Water ATMs, small kiosk having tea/coffee vending machine and packaged food.

Highway Village -These facilities are being developed on Govt. land under PPP model at an interval of approx.50 km on National Highways. After construction, the concessionaires will operate & Maintain for 30 years. Bids were invited for 64 (34+26+4) Highway Village sites in Phase 1 & 2. In the 34 sites, technical bids were opened on 23.03.2018 and bids for 21 sites were received.

Highway Nest -These facilities are proposed to be developed on Private land adjoining national highways by private parties with their own funds. NHAI will provide access to site and facilitate in getting petroleum license etc. Expression of Interest (EOI) for Highway Nest were invited and 35 bids were received on 08.11.2017. Out of these 35 bids, 7-8 bids were eligible, however, to encourage better response, the policy, EOI and co-branding agreement are under review.

14.5 Incident Management

NHAI is in the process of introducing Advanced Integrated Incident Management System in the States of UP & Rajasthan on pilot basis. The finalisation of RFP is in progress.

In January 2018 the EC decided on authorising all ROs to liaison with Health Department of State Governments for engaging Ambulances, Tow Away Cranes and Patrol Vehicles for improving incident management services on National Highway stretches of NHAI.

14.6 Swacch Bharat Mission

NHAI is actively associated in implementation of Swachh Bharat Mission (SBM) and organised various cleaning activities under Swachhata Pakhwada throughout the country from 16-31 July 2017 and 16-31 January 2018. In order to achieve the objective of providing hygienic toilet facility to the road users under Swachh Baharat Abhiyan, 416 no. of Ladies toilets and 421 nos. of Gents toilets have been constructed on upside and downside of the toll plazas along National Highways upto 31.03.2018 and 335 nos. of Ladies and Gents toilets are under progress. To promote cleanliness on national highways, hoardings at 1002 places were displayed carrying Swachhata message and discouraging littering. 1680 nos. of dustbins were installed on each lane of toll plazas on National Highways.

14.7 Vigilance Division

Vigilance Division has disposed of 180 vigilance cases which were pertaining to Toll/Fastag, LA/ Alignment, Construction/quality, Contractual Matter and other like Utility Shifting, Corruption, Accord permission, Median openings, inspections etc during the year 2017-18(up to 31.03.2018). The details of which are as under:

	Nature of case	Number of Vigilance cases	
		Disposed of during (in number) April 2017 - March 2018	Pending till 31.03.2018 (in number)
1	Toll related	42	86
2	LA/ Alignment related	18	76
3	Project related viz. construction, maintenance, quality, procurement, contractual matter etc.	53	210
4	Administrative issues	39	88
5	Other (Utility shifting,access permission, encroachment etc.	28	127
	Total number of cases	**180**	**587**

14.8. Other Initiatives

As a mark of respect for Women, 1252 nos. of women staff were deployed at 106 no. of toll plazas across country on international women's day i.e., 08.03.2018,

14.9 Implementation of the Official Language Policy of the Government

Strenuous efforts have been made during the year for Implementation of the Official Language Policy of the Government in the National Highways Authority of India. Hindi Fortnight was organized from September 01 to September 15, 2017 in the Authority to create a congenial atmosphere for working in Hindi. Various Hindi competitions were organized in which the officers and employees participated with great enthusiasm and outstanding performers were awarded with cash award and certificates in the function organised on the occasion of Hindi Diwas. Four Hindi workshops were conducted during the year for the benefit of the officers/employees, in which they were provided detailed knowledge about the Official Language Policy and the rules made there under, imparted training for working in Hindi on computers and practice in Hindi noting & drafting. Meetings of the Official Language Implementation Committee of the Authority have been held regularly in each quarter wherein necessary decisions were taken after reviewing the progressive use of Hindi in the Authority. An attractive Hindi Incentive Scheme has also been implemented to inspire the officers and employees to do more & more of their official work in Hindi. The overall percentage of Hindi correspondence during the year 2017-18 in region A, B and C has been 71.67%, 66.80% and 54.80% respectively.

14.10 Right to Information Act (RTI)

NHAI is promptly attending to all the applications filed under Right to Information Act, 2005. Directions are issued to all its field offices to dispose all RTI Applications/ Appeals in a time bound manner and upload the status on RTI Portal. Internal reminders circulating the pendency status is done on a regular basis in order to clear the pendency at the level of each and every CPIO and Appellate Authority spreading across the length and breadth of the country.

Furthermore, for the last one year all applications are processed through the online portal only, i.e. the physical receipts are scanned and uploaded to the RTI MIS Portal for speedy transfer and speedy disposal thereby reducing the response time for each and every RTI applications made under the Act of 2005. The filing of Quarterly Returns on behalf of NHAI is also done on a regular basis in the RTI MIS Portal at **Https://rtionline.gov.in/RTIMIS/NODAL/index.php** and as on date there is nil pendency with respect to filing of Quarterly returns.

The updated status (as on 31.03.2018) for RTI Applications is presented below

Action taken by Nodal officer					
Total Online Receipt(s)	Transfer to other Public Authority	Forward to CPIO	Returned to Applicant	Disposed off	Pending
14254	37	13852	322	1	10

Action taken by CPIO (S)				
Physiccal Receipts (s)	Forward by Nodal Officer	Total Receipt (s)	Disposed off	Pending
1381	13852	15233	11913	3353

The updated status (as on 31.03.2018) for RTI Appeal is presented below:

Action taken by Nodal officer			
Total Online Receipt(s)	Forward to FAA	Returned to Applicant	Pending
1454	1419	22	13

Action taken by FAA (s)				
Physiccal Receipts (s)	Forward by Nodal Officer	Total Receipt (s)	Disposed off	Pending
87	1419	1506	863	643

14.11 Library and Technical Resource Centre

NHAI has a fully automated and well stocked Library and Technical Resource Centre. Standards/ specifications relating to Roads, Highways, Bridges, Transportation etc. published by Indian Roads Congress and other institutions in the world form the core collection of the Technical Resource Centre. The centre has an excellent collection of journals and reference books on Civil Engineering, Highways Engineering, Transportation and Related Disciplines. A good number of books on finance, administrative law and ICT etc. are available in the centre. Press Clippings relating to roads, highways and infrastructure development have been maintained in electronic form since March 1997. Photo section stocks a collection of over 4000 photographs of NHAI projects.

14.12 Media

Media cell is actively working towards brand building of NHAI through various media platforms. NHAI's Wall Calendar for the year 2018 was conferred Diamond Award by Public Relations Council of India. NHAI participated in various exhibitions during the year to create awareness on road safety, FASTag implementation and educate the people on development of National Highway Projects. NHAI pavilion at 105th Indian Science Congress - Pride of India Expo was adjudged as Best Design Pavilion.

14.13 Green Highway initiatives

NHAI has set up a Green Highway Division with the objective to undertake plantations along the highways and median in accordance with IRC SP:21:2009 and Green Highway Policy, 2015. The plantation work is carried out through the forest department, concessionaires and private agencies. In the year 2017-18, more than 10.0 lakh plants have been planted in the available right of way and median.

15 WELFARE ACTIVITIES UNDERTAKEN BY THE AUTHORITY

15.1 NHAI Club:

NHAI club was constituted in November 2001 for looking after various social, cultural and other related activities for the employees of the NHAI. All the officers and staff of NHAI posted at the Headquarters are members of the club. NHAI Club also contributes a sum of ₹40,000/- to the family of a deceased member of the Club towards immediate financial support. The Club also organized the NHAI Day Programme on 9th February, 2018 including a cultural programme, sports tournaments, cultural competitions and family get together etc.

15.2 Death due to Illness, Accident or Natural Causes:

As per the NHAI policy, in case of death of any NHAI employee due to illness, accident or natural causes, the nominee of the deceased employee is entitled to receive a sum of ₹5.00 lakhs for employees drawing salary in the pay scale of ₹6500-10500/- (Pre-revised) and above and ₹4.00 lakhs for the remaining categories. The scheme was first introduced in the year 2005 as part of Group Life Insurance Policy and the scheme is funded through the annual budget of NHAI from 2013 onwards.

15.3 Death Benevolent Scheme:

A voluntary scheme viz., Death Benevolent Scheme, has also been introduced in NHAI w.e.f. 01.01.2015 wherein a sum of ₹50/- is contributed by the employees every month. An ex-gratia amount of ₹ 1.00 lakh is given as relief in case of death of the employee.

16 AUDIT

The Audit Report on the accounts of the Authority for the year 2017-18 issued by the Office of C&AG of India is attached as Annexure-3 and the Management's replies on the Audit's comments on accounts are attached as Annexure-4.

Annexure-1

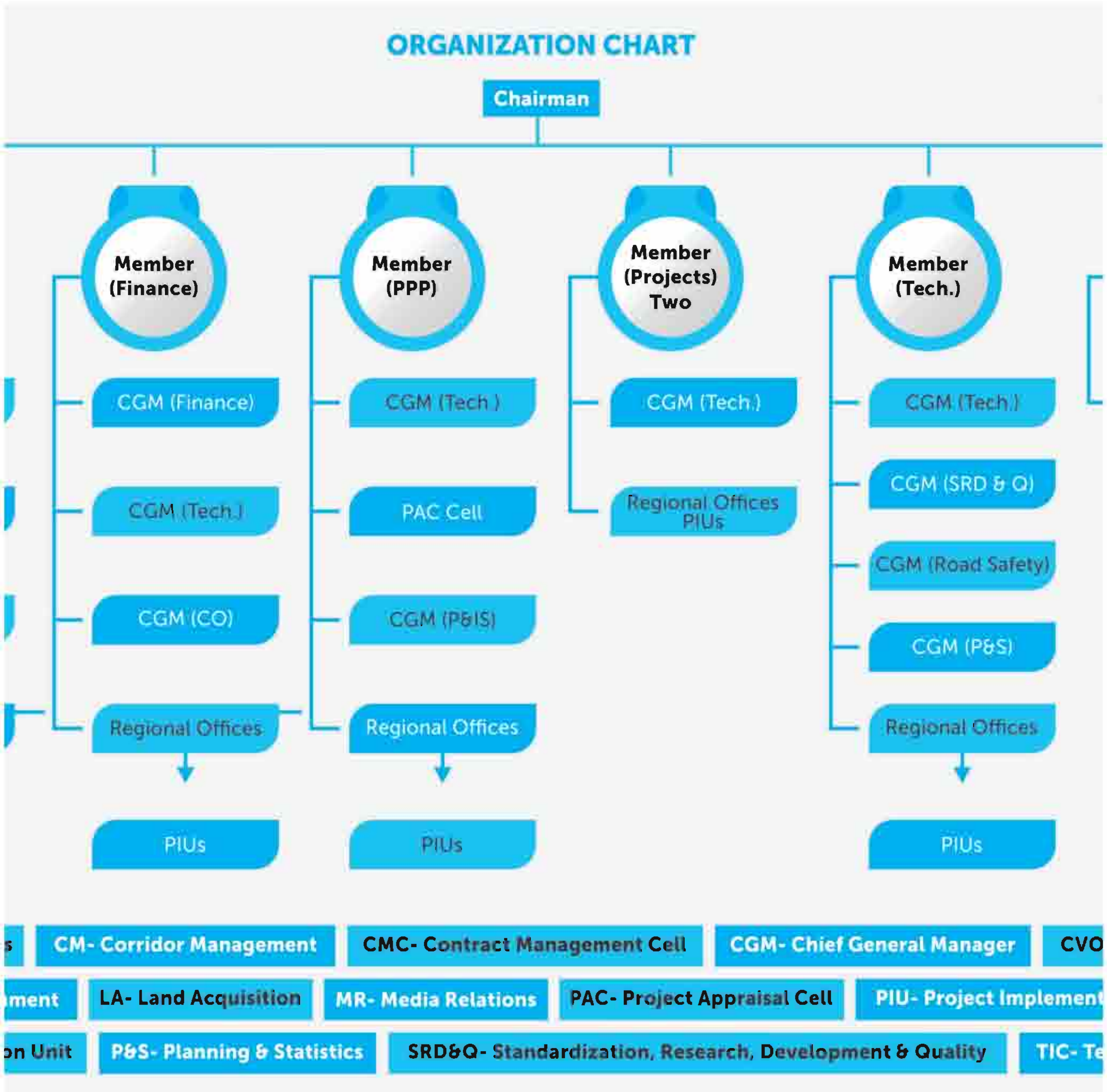
National Highways Authority of India			
(HR/Admn.V Division)			
Number of PIUs/CMUs-Regional Office Wise in the Year 2017-18			
Sr. No	**Name of Regional Office**	**Name of PIUs/CMUs**	
1	Andhra Pradesh at VIJAYAWADA	1	Visakhapatnam
		2	Nellore
		3	Nandayal
		4	Rajamundry
		5	Vijayawada
		6	Anantpur
		7	Amaravathi
		8	Tirupati
2	Telangana at HYDERABAD	9	Hyderabad
		10	Nirmal
		11	Warangal
		12	Mahabubnagar
		13	Mancherial
		14	Sangareddy
		15	Khammam
3	Bihar at PATNA	16	Begusarai
		17	Darbhanga
		18	Chhapara
		19	Patna
		20	Purnea
		21	Gaya
		22	Motihari
		23	Sasaram
		24	Munger

Sr. No	Name of Regional Office	Name of PIUs/CMUs	
4	Madhya Pradesh at BHOPAL	25	Sagar
		26	Gwalior
		27	Chhindwara
		28	Jabalpur
		29	Guna
		30	Indore
		31	Bhopal
		32	Shivpuri
		33	Narsinghpur
		34	Chattarpur
		35	Rewa
5	Karnataka at BENGALURU	36	Bengaluru
		37	Chitradurga
		38	Dharwad
		39	Gulbarga
		40	Hospet
		41	Mangaluru
		42	Hassan
		43	Shimoga
		44	Ramanagara
6	Gujarat at GANDHINAGAR	45	Surat (Expressway)
		46	Ahmedabad
		47	Rajkot
		48	Gandhidham
		49	Somnath
		50	Bhavnagar
		51	Dwarka
		52	Ghodbunder
7	Haryana & Punjab at CHANDIGARH	53	Chandigarh
		54	Hissar
		55	Rohtak
		56	Ambala
		57	Mohali
		58	Ludhiana
		59	Bhatinda
		60	Jalandhar

Sr. No	Name of Regional Office	Name of PIUs/CMUs	
8	Himachal Pradesh at SHIMLA	61	Mandi
		62	Shimla
		63	Palampur
		64	Hamirpur
9	J&K at JAMMU	65	Jammu
		66	Ramban
10	Jharkhand at RANCHI	67	Ranchi
		68	Dhanbad
		69	Jamshedpur
		70	Deoghar
		71	Hazaribagh
		72	Sahibganj
		73	Daltonganj
11	Kerala at THIRUVANTHAPURAM	74	Palakkad
		75	Cochin
		76	Kozhikode
		77	Thiruvananthapuram
12	Maharashtra & Goa at MUMBAI	78	Pune
		79	Panvel
		80	Solapur
		81	Nashik
		82	Ratnagiri
		83	Goa
		84	Thane
		85	Ahmednagar
13	N.E. at GUWAHATI	86	Bongaigaon
		87	Nagaon
		88	Halflong
		89	Guwahati
		90	Shillong
14	Odisha at BHUBANESWAR	91	Sambalpur
		92	Bhubaneswar
		93	Balasore
		94	Rourkela
		95	Keonjhar
		96	Dhenkanal

Sr. No	Name of Regional Office	Name of PIUs/CMUs	
15	Rajasthan at JAIPUR	97	Jaipur
		98	Udaipur
		99	Sikar
		100	Jodhpur
		101	Barmer
		102	Kota
		103	Ajmer
		104	Dausa
		105	Chittorgarh
		106	Bikaner
		107	Bundi
		108	Jaipur (South)
		109	Jaisalmer
		110	Hanumangarh
16	Tamil Nadu at CHENNAI	111	Chennai
		112	Coimbatore
		113	Karur
		114	Vilupuram
		115	Krishnagiri
		116	Bangalore (Expressway)
		117	PIU- Salem
17	Tamil Nadu at MADURAI	118	Madurai
		119	Karaikudi
		120	Thanjavur
		121	Trichy
		122	Nagercoil
		123	Dindigul
18	RO Western UP at LUCKNOW	124	Agra
		125	Aligarh
		126	Meerut
		127	Moradabad
		128	Bareilly
		129	Jhansi
		130	Kannauj
		131	Baghpat
		132	PIU Kanpur

Sr. No	Name of Regional Office	Name of PIUs/CMUs	
19	RO Eastern UP at VARANASI	133	PIU Lucknow
		134	Raebareilly
		135	Allahabad
		136	Gorakhpur
		137	Varanasi
		138	Mirzapur
		139	Azamgarh
20	Uttarakhand at DEHRADUN	140	Rudrapur
		141	Dehradun
		142	Nazibabad
21	West Bengal at KOLKATA	143	Kharagpur
		144	Kolkata
		145	Jalpaiguri
		146	Durgapur
		147	Malda
		148	Kolkata (North)
		149	Krishnagar
22	Maharashtra 2nd RO at NAGPUR	150	PIU-1 Nagpur
		151	Aurangabad
		152	Dhule
		153	Nanded
		154	Yawatmal
		155	Amravati
		156	PIU-2 Nagpur
		157	Washim
		158	Chandrapur
		159	Kolhapur
		160	Jalgaon
23	Chattisgarh at RAIPUR	161	Raipur
		162	Bilaspur
		163	Dhamtari
24	Delhi & NCR at RO DELHI	164	Ghaziabad
		165	Gurgaon
		166	CMU Faridabad (Mathura)
		167	Rewari
		168	Dwarka, Delhi
25	RO EPE at DELHI	169	"Eastern Peripheral Expressway (EPE)-I, Pitampura, Delhi"
		170	Eastern Peripheral Expressway (EPE)-II, Greater Noida (NCR)
		171	Myanmar


ORGANIZATION CHART
Chairman
Member (Finance)
CGM (Finance)
CGM (Tech.)
CGM (CO)
Regional Offices
PIUs
Member (PPP)
CGM (Tech.)
PAC Cell
CGM (P&IS)
Regional Offices
PIUs
Member (Projects) Two
CGM (Tech.)
Regional Offices PIUs
Member (Tech.)
CGM (Tech.)
CGM (SRD & Q)
CGM (Road Safety)
CGM (P&S)
Regional Offices
PIUs
CM- Corridor Management
CMC- Contract Management Cell
CGM- Chief General Manager
LA- Land Acquisition
MR- Media Relations
PAC- Project Appraisal Cell
P&S- Planning & Statistics
SRD&Q- Standardization, Research, Development & Quality

Annexure-3

गोपनीय

संख्या / No. RAP/NHAI/Annual A/c/3-13/2017-18/vol/32

भारतीय लेखा तथा लेखापरीक्षा विभाग,
कार्यालय प्रधान निदेशक वाणिज्यिक लेखापरीक्षा
एवं पदेन सदस्य, लेखापरीक्षा बोर्ड–1
INDIAN AUDIT & ACCOUNTS DEPARTMENT,
OFFICE OF THE PRINCIPAL DIRECTOR OF COMMERCIAL
AUDIT & EX-OFFICIO MEMBER, AUDIT BOARD-1

दिनाँक/Dated 10/4/19

सेवा में,

सचिव, भारत सरकार,
सड़क परिवहन और राजमार्ग मंत्रालय,
परिवहन भवन, संसद मार्ग,
नई दिल्ली - 110001 ।

विषय- वर्ष 2017-18 के लिए भारतीय राष्ट्रीय राजमार्ग प्राधिकरण के लेखाओं पर लेखापरीक्षा प्रतिवेदन।

महोदय,

मैं इस पत्र के साथ भारतीय राष्ट्रीय राजमार्ग प्राधिकरण अधिनियम 1988 की धारा 23 के अधीन भारतीय राष्ट्रीय राजमार्ग प्राधिकरण के वर्ष 2017-18 के सत्यापित लेखाओं की प्रति तथा उन पर लेखापरीक्षा प्रतिवेदन अग्रेषित कर रही हूँ ।

कृपया इन लेखाओं व प्रतिवेदन को संसद में-पेश करने की तारीख इस कार्यालय को सूचित करें । प्रतिवेदन को संसद में पेश करने के पश्चात पेश किए गए प्रत्येक दस्तावेजों की 25 प्रतियाँ इस कार्यालय में तथा एक प्रति भारत के नियन्त्रक एवं महालेखापरीक्षक के कार्यालय में भिजवाए ।

भवदीया,

अनुलग्नकः यथोपरि

प्राची पा.
10.4/XIX

(प्राची पाण्डेय)
प्रधान निदेशक

तृतीय तल, ए–स्कन्ध, इन्द्रप्रस्थ भवन, इन्द्रप्रस्थ एस्टेट, नई दिल्ली–110002
3rd Floor, A-Wing, Indraprastha Bhawan, New Delhi-110002.
दूरभाष/Tele. : 011-23378473, फैक्स/Fax : 011-23378432,011-23370871
e-mail : mabnewdelhi1@cag.gov.in

AUDIT REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA ON THE ACCOUNTS OF NATIONAL HIGHWAYS AUTHORITY OF INDIA FOR THE YEAR ENDED 31TH MARCH 2018

We have audited the attached Balance Sheet of the National Highways Authority of India (NHAI) as at 31st March 2018 and the Profit and Loss Account for the year ended on that date under section 23 of the National Highways Authority of India Act, 1988 (NHAI Act 1988) and Rule 6(5) of National Highways Authority of India (Budget, Accounts, Audit, Investment of Funds and Powers to Enter Premises) Rules 1990 as amended from time to time. These financial statements include the accounts of 181 units {156 Project Implementation Units (PIUs), 24 Regional Offices and the accounts of NHAI Headquarters}. Preparation of these financial statements is the responsibility of the Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with the auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of financial statements. We believe that our audit provides a reasonable basis for our opinion.

Based on our audit, we report that:

I We have obtained all the information and explanations, subject to annexure-III, which to the best of our knowledge and belief were necessary for the purposes of audit;

II The Balance Sheet and Profit and Loss Account dealt with by this report have not been drawn up in the format approved by the Government of India under Section 34 (2) (g) of NHAI Act, 1988 and Rule 6(1) (b) of NHAI Rules 1990, as amended from time to time.

III Proper books of accounts and other relevant records have not been maintained by the Authority, in so far as it appears from our examination of such books as enumerated below:

(a) Assets held on behalf of Government of India (GoI) (completed & ongoing)' shown under Fixed Assets represent the amount spent on various National Highways or any stretch thereof vested in, or entrusted to, by Government of India (GOI) to the NHAI, some of which were completed and others were in progress at different stages. These assets were developed by NHAI and the ownership of these National Highways Projects vests with GoI only. Since assets whose ownership belongs to the entity are only to be depicted as the entity's Fixed Assets in its Balance Sheet, depiction of assets belonging to GoI in the books of NHAI as 'Assets held on behalf of GoI (completed & ongoing)' under Fixed Assets is incorrect. GoI has entrusted these National Highways or any stretch thereof to NHAI for development & maintenance purposes and funds required these purposes are provided by GoI. Due to disclosure of 'Assets held on behalf of GoI (completed & ongoing)' under Fixed Assets, Fixed Assets of NHAI are overstated by ₹2,85,643.72 crore.

