

Ghotki-Kandhkot Bridge Project

Report on financial bid evaluation of Sachal Engineering and FWO



HAIDERMOTABNR



Financial evaluation criteria

- ▶ Technical bids of both FWO and Sachal Engineering scored the required minimum 70 points, and both bidders were qualified in technical evaluation.
- ▶ Subsequently, financial proposals of both bidders have been evaluated using the following metric:

Evaluation factor
Lowest PV of annuity <i>The bidder quoting the lowest PV of annuity is the successful bidder</i>

- ▶ The financial proposals of both bidders are discussed in detail on the ensuing slides.

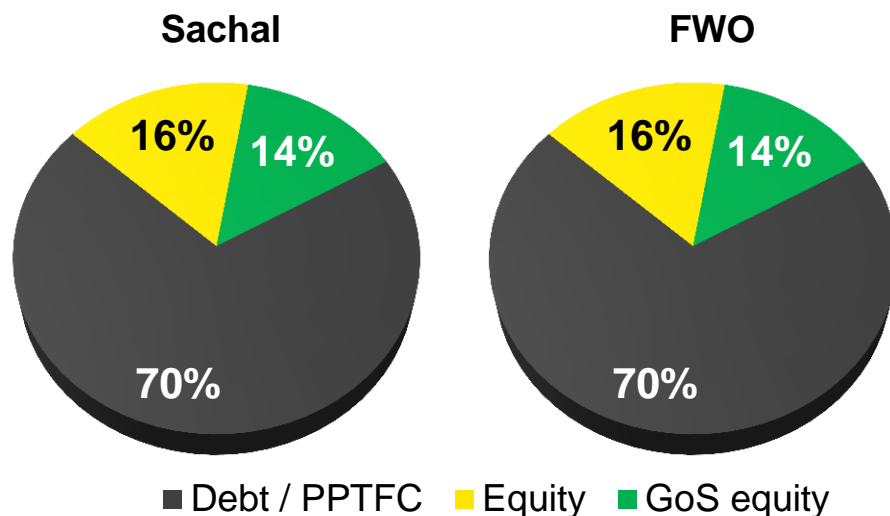
Financial bid evaluation



Project cost and financing comparison

All amounts in PKR m

Topic	Sachal	FWO
Total project cost	14,027	16,384
GoS equity	1,964	2,294
Private party's equity	2,244	2,621
Debt / PPTFC	9,820	11,469



Financing assumption	Sachal	FWO
Loan tenure	5 years	5 years
KIBOR	8.0%	8.0%
Spread	2.5%	2.5%

O&M cost and major overlays

All amounts in PKR m

Cost item	Sachal	FWO
<u>Operating and maintenance costs</u>		
Average operations cost over the operation's period	311	389
Average maintenance cost over the operation's period	119	51
<i>Escalation p.a.</i>	7.5%	7.5%
Major overlay	Sachal	FWO
First	1,777	2,276
Second	3,662	5,370

Annuity

All amounts in PKR m

	Sachal	FWO
PV of O&M (@ 7%)	3,146	3,250
PV of Tax (@ 7%)	2,912	2,929
PV of Debt (@ 7%)	8,621	10,115
PV of ROE (@ 7%)	4,517	6,050
PV of annuity from start of construction	19,197	22,344

Bid evaluation summary



Bid evaluation summary

All amounts in PKR m

Topic	Sachal	FWO
Major overlays (PV)	1,411	1,865
GoS initial outlay	1,964	2,294
PV of annuity payments from start of construction	19,197	22,344

Sachal Engineering quoted lowest PV of annuity, hence based on the financial bid evaluation criteria, it is the successful bidder.

Tax workings in Financial model

- ▶ The financial model of the lowest evaluated bidder i.e. Sachal Engineering does not take into account the following in its tax computations:
 - Initial depreciation allowance and normal depreciation allowance
 - Alternate Corporate Tax
 - Utilization of Minimum turnover tax payments against future corporate taxes
- ▶ The above parameters are defined as per the Income Tax Ordinance, 2001.
- ▶ The impact of incorporation of the aforementioned items in the bid financial model will result in reduction in the bid price i.e. present value of annuity payments by PKR 1.144 billion.
- ▶ This amount will be adjusted against the tax component of the annuity payments, as presented in the following slide.

Difference between adjusted annuity and base case annuity – Sachal Engineering

All amounts in PKR m


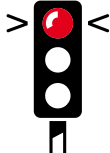
Sachal Engineering	Base case PV	Adjusted PV
PV of O&M (@ 7%)	3,146	3,146
PV of Tax (@ 7%)	2,912	1,768
PV of Debt (@ 7%)	8,621	8,621
PV of ROE (@ 7%)	4,517	4,517
PV of annuity from start of construction	19,197	18,052
Project cost	14,027	14,027

Difference between adjusted annuity and base case annuity - FWO

All amounts in PKR m

FWO	Base case PV	Adjusted PV
PV of O&M (@ 7%)	3,250	3,250
PV of Tax (@ 7%)	2,929	2,167
PV of Debt (@ 7%)	10,115	10,115
PV of ROE (@ 7%)	6,050	6,050
PV of annuity from start of construction	22,344	21,583
Project cost	16,384	16,384

Bid Evaluation Summary

S. No	Name of Firm or Bidder	Bid value offered by the Bidder in terms of Present Value of Annuity	Remarks
	1	2	3
	M/s Sachal Engineering Works (Pvt) Limited	PKR 19,196,615,477/- Corrected as PKR 18,052,595,933/- Tax computations in the bid were corrected in line with Income Tax Ordinance	Lowest quoted present value of annuity
	M/s Frontier Works Organization & Ashraf D Baluch Consortium	PKR 22,344,321,980/- Corrected as PKR 21,582,523,594/- Tax computations in the bid were corrected in line with Income Tax Ordinance	Qualified on technical bid, but financial bid is expensive than bidder M/s Sachal Engineering

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