

INDIAN ROAD SECTOR

Road execution momentum to sustain in FY2025; ICRA expects growth of 5-8% to 12,000-12,500 km in FY2025

March 2024





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The Ministry of Road Transport and Highways (MoRTH) awards are likely to decline to 6,000 – 6,500 km in FY2024, on the back of low awarding activity till 11M FY2024 amid delays in approval for revised cost estimates BMP-I and muted project awarding expectations, ahead of the General Elections.

The MoRTH execution for FY2024 is likely to increase by 11-16% to 11,500 – 12,000 km, supported by increased spending.



- The MoRTH awards are likely to decline by 47-52% YoY to around 6,000 – 6,500 km in FY2024 compared to 12,375 km in FY2023. This is lower than ICRA's earlier estimate of 7,000-7,500 km, mostly on account of low awarding activity in 11M FY2024, amid delay in approval for revised cost estimates of Bharatmala Pariyojana Phase 1 (BMP) and muted project awarding in Q4 FY2024, ahead of the General Elections. The awards have, during 11M FY2024, declined by ~35% YoY to 4,872 km compared to 7,497 km during the similar period in FY2023.



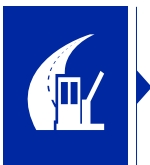
- While the EPC route is likely to be preferred for MoRTH, the Ministry is gradually shifting its focus to BOT (Toll) projects, pending the Cabinet approval for revised cost of BMP-I. The NHAI has identified around 900 km of highway stretches to be awarded under the BOT (Toll) method in FY2024. However, majority of these stretches are likely to be awarded in FY2025.



- The MoRTH execution has improved by 13% to 9,088 km in 11M FY2024 compared to 8,064 km in 11M FY2023 owing to the Government's focus on execution and higher spending. The Ministry spent 88% of the total outlay of 2.65 lakh crore till 11M FY2024. The overall execution for FY2024 is expected to increase by 11-16% to 11,500 – 12,000 km, ahead of the General Elections.



- With a WPI of 0.7% for December 2023 and estimated WPI of 1.0%-1.5% for March 2024, the inflation-linked toll hike in FY2025 should be relatively modest at 3.3% for tolls linked with the December WPI and 1.0%-1.5% those linked with the March WPI. This, coupled with 4-5% traffic growth, is expected to result in 5%-8% toll collection growth in FY2025e.



- The NHAI has exceeded its expectations by raising around Rs. 31,500 crore through monetisation of assets via NHAI InvIT and TOT in FY2024. It has raised Rs. 15,968 crore through four TOT bundles (11-14) and Rs. 15,624 crore through InvIT Round 3. It achieved around 72% of the FY2024 target (value terms) for the National Monetisation Pipeline. In addition, it plans to raise another Rs. 15,000 crore through securitisation of road assets, which is likely to get deferred to FY2025.

1 Budget Allocations, Awards and Execution



2 Traffic Trends



3 Competitive Intensity of the Sector



4 HAM Overview



5 NMP and M&A Activity



6 Key takeaways from recent changes in Model Concession Agreement



7

ICRA Rating Actions and Outlook on Toll Road Projects





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