(b) The entire amount of borrowing cost of ₹ 6890.24 crore for the year 2017-18 has been booked under "Assets held on behalf of GoI". This includes borrowing cost in respect of completed projects and quantification of the same is not possible in absence of non-maintenance of project-wise details with respect to ongoing and completed projects. Inclusion of borrowing cost on completed projects is in contravention of generally accepted accounting principles, which should have been charged to Profit and Loss Account. As NHAI's Accounting Policy No.6.2 'Financing charges relating to loans obtained for execution of specific projects till the commissioning of such projects are treated as part of capital work-in-progress'. However, this is not being followed since there is no such head as 'Capital Work-in-Progress' in the Financial Statements of NHAI for the year 2017-18. As NHAI has not been maintaining records in respect of project-wise utilization of borrowed funds, correctness of the total borrowing costs allocated to completed and ongoing projects till date also could not be verified in Audit.

(c) NHAI has capitalized the entire amount of ₹392.26 crore of 'Net establishment expenses for the year'. As per generally accepted accounting principles, the expenditure of revenue nature cannot be booked to completed projects and should have been depicted in the Profit and Loss Account. In the absence of project-wise details of such expenditure, Audit was unable to comment on the impact of such incorrect accounting on the accounts of NHAI.

(d) Cost of 19 projects amounting to ₹1383.01 crore, along with the expenditure incurred by NHAI on behalf of GoI, was transferred to State Governments. Thus NHAI does not hold these projects as on 31.03.2018. However, no adjustments have been made in the books of accounts for the cost incurred and the same has been shown under 'Assets held on behalf of GoI' which is not correct. Non-adjustment of the expenditure incurred on the projects transferred to State Governments has resulted in overstatement of 'Assets held on behalf of GoI by ₹1383.01 crore, Similarly there were 56 projects which were executed by the State Governments / PWDS and other departments but later on transferred to NHAI. Though these projects were taken over by the NHAI and, thereafter, were being maintained/developed by the NHAI, the initial value of ₹767.29 crore of projects received was not acknowledged in the books of Accounts. Consequently, the Assets held on behalf of GoI are understated by ₹767.29 crore.

IV Apart from the significant matters stated above, other observations are placed as Annexure - I and II to Audit Report,

V In our opinion and to the best of our information and according to the explanations given to us, the said financial statements read together with the Accounting Policies and Notes to Accounts and subject to the significant matters stated above and other matter mentioned in Annexure-I, II and III to this audit report, give a true and fair view in conformity with accounting principles generally accepted in India

(a) In so far as it relates to the Balance Street, of the state of affairs of the Authority as at 31 March 2018.

(b) In so far as it relates to the Profit and Loss Account, the Net Establishment expenses transferred to Assets held on behalf of Government of India for the year ended on that date.

For and on behalf of the C&AG of India

प्राची प.

Place: New Delhi

(Prachi Pandey)

Date: 10.04.2019

Principal Director of Commercial Audit
& EX-Officio Member, Audit Board-I, New Delhi

ANNEXURE-I TO AUDIT REPORT

(A) BALANCE SHEET

(I) SOURCES OF FUNDS

(1) Shareholders' Fund

(1.1) Capital U/S 17 (Schedule-1): ₹1,63,779.26 crore

(1.1.1) Capital- Net off Toll collection, Negative Grant etc. up to 31.3.2010: ₹6183.56 crore

The above amount represents Current Liability towards 'Net of Toll Receipts, Maintenance Expenditure over Grant etc. payable to GoI up to 31.03.2010' which the NHAI has transferred during the year 2012-13 to Capital Account u/s 17 of the NHAI Act 1988 without obtaining approval of the Ministry of Finance and Ministry of Road Transport and Highways. The issue was also raised on the accounts for the year 2012-13, 2013-14, 2014-15, 2015-16 and 2016-17. NHAI has taken up the matter in March 2014 for obtaining approval of Ministry of Road Transport and Highways (MoRTH)/Ministry of Finance (MoF). However, the specific approval/consent of Government of India (GoI) on the same is not yet received. Thus, this fact should have been disclosed in the Notes on Accounts.

(1.1.2) Expenditure on Toll Collection Activities: ₹(1576.39) crore (Schedule-I).

Above is understated by ₹124.99 crore due to non-creation of provision towards discount (cash back) and fee collection charges payable for the period January 2018 to March 2018 to Indian Highways Management Company Limited (IHMCL), which was mandated to implement interoperable Electronic Toll Collection (ETC) system in the country. This has resulted in overstatement of Capital by ₹124.99 crore.

(1.2) Reserve & Surplus (Schedule-2)

1.2.1 As per Significant Accounting Policy no. 7

(i) (b) 'Assets held on behalf of GoI includes interest earned on unutilized capital, on advances/ loans granted to the contractors / consultants and receipts from ongoing projects is shown under capital reserve'. As per generally accepted accounting principles, the amount of interest earned on unutilized capital is not the revenue of NHAI hence should Have been shown as payable to Government of India, therefore the accounting policy 7(i) (b) needed to be revisited. This issue was raised during the Annual Accounts audit for the year 2016-17 but no corrective action in this regard was taken.

1.2.2 Capital Reserve ₹1420.01 crore (Schedule 2)

The above includes ₹78.30 crore towards receipt/receivables on account of liquidated damages, deposits, penalty/settlement amount, and encashment of bank guarantee etc. This has resulted in overstatement of Capital Reserve by ₹78.30 crore and understatement of other receipts by ₹4.99 crore, payable to GOI ₹51.41 crore and overstatement of 'Assets held on behalf of GoI' by ₹21.90 crore.

(2) Borrowings: (Schedule-4) ₹1, 22,524.16 crore

2.1 As per Rule 9-Reserve Fund of NHAI Rules, 1990, every loan raised by NHAI not being a loan repayable before expiration of one year from the date of the loan, the Authority shall set apart a sum half yearly, out of its income in the reserve funtd, sufficient to liquidate the loan within a period which shall not in any case exceed thirty years. NHAI may apply the whole or any part of the sums accumulated in the reserve fund in or towards the discharge of the loan liabilities for the repayment of which the fund has been established. Provided that Authority pays into the fund each year, and accumulated until the whole of the money borrowed is discharged, a sum equivalent to the interest which would have been produced by the reserve fund or the part of the reserve funds so applied.

As on 31 March 2018, an amount of ₹1,22,524.15 crore was shown as payable, towards the bond holders of Capital Gain Tax Free Bonds-54EC (₹16511.32 crore), Tax Free Secured Redeemable Non-Convertible Bonds (₹34000 crore), Taxable Bonds (₹48420 crore), Rupee Denominated offshore Bonds (₹3000 crore), Loan from National Small Saving fund (₹20000 crore) and Loan from ADB (₹592.83 crore). However, NHAI has not created such reserve fund as contemplated in NHAI Rules. This has resulted in non-adherence to the NHAI Rules 1990. A similar Comment was included in the Audit Report on the accounts of NHAI for the 2015-16 & 2016-17, however. Management did not take any corrective action.

(2.2) As per the commitment by way of 'Statement by the Members of the Board' under the heading 'Other Regulatory and Statutory Disclosures' in the prospectus issued in connection with the public issue of ;

i. Tax Free Secured Redeemable Non-Convertible Bonds of ₹10000 crore issued during 2011-12,

ii Tax Free Secured Redeemable Non-Convertible Bonds of ₹5000 crore issued during 2013-14 and

iii. Tax Free Secured Redeemable Non-Convertible Bonds of ₹19000 crore issued during 2015-16.

It was committed that:

(i) All monies received out of each tranche issue of the bonds to the public shall be transferred to a separate bank account;

(ii) Details of all monies utilized out of each tranche issue shall be disclosed under an appropriate separate head in the Balance Sheet indicating the purpose for which such monies were utilized;

(iii) Details of all unutilized monies out of each tranche issue shall be disclosed under an appropriate separate head in the Balance Sheet indicating the form in which such unutilized monies have been invested.

However, the above commitment was not adhered to and NHAI has only given a general disclosure vide Note No. 10 (e) of Notes on Accounts wherein it was mentioned that 'All receipts of NHAI viz. Funds received from the Ministry, Market borrowings through issue of NHAI Tax free Bonds, Taxable Bonds, NHAI Capital Gains Tax Exemption Bonds under Section 54-EC, interest on surplus funds etc. are credited in the National Highways Authority of India Funds and all expenditure is met out of this Fund as per the provisions of Article 18 of NHAI Act, 1988. As such, no separate Account is maintained for utilization of NHAI Bond proceeds.'

Similar observation was included in the Audit report on the annual accounts of NHAI for the years 2012-13, 2013-14, 2014-15, 2015-16 and 2016-17. However, no corrective action has been taken by NHAI.

(II) APPLICATION OF FUNDS

(1) Fixed Assets (Schedule 5) - Gross Block: ₹161.63 crore

(1.1) Building: ₹9.57 crore (Net block)

The building was constructed (Office Building and residential quarters) under the Civil Works Contract-II under loan assistance to PIU-Koderma under the supervision of PIU Durgapur and was subsequently handed over to PIU-Dhanbad in December 2001. The cost of construction of office building was ₹2.27 crore. The cost of land was not available. However, land and building has not been shown in the books of Dhanbad as on 31 March 2018. This has resulted in understatement of building by ₹2.27 crore and Land (value not available).

(1.2) Assets held on behalf of GoI (less Capital Reserve: ₹1420.01 crore)

During the year, the NHAI deducted an amount of ₹329.23 crore, as capital reserve from

"Assets held on behalf of GoI", without categorizing it into capital or revenue. As per Generally Accepted Accounting Principles (GAAP), no revenue income is to be deducted from capital assets after commissioning / putting to use of an asset. Further, the NHAI did not reduce the income from the cost of the respective project. The income has been added year after year and entire amount reduced from overall amount of `Assets held on behalf of GoI . Thus, the financial statements of Authority have not been prepared on GAAP and Accounting policy no. 11(iii) of the Authority.

(1.3) Assets held on behalf of GoI (less Interest on un-utilized capital: ₹12124.39 crore)

(1.3.1) 'Fixed Assets - Assets held on behalf of GoI. are shown after deduction of ₹129.84 crore of interest accrued during the year 2017-18 on the loan amount disbursed to eight Special Purpose Vehicle (SPV) companies. This accrued interest is in the nature of income and should have been shown as income of the Authority in Profit and Loss Account. This has resulted in understatement of 'Assets held on behalf of GoI' and income for the year by ₹129.84 crore. Similar audit observation was also made during the audit of annual accounts of Authority for the years 2014-15, 2015-16 and 2016-17.

(1.3.2) The above is overstated by ₹237.16 crore towards, 75 per cent advance payment to contractors/concessionaires on account of arbitration tribunals awards in pursuant to decision (5 September 2016) of Cabinet Committee on Economic Affairs (CCEA) regarding cases where the Arbitration Tribunals have passed orders in favour of the contractors/ concessionaires in arbitral proceedings and such awards/ orders have been further challenged by the government agencies in various courts of law. This should have been shown as advance instead as 'Assets held on behalf of GoI. This has also resulted in understatement of loan and advances by ₹237.16 crore.

(1.4) Assets held on behalf of GoI (completed & ongoing): ₹285643.72 crore

(1.4.1) Above includes ₹79.71 crore incurred on construction of residential accommodation for staff and second office building up to 31.03.2018. Though these are the assets of NHAI and do not fall under NHDP. The same should have been separately disclosed as CWIP under 'Fixed Assets'. Thus, this has resulted in understatement of `CWIP- Fixed Assets' and overstatement of 'Assets held on behalf of GOI' by ₹79.71 crore.

(1.4.2) The above is understated by ₹43.81 crore towards the cost of commissioning on Electronic toll collection Project. However, this expenditure has been booked as revenue expenditure under the head of Expenditure on Toll collection activities. Being a capital nature expenditure, this should have been booked under 'Fixed Assets-Assets held on behalf of GOI. This has resulted in understatement of 'Fixed Assets-Assets held on behalf of GOI by ₹43.81 crore and overstatement of 'expenditure on toll collection activities' by the same amount.

(1.4.3) Assets held on behalf of GoI did not include Cost of construction of toll plaza at Jallandhar-Jammu section amounting to ₹5.77 crore. The amount of ₹5.77 crore was booked as revenue expenditure. This resulted in understatement of Assets held on behalf of GoI and Capital by ₹5.77 crore. An identical comment was issued in the Audit Report on the Annual Accounts of NHAI for the year 2014-2015, 2015-16 & 2016-2017. NHAI may revise its accounting policy to treat such expenditure as capital expenditure.

(1.4.4) This includes ₹1194.84 crore (including mobilization advance of ₹76.63 crore) released by NHAI to various State Governments for executing NHDP phase-IV projects (apart from amount shown as recoverable from MoRTH for NHDP-IV projects). However, though above expenditure was incurred by the NHAI, but these projects have neither been transferred nor held by NHAI. Further, in this regard neither any guidelines were found to be received from MoRTH nor accounting policy of NHAI is in place to take care of accounting treatment of these payments in the books of accounts.

As these projects were neither been transferred nor held by NHAI, depiction of amount released to State Government by NHAI, in respect of these projects under 'Assets held on behalf of GOI is not correct. This has resulted in overstatement of Fixed Assets-Assets held on behalf of GoI by ₹1118.21 crore and Current Assets and Loans & Advances by ₹76.63 crore.

(1.4.5) Assets held on behalf of GoI is overstated by ₹13.88 crore on account of

(₹in crore)

A	Expenditure on Operation and Maintenance supervision and related activities,	9.59
B	50 per cent share of IE fees recoverable from concessionaire.	0.29
C	Expenditure on ROB was to be borne by BOT concessionaire	0.63
D	Non-accounting of excess payment recoverable from land losers, excess land compensation computed for land acquisition and amount included for Govt. land.	3.37
	Total	**13.88**

This has resulted in understatement of Operation and maintenance expenses by ₹9.59 crore and claim recoverable by ₹4.29 crore.

(1.4.6) Assets held on behalf of GoI is understated by ₹13.51 crore due to

(₹in crore)

A.	Payment made to Forest Department as advances in contravention to its accounting policy no. 9.	0.69
B	Expenditure pertaining to toll collection activities.	8.10
C	Salary of engineers for consultancy services booked under Security expenses.	0.14
D	Payment towards land acquisition, arbitration fee and utility shifting, tree cutting and afforestation through advance against deposit work.	4.58
	Total	**13.51**

This has resulted in overstatement of Advances by ₹5.27 crore, Operation and maintenance expenses by ₹8.24 crore.

(2) Current Assets, Loans and Advances

(2.1) Deposits, Loans and Advances

(2.1.1) Loan to Subsidiary Companies: ₹2186.17 crore (Schedule 7)

The road projects as well as toll collection rights of Ahmedabad-Vadodara Expressway Co. Ltd. (AVEXCL), Moradabad Toll Road Co. Ltd. (MTRCL) and Cochin Port Road Company Limited (CPRCL) have been transferred to the Concessionaires for development and there is no possibility of recovery of the loan of ₹253.28 crore given to these three Special Purpose Vehicle (SPV) companies. Moreover, NHAI disclosed vide note no 16 that the decision for winding up of these three companies has been taken by the Board of Directors of the respective companies. Therefore, a suitable provision should have been made in the books of accounts. Non-provision of the same has resulted in overstatement of 'Deposits, Loans and Advances' by ₹253.29 crore and understatement of 'Loss for the year' to the same extent.

(2.1.2) Claims Recoverable: ₹3445.85 crore (Schedule 7)

a) MoRTH accorded its approval (March 2014) to the policy for rationalization of premium quoted by Concessionaires in respect of Highways Projects. In line with the policy NHAI deferred the premium amounting to ₹9331.87 crore of 20 projects. Out of which, deferred premium amounting to ₹3791.04 crore pertaining to the period from 2014-15 to 2017-18 has not been shown as recoverable in the books of accounts. Thus, this has resulted in understatement of Liabilities-Payable to GOI and Claim Receivable by ₹3791.04 crore.

Further, accounting treatment of interest due on above deferred amount on cash basis as disclosed in the notes to accounts was against the concept of accrual basis.

b) The above is also understated by ₹3.26 crore due to non-booking of interest on delayed recovery of 50% concessionaire share of IE fee etc,.

(3) Current Liabilities and Provisions

(3.1) Current Liabilities ₹41362.58 crore (Schedule 8)

(a) This is understated by ₹5029.70 crore due to non/short provision of liabilities towards:

(₹ in crore)

A	Compensation payable for acquisition of land despite issue of 3D Notification / 30 award by CALA/ compensation payable to land losers as per Arbitration award	4646.88
B	Amount payable to Contractors/Concessionaire in respect of Construction work done	231.27
C	Amounts payable to the contractor/Concessionaire for utility shifting	7.24
D	Amounts payable to consultants in respect of supervision work done	2.30
E	Amounts payable to GoI in respect of short remittance of Toll/Interest on delayed payment by concessionaire/contractors	21.42
F	Amount payable to GoI in respect of premium on BOT toll projects	7.15
G	Amount payable to contractors for maintenance work done	7.73
H	Amount payable on account of legal expenses/arbitration/courts awards	2.79
I	Amount payable to concessionaire on account of 2nd tranche of viable gap funding (VGF)	85.06
J	Amount payable on account of interest on debt and 0 & M expenses during suspension of toll plaza	15.36
K	Interest for the month of March 2018 on application money received against the 54 EC Bonds	2.50
	Total	**5029.70**

This resulted in understatement of 'Assets held on behalf of GoI' by ₹4975.54 crore, payable to Government by ₹28.57 crore, O & M expenditure by ₹25.59 crore.

(b) Deposits held on account of others: (Schedule-8)

The above includes ₹0.85 crore towards work already done against deposits received from office of the Rani Avanti bhai Lodhi Sagar Nahar, Karnal Division. Since the work has been completed, the amount against advance should have been adjusted from advances as well as CWIP.

(B) General

1) Recoverable from MoRTH is overstated by ₹8622.91 crore towards the payment made by NHAI to implementing State Government agencies for construction of 32 projects of phase IV and NH-17. The total sanctioned cost of these 32 projects was ₹26,845.77 crore against this MoRTH released ₹9000 crore to NHAI. NHAI had made payment of ₹17622.91 crore implementing State Government agencies in the directives of MoRTH. MoRTH refused (June 2018) to pay more with the clarification that for implementation of these projects no separate funds would be released and expenditure on these 32 projects met by NHAI from overall resources available with NHAI. As no amount is recoverable from MoRTH in this account, this fact should have been disclosed by way of note in the financial statement.

2) A reference is invited to Note no. 17 of Notes on Accounts for the year 2017-18 wherein it is stated that against a deposit of ₹800.25 crore, Authority has spent ₹5115.18 crore on Eastern Peripheral Expressway, thus the recoverable stood at ₹4314.93 crate. However, in the status report submitted by the NHAI to MoRTH and in turn as per Status report submitted by MoRTH in the Hon. Supreme court (as on 31 March 2018) the amount of expenditure incurred towards EPE was of ₹5357.75 crore. Hence, there was a difference of ₹242.57 crore as per above mentioned note and status report submitted in Hon. Supreme Court by MoRTH. Further as per status report given by MoRTH (as on 31.03.2018) the amount released to NHAI was of ₹937.92 crore whereas the notes to accounts shows an amount of ₹800.25 crore received.

3) Liabilities for the work of seven (out of fourteen) Highway Nest (Mini) were completed, Authority did not recognize any liability on account of work done in respect of these Highway Nests in its books of accounts for the year 2017-18.

4) As per Standard Operating Procedure on implementation of GST Act, 2017 issued on 4 October, 2017, all PIUs are required to compute the impact of subsumed taxes and GST in the all contracts. However, Audit noticed in test check that five PIUs have not carried this exercise, therefore the impact of amount payable or receivable from the contractors could not be commented upon.

5) As per the Approved format of Accounts, the Grant-in-aid received for Maintenance of Highways and expenditure incurred thereon should be accounted for in Profit and Loss Account. However, NHAI deviated from this and has adjusted the Maintenance Grant and Expenditure incurred on Maintenance of Highways against Capital Account (Plough back of Toll Remittance, etc.). During the year, NHAI incurred ₹1507.52 crore as the total expenditure on maintenance of highways (₹778.40 crore) and toll collection activities (₹729.12 crore). Against this, the MoRTH released a grant of ₹575.00 crore for maintenance of highways during the year 2017-18. After adjusting ₹41.12 crore of 'Other Receipts from 0 & M of Highways' during the year 2017-18, balance amount of ₹891.40 crore, has been set off against the Shareholder's fund. Thus, this has resulted in understatement of Loss for the year and Shareholder's fund-Capital by ₹891.14 crore.

Similar comment was included in the Audit Report on the annual accounts of NHAI for the years 2012-13, 2013-14, 2014-15, 2015-16 and 2016-17.

6) Cabinet committee on Economic Affairs (CCEA) approved (May 2015) the proposal for one-time fund infusion to revive and physically complete languishing BOT projects. Accordingly, it was decided that NHAI will provide financial assistance to such a project from the corpus earmarked for this purpose. The assistance will be provided on a loan basis at bank rate + 2% drawing a parallel with the provisions of Article 28 of the Model concession agreement. According NHAI started to disburse the amount to various concessionaires and the amount paid as one-time concession was ₹893.44 crore as on 31 March 2018. For the amount paid to disburse to various concessionaires it was required to charge the interest at bank rate + 2% and recognize the same in the books of accounts. However, accrued interest on such amount paid to various concessionaire up to 31 March 2018 was not recognized as on in the books of accounts.

7) As provided under Section 23 of the NHAI Act 1988, the format of annual statement of accounts of NHAI has been duly prescribed by the Government of India in consultation with C&AG of India. However, the following deviations were noticed in the accounts prepared by the Management when compared to the approved format of accounts:

- The approved format provides that the surplus/deficit in the P&L Account is to be carried to the Balance Sheet under Reserves and Surplus. As against this, NHAI without arriving the surplus/deficit arrived at the Net Establishment Expenditure' which is in the form of deficit and the same was transferred to 'Assets held on behalf of GoI' under 'Fixed Assets'. The Assets held on behalf of GoI includes both completed and on-going projects.

- As per Schedule 5 (Fixed Assets) of the prescribed format, one of the sub-heads is `Roads & Bridges'. However, this sub-head had been left blank in spite of completed road projects. NHAI has not segregated the cost of ongoing and completed projects and the same are depicted at a consolidated figure of ₹285643.72 crore (including cost of land of ₹112758.77 crore and excluding Fixed assets of NHAI of ₹67.46 crore) during the year under the head "Assets held on behalf of GoI".

