

SectorVector

Reading the topical trends

July 2022

In slow lane

Road construction target unlikely to be met this fiscal, but awarding to pick up

National highway projects hit a speed bump in the first quarter of this fiscal, with awarding by the Ministry of Road Transportation and Highways (MoRTH), including the National Highways Authority of India (NHAI), falling a sharp 42% on-year to 969 km.

Construction also slackened, down 14% on-year to 1,966 km, translating to 22 km per day, as a surge in input prices led to developers delaying procurement of materials. Also, some projects awarded last fiscal are yet to commence construction.

The deceleration comes on the back of already weak road construction activity in the previous fiscal, which declined 21% to 29 km per day, from a high of 36.5 km per day seen in fiscal 2021, owing to an extended and uneven monsoon, and lower awarding of projects earlier.

Against this backdrop, awarding would need to scale up significantly in the next nine months to achieve the ministry's ambitious target of constructing 50 km per day. The outlook, though, remains positive.

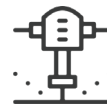
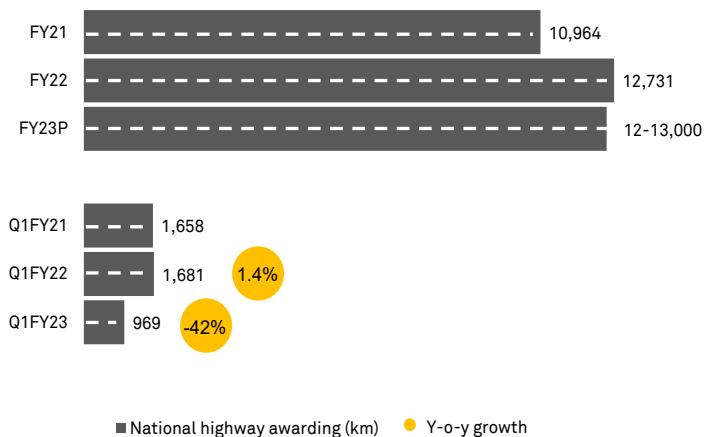
Project awarding had touched a high of 12,731 km last year.

This fiscal, CRISIL estimates the ministry to award 12,000-13,000km of national highway projects, largely under Bharatmala, with uptake spurred by developer-friendly measures under Atmanirbhar Bharat that have been extended till October 2022.

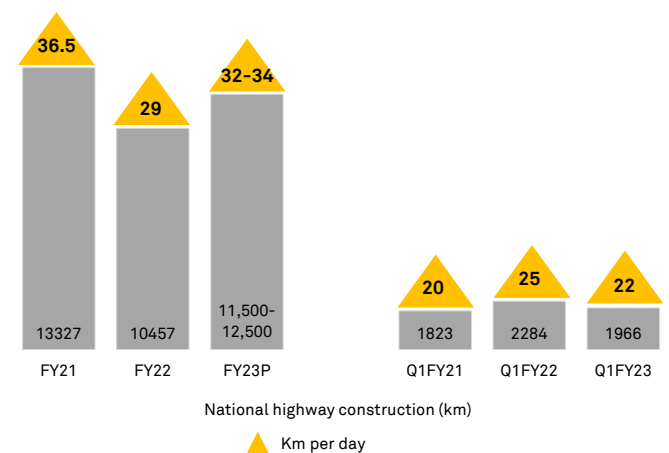
As for construction, we expect the pace to pick up post monsoon. However, it will still manage to reach only 32-34 km per day this fiscal as input prices are expected to remain elevated.



National highway awards could scale up, given the Bharatmala pipeline



Q1FY23 construction down 14% as elevated input prices hurt procurement



Note: Data is from the Ministry of Road Transportation & Highways (MoRTH), including National Highways Authority of India (NHAI)
Source: MoRTH, CRISIL Research

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