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Developers in slow lane as Covid-19 pandemic hits road traffic

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COMMERCIAL AND PASSENGER vehicle traffic has declined on most Indian highways as the Covid-19 outbreak has curtailed passenger and freight movement.

The slowdown in manufacturing activity and delay in clearing cargo at ports has impacted movements of large trucks and trailers.

Road traffic, which is an indicator of economic activity, has taken a knock of 15-25%, while on roads closer to city areas the fall has been steeper — in the range of 30-35%.

Jayant D Mhaiskar, chairman and managing director, MEP Infrastructure Developers, told *FE* that the traffic in the last 10-15 days has been gradually going down and the company does not expect the decline to get arrested in the next 2-3 weeks. "Both commercial and passenger traffic has been falling and is down to the tune of 15-20%, which will affect our revenues this quarter," he said.

According to developers, a lot of cargo traffic is getting held up at ports due to government advisory on keeping all the vessels coming from any country in outer anchorage for 14 days, and only after inspection are they being declared healthy or suspected. This is delaying handling of cargo, and consequently impacting the traffic on roads linked to ports.

Passenger traffic, which constitutes nearly a third of overall traffic on Indian



highways, has also been severely hit especially at entry and exit points of metros.

Navneet Pratap Singh, CEO and managing director, Skylark World, a Delhi-based highway operations and construction company, said that in major city entry points like Delhi-Gurugram, roads connecting to Bengaluru and Mumbai, there is a 30-35% impact as people stay away from going to offices, and schools and colleges have been shut.

"Even in pockets in the North-East where we operate some toll plazas, there is a decline of 10-15% in traffic," Singh said.

Initial period of FY21 will be a challenge for toll roads, according to analysts tracking the sector.

Shubham Jain, group head of corporate ratings at Icra, points out that shutdown

in manufacturing units will impact the commercial traffic further.

"Auto ancillary units, which were already operating at almost 40% of their capacity because of lack of demand, will be further impacted due to Covid-19 scare," he said.

In Jain's estimate, passenger traffic has declined by about 40%-50% on urban roads especially on the routes connecting to tourist spots and pilgrimages.

The hit will come at a time when the ordering scenario is already bleak and some developers are struggling to monetise their road assets to free up cash for future bidding. The expected slowdown in awarding is likely to significantly moderate the topline growth of EPC developers from a high of almost 30% in fiscal 2019 to around 10% in the near term, according to a recent report by Crisil.

Meanwhile, highway associations may soon look up to the government to bail road developers out, as lenders are raising concerns over how Covid-19 will impact financials of companies and consequently affect repayment cycles.

PC Grover, director general, National Highways Builders Federation, said: "The impact of decline in traffic will be assessed in due course, as lenders are also monitoring how this fall will impact financial commitments made to them. We hope that the government is receptive to the issue of fall in traffic and the consequent loss to the concessionaire, and there will be some steps to address it".