

INDIAN ROAD SECTOR

Project awarding activity in a slow lane; competition will remain at elevated levels

SEPTEMBER 2024



Highlights



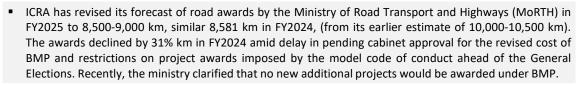


Slowdown in awarding activity is likely to dampen growth momentum of road-developers in FY2026. ICRA expects awards to sustain at 8,500-9,000 km in FY2025.

The competitive intensity is likely to remain high as developers are likely to bid aggressively to build the shrinking order book.







- ICRA expects the road execution to moderate to 10,000-10,500 km (~27-29 km/day) in FY2025, after recording a robust expansion of ~20% in FY2024 to 12,349 km. ICRA has revised its full year guidance downward from its earlier 12,000-12,500 km projection, against the backdrop of slower than expected execution during 4M FY2025e. The execution is expected to be supported by healthy pipeline of projects, and strong budget outlay for road ministry. The capital allocation for the Ministry remained healthy at Rs. 2.72 lakh crore in FY2025 BE(Budget Estimate).
- The competitive intensity is likely to remain high as developers may bid aggressively to build the order book. The median discount has remained at around 25% over the past three years. The competitive intensity is expected to remain high in FY2025, as reflected by the median discount of 19% and maximum discount of 40% during 5M FY2025.
- The EPC* route is likely to be the preferred mode of awarding for MoRTH; however, the Ministry is gradually shifting its focus to BOT* (toll) projects and has identified around 900 km of highway stretches to be awarded in FY2025. Consequently, as per ICRA Research, the share of BOT tolls is likely to improve to 5% in FY2025 from nil in FY2024. Nevertheless, the appetite of road developers for BOT toll projects remains to be seen.
- The toll rate growth is modest at 0.53-3.34% in FY2025 and coupled with 4-5% traffic growth, this is expected to result in 5-8% toll collection growth in FY2025. Going forward, ICRA estimates a toll rate growth of 4.5-5.0% in FY2026, which coupled with 4-5% traffic growth is expected to result in 9-10% toll collection growth in FY2026.

*RE: Revised estimates; BMP: Bharatmala Pariyojana; MoRTH: Ministry of Road Transport and Highways; NHAI: National Highways Authority of India; EPC: Engineering, Procurement and Construction; BOT: Build-Operate-Transfer

Agenda





Budget Allocations, Awards and Execution









Competitive Intensity of the Sector







NMP and M&A Activity





ICRA Rating Actions and Industry Outlook





ICRA Analytical Contact Details

Name	Designation	Email	Contact Number
Rajeshwar Burla	Group Head	rajeshwar.burla@icraindia.com	040 – 6939 6443
Ashish Modani	Co Group Head	ashish.modani@icraindia.com	020- 6606 9912
Vinay Kumar G	Sector Head	vinay.g@icraindia.com	040- 6939 6424
Saurabh Singhal	Sr. Analyst	saurabh.singhal@icraindia.com	0124- 4545 855





Name	Designation	Email	Contact Number
L Shivakumar	Chief Business Officer	<u>shivakumar@icraindia.com</u>	022-61693304
Neha Agarwal	Head – Research Sales	neha.agarwal@icraindia.com	022-61693338
Rohit Gupta	Head Business Development – Infrastructure Sector	rohitg@icraindia.com	0124-4545340
Vivek Bhalla	Head Business Development – Financial Sector	vivek.bhalla@icraindia.com	022-61693372
Vinita Baid	Head Business Development – Corporate Sector - West & East	vinita.baid@icraindia.com	033-71501131
Shivam Bhatia	Head Business Development – Corporate Sector - North & South	shivam.bhatia@icraindia.com	0124-4545803
Naznin Prodhani	Head – Group Corporate Communications & Media Relations	<u>communications@icraindia.com</u>	0124-4545860







© Copyright, 2024 ICRA Limited. All Rights Reserved.

All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable. Although reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies, while publishing or otherwise disseminating other reports may have presented data, analyses and/or opinions that may be inconsistent with the data, analyses and/or opinions in this publication. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.



Thank You!