

Key Indicators

	FY21	FY22	FY23 (YTD)
Daily average fastag toll (INR b)	0.62	1.04	1.4
Tenders awarded by NHAI (kms)	4,788	6,306	810
Road construction by NHAI (kms)	4,184	4,325	1,471

Project Awarding muted in 1H FY23; NHAI looks to fast track asset monetization process

- Project awarding by agencies such as NHAI has been soft in 1H FY23 with 810 kms of projects awarded. Road construction by NHAI in 1H FY23 stood at 1,471 km. With a target of 6,500 Kms in FY23, 2H would require massive project awarding to achieve the targets.
- Toll collections have been on an upswing with FASTag-based toll collections clocking INR 255.4b in 1H FY23 with a daily run-rate of ~INR1.4b.
- Asset monetization is the key focus area for NHAI to raise funds outside of budgetary resources. National Highways Infra Investment trust (NHAI InVIT) has successfully closed its second fund raise of INR 14.3b for part funding of three road assets, stretching 246 kms. Since its launch in Nov-21, NHAI InVIT has raised INR 94.3b in two tranches with a total portfolio of eight road assets of 636 kms. However, the movement has been slow as far as Toll operate Transfer (ToT) projects are concerned.
- NHAI has prepared a pipeline to monetize 1,750 kms of assets in FY23 but a faster execution is required to meet the monetization targets.
- DFCCIL has revised the timeline for Dedicated Freight corridors projects and they are now expected to be completed by mid-2024.

NHAI awards 810 kms of projects in 1H FY23; targets 6,500 kms in FY23

1H FY23 has been muted with only 810 kms of projects awarded till date. Owing to the weak 1H, NHAI would have to accelerate project awarding in 2H FY23 in order to meet its target of 6,500 kms in FY23. In terms of construction, NHAI is looking to construct 5,000 kms of projects in FY23 and has completed 1,471 kms in 1H FY23.

Fastag toll collections continue on its upswing

The onset of the festive season and pickup in economic activity led to ~54% YoY growth in daily average Fastag toll collection in 1H FY23. Fastag volumes grew 58% YoY to 1.63b, taking the total Fastag toll collection to INR 255.4b in 1H FY23. Improved toll collections are critical for faster monetization of road assets by the Road Ministry and would also help companies looking to monetize their existing toll assets.

Asset Monetization picks pace

After hitting a slow track in monetization of road assets through ToT bundle route, NHAI has been able to monetize its road assets via InVIT. NHAI InVIT has raised a sum of INR 14.3b in Oct-22 from domestic and international investors through placement of its units, for part funding its acquisition of three additional road projects stretching 246 kms. In Nov-21, NHAI InVIT had raised INR 80b in its maiden round with initial portfolio of five operating toll roads of aggregate length of 390 kms. Additionally, NHAI InVIT has filed prospectus with SEBI for issuance of NCDs to raise INR 15b. The NCDs would carry a coupon of 7.9% payable semi-annually and would be available for subscription by both retail and institutional investors.

The Ministry of Road transport has identified a list of projects aggregating to 1,750 kms to be monetized, through ToT and InVIT, in FY23. The authorities need to ensure faster execution to meet the monetization targets.

