

SectorVector

Reading the topical trends

July 2023

Uneven road

Awarding and construction of national highways showed diverging trends in the first quarter

The pace of construction of national highways increased 14% on-year in the first quarter this fiscal, riding on a strong pipeline of awards from previous fiscals, even as awarding of projects by the Ministry of Road Transport and Highways (MoRTH) declined 37%. The divergence is expected to continue over the remaining fiscal as well.

Awarding of NH projects dropped over a third on-year...

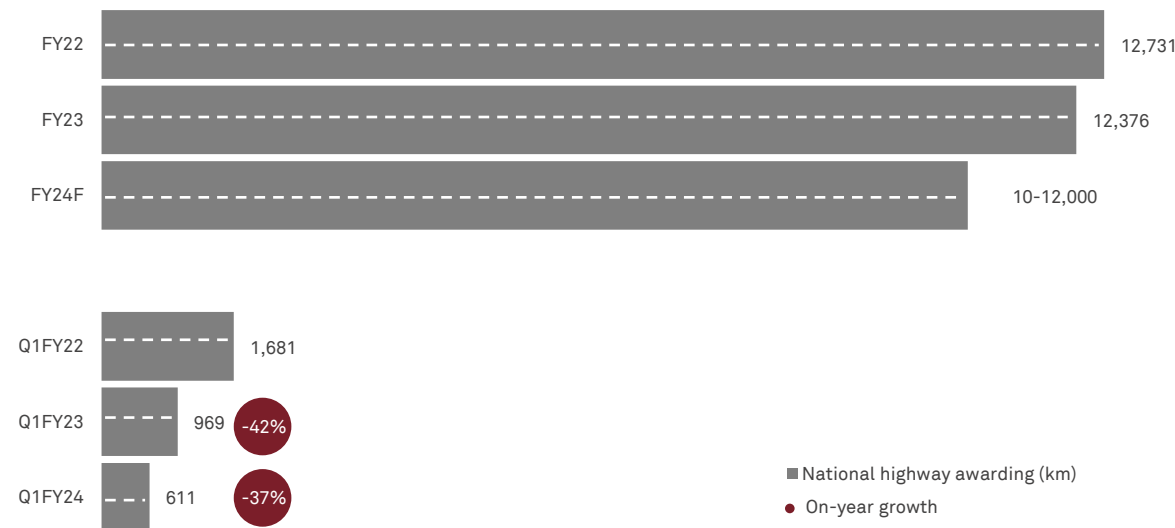
Only 611 km of national highway projects were awarded in the first quarter, compared with 969 km

in the corresponding quarter last fiscal, ostensibly to clear previously awarded projects and issues related to land acquisition.

The ministry awarded contracts to build 12,376 km of national highways in fiscal 2023 — the second consecutive year awarding remained comfortably above the 12,000 km mark.

This fiscal, awarding is expected to moderate a tad, although the strong Bharatmala pipeline is likely to keep awarding healthy at 10,000-12,000 km of national highways.

National highway awards to moderate this fiscal



Note: Data is for Ministry of Road Transportation & Highways (MoRTH), including National Highway Authority of India (NHAI). Multiple MoRTH sources have also quoted 10,993 km as the construction number for fiscal 2023.
Source: MoRTH, CRISIL MI&A Research

