

Covid 19 corollaries

July 22, 2020

Signals mixed on recovery road

Traffic is crawling back and with it, the recovery prospects of the roads sector.

The Covid-19 pandemic-induced lockdowns had virtually halted movement of people and goods in April and May, but curbs are being lifted slowly and the economy is beginning to hum.

Consider the latest three indicators – on toll collection, road construction, and capital outlay:

Electronic toll collection in June has rebounded to March levels and touched 75% of February levels. For an idea of how hard the pandemic had slammed the brakes, toll collection had dropped off the cliff from 11 crore vehicles paying in February 2020 to just 1 crore in April.

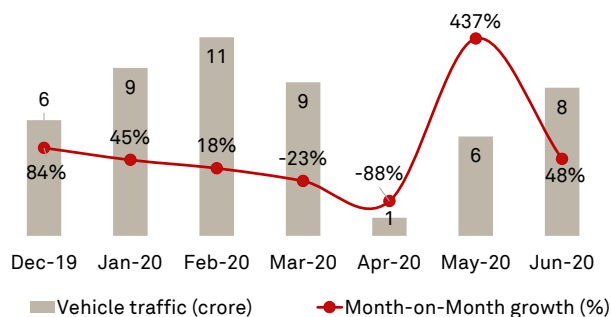
Construction across national highways is picking up, too. It rebounded to 637 km in May from just 210 km in April. But key construction months were lost in the lockdown and labour migration continues to pinch. Normalcy might return only after the monsoon. Overall, we are bracing for a 10-13% decline in highway construction on-year this fiscal.

Meanwhile, the Ministry of Road Transport and Highways (MoRTH) spent Rs 18,700 crore in April-May, a 46x jump from Rs 400 crore in the same period last fiscal. While this was mainly because milestone payments were made and to ease the cash flows of developers, it will have a trade-off – constrained future spending by MoRTH.

Project awarding, too, spurted 3x in April-May on-year. But that was because of a backlog of already bid-out projects that were awaiting award following the lockdown.

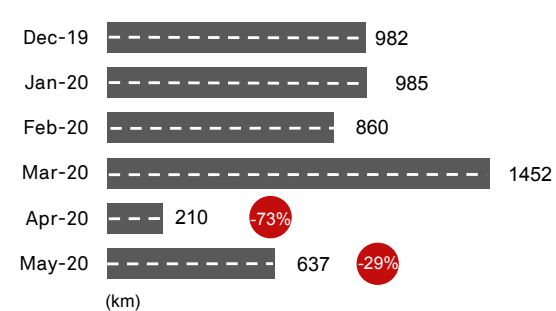
Net-net, while toll collection signal looks good, spending on roads may take a backseat given that priority in the rest of this fiscal will be on healthcare and social welfare spending. That would keep project awarding and recovery on a moderate path.

Traffic on national highways bouncing back



Note: Data is for 600+ national highway toll plazas
Source: National Payments Corporation of India, CRISIL Research

National highway construction spikes after April slump



Note: Data is for Ministry of Road Transportation & Highways (MoRTH) including National Highway Authority of India (NHAI)
Source: MoRTH, CRISIL Research

Lockdown, constrained spending to take a toll on road construction and awarding this fiscal

	FY19	FY20	FY21P
National highways construction (km)	10,855	10,237	9,000-9,500
National highways awarding (km)	5,470	8,911	7,000-7,500

Source: MoRTH, CRISIL Research