Softening in input prices to improve margins of contractors

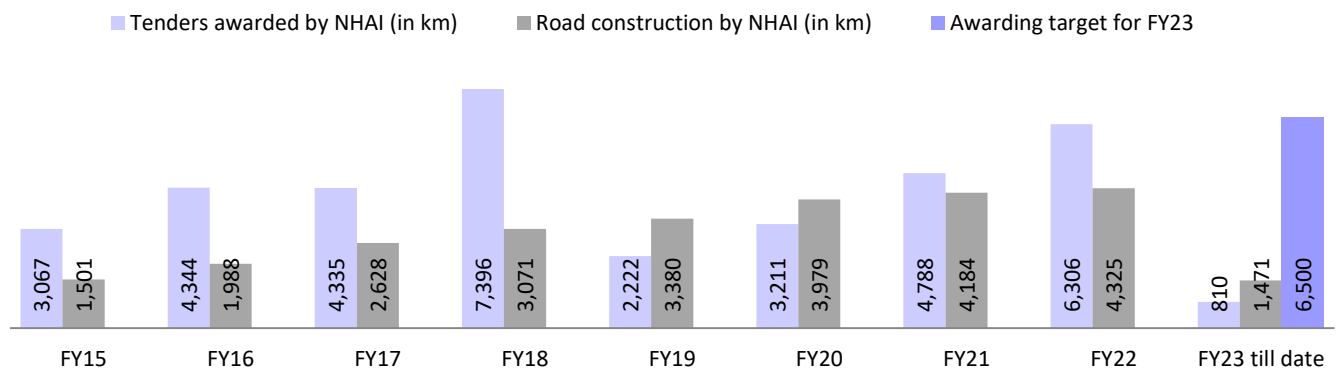
The prices of Steel and Aluminum have declined ~25%/30%, respectively, from their levels in Apr'22. Steel prices have been under pressure post the Government measures to curb exports and improve domestic supplies. Most contractors would be realizing the positive impact of the reduction in input costs in 2H FY23 as they see improvement in profitability.

Diversified players with strong order book and balance sheet well placed

Players with a decent order book in hand and presence in two or more segments with strong balance sheets are better placed to capitalize on the opportunity of aggressive project awarding by NHAI in 2H FY23. Our top pick in this space is KNR Construction.

Awarding and construction

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



Sources: NHAI, MOFSL

Exhibit 2: Civil Projects awarded in FY23 (Apr'22 – Sep'22)

Sr. no	Project Name	Total Length	State	PIU	Lanes	NH (New)	Mode	Concessioner	Total Awarded Cost (INR Cr)	Loa Date Civil work	Cumulative Length
1	4/6L Access Control Expressway from Design Chainage Km 515.000 to 528.300 (Kunjwani to Sidhra Section of NH-44) and from Design Chainage Km 550.900 to Km 566.520 (Domel to Katra Section) (Phase II-Package XVII)	33	Jammu and Kashmir	Jammu and Kashmir	4L	144	HAM	APCO Infratech Pvt. Ltd.	1547.91	01-08-2022	0.00
2	Construction of Greenfield Connectivity to Jewar International Airport from DND-Faridabad- Ballabhgarh Bypass KMP Link - Spur to Delhi Mumbai Expressway	30	Haryana	Haryana	6L	TBD	HAM	APCO Infratech Pvt. Ltd.	1660.50	01-08-2022	
3	6L of Kagal-Satara section from Km 592.240 to Km 658.000 of NH-48 (Pkg- I)	61.945	Maharashtra	Maharashtra	6L	48	EPC	Roadway Solutions India Infra Ltd.	1025.20	26-08-2022	
4	4/6L of Bangalore - Pune Section of bypass connecting Dharwad - Hubli from km. 403.80 to km. 433.20	30.35	Karnataka	Karnataka	4L/6L	4	EPC	APS Hydro Pvt. Ltd. - Mathiyan Construction Pvt. Ltd. (JV)	579.95	29-07-2022	
5	4L flyover at Km. 1081.900 at Vijayawada Airport near Gannavaram on Vijayawada – Gundugolanu section of NH-16	1.6	Andhra Pradesh	Andhra Pradesh	4L	16	EPC	Trenzet Infra Private Limited	0.71	04-05-2022	0.00
6	4L Cable-stayed Naini Bridge with Approaches from Km -1.117 to Km 0.4.293 on Old NH-27 (NH-30)	5.41	Uttar Pradesh	Uttar Pradesh	4L	30	EPC	Krishna Constructions.	2.69	19-04-2022	3.80
7	Improvement of Geometrics of Kalkallu to Gundla Pochanpalli from Km 454.00 to Km 471.00 of NH-44	17	Telangana	Telangana	4L/6L	44	EPC	Lakshmi Infrastructure & Developers Pvt Ltd	533.34	03-08-2022	
8	Thoppur - Mettur - Bhavani – Erode from km. 0.00 to km. 85.00	85	Tamil Nadu	Tamil Nadu	4L	544H	EPC	Thiru. TamilRajan	34.39	14-07-2022	
9	One Time Improvement of the bypass / realigned of (i) Pargaonvillage (Km.136.761 to Km.138.700), (ii) Georai Village (Km.206.420 to 212.600) (iii) Chousala Village (Km.140.300 to Km.145.100) (iv) Pachod Village (Km.246.160 to Km.251.100) (v) Rajapur Village (Km.268.120 to Km.268.870) (vi) Adul Village (Km.270.800 to Km.273.860) and (vii) Pimpalgaon Pandhari (Km.274.050 to Km.275.250) on Yedshi-Aurangabad Section of NH-52 in the State of Maharashtra	22.87	Maharashtra	Maharashtra	2L		EPC	V.P. Sethi Construction	12.24	06-07-2022	
10	4L of Greenfield Alignment from Km. 45.000 to Km. 89.090 of Tal Dashara to Bela Nawda Section of NH-119D	44	Bihar	Bihar	4L PS	119D	HAM	Ram Kripal Singh Construction Pvt Ltd	1687.81	06-05-2022	0.00
11	4L Bypasses for Jagatpur, Babuganj, Unchahar, Alapur Bypass, and Sai river bridge of Raebareli- Prayagraj section of NH-30	24.185	Uttar Pradesh	Uttar Pradesh	4L	24B	EPC	R&C Infra - JPS (JV)	436.71	18-07-2022	0.00
12	4L PS Mydukur - Badvel from Km 585.820 to Km 630.960 of NH-67	45.14	Andhra Pradesh	Andhra Pradesh	4L PS	67	HAM	RITHWIK-NSPR Consortium	718.90	16-08-2022	0.00
13	Operation and maintenance of Ludhiana-Talwandi Section of old NH- 95 (New NH-05) from Km. 86.000 to Km. 151.000 and Incident Management System in the State of Punjab	65	Punjab	Punjab	4L PS	95	Item Rate	VMAKS Constructions Private Limited	1.50	17-05-2022	

