INFRA SCAPE

SECTOR UPDATE

Oct-25: Road activity falls YoY

The NHAI awarded ~90km of road projects in Oct-25 (~105km in Sep-25). The pace of construction increased MoM to ~238km in Oct-25 against ~211km in Sep-25. Year to-FY26 NHAI road awards aggregated ~390km (up 36% YoY) while YTD FY26 road construction fell 12% YoY.

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 falls YoY and MoM both

The NHAI awarded road projects spanning ~90km across 14 projects in Oct-25 (against ~105km of projects awarded in Sep-25 and ~127km in Oct-24). Year-to-FY26 awards stand at ~390km across 40 projects against ~286km awarded during the same period last year across 18 projects (due to imposition of the Model Code of Conduct ahead of the general elections in 2024).

In FY25, the authority awarded ~2,170km of 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 improves MoM but remains down YoY

Road construction rose MoM to ~238km in Oct-25 versus 211km in Sep-25, but fell YoY from ~454km in Oct-24 as rains continued to affect operations in several parts of the country. Year to FY26 construction dipped 12% YoY to ~1,843km.

The NHAI surpassed its FY25 road construction target by 9% (***link***), laying 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.

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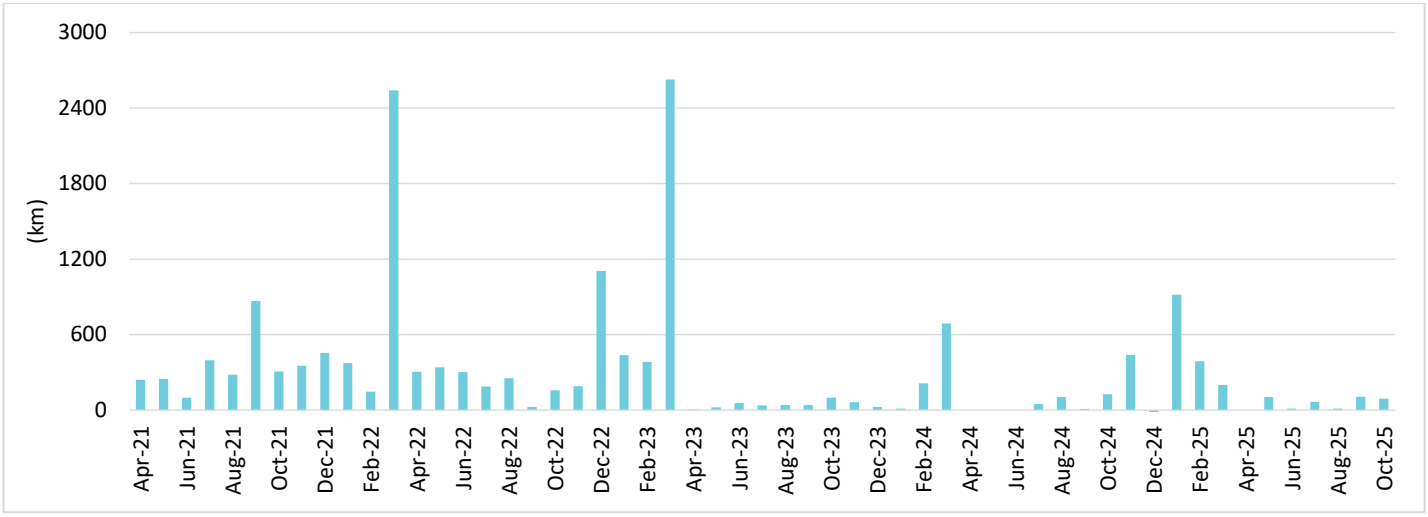
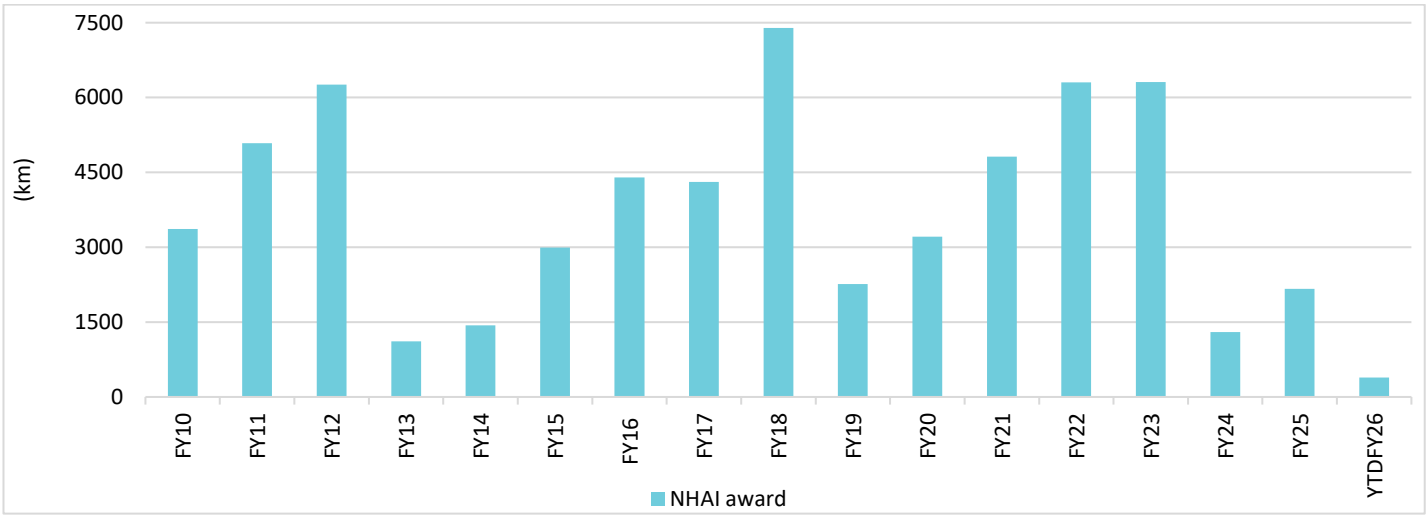
Exhibit 1: Monthly road awards by NHAI



