

INDIAN ROAD SECTOR

MoRTH awards are expected to decline to 7,000 – 7,500 km in FY2024 against ICRA's earlier estimate of 9,000–9,500 km

December 2023



The Ministry of Road Transport and Highways (MoRTH) awards are likely to decline to 7,000 – 7,500 km in FY2024 as against ICRA’s earlier estimate of 9,000 – 9,500 km, on the back of low awarding activity till 8M FY2024 amid delays in approval for revised cost estimates BMP-I and muted project awarding expectations with model code of conduct norms likely in March 2024, ahead of upcoming General Elections.

MoRTH execution for FY2024 is likely to increase by 16-21% to 12,000 – 12,500 km supported by increased spending.



- The MoRTH awards are likely to decline by 40-43% YoY to around 7,000 – 7,500 km in FY2024 compared to 12,375 km in FY2023. This is significantly lower than ICRA’s earlier estimate of 9,000-9,500 km, on account of low awarding activity till 8M FY2024 amid delay in approval for revised cost estimates of Bharatmala Pariyojana Phase 1 (BMP - I) and muted project awarding in Q4 FY2024 with model code of conduct likely to come into effect from March 2024. The MoRTH awards during 8M FY2024 have declined by ~48% YoY to 2,816 km compared to 5,382 km during the similar period in FY2023.



- While the engineering, procurement & construction (EPC) route is likely to be preferred for MoRTH, the ministry is gradually shifting its focus to BOT (Toll) projects, pending the Cabinet approval for revised cost of BMP-I. The NHAI has identified around 900 km of highway stretches to be awarded under the BOT (Toll) method in FY2024. However, majority of these stretches are likely to be awarded in FY2025.



- The MoRTH execution has improved by 10% to 5,248 km in 8M FY2024 compared to 4,766 km in 8M FY2023 owing to the Government’s focus on execution and higher spending. The ministry spent 66% of the total outlay of 2.59 lakh crore till 8M FY2024. The overall execution for FY2024 is expected to increase by 16-21% to 12,000 – 12,500 km, ahead of the General Elections.



- With an estimated WPI of 1.5%-1.7% for December 2023 and 1.5%-2.0% for March 2024, the inflation-linked toll hike in FY2025 should be relatively modest at 3.6%-3.7% for tolls linked with December WPI and 1.5%-2.0% for tolls linked with March WPI. This, coupled with 4-5% traffic growth, is expected to result in 6%-8% toll collection growth in FY2025e.



- The NHAI is expecting to raise around Rs. 30,000 crore through monetisation of assets via NHAI InvIT and TOT in FY2024. The NHAI has raised Rs. 15,968 crore till 9M FY2024 through four TOT bundles (11-14) and has achieved around 36% of FY2024 target (value terms) for National Monetisation Pipeline. In addition, it plans to raise around Rs. 13,000 – Rs. 15,000 crore via NHAI InvIT and another Rs. 15,000 crore through securitisation of road assets.

1 Budget Allocations, Awards and Execution



2 Traffic Trends



3 Competitive Intensity of the Sector



4 HAM Overview



5 NMP and M&A Activity



6 ICRA Rating Actions and Outlook on Toll Road Projects





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