NHAI disclosed the amount spent on various projects (both completed and under execution) on the behalf of GoI as its executing agency as 'Assets held on the behalf of GoI'. NHAI sought through MoRTH, a legal opinion from Ministry of Law and Justice and Company Affairs regarding ownership of Highways, capitalization of completed road stretches of National Highways and depreciation thereof. The Solicitor General of India had opined (January 2015) that NHAI is merely an executive agency of the Central Government and ownership of the NHs, road & bridges are vested with GoI and NHAI is not the owner of stretches of NHAI developed and maintained by the NHAI. Further, the accounting treatment and disclosure given by NHAI in its Financial Statements is in deviation to the opinion given by the Expert Advisory Committee (EAC) of the Institute of Chartered Accountants of India which opined that if the NHAI is acting only as an executing agency on behalf of the Government and does not exercise any control over the roads/highways and/or future economic benefits out of such resources do not accrue to the NHAI, then, NHs are not NHAI's Assets and accordingly, recognizing these as its assets and recognizing them as capital work in progress (now shown as -Assets held on Behalf of Government of India') in NHAI's Balance Sheet is not correct.

Similar comment was included in the Audit Report on the annual accounts of NHAI for the year 2012-13, 2013-14, 2014-15, 2015-16 and 2016-17, However, no corrective action has been taken by NHAI.

C) Notes on Accounts

1 Note 25

a) This states that "pending the approval of revised format of accounts by MoRTH in consultation with C&AG, existing format of accounts has been used for FY 2017-18". However, the existing format has been deviated as it does not allow depiction of assets created by NHAI as an executing agency of GoI as "Assets held on behalf of GoI". Thus, the statement made in the Notes on Accounts in this respect is incorrect.

b) The Note states that 'pending amendment to the Act, no change in the last years significant Accounting policy and format of accounts have been made'. The above disclosure was deficient to the extent that the existing format has been deviated by changing CWIP in to 'Assets held on behalf of GoI'.

2. Proper disclosure of the following has not been made in the Notes on Accounts which are silent as to the following:

i) Out of total 134 nos. of regular employees deputed at Headquarters office, no provision for gratuity payment was made for 52 nos. of employees (having less than 5 years of service as on 31 March 2018) on accrual basis. Non creation of liabilities on accrual basis for such employees has resulted in understatement of Liabilities by ₹37.33 lakh as well as violation of Accounting Policy 13.

ii) Based on the information compiled by Audit it was noticed that NHAI acquired 17011.853 hectares of land, of which 9412.8775 hectares (55.33 per cent) land has not been mutated as on 31.03.2018. However, the fact regarding non-mutation of land to the above extent was not disclosed in the notes on accounts.

iii) **Contingent liabilities:** a) This is understated by ₹102.93 crore due to disputed income tax demand and pending legal cases.

b) Above is understated by ₹3251.59 crore on account of NHAI obligation to pay the debt in case of default of concessionaire as per tripartite agreement entered.

Annexure-II to Audit Report

1) **Internal Audit System**

Internal Audit of NHAI Hqrs. for the year 2017-18 was carried out by M/s TR Chadha & Co., LIP, Chartered Accountants_ The Internal Audit Reports issued by the Internal Auditor's did not include any specific reference to the Action Taken by NHAI on the outstanding observations pertaining to previous periods. Further audit noticed that there was an absence of number of compliance to the audit observation. In the absence of the same the assurance regarding the adequacy and effectiveness of internal audit over financial reporting could not be formed.

2) **Internal Control System**

Internal Control System needs to be strengthened in view of the following:

a) In the books of accounts of NHAI Headquarters, following amounts are lying un-reconciled for more than 9 years, as detailed below

S. No	Details/Heads of account	Amount (₹ in Crore)	Period
i	Advance against deposit work for utility shifting, agency charges, D&S charges for RoBs, etc.	22.29	Reconciliation pending from 2002-03 to 2007-08.
ii	Advances given to various Government Departments during the year 2003 to 2008 for maintenance of highway	100.10	Reconciliation pending from 2002-03 to 2008-09.
iii	Other advances	1.38	Reconciliation pending from 2001-02 to 2002-03

Similar audit observation was issued during the audit of Annual Accounts for the years 2013-14, 2014-15, 2015-16 and 2016-17, but NHAI did not take any corrective action.

b) National Highways Fee (Determination of Rates and Collection) Rules 2008. as amended in January 2011 stipulated that after recovery of the capital cost of the public funded projects through user fee realized, fee leviable would be reduced to 40 per cent of the user fee. MoRTH issued (24 January 2013) guidelines on the method of working out of capital cost. As per guidelines, capital cost inter alia includes interest during construction period (IDC). Further, NHAI was also required to prepare the balance sheet and cash flow of each project for each financial year from April 2013. However, NHAI has not prepared any such project wise balance sheet and cash flow statement.

Working out the capital cost and thus the reduction of user fee to 40% would not be possible due to failures of compliance with the guidelines issued by the MoRTH.

c) Delay in obtaining Utilisation Certificate,- acknowledgments in respect of advance given to various agencies.

d) Audit noticed in one PIU that NHAI continued collecting the WCT/Service Tax post GST implementation period.

e) More than three years stale cheques has not been transferred to Misc. Receipts.

f) (i) Non maintaining the fixed assets register in proper way was noticed by Audit in four PIUs.

(ii) Fixed assets register in respect of assets acquired at toll plaza and pending their reconciliation with respect of physical verification.

g) With regard to loan provided to subsidiary company there were difference in case of New Mangalore Port Road Co. Ltd and Visakhapatnam port Road Co. Ltd. The figures as appearing in the NHAI books of accounts were ₹384.19 crore and ₹58.81 crore for New Mangalore Port Road Co. and Visakhapatnam Port Road co. whereas the corresponding figures in the books of subsidiaries were of ₹335.05 crore and ₹59.24 crore respectively,

h) According to article 23.8 of the agreement" the rate of interest on the mobilization advance shall be equal to the bank rate, compounded annually. However, interest rate as mentioned in Benchmark Prime Lending, rate (BPLR) of State Bank of India for the period 2017-18 have been considered for computation of interest on mobilisation advance.

i) Scrutiny of BGs submitted in PIUs Udaipur revealed that there is difference between the words and corresponding figures as mentioned in the BGs.

j) Non-confirmation of Balances

Management has not sent 'Confirmation of Balance' letters and got the balances confirmed both at Hqrs. and PIUs. Hence, correctness of the balances mentioned in the Financial Statements as regards i) Claims recoverable: ₹3445.85 crore ii) Recoverable from Subsidiary Companies: ₹(49.97) crore and iii) Recoverable on account of Expenditure on Eastern Peripheral Expressways ₹5115.17 crore are subject to confirmation by the above parties.

3) System of Physical Verification of Fixed Assets

(i) The physical verification report for the year 2017-18 (as on 31.03.2018) of the Head office of NHAI, Dwarka, New Delhi was not furnished to Audit. In the absence of the same the authenticity of fixed assets available could not be ascertained by Audit.

(ii) During test check of physical verification report of two PIUs Audit noticed that it was not reconciled with Fixed Assets register to ascertain the shortage/excess.

4) System of physical verification of inventory

There is no inventory.

5) Regularity in payment of Statutory Dues

Delay in deposit of TDS/TCS with tax authorities noticed by Audit in two PIUs.

ANNEXURE-III (INFORMATION /RECORDS REQUISITIONED BUT NOT FURNISHED BY MANAGEMENT OF NHAI)

Particulars of information/records requisitioned		Requisition No & Date	Reminder date
1.	Status report of pending files as on 31.03.2018 in respect of Change of Scope of various projects.	1. 03.08.2018	23.08.2018, 11.09.2018, 26.09.2018
2.	Cases of theft, fraud, embezzlement, presumptive fraud etc. as came into the notice of management of NHAI During the year 2017-18.	1. 03.08.2018	23.08.2018, 11.09.2018, 26.09.2018
3.	Information pertaining to equity infusion in the subsidiaries on premium along with basis for infusing equity on premium particularly when the SPV is incurring losses since along. Similarly, in case of buy back of equity from Mumbai JNPT whether the exercise was done to ascertain the value of shares. If not reasons thereof. (Specific information has not been furnished.)	1. 03.08.2018	23.08.2018, 11.09.2018, 26.09.2018
4.	Under schedule 19 (Notes to Accounts) at Sl. No. 16, it was mentioned that toll plough back received from Central government against the amount remitted by subsidiaries to CFI is passed on to the subsidiaries concerned. In this regard the total amount remitted to CFI by the subsidiaries. (The specific reply has not been furnished by the management)	2. 06.08.2018	23.08.2018, 11.09.2018, 26.09.2018
5.	Whether the confirmation of balances by the respective banks wherein CALA accounts were operated prior to transfer of balances to Head Office. If yes whether there is any difference, between the amounts as book balance and as confirmed by the respective bank.	3. 07.08.2018	23.08.2018, 11.09.2018, 26.09.2018
6.	List of projects foreclosed or abandoned.	3. 07.08.2018	23.08.2018, 11.09.2018, 26.09.2018
7.	Claims received from various concessionaries against NHAI up to 31st March 2018 for violation of state support agreements by different State Governments.	3. 07.08.2018	23.08.2018, 11.09.2018, 26.09.2018
8.	Files relating to construction of residential complex for NHAI Staff and second office Building ofNHAI at Dwarka, New Delhi.	3. 07.08.2018	23.08.2018, 11.09.2018, 26.09.2018
9.	Details of land (freehold and leasehold) as shown under the schedule-5, indicating the station wise details of land acquired, under possession, under encroachment or unauthorized occupation, title deeds available or lease deed available, amount paid or payable for the land acquired.	3. 07.08.2018	23.08.2018, 11.09.2018, 26.09.2018

Particulars of information/records equisitioned		Requisition No & Date	Reminder date
10.	In the review meeting taken by Hon. Minister, MoRTH on 20.01.2016, it was decided to create a separate entity for implementation of nationwide highway plantation i.e. National green Highway Development Company limited under the company Act 2013 fully owned by NHAI. In this regard the progress as on date.	3. 13.08.2018	23.08.2018, 11.09.2018, 26.09.2018
11.	Details of various programme/ software either developed internally or externally for various usages in NHAI may kindly be furnished along with cost incurred towards development of such programme/software and status as on 31.03.2018	5. 13.08.2018	23.08.2018, 11.09.2018, 26.09.2018
12.	Through audit requisition no. 3 (07.08.2018) age wise analysis of debtors and reasons for non-adjustment of long pending receivable was called for. Against which the information furnished was indicating only the PIU wise outstanding amount and the last transaction conducted at the respective PIU only. Thus the basic purpose for which the information was called for remained unattended. As management accepted that no analysis was done after 30.06.2017, hence accordingly it may be included in the annexure that against the details of debtors/ creditors as on 31.03.2018, the details were furnished up to 30.06.2017 only.	8. 23.08.2018	23.08.2018, 11.09.2018, 26.09.2018
13.	Details of letters of credits (LCs) issued as on 31.03.2018 indicating the date of issue and amount involved.	11. 05.09.2018	11.09.2018, 26.09.2018

NATIONAL HIGHWAYS AUTHORITY OF INDIA
G-5 & 6, Sector-10, Dwarka, New Delhi - 110 075

BALANCE SHEET AS AT 31st MARCH, 2018				
	PARTICULARS	SCHEDULE	CURRENT YEAR ₹ In Lakhs	PREVIOUS YEAR ₹ In Lakhs
	(1)	(2)	(3)	(4)
I.	**SOURCES OF FUNDS**			
1	**Shareholders' Fund**			
	a) Capital	**1**	1,63,77,926.38	1,39,59,380.47
	b) Reserves & Surplus	**2**	-	-
2	**Grants**			
	a) Capital	**3**	13,83,229.45	13,65,643.01
3	**Borrowings**	**4**	1,22,52,415.96	75,38,464.71
	TOTAL		**3,00,13,571.79**	**2,28,63,488.18**
II.	**APPLICATION OF FUNDS**			
1	**Fixed Assets**	**5**		
	a) Gross Block		16,163.18	12,533.36
	b) Less: Assets created out of Grant		612.58	612.58
	c) Assets out of Own Fund		15,550.60	11,920.77
	d) Less: Depreciation		8,804.24	7,857.39
	e) Net Block		6,746.36	4,063.38
	f) Assets held on behalf of GoI (completed & ongoing)		28,564,371.53	21,772,656.62
	TOTAL		**2,85,71,117.89**	**2,17,76,720.00**
2	**Investment**	**6**	**93,617.34**	**90,959.00**
3	**Current Assets, Loans and Advance**	**7**		
	a) Inventories		-	-
	b) Deposits, Loans & Advances		50,73,832.44	32,95,320.19
	c) Interest accrued but not due on deposits		4,326.74	1,399.71
	d) Interest accrued and due on CALA deposits		8,069.98	52,628.05
	e) Cash & Bank Balance		4,03,795.66	8,37,680.26
	f) Inter Unit Account		0.00	-
	sub total		**54,90,024.83**	**41,87,028.21**
	Less: Current Liabilities and Provisions			
	a) Liabilities	**8**	41,36,257.50	31,87,098.88
	b) Reserves & Provisions	**9**	4,930.77	4,120.15
	sub total		**41,41,188.27**	**31,91,219.03**
	Net Current Assets		**13,48,836.56**	**9,95,809.18**
4	**Misc. Expenditure** (to the extent not written off)	**10**		
5	**Profit & Loss Account** (Debit balance if any)			
	TOTAL		**3,00,13,571.79**	**2,28,63,488.18**

Significant Accounting Policy (Schedule 18) and Notes on Accounts (Schedule 19) are integral part of this Financial Statements.

For and on behalf of the Board of the Authority

Place: New Delhi
Date: 31.07.2018

Member (Finance)

Chairman

NATIONAL HIGHWAYS AUTHORITY OF INDIA
G-5 & 6, Sector-10, Dwarka, New Delhi - 110 075

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2018				
	PARTICULARS	SCHEDULE	CURRENT YEAR ₹ In Lakhs	PREVIOUS YEAR ₹ In Lakhs
	(1)	(2)	(3)	(4)
I.	**INCOME**			
	a) Value of Work done			
	b) Other income	**11**	1,381.89	1,353.35
	c) Interest (Gross)	**12**	0.41	1.06
	d) Net Increase/Decrease in Work-in-progress (+)/(-)	**13**		
	TOTAL INCOME		**1,382.30**	**1,354.40**
II.	EXPENDITURE			
	a) Construction Stores/Material consumed Other stores,spares & tools etc. consumed			
	Work Expenses	**14**	-	-
	Personnel & Administrative Expenses	**15**	38,230.45	27,282.06
	Finance Charges	**16**	8.36	14.71
	Depreciation		1,027.75	771.52
	Assets of Small Value Charged Off		36.96	22.01
	Exceptional Item			
	Provision for diminution in the value of investment		-	40,310.88
	Less: Provision transferred to Capital (Sch-1)		-	(40,310.88)
	TOTAL EXPENDITURE		**39,303.52**	**28,090.30**
	Profit / (Loss) for the period		**(37,921.22)**	**(26,735.89)**
	Add: Prior Period Items net(+/-) (details to be given)	**17**	(1,305.05)	(1,135.83)
	Transfer of Net Establishment Expenses for the year to Sch-5		**39,226.27**	**27,871.73**
	Less/Add: Provision for Taxation			
	Net Profit			
	Less: Transfer to Capital Reserve			
	Less: Transfer to other specific Reserve/Fund			
	Less/Add: Transfer to/Transfer from General Reserve (+/-)			
	Less/Add: Surplus brought forward from previous year			
	Surplus carried to Balance Sheet			

For and on behalf of the Board of the Authority

Place: New Delhi
Date: 31.07.2018

Member (Finance) Chairman

NATIONAL HIGHWAYS AUTHORITY OF INDIA
G-5 & 6, Sector-10, Dwarka, New Delhi - 110 075

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2018

		CURRENT YEAR ₹ In Lakhs	PREVIOUS YEAR ₹ In Lakhs
A.	**Cash flow from operating activities:**		
	Net profit before tax	(37,921.22)	(26,735.89)
	Adjustments for:		
	Depreciation	1,027.75	771.52
	Profit/Loss on sale of assets	(3.20)	(2.77)
	Interest income	(0.41)	(1.06)
	Operating profit before working capital changes	**(36,897.08)**	**(25,968.20)**
	Adjustments for:		
	(Increase)/Decrease in Deposits, Loans & Advances	(17,78,512.25)	(7,17,489.15)
	Increase/(Decrease) in liabilities	9,49,158.62	5,50,900.39
	(Increase)/Decrease in Provision for Gratuity and Leave Encashment	810.61	438.95
	Cash flow before extraordinary item & prior period items	**(8,65,440.09)**	**(1,92,118.01)**
	Prior period items	(1,305.05)	(1,135.83)
	Net cash generated from operating activities	**(8,66,745.14)**	**(1,93,253.85)**
B	**Cash flow from investing activities:**		
	Purchase of fixed assets	(3,713.53)	(803.66)
	Realisation from sale of assets	6.00	12.16
	(Increase)/Decrease in Capital Work in progress	(62,79,050.43)	(38,66,631.06)
	(Increase)/Decrease in investment	(2,658.34)	(9,617.00)
	Interest Income	2,24,294.28	1,62,085.61
	Capital Reserve (Receipts)	32,922.86	20,349.00
	Net cash used in investing activities	**(60,28,199.16)**	**(36,94,604.95)**
C.	**Cash flow from financing activities:**		
	Cess funds received from Govt of India	12,42,945.00	2,32,650.00
	Capital additional budgetary receipts	4,15,000.00	5,64,902.00
	EAP Grant Received & utilised towards Revenue Expenditure	17,586.44	(637.31)
	Transfer of "Premium on Bonds" to "Capital Reserve"	-	(748.68)
	Adjusted Plough back of Toll Remittance,etc	7,60,600.92	6,50,681.46
	Net decrease in loan from ADB due to Exchange Loss after Adjustment of Repayments	(4,949.65)	(6,133.29)
	Proceeds from issue of 54EC Capital Gains Tax-Free Bonds	6,65,741.30	5,57,274.20
	Proceeds from issue of Taxable bonds, Masala Bonds & NSSF Loan 2017-18	43,87,500.00	27,54,500.00
	Redemption of Capital Gains Tax- Free Bonds	(3,34,340.40)	(2,94,212.90)
	Interest and other expenditure on Bond	(6,89,023.91)	(4,06,816.15)
	Net cash generated from financing activities	**64,61,059.69**	**40,51,459.33**
	Net increase/(decrease) in cash and cash equivalents (A+B+C)	**(4,33,884.60)**	**1,63,600.54**
	Opening cash and cash equivalents	8,37,680.26	6,74,079.72
	Closing cash and cash equivalents	**4,03,795.66**	**8,37,680.26**
	Notes:		
	Cash and cash equivalents include:		
	Cash and cheques in hand / in transit	1.10	114.81
	Balance with banks-Current Account	90,400.98	6,08,310.77
	Balance with banks-Savings Bank Account	2,78,858.78	2,03,371.82
	Balance with banks-Fixed Deposit Account	34,534.80	25,882.86
	Balance as per books of account	**4,03,795.66**	**8,37,680.26**

For and on behalf of the Board of the Authority

Place: New Delhi
Date: 31.07.2018

Member (Finance)

Chairman

NATIONAL HIGHWAYS AUTHORITY OF INDIA
G-5 & 6, Sector-10, Dwarka, New Delhi - 110 075

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH, 2018

		CURRENT YEAR ₹ In Lakhs	PREVIOUS YEAR ₹ In Lakhs
SCHEDULE - 1			
i) Capital U/S 12(i)(b)-Commencing Capital			
ii) Capital U/S 17			
a) Capital Base		80,100.00	80,100.00
b) Cess Fund	93,48,920.00		91,16,270.00
Add : Received during the Year	12,42,945.00	1,05,91,865.00	2,32,650.00
c) Additional Budetary Support			
-Additional Budetary Support (NHDP)	14,21,670.00		10,06,670.00
-Additional Budetary Support (others)	3,76,584.00	17,98,254.00	3,76,584.00
d) Capital -Net off Toll Collection, Negative 31.03.10 Grant etc. upto	6,18,355.88		6,18,355.88
e) Plough back of Toll Remittance,etc. w.e.f. 01.04.10 (Gross)	38,77,303.00		30,31,089.00
Less: Plough back transferred to SPVs	(17,407.23)		(15,207.23)
Less: 1) Expenditure on Toll Collection Activities (wef. 01.04.2010)	(1,57,639.45)		(84,727.05)
2) (Excess)/Surplus of Expenditure on Maintenance of Highways over Maintenance Grant Received (wef. 01.04.2010)	(3,72,593.94)		(3,62,093.25)
3) Transfer of Exceptional item from P & L A/c	(40,310.88)	39,07,707.38	(40,310.88)
TOTAL (Schedule 1)		**1,63,77,926.38**	**1,39,59,380.47**
SCHEDULE - 2			
(Additions and deductions since last balance sheet to be shown under each of the specified heads)			
i) Capital Reserve			
Opening Balance	1,09,078.49		
Add : Additions during the Period	32,922.86		
Capital Resereve transferred to Sch-5	1,42,001.36		
ii) General Reserve			
iii) Premium on Tax-Free Bond issue			
iv) National Highways Authority of India fund under Section 18(I)			
v) Credit balance of P & L A/C			
Opening Balance			
Less : Adjusted during the year			
TOTAL (Schedule 2)		-	-

For and on behalf of the Board of the Authority

Place: New Delhi
Date: 31.07.2018

Member (Finance)

Chairman

NATIONAL HIGHWAYS AUTHORITY OF INDIA
G-5 & 6, Sector-10, Dwarka, New Delhi - 110 075

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH, 2018		CURRENT YEAR ₹ In Lakhs	PREVIOUS YEAR ₹ In Lakhs
SCHEDULE - 3			
Grants			
i) Capital Grant			
ia) For Externally Aided Projects	13,89,582.00		13,70,982.00
Interest earned on un-utilized Grant	1,001.00		1,001.00
Less: Assets created out of Grants (Sch.-5)	(612.58)		(612.58)
Less: Revenue Expenditure out of Grant	(67,40.97)	13,83,229.45	(5,727.41)
ib) For Office Building at Dwarka	150.00		150.00
Less: Transferred to Building Account (Sch.-5)	(150.00)	-	(150.00)
ic) For servicing of 54EC Bonds issue	1,000.00		1,000.00
Interest earned on un-utilized Grant	496.68		496.68
Less: Expenditure incurred on 54EC Bonds:			
Bond Issue Expenses	(8,711.30)		(8,300.57)
Interest on Bond	(6,42,537.05)		(5,59,764.64)
Others	(3.00)		(3.00)
Deficit transferred to schedule-5	6,49,754.67		5,66,571.53
TOTAL (Schedule 3)		**13,83,229.45**	**13,65,643.01**
SCHEDULE - 4			
Secured Loans			
Capital Gains Tax free Bonds- 54EC		16,51,132.50	13,19,731.60
Tax Free Secured Redeemable Non-Convertible Bonds (10Yr & 15Yr) 11-12		10,00,000.00	10,00,000.00
Tax Free Secured Redeemable Non-Convertible Bonds (10Yr & 15Yr) 13-14		5,00,000.00	5,00,000.00
Tax Free Secured Redeemable Non-Convertible Bonds (10Yr & 15Yr) 15-16		19,00,000.00	19,00,000.00
Taxable Bonds (25Yrs) 2016-17		10,00,000.00	10,00,000.00
Taxable Bonds (5Yr) 2016-17		9,04,500.00	9,04,500.00
Taxable Bonds (30Yr) 2016-17		8,50,000.00	8,50,000.00
Taxable Bonds (5Yr) 2017-18		2,37,500.00	
Taxable Bonds (30Yr) 2017-18		8,50,000.00	
Taxable Bonds (15Yr) 2017-18		10,00,000.00	
Rupee Denominated Offshore (Masala) Bonds 2017-18		3,00,000.00	
LOAN FROM NATIONAL SMALL SAVING FUND (NSSF,MoF,GOI)		20,00,000.00	
(Secured against a Flat in Ahmedabad and Fixed Assets of NHAI)			
Loan from ADB- (Surat Manor Project)		59,283.46	64,233.11
(Guaranteed by GoI)			
TOTAL (Schedule 4)		**1,22,52,415.96**	**75,38,464.71**

