



Project awarding muted so far in FY23; asset monetization hits a slow track

- Project awarding by agencies like NHAI has been soft in FY23 till date, with ~700km of projects being awarded. NHAI is looking to award nearly 6,500km of projects in FY23. Road construction by NHAI in FY23 till date basis stood at 1,225km. The next few months will require massive project awarding to achieve the FY23 targets.
- Toll collections have been on an upswing, with FASTag based toll collections clocking a daily run-rate of ~INR1.4b in Aug'22.
- Asset monetization is the key focus area for NHAI to raise funds outside its budgetary resources. However, the movement has been slow on this front as far as ToT projects are concerned. NHAI has prepared a pipeline to monetize 1,750km of assets in FY23. Faster action will be needed to meet the government's monetization targets.
- DFCCIL has revised the timeline for completion of the Dedicated Freight Corridor projects to mid-CY24.

NHAI awards ~700km of projects in FY23 till date; targets awarding 6,500km in FY23

FY23 has so far been muted, with project awards of ~700km. While the first half of the fiscal is typically a seasonally weak period for project awarding, it will still require a significant catch up in the second half. NHAI is targeting awarding 6,500km of projects in FY23. In terms of construction, NHAI is targeting 5,000km of projects in FY23, and has so far completed 1,225km.

Upswing in FASTag toll collections continues

A pick-up in economic activity led to a MoM growth of ~2% in daily FASTag toll collections in Aug'22. Total FASTag toll collections stood at INR42.5b in Aug'22. FASTag volumes grew ~3% to 272m in Aug'22. An improvement in traffic movement and FASTag implementation resulted in strong toll collections. An improvement in toll collections is critical for faster monetization of Road assets by the Ministry of Road Transport and will help companies looking to monetize their existing toll assets.

Asset monetization hits a slow track

The government's move to monetize Road assets seems to have hit a slow track. NHAI is yet to hand over operations of certain Road projects to the private sector, months after financial bids were opened. The Ministry of Road Transport has identified a list of projects, aggregating 1,750 km, to be monetized in FY23. This will be through the ToT and InvIT route. Faster execution will be required by authorities here to meet the government's monetization targets.

Softening in input prices to improve margins of contractors

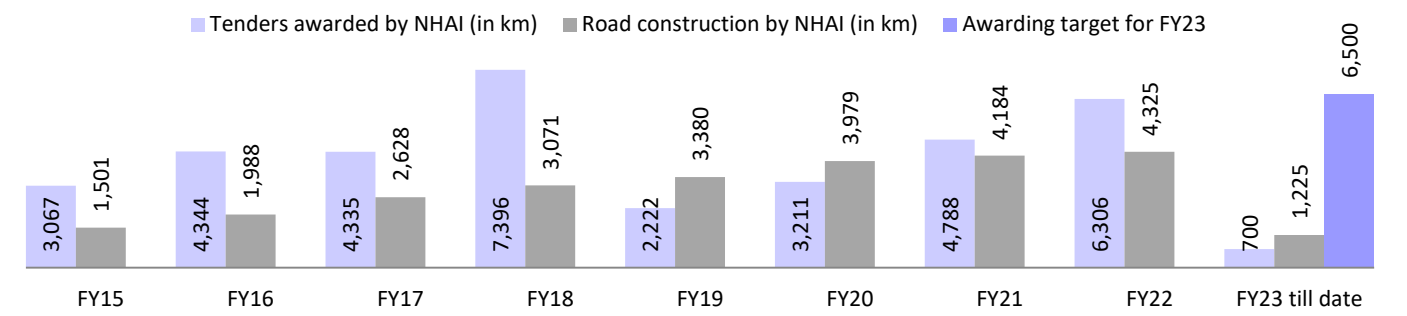
Steel and cement prices fell by ~20%/10% over the last few months. Steel prices have been under pressure after the government's measures to curb exports and improve domestic supplies. The positive impact of this reduction in input costs will be visible in 2HFY23, with most contractors expected to see better profitability.

Prefer diversified players with a strong order book and balance sheet

We prefer players with a decent order book, a presence in two or more segments, and strong balance sheets to capitalize on this opportunity. Our top pick is KNRC.

