INFRA SCAPE

SECTOR UPDATE

nuvama institutional equities

Aug-25: Road awarding remains muted

The NHAI awarded road projects spanning just ~13km in Aug-25 (~66km in Jul-25 and ~103km in Aug-24). The pace of construction too decreased to ~207km in Aug-25 against ~226km in Jul-25 and ~220km in Aug-24 as rains lashed several parts of the country.

As highlighted in our report ***Road sector: Potholes galore***, road awards remained tepid for a second year in a row during FY25. The government's decision to halt project awards under the Bharatmala programme (***Link***) and a nil increase in the budgeted outlay for roads in the FY26 budget (refer to ***Union Budget: Muted capex growth***) accentuate the concerns around road awards. We remain cautious on the roads space.

Road awarding decelerates

The NHAI awarded road projects spanning just ~13km across two projects in Aug-25 (against ~66km projects awarded in Jul-25 and ~103km in Aug-24). YTD FY26 awards came in at ~194km across 16 projects against ~150km awarded during Apr–Aug'24 (due to imposition of the Model Code of Conduct ahead of the general elections in 2024).

In FY25, the authority awarded ~2,170km projects (~1,300km in FY24). The NHAI awards' value at ~INR470bn in FY25 (~INR350bn in FY24) remained much lower than previous years (~INR1.5tn in FY22 and ~INR1.3tn in FY23).

Construction activity remains slow

Road construction decreased to ~207km in Aug-25 versus 226km in Jul-25 and ~220km in Aug-24 due to heavy rainfall in several parts of the country. YTD FY26 construction came in at ~1,394km (up 3% YoY).

The NHAI surpassed its FY25 road construction target by 9% (***link***) and constructed 5,614km of roads in FY25. Nevertheless, road construction by the NHAI in FY25 fell ~15% YoY due to muted awards over the past few years.

Outlook: Challenging times

As highlighted in our report ***Road sector: Potholes galore***, road awarding remained subdued in FY25 for a second year in a row due to the government's decision to halt project awards under the Bharatmala programme. No increase in road capex in the budget for FY26E (refer to ***Union Budget: Muted capex growth***) implies that a pickup in road awards is unlikely in the near term.

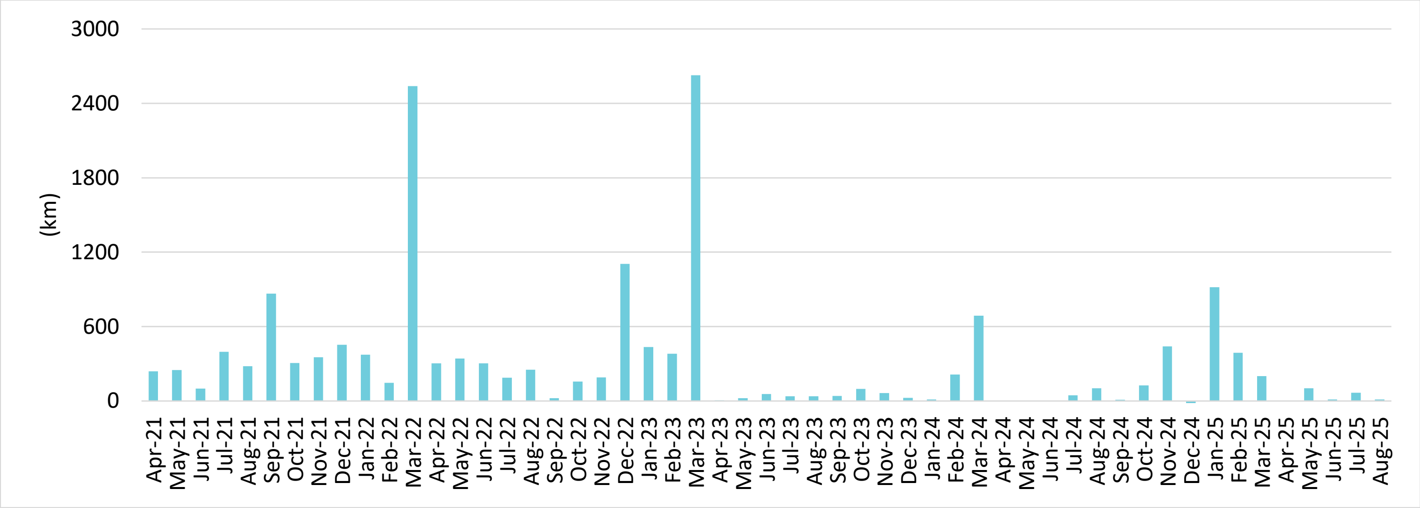
In the NHAI awards, listed developers' market share—which plunged from ~61% over FY16–18 to ~31% over FY19–21 and ~25% over FY22–24 (refer to ***Road awards: Market share musings***)—further decreased to 24% in FY25.

Given sluggish road awards, we argue road developers must work on segmental diversification since their ability to win adequate road orders at desired margins is now under question. We stay cautious on the roads space.

