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India's PPP Model Faces Investor Apathy Despite Rs 17 Lakh-Cr Pipeline

From a highway tender that drew no bidders to concessions at a third of capacity, India's public-private partnerships keep running into the same limits: weak project preparation, risk shifted on paper and contracts that are not watched after signing.

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Article Content:

India's ambitious push to attract private investment into infrastructure is facing a critical test, with the National Highways Authority of India (NHAI) receiving no bids for three highway projects worth Rs 18,884.69 crore spanning 912.3 km across Gujarat and Maharashtra. Despite multiple deadline extensions and revised concession terms aimed

at making the projects more attractive to investors, the tenders failed to draw a single bidder.

The setback has exposed deeper structural weaknesses in India's public-private partnership (PPP) model, including poor project preparation, uneven risk allocation, prolonged contractual disputes and inadequate monitoring of private concessionaires.

Praveen Sethia, Founder and Director, Infrastructure Advisors, described the outcome as a mismatch between policy design and market expectations. The episode is the sharpest recent sign of a problem the sector has carried for a decade. BOT awards collapsed after 2012 as traffic fell short of forecasts, land acquisition was slow and grant payments were delayed. No projects were awarded under the model between 2018 and 2020.

The government shifted to engineering, procurement and construction (EPC) and hybrid annuity model (HAM) contracts, which kept road construction on track but moved the financing burden back to the public sector. NHAI's debt rose from about Rs 24,000 crore in 2015 to about Rs 3,30,000 crore by March 2024, according to Indian Infrastructure magazine.

The numbers show that the model works in some sectors. The Asian Development Bank's PPP Monitor records 1,265 projects reaching financial close between 1990 and 2022, with about USD 295.56 billion invested and only about 3 per cent cancelled. Hyderabad and Bengaluru airports exceeded their planned capacity, while the Sasan and Mundra power plants remain operational. The limitations, however, emerge in what happens after the contract is awarded.

Projects That Arrive Unprepared:

The first limitation is project preparation. Primus Partners Managing Director Pragya Priyadarshini says the problem starts before bidding. "Projects sometimes reach the bidding stage before land acquisition, utility shifting, statutory approvals and demand assessments are sufficiently complete. This creates uncertainty at the outset and weakens the basis for competitive bidding," said Priyadarshini.

Audit evidence supports her assessment. The Comptroller and Auditor General (CAG) found that NHAI incurred Rs 856.80 crore in costs from changes in scope across 23 PPP projects, of which Rs 662.53 crore stemmed from deficient detailed project reports (DPRs) or feasibility reports. NHAI has terminated 14 PPP highway concessions, according to a February 2024 parliamentary reply. Termination does not always mean abandonment, as authorities can award the road projects again.

These delays extend the period over which interest accrues, postpone revenue generation and can weaken debt-servicing capacity in leveraged projects. The Economic Survey 2025-26 reached a similar conclusion. It found that outcomes were weakest where land acquisition, clearances, demand assessment and utility shifting remained unresolved. It also argued that the State should absorb early-stage risks that private capital cannot price efficiently, rather than transfer them on paper.

Risk That Is Allocated, Not Managed:

The second limitation concerns risk allocation. The 2015 Kelkar Committee identified inefficient and inequitable risk allocation as a major cause of PPP failures. It recommended that each risk should go to the party best placed to manage it.

"When developers bear risks they cannot effectively control, they may factor in higher risk premiums, while lenders may demand additional safeguards, making projects less competitive or harder to finance," said Sanjay Kumar Sinha, Founder and Managing Director, Chaitanya Projects Consultancy.

Demand risk is the clearest example. The CAG found that the Vallarpadam transshipment terminal at Cochin Port operated at 35 per cent of its capacity after its commissioning in 2011. The port trust also extended concessions worth Rs 40.23 crore after deviating from the original qualification terms, without generating additional returns for the port. Traffic forecasts, rather than construction quality, determined that outcome.

Hyderabad Metro offers another example of the financial pressures facing large PPP projects. Once described as one of the world's largest public-private partnership metro projects, its 69-km Phase I network could not sustain its original private-sector financing structure. In April 2026, the Telangana government acquired the entire equity stake in L&T Metro Rail (Hyderabad) for Rs 1,461.47 crore and arranged the refinancing of its Rs 13,538.53 crore debt through a government-backed arrangement. The transition brought the project's financial obligations closer to the public sector after years of private-sector investment.