Awarding and construction

Exhibit 1: NHAI awarding and construction trends (in KMs)



Source: NHAI, MOFSL

Exhibit 2: Civil projects awarded in FY23 (Apr-Aug'22)

S. no	Project name	Total Length (kms)	State	Lanes	Mode	Concessioner	Total awarded cost (INR b)	Letter of award (LOA) date Civil work
1	Delhi-Amritsar-Katra Expressway (Phase-II Pkg-XVII) Kunjwani - Sidhra Km 515+00 to Km 529+00, realignment in Bann village km 542+00 to 545+00, and Domel - Katra of NH-144 (Km 552+00 to 564+00) i/c 4 km link to NH-144 near Darshani, Dyodhi, Ban Ganga, Katra	33	Jammu and Kashmir	4L	HAM	APCO Infratech Pvt.	15.48	1 st Aug'22
2	Construction of greenfield connectivity to Jewar International Airport from DND-Faridabad- Ballabhgarh Bypass KMP Link - spur to Delhi Mumbai Expressway	30	Haryana	6L	HAM	APCO Infratech Pvt.	16.61	1 st Aug'22
3	6L of Kagal-Satara section from Km 592.240 to Km 658.000 of NH-48 (Package-I)	61.9	Maharashtra	6L	EPC	Roadway Solutions India Infra	10.25	26 th Aug'22
4	4L Cable-stayed Naini Bridge with approaches from Km -1.117 to Km 0.4.293 on old NH-27 (NH-30)	5.4	Uttar Pradesh	4L	EPC	Krishna Constructions	0.03	19 th Apr'22
5	Thoppur - Mettur - Bhavani - Erode from km. 0.00 to km. 77.00	77	Tamil Nadu	4L	EPC	Thiru. TamilRajan	0.34	5 th Aug'22
6	4L of greenfield alignment from Km. 45.000 to 6 Km. 89.090 of Tal Dashara to Bela Nawda Section of NH-119D	44	Bihar	4L PS	HAM	Ram Kripal Singh Construction Pvt.	16.88	6 th May'22
7	4L Bypasses for Jagatpur, Babuganj, Unchahar, Alapur Bypass, and Sai river bridge of Raebareli- Prayagraj section of NH-30	24.2	Uttar Pradesh	4L	EPC	R&C Infra - JPS (JV)	4.37	18 th Jul'22
8	4L PS Mydukur - Badvel from Km 585.820 to Km 630.960 of NH-67	45.1	Andhra Pradesh	4L PS	HAM	RITHWIK-NSPR consortium	7.19	16 th Aug'22
9	4L (Greenfield) Jalbhera – Shahbad section from km. 0.000 to km. 22.850 of NH-152G	22.9	Haryana	4L	HAM	Ceigall India	6.84	2 nd Jun'22
10	Maintenance and blackspot rectification of Kharar-Banur-Tepla section from Km.0.000 to Km. 39.530 of NH-205A	39.5	Punjab	2L/4L	EPC	Rajinder Infrastructure Pvt.	0.2	12 th May'22
11	4L from Km 219.600 (Khajuri) to Km 260.483 (Wyndhamganj) on NH-75 (Sec-V)	42	Jharkhand	4L	HAM	MG Contractors Pvt.	8.46	29 th Apr'22
12	4L Kodinar - Veraval (Package VI) from km. 222.400 to km. 230.00 (Kodinar Bypass) of NH-8E (NH 51 new)	7.6	Gujarat	4L	Item Rate	Kalthia Engineering & Construction	1.63	7 th Apr'22
13	Conversion of partially excavated escape tunnel to the unidirectional 2L tunnel (including construction of cross passages and approach roads on either side of the tunnel) from Km 12.732 to Km 14.568 of Kiratpur to Nerchowk Section of NH-21	1.8	Himachal Pradesh	2L	EPC	Gawar Kiratpur Nerchowk Highway Pvt.	2.8	4 th Jul'22