Sr. no	Project Name	Total Length	State	PIU	Lanes	NH (New)	Mode	Concessioner	Total Awarded Cost (INR Cr)	Loa Date Civil work	Cumulative Length
14	4L (Greenfield) Jalbhera – Shahbad section from km. 0.000 to km. 22.850 of NH-152G	22.85	Haryana	Haryana	4L	152G	HAM	Ceigall India Ltd.	684.00	02-06-2022	0.00
15	Maintenance and Blackspot rectification of Kharar-Banur-Teppla section from Km.0.000 to Km. 39.530 of NH-205A	39.53	Punjab	Punjab	2L/4L	205A	EPC	Rajinder Infrastructure Private Limited	19.85	12-05-2022	0.00
16	Development of 4L Road from Samarlakota to Achampeta Junction as part of Kakinada Port Connectivity to NH-16 (Rajanagaram Junction) in East Godavari District	12.25	Andhra Pradesh	Andhra Pradesh	4L	TBD	EPC	Rail Vikas Nigam Limited	408.00	29-09-2022	
17	Access road/bridge connectivity from NH-09 at km.40 near Jagbuda Bridge (India) to Boundary pillar no. 802/11 of Indo-Nepal Border	4	Uttarakhand	Uttarakhand	4L	109D	EPC	SHREE RIDDHI SIDDHI BUILDWELL LIMITED	177.24	07-09-2022	
18	4L from Km 219.600 (Khajuri) to Km 260.483 (Wyndhamganj) on NH-75 (Sec-V)	42	Jharkhand	Jharkhand	4L	75	HAM	MG Contractors Pvt. Ltd.	846.00	29-04-2022	
19	4L Kodinar - Veraval (Package VI) from km. 222.400 to km. 230.00 (Kodinar Bypass) of NH-8E (NH 51 new)	7.6	Gujarat	Gujarat	4L	51	Item Rate	Kalthia Engineering & Construction Ltd.	162.72	07-04-2022	0.00
20	Conversion of Partially Excavated Escape Tunnel to Uni-Directional 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	Himachal Pradesh	2L	21	EPC	Gawar Kiratpur Nerchowk Highway Private Limited	280.00	04-07-2022	0.00
21	Improvement and Up-Gradation of Existing Road to 2/4L PS from Km 40.000 to 88.750, start of Khutar bypass to start of Shahjahanpur bypass of NH 731(Pkg-I)	48.75	Uttar Pradesh	Uttar Pradesh	2L PS	731	EPC	SRSC Infra (P) Ltd.- Rajinder Infrastructure (P) Ltd. (JV)	338.57	20-06-2022	
22	4L of Haridwar – Nagina section (Design Ch. LME from km 13.829 to km 17.110 & km 26.077 to km 27.508 and Design Ch. RME from km 13.839 to km 17.120 & km 26.078 to km 27.509) of EUP mitigation measures on NH74	4.7	Uttarakhand	Uttarakhand	4L	734	EPC	Ashok Kumar	120.19	18-04-2022	
23	Rehabilitation and Upgradation to 2L PS configuration & Strengthening of Padhar to Bijni section from Km 180.000 to Km 202.815 of NH-154 (Pkg-VA)	19.05	Himachal Pradesh	Himachal Pradesh	2L PS	154	HAM	Gawar Construction Ltd	545.00	20-07-2022	
24	Rehabilitation and Up-gradation to 4L configuration & Strengthening of Thanpuri to Paror section from Km 85.135 to Km 100.840 of NH-154 (Pkg- IIC)	16.275	Himachal Pradesh	Himachal Pradesh	4L	154	EPC	M/s Universal Contractors and Engineers Private Limited - Shree Riddhi Siddhi Buildwell Ltd (JV)	260.45	10-08-2022	
25	Operation and Maintenance of Haridwar to Muzaffarnagar from CH. 36.400 to CH. 71.900 section of NH 334 [Package2]	35.5	Uttarakhand	Uttarakhand	4L	334	Item Rate	SHRI KRISHNA AND COMPANY	13.96	07-04-2022	

