

● **HIGHWAY TO GROWTH**

Road sector gets capex boost in Budget

POLL EFFECT. Election-bound States get attention as this is the last full budget before the Lok Sabha elections in 2024



BIG BOOST. The construction of Coastal Road Project is underway in Mumbai. The government has proposed a 25 per cent higher allocation at ₹2.70-lakh cr for roads compared to FY23 RE

Rishi Ranjan Kala

The Budget has proposed a healthy uptick in capital expenditure on the road sector, beginning April 2023. Spending on key infrastructure projects such as highways usually has a high multiplier effect.

The government proposed a 25 per cent higher allocation at ₹2.70-lakh crore for roads compared to FY23 revised estimates (RE), of which NHAI's share is ₹1.62-lakh crore, as the government is expected to set a target of constructing around 14,000 km of national highways (NHs), with assembly elections lined up in crucial States.

NEW HIGH

During FY23, an allocation of ₹1.99-lakh crore was made to MoRTH, which has been revised to ₹2.17-lakh crore. Of this, the revised allocation for the National Highways Authority of India (NHAI) was ₹1.42-lakh crore.

Roads and railways generally account

for a major share of the allocations on infrastructure.

In FY24, government proposed to raise capital expenditure — for the third consecutive year — by 33 per cent, to ₹10-lakh crore, which is 3.3 per cent of the GDP. Roads and railways account for more than 50 per cent of this allocation, with the share of roads at around 26 per cent.

Furthermore, the government has continued with its policy of not increasing the debt burden of NHAI. The higher allocation will come from the Central Road and Infrastructure Fund at ₹1.31-lakh crore, toll revenue plough back and NH asset monetisation of ₹10,000 crore.

Higher allocation to the Ministry of Road Transport and Highways (MoRTH) in FY24, beginning April 2023, assumes significance as the current calendar year is scheduled to witness elections in key states of Karnataka, Rajasthan, Chhattisgarh, Telangana and Madhya Pradesh.

Furthermore, this is the last full budget before the country heads to the next Lok Sabha elections scheduled in 2024. Roads and infrastructure sector are key employ-

ment generators, particularly in small towns and villages.

MoRTH already missed the target of constructing around 12,000 kms of NHs in FY22. It is also expected that the target of about 12,200 km will not be completed in FY23, ending March, with expectations of around 11,000 km of NHs to be constructed.

The overall NH awarding in H1 FY23 was at around 21-22 km per day, which is 11 per cent lower against last fiscal, while construction was down 7 per cent y-o-y. The construction activity in H1 FY23 got impacted due to high raw material costs of cement, steel, bitumen, etc. Historically, awarding and construction ramps-up in H2.

During April-December of FY23, NH construction stood at 5,774 km against 5,835 km in the year-ago period, while awarding stood at 7,263 km compared to 6,185 km.

INDUSTRY UPBEAT

Pradeep Misra, CMD, REPL, noted that the focus on infrastructure spending continues in successive budgets. However,

the challenge will be to keep the fiscal deficit in check.

Arindam Guha, Deloitte India Partner (Government and Public sector leader) pointed out that government is focusing on high GDP multiplier effects of infrastructure spending which constitutes a major part of this capex.

“In addition to high outlays on capex and infrastructure spend, the government is clearly going for a conscious strategy to prioritise projects which have the potential to deliver quick returns in terms of higher private investment and/or reduced logistics costs for priority sectors,” he added.

Cube Highways InvIT Groups CFO Pankaj Vasani said the budget brings optimism and reflects the government's robust approach and continued focus on infrastructure, sustainable development, and inclusive growth through a tech-enabled economy.

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