For and on behalf of the Board of the Authority

Place: New Delhi
Date: 31.07.2018

Member (Finance) Chairman

NATIONAL HIGHWAYS AUTHORITY OF INDIA
G-5 & 6, Sector-10, Dwarka, New Delhi - 110 075

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2018

Schedule 5 Description of Asset	Rate of Depreciation	Gross Block					Depreciation					Net Block		Assets Created Out of Grant
		As at 1.04.2017	Addition	Adjusted/ Deducted (+)	Adjusted/ Deducted (-)	Total Cost as at 31.03.2018	As at 1.04.2017	Addition	Adjusted/ Deducted (+)	Adjusted/ Deducted (-)	Total Depreciation upto 31.03.2018	As at 31.03.2017	As at 31.03.2018	As at 31.03.2018
Land Freehod	NIL	73.63	1,759.77	-	-	1,833.40	-	-	-	-	-	73.63	1,833.40	1.23
Land Leasehold	NIL	1,296.06	1.11	-	-	1,297.17	-	-	-	-	-	1,296.06	1,297.17	32.43
Buildings	5%	2,294.91	-	-	-	2,294.91	1,285.77	52.13	-	-	1,337.90	1,009.14	957.00	262.83
Staff Quarters	5%	-	-	-	-	-	-	-	-	-	-	-	-	103.91
Road & Bridges	-	-	-	0.00	-	-	-	-	-	-	-	-	-	-
Computers & EDP	60%	4,333.15	1,291.66	75.06	155.58	5,544.29	3,882.80	699.12	40.38	119.46	4,502.85	450.35	1,041.44	75.61
Laboratory & Survey Equipment	25%	0.91	-	0.00	-	0.91	0.76	0.04	-	-	0.79	0.16	0.12	0.26
Furniture, Fittings & Electrical Installation	10%	1,964.74	320.71	11.99	12.89	2,284.55	1,111.02	120.74	3.67	3.39	1,232.03	853.73	1,052.52	69.21
Motor Vehicles	-	-	-	0.00	-	-	0.00	-	-	0.00	-	(0.00)	-	-
Air Conditioners/Heaters	25%	531.04	70.34	0.00	-	601.38	494.26	25.16	-	0.00	519.41	36.79	81.97	16.63
Office Equipment	25%	1,426.32	269.94	0.00	2.27	1,693.99	1,082.79	130.57	-	2.10	1,211.26	343.53	482.73	50.47
Sub Total: I		**11,920.77**	**3,713.53**	**87.04**	**170.75**	**15,550.60**	**7,857.39**	**1,027.75**	**44.05**	**124.96**	**8,804.24**	**4,063.38**	**6,746.36**	**612.58**
Assets held on behalf of GOI		2,12,63,325.00	62,79,050.43			2,75,42,375.43						2,12,63,325.00	2,75,42,375.43	
Add: Int/ other expenses on 54EC Bond Issue (deficit transfer from Sch-3)		5,66,571.53	83,183.14			6,49,754.67						5,66,571.53	6,49,754.67	
Add: Tax Free Bond Exps-Recuring		1,206.77	287.70			1,494.46						1,206.77	1,494.46	
Add: Bond Issue Expenses		537.97	(113.7)			424.26						537.97	424.26	
Add: Interest on Tax Free Bonds		7,47,538.77	2,64,851.13			10,12,389.90						7,47,538.77	10,12,389.90	
Add: Interest on Taxable Bonds/Masala Bonds & NSSF Loan		69,950.46	3,40,497.04			4,10,447.50						69,950.46	4,10,447.50	
Add: Int on GoI Loan/OD		1,52,654.83	318.61			1,52,973.44						1,52,654.83	1,52,973.44	
Add: Net Establishment Exps. Transferred from P&L A/c		1,09,726.08	39,226.27			1,48,952.35						1,09,726.08	1,48,952.35	
Less: Capital Reserve		(1,09,078.49)	(32,922.86)			(1,42,001.36)						(1,09,078.49)	(1,42,001.36)	
Less: Intt. on Unutilised Capital		(10,29,776.30)	(1,82,662.83)			(12,12,439.14)						(10,29,776.30)	(12,12,439.14)	
Sub Total: II		**2,17,72,656.62**	**67,91,714.91**	-	-	**2,85,64,371.53**						**2,17,72,656.62**	**2,85,64,371.53**	
Grand Total (I) + (II)		**2,17,84,577.39**	**67,95,428.44**	**87.04**	**170.75**	**2,85,79,922.13**	**7,857.39**	**1,027.75**	**44.05**	**124.96**	**8,804.24**	**2,17,76,720.00**	**2,85,71,117.89**	**612.58**
Previous Year: 31.03.2017		**1,76,56,660.54**	**41,28,057.77**	**49.11**	**190.05**	**2,17,84,577.39**	**7,217.40**	**771.52**	**26.03**	**157.54**	**7,857.39**	**1,81,31,890.48**	**2,17,76,720.00**	**612.58**

NATIONAL HIGHWAYS AUTHORITY OF INDIA
G-5 & 6, Sector-10, Dwarka, New Delhi - 110 075

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH, 2018	CURRENT YEAR ₹ In Lakhs	PREVIOUS YEAR ₹ In Lakhs
SCHEDULE - 6		
Investment		
A. Investment in Share Capital of Subsidiary Companies:		
a) 25500000 Equity Shares of Rs.10 each fully paid-up in M/s Moradabad Toll Road Co. Ltd. In addition, 4500000 Equity Shares of Rs.10 each in M/s Moradabad Toll Road Co. Ltd. acquired from M/s UPSBCL in 2009-10 at a cost of Rs.6,85,88,305/-	3,235.88	3,235.88
Equity shares of Rs.10 each fully paid-up in each of the following		
b) Ahmedadabad-Vadodara Expressway Co. Ltd.(31,28,50,000 equity shares)	31,285.00	31,285.00
c) Mumbai-JNP Port Road Co. Ltd. (6,38,43,397 equity shares)	-	9,966.00
d) Mormugao Port Road Co. Ltd. (1371,00,000 equity shares)	13,710.00	7,470.00
e) Visakhapatnam Port Road Co. Ltd.(3,87,00,007 equity shares)	3,870.00	3,870.00
f) Calcutta-Haldia Port Road Co. Ltd (15,66,00,007 equity shares)of Rs. 10 each and 1,60,00,000 equity shares of Rs. 10 each at a premium of Rs. 15 each	19,660.00	19,660.00
g) Cochin Port Road Co. Ltd. (5,79,00,000 equity shares)	5,790.00	5,790.00
h) Tuticorin Port Road Co. Ltd. (9,87,00,000 equity shares)	9,870.00	9,870.00
i) Paradeep Port Road Co. Ltd. (15,00,00,000 equity shares)	15,000.00	15,000.00
j) New Manglore Port Road Co. Ltd.(10,39,30,000 equity shares)	10,393.00	9,896.00
k) Application Money (New Manglore Port Road Co. Ltd.)	-	497.00
Less: Provision for Diminution in the value of investment in AVEXCL, CPRCL & MTRCL	(40,310.88)	(40,310.88)
Sub Total	**72,503.00**	**76,229.00**
B. Investment in Share Capital of Other Companies:		
a) M/s Indian Highways Management Co. Ltd (75,00,000 equity shares)	750.00	750.00
b) M/s Chennai-Ennore Port Road Co. Ltd. (13,98,00,007 equity shares)	13,980.00	13,980.00
c) M/s Mumbai-JNP Port Road Co. Ltd. (6,38,43,397 equity shares)	6,384.34	-
Sub Total	**21,114.34**	**14,730.00**
Total (Schedule 6)	**93,617.34**	**90,959.00**

For and on behalf of the Board of the Authority

Place: New Delhi
Date: 31.07.2018

Member (Finance)

Chairman

NATIONAL HIGHWAYS AUTHORITY OF INDIA
G-5 & 6, Sector-10, Dwarka, New Delhi - 110 075

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH, 2018		CURRENT YEAR ₹ In Lakhs	PREVIOUS YEAR ₹ In Lakhs
	SCHEDULE - 7		
	Current Assets, Loans & Advances		
a	**Inventories (As taken, valued & certified by the management)**		
	I) Tools		
	ii) Stores & Spares (at cost including in transit)		
	iii) construction Stores/Materials		
	iv) Work-in-progress (mode of valuation to be stated)		
	Sub Total (a)	-	-
b	**Deposits, Loans & Advances**		
	I) Deposits		
	ii) Advances to Staff	122.97	110.79
	iii) Advances to Contractors / Consultants		
	a) Mobilisation Advance	5,00,947.49	2,76,811.69
	b) Material Advance	2,948.27	4,417.53
	c) Fund Infusion	89,344.54	
	iv) a) Advance against deposit works	78,659.99	60,441.51
	b) Advance for maintenance of highways	29,203.42	23,097.14
	v) Advances to Suppliers	504.56	7,126.28
	vi) Claims recoverable	3,44,585.17	2,61,751.97
	vii) Prepaid expenses	60.47	58.16
	viii) Advance Others Including Advance Income Tax (TDS)	61,159.49	55,970.13
	ix) Security deposits & retention money	1,06,119.28	98,094.88
	x) Advance rent	21.21	8.42
	xi) Recoverable from Subsidiary Companies	(4,996.60)	179.08
	xii) Loan to Subsidiary Companies	2,18,617.17	1,97,287.15
	xiii) Recoverable on account of Expenditure on Eastern5 Peripheral Expressways	11,517.56	3,99,003.84
	xiv) (As per Contra in Schedule-8) Un-disbursed balance with: Central CALA A/c	22,17,539.18	15,54,983.93
	xv) Recoverable from MORTH (NHDP-4A Projects)	8,68,780.65	3,37,882.06
	xvi) Loan to contractor/consultant/others	48,697.65	18,095.63
	Sub Total (b)	**50,73,832.44**	**32,95,320.19**
c	**Interest accrued but not due on deposits**	**4,326.74**	**1,399.71**
d	**Interest accrued and due on CALA deposits**	**8,069.98**	**52,628.05**
e	**Cash & Bank balances**		
	i) Cash & Cheques in hand including stamps.	0.40	0.38
	ii) Balances with Scheduled Banks		
	- Deposits accounts (excluding interest accrued & due on Deposits with CALA)	34,534.80	25,882.86
	- Current accounts	90,400.98	6,08,310.77
	- Savings Bank Account	2,78,858.78	2,03,371.82
	iii) Balances with Non scheduled banks		
	- On deposits accounts (incl. interest accrued)		
	iv) Remittance in transit	0.70	114.43
	Sub Total (e)	**4,03,795.66**	**8,37,680.26**
f	Inter Unit Account	0.00	-
	Grand Total	**54,90,024.83**	**41,87,028.21**

For and on behalf of the Board of the Authority

Place: New Delhi
Date: 31.07.2018

Member (Finance)

Chairman

NATIONAL HIGHWAYS AUTHORITY OF INDIA
G-5 & 6, Sector-10, Dwarka, New Delhi - 110 075

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH, 2018	CURRENT YEAR ₹ In Lakhs	PREVIOUS YEAR ₹ In Lakhs
SCHEDULE - 8		
Current Liabilities		
i) Liabilities for sundry creditors		
ii) Other liabilities	12,37,506.37	10,63,444.38
-Application money for 54EC Bonds	11.23	0.06
iii) Deposits held on account of others (if applicable)		
a) Sundry parties	1,14,886.40	1,24,329.65
b) Contractors	2,12,963.25	1,62,101.91
c) Suppliers	-	-
d) (As per Contra Schedule-7) Un-disbursed balances with:	22,17,539.18	15,54,983.93
Central CALA A/c		
e) Received on A/c of Eastern Peripheral Expressway	80,025.00	80,025.00
iv) Payable to GOI w.e.f. 01.04.2010		
a) Toll Revenue, Shared Revenue, Negative Grant, etc.	2,68,017.80	1,98,522.57
b) Other Receipts	5,308.28	3,691.38
Total (Schedule 8)	**41,36,257.50**	**31,87,098.88**
SCHEDULE - 9		
Provisions		
I) Provisions for taxes		
ii) Provisions for gratuity	2,541.12	2,104.20
iii) Provisions for Leave Salary	2,388.77	2,007.65
iv) Other provisions	0.88	8.31
Total (Schedule 9)	**4,930.77**	**4,120.15**
SCHEDULE - 10		
Misc. Expenditure to the extent not written off.		
Total (Schedule 10)		
SCHEDULE - 11		
Other Income		
Sale of Tender Documents	1,257.40	1,220.07
Fee for other services	-	76.15
Profit/Loss on sale of assets	3.20	2.77
Misc. Receipts	121.29	54.36
Total (Schedule 11)	**1,381.89**	**1,353.35**
SCHEDULE - 12		
Interest (Gross)		
From banks on deposits	-	-
From employees on advances	0.41	1.06
From others	-	-
Total (Schedule 12)	**0.41**	**1.06**

For and on behalf of the Board of the Authority

Place: New Delhi
Date: 31.07.2018

Member (Finance)

Chairman

NATIONAL HIGHWAYS AUTHORITY OF INDIA
G-5 & 6, Sector-10, Dwarka, New Delhi - 110 075

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH, 2018		CURRENT YEAR ₹ In Lakhs	PREVIOUS YEAR ₹ In Lakhs
	SCHEDULE - 13		
	Net Increase/Decrease in Work-in-progress		
	Closing Stock		
	Work-in-progress		
	Less: Opening Stock		
	Work-in-progress		
	e) Received on A/c of Eastern Peripheral Expressway		
	Net Increase/Decrease		
	Total (Schedule 13)		
	SCHEDULE - 14 - WORKS EXPENSES		
a	Work Expenses etc.		
	Electricity Power & Fuel		
	Survey Expenses		
	Consultancy Expenses		
	Payment to Contractor		
	Escalation claims		
	Sub Total (a)		
b	Repair & Maintenance		
	Roads & Bridges		
	Less : Transfer from Grant A/C		
	Buildings		
	Plant, Machinery & Equipment		
	Sub Total (b)		
c	Others		
	Insurance:-		
	Technical studies & consultancy charges		
	Research & Development expenses		
	others		
	Sub Total (c)		
	Total (Schedule 14)		

For and on behalf of the Board of the Authority

Place: New Delhi
Date: 31.07.2018

Member (Finance)

Chairman

NATIONAL HIGHWAYS AUTHORITY OF INDIA
G-5 & 6, Sector-10, Dwarka, New Delhi - 110 075

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH, 2018			
		CURRENT YEAR ₹ In Lakhs	PREVIOUS YEAR ₹ In Lakhs
	SCHEDULE - 15		
	Personnel & Other administrative expenses,		
	salaries wages & other staff benefit:		
	Salaries & Allowances Chairman/Members	240.50	162.99
	Salaries Allowances other than Chairman/Members	13,945.70	10,485.47
	Workman Staff Welfare Expenses	2,329.90	1,825.93
	Contribution to Provident Fund	962.30	674.56
	Pension & Leave Salary -Chairman & Members	44.82	31.15
	Pension & Leave Salary -others	1,087.66	760.10
	Gratuity	511.41	317.28
	Rent for office accommodation	1,626.97	1,204.75
	Rates and Taxes	25.21	26.39
	Repairs & maintenance	978.87	669.59
	Insurance	6.97	8.59
	Honoraria fee and other professional charges	1,726.06	1,263.67
	Travelling expenses, Conveyance	4,311.66	3,268.32
	Printing & Stationery	379.24	376.58
	Postage & communications	478.51	516.85
	Advertisement & publicity	3,352.58	930.23
	Remuneration to Auditors-C&AG	379.69	349.60
	Other Revenue Expenses	5,842.36	4,409.55
	Misc. Expenses	0.02	0.45
	Total (Schedule 15)	**38,230.45**	**27,282.06**
	SCHEDULE - 16 FINANCE CHARGES		
i)	Interest		
	On over draft	-	
	On Loans from banks	-	
	On Tax deducted at Source	4.55	11.69
	On Others	-	-
	On Bonds/Debentures	-	-
	On Loans from Govt. of India	-	-
ii)	Discounting Charges		
iii)	Guarantee Commission/Bank charges	3.81	3.02
iv)	Bond Issue Expenses		
	Total (Schedule 16)	**8.36**	**14.71**
	SCHEDULE - 17		
	Prior Period Adjustments		
	Prior period income (Debit)	31.31	46.49
	Prior period Expenses (Debit)	1,273.74	1,089.34
	Total (Schedule 17)	**1,305.05**	**1,135.83**

For and on behalf of the Board of the Authority

Place: New Delhi
Date: 31.07.2018

Member (Finance)

Chairman

NATIONAL HIGHWAYS AUTHORITY OF INDIA
G-5 & 6, Sector-10, Dwarka, New Delhi - 110 075

Grouping Schedule 15			
	Particulars	**CURRENT YEAR ₹ In Lakhs**	**PREVIOUS YEAR ₹ In Lakhs**
	Personnel & Other Administrative Expenses		
a)	Salaries, Wages & Other Staff benefits.		
	i) Salary & Wages	12,903.29	9,267.10
	ii) Chairman & Members	240.50	162.99
	iii) Over Time Allowance	0.30	0.96
	iv) Rent for Residence/Licence fee	850.59	1,111.35
	v) Bonus	12.24	22.16
	vi) Incentives	2.44	2.07
	vii) Leave Encashment	45.37	26.29
	viii) Ex gratia	131.48	55.54
	Sub Total (a)	**14,186.21**	**10,648.46**
b	Workman Staff Welfare Expenses		
	i) Medical reimbursement	975.51	552.48
	ii) Staff Welfare:		
	Welfare expenses	858.05	820.35
	Kitchen,Utencil & Appliances 5.27	4.69	
	iii) Seminar/Training expenses	364.42	358.16
	iv) LTC	126.66	90.25
	v) Liveries		
	Sub Total (b)	**2,329.90**	**1,825.93**
c	Contribution to:		
	i) Provident Fund	962.30	674.56
	ii) Pension & Leave salary Members & Chairman	44.82	31.15
	iii) Pension & Leave salary Others	1,087.66	760.10
	iv) Others-Gratuity	511.41	317.28
	Sub Total (c)	**2,606.20**	**1,783.09**
d	Repairs & Maintenance		
	i) R & M Office Building	531.51	390.38
	ii) R & M Office Equipments	90.47	87.01
	iii) R & M Light vehicles	7.87	7.38
	iv) R & M Others	89.02	95.71
	v) R & M Computer & EDP	260.00	89.11
	Sub Total (d)	**978.87**	**669.59**
e	Insurance		
	i) Light Vehicles	-	1.75
	ii) Others	6.97	6.84
	Sub Total (e)	**6.97**	**8.59**

For and on behalf of the Board of the Authority

Place: New Delhi
Date: 31.07.2018

Member (Finance)

Chairman

NATIONAL HIGHWAYS AUTHORITY OF INDIA
G-5 & 6, Sector-10, Dwarka, New Delhi - 110 075

Grouping Schedule 15			
	Particulars	**CURRENT YEAR ₹ In Lakhs**	**PREVIOUS YEAR ₹ In Lakhs**
f	Honoraria fee & other professional charges		
	i) Fee of liasion work		
	ii) Consultancy fee	1,150.24	917.32
	iii) Honoraria fee	3.36	3.95
	iv) Legal, & Statutory fee	291.41	85.51
	v) Professional charges	-	-
	vi) Internal Audit fee	281.05	256.89
	Sub Total (f)	**1,726.06**	**1,263.67**
g	Travelling Expenses		
	i) Local conveyance	2,110.51	1,829.84
	ii) Travelling Expenses (India)	2,076.32	1,358.42
	iii) Travelling Expenses (Abroad) 124.84	80.07	
	Sub Total (g)	**4,311.66**	**3,268.32**
h	Printing & Stationery Postage & Communication		
	i) Printing & stationery	379.24	376.58
	ii) Postage, Telegram including air freight	140.47	120.52
	iii) Telephones & Telex	338.04	396.33
	Sub Total (h)	**857.74**	**893.44**
i	Remuneration to Auditors -C&AG		
	i) Audit fee	374.61	341.62
	a) For taxation	-	-
	b) For other services	-	
	ii) Reimbursement of Travelling & out of pocket expenses	5.08	7.98
	Sub Total (I)	**379.69**	**349.60**
j	Other Revenue Expenses		
	i) Entertainment Expenses	-	-
	ii) Tender bond expenses	-	-
	iii) Membership fee	24.77	7.60
	iv) Publications, Books & Newspaper	29.43	23.38
	v) Donation	-	-
	vi) Sundry balances written off	0.00	0.00
	vii) Staff recruitment expenses	0.09	4.92
	viii) Deficit from Seminars/Trg. organised (Net)	-	-
	ix) Security expenses/Short-Term Contract Staffs	5,020.62	3,673.73
	xi) Electricity & Water charges	713.22	666.58
	xii) Gifts & Presents	54.24	33.34
	Sub Total (j)	**5,842.36**	**4,409.55**
k	Miscellaneous office expenses	0.02	0.45
l	Rent	1,626.97	1,204.75
m	Rates & Taxes	25.21	26.39
n	Advertisement & Publicity	3,352.58	930.23
	GRAND TOTAL	**38,230.45**	**27,282.06**

For and on behalf of the Board of the Authority

Place: New Delhi
Date: 31.07.2018

Member (Finance)

Chairman

SIGNIFICANT ACCOUNTING POLICIES 2017-18

1. Basis of Accounting

The financial statements are generally prepared under the historical cost conventions and on accrual basis, unless indicated otherwise.

2. Capital

Funds are provided by the Government of India for strengthening the Capital Base through:-

I) Allocation of a portion of Cess on diesel & petrol for the national highways out of the Central Road Fund

ii) Additional budgetary support for NHDP and other specific projects

iii) Plough-back of toll remittances, shared revenue and negative grants.