Parvez Qazi
Parvez.Qazi@nuvama.com

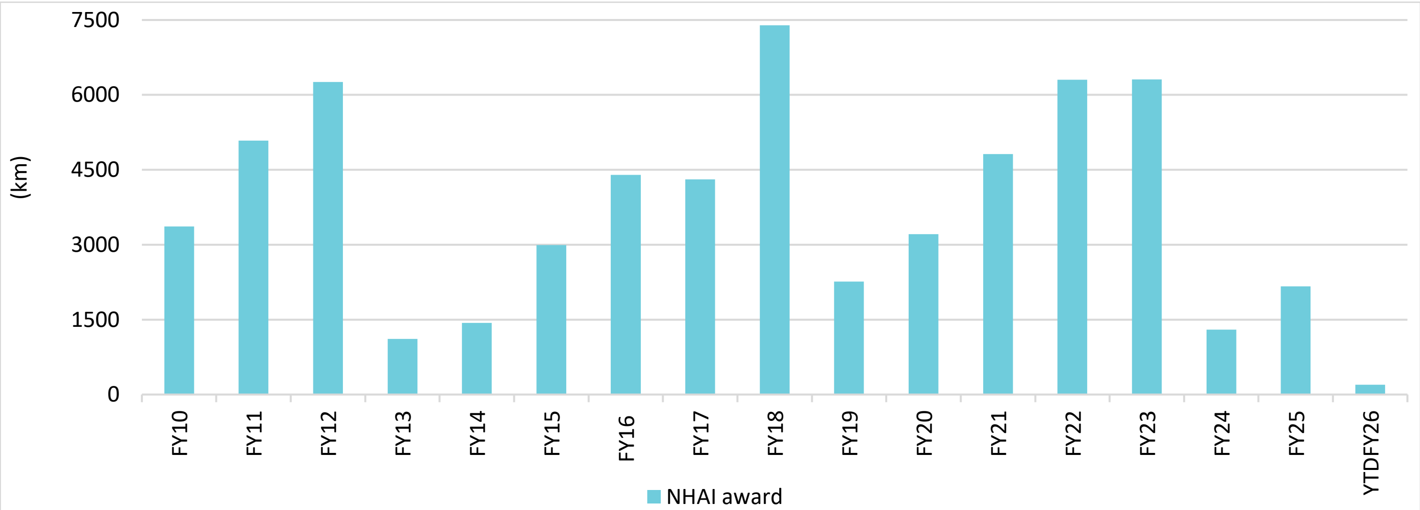
Vasudev Ganatra
Vasudev.Ganatra@nuvama.com

Exhibit 1: Monthly road awards by NHAI



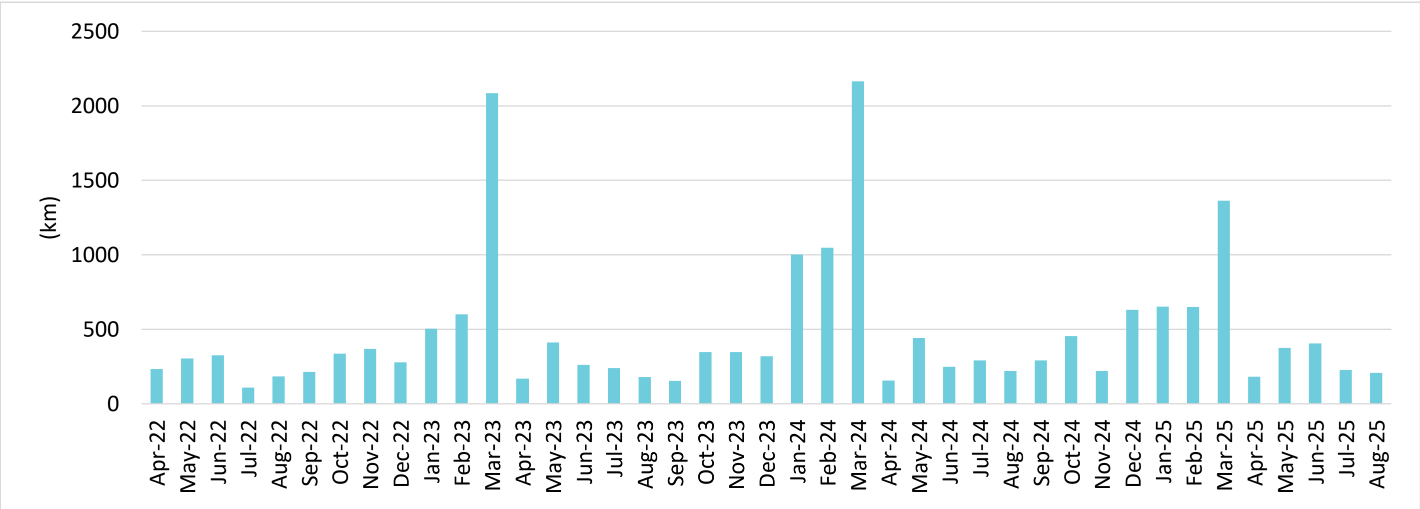
Source: Government documents, Nuvama Research