Sr. no	Project Name	Total Length	State	PIU	Lanes	NH (New)	Mode	Concessioner	Total Awarded Cost (INR Cr)	Loa Date Civil work	Cumulative Length
26	3L Major Bridge over River Brahmani at Km. 401.250 (Duburi - Chandikhole Section) of NH-200 (New NH -53)	1.247	Odisha	Odisha	3L	53	EPC	M.S. Infraengineers Pvt. Ltd.- Unique Construction (JV)	92.00	18-08-2022	0.00
27	Balance works of four lane from km 43.950 (Thiruvallur Bypass) to km 61.470 (Veppampattu Bypass) passing through Thannerkulam, Thozur and Sevapet Bypass (17.520 kms) of Tirupathi- Tiruttani- Chennai section of NH 205	17.52	Tamil Nadu	Tamil Nadu	4L/2L PS	205	EPC	EKK Infrastructure Limited	304.88	10-05-2022	0.00
28	4L of Kathlighat to Shakral Village from Km 128.835 to Km 146.300 of NH- 5 (Shimla Bypass - Pkg I)	17.465	Himachal Pradesh	Himachal Pradesh	4L	5	HAM	SP Singla Constructions Pvt. Ltd. - Rail Vikas Nigam Ltd. (Consortium)	1844.70	11-07-2022	
29	4L of Shakral Village to Dhalli Section from Km 146.300 to Km 156.560 (Shimla Bypass - Pkg II) and Shimla connectivity from Km 0.000 to Km 0.725 of NH-5	10.985	Himachal Pradesh	Himachal Pradesh	4L	05	HAM	Gawar Construction Ltd. - Bharat Construction (India) (P) Ltd. (JV)	2070.00	11-07-2022	
30	4L Poanta Saheb–Mednipur from Km. 435.65 to km. 458.65 of NH-07(Pkg-1)	18.7	Uttarakhand	Uttarakhand	4L	07	HAM	Ram Kumar Contractor	390.00	13-06-2022	0.00
31	4L Medinipur to Ballupur from Km. 458.65 to Km. 487.65 of NH-07(Pkg-2)	26.1	Uttarakhand	Uttarakhand	4L	07	HAM	MKC Infrastructure Ltd.	516.56	30-05-2022	0.00
32	Routine Maintenance & Incident Management Services work of Haridwar to Dehradun Section from Km.208.620 to Km.216.824 of NH-58 (New NH-34) & from Km.188.324 to Km.158.900 of NH-72 (New NH-07) in the State of Uttarakhand	37.625	Uttarakhand	Uttarakhand	4L	07,34	Item Rate	Hindustan Construction	7.90	15-07-2022	0.00
33	Jagadhari - HR/HP Border (Ponta Sahib)	34	Haryana	Haryana	4L	344	EPC	Raj Shyama Constructions Pvt. Ltd.	542.17	30-06-2022	
34	Umagaon - Saharsa Package - I (Combined) Umagaon-Kaluahi(0.000KM to 21.609Km) of NH227L;Saharghat-Rahika(0.000 Km to 26.130KM) of NH227J;Rahika- Rampatti (0.00 KM to 15.00KM) of NH527A;Bideshwarsthan-Bheja(0.000KM to 25.915KM) of NH527A.	88.655	Bihar	Bihar	2L	227L	HAM	Ram Kripal Singh Construction Pvt. Ltd	1224.28	11-07-2022	
35	Maintenance of 2L PS Mydukuru – Dornala T Junction from Km 589.000 to 641.000 of NH-67	52	Andhra Pradesh	Andhra Pradesh	2L PS	67	Item Rate	RP Projects Pvt Ltd	3.04	07-04-2022	0.00