...but pace of construction spurred 14%

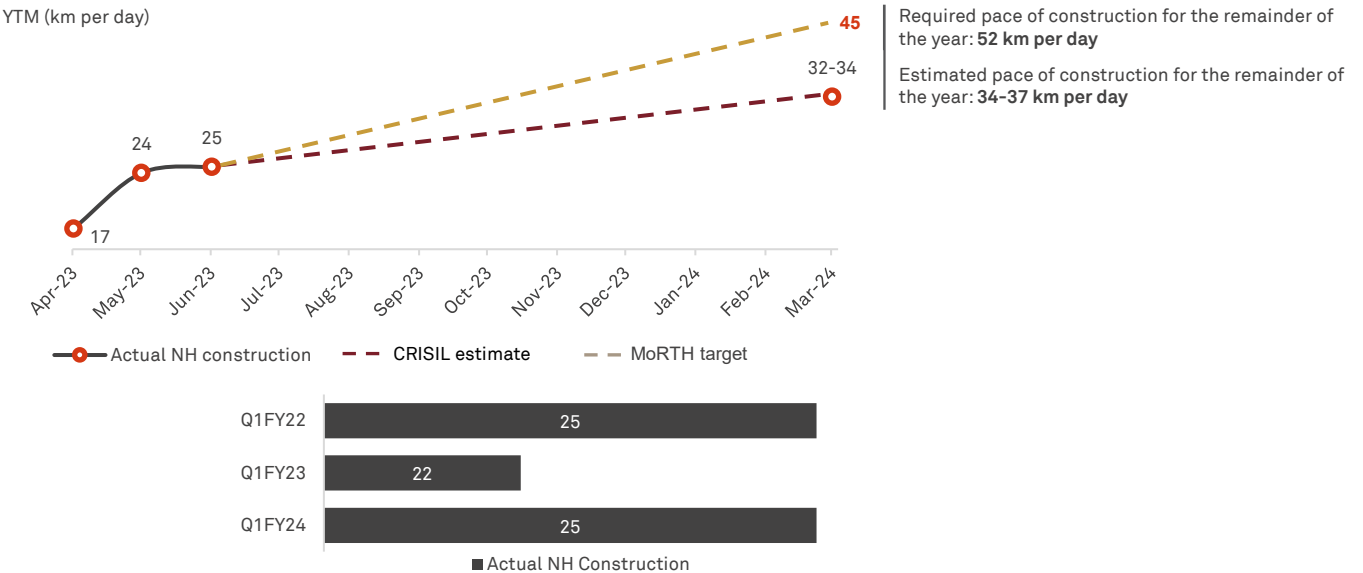
Typically, projects take 9-12 months to receive the appointed date, which usually happens towards the fag end of a fiscal.

Construction was muted last fiscal when the pace of construction declined 14% on-year to 1,966 km in the first quarter as input prices cascaded to procurement delays and slackened average daily construction.

This fiscal, construction is expected to pick up after the monsoon to 11,500-12,500 km for the full fiscal, which translates to average daily construction of 32-34 km. For the remainder of the year, therefore, the average pace of construction is likely to be 34-37 km per day.

While that would be a sharp improvement over last fiscal, speed-breakers may keep the government from meeting its target of constructing 45 km of roads per day.

Pace of construction to increase further



Source: MoRTH, CRISIL MI&A Research

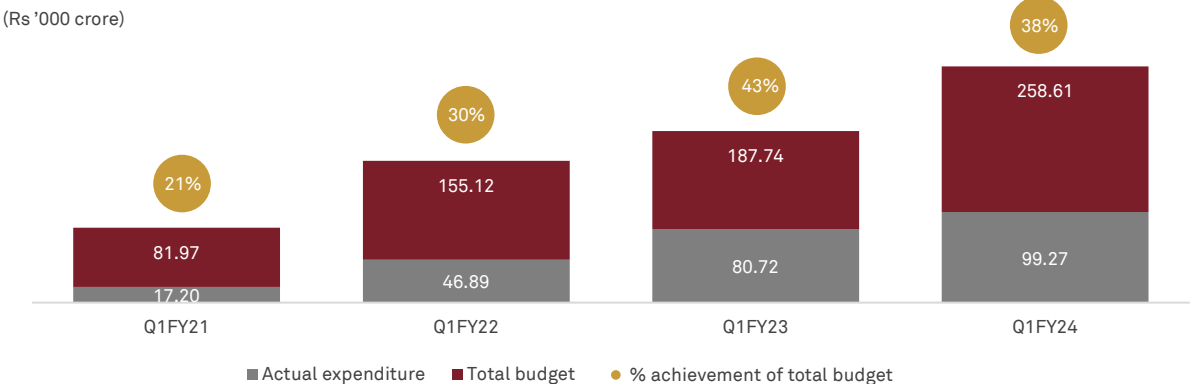
MoRTH's capital expenditure grew 24% on-year

The uptick in construction volumes is also reflected in the ministry's capital expenditure in the first quarter

this fiscal. It increased 24% on-year, resulting in 38% of the full year's budgeted target being reached.

This shows government focus on development of roads infrastructure, which would complement growth of other sectors such as logistics, power, real state, and mining.

MoRTH capital expenditure



Source: MoRTH, CRISIL MI&A Research

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