3. Capital Grant

i. External Assistance (EA), other than loans, provided by the Government of India to execute various externally Aided Projects is accounted for as Capital Grant.

ii. Fixed assets created out of the grant are not subjected to depreciation and accordingly, the full value of the fixed assets is shown as a deduction from the amount of grant or the amount of grant is shown as a deduction from the value of the fixed assets, as the case may be.

iii. Interest earned on the unutilized grant is credited to the Capital Grant account.

4. Land Acquisition

Land is acquired through Competent Authority (Land Acquisition) for the purpose of National Highways. Compensation, as determined by the Competent Authority, is paid to the Land owners from a separate joint bank account linked to the Central CALA account. Such payments are capitalized at time of transfer of amount to Central CALA account. Interest earned on the undisbursed amount is accounted for on accrual basis and credited to interest on unutilized capital.

5. Loans

i. Authority borrows funds under

(a) Capital Gains Tax Exemption Bonds under Section 54 EC of the Income Tax Act, 1961.

(b) Public issue of Tax free, secured, redeemable, non-convertible bonds under Section 10 (15) (iv) (h) of IT Act 1961.

(c) Taxable bonds for tenure of 5/25/30 years.

These bonds are accounted for under the head 'Secured Loans'. These loans are secured against a flat at Ahmedabad along with fixed assets of NHAI as detailed in schedule 19, for which the NOC has been issued by the GoI.

ii. Loan from ADB is guaranteed by Government of India.

6. Fixed Assets & Depreciation

6.1 Fixed Assets received from Government of India (GoI) are recorded at historical cost. In absence of transfer price, the total value of assets entrusted to the Authority by the Government of India (GoI) has not been accounted for / capitalized.

6.2 Financing charges relating to loans obtained for execution of specific projects till the commissioning of such projects are treated as part of capital work-in progress.

6.3 Authority being an executing agency of GOI, holds the highways projects developed by it on behalf of GOI, hence, these assets are not depreciated.

6.4 Depreciation on other fixed assets (like Computer EDP, Furniture, Office Equipment etc.) is provided on the basis of written down value (WDV) method as under:

i. No depreciation is provided on the assets or the portion of the assets financed out of the capital grant.

ii. An item of asset costing ₹5000/- or less is charged off to revenue in the year of acquisition/purchase /commission/available for use.

Assets with written down value of ₹5000/- or less as at the beginning of the year is also fully depreciated during the year.

iii. Depreciation is provided at the following rates as adopted by the Authority

Item of Fixed Asset	Rate of Depreciation (%) per annum
Roads and Bridge	
Building	5
Computers	60
Furniture & Fixtures and Electrical Fittings & Installations	10
Motor Vehicles	20
Air Conditioners & Heaters	25
Office Equipement	25
Laboratory and Survey Equipement	25

iv. Depreciation at full rate is charged if the asset is available for/put to use for 180 days or more in the given financial year. Depreciation @ 50% of the rate shown above is charged if an asset is available for/put to use for less than 180 days in a given financial year.

7. Assets held on behalf of Government of India (GOI)

i. The Authority is an implementing agency of the Government of India and is mandated to develop, maintain and manage the national highways and any other highways entrusted to or vested in it by the Government. Authority is not the owner of the highways entrusted to it therefore highways developed by the Authority are shown as 'Assets held on behalf of GOI'.

Cost of such assets includes:

- **Direct expenditure:**-DPR, Land Acquisition, Utility shifting, Tree Cutting, Civil construction, Annuity, VGF etc.

Indirect Expenditure:-

(a) Interest and issue expenses on market borrowings / loans availed by the Authority Assets held on behalf of GoI.

(b) Net establishment expenditure after setting off the income.

Less Income:
Interest earned on unutilized capital, on advance/loans granted to the contractors/consultants and receipts from ongoing projects as shown under Capital reserve (Schedule 5).

Allocation of Cost:

i. The expenses on pre-construction activities for more than one project [to the extent not specifically allocable to the projects] are apportioned to the projects on the basis of the length of the projects.

ii. The expenses on construction supervision for more than one project [to the extent not specifically allocable to the projects] are apportioned to the projects on the basis of the awarded value of the civil works contracts.

Public-Private Partnership

NHAI is executing a number of projects under Public-Private Partnership on BOT (Toll), BOT (Annuity) and BUT (Hybrid Annuity Mode) basis.

(a) BOT (Toll) projects- Grants (Viability Gap Funding) paid by NHAI is booked as 'Positive Grant / VGF". However Negative Grants received by NHAI are accounted for under 'Payable to GoI' and remitted to Consolidated Fund of India (CFI).

(b) BOT (Annuity)/ BOT (Hybrid Annuity Mode) projects- Semi-Annuity paid to concessionaire is booked under 'Semi-Annuity (Civil Works)'.

8. Expenditure on Maintenance of Highways and collection of toll

Expenditure on Maintenance of Highways and toll collection activities, after setting of maintenance grant received from GoI for maintenance of highways is reduced from plough-back of toll remittances and shown as capital (Schedule-I) under additional budgetary support-plough back of toll remittance.

9. Payments to Government Departments / Agencies

Payments made to various Central & State Government departments and other Government Agencies are regulated as under-

(a) Payments made to forest department on the basis of demands raised by them as per their prescribed norms, towards afforestation and tree cutting, are directly capitalized.

(b) Payments made to Government Departments towards supervision /agency charges for utility shifting and to Railways towards construction of ROBs are capitalized on acknowledgement of receipt of such amount by the concerned department.

(c) Payments towards maintenance of highways to the State Government departments are shown as 'Advance for maintenance of highways'. Expenditure incurred against such advances, based on the utilization statements furnished by respective state agencies, is shown as expenditure on maintenance of highways.

10. Toll Revenue, Shared Revenue and Negative Grant

The amount of toll revenue, shared revenue, negative grant and interest earned thereon, is remitted to Consolidated Fund of India on actual receipt basis.

11. Revenue Recognition

(I) The proceeds on sale of tender documents are accounted for as income (and the related expenditure is accounted for under the appropriate heads of expenditure) of the Authority.

(ii) Supervision charges, if any, received against deposit work and supervision and monitoring fees received under Durg bypass BOT contract are treated as income of the Authority.

(iii) Any other income, which is in the nature of revenue receipt and not payable to the Govt. of India.

12. Agency Charges

Agency charges is recognized notionally at the following rates on the value of various projects executed w.e.f. 1/4/2008.

(a) 1% on all capital works projects, including on the total expenditure on BOT and Annuity projects;

(b) 9% on the expenditure on maintenance of highways directly done by NHAI;

(c) 2% on the expenditure on maintenance of highways carried out through the State Public Works Departments.

Agency charges are accounted for through a Memorandum Account. All establishment expenditure, after setting off the income is appropriated against the Agency Charges through the Memorandum Account. Disclosure for the same is being made in the note forming part of accounts.

13. Retirement Benefits

The liability for retirement benefits of the regular employees and employees on contract (long term) of the Authority in respect of gratuity and leave encashment is accounted for on accrual basis and invested in fixed deposits with banks. Every year these investments are adjusted in line with the accrued liability.

14. Foreign Exchange Transactions

i. Foreign exchange transactions relating to purchase of/acquisition of or in relation to fixed assets, goods and services are accounted for at the exchange rates prevailing as on the date of the transaction.

ii. Foreign Currency loans outstanding at the end of the year are translated at the exchange rate as indicated by the rate prevailing for inward remittance on the last date of the financial year or the most proximate previous working day. Since the Authority is only an implementing agency and all the capital expenses are incurred on behalf of the Government of India, losses or gains, if any, due to exchange fluctuations relating to the loans utilized for acquisition of fixed assets/Assets held on behalf of GoI are adjusted to the carrying cost of the relevant assets/Assets held on behalf of GoI (instead of recognizing in the profit and loss account).

15. Miscellaneous

i. Cheques issued but not presented within three (3) months from the dates of issuance are credited to the stale cheque account. Any amount outstanding in the stale cheque account for three (3) years is transferred to the miscellaneous income account.

ii. At accounting level expenses/ Incomes related to earlier years up to value of ₹50,000/- under individual ledger account are charged to natural heads of accounts in current year and items exceeding ₹50,000/- are booked under prior period items account.

iii. The Authority is only an implementing agency of the Government of India to develop, maintain and manage the national highways and any other highways entrusted to or vested in it by the Government. As such, there is no different, segment reporting as per Accounting Standard-17 issued by the Institute of Chartered Accountants of India.

iv. The Authority is not required to consolidate its financial statements and the financial statements of its subsidiaries as per the NHAI Act, 1988 and accordingly, the Accounting Standard - 21 issued by the institute of Chartered Accountants of India is not applicable.

v. Long-term investments are stated at cost.

Notes on Accounts

1. **Capital** - During the year, an amount of ₹12,429.45 crore (previous year ₹2,326.50 crore) has been received from the Government of India as Cess Fund. In addition, ₹4,150.00 crore for development of National Highways (Original) Works (previous year ₹ 5,649.02 crore) and ₹ 8,462.14 crore (previous year ₹ 7,500.00 crore) as plough back of toll remittances have been received from Govt. of India. These amounts have been credited to the Capital Account.

2. **Capital Grant**- During the year Capital Grant of ₹ 173.00 crore (previous year nil) for Japan International Cooperation Agency (JICA) aided projects and ₹13.00 crore (previous year nil) for World Bank (WB) aided projects have been received.

3. **Maintenance Fund** - An amount of ₹575.00 crore (previous year ₹100.00 crore) has been received during the year from the Government of India towards maintenance of National Highways. Amount spent on maintenance of highways during the year is ₹778.40 crore (previous year ₹853.26 crore).

4. **Swachhta Action Plan** During the year an amount of ₹72.60 crore has been received from Government of India towards grant for Swachhta Action plan. Amount spent on expenditure on Swachhta Action plan is ₹15.33 crore.

5. **Interest on unutilized capital, loans & advances** - Cumulative interest on unutilized capital and also on loans & advances to contractors/consultants etc., amounting to ₹12,124.39 crore (previous year ₹10,297.76 crore) have been shown (Schedule 5) as a reduction from the Assets held on behalf of GoI.

6. **Externally Aided Projects & Grants** - The Authority, in addition to the projects funded out of capital funds, is implementing various Externally Aided Projects (EAPs). These projects are funded by multilateral agencies like the World Bank (WB), the Asian Development Bank (ADB) and Japan Bank for International Cooperation (JBIC). These agencies provide funds to Government of India (GoI) under the respective loan agreements signed by them with GOI, which in turn gets passed on to the Authority in the ratio of 80:20 as grant and loan in the case of WB and ADB and 100% grant in the case of JBIC. During the current as well as previous year no grant or loan towards execution of Externally Aided Projects (EAP) has been received from the Government of India.

7. PIU wise details of cumulative expenditure incurred on the EAPs as on 31.03.2018 are as under:

A) Projects funded by World Bank Loan

(Loan No. 3470 IN, TNHP Loan No. 4559 IN, GTRIP Loan No.4622 IN, ABP - Loan No. 4719 IN and LMNHP Loan No.4764 IN)

PIU	Project Expenditure	Advances	Total
Gorakhpur	2,495.37	7.69	2,503.06
Lucknow	1,192.71	274.38	1,467.09
Darbhanga	1,647.46	17.24	1,664.70
Kanpur	1,545.20	0.00	1,545.20
Allahabad	2,045.66	3.71	2,049.37
Varanasi	1,341.33	3.75	1,345.08
Dhanbad	1,385.33	4.63	1,389.96
Agra	1,210.15	10.49	1,220.64
Total	**12,863.21**	**321.89**	**13,185.10**

B) Projects funded by Asian Development Bank Loan

Projects funded Loan	PIU	Project Exp.	Advances	Total
1274 IND	Gurgaon	388.47	0.00	388.47
1274 IND	Vijayawada	438.51	0.00	438.51
1274 IND	Durgapur	504.78	0.00	504.78
1747	Surat Expressway	1,425.13	0.00	1,425.13
1839 IND	Chitradurga	1,139.05	0.00	1,139.05
1944 IND	Gandhidham	1,316.32	2.08	1,318.40
1944	Rajkot	1,042.01	19.75	1,061.76
2029	Shivpuri	724.22	0.00	724.22
2029 IND	Jhansi	1,202.83	0.00	1,202.83
2029 IND	Chittorgarh (EW)	1,435.79	1.35	1,437.14
2029 IND	Kota	1,222.48	0.04	1,222.52
2154	Anantpur	1,399.48	5.57	1,405.05
2154	Sagar	1154.04	0.01	1154.14
2154 IND	Narsingpur	1,096.13	0.00	1,096.13
	Total	**14,489.24**	**28.89**	**14,518.13**

Loan No. 1747 in respect of Surat Manor Toll-way Project (SMTP) has been extended to NHAI directly by ADB.

C) Projects funded by Japan Bank for International Cooperation Loan

Loan No.	PIU	Project Expenditure	Advances	Total
ID-P 91	Allahabad (Naini)	299.07	0.29	299.36
ID-P 92	Vijayawada	314.33	0.00	314.33
ID-P 100	Bhubaneshwar	148.35	0.77	149.12
ID-P 101	Ghaziabad	168.36	0.00	168.36
ID-P-228	Gaya	105.14	0.00	105.14
	Total	**930.11**	**1.06**	**931.17**

8. **Loans** - A Loan of USD 180.00 million was sanctioned from Asian Development Bank (ADB) for execution of Surat Manor project on NH-8. Against this USD 149.48 million was finally disbursed. There is an outstanding balance of ₹592.82 crores (USD 90.61 million @ ₹65.4275) as un 31.03.2018 and the same has been included under 'Borrowings'. Interest charges amounting to ₹16.71 crore on loan (previous year ₹14.25 crore which pertains to post construction period) has been paid during the year. Up to 31.03.2010, it was shown as reduction from toll revenue payable to GOI, since the interest payment on the loan was to be met out of the toll collection. From 01.04.2010 this is being shown as deduction from additional budgetary support (plough-back of toll remittance). Provision for guarantee fee amounting to ₹1.48 crore (previous year ₹1.60 crore) in respect of Government of India guarantee has also been made in the accounts.

9. **Toll Remittances & Plough Back** - The GoI has decided that from 1.04.2010 onwards, the toll revenue, shared revenue and negative grant collected by NHAI should be deposited in the Consolidated Fund of India and additional budgetary provisions would be provided for expenditure from the Consolidated Fund of India (CFI) in line with the amount deposited by NHAI in CFI. During 2017-18 NHAI has deposited a total amount of ₹8840.75 crore (toll revenue ₹5611.43 crore, shared revenue ₹1968.33 crore, negative grant ₹1260.99 crore) in Consolidated Fund of India as per the direction of Ministry. Ministry, during 2017-18 has released ₹ 8462.14 crore (previous year ₹7500.00 crore) to NHAI against Plough back of toll revenue through Permanent Bridge Fee Fund (PBFF) to meet the expenditure on development, operation and maintenance of National Highways, toll collection activities and repayment of loans etc.

10. **Borrowings** -

a) **Capital Gains Tax Exemption Bonds** - As mandated under the Union Budget 2017-18, the Authority has issued Capital Gains Tax Exemption Bonds under Section 54-EC of the Income Tax Act, 1961 for an amount of ₹66,57.41 crore during the year (previous year ₹.5,572.74 crore).

Cumulative expenses on issue of Bonds amounts to ₹87.11 crores up to 31.03.2018 (up to previous year ₹ 83 crores).

Cumulative interest on 54 EC bond up to 31.03.2018 amounting to ₹6,425.37 crore (up to previous year ₹5,597.65 crore) has been transferred to "Assets held on behalf of GoI" (Sch-5) after adjusting grant received for servicing of bonds and interest thereon.

b) **Tax Free Bonds** Authority has so far raised ₹34000 crores through tax free secured, redeemable, non-convertible bonds (2011-12 ₹10000 crore, 2013-14 ₹5000 crores 2015-16 ₹19000 crore).

c) **Taxable Bonds -** During F.Y. 2017-18, Authority has raised ₹20,875.00 crore (previous year ₹ 27545.00 crore) through taxable bonds.

d) **Rupee Denominated Offshore (Masala) Bonds-** During the year ₹3,000 crore has been received through Rupee Denominated Offshore (Masala) Bonds.

e) **Loan from National Small Saving Fund (NSSF, MoF, GOI)** Authority, during 2017-18 has received ₹20,000 crore as loan from National Small Saving Fund.

Except Rupee Denominated Offshore (Masala) Bonds and ₹5000 crores borrowed from EPFO under taxable bond on 22nd Nov. 2017, all the bonds are secured through a mortgage over the property of NHAI situated at Ahmedabad along with fixed assets of NHAI, being highway projects comprising of all superstructures including highway lightings, road barriers and dividers, bridges, culverts and all other super structures constructed on national highways except those under the Surat-Manor Tollway Project entrusted to NHAI with a minimum security cover of one time of the aggregate face value amount of Bonds outstanding at all times.

All receipts of NHAI viz. Funds received from the Ministry, Market borrowings through issue of NHAI Tax free Bonds, Taxable Bonds, NHAI Capital Gain Tax Exemption Bonds under Section 54-EC, interest on surplus funds etc. are credited in the National Highways Authority of India Funds and all expenditure is met out of this Fund as per the provisions of Article 18 of NHAI Act, 1988. As such, no separate Account is maintained for utilization of NHAI Bond proceeds.

Name and contact details of debenture trustee for 2017-18 is as under -

SBICAP TRUSTEE COMPANY LIMITED
Khetan Bhavan, 51, Floor, 198, J.T.Road, Churchgate, Mumbai 400020
Tel: +91-22-4302 5555 Fax: 491-22-4302 5500 Email: corporate@sbicaptrustee.com
Website: www.sbicaptrustee.com

As on 31.03.2018, no investor complaint was pending for redressal.

11. **Assets held on behalf of Government of India (GoI)** - Pending resolution of observations made by C&AG, entire project expenditure, as per Significant Accounting Policy-7, has been shown as Assets held on behalf of GoI (Completed & Ongoing).

12. **Provision for Gratuity and Leave Salary** -Provision for accrued liability for Gratuity and Leave encashment as per Gratuity Act and NHAI rules to the tune of ₹ 49.30 crore (last year ₹ 41.12 crore) as on 31.03.2018 has been made in the books. Accordingly existing FDR of ₹41.12 crore, representing last year's accrual, is increased to ₹49.30 crore on maturity i.e. on 30.06.2018.

13. **Land** - Land acquired by NHAI for construction of highways are mutated in the name of Government of India. Cost of land acquired by NHAI in respect of ongoing and completed projects is reflected under Assets held on behalf of GoI.

    During 2016-17, Authority has introduced Central CALA account system for payment of land compensation (refer Significant Accounting Policy 4). Majority of old CALA accounts under old system have been closed by transferring the balance to Central CALA account. Undisbursed balances lying in the remaining bank accounts and Central CALA accounts have been accounted for through a contra entry in schedule 7 & 8.

14. **Income Tax exemption** - NHAI has been granted Income-tax exemption under section 10(23C) (iv) of the Income Tax Act, 1961 on continuous basis vide Order No. DGIT(E)/10(23C)(iv)/2009, dated 13th February, 2009 issued by Director General of Income Tax (Exemptions) granting exemption for AY 2008-09 and onwards. Accordingly, provision for Income- tax has not been made as in the previous years.

15. **Loans and Advances** to **Chairman/Members** - During the year no loan/advance was granted to Chairman/ Members.

    Debts/Loans/Advance due from Chairman/Members - Nil

    Maximum amount due from Chairman/Members at any time during the year- Nil

16. **Investments in Subsidiaries & Associate Companies**

Investment	Amount (₹ in Crores)
Subsidiary Companies	1,128.14
Associate Companies	211.14
Total	**1,339.28**

The Board of Ahmedabad-Vadodara Expressway Company Limited (AVEXCL), Moradabad Toll Road Company Limited (MTRCL) and Cochin Port Road Company Limited (CPRCL) have approved the winding up of respective companies. Present status of winding up is as under-

a) Ahmedabad-Vadodara Ex. way Co. Ltd. (AVEXCL) -Petition for winding up was filed with National Company Law Tribunal (NCLT) on 11.12.2017. Till date NCLT has conducted four hearings.

b) Moradabad Toll Road Co .Ltd. (MTRCL) Subsequently, Authority in its 122nd meeting held on 15.02.2018 has approved the winding up of the Company. Process of liquidation of the Company, as per the provisions of the Companies Act, 2013, has been initiated and an appeal is to be filed with NCLT.

c) Cochin Port Road Company Limited (CPRCL)- Winding up is to be approved by the Board of Authority.

Investments of NHAI in the loss making subsidiaries were valued by professional valuers in 2016-17. On the basis of Valuer's report, provision for diminution in the value of investment for ₹ 312.85 crore, ₹32.36 crore & ₹57.90 crore in respect of AVEXCL, MTRCL & CPRCL respectively were made which still exists in the books.

Toll plough back received from Central Government against the amount remitted by subsidiaries to CFI is passed on to the subsidiaries concerned. During 2017-18 an amount of ₹22 crore has been passed on to the subsidiaries on this account.

On the request of Moradabad Toll Road Company Limited (MTRCL), Authority has waived off the interest for FY 2011-12 onwards on the loan given to it. Following is the details of loan and advances in the nature of loan to Subsidiaries & Associates Companies as on 31.03.2018-

Name of Subsidiary	Loans (₹) crore	Advances (₹) crore
Ahmedabad-Vadodara Ex. way Co. Ltd.	5.29	-
Mormugao Port Road Co. Ltd.	71.31	-
Visakhapatnam Port Road Co. Ltd.	58.81	-
Calcutta-Haldia Port Road Co. Ltd.	465.88	-
Chennai-Ennore Port Road Co. Ltd.	38.67	-
Cochin Port Road Co. Ltd.	199.96	-
Tuticorin Port Road Co. Ltd.	221.57	-
Paradeep Port Road Co. Ltd.	692.45	-
New Mangalore Port Road Co. Ltd.	384.19	-
Moradabad Toll Road Co. Ltd.	48.04	-
Total	**2,186.17**	**-**

17. **Deposits, Loans & Advances** -

   a) **Eastern Peripheral Expressway**- Against a deposit of ₹800.25 crore, Authority has spent ₹ 5,115.18 crore on Eastern Peripheral Expressway thus the recoverable stands at ₹4,314.93 crore.

   b) **Recoverable from MoRTH** - Authority, on the basis of direction received from MoRTH, is making payments for some of the NHDP phase-IV project, which are under the direct control of MoRTH. Expenditure on such projects are shown as "Recoverable from MoRTH". Accumulated amount of such recoverable as on 31 March, 2018 is ₹8,687.81 crore.

18. **Deferred Premium** Interest due on deferred premiums are, as per the provisions of Article 28.2 of Model Concession Agreement, accounted for on cash basis on receipt.

19. **BOT Annuity Projects**- Under the BOT (Annuity) contracts, fixed half-yearly annuities over a period of 12 to 18 years from the dates of completion of the projects amounting to ₹72,288.52 crores are required to be paid by the Authority. Out of this, an amount of ₹24,342.22 crores has been paid till 31.03.2018 (up to previous year ₹19,838.72 crore), which has been included in Assets held on behalf of GoI.