The financial stress also reflects a broader weakness in PPP financing. "For highly leveraged infrastructure projects, these factors can weaken debt-servicing capacity, reduce equity returns and, in severe cases, lead to project stress or termination," said Pragya Priyadarshini, Managing Director, Primus Partners.

A similar concern arises in highway BOT projects. NHAI now says it will offer the model only where FASTag data suggests that a concessionaire can earn at least a 15 per cent annual toll return. A revised model concession agreement would link key parameters to traffic and extend or shorten concession periods accordingly.

Contracts Nobody Is Watching:

The third limitation concerns what follows the signing of a contract. Disputes in long-term concessions can outlast the careers of those who signed them. In May 2026, an arbitral tribunal awarded NHAI a net Rs 819.96 crore in the Panipat-Jalandhar disputes. The concessionaires had claimed more than Rs 8,375 crore, while NHAI had counterclaimed Rs 2,888.64 crore. The claims covered lost toll revenue, termination payments, changes in scope, delays and idling costs.

Priyadarshini also identifies weak contract management among the structural constraints. She cites a lack of expertise that leads to "prolonged disputes and ambiguous contractual provisions" that lock up capital.

The CAG's port audit found similar weaknesses on the public side. Inconsistent revenue-sharing provisions meant that private partners did not share Rs 467.95 crore across four ports. Further, 35 of 39 projects saw delays between the request-for-qualification stage and the signing of agreements. An operating asset can still deliver less than expected when the public authority struggles to enforce contractual terms.

The Partner Changes After Award:

A fourth limitation is less visible. Due diligence usually takes place once, at the time of the award, and rarely continues through the contract period. Probe42 CEO Prahlad Krishnamurthi says this is a structural flaw. "Early warning signs that emerge in the third year may go unnoticed until the 12th year, when the project is already facing financial distress or execution delays," said Krishnamurthi.

He adds that the bidder is often a special purpose vehicle (SPV) that may appear financially sound even when its parent company or related entities carry heavy debt or unresolved litigation. The Infrastructure Leasing and Financial Services (IL&FS) collapse, he notes, showed how interconnected exposures can affect lenders, counterparties and projects beyond a single entity.

Krishnamurthi argues that continuous monitoring of a partner's debt, litigation and corporate linkages should continue throughout the project life. Probe42 says it draws on more than 740 sources to map a private partner and its connected entities. This is a commercial offering rather than an independent finding. The underlying argument, however, remains relevant: a 20- or 30-year contract cannot rely on a due diligence exercise conducted in the first year.

Success Measured By The Wrong Yardstick:

The fifth limitation concerns how the model measures success. Amar Dixit, CEO, WOI India, which is developing a Startup Park, argues that PPPs are judged on asset delivery rather than their actual use. "Too often, success is measured by project completion rather than the economic activity, productivity and employment generated over time," said Dixit.

Vallarpadam was built and commissioned, yet much of its capacity remained idle. WOI India says bids should reward execution capability and lifecycle value, rather than only the lowest upfront cost. It also argues that contracts should distinguish infrastructure delivery from the performance of the ecosystem built around it. That distinction matters most in sectors where users pay little. Priyadarshini notes that PPPs have largely concentrated on roads, ports and power, while education, healthcare, solid waste management and water supply have proved harder because user fees remain capped.

What The Next Phase Needs:

The Department of Economic Affairs has unveiled a three-year pipeline of 852 PPP projects with an estimated cost of more than Rs 17 lakh crore. Primus Partners notes that PPP expertise varies across states and urban local bodies, which raises the stakes for project preparation and contract management.

The respondents point to a common set of remedies. Authorities need to secure land and approvals before bidding or disclose outstanding requirements. They also need independent demand assessments, clear compensation and extension provisions, defined dispute-resolution mechanisms and continuous monitoring of private partners and contracts after the award.

Whether these reforms take place will determine if the next round of awards produces a different outcome. A tender that attracts no bids, a terminal operating at 35 per cent capacity and a decade-long arbitration dispute all suggest that the weak point in India's PPP model is not attracting private capital, but ensuring that projects remain viable once private capital arrives.