S. no	Project name	Total length (kms)	State	Lanes	Mode	Concessioner	Total awarded cost (INR b)	Letter of award (LOA) date Civil work
14	Improvement and upgradation of existing road to 2/4L PS from Km 40.000 to 88.750, start of Khutar bypass to start of Shahjahanpur bypass of NH731 (Package-I)	48.8	Uttar Pradesh	2L PS	EPC	SRSC Infra (P) – Rajinder Infrastructure (P) (JV)	3.39	20 th Jun'22
15	4L of Haridwar – Nagina section (Design Ch. LME from km 13.829 to km 17.110, and km 26.077 to km 27.508 and Design Ch. RME from km 13.839 to km 17.120, and km 26.078 to km 27.509) of EUP mitigation measures on NH74	4.7	Uttarakhand	4L	EPC	Mr. Ashok Kumar	1.2	18 th Apr'22
16	Rehabilitation and upgradation to 2L PS configuration and Strengthening of Padhar to Bijni section from Km 180.000 to Km 202.815 of NH-154 (Package-VA)	19.1	Himachal Pradesh	2L PS	HAM	Gawar Construction	5.45	20 th Jul'22
17	Operation and maintenance of Haridwar to Muzaffarnagar from CH.36.400 to CH. 71.900 section of NH 334 [Package-2]	35.5	Uttarakhand	4L	Item rate	Shri Krishna and Company	0.14	7 th Apr'22
18	3L Major Bridge over River Brahmani at Km. 401.250 (Duburi - Chandikhole Section) of NH-200 (New NH -53)	1.2	Odisha	3L	EPC	M.S. Infraengineers Pvt. – Unique Construction (JV)	0.92	18 th Aug'22
19	Remaining works of four-lane bypasses Thanner Kulam Thozur Sevapeta and Veppampattu from km 50.900 to km 61.470 of NH-205 as balance work of Tirupathi-Tiruttani-Chennai section in Tamil Nadu	10.6	Tamil Nadu	4L/2L PS	EPC	EKK Infrastructure	3.05	10 th May'22
20	4L of Kathlighat to Shakral Village from Km 128.835 to Km 146.300 of NH- 5 (Shimla Bypass - Package-I)	17.5	Himachal Pradesh	4L	HAM	SP Singla Constructions Pvt. – Rail Vikas Nigam (consortium)	18.45	11 th Jul'22
21	4L of Shakral Village to Dhalli Section from Km 146.300 to Km 156.560 (Shimla Bypass – Package-II) and Shimla connectivity from Km 0.000 to Km 0.725 of NH-5	10.9	Himachal Pradesh	4L	HAM	Gawar Construction – Bharat Construction (India) (P) (JV)	20.7	11 th Jul'22
22	4L Poanta Saheb–Mednipur from Km. 435.65 to km. 458.65 of NH-07 (Package-1)	18.7	Uttarakhand	4L	HAM	Ram Kumar Contractor	3.9	13 th Jun'22
23	4L Medinipur to Ballupur from Km. 458.65 to Km. 487.65 of NH-07 (Package-2)	26.1	Uttarakhand	4L	HAM	MKC Infrastructure	5.17	30 th May'22
24	Jagadhari - HR/HP Border (Ponta Sahib)	34	Haryana	4L	EPC	Raj Shyama Constructions Pvt.	5.42	30 th Jun'22
25	Maintenance of 2L PS Mydukuru – Dornala T Junction from Km 589.000 to 641.000 of NH-67	52	Andhra Pradesh	2L PS	Item rate		0.03	7 th Apr'22
Total		711 kms					INR159 b	

Road assets monetization hits a slow track

The government had announced a National Monetization Pipeline (NMP) of INR6t to unlock value in infrastructure assets across sectors, ranging from Power to Road and Railways, over FY22-25. Of this, INR1.6t (27% of NMP) will be generated from monetizing 26,700km of four-lane highways and above.

The move to monetize road assets seems to have hit the slow track. NHAI is yet to hand over certain road projects to the private sector for operations even months after the financial bids were opened. NHAI is yet to decide on ToT project bundles nine and 10. Auction for ToT bundles six and eight was canceled, given the poor response from private operators.

Exhibit 3: TOT bundles bid out by NHAI

Sl. no	Bundle	Date	Length	Value (INR b)
1	TOT Bundle 1	Aug'18	682km	96.8
2	TOT Bundle 2	Feb'19	586km	Bid cancelled
3	TOT Bundle 3	Nov'19	566km	50.1
4	TOT Bundle 4	Sep'20	401km	Bid cancelled
5	TOT Bundle 5A-1	Jan'21	54km	10.1
6	TOT Bundle 5A-2	Jan'21	106km	12.5
7	TOT Bundle 6	Mar'22	108km	11.1*
8	TOT Bundle 7	Mar'22	135km	62.7
9	TOT Bundle 8	Mar'22	139km	13.1*

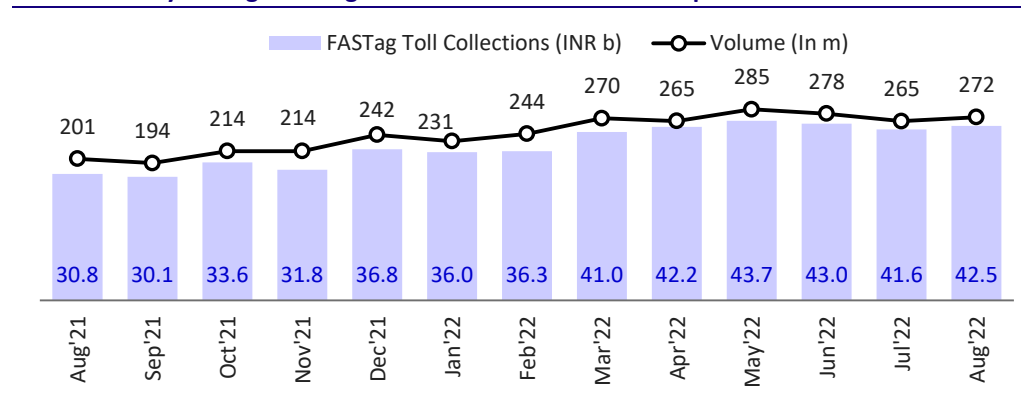
*Note: Bundle six and eight have been canceled as per media articles

