

Brickwork Ratings: Road construction to pick up pace this fiscal on back of government initiatives: Report

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Government initiatives in the sector such as the National Infrastructure Pipeline (NIP), National Monetisation Pipeline (NMP), Bharatmala Pariyojana, changes in the Hybrid Annuity Model (HAM) and fast pace of asset monetisation have the potential to boost activity.

Road construction will pick up pace in the current fiscal on account of various government initiatives like the National Infrastructure Pipeline and National Monetisation Pipeline, Brickwork Ratings (BWR) on Thursday said. With the government modifying the hybrid annuity model, it expects these changes to garner more private sector interest and the HAM share to increase going forward, the rating agency said.

“Going forward, in FY22, Brickwork Ratings (BWR) expects road construction to pick up the pace on account of various government initiatives in this sector such as the National Infrastructure Pipeline (NIP), National Monetisation Pipeline (NMP), BharatmalaPariyojana, changes in the Hybrid Annuity Model (HAM) and fast pace of asset monetisation,” it said.

Brickwork Ratings further noted that to address the funding gap in the sector, more innovative ways of funding are the need of the hour.

“The Infrastructure Investment Trust (InvIT) and Toll Operate Transfer (TOT) model have the potential to raise funds through asset monetisation,” it added.

However, the rating agency said due to pandemic-related challenges, InvIT and TOT models have not picked up, and progress on this front will be critical to bridge the funding gap in the sector.

According to Brickwork Ratings, the Indian road network is the second-largest globally, with a length of around 63.86 lakh km.

The outbreak of the virus towards the end of FY20 had created panic globally, leading to the temporary suspension of economic activity, it said.

The rating agency pointed out that the road sector in Q1 FY21 suffered a major setback during the initial lockdown, resulting in a delay of commercial operation dates by three to six months for most projects.

However, it said once the lockdown was gradually lifted, it gained pace in terms of construction, project allocation and toll collections.