

## PRESS RELEASE

November 20, 2023

**Doubling of costs taking a 'toll' on road awards under Bharatmala Pariyojana:  
ICRA**

- **Project awarding expected to decline over 30% in current fiscal, which will impact road execution momentum in FY2025 and FY2026**
- **Pending approval for the revised cost, MORTH shifted its focus towards BOT (Toll) projects**

ICRA has estimated that the project cost under the Bharatmala Pariyojana (BMP)<sup>1</sup> programme has more than doubled to Rs 10.64 trillion at an average cost of Rs. 31.6 crore per km relative to the initially expected amount, owing to the steep rise in input cost and the increase in land acquisition cost. Pending the cabinet approval for the revised cost of Bharatmala Phase-I, project awarding activity in the recent quarters took a beating, declining by 48% YoY to 2,595 km during 7mFY2024 compared to 5,007 km during 7mFY2023. ICRA expects the awarding activity to contract over 30% YoY in FY2024.

Giving more insights, **Mr. Ashish Modani, VP & Co-Group Head, Corporate Ratings, ICRA**, said: “Almost 95% of the road awards by the Ministry of Roads and Transport and Highways (MoRTH) in the last five years were awarded through the hybrid annuity mode (HAM) and the engineering, procurement and construction) EPC route, wherein the entire funding burden lay on the Ministry. The burden on MORTH in case of BOT (Toll) projects is much lower, given the substantial cost escalation in the BMP and consequent increase in funding requirement. The MORTH has thus shifted its focus on to BOT (Toll) projects.”

While the average number of bidders for the EPC and the HAM projects stood at 15 and 8 respectively, in case of BOT (Toll), it remained below 5. The toll road projects entail significant upfront equity commitment when compared to HAM in addition to market risk exposure. Given the limited number of technically-qualified bidders and low bidding appetite for BOT (Toll) projects, the Ministry’s push to shift to these projects may remain challenging.

“Most road developers have a comfortable order book and the road execution momentum is expected to remain strong in the current fiscal. This is also evident from the execution in the current fiscal, wherein road construction has grown by 10% during 7mFY2024; ICRA expects overall execution to improve by 16-21% in FY2024. The MoRTH has already spent 64% of the budgeted outlay in 7mFY2024 at Rs. 1.66 lakh crore, higher by 14% on a YoY basis. However, given the slow pace of order-awards during YTD FY2024, the road execution momentum will be impacted during FY2025 and FY2026,” **Mr. Modani** added.

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<sup>1</sup>The BMP had been approved by the Cabinet Committee on Economic Affairs (CCEA) on October 24, 2017, with an estimated outlay of Rs. 5.35 trillion, translating to cost per km of Rs.15.52 crore for phase-I. Envisaged development of 24,800 km national highways and residual 10,000 km of highways pending under erstwhile National Highway Development Program (NHDP).

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