

**PRESS RELEASE**

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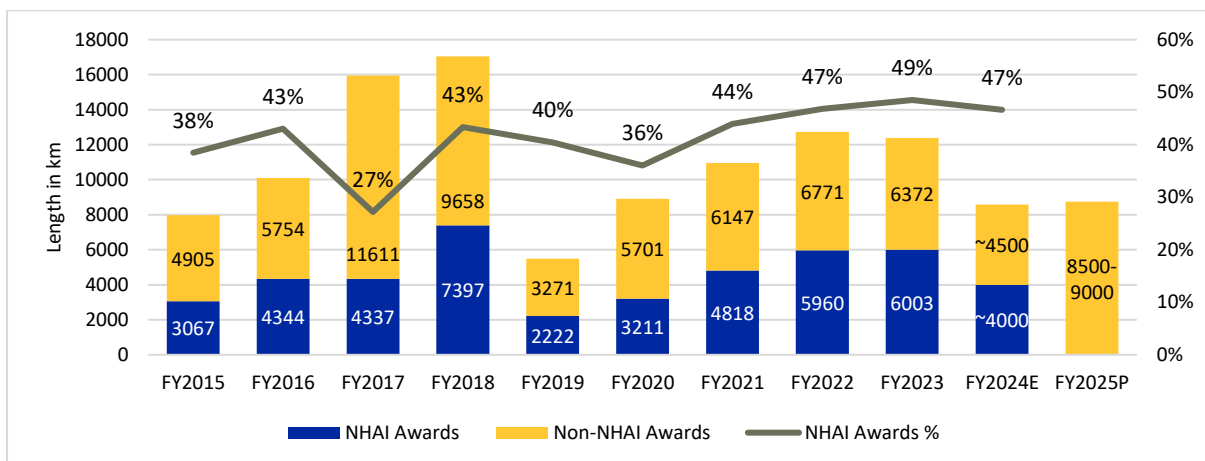
**Project awarding activity on slow lane; competition to remain elevated: ICRA**

- **Hybrid Annuity Model (HAM) and Engineering, Procurement and Construction (EPC) will continue to dominate project awards; share of build, operate and transfer (BOT) - Toll is expected to improve in FY2025**
- **Slowdown in awarding activity is likely to dampen growth momentum of road developers in FY2026**

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 to last year’s awarding of 8,581 km (from its earlier estimate of 10,000-10,500 km). The awards declined by 31% to 8,551 km in FY2024 from 12,375 km in FY2023 amid a delay in pending Cabinet approval for the revised cost of Bharatmala Pariyojana (BMP) and restrictions on project awards imposed by the Model Code of Conduct, ahead of the General Elections. In 4M FY2025, the road awards stood at 563 km, 50% lower than the 1125 km awarded in 4M FY2024. Recently, the Ministry clarified that no new additional projects would be awarded under the BMP, and in addition, future awards would be based on a corridor-based highway development, unlike the earlier scheme-based development.

Giving more insights, **Vinay Kumar G, Sector Head, Corporate Ratings – Corporate Ratings, ICRA**, said: “The recent ministry circular has directed the National Highways Authority of India (NHAI) to focus on upgrading the existing national highways, along with the development of new highways with a total expenditure of Rs. 1.44 lakh crore. In addition, the Ministry also identified a state-wise list of projects planned to be awarded in the current fiscal totalling ~7,500 km. With improved clarity regarding order-awarding activity from the MORTH in August 2024, project awarding is expected to gain momentum from September 2024 onwards; however, the overall project award will remain substantially lower than that of FY2021-FY2023 levels. Consequently, the growth momentum witnessed by road developers in recent years will moderate in the next 12-18 months.”

**EXHIBIT 1: MORTH ANNUAL AWARDING**



While the EPC is likely to remain the preferred route for road awards for the Ministry, it is gradually shifting its focus to BOT (toll) projects. Given the higher equity commitment and the inherent traffic and execution risks in such projects, the expectations of a material shift in overall project awards towards BOT (toll) in the near to medium term remain challenging. ICRA expects these awards’ share to increase to around 5% in FY2025 compared to less than 1% of the orders in the last five years.

Competition is likely as developers are expected to bid aggressively to build the shrinking order book. The EPC and HAM project bidding process in FY2024 witnessed intense competition, as reflected in the consistently discounted bids (with respect to the authority's base price) since FY2021. The maximum and median discounts in FY2024 stood at 46% and 21%, respectively, against 31% and 15%, respectively, in FY2021. Recently, in August 2024, the MORTH has directed that the single bids, received in open bidding, would be accepted, provided it meets certain conditions. Although the number of instances where a single bid is received has come down significantly due to the competition, this directive will alleviate the cost of re-tendering, any likely delay in execution, and the risk of higher bids in cases of re-bidding.

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