20. **Fraudulent Withdrawal**- During 2012-13 a fraudulent withdrawal of ₹1.06 crore from one of the bank accounts of Competent Authority Land Acquisition (CALA) was detected under PIU-Chandigarh. Out of this, a sum of ₹18.45 lacs has been recovered by police and lying with the court as 'case property'. Further, with the intervention of Court, compensation to the tune of ₹27.00 Lacs has been paid to one of the land holders for whom this compensation was meant for. As per the minutes of meetings dated 22.04.2014 Punjab Government has to pay the remaining amount of compensation.

21. **Depreciation**- Depreciation wherever applicable has been charged as per significant accounting policies.

22. **Goods and Service Tax**- Implementation of Goods and Service Tax (GST) Act has triggered the 'Change in Law- clause in various contracts. The effect of the same are accounted for as and when the issues are settled for individual contracts.

23. **Agency Charges**- As explained in Significant Accounting Policies of NHAI, agency charges is recognized notionally at the following rates on the value of various projects executed w.e.f. 1st April, 2008.

   (a) 1% on all capital works projects, including on the total expenditure on EPC, BOT (Toll), BOT (Annuity) and SPV projects

   (b) 9% on the expenditure on maintenance of highways directly done by NHAI;

   (c) 2% on the expenditure on maintenance of highways carried out through the State Public Works Departments.

   All administrative expenditure, after setting off the receipts is charged to Asset held on behalf of GoI within the overall ceiling of Agency Charges.

Memorandum Account of Agency Charges

Particulars	Amount (₹ in cr.)
Agency charges - Opening balance as on 01.04.2018	2,175.55
Add: Agency charges for the FY 2017-18	811.79
Total	**2,987.34**
Less: Net Administrative exp. for the year transferred to sch-5	392.26
Agency Charges: Balance as on 31.03.2018	2,595.08

24. **Members Responsibility** - With respect to the Members' Responsibility Statement, it is hereby confirmed that:

(a) Accounting Standards, related to the area of operations of the Authority, have generally been followed, only exception being AS-15 (Employee Benefits), AS-17 (Segment Reporting) and AS-21 (Consolidated Financial Statements).

(b) The Members' have selected such accounting policies and applied them consistently and made adjustments and estimates that are reasonable and prudent so as to give true and fair view of the state of affairs of the Authority at the end of the year;

(c) The Members' have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with section 34(2) (g) of the NHAI Act, 1988 for safeguard of the assets of the Authority and for preventing and detecting fraud and other irregularities.

(d) The Members' have prepared the annual accounts of the Authority on a "going concern" basis.

(e) No income/fund of NHAI for the year ended 31st March 2018 has been used or applied directly or indirectly for the benefit of Board Members, their relatives and entities in which Board Members or their relatives have substantial interest.

25. **Finalization of Accounts in Current Format** - On the basis of observations made by C&AG in the past, a proposal for amendment to National Highways Authority of India (Budget, Accounts, Audit, Investment of Funds and Power to enter premises) Rules, 1990, allocation of costs/receipts and change in the Format of Accounts was submitted to MoRTH for approval in consultation with C&AG. After several rounds of discussions and meetings C&AG has proposed amendment in National Highways Authority of India Act, 1988.

Pending amendment to the Act, no change in the last years Significant Accounting Policy and format of accounts have been made.

26. **Regrouping and rounding**- Previous year's figures, wherever necessary, have been regrouped and rearranged to make them comparable with current year figures. All figures are in lakh rupees and their might be rounding off difference up to 0.01 lakh in the financial statements.

27. **Contingent Liability** - Contingent Liability not acknowledged as debt:

(a) On the close of financial year total number of Arbitration and Court Cases are 1014 and 730 respectively. Contractors/concessionaires have claimed ₹55,344.97 crore & USD 4,30,137.78 in Arbitration and ₹7,439.05 crore & Euro 2,62,180.71 in Court Cases. NHAI on the other hand has claimed 29,583.87 crore in Arbitration and 1,418.10 crore in Court Cases. Authority has also given bank guarantee to the tune of ₹70.51 crore and has deposited of ₹ 907.49 crore in the form of FDRs as per various court orders. In respect of other claims/legal cases, the liability is not ascertainable at present.

(b) Authority has so far issued Letters of Credits to the tune of ₹619.48 crore for payment of annuities.

(c) The total value of EPC, Consultancy and O&M contracts remaining to be executed as on 31.3.2018 are ₹63,997.07, ₹4035.86 and ₹436.73 crore respectively.

For and on behalf of the Board of the Authority

Place: New Delhi
Date: 31.07.2018

Member (Finance) Chairman

Annexture-4

MANAGEMENT REPLY TO AUDIT REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA ON THE ACCOUNTS OF NATIONAL HIGHWAYS AUTHORITY OF INDIA FOR THE YEAR ENDED 31 MARCH 2018

AUDIT REPORT	MANAGEMENT REPLY
We have audited the attached Balance Sheet of the National Highways Authority of India (NHAI) as at 31 March 2018 and the Profit and Loss Account for the year ended on that date under section 23 of the National Highways Authority of India Act, 1998 (NHAI Act 1988) and Rule 6(5) of National Highways Authority of India (Budget, Accounts, Audit, Investment of Funds and Powers to Enter Premises) Rules 1990 as amended from time to time. These financial statements include the accounts of 181 units {156 Project Implementation Units (PIUs), 24 Regional Offices and the accounts of NHAI Headquarters}. Preparation of these financial statements is the responsibility of the Management. Our responsibility is to express an opinion on these financial statements based on our audit. We have conducted our audit in accordance with the auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of financial statements. We believe that our audit provides a reasonable basis for our opinion. Based on our audit, we report that: I We have obtained all the information and explanations, subject to annexure-III, which to the best of our knowledge and belief were necessary for the purposes of audit;	

MANAGEMENT REPLY TO AUDIT REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA ON THE ACCOUNTS OF NATIONAL HIGHWAYS AUTHORITY OF INDIA FOR THE YEAR ENDED 31 MARCH 2018

AUDIT REPORT		MANAGEMENT REPLY	
II	The Balance Sheet and Profit and Loss Account dealt with by this report have not been drawn up in the format approved by the Government of India under Section 34 (2) (g) of NHAI Act, 1988 and Rule 6(1) (b) of NHAI Rules 1990, as amended from time to time.	II	The C&AG had conveyed approval of the format of accounts vide their letter dated 22-06-1992. NHAI, since inception, is following the format as approved by C&AG. In the subsequent years some requirement based minor changes in the format of accounts have been made mainly to satisfy audit observations or to accommodate changes in accounting policies.
III	Proper books of accounts and other relevant records have not been maintained by the Authority, in so far as it appears from our examination of such books as enumerated below:	III	Accounting records as required under law have been maintained.
(a)	Assets held on behalf of Government of India (GoI) (completed & ongoing)" shown under Fixed Assets represent the amount spent on various National Highways or any stretch thereof vested in, or entrusted to, by Government of India (GoI) to the NHAI, some of which were completed and others were in progress at different stages. These assets were developed by NHAI and the ownership of these National Highways Projects vests with GoI only. Since assets whose ownership belongs to the entity are only to be depicted as the entity's Fixed Assets in its Balance Sheet, depiction of assets belonging to GoI in the books of NHAI as "Assets held on behalf of GoI (completed & ongoing)" under Fixed Assets is incorrect. GoI has entrusted these National Highways or any stretch thereof to NHAI for development & maintenance purposes and funds required for these purposes are provided by GoI. Due to disclosure of "Assets held on behalf of GoI (completed & ongoing)" under Fixed Assets, Fixed Assets of NHAI are overstated by ₹2,85,643.72 crore.	(a)	On the five Member Committee meeting on 9th June 2016, wherein Dy. C&AG of India (Commercial), DG (Commercial-I) and PDCA & Ex-officio MAB-1 were also present, it was agreed to show the highway projects developed by NHAI in the Balance sheet as "Assets held on behalf of Government of India" subject to amendment of NHAI Rules 1990. Accordingly, from F.Y. 2016-17 onward projects developed by NHAI are being presented as "Assets held on behalf of Government of India". Further, present treatment is in line with the Significant Accounting Policy (SAP) - (Schedule 18, Policy no. 7) and Notes on Accounts (Schedule 19, Sl no. 11). Recently MoRTH has agreed to capitalization of Road Assets and charging depreciation thereon, accordingly new Policy is under submission for approval MoRTH in consultation with C&AG. Upon its approval, it will be implemented with effect from financial year 2018-19.

MANAGEMENT REPLY TO AUDIT REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA ON THE ACCOUNTS OF NATIONAL HIGHWAYS AUTHORITY OF INDIA FOR THE YEAR ENDED 31 MARCH 2018

AUDIT REPORT		MANAGEMENT REPLY	
(b)	The entire amount of borrowing cost of ₹6890.24 crore for the year 2017-18 has been booked under "Assets held on behalf of GoI'. This includes borrowing cost in respect of completed projects and quantification of the same is not possible in absence of non-maintenance of project-wise details with respect of ongoing and completed projects. Inclusion of borrowing cost on completed projects is in contravention of generally accepted accounting principles, which should have been charged to Profit and Loss Account. As NHAI's Accounting Policy No. 6.2 "Financing charges relating to loans obtained for execution of specific projects till the commissioning of such projects are treated as part of capital work-in-progress". However, this is not being followed since there is no such head as "Capital Work-in-Progress" in the Financial Statements of NHAI for the year 2017-18. As NHAI has not been maintaining records in respect of project-wise utilization of borrowed funds, correctness of the total borrowing costs allocated to completed and ongoing projects till date also could not be verified in Audit.	b)	Up till now, the entire NHDP was treated as one programme and accordingly the entire borrowing cost, for the purpose of presentation, was being included in the total "Assets held on behalf of Government of India", without actually debiting the project expenditure with borrowing cost. NHAI is committed to project based accounting for which total borrowing costs are to be allocated to individual ongoing projects. Accordingly a policy is being formulated for approval of MoRTH in consultation with C&AG.
(c)	NHAI has capitalized the entire amount of ₹ 392.26 crore of "Net establishment expenses for the year". As per generally accepted accounting principles, the expenditure of revenue nature cannot be booked to completed projects and should have been depicted in the Profit and Loss Account. In the absence of project-wise details of such expenditure. Audit was unable to comment on the impact of such incorrect accounting on the accounts of NHAI.	(c)	This is being done inception and in line with Accounting Policy no. 7 (c) "Assets held on behalf of Government of India" which inter alia provides that Cost of "Assets held on behalf of Government of India" includes Net establishment expenditure after setting off the income.

MANAGEMENT REPLY TO AUDIT REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA ON THE ACCOUNTS OF NATIONAL HIGHWAYS AUTHORITY OF INDIA FOR THE YEAR ENDED 31 MARCH 2018

AUDIT REPORT		MANAGEMENT REPLY	
(d)	Cost of 19 projects amounting to ₹ 1383.01 crore, along with the expenditure incurred by NHAI on behalf of GoI, was transferred to State Governments. Thus NHAI does not hold these projects as on 31.03.2018. However, no adjustments have been made in the books of accounts for the cost incurred and the same has been shown under "Assets held on behalf of GoI" which is not correct. Non-adjustment of the expenditure incurred on the projects transferred to State Governments has resulted in overstatement of "Assets held on behalf of GoI" by ₹1383.01 crore. Similarly, there were 56 projects which were executed by the State Government/ PWDs and other departments but later on transferred to NHAI. Though these projects were taken over by the NHAI and, thereafter, were being maintained/developed by the NHAI, the initial value of ₹ 767.29 crore of projects received was not acknowledged in the books of Accounts. Consequently, the Assets held on behalf of GoI are understated by ₹767.29 crore.	d)	An elaborate policy for accounting of projects transferred from NHAI to State Governments and vice-versa is under preparation, this policy is likely to be implemented w e f Financial year 2019-20. Once implemented it will address the observations made by Audit.
IV	Apart from the significant matters stated above, other observations are placed as Annexure- I and II to Audit Report.		
V	In our opinion and to the best of our information and according to the explanations give to us, the said financial statements read together with the Accounting Policies and Notes to Accounts and subject to the significant matters stated above and other matter mentioned in Annexure-I, II and III to this audit report, give a true and fair view in conformity with accounting principles generally accepted in India.		

MANAGEMENT REPLY TO AUDIT REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA ON THE ACCOUNTS OF NATIONAL HIGHWAYS AUTHORITY OF INDIA FOR THE YEAR ENDED 31 MARCH 2018

AUDIT REPORT	MANAGEMENT REPLY
(a) In so far as it relates to the Balance Sheet, of the state of affairs of the Authority as at 31 March 2018.	(a) No comments.
(b) In so far as it relates to the Profit and Loss Account, the Net Establishment expenses transferred to Assets held on behalf of Government of India for the year ended on that date.	(b) No comments.
Annexure-I to Audit Report (A) BALANCE SHEET (I) SOURCES OF FUNDS (I) **Shareholders' Fund** (1.1) **Capital U/S 17 (Schedule-1): ₹1,63,779.26** (1.1.1) **Capital- Net off Toll collection, Negative Grant etc. up to 31.03.2010: ₹6183.56 crore** The above amount represents Current Liability towards "Net of Toll Receipts, Maintenance Expenditure over Grant etc. payable to GoI up to 31.03.2010" which the NHAI has transferred during the year 2012-13 to Capital Account u/s 17 of the NHAI Act 1988 without obtaining approval of the Ministry of Finance and Ministry of Road Transport and Highways. The issue was also raised on the accounts for the year 2012-13, 2013-14, 2014-15, 2015-16 and 2016-17. NHAI has taken up the matter in March 2014 for obtaining approval of Ministry of Road Transport and Highways (MoRTH)/Ministry of Finance (MoF). However, the specific approval/consent of Government of India (GoI) on the same is not yet received. Thus, this fact should have been disclosed in the Notes on Accounts.	(A) BALANCE SHEET (II) SOURCES OF FUNDS (2) **Shareholders' Fund** (1.2) **Capital U/S 17 (Schedule-1): ₹1,63,779.26** (1.1.1) **Capital-Net off Toll collection, Negative Grant etc. up to 31.03.2010: ₹6183.56 crore** Ministry of Finance has directed NHAI to deposit Toll collected by NHAI in CFI w e f 01.04.2010. Accordingly, NHAI is depositing the Toll to CFI. This issue pertains to the period when NHAI was utilizing the tolls collected by it on the development of Highways. This is only an accounting entry which has been concurred by MoRTH and the same was intimated to Ministry of Finance by MoRTH. Ministry of Finance had raised certain queries which were replied by NHAI, thereafter no further query from MoF received. Hence, the case may be construed to be consented by MoF. However, as advised, the matter shall be disclosed in the notes on accounts of FY 2018-19

MANAGEMENT REPLY TO AUDIT REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA ON THE ACCOUNTS OF NATIONAL HIGHWAYS AUTHORITY OF INDIA FOR THE YEAR ENDED 31 MARCH 2018

AUDIT REPORT	MANAGEMENT REPLY
(1.1.2) **Expenditure on Toll Collection Activities: ₹(1576.39) crore (Schedule-1).** Above is understated by ₹124.99 crore due to non-creation of provision towards discount (cash back) and fee collection charges payable for the period January 2018 to March 2018 to Indian Highways Management Company Limited (IHMCL), which was mandated to implement interoperable Electronic Toll Collection (ETC) system in the country. This has resulted in overstatement of Capital by ₹ 124.99 crore.	(1.1.2) **Expenditure on Toll Collection Activities: ₹(1576.39) crore (Schedule-1).** So far as provision for discount (cash back) and and fee collection charges payable to IHMCL are concerned, IHMCL could not submit any claim towards cash back and transaction fee to NHAI by the cutoff date of 25th April 2018. In absence thereof, provision for payment of Cash back and Transaction fee to IHMCL was not ascertainable, therefore could not be accounted for. The expenditure is accounted for in FY 2018-19.
(1.2) **Reserve & Surplus (Schedule -2)** 1.2.1 As per Significant Accounting Policy no. 7 (i) (b) 'Assets held on behalf of GoI includes interest earned on unutilized capital, on advances/loans granted to the contractors/ consultants and receipts from ongoing projects is shown under capital reserve'. As per generally accepted accounting principles, the amount of interest earned on unutilized capital is not the revenue of NHAI hence should have been shown as payable to Government of India, therefore the accounting policy 7(i) (b) needed to be revisited. This issue was raised during the Annual Accounts audit for the year 2016-17 but no corrective action in this regard was taken.	(1.2) **Reserve & Surplus (Schedule -2)** In line with the Significant Accounting Policy no. 7 (i) (b) interest income is being deducted from the total cost of projects (schedule-5). As per the existing orders of Government of India, NHAI is required to deposit only the user fee collected by it to Government of India. So far as depositing the interest income from unutilized fund to government of India is concerned, the same is transferred as a part of reduction of interest cost and adjusted against CWIP/Assets held on behalf of GoI.

MANAGEMENT REPLY TO AUDIT REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA ON THE ACCOUNTS OF NATIONAL HIGHWAYS AUTHORITY OF INDIA FOR THE YEAR ENDED 31 MARCH 2018

AUDIT REPORT	MANAGEMENT REPLY
1.2.2 Capital Reserve ₹1420.01 crore (Schedule 2) The above includes ₹78.30 crore towards receipt / receivables on account of liquidated damages, deposits, penalty / settlement amount, and encashment of bank guarantee etc. This has resulted in overstatement of Capital Reserve by ₹ 78.30 crore and understatement of other receipts by ₹4.99 crore, payable to GOI ₹ 51.41 crore and overstatement of 'Assets held on behalf GoI' by ₹21.90 crore.	**1.2.2 Capital Reserve ₹1420.01 crore (Schedule 2)** This is based on the Significant ccounting Policy being followed consistently by NHAI and general instructions are issued as follows- "Sl. no. O (i). Accounting of various receipts" as contained in the instructions issued to PIUs and ROs clearly provides that-Any receipt of non-recurring nature (viz., sale proceeds of fallen/ dead trees) durring construction priod should be credited to "Capital Reserve" (GL Code 1201). At the time of audit copy of these instruction are also made available to audit.
(2) Borrowings: (Schedule-4) ₹1,22,524.16 crore 2.1 As per Rule 9- Reserve Fund of NHAI Rules, 1990, every loan raised by NHAI not being a loan repayable before expiration of one year from the date of the loan, the Authority shall set apart a sum half yearly, out of its income in the reserve fund, sufficient to liquidate the loan within a period which shall not in any case exceed thirty years. NHAI may apply the whole or any part of the sums accumulated in the reserve fund in or towards the discharge of the loan liabilities for the repayment of which the fund has been established. Provided that Authority pays into the fund each year, and accumulated until the whole of the money borrowed is discharged, a sum equivalent to the interest which would have been produced by the reserve fund or the part of the reserve funds so applied. As on 31 March 2018, an amount of ₹1,22,524.15 crore was shown as payable, towards the bond holders of Capital Gain Tax Free Bonds -54EC (Rs. 16511.32 crore), Tax Free Secured Redeemable Non-Convertible Bonds (₹34000 crore),	**(2) Borrowings: (Schedule-4) ₹1,22,524.16 crore** 2.1 Sub Rule 1 of Rule 9, NHAI Rules 1990, provides that in respect of every loan raised by the Authority not being a loan repayable before the expiration of one year from the date of the loan, the Authority shall set apart a sum half yearly, out of its income in a reserve fund, sufficient to liquidate the loan within a period which shall not in any case exceed thirty years. NHAI does not have its own source of income as the entire toll proceeds are deposited into CFI. The same toll receipt when received back as toll plough back is accounted for as capital in NHAI's balance sheet. Starting from the current Financial Year, management is considering to set apart a sum half yearly, out of its receipts from the Ministry consisting of proceeds from Cess and toll plough back, in the reserve fund. The said reserve fund shall be managed as per the terms of the section 9 of the NHAI Rules, 1990

MANAGEMENT REPLY TO AUDIT REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA ON THE ACCOUNTS OF NATIONAL HIGHWAYS AUTHORITY OF INDIA FOR THE YEAR ENDED 31 MARCH 2018

AUDIT REPORT	MANAGEMENT REPLY
Taxable Bonds (₹48420), Rupees Denominated off shore Bonds ₹ 3000 crore), Loan from National Small Saving fund (₹ 20000 crore) and Loan from ADB (₹592.83 crore). However, NHAI has not created such reserve fund as contemplated in NHAI Rules. This has resulted in non-adherence to the NHAI Rules 1990. A similar Comment was included in the Audit Report on the accounts of NHAI for the 2015-16 & 2016-17, however, Management did not take any corrective action.	
(2.2) As per the commitment by way of 'Statement by the Members of the Board" under the heading "Other Regulatory and Statutory Disclosures" in the prospectus issued in connection with the public issue of; I. Tax Free Secured Redeemable Non-Convertible Bonds of ₹10000 crore issued during 2011-12. II. Tax Free Secured Redeemable Non-Convertible Bonds of ₹5000 crore issued during 2013-14 and III. Tax Free Secured Redeemable Non-Convertible Bonds of ₹19000 crore issued during 2015-16. **It was committed that:** (i) All monies received out of each tranche issue of the bonds to the pubic shall be transferred to a separate bank account; (ii) Details of all monies utilized out of each tranche issue shall be disclosed under an appropriate separate head in the Balance Sheet indicating the purpose for which such monies were utilized; (iii) Details of all unutilized monies out of each tranche issue shall be disclosed under an appropriate separate head in the Balance sheet indicating the form in which such unutilized monies have been invested. However, the above commitment was not adhered to and NHAI hast	(2.2) There is a difference between the provisions of Prospectus and NHAI Act 1988. The prospectus provides that utilized and unutilized monies are to be shown under separate heads in the balance sheet, whereas the NHAI Act 1988 provides that Authority will have a common fund called National Highways Authority of India Fund to which all receipts including borrowed funds will be credited. In view of above it was decided to adhere to the provisions of the Act. Accordingly no separate disclosure was made in the balance sheet. The bonds issued by NHAI are compliant with all laws applicable to NHAI in relation to such issuances including the Securities Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 as amended from time to time. Further, certificate for compliance of applicable laws by NHAI in relation to each tranche has also been issued by the Registrar and Transfer gent of the respective issue.