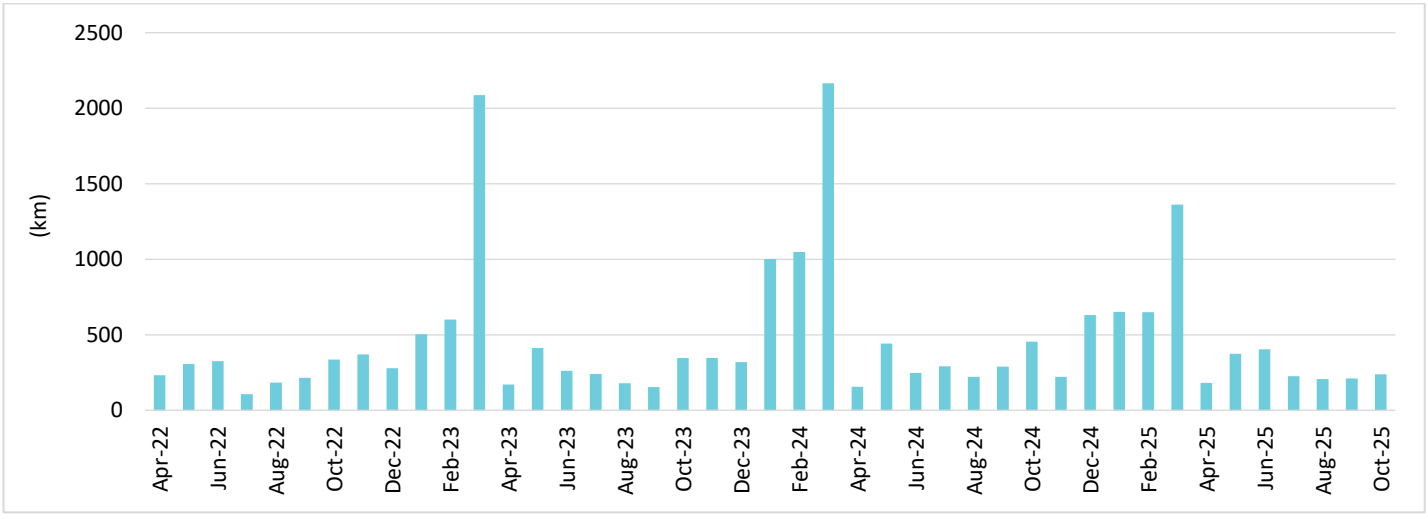
Source: Government documents, Nuvama Research

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



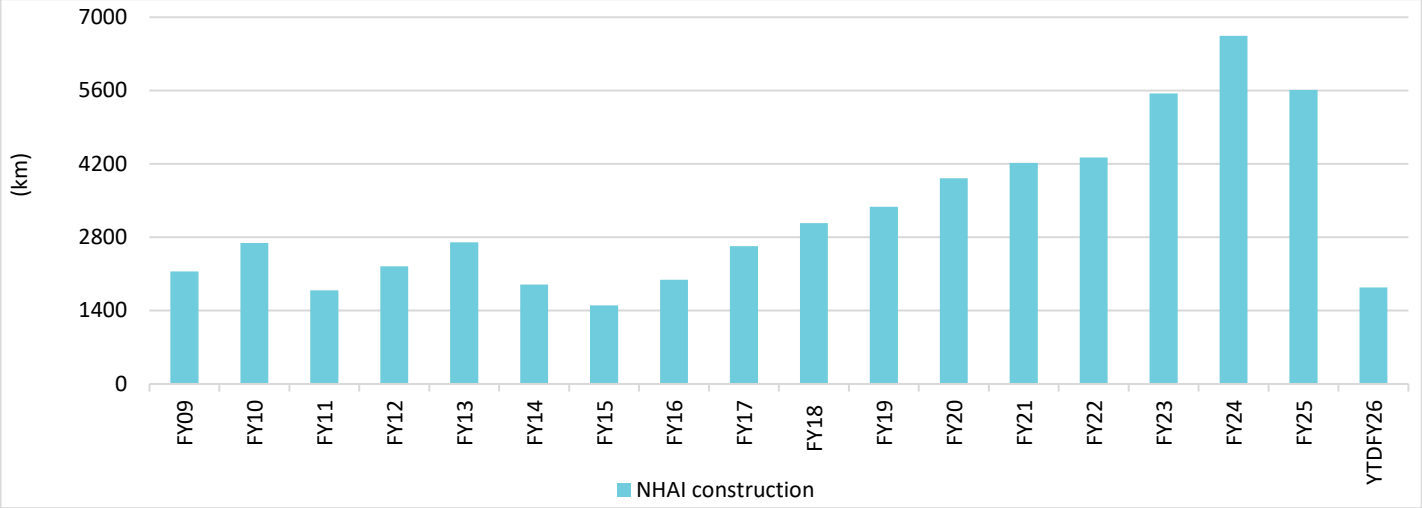
Source: Government documents, Nuvama Research

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.

All price charts cannot be included given the large of number of companies in our coverage. Specific charts may be available upon request.

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