



INDIAN ROAD SECTOR

Road execution expected to drop further by 5% in FY2026e after declining by ~15-19% in FY2025e

MARCH 2025





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ICRA expects toll collection growth to improve to ~7-9% in FY2026 supported by higher toll rate hike.

Road monetisation activity to remain healthy in FY2026 with expected monetisation of 24 assets.



- ICRA expects road awards by the Ministry of Road Transport and Highways (MoRTH) in FY2026 to stand at 9,500-10,000 km. While awards during 10M FY2025 were ~20.8% higher on a YoY basis at ~4,204 km, they were significantly lower by 38% over 10M FY2023. With improved clarity regarding order awards from the road ministry in August 2024, project awarding has improved from November 2024; however, overall project awards will remain substantially lower than that during FY2021-FY2023.



- While most road developers have adequate order books, which should support execution in the current fiscal, the continued muted awarding activity is likely to impact the road execution and revenues of road developers from FY2026 onwards. Moreover, the competitive intensity is expected to remain high, as developers will continue to bid aggressively to shore-up their order books.



- ICRA expects road execution to further moderate to 9,500-10,000 km (~26-27 km/day) in FY2026, after expected subdued execution of ~10,000-10,500 km (27-28 km/day) in FY2025, against the backdrop of slower execution seen during 10M FY2025 and ministry target of 10,421 km of highway construction in FY2025. Moreover, road execution is likely to remain impacted owing to slow awarding in the last two years.



- The toll rate growth is likely to remain at 2.5-3.9% in FY2026, which coupled with 3-5% traffic growth, is estimated to lead to 7-9% toll collection growth in FY2026.



- ICRA expects road monetisation to remain healthy in FY2026 as well. The NHAI has identified 24 assets across 12 states for monetisation via TOT¹ and InvIT¹ modes. The identified 24 assets may garner Rs. 21,000-24,000 crore for the NHAI. In FY2025, NHAI has raised ~Rs. 26,091 crore via sale to two TOT bundles and the fourth round of transfer of assets to NHAI InvIT, albeit lower than ICRA's earlier estimate of ~Rs. 37,000-40,000 crore monetization owing to delay in awarding TOT 17, TOT 18 and TOT 19.

¹TOT: Toll-Operate-Transfer; InvIT: Infrastructure Investment Trust

1 Budget Allocations, Awards and Execution



2 Traffic Trends



3 Competitive Intensity of the Sector



4 Overview of HAM Projects



5 NMP and M&A Activity



6 ICRA Rating Actions and Industry Outlook





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Analytical Contact Details

Name	Designation	Email	Contact Number
Ashish Modani	Senior Vice President & Group Head	ashish.modani@icraindia.com	022- 6606 9912
Suprio Banerjee	Vice President & Co Group Head	supriob@icraindia.com	022- 6114 3443
Vinay Kumar G	Vice President & Sector Head	vinay.g@icraindia.com	040- 6939 6424
Maitri Vira	Assistant Vice President	maitri.vira@icraindia.com	079- 6923 3012





ICRA

Business Development/Media Contact Details

Name	Designation	Email	Contact Number
L Shivakumar	Chief Business Officer	shivakumar@icraindia.com	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	communications@icraindia.com	0124-4545860





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