

INDIAN ROAD SECTOR

ICRA expects road execution to moderate to 9,000-9,500 km in FY2026

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ICRA expects road awards by MoRTH to stand at 9,000-9,500 km in FY2026, slightly higher than the estimated 8,000-8,500 km for FY2025. However, it is likely to remain significantly lower than FY2021-FY2023 levels.

Given the declining order book and consequent impact on revenue visibility and profitability, ICRA believes that meaningful pick-up in order awarding activity from the Ministry remains vital to ease competitive pressure.



- ICRA expects road execution of MoRTH to moderate to 9,000 - 9,500 km (~25-26 km/day) in FY2026e, which is marginally lower than ICRA's earlier estimate of 9,500 – 10,000 km. The same is on account of expectations of lower execution in the current year, owing to the extended monsoons in H1 FY2026 and lower awarding by the Road Ministry in the past two years (FY2024 and FY2025E). The road execution for FY2025 declined by 14% to 10,660 km compared to 12,349 km in FY2024.



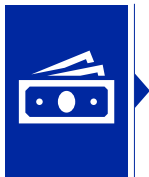
- The MoRTH awarding during FY2025 is estimated to be 8,000-8,500 km, which is flattish on a YoY basis, but significantly lower than the road awards during FY2021-FY2023. ICRA foresees the road awards in the range of 9,000-9,500 km in FY2026, supported by expected improvement in project awarding in H2 FY2026. The awarding activity is expected to pick up owing to the recent Ministry's directive to award projects only after 90% right-of-way availability, receipt of forest clearances and GAD approvals for road-over-bridge (ROB).



- Recent tightening in bidding norms for HAM and EPC projects is a welcome step by the Ministry; however, the competitive intensity is unlikely to ease materially in the near term, as several players will still qualify for bidding under the stringent norms. Given the declining order book and consequent impact on revenue visibility and profitability, ICRA believes that meaningful pick-up in order awarding activity from the Ministry remains vital to ease competitive pressure.



- The toll rate growth is likely to remain at 2.3-4.0% in FY2026, which coupled with 3-4% traffic growth, is estimated to lead to 5-8% toll collection growth in FY2026.



- The overall monetisation of the NHAI via TOT and InvIT routes since inception (FY2019-FY2025) stood at Rs. 92,633 crore. Monetisation of a portion of the existing identified assets of 3,750 km, along with seven TOT bundles and a portion of assets identified in FY2026, could potentially garner monetisation proceeds of Rs. 35,000-40,000 crore in FY2026. With this, the NHAI's overall monetisation since inception is expected to reach around Rs. 1.3 lakh crore by FY2026, which is 81% of the NMP target of Rs. 1.6 lakh crore.

TOT: Toll-Operate-Transfer; InvIT: Infrastructure Investment Trust; MoRTH: Ministry of Road Transport and Highways; NHAI: National Highways Authority of India; GAD: General Agreement Drawing; HAM: Hybrid Annuity Model; EPC: Engineering, Procurement, and Construction

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



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