



INDIAN ROAD SECTOR

Project awarding activity in a slow lane; competition will remain at elevated levels

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Slowdown in awarding activity is likely to dampen growth momentum of road-developers in FY2026. ICRA expects awards to sustain at 8,500-9,000 km in FY2025.

The competitive intensity is likely to remain high as developers are likely to bid aggressively to build the shrinking order book.



- ICRA has revised its forecast of road awards by the Ministry of Road Transport and Highways (MoRTH) in FY2025 to 8,500-9,000 km, similar 8,581 km in FY2024, (from its earlier estimate of 10,000-10,500 km). The awards declined by 31% km in FY2024 amid delay in pending cabinet approval for the revised cost of BMP and restrictions on project awards imposed by the model code of conduct ahead of the General Elections. Recently, the ministry clarified that no new additional projects would be awarded under BMP.



- ICRA expects the road execution to moderate to 10,000-10,500 km (~27-29 km/day) in FY2025, after recording a robust expansion of ~20% in FY2024 to 12,349 km. ICRA has revised its full year guidance downward from its earlier 12,000-12,500 km projection, against the backdrop of slower than expected execution during 4M FY2025e. The execution is expected to be supported by healthy pipeline of projects, and strong budget outlay for road ministry. The capital allocation for the Ministry remained healthy at Rs. 2.72 lakh crore in FY2025 BE(Budget Estimate).



- The competitive intensity is likely to remain high as developers may bid aggressively to build the order book. The median discount has remained at around 25% over the past three years. The competitive intensity is expected to remain high in FY2025, as reflected by the median discount of 19% and maximum discount of 40% during 5M FY2025.



- The EPC* route is likely to be the preferred mode of awarding for MoRTH; however, the Ministry is gradually shifting its focus to BOT* (toll) projects and has identified around 900 km of highway stretches to be awarded in FY2025. Consequently, as per ICRA Research, the share of BOT tolls is likely to improve to 5% in FY2025 from nil in FY2024. Nevertheless, the appetite of road developers for BOT toll projects remains to be seen.



- The toll rate growth is modest at 0.53-3.34% in FY2025 and coupled with 4-5% traffic growth, this is expected to result in 5-8% toll collection growth in FY2025. Going forward, ICRA estimates a toll rate growth of 4.5-5.0% in FY2026, which coupled with 4-5% traffic growth is expected to result in 9-10% toll collection growth in FY2026.

1 Budget Allocations, Awards and Execution



2 Traffic Trends



3 Competitive Intensity of the Sector



4 Overview of HAM Projects



5 NMP and M&A Activity



6 ICRA Rating Actions and Industry Outlook





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