Source: NHAI

Assets monetization gains traction

NHAI InvIT has raised a sum of INR 14.3b in Oct-22 from domestic and international investors through placement of its units, for part funding its acquisition of three additional road projects stretching 246 kms. In Nov-21, NHAI InvIT had raised INR 80b in its maiden round with initial portfolio of five operating toll roads with an aggregate length of 390 kms. In addition to the above, NHAI InvIT has filed prospectus with SEBI for issuance of Non-convertible Debentures (NCDs) to raise INR 15b. The NCDs, carrying a semi-annual coupon of 7.9%, would be available for subscription by both retail and institutional investors.

However, 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 operation even months after the financial bids were opened. NHAI has scrapped the auction for ToT Bundle 10 after the highest bid was below the reserve price of the highway. However, ToT Bundle 9 is still under consideration.

Exhibit 3: NHAI fund raised via InvIT

Month	Amount raised (INR b)	Number of Projects	Length (kms)	Investors
Nov-21	80.0	5.0	390.0	❖ Key investors include Canada Pension Plan Investment Board (CPPIB), Ontario Teachers' Pension Plan Board
Oct-22	14.3	3.0	246.0	❖ Key investors include Canada Pension Plan Investment Board (CPPIB), Ontario Teachers' Pension Plan Board, State Bank of India, L&T Staff Provident Fund
Total	94.3	8.0	636.0	

Sources: PIB, MOFSL

Exhibit 4: ToT bundles bid out by NHAI

Sl. no	Bundle	Date	Length	Value (INR b)
1	TOT Bundle 1	Aug-18	682 km	96.8
2	TOT Bundle 2	Feb-19	586 km	Bid cancelled
3	TOT Bundle 3	Nov-19	566 km	50.1
4	TOT Bundle 4	Sep-20	401 km	Bid cancelled
5	TOT Bundle 5A-1	Jan-21	54 km	10.1
6	TOT Bundle 5A-2	Jan-21	106 km	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*
10	TOT Bundle 9	Apr-22	73km	30.1
11	TOT Bundle 10	Apr-22	125km	Bid cancelled