AUDIT REPORT		MANAGEMENT REPLY	
	only give a general disclosure vide Note No. 10 (e) of Notes on Accounts wherein it was mentioned that "All receipts of NHAI viz. Funds received from the Ministry, Market borrowings through issue of NHAI Tax free Bonds, Taxable Bonds, NHAI Capital Gains Tax Exemption Bonds under Section 54-EC, interest on surplus funds etc. are credited in the National Highways Authority of India Funds and all expenditure is met out of this Fund as per the provisions of Article 18 of NHAI Act, 1988. As such, no separate Account is maintained for utilization of NHAI Bond proceeds." Similar observation was included in the Audit report on the annual accounts of NHAI for the years 2012-13, 2013-14, 2014-15, 2015-16 and 2016-17. However, no corrective action has been taken by NHAI.		
II)	**APPLICATION OF FUNDS**	(II)	**APPLICATION OF FUNDS**
(I)	**Fixed Assets (Schedule 5) "Gross Block: ₹161.63 crore**	(II)	**Fixed Assets (Schedule 5)- Gross Block: ₹161.63 crore**
(1.1)	**Building : ₹9.57 crore (Net block)** The building was constructed (Office Building and residential quarters) under the Civil Works Contract-II under loan assistance to PIU Kodarma under the supervision of PIU-Durgapur and was subsequently handed over to PIU-Dhanbad in December 2001. The cost of construction of office building was ₹2.27 crore. The cost of land was not available However, land and building has not been shown in the books of Dhanbad as on 31 March 2018. This has resulted in understatement of building by ₹2.27 crore and Land (value not available).	(1.1)	**Building : ₹9.57 crore (Net block)** This building was constructed under the Civil Works Contract-II under the loan assistance from Asian Development Bank (ADB). PIU-Durgapur has been directed to examine the issue and transfer the expenditure to PIU-Dhanbad in financial year 2018-19.

MANAGEMENT REPLY TO AUDIT REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA ON THE ACCOUNTS OF NATIONAL HIGHWAYS AUTHORITY OF INDIA FOR THE YEAR ENDED 31 MARCH 2018

AUDIT REPORT	MANAGEMENT REPLY
(1.2) **Assets held on behalf of GoI (less Capital Reserve: ₹1420.01 crore)** During the year, the NHAI deducted an amount ₹329.23 crore, as capital reserve from "Assets held on behalf of GoI", without categorizing it into capital or revenue. As per Generally Accepted Accounting Principles (GAAP), no revenue income is to be deducted from capital assets after commissioning/putting to use of an asset. Further, the NHAI did not reduce the income from the cost of the respective project. The income has been added year after year and entire amount reduced from overall amount of "Assets held on behalf of GoI". Thus, the financial statements of Authority have not been prepared on GAAP and Accounting policy no. 11 (iii) of the Authority.	(1.2) **Assets held on behalf of GoI (less Capital Reserve: ₹1420.01 crore)** (1.2.1) ccumulated capital reserve of ₹1420.01 crore does not include any revenue income. The capital reserve mainly consist of receipts like negative grant, Receipts from encashment of BG, Fine for delay in financial closure, liquidated damages and other receipts during construction period. This treatment is in line with the provisions of Significant Accounting Policy no. 7 (b). So far as deduction of capital reserve from the cost of respective projects are concerned it will be taken care of at the time of implementation of project accounting.
(1.3) **Assets held on behalf of GoI (less Interest on un-utilized capital: ₹12124.39 crore)** (1.3.1) "Fixed Assets - Assets held on behalf of GoI" are shown after deduction of ₹129.84 crore of interest accrued during the year 2017-18 on the loan amount disbursed to eight Special Purpose Vehicle (SPV) companies. This accrued interest is in the nature of income and should have been shown as income of the Authority in Profit and Loss Account. This has resulted in understatement of "Assets held on behalf of GoI" and income for the year by ₹129.84 crore. Similar audit observation was also made during the audit of annual accounts of Authority for the years 2014-15, 2015-16 and 2016-17.	1.3) **Assets held on behalf of GoI (less Interest on un-utilized capital: ₹12124.39 crore)** (1.3.1) This practice is being followed almost from the inception of National Highways Authority of India. Interest on unutilized Capital (which includes interest on loans given to SPVs), is as per Significant Accounting Policy 7, shown as part of "Assets held on behalf of Government of India". With the capitalization of projects and introduction of project accounting this will be resolved.

MANAGEMENT REPLY TO AUDIT REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA ON THE ACCOUNTS OF NATIONAL HIGHWAYS AUTHORITY OF INDIA FOR THE YEAR ENDED 31 MARCH 2018

AUDIT REPORT	MANAGEMENT REPLY
(1.3.2) The above is overstated by ₹237.16 crore towards 75 per cent advance payment to contractors/concessionaires on account of arbitration tribunals awards in pursuant to decision (5 September 2016) of Cabinet Committee on Economic Affairs (CCEA) regarding cases where the Arbitration Tribunals have passed orders in favour of the contractors/concessionaires in arbitral proceedings and such awards/orders have been further challenged by the government agencies in various courts of law. This should have been shown as advance instead as 'Assets held on behalf of GOI'. This has also resulted in understatement of loan and advances by ₹237.16 crore.	(1.3.2) The observation of audit is accepted. Necessary correction entry shall be made in the current financial year.
(1.4) Assets held on behalf of GoI (completed & ongoing) : ₹ 285643.72 crore (1.4.1) above includes ₹79.71 crore incurred on construction of residential accommodation for staff and second office building up to 31.03.2018. Though these are the assets of NHAI and do not fall under NHDP. The same should have been separately disclosed as CWIP under "Fixed Assets". Thus, this has resulted in understatement of "CWIP- Fixed Assets" and overstatement of "Assets held on behalf of GOI" by ₹79.71 crore.	**(1.4) Assets held on behalf of GoI (completed & ongoing) : ₹285643.72 crore** (1.4.1) Audit observation is accepted and shall be corrected in FY 2018-19.
(1.4.2) The above is understated by ₹43.81 crore towards the cost of commissioning on Electronic toll collection Project. However, this expenditure has been booked as revenue expenditure under the head of Expenditure on Toll collection activities. Being a capital nature expenditure, this should have been booked under "Fixed Assets-Assets held on behalf of GOI". This has resulted in understatement of "Fixed Assets-Assets held on behalf of GOI" by ₹43.81 crore and overstatement of "expenditure on toll collection activities" by the same amount.	**(1.4.2) Significant Accounting Policy no.8 of Authority provides as under-** "Expenditure on Maintenance of Highways and toll collection activities, after setting of maintenance grant received from GoI for maintenance of highways is reduced from plough-back of tollremittances and shown as capital (Schedule-I) under additional budgetary support-plough back of toll remittance." Installation of Electronic Toll Collection (ETC) system at various toll plazas is a part of toll collection activities, therefore, the expenditure incurred on Installation of Electronic Toll Collection (ETC) system, as per Significant Accounting Policy of Authority, is booked under "Expenditure on Toll collection activities".

MANAGEMENT REPLY TO AUDIT REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA ON THE ACCOUNTS OF NATIONAL HIGHWAYS AUTHORITY OF INDIA FOR THE YEAR ENDED 31 MARCH 2018

AUDIT REPORT	MANAGEMENT REPLY
(1.4.3) Assets held on behalf of GoI did not include Cost of construction of toll plaza at Jallandhar-Jammu section amounting to ₹5.77 crore. The amount of ₹5.77 crore was booked as revenue expenditure. This resulted in understatement of Assets held on behalf of GoI and Capital by ₹5.77 crore. An identical comment was issued in the Audit Report on the Annual Accounts of NHAI for the year 2014-15, 2015-16 & 2016-17. NHAI may revise its accounting policy to treat such expenditure as capital expenditure.	(1.4.3) In this regard the provisions of Significant Accounting Policy no. 8 Expenditure on Maintenance of Highways and collection of toll may please be seen. This policy provides as under- "Expenditure on Maintenance of Highways and toll collection activities, after setting of maintenance grant received from GoI for maintenance of highways is reduced from plough-back of toll remittances and shown as capital (Schedule-I) under additional budgetary support-plough back of toll remittance." Construction of toll plaza is an activity related to toll collection, therefore expenditure on construction of toll plazas are consistently being treated in above manner and adjusted with the plough-back of toll remittances and shown as capital provided by Government of India. This is consistently being done almost since inception.
(1.4.4) This includes ₹1194.84 crore (including mobilization advance of ₹76.63 crore) released by NHAI to various State Government for executing NHDP phase-IV projects (apart from amount shown as recoverable from MoRTH for NHDP-IV projects). However, though above expenditure was incurred by the NHAI, but these projects have neither been transferred nor held by NHAI. Further, in this regard neither any guidelines were found to be received from MoRTH nor accounting policy of NHAI is in place to take care of accounting treatment of these payments in the books of accounts. As these projects were neither been transferred nor held by NHAI, depiction of amount released to State Government by NHAI, in respect of these projects under "Assets held on behalf of GoI" is not correct. This has resulted in overstatement of Fixed Assets-Assets held on behalf of GoI by ₹1118.21 crore and Current Assets and Loans & Advances by ₹76.63 crore.	(1.4.4) Payment for development of NHDP phase-IV projects released by NHAI to various State Governments have been made out of the fund provided by Government of India. In absence of any specific accounting guidelines from MoRTH and on the basis of observations made by audit it has been shown under Recoverable from MoRTH.MoRTH vide letter dated 10th September 2018 has stopped the earlier arrangement and decided that NHAI shall not release any payment to contractors if projects are not being executed by NHAI directly. Moreover, the recoverable amount shall either berecovered from Ministry or to be capitalized from the date of transfer of project to NHAI.

MANAGEMENT REPLY TO AUDIT REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA ON THE ACCOUNTS OF NATIONAL HIGHWAYS AUTHORITY OF INDIA FOR THE YEAR ENDED 31 MARCH 2018

AUDIT REPORT	MANAGEMENT REPLY
(1.4.5) Assets held on behalf of GoI is overstated by ₹13.88 crore on account of	1.4.5) NHAI shall examine the transactions and take appropriate action.

(₹ In crore)

A	Expenditure on Operation and Maintenance supervision and related activities,	9.59
B	50 per cent share of IE fees recoverable from concessionaire.	0.29
C	Expenditure on ROB was to be borne by BOT concessionaire	0.63
D	Non-accounting of excess payment recoverable from land losers, excess land compensation computed for land acquisition and amountincluded for Govt. land	3.37
	Total	**13.88**

This has resulted in understatement of Operation and maintenance expenses by ₹9.59 crore and claim recoverable by ₹4.29 crore.

AUDIT REPORT	MANAGEMENT REPLY
(1.4.6) Assets held on behalf of GoI is understated by ₹13.51 crore due to	(1.4.6) NHAI shall examine the transactions and take appropriate action.

A	Payment made to Forest Department as advances in contravention to its accounting policy no. 9	0.69
B	Expenditure pertaining to toll collection activities.	8.10
C	Salary of engineers for consultancy services booked under Security expenses.	0.14
D	Payment towards land acquisition, arbitration fee & utility shifting, tree cutting and afforestation through advance against deposit work.	4.58
	Total	**13.51**

This has resulted in overstatement of Advances by ₹5.27, Operation and maintenance expenses by ₹8.24 crore.

MANAGEMENT REPLY TO AUDIT REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA ON THE ACCOUNTS OF NATIONAL HIGHWAYS AUTHORITY OF INDIA FOR THE YEAR ENDED 31 MARCH 2018

AUDIT REPORT	MANAGEMENT REPLY
(2) Current Assets, Loans and Advances (2.1) Deposits, Loans and Advances (2.1.1) Loanto Subsidiary Companies: ₹2186.17 crore (Schedule 7) The road projects as well as toll collection rightsof Ahmedabad-Vadodara Expressway Co. Ltd. (AVEXCL), Moradabad Toll Road Co. Ltd. (MTRCL) and Cochin Port Road Company Limited (CPRCL) have been transferred to the Concessionaires for development and there is no possibility of recovery of the loan of ₹253.28 crore given to these three Special Purpose Vehicle (SPV) companies. Moreover, NHAI disclosed vide note no 16 that the decision for winding up of these three companies has been taken by the Board of Directors of the respective companies. Therefore, a suitable provision should have been made in the books of accounts. Non-provision of the same has resulted in overstatement of "Deposits, Loans and Advances" by ₹253.29 crore and understatement of "Loss for the year" to the same extent.	(2) Current Assets, Loans and Advances (2.1) Deposits, Loans and Advances (2.1.1) Loan to Subsidiary Companies: ₹2186.17 crore (Schedule 7) On the basis of observations made by audit in the past, provision for diminution in the value of investments in respect of MTRCL, CPRCL & AVEXCL have been made in the financial statements of F.Y. 2016-17. So far as provision for possible loss due to non-recovery of loan given to SPVs is concerned, the same shall be made depending on the recoverability of such loans.
(2.1.2) Claims Recoverable: ₹3445.85 crore (Schedule 7) a) MoRTH accorded its approval (March 2014) to the policy for rationalization of premium quoted by Concessionaires in respect of Highways Projects. In line with the policy NHAI deferred the premium amounting to ₹9331.87 crore of 20 projects. Out of which, deferred premium amounting to ₹3791.04 crore pertaining to the period from 2014-15 to 2017-18 has not been shown as recoverable in the books of accounts. Thus, this has resulted in understatement of Liabilities-Payable to GOI and Claim Receivable by ₹3791.04 crore. Further, accounting treatment of interest due on above deferred amount on cash basis as disclosed in the notes to accounts was against the concept of accrual basis.	(2.1.2) Claims Recoverable: ₹3445.85 crore (Schedule 7) a) Under sl. 18 of notes on accounts following disclosure has been made - Interest due on deferred premiums are, as per the provisions of Article 28.2 of Model Concession Agreement, accounted for on cash basis on receipt. This disclosure is based on the provisions of Article 28.2 of model concession agreement and on the fact that there is no certainty of realization of interest on deferred premium during the immediately succeeding financial year (AS 9) Only in those cases where the concessionaire has deducted TDS on the interest accrued on the deferred premium, PIU concerned has accounted for interest on accrual basis.

MANAGEMENT REPLY TO AUDIT REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA ON THE ACCOUNTS OF NATIONAL HIGHWAYS AUTHORITY OF INDIA FOR THE YEAR ENDED 31 MARCH 2018

AUDIT REPORT	MANAGEMENT REPLY
b) The above is also understated by ₹3.26 crore due to nonbooking of interest on delayed recovery of 50% concessionaire share of IE fee etc,.	b) Noted for compliance
(3) Current Liabilities and Provisions **(3.1) Current Liabilities ₹41362.58 crore (Schedule 8)** a) This is understated by ₹5029.70 crore due to non / short provision of liabilities towards:	**(3) Current Liabilities and Provisions** **(3.1) Current Liabilities ₹41362.58 crore (Schedule 8)**

(₹ In crore)

	Audit Report	Amount	Management Reply
A	Compensation payable for acquisition of land despite issue of 3D Notification / 3Gaward by CALA/ compensation payable to land losers as per Arbitration award	4646.88	As per NHAI Policy, provision for payment of compensation against land acquisition are made where- • CALA has declared the award, • Award is approved by Competent Authority, NHAI In absence of above PIUs are not required to make provision for payment of land acquisition compensation.
B	Amount payable to Contractors / Concessionaire in respect of Construction work done	231.27	Normally provisions for payments are made in respect of works which fulfill following criteria. • Work has been executed with due approval, • There is no dispute regarding amount of payment and • There is every likelihood of release of payments in near 85.06 future. • Proposal/ estimation for provision is received within the cut -off date for deposit of TDS.
C	Amounts payable to the contractor / Concessionaire for utility shifting	7.24	Noted for future compliance to the extent feasible.
D	Amounts payable to consultants in respect of supervision work done	2.30	Noted for future compliance to the extent feasible.
E	Amounts payable to GoI in respect of short remittance of Toll / Interest on delayed payment by concessionaire/ contractors	21.42	Noted for future compliance to the extent feasible.
F	Amount payable to GoI in respect of premium on BOT toll projects	7.15	Noted for future compliance to the extent feasible.
G	Amount payable to contractors for maintenance work done	7.73	Noted for future compliance to the extent feasible.
H	Amount payable on account of legal expenses/arbitration/courts awards	2.79	Noted for future compliance to the extent feasible.
I	Amount payable to concessionaire on account of 2nd tranche of viable gap funding (VGF)	85.06	Payment of positive grants to concessionaire is subject to fulfilment of the provisions of Concession Agreement and approval of Competent Authority. In absence of above provision for payment is not made.
J	Amount payable on account of interest on debt and O & M expenses during suspension of toll plaza	15.36	Noted for future compliance to the extent possible.
K	Interest for the month of March 2018 on application money received against the 54 EC Bonds	2.50	Noted for future compliance to the extent possible.
	Total	**5029.70**	

This resulted in understatement of 'Assets held on behalf of GoI' by ₹4975.54 crore, payable to Government by ₹28.57 crore, O & M expenditure by ₹25.59 crore.

MANAGEMENT REPLY TO AUDIT REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA ON THE ACCOUNTS OF NATIONAL HIGHWAYS AUTHORITY OF INDIA FOR THE YEAR ENDED 31 MARCH 2018

AUDIT REPORT		MANAGEMENT REPLY	
(b)	Deposits held on account of others: (Schedule-8) The above includes ₹0.85 crore towards work already done against deposits received from office of the Rani Avanti bhaiLodhiSagarNahar, Karnal Division. Since the work has been completed, the amount against advance should have been adjusted from advances as well as CWIP.	(b)	Deposits held on account of others: (Schedule-8) Deposits held on account of others are usually adjusted after the work is completed in all respect and handed over to the concerned department. This case will similarly be adjusted.
(B)	General 1) Recoverable from MoRTH is overstated by ₹8622.91 crore towards the payment made by NHAI to implementing State Government agencies for construction of 32 projects of phase IV and NH-17. The total sanctioned cost of these 32 projects was ₹26,845.77 crore against this MoRTH released ₹9000 crore to NHAI. NHAI had made payment of ₹17622.91 crore implementing State Government agencies in the directives of MoRTH. MoRTH refused (June 2018) to pay more with the clarification that for implementation of these projects no separate funds would be released and expenditure on these 32 projects met by NHAI from overall resources available with NHAI. As no amount is recoverable from MoRTH in this account, this fact should have been disclosed by way of note in the financial statement.	(B)	General As the payment for these projects have been made on the direction of MoRTH, therefore it is shownas "Recoverable from MoRTH". Moreover, the receivable amount shall be capitalized from the date of transfer of project to NHAI.

MANAGEMENT REPLY TO AUDIT REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA ON THE ACCOUNTS OF NATIONAL HIGHWAYS AUTHORITY OF INDIA FOR THE YEAR ENDED 31 MARCH 2018

AUDIT REPORT		MANAGEMENT REPLY	
2)	A reference is invited to Note no. 17 of Notes on Accounts for the year 2017-18 wherein it is stated that against a deposit of ₹800.25 crore, Authority has spent ₹5115.18 crore on Eastern Peripheral Expressway, thus the recoverable stood at ₹4314.93 crore. However, in the status report submitted by the NHAI to MoRTH and in turn as per status report submitted by MoRTH in the Hon. Supreme court (as on 31 March 2018) the amount of expenditure incurred towards EPE was of ₹5357.75 crore. Hence, there was a difference of ₹242.57 crore as per above mentioned note and status report submitted in Hon. Supreme Court by MoRTH. Further, as per status report given by MoRTH (as on 31.03.2018) the amount released to NHAI was of Rs. 937.92 crore whereas the notes to accounts shows an amount of ₹800.25 crore received.	2)	The figure recorded in the books of accounts are on the basis of actual transactions that have taken place.
3)	Liabilities for the work of seven (out of fourteen) Highway Nest (Mini) were completed, Authority did not recognize any liability on account of work done in respect of these Highway Nests in its books of accounts for the year 2017-18.	3)	Provision could not be made as the expenditure did not crystalize on cut-off date.
4)	As per Standard Operating Procedure on implementation of GST Act, 2017 issued on 4 October, 2017, all PIUs are required tocompute the impact of subsumed taxes and GST in the all contract. However, Audit noticed in test check that five PIUs have not carried this exercise, therefore the impact of amount payable or receivable from the contractors could not be commented upon.	4)	Calculation of impact of GST on the ongoing EPC contracts are to be made on the basis of claim submitted by Contractor through Authority Engineer with all supporting documents and details.

MANAGEMENT REPLY TO AUDIT REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA ON THE ACCOUNTS OF NATIONAL HIGHWAYS AUTHORITY OF INDIA FOR THE YEAR ENDED 31 MARCH 2018

AUDIT REPORT		MANAGEMENT REPLY	
5)	As per the approved format of Accounts, the Grant-in-aid received for Maintenance of Highways and expenditure incurred thereon should be accounted for in Profit and Loss Account. However, NHAI deviated from this and has adjusted the maintenance Grant and Expenditure incurred on Maintenance of Highways against Capital Account (Plough back of Toll Remittance, etc.). During the year, NHAI incurred ₹1507.52 crore as the total expenditure on maintenance of highways (₹ 778.40 crore) and toll collection activities (₹729.12 crore). Against this, the MoRTH released a grant of ₹575.00 crore for maintenance of highways during the year 2017-18. After adjusting ₹41.12 crore of 'Other Receipts from O & M of Highways' during the year 2017-18, balance amount of ₹ 891.40 crore, has been set off against the Shareholder's fund. Thus, this has resulted in understatement of Loss for the year and Shareholder's fund-Capital by ₹ 891.14 crore. Similar comment was included in the Audit Report on the annual accounts of NHAI for the years 2012-13, 2013-14, 2014-15, 2015-16 and 2016-17.	5)	Present treatment of Grant received for Maintenance of Highways and expenditure incurred thereon is in line with the Significant Accounting Policy no. 8. This is being practiced since inception and has been subjected to annual audit for many years. However, suggestions made by audit is noted for consideration for future accounting policy initiatives.
6)	Cabinet committee on Economic Affairs (CCEA) approved (May 2015) the proposal for one-time fund infusion to revive and physically complete languishing BOT projects. Accordingly, it was decided that NHAI will provide financial assistance to such a project from the corpus earmarked for this purpose. The assistance will be provided on a loan basis at bank rate + 2% drawing a parallel with the provisions of Article 28 of the Model concession agreement. Accordingly NHAI started to disburse the amount to various concessionaires and the amount paid as one-time concession was ₹893.44 crore as on 31 March 2018. For the amount paid to disburse to various concessionaires it was required to charge the interest at bank rate+2% and recognize the same in the books of accounts. However, accrued interest on such amount paid to various concessionaire up to 31 March 2018 was not recognized as on in the books of accounts.	6)	Audit observation noted for compliance. Provision for interest shall be made in all cases of fund infusion in the annual accounts for FY 2018-19.

