

PRESS RELEASE

December 18, 2023

Road awards by MoRTH to decline by 40-43% YoY to 7,000-7,500 km in FY2024: ICRA

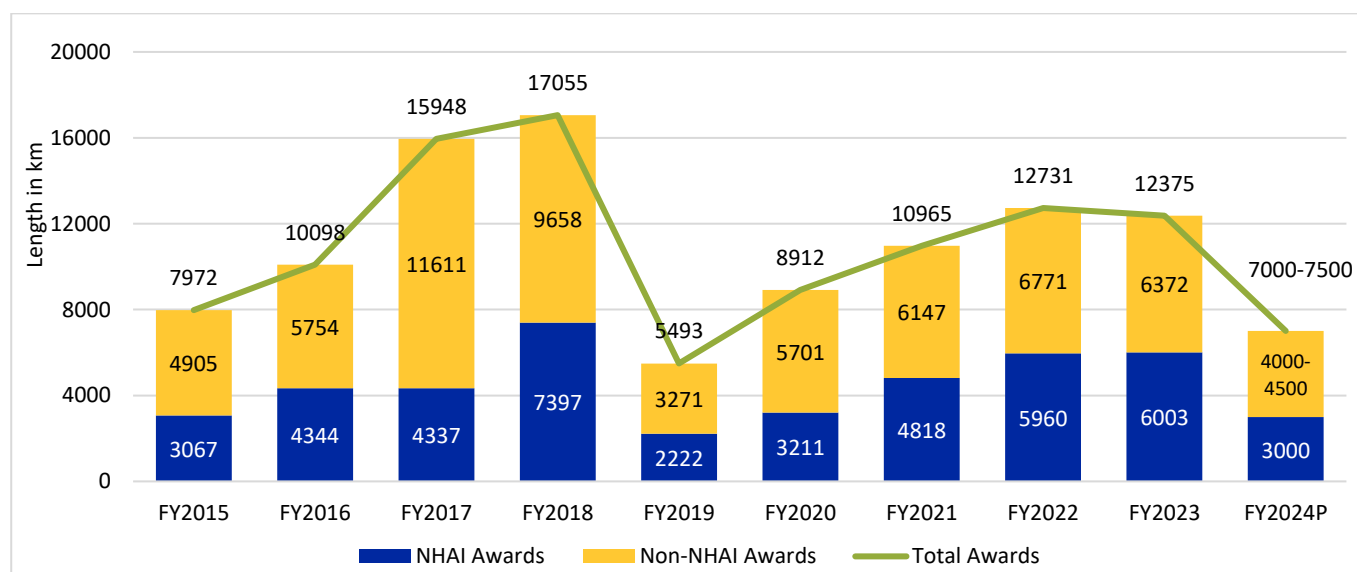
Highlights:

- Road execution to remain strong at 12,000-12,500 km in FY2024, supported by increased capital outlay and focus on completion of projects ahead of Lok Sabha polls

ICRA has pruned its forecast of road awards by the Ministry of Road Transport and Highways (MoRTH) in FY2024 to 7,000-7,500 km, a YoY decline of 40-43%, (from its earlier estimate of 9,000-9,500 km. In 7M FY2024, road awards stood at 2,595 km, 48% lower than 5,007 km awarded in 7M FY2023. If the model code of conduct for the General Elections comes into effect in Q4 FY2024, the awarding activity is likely to get further curtailed, as the month of March itself typically accounts for 40-45% of awards in a year. Nonetheless, ICRA highlighted that road execution has remained strong and is likely to increase by 16-21% on a YoY basis to 12,000-12,500 km in FY2024 amid sizeable backlog owing to healthy awards in the last few years, increased capital outlay by the Government of India and focus on completion of projects ahead of the General Elections.

Giving more insights, **Mr. Vinay Kumar G, Sector Head, Corporate Ratings, ICRA**, said: "Pending the Cabinet approval for the revised cost of Bharatmala Phase-I, project awarding activity in the recent quarters has taken a beating. While Engineering, Procurement and Construction (EPC) is likely to remain the preferred route of road awards for MORTH, it is gradually shifting its focus to Build, Operate and Transfer (BOT) (Toll) projects, given the lower funding support required from the ministry in BOT-Toll mode. The BOT-Toll awards accounted for less than 5% of the orders in the last five years, and its share is expected to remain at similar level in FY2024. Although NHAI has identified around 900 km of highway stretches to be awarded under BOT (Toll) in FY2024, the major part of these stretches is likely to be spilled over to FY2025."

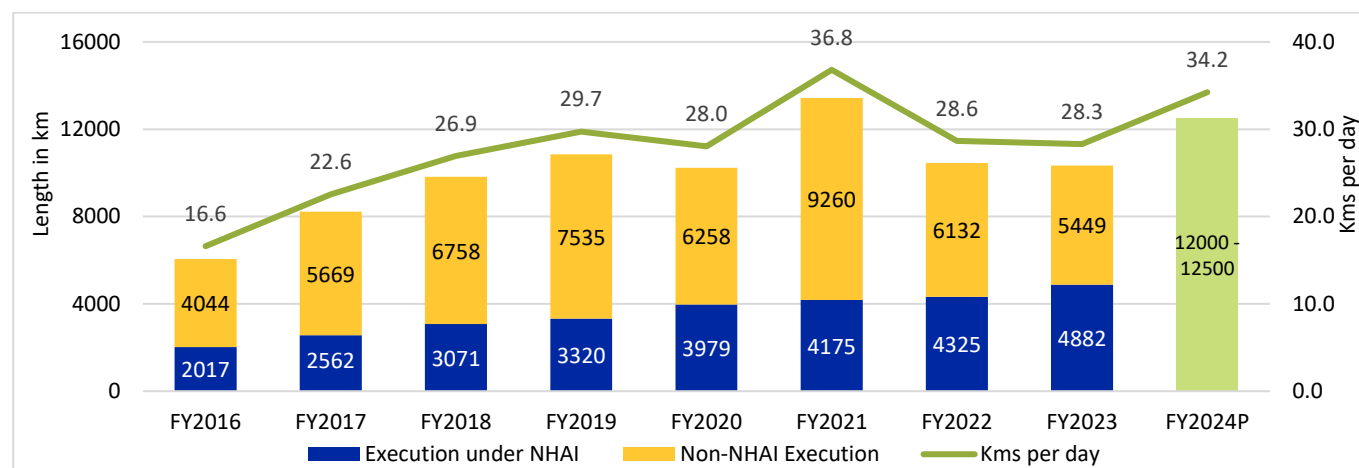
EXHIBIT 1: MORTH YEARLY AWARDS



Source: MORTH, ICRA Research

Commenting on the execution, **Mr. Vinay** added: “Road execution has improved by 10.2% to 4,474 km in 7M FY2024 from 4,060 km in 7M FY2023 owing to the Government’s focus on execution and higher budgetary allocation. The ministry has spent 64% of the total outlay of Rs. 2.59 lakh crore till 7M FY2024. A healthy pipeline of under construction projects of 43,856 km as of October 2023 along with the focus on project completion ahead of the General Elections, is expected to increase road execution to 12,000-12,500 km in FY2024.”

EXHIBIT 2: MONTH YEARLY EXECUTION



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