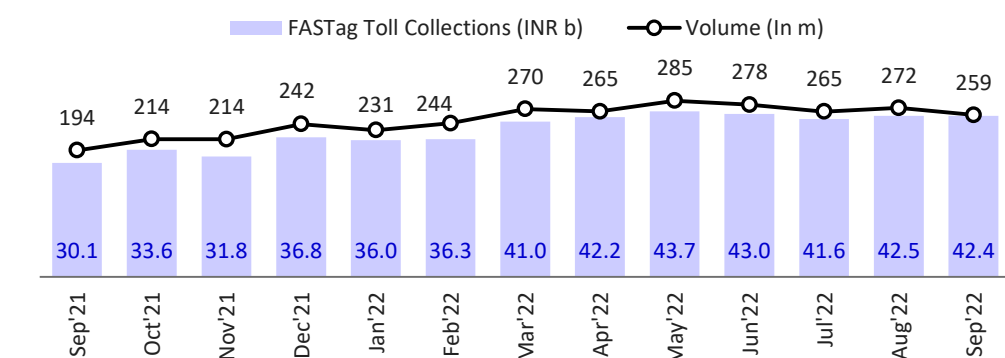
*Note: Bundle 6, 8, and 10 have been cancelled as per media articles

Sources: NITI Aayog, MOFSL

Daily average Fastag toll collections is on the rise

The onset of the festive season and pickup in economic activity led to ~54% YoY growth in daily average Fastag toll collection in 1H FY23. Fastag volumes grew 58% YoY to 1.63b, taking the total Fastag toll collection to INR 255.4b in 1H FY23. Further, fastag toll collection stood at INR 42.4b in Sep'22. However, fastag volumes for Sep'22 stood at 259 mn, registering MoM de-growth of ~5%. Improved toll collections are critical for faster monetization of road assets by the Road Ministry and would also help companies looking to monetize their existing toll assets.

Exhibit 5: Daily average FASTag toll collections continues to improve



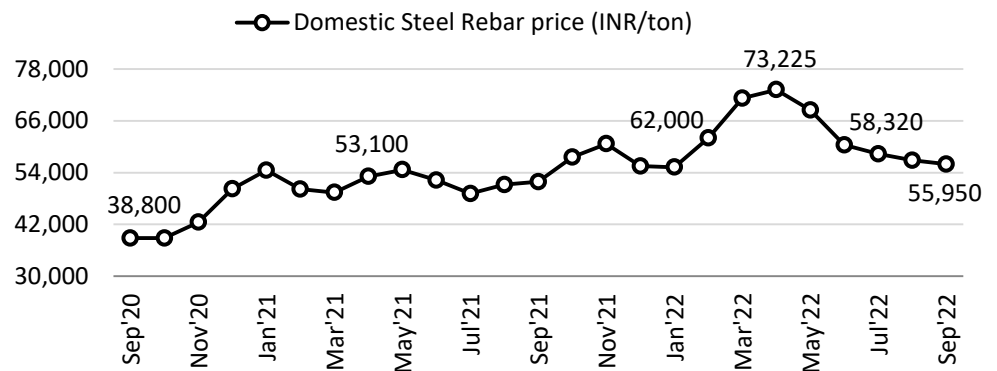
Sources: NPCI, RBI, MOFSL

NHAI has released an indicative list of 1,750kms of road assets to monetize through ToT/InvIT/toll securitization modes, helping the authority to raise INR200b in FY23.

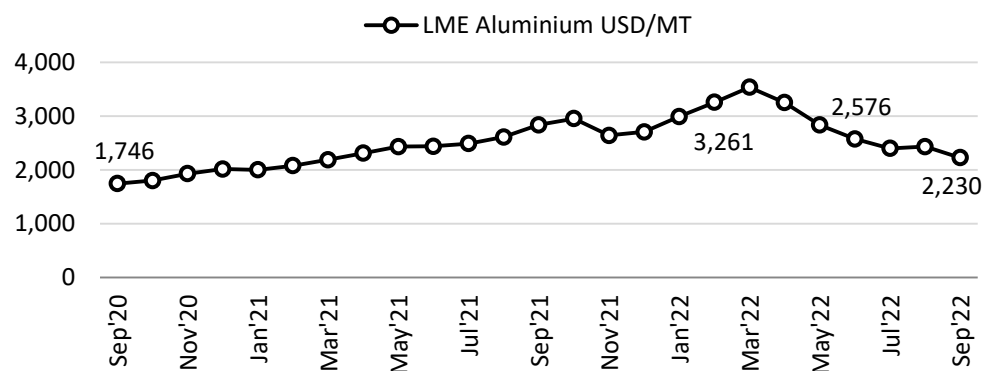
Exhibit 6: Pipeline of assets to be monetized by NHAI in FY23