MANAGEMENT REPLY TO AUDIT REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA ON THE ACCOUNTS OF NATIONAL HIGHWAYS AUTHORITY OF INDIA FOR THE YEAR ENDED 31 MARCH 2018

AUDIT REPORT	MANAGEMENT REPLY
7) As provided under Section 23 of the NHAI Act 1988, the format of annual statement of accounts of NHAI has been duly prescribed by the Government of India in consultation with C&AG of India. However, the following deviations were noticed in accounts prepared by the Management when compared to the approved format of accounts:	7) (5) The C&AG had conveyed approval of the format of accounts vide their letter dated 22-06-1992. NHAI, since inception, is using the format as approved by C&AG. However in the subsequent years some requirement based minor changes in the format have been made mainly to satisfy audit observations or to accommodate dynamic changes in operational accounting Present format was prescribed more than 26 years back, since then lots of changes have taken place in the legal, regulatory, accounting and policy front. Therefore, the approved format required minor changes to accommodate such eventualities. In compliance with C&AG observation NHAI is contemplating following changes in the coming financial years subject to approval of MoRTH in consultation with C&AG
• The approved format provides that the surplus/deficit in the P&L Account is to be carried to the Balance Sheet under Reserves and Surplus. As against this, NHAI without arriving the surplus/ deficit arrived at the 'Net Establishment Expenditure' which is in the form of deficit and the same was transferred to "Assets held on behalf of GoI" under "Fixed Assets". The Assets held on behalf of GoI includes both completed and on-going projects.	• Net establishment expenditure for the year is to be allocated to ongoing projects for the year.
• As per Schedule 5 (Fixed Assets) of the prescribed format, one of the sub-heads is 'Road & Bridges'. However, this sub-head had been left blank in spite of completed road projects. NHAI has not segregated the cost of ongoing and completed projects and the same are depicted at a consolidated figure of ₹285643.72 crore (including cost of land of ₹112758.77 crore and excluding Fixed assets of NHAI of ₹67.46 crore) during the year under the head "Assets held on behalfof GoI".	• Road and Bridges are to be capitalized and depreciated

MANAGEMENT REPLY TO AUDIT REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA ON THE ACCOUNTS OF NATIONAL HIGHWAYS AUTHORITY OF INDIA FOR THE YEAR ENDED 31 MARCH 2018

AUDIT REPORT	MANAGEMENT REPLY
NHAI disclosed the amount spent on various projects (both completed and under execution) on the behalf of GoI as its executing agency "Assets held on the behalf of GoI". NHAI sought through MoRTH, a legal opinion from Ministry of Law and Justice and Company Affairs regarding ownership of Highways, capitalization of completed road stretches of National Highways and depreciation thereof. The Solicitor General of India had opined (January 2015) that NHAI is merely an executing agency of the Central Government and ownership of the NHs, road & bridges are vested with GoI and NHAI is not the owner of stretches of NHs developed and maintained by the NHAI. Further, the accounting treatment and disclosure given by NHAI in its Financial Statements is in deviationto the opinion given by the Expert Advisory Committee (EAC) of the Institute of Chartered Accountants of India which opined that if the NHAI is acting only as an executing agency on behalf of the Government and does not exercise any control over the roads/highways and/or future economic benefits out of such resources do not accrue to the NHAI, then, NHs are not NHAI's Assets and accordingly, recognizing these as its assets and recognizing them as capital work in progress (now shown as 'Assets held on Behalf of Government of India') in NHAI's Balance Sheet is not correct. Similar comment was included in the Audit Report on the annual accounts of NHAI for the year 2012-13, 2013-14, 2014-15, 2015-16 and 2016-17. However, no corrective action has been taken by NHAI.	
C) Notes on Accounts 1 Note 25 a) This states that "pending the approval of revised format of accounts by MoRTH in consultation with C&AG, existing format of accounts has been used for FY 2017-18". However, the existing format has been deviated as it does not allow depiction of assets created by NHAI as an executing agency of GoI as "Assets held on behalf of GoI". Thus, the statement made in the Notes on Accounts in this respect if incorrect	C) Notes on Accounts 1 Note 25 a)& (b) The accounts head "Assets held on behalf of GoI" was created and depicted in the balance sheet based on the decision taken in the meeting of five member committee appointed by Dy. C&AG. Further, based on C&AG letter dated 19.06.2018, NHAI is contemplating capitalization of Highway projects and charging depreciation thereon. Policy on depreciation and allocation of indirect costs for project accounting are under formulation which shall be submitted to MoRTH for approval in consultation with C&AG.

MANAGEMENT REPLY TO AUDIT REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA ON THE ACCOUNTS OF NATIONAL HIGHWAYS AUTHORITY OF INDIA FOR THE YEAR ENDED 31 MARCH 2018

AUDIT REPORT	MANAGEMENT REPLY
b) The Note states that "pending amendment to the Act, no change in the last years significant Accounting policy and format of accounts have been made". The above disclosure was deficient to the extent that the existing format has been deviated by changing CWIP in to 'Assets held on behalf of GoI'.	
2. Proper disclosure of the following has not been made in the Notes on Accounts which are silent as to the following:	2.
i) Out of total 134 nos. of regular employees deputed at Headquarters office, no provision for gratuity payment was made for 52 nos. of employees (having less than 5 years of service as on 31 March 2018) on accrual basis. Non creation of liabilities on accrual basis for such employees has resulted in understatement of Liabilities by ₹37.33 lakh as well as violation of Accounting Policy 13.	i) Section 4 of Payment of Gratuity Act 1972 provides that Gratuity becomes payable to an employee only after he renders continuous service for not less than five years. Reply to audit query lies in the observation itself. Audit has admitted that in case of 52 no. of employees who had not completed 5 years of continuous service provision for payment of Gratuity was not made. Thus liability on account of gratuity is not understated.
ii) Based on the information compiled by Audit it was noticed that NHAI acquired 17011.853 hectares of land, of which 9412.8775 hectares (55.33 percent) land has not been mutated as on 31.03.2018. However, the fact regarding non-mutation of land to the above extent was not disclosed in the notes on accounts.	ii) Noted for compliance.
iii) Contingent liabilities:	iii) This has been noted for compliance.
a) This is understand by ₹102.93 crore due to disputed income tax demand and pending legal cases.	
b) Above is understated by ₹3251.59 crore on account of NHAI obligation to pay the debt in case of default of concessionaire as per tripartite agreement entered.	b) This has been noted for compliance.

MANAGEMENT REPLY TO AUDIT REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA ON THE ACCOUNTS OF NATIONAL HIGHWAYS AUTHORITY OF INDIA FOR THE YEAR ENDED 31 MARCH 2018

<table>
<tr><th>AUDIT REPORT</th><th>MANAGEMENT REPLY</th></tr>
<tr><td>Annexure- II to Audit Report

1) Internal Audit System

Internal Audit of NHAI Hqrs. for the year 2017-18 was carried out by M/s T R Chadha & Co. LLP, Chartered Accountants. The Internal Audit Reports issued by the Internal Auditor's did not include any specific reference to the Action Taken by NHAI on the outstanding observations pertaining to previous periods. Further audit noticed that there was an absence of number of compliance to the audit observation. In the absence of the same the assurance regarding the adequacy and effectiveness of internal audit over financial reporting could not be formed.</td><td>1) Internal Audit System

Internal Auditor's report include reference to the Action Taken by NHAI on the observations included in the previous internal audit reports. Copy of Internal audit wing note along with supporting documents have been handed over to audit.</td></tr>
<tr><td>2) Internal Control System
Internal Control system needs to be strengthened in view of the following:

a) In the books of accounts of NHAI Headquarters, following amounts are lying un-reconciled for more than 9 years, as detailed below

<table>
<tr><th>Sr. No.</th><th>Details/Head of account</th><th>Amount (₹ in crore)</th><th>Period</th></tr>
<tr><td>(i)</td><td>Advance against deposit work for utility shifting, agency charges, D&S charges for RoBs, etc.</td><td>22.29</td><td>Reconciliation pending from 2002-03 to 2007-08.</td></tr>
<tr><td>(ii)</td><td>Advances given to various Government Departments during the year 2003 to 2008 for maintenance of highway.</td><td>100.10</td><td>Reconciliation pending from 2002-03 to 2008-09.</td></tr>
<tr><td>(iii)</td><td>Other advances</td><td>1.38</td><td>Reconciliation pending from 2001-02 to 2002-03.</td></tr>
</table>

Similar audit observation as issued during the audit of Annual Accounts for the years 2013-14, 2014-15, 2015-16 and 2016-17, but NHAI did not take any corrective action.</td><td>2) Internal Control System

a) The books of accounts of NHAI are reconciled on a continuous basis. However in some cases, as pointed out by the audit, reconciliations are pending due to non-availability of relevant documents, which are being expedited.</td></tr>
</table>

MANAGEMENT REPLY TO AUDIT REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA ON THE ACCOUNTS OF NATIONAL HIGHWAYS AUTHORITY OF INDIA FOR THE YEAR ENDED 31 MARCH 2018

AUDIT REPORT		MANAGEMENT REPLY	
b)	National Highways Fee (Determination of Rates and Collection) Rules 2008, as amended in January 2011 stipulated that after recovery of the capital cost of the public funded projects through user fee realized, fee leviable would be reduced to 40 per cent of the user fee. MoRTH issued (24 January 2013) guidelines on the method of working out of capital cost. As per guidelines, capital cost inter alia includes interest during construction period (IDC). Further, NHAI was also required to prepare the balance sheet and cash flow of each project for each financial year from April 2013. However, NHAI has not prepared any such project wise balance sheet and cash flow statement. Working out the capital cost and thus the reduction of user fee to 40% would not be possible due to failures of compliance with the guidelines issued by the MoRTH.	b)	NHAI, since inception has not been preparing project wise balance sheet and cash flow statements. The direct expenditures are captured project wise and the revenues for each project are captured by Commercial Operation Division. The toll revenues are accounted for in the books of NHAI as "Payable to GoI" and are deposited in the Consolidated Fund of India. NHAI has initiated the system of project accounting w e f financial year 2019-20 as advised by C&AG, which upon implementation shall address the issue to a large extent. Moreover toll notifications are issued by the ministry and NHAI follows the same.
c)	Delay in obtaining Utilisation Certificate/ acknowledgments in respect of advance given to various agencies.	c)	Payment of advance and receipt of utilization certificate is a continuous process, by the time utilization certificate in respect of old payments are received some new payments are made.
d)	Audit noticed in one PIU that NHAI continued collecting the WCT/Service Tax post GST implementation period.	d)	Audit observation has been noted for compliance.
e)	More than three years stale cheques has not been transferred to Misc. Receipts.	e)	Audit observation has been noted for compliance.
f)	(i) Non maintaining the fixed assets register in proper way was noticed by Audit in four PIUs. ii) Fixed assets register in respect of assets acquired at toll plaza and pending their reconciliation with respect of physical verification.	(f)	(i) Instructions regarding maintenance of fixed asset records and physical verification of assets have already been issued to PIUs on 12.04.2019. (ii) Instruction referred above also includes instruction for maintenance of records in respect of assets acquired for toll plaza and physical verification thereof.
g)	With regard to loan provided to subsidiary company there were difference in case of New Mangalore Port Road Co. Ltd and Visakhapatnam port Road Co. Ltd. The figures as appearing in the NHAI books of accounts were ₹384.19 crore and ₹58.81 crore for New Mangalore Port Road Co. and Visakhapatnam Port Road Co. whereas the corresponding figures in the books of subsidiaries were of ₹335.05 crore and ₹59.24 crore respectively.	g)	Audit observation is noted. Necessary reconciliation will be carried out and effected in the books of accounts of NHAI or the SPVs as the case may be.

MANAGEMENT REPLY TO AUDIT REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA ON THE ACCOUNTS OF NATIONAL HIGHWAYS AUTHORITY OF INDIA FOR THE YEAR ENDED 31 MARCH 2018

AUDIT REPORT		MANAGEMENT REPLY	
h)	According to article 23.8 of the agreement the rate of interest on the mobilization advance shall be equal to the bank rate, compounded annually. However, interest rate as mentioned in Benchmark Prime Lending Rate (BPLR) of State Bank of India for the period 2017-18 have been considered for computation of interest on mobilisation advance.	h)	Audit observation is noted. Necessary reconciliation will be carried out and effected in the books of accounts of NHAI
i)	Scrutiny of BGs submitted by PIU Udaipur revealed that there is difference between the words and corresponding figures as mentioned in the BGs.	i)	Audit observation has been noted for compliance.
j)	**Non-confirmation of Balances** Management has not sent 'Confirmation of Balance' letters and got the balances confirmed both at Hqrs. and PIUs.Hence, correctness of the balances mentioned in the Financial Statements as regards i) Claims recoverable: ₹3445.85 crore ii) Recoverable from Subsidiary Companies: ₹(49.97) crore and iii) Recoverable on account of Expenditure on Eastern Peripheral Expressways: ₹5115.17 crore are subject to confirmation by the above parties.	j)	**Non-confirmation of Balances** NHAI has a system of confirmation of bank balances at the end of each financial year. Accordingly, at the end of every financial year bank balance confirmation certificates are obtained from the banks in respect of all bank accounts. So far as balance confirmation in respect of payables and receivables are concerned, NHAI has initiated steps for the confirmation of the same.
3)	**System of Physical Verification of Fixed Assets**	3)	**System of Physical Verification of Fixed Assets**
(i)	The physical verification report for the year 2017-18 (as on 31.03.2018) of the Head office of NHAI, Dwarka, New Delhi was not furnished to Audit. In the absence of the same the authenticity of fixed assets available could not be ascertained by Audit.	(i)	In order to streamline the process of annual physical verification of assets at HQ, ROs and PIUs level, a draft policy circular is under consideration of NHAI.
(ii)	During test check of physical verification report of two PIUs Audit noticed that it was not reconciled with Fixed Assets register to ascertain the shortage/excess.	(ii)	Audit observation has been noted for compliance.
4)	**System of physical verification of inventory** There is no inventory.	4)	**System of physical verification of inventory** No Comments.
5)	**Regularity in payment of Statutory Dues** Delay in deposit of TDS / TCS with tax authorities noticed by Audit in two PIUs.	6)	**Regularity in payment of Statutory Dues** Except one or two stray cases payment of TDS/TCS are generally on time.

MANAGEMENT REPLY TO AUDIT REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA ON THE ACCOUNTS OF NATIONAL HIGHWAYS AUTHORITY OF INDIA FOR THE YEAR ENDED 31 MARCH 2018

AUDIT REPORT	MANAGEMENT REPLY
Annexure – III (Information / records requisitioned but not furnished by Management of NHAI	NHAI usually provides all the available records /documents requisitioned by the audit. However, some of the information sought by audit, which are general in nature are not readily available and required to be collected and compiled at HQ. There are 201 field offices comprising Regional Offices and Project Implementation units. Information is sought from all the units to comply with the Audit requisition, which are often not received in time. It becomes a herculean task to collect and compile data from all field units comprising over thousand projects, considering that it has to be done manually in a short span of time. However, with the implementation of project accounting and ERP system, the process of submission of project related information to Audit shall improve.

Particulars of information / records requisitioned	Requisition No & Date	Reminder
1. Status report of pending files as on 31.03.2018 in respect of Change of Scope of various projects.	1. 03.08.2018	23.08.2018 11.09.2018 26.09.2018
2. Cases of theft, fraud, embezzlement, presumptive fraud etc. as came into the notice management of NHAI During the year 2017-18.	1. 03.08.2018	23.08.2018 11.09.2018 26.09.2018
3. Information pertaining to equity infusion in the subsidiaries on premium along with basis for infusing equity on premium particularly when the SPV is incurring losses since along. Similarly, in case of buy back of equity from Mumbai JNPT whether the exercise was done to ascertain the value of shares. If not reasonsthereof. (Specific information has not been furnished.)	1. 03.08.2018	23.08.2018 11.09.2018 26.09.2018
4. Under schedule 19 (Notes to Accounts) at Sl. No. 16, it was mentioned that toll plough back received from Central Government against the amount remitted by subsidiaries to CFI is passed on to the subsidiaries concerned. In this regard the total amount remitted to CFI by the subsidiaries. (The specific reply has not been furnished by the management)	2. 06.08.2018	23.08.2018 11.09.2018 26.09.2018
5. Whether the confirmation of balances by the respective banks wherein CALA accounts were operated prior to transfer of balances to Head Office. If yes whether there is any difference, between the amounts as book balance and as confirmed by the respective bank.	3. 07.08.2018	23.08.2018 11.09.2018 26.09.2018
6. List of projects foreclosed or abandoned.	3. 07.08.2018	23.08.2018 11.09.2018 26.09.2018
7. Claims received from various concessionaries against NHAI up to 31st March 2018 for violation of state support agreements by different State Governments.	3. 07.08.2018	23.08.2018 11.09.2018 26.09.2018

MANAGEMENT REPLY TO AUDIT REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA ON THE ACCOUNTS OF NATIONAL HIGHWAYS AUTHORITY OF INDIA FOR THE YEAR ENDED 31 MARCH 2018

AUDIT REPORT	MANAGEMENT REPLY
Annexure – III (Information/ records requisitioned but not furnished by Management of NHAI	

Particulars of information/ records requisitioned	Requisition No & Date	Reminder
8. Files relating to construction of residential complex for NHAI Staff and second office Building of NHAI at Dwarka, New Delhi.	3. 07.08.2018	23.08.2018 11.09.2018 26.09.2018
9. Details of land (freehold and leasehold) as shown under the schedule-5, indicating the station wise details of land acquired, under possession, under encroachment or unauthorized occupation, title deeds available or lease deed available, amount paid or payable for the land acquired.	3. 07.08.2018	23.08.2018 11.09.2018 26.09.2018
10. In the review meeting taken by Hon. Minister, MoRTH on 20.01.2016, it was decided to create a separate entity for implementation of nationwide highway plantation i.e.National green Highway Development Company limited under the company Act 2013 fully owned by NHAI. In this regard the progress as on date.	5. 13.08.2018	23.08.2018 11.09.2018 26.09.2018
11. Details of various programme/software either developed internally or externally for various usages in NHAI may kindly be furnished along with cost incurred towards development of such programme/software and status as on 31.03.2018.	5. 13.08.2018	23.08.2018 11.09.2018 26.09.2018
12. Through audit requisition no. 3 (07.08.2018) age wise analysis of debtors and reasons for non adjustment of long pending receivable was called for. Against which the information furnished was indicating only the PIUs wise outstanding amount and the last transaction conducted at the respective PIU only. Thus the basic purpose for which the information was called for remained - un attended as management accepted that no analysis was done after 30.06.2017, hence accordingly it may be included in the annexure that against the details of debtors / creditors as on 31.03.2018, the details were furnished up to 30.06.2017 only.	8. 23.08.2018	11.09.2018 26.09.2018
13. Details of letters of credits (LCs) issued as on 31.03.2018 indicating the date of issue and amount involved.	11. 05.9.2018	26.09.2018

Annexure-5

NATIONAL HIGHWAYS AUTHORITY OF INDIA

CORRIGENDUM TO THE ANNUAL ACCOUNTS 2017-18

Number-I
(Issued in response to audit Half Margin no. 45)

Name of Document	Schedule No.	Page No.	In place of		Read	
			Secured Loans		**Secured Loans**	
			Capital Gains Taxfre Bonds-54EC	16,51,132.50	Capital Gains Taxfree Bonds-54EC	16,51,132.50
			Tax Free Secured Redeemable Non-Convertible Bonds (10Yr & 15Yr) 11-12	10,00,000.00	Tax Free Secured Redeemable Non-Convertible Bonds (10Yr & 15Yr) 11-12	10,00,000.00
			Tax Free Secured Redeemable Non-Convertible Bonds (10Yr & 15Yr) 13-14	5,00,000.00	Tax Free Secured Redeemable Non- Convertible Bonds (10Yr & 15Yr) 13-14	5,00,000.00
			Tax Free Secured Redeemable Non-Convertible Bonds (10Yr & 15Yr) 15-16	19,00,000.00	Tax Free Secured Redeemable Non- Convertible Bonds (10Yr & 15Yr) 15-16	19,00,000.00
			Taxable Bonds (25Yrs) 2016-17	10,00,000.00	Taxable Bonds (25Yrs) 2016-17	10,00,000.00
			Taxable Bonds (5Yr) 2016-17	9,04,500.00	Taxable Bonds (5Yr) 2016-17	9,04,500.00
			Taxable Bonds (30Yr) 2016-17	8,50,000.00	Taxable Bonds (30Yr) 2016-17	8,50,000.00
			Taxable Bonds (5Yr) 2017-18	2,37,500.00	Taxable Bonds (5Yr) 2017-18	2,37,500.00

NATIONAL HIGHWAYS AUTHORITY OF INDIA

CORRIGENDUM TO THE ANNUAL ACCOUNTS 2017-18

Number-I

(Issued in response to audit Half Margin no. 45)

Name of Document	Schedule No.	Page No.	In place of		Read	
			Secured Loans		**Secured Loans**	
			Taxable Bonds (30Yr) 2017-18	8,50,000.00	Taxable Bonds (30Yr) 2017-18	8,50,000.00
			Taxable Bonds (15Yr) 2017-18	10,00,000.00	(Secured against a Flat in Ahmedabad and Fixed Assets of NHAI)	
			Rupee Denominated Offshore (Masala) Bonds 2017-18	3,00,000.00	Loan from ADB- (Surat Manor Project) Guaranteed by GOI	59,283.46
			Loan from National Savings Fund (NSSF, MoF, GoI	20,00,000.00	**Unsecured Loans**	
					Taxable Bonds (15Yr) 2017-18	10,00,000.00
			(Secured against a Flat in Ahmedabad and Fixed Assets of NHAI)		Rupee Denominated Offshore (Masala) Bonds 2017-18	3,00,000.00
			Loan from ADB- (Surat Manor Project) Guaranteed by GoI	59,283.46	Loan from National Savings Fund (NSSF, MoF, GOI)"	20,00,000.00
				1,22,52,415.96	Total	1,22,52,415.96
Schedule 4	4	4				

This has been approved by Member (F) as per the powers delegated by the Board of Authority while approving the annual accounts of FY 2017-18.

NATIONAL HIGHWAYS AUTHORITY OF INDIA

ADDENDUM TO THE ANNUAL ACCOUNTS 2017-18

Number-I

(Issued in response to audit Half Margin no. 43)

Name of Document	Schedule No.	Page No.	Note No.	In place of	Read
Notes to Accounts	19	22	14	**Income Tax exemption** NHAI has been granted Income - tax exemptionunder section 10 (23C) (iv) of the Income Tax Act, 1961 on continuous basis vide Order No. DGIT (E) / 10 (23C) (iv) / 2009, dated 13th February, 2009 issued by Director General of Income Tax (Exemptions) granting exemption for AY 2008-09 and onwards. Accordingly, provision for Income- tax has not been made as in the previous years.	**Income tax exemption and refunds** NHAI has been granted Income-tax exemption under section 10(23C) (iv) of the Income Tax Act, 1961 on continuous basis vide Order No. DGIT(E)/10(23C)(iv)/2009, dated 13th February,2009 issued by Director General of Income Tax (Exemptions) granting exemption for AY 2008-09 and onwards. Accordingly, provision for Income- tax has not been made as in the previous years. Further, income tax deducted at source by various parties is claimed as refund. As on 31.03.2018 as per Income Tax Returns (ITRs) the amount of income tax refund is ₹585.53 crore. Reconciliation of this amount with the books is in progress. Interest on refunds is recorded at the time of receipt.

This has been approved by Member (F) as per the powers delegated by the Board of Authority while approving the annual accounts of FY 2017-18.

National Highways Authority of India

(Ministry of Road Transport & Highways)

www.nhai.org

Designed & Printed by : square@squaregroup.info