PRESS RELEASE

August 31, 2026

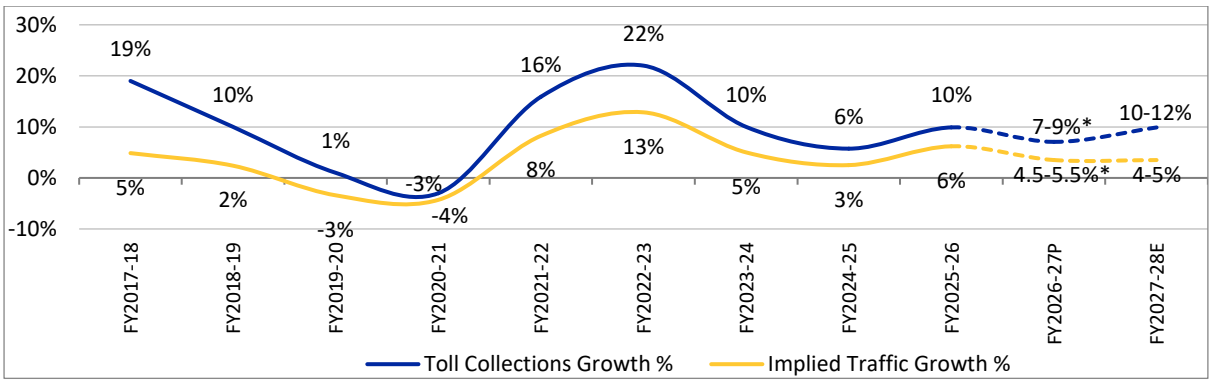
Toll collections growth on national highways projected to improve to 10-12% in 2027-28 from 7-9% in 2026-27: ICRA

- Project awarding activity of MoRTH likely to improve to 8,000-8,500 km in 2026-27

ICRA expects toll collections to expand by 10-12% in 2027-28, supported by higher toll rate revisions and stable traffic growth of 4-5%. This follows an estimated moderation in toll collections growth to 7-9% in 2026-27 from 10% in the previous year, driven by an expected moderation in traffic growth to 4.5-5.5% (PY: 6%) and lower toll rate increase. The improvement in toll rate growth on national highways in 2027-28 is likely to be supported by the expected favourable movement in Wholesale Price Index (WPI) inflation amid crisis in West Asia. ICRA estimates WPI growth in December 2026 at 8.0-8.5% and 4.5-5.5% in March 2027. Consequently, toll rate growth in 2027-28 is likely to be 6.2-6.4% for newer projects, which are linked to December WPI, and 4.5-5.5% for older projects, which are linked to March WPI.

Commenting on toll collections growth, **Suprio Banerjee, Co-Group Head, Corporate Ratings, ICRA** said: "*Traffic growth on national highways largely moves in line with the gross value added (GVA) of construction, mining and manufacturing (CMM). GVA growth of CMM has increased by a notable 8.1% in 2025-26. Consequently, traffic on national highways witnessed a healthy growth of 6%. Coupled with a toll rate hike, toll collections increased by 10% in 2025-26. ICRA estimates the GVA growth of CMM to remain at 7-8%, which is likely to entail traffic increase of 4.5-5.5% in 2026-27, albeit partly impacted by export-related traffic challenges. This, coupled with a relatively lower toll rate revision of 3.4-4.0%, is likely to moderate toll collections growth in 2026-27. Thereafter, supported by a higher toll rate revision in 2027-28, toll collection growth is expected to increase to 10-12%.*"