Source: NITI Aayog, MOFSL

FASTag toll collections are on the rise and will aid faster asset monetization

Pickup in economic activity led to a MoM growth of ~2% in daily FASTag toll collection in Aug'22. Total FASTag toll collection stood at INR42.5b in Aug'22. FASTag volumes grew by ~3% MoM to 272m in Aug'22. Improving traffic movement and FASTag implementation is leading to strong toll collections. Improved toll collections are critical for faster monetization of road assets by the Road Ministry, and will also aid companies looking to monetize their existing toll assets.

Exhibit 4: Daily average FASTag toll collections continue to improve



Source: NPCI, RBI, MOFSL

NHAI has released an indicative list of 1,750km of road assets to monetize through TOT/InvIT/toll securitization modes, which will help it raise INR200b in FY23.

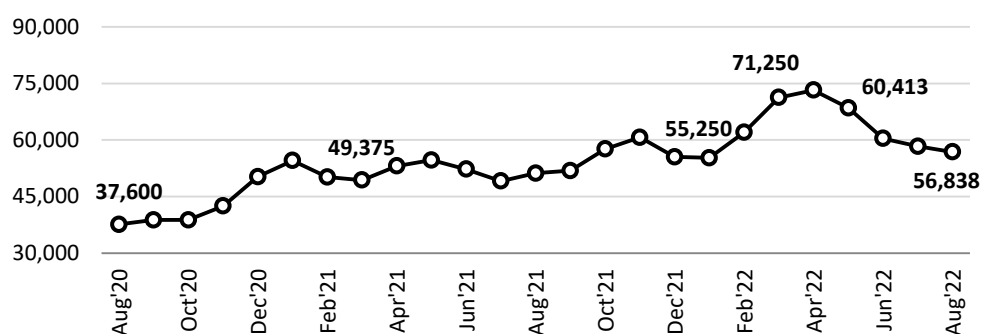
Exhibit 5: Pipeline of assets to be monetized by NHAI in FY23

Sl. no	Name of the stretch	Length (in km)
1	Handia-Rajatalab (UP)	75.0
2	Gwalior Shivpuri (MP)	125.0
3	Orai-Bara (UP-TP Usaka)	61.1
4	Chicira-Kharagpur (WB-TP Balibhasa)	54.4
5	Palanpur-Radhanpur (Gujarat-TP Makhel)	64.3
6	Kota Bypass and Cable Stayed Bridge across River Chambal on Kota Bypass approaches	27.8
7	Hyderabad-Bengaluru	251.6
8	Agra Bypass Shivpuri-Jhansi Borkhedi-Kelapur-Telangana/Maharashtra Border	225.0
9	Rewa-Katni-Jabalpur-Lakhnadon (MP)-TP Odhaki Paipkhar,Kherwasani,Mohtara,Boharipar)	280.0
10	Srikakulam-Vijaywada	239.0
11	Hyderabad-Nagpur	252.0
12	Vadodara-Surat (Bridge across river Namada)	6.5
13	Gandhidham-(Kandla)-Mundra Port(TP Mokha)	55.8
14	Chennai Bypass	32.6
Total (asset monetization)		1750.1

Source: NHAI, MOFSL

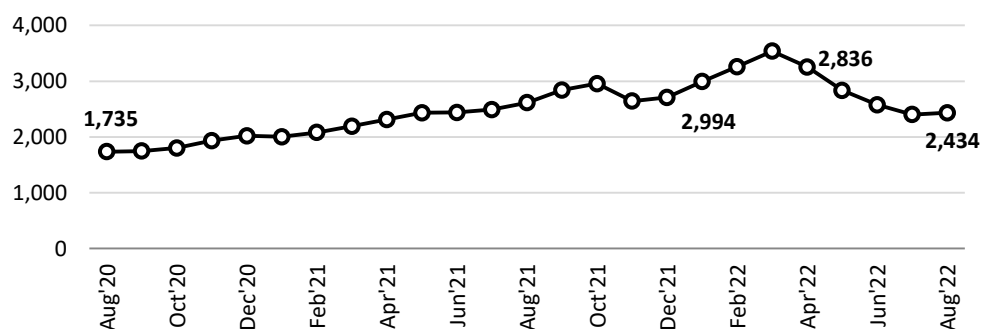
Softening in input costs to improve margins of contractors

