



# KATHMANDU KULEKHANI HETAUDA TUNNEL HIGHWAY

<b>Lead Government Agency</b>	Office of the Investment Board; Ministry of Physical Infrastructure and Transport
<b>Geographical Location (Districts)</b>	Kathmandu and Makwanpur

## PROJECT DESCRIPTION AND RELEVANCE/ OBJECTIVES

The Hetauda-Narayanghat-Mugling-Kathmandu passage is one of the busiest roads in Nepal and it is the main highway connecting Kathmandu to the Southern cities. The road length from Hetauda to Kathmandu is approximately 227 km along the Prithivi highway with travel time of approx. 6-8 hrs. The alternative route - the Tribhuvan Highway is only 133 km in length but requires travel time of approximately 7-8 hrs. Therefore, the government has envisioned to develop a short highway to connect Kathmandu to Hetauda. The travel time in the proposed KKHT will be about one hour.

### RELEVANCE TO THE OVERALL ECONOMY

This tunnel highway will connect the entire western, southern and eastern parts of Nepal through Hetauda and will significantly boost overall economic growth of the corridor, region and the whole country.

## SALIENT FEATURES OF THE PROJECT



- Length of the Road: Approximately 58 km
- Type of the Road: 4 Lane Expressway
- Number of Tunnels: 3
- Total Length of Tunnels: 4.5 km
- Starting Point: Balkhu, Kathmandu
- Ending Point: Hetauda, Makawanpur
- Concession Period: 30 years + provision of 5 additional years
- *Developer: NPB Company Limited*
- *Initial Agreement signed with Government of Nepal, Permission letter already issued by MoPIT*

## PROJECT DETAILS

(1USD=NRs.100)

<b>Project Cost (In USD)</b>	<ol style="list-style-type: none"> <li>1. <b>Project Cost</b> : 348.7 Million (estimated cost 2012), excluding IDC</li> <li>2. <b>Debt/Equity Ratio</b>: 80:20</li> <li>3. <b>Equity</b>: 70 Million</li> <li>4. <b>Debt Financing</b>: 279.01 Million (excluding IDC and cost of raising debt)</li> <li>5. <b>Promoter shares</b>: 60% of Equity</li> <li>6. <b>Initial Public Offering (IPO)</b>: 40% of Equity</li> <li>7. <b>Shares from Promoters/Bartering</b>: 48.15 Million (60% of Equity Capital including preferred dividends)</li> <li>8. <b>IPO</b>: 27.9 Million</li> <li>9. <b>Dividend Payout Year</b>: 7 Years after operation</li> <li>10. <b>Debt Repayment Period</b>: 17 Years (with moratorium period for first 2 years)</li> <li>11. <b>Interest on Debt</b>: 8.50%</li> <li>12. <b>Payback Period</b>: 9.69 years after operation</li> <li>13. <b>Internal Rate of Return (IRR)</b>: 16.69% approx.</li> <li>14. <b>Equity IRR</b>: 22.81%</li> <li>15. <b>NPV</b>: 212.9 Million</li> <li>16. <b>Simple payback period</b>: 12.94 years</li> <li>17. <b>Discounted payback period</b>: 18.04 years</li> <li>18. <b>Simple payback period with construction</b>: 9.44 years</li> <li>19. <b>Discounted payback period with construction</b>: 14.54 years</li> <li>20. <b>Depreciation</b>: Over the life of the operation of the project</li> <li>21. <b>Discount Rate</b>: WACC at Cost of Debt @ 8.5% and Equity @ 14.77%</li> <li>22. <b>Levy Custom Duty</b>: 1% on import of Machinery/Equipment needed for the project</li> <li>23. <b>Income Tax</b>: 12% (i.e. 40% rebate on existing 20% tax rate)</li> <li>24. <b>Inflation Rate on Local Currency</b>: 7% (Assumed)</li> </ol>
<b>Progress</b>	DPR Completed
<b>Form of Investment</b>	People, Public & Private Partnership
<b>Expected Fiscal Benefits to GoN</b>	<ul style="list-style-type: none"> <li>• Taxes</li> <li>• Royalties</li> </ul>

\*Data Source: Nepal Purwadhar Bikash Company Limited



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