Sl. no	Name of 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-Bangalore	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

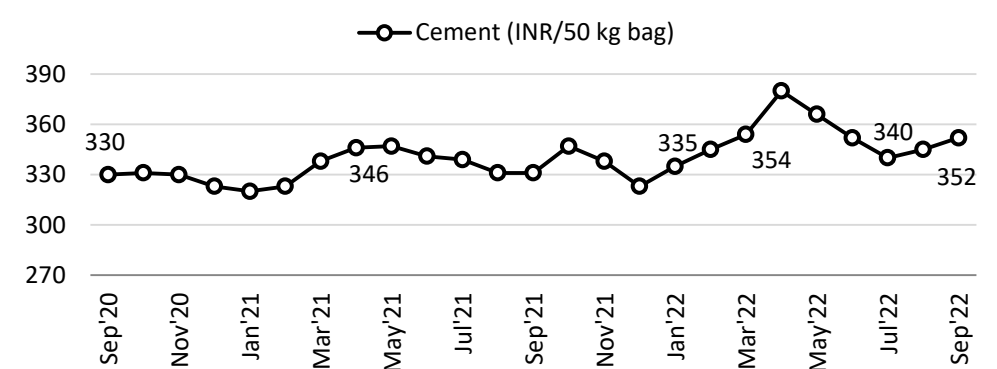
Sources: NHAI, MOFSL

Exhibit 7: Domestic steel rebar price (INR/ton) declined ~25% over Apr'22-Sep'22

Source: MOFSL

Exhibit 8: LME Aluminum price (USD/MT) cooled down by ~30% over Apr'22-Sep'22

Sources: MOFSL

Exhibit 9: Cement price (INR/50kg bag) fell in Sep'22 from the highs of Apr'22

Sources: MOFSL

Timelines revised for DFCs

The Dedicated Freight Corridor Corporation of India (DFCCIL) has so far commissioned 1,339kms of the proposed 2,843kms, pertaining to stretches undertaken by the government for both the corridors.

The completion deadline for the Eastern and Western Dedicated Freight Corridors (DFCs) has been extended to Mar/Dec'24, due to pandemic-induced challenges and land acquisition delays.

As reported by DFCCIL, a trial run of goods train with electric locomotive was successfully conducted on DN line in Chheoki-Chunar (117.5 kms) section of EDFC. Electric Loco trial was successfully conducted on both UP & DN lines of Palanpur Connecting Line (PCL) in Palanpur-Makarpura section of WDFC. All contracts of EDFC & WDFC worth INR 574.4b have been awarded

Exhibit 10: Completion status of WDFC and EDFC

Section/packages		Length	Commissioning target	Financial progress
WDFC				
Rewari-Palanpur	Rewari-Madar	306km	Commissioned	83%
	Madar-Palanpur	353km	Commissioned	
Palanpur-Makarpura		302.5km	Jun/Dec’23	
Makarpura-Sachin		135km	Jun’23	
Sachin-Vaitarna		186km	Jun’23	
Vaitarna-JNPT		109km	Mar/Dec’24	
Dadri-Rewari		127km	Jun’23	
EDFC				
Bhaupur-Khurja		351km	Commissioned	86%
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	

Sources: DFCCIL, MOFSL

Exhibit 11: GoI has budgeted to spend INR7.5t in capex in FY23

Sl. no	Ministry	FY23 Budget capex estimates (INR b)	Actual capex in Apr-Aug'22 (INR b)	% of Actual capex in Apr-Aug to BE
1	Road transport and highways	1,877.4	1096.2	58
2	Railways	1,371.0	672.4	49
3	Housing & urban affairs	273.4	68.8	25
4	Ports, shipping and waterways	5.7	1.52	27
5	Others	3,968.9	684.4	17
Total		7,496.5	2,523.3	34

Sources: Controller General of Accounts, MOFSL

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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