Exhibit 6: Domestic steel rebar prices (INR/t) decline by 20% in Aug'22 over Mar'22 levels

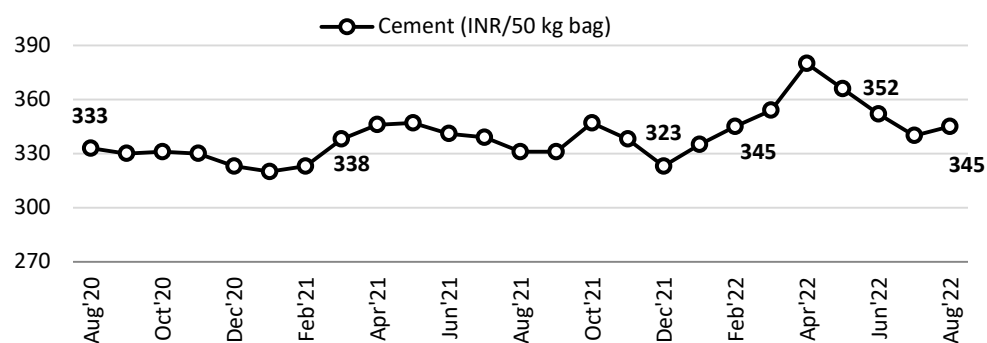


Source: MOFSL

Exhibit 7: LME Aluminum prices (USD/MT) cool down by 31% in Aug'22 from Mar'22 levels



Source: MOFSL

Exhibit 8: Cement prices (INR/50kg bag) fell in Aug'22 from the highs of Apr'22

Source: MOFSL

Revised timelines for DFCs

- The Dedicated Freight Corridor Corporation of India (DFCCIL) has so far commissioned 1,339km of the proposed 2,843km. This pertains to stretches undertaken by the government on the Eastern and Western Dedicated Freight Corridors (DFCs).
- The completion deadline for the EDFCs and WDFCs has been extended to Mar'24 due to COVID-induced challenges and land acquisition delays.
- As reported by DFCCIL, the trial run of double-stack container freight trains was successfully conducted on the Palanpur-Chadotar connecting line (PCL). The first interlocked vehicle movement on the connecting line between Indian Railway (IR) Pilkhani station and the DFC New Pilkhani station was started in Saharanpur district of Uttar Pradesh. All contracts of EDFC and WDFC, worth INR574.4b, have been awarded.

Exhibit 9: Completion status of WDFC and EDFC

Section/packages		Length	Commissioning target	Financial progress
WDFC				
Rewari-Palanpur	Rewari-Madar	306km	Commissioned	82%
	Madar-Palanpur	353km	Commissioned	
Palanpur-Makarpura		302.5km	Jun'23	
Makarpura-Sachin		135km	Jun'23	
Sachin-Vaitarna		186km	Jun'23	
Vaitarna-JNPT		109km	Mar'24	
Dadri-Rewari		127km	Jun'23	
EDFC				
Bhaupur-Khurja		351km	Commissioned	85%
Bhaupur - DDU	Bhaupur-Rooma	50km	Mar'23	
	Rooma-Sujatpur	130km	Commissioned	
	Sujatpur-DDU	222km	Mar'23	
DDU -Sonnagar		137km	Commissioned	
Khurja-Dadri		46km	Oct'22	
Pilkhani–Ludhiana		179km	Jun'23	
Khurja-Pilkhani		222km	Jun'23	

Source: DFCCIL, MOFSL

Exhibit 10: GoI has budgeted a capex of INR7.5t in FY23

Sl. no	Ministry	Capex estimates in the FY23 Budget (INR b)	Actual capex in Apr-Jul'22 (INR b)	As a percentage of actual capex to BE in Apr-Jul'22
1	Road Transport and Highways	1,877.4	807.5	43%
2	Railways	1,371.0	575.3	42%
3	Housing and Urban Affairs	273.4	55.7	20%
4	Ports, Shipping, and Waterways	5.7	1.48	26%
5	Others	3,968.9	646.7	16%
Total		7,496.5	2,086.7	28%

Source: Controller General of Accounts, MOFSL

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