

# SectorVector

## Reading the topical trends

August 2022

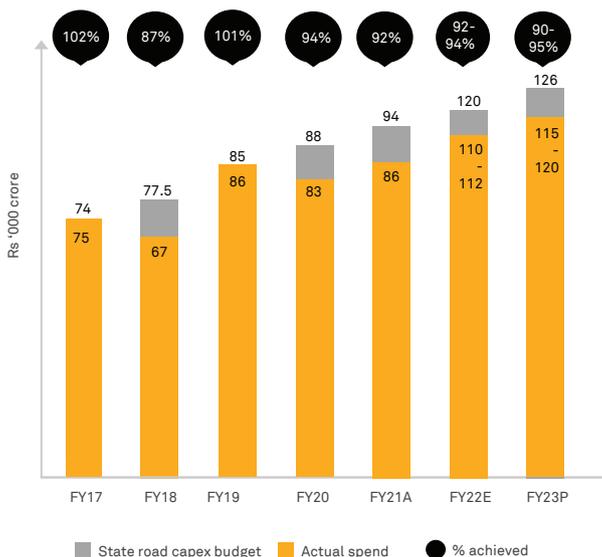
### State roads get a hike

#### Top 15 states have budgeted 8% increase in road capex this fiscal

CRISIL Research's analysis of the budgets of the top 15 states, which account for 85% of the total state road capex, indicates they have cumulatively budgeted for an 8% increase in capex on roads and bridges at Rs 1.26 lakh crore this fiscal compared with the revised estimate for last fiscal.

The budgeted increase is much lower than the bumper 39% on-year increase last fiscal, after constrained spending in the previous two when these states achieved only 92-94% of their road budgets, first due to the economic slowdown in fiscal 2020 and then due to diversion of funds towards health and social expenditures to fight the Covid-19 pandemic in fiscal 2021. It, however, mirrors the compound annual growth rate of ~9% in the last five fiscals (fiscal 2017 actuals to fiscal 2022 revised estimate).

#### FY23 state road capex budget for top 15 states has moderated to 8% on-year on the high base of last year



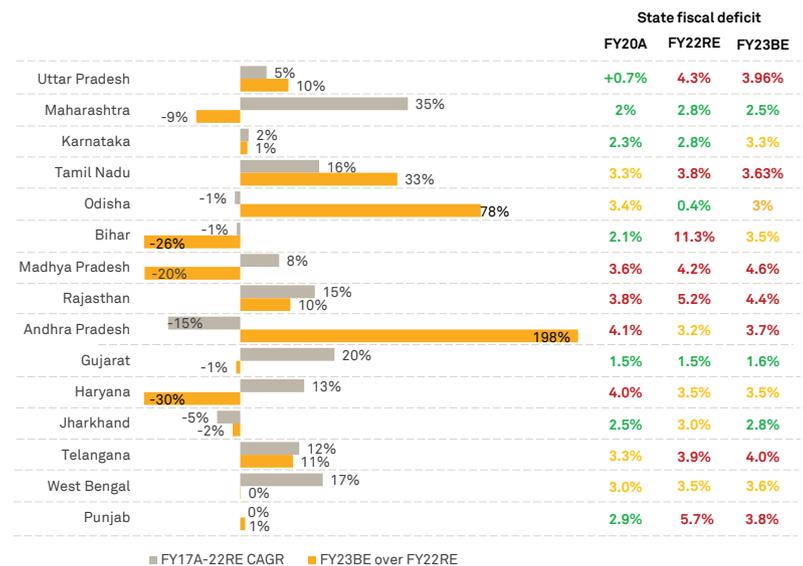
The revised estimate for fiscal 2022 shows a 97% achievement. However, given that actuals have historically been much lower, we estimate the actual increase in spending in fiscal 2022 at 28-32% on-year.

In the current fiscal, we expect 90-95% achievement of these state road budgets, a growth of 6-8% on-year, given that high spenders such as Maharashtra have moderated their road spends to lower their fiscal deficits. Plus, states in high fiscal zones, such as Bihar and Madhya Pradesh, have lowered their spends on roads.

At the other end, the likes of Odisha and Andhra Pradesh, which have been laggards in spending on roads over the past 5 years, have now budgeted for much higher spends for road development. Uttar Pradesh and Rajasthan, too, have budgeted for double-digit growth in their spends on roads given the relatively lower road density in these states.

State roads typically contribute 45-50% of India's overall road sector investments.

#### Stark variation seen among states — laggards have budgeted for higher road spends this fiscal



Note: E: Estimated, P: Projected State budget data for 15 states that account for 85% of total state road capex outlay; Fiscal deficit: <3% green, 3-3.6% yellow and >3.6% red  
Source: State budget documents, CRISIL Research

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