Exhibit 2: Length (km) of project awards by NHAI over years



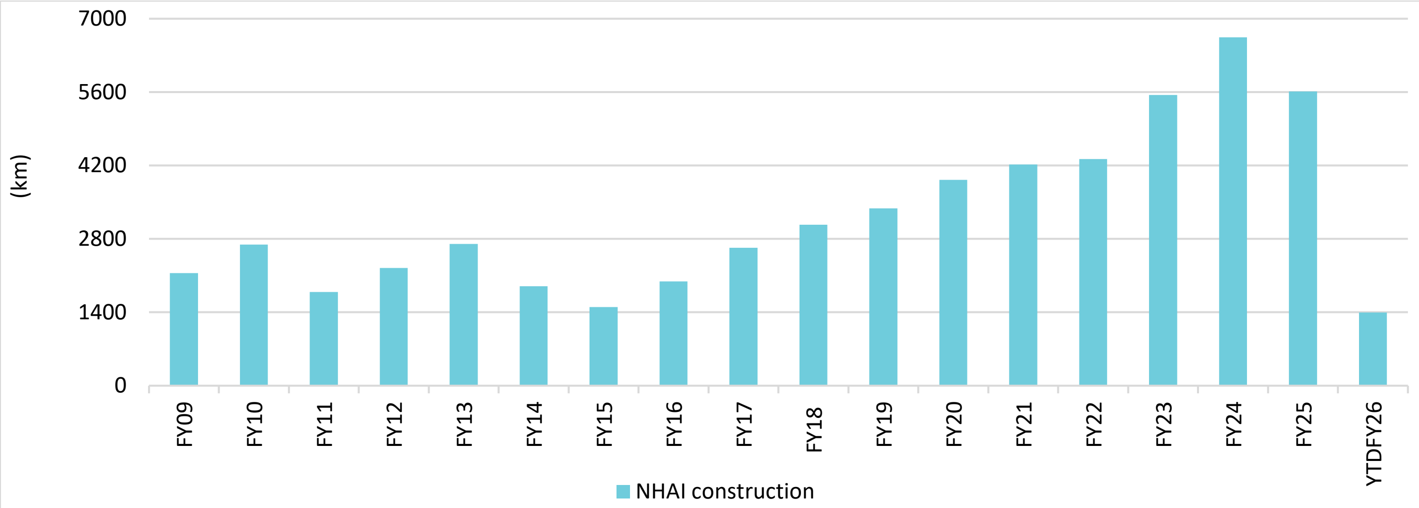
Source: Government documents, Nuvama Research

Exhibit 3: Monthly road construction (km) in India by NHAI



Source: Government documents, Nuvama Research

Exhibit 4: NHAI road construction over years



Source: Government documents, Nuvama Research

Road budget: Muted allocation for second year in a row

The road sector capex in the FY26 budget at INR2.7tn was flat YoY compared with FY25BE/RE.

Exhibit 5: Roads – Breakdown of proposed central plan outlay

Particulars (INR bn)	FY21	FY22	FY23	FY24	FY25 (B.E.)	FY25 (R.E.)	FY26 (B.E.)	FY26/FY25(BE)	FY26/FY25(RE)
Budgetary support	892	1,133	2,060	2,639	2,722	2,725	2,722	0%	0%
IEBR	650	652	-	-	-	-	-		
Total	**1,542**	**1,785**	**2,060**	**2,639**	**2,722**	**2,725**	**2,722**	**0%**	**0%**

Source: Government documents, Nuvama Research

Note: RE – Revised Estimate, BE – Budgeted Estimate

Exhibit 6: NHAI – Breakdown of proposed central plan outlay

Particulars (INR bn)	FY21	FY22	FY23	FY24	FY25 (B.E.)	FY25 (R.E.)	FY26 (B.E.)	FY26/FY25(BE)	FY26/FY25(RE)
Budgetary support	461	571	1,417	1,674	1,685	1,694	1,703	1%	1%
IEBR	650	652	-	-	-	-	-		
Total	**1,111**	**1,222**	**1,417**	**1,674**	**1,685**	**1,694**	**1,703**	**1%**	**1%**

Source: Government documents, Nuvama Research

Note: RE – Revised Estimate, BE – Budgeted Estimate

Exhibit 7: NHAI – Breakdown of budgetary support

Particulars (INR bn)	FY21	FY22	FY23	FY24	FY25 (B.E.)	FY25 (R.E.)	FY26 (B.E.)	FY26/FY25(BE)	FY26/FY25(RE)
Cess (CRF)	273	394	1,137	1,324	1,235	1,244	1,223	-1%	-2%
Plough back of Toll (PBFF)	115	127	180	250	300	300	330	10%	10%
Monetization of National Highways Fund	73	50	100	100	150	150	150	0%	0%
Total	**461**	**571**	**1,417**	**1,674**	**1,685**	**1,694**	**1,703**	**1%**	**1%**

Source: Government documents, Nuvama Research

Note: RE – Revised Estimate, BE – Budgeted Estimate

As far as the NHAI is concerned, the budgetary outlay increased just ~1% YoY. The IEBR projection for the NHAI in FY26E remains nil.

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Abneesh Roy
Head of Research Committee
Abneesh.Roy@nuvama.com

ABNEESH KUMAR ROY

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