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INDIAN ROAD SECTOR

Road construction likely to moderate to 9,000 – 9,500 km in FY2027 as subdued project awarding activity dampens construction visibility

MARCH 2026

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Highlights

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Monetisation activity of NHAI has remained healthy in FY2026 with a total Rs. 28,078 crore of assets monetised via TOT, public and private InvITs. With healthy pipeline of assets and increased avenues of monetisation, the activity is expected to remain buoyant in the medium term.

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 MoRTH remains vital to ease competitive pressure.

- Road execution by the MoRTH is expected to moderate to 9,500–10,000 km in FY2026 from 10,660 km in FY2025 amid continued slowdown in project awarding over the past two years and the disruptions caused by extended monsoon. Additionally, the declining project awarding activity will weigh on road execution, which is expected to further moderate to 9,000 – 9,500 km in FY2027. Road execution by MoRTH has seen a YoY decline of 3% to 4,612 km during 8M FY2026 compared to 4,761 km in 8M FY2025. While the road execution is expected to improve in Q4 FY2026, the same is likely to be impacted in March 2026, given the increase in bitumen prices amid the West Asia crisis and could pose a downside risk to ICRA estimates for FY2026.
- ICRA expects the road awards by the MoRTH to stand at 7,250-7,750 km in FY2026, largely in line with the 7,538 km of awards for FY2025. While the road awards for 8M FY2026 stood at 1,951 km, which is 24% lower than 2,558 km awarded during 8M FY2025, with the Ministry's focus on addressing land acquisition issues and environment clearances prior to awarding of projects, the awarding activity is expected to pick up. Moreover, with healthy increase in budgetary allocation of 8% in FY2027 BE, the awarding activity of MoRTH is likely to improve to 8,500 – 9,000 km in FY2027.
- Recent tightening in bidding norms for HAM and EPC projects is a positive step by the Ministry; however, the competitive intensity is unlikely to ease materially, 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 orders remains vital to ease competitive pressure.
- The inflation-linked toll rate hike is projected at 3.4% for newer projects and 3.3% for older projects in FY2027 compared to 2.3-4.0% in FY2026. Supported by 4-5% traffic growth in FY2026 and 3-4% in FY2027, the toll collection growth is expected to improve to 7-9% and 6-8% in FY2026e and FY2027p, respectively.
- The national monetisation pipeline 2.0 (NMP 2.0) has pegged monetisation target at Rs. 16.7 lakh crore during FY2026-FY2030, significantly higher than initial NMP target of Rs. 6 lakh crore during FY2022-FY2025. Under NMP 2.0, road sector accounts for Rs. 4.14 lakh crore, i.e., 25% of total monetisation target.

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; WPI: Wholesale Price Index; TOT: Toll-Operate-Transfer; InvIT: Infrastructure Investment Trust

Agenda

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1 Key macro trends in road sector

2 Traffic Trends

3 Competitive Intensity of the Sector

4 NMP and M&A Activity

5 Credit Exposure to Infrastructure and Roads Sector

6 ICRA Rating Actions and Industry Outlook

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