EXHIBIT 1: Toll collection growth

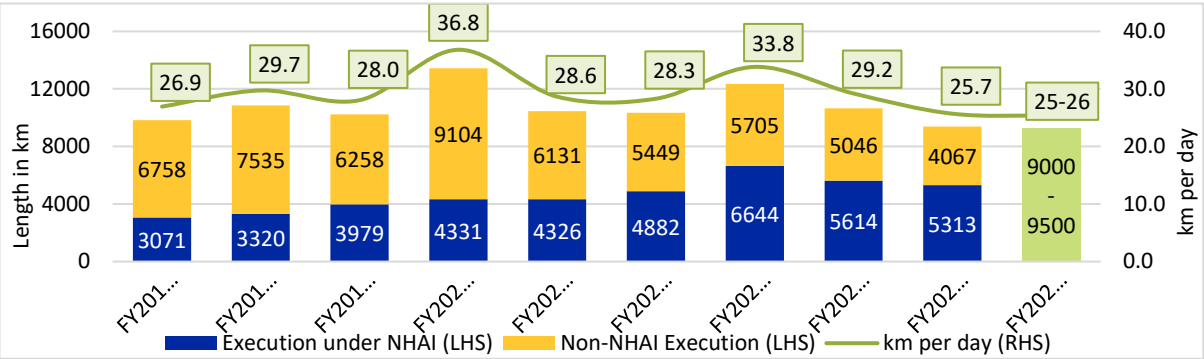


*Source: ICRA Research, IHMCL, NHAI; *There could be a potential downside risk to ICRA's estimate in case of a downward revision in GDP estimates; P: projected; E: expected*

Road execution by the Ministry of Road Transport and Highways (MoRTH) is expected to remain range bound at 9,000-9,500 km in 2026-27, compared to 9,380 km in 2025-26, owing to continued slowdown in project awarding over the past three years. Additionally, the sharp increase in bitumen prices and disruptions in its availability amid the ongoing West Asian crisis have adversely impacted road execution in Q1 2026-27.

The road awards by the MoRTH declined to around 7,000 km in 2025-26 from 7,538 km awarded in 2024-25, amid the Ministry's focus on addressing land acquisition issues and environmental clearances prior to awarding projects. However, given the increase in budgetary allocation, the project awarding activity of MoRTH is likely to improve to 8,000-8,500 km in 2026-27. Nevertheless, it is likely to trail the peaks recorded during 2020-21 to 2022-23.

EXHIBIT 2: MoRTH annual execution (in km)



Source: ICRA Research, MoRTH, NHAI; E: estimated

Engineering, procurement and construction (EPC) has remained the preferred awarding route for the Ministry over the past few years, accounting for 65-70% of the total awards, while hybrid annuity mode (HAM) projects accounted for 25-30%. ICRA estimates the share of HAM projects at 24-26% in 2026-27, as projects above Rs. 500 crore are likely to be awarded in the HAM/Toll mode. While EPC is likely to remain the favoured route for road awards by MoRTH, the Ministry is gradually shifting its focus to BOT (Toll) road projects to boost their share in overall awards.

The new BOT (Toll) road model concession agreement is a step in this direction and seeks to revive private sector participation by incorporating learnings from past concessions, particularly with respect to traffic risk, revenue uncertainty and disputes arising from traffic assessment. The new framework provides revenue support mechanisms during periods of traffic shortfall and provision for termination of project, thereby reducing downside risks for concessionaires and lenders while preserving incentives for efficient operations.

Despite the reinstatement of earnest money deposits and requirement for additional performance security, bidding intensity has remained high in the National Highways Authority of India (NHAI)/MoRTH EPC projects with median discounts of around -30% and -35% in 2024-25 and 2025-26, respectively. Given the slowdown in project awarding, competition is expected to remain stiff in NHAI/MoRTH projects, going forward. With competition remaining high for EPC projects, a similar trend has emerged with HAM projects as well, with median discounts remaining at -16% and -19% in 2024-25 and 2025-26, respectively. Nevertheless, to maintain better pricing discipline in bidding and maintain competition at prudent levels in these projects, the Ministry introduced new additional performance security norms in June 2026 and strengthened the bidding norms. It is also planning to award larger national highway packages through bundling approach.

Providing further insights, **Mr. Banerjee** added: *"The moderation in road execution is primarily attributable to the sustained slowdown in project awarding activity over the past three years. Consequently, road construction activity slowed down in 2024-25 and 2025-26, and ICRA expects road execution to remain in the range of 9,000-9,500 km in 2026-27. The Ministry's move to revive the BOT (Toll) road projects through the revised model concession agreement is a welcome step and is expected*

to support increased private sector participation in the roads sector. However, the extent to which it translates into a meaningful revival in construction activity remains to be seen. Despite stricter bidding norms and the expected bundling of project awards, competition in the sector is unlikely to come down unless project awarding activity picks up materially."

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