

PRESS RELEASE

January 19, 2024

Muted WPI growth to dampen toll collection growth in FY2025, lowest in last three years: ICRA

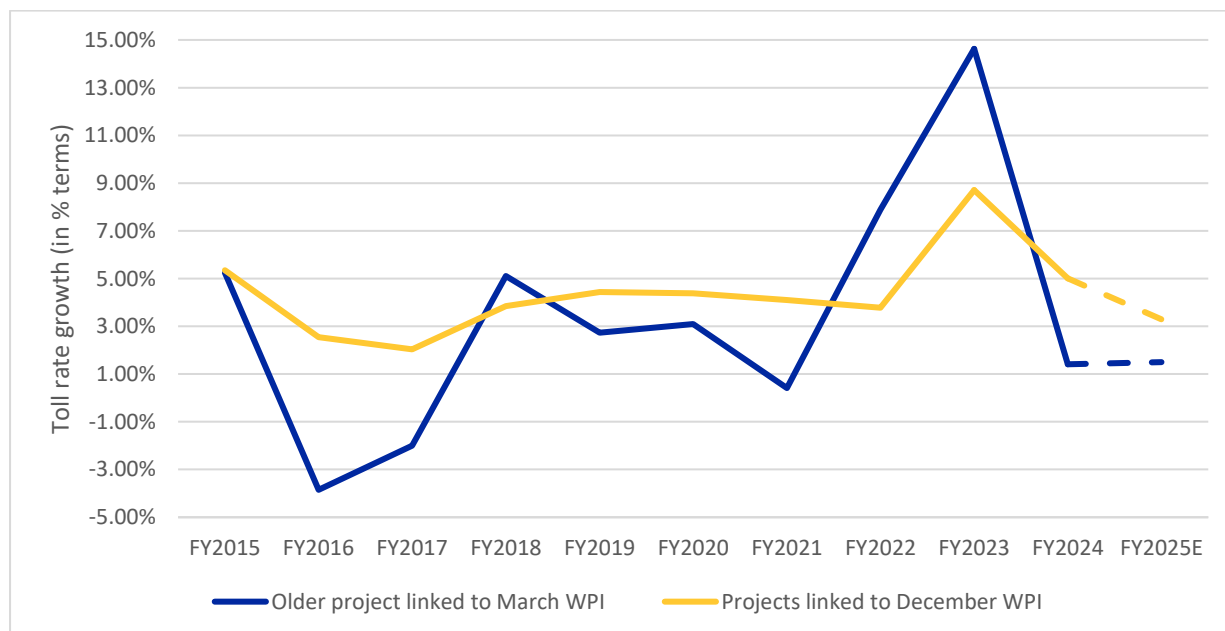
- **ICRA expects March 2024 WPI to remain low at 1%-1.5%**

After witnessing a healthy double digit toll collection growth in FY2023 followed by 6-9% in FY2024, ICRA Ratings expects the toll collection growth to moderate to 5-8% in FY2025 on account of the low Wholesale Price Index (WPI) inflation-linked toll-rate hike from Apr-2024. Nevertheless, ICRA maintains a Stable outlook on toll road assets, as the steady traffic growth will support the coverage metrics for BOT toll road assets.

Toll rates and traffic volumes are the two variables which determine toll collections. The toll rate increase is linked to the WPI, while traffic volume is connected to the underlying economic activity, primarily manufacturing, construction, and mining. For the projects that were bid post 2008, the toll rate is revised annually in April at 3% fixed rate plus 40% of the change in WPI for the preceding December. Hike in toll rates for the projects bid prior to 2008 is 100% linked to the March WPI (toll rate revision happens in July or September each year).

Giving more insights, **Mr. Vinay Kumar G, Sector Head, Corporate Ratings, ICRA**, said: *“The WPI inflation for December 2023 stood at a marginal 0.73% (against 5.02% in December 2022) translating into a mild toll rate increase of ~3.29% during FY2025 for the projects, which are linked to 3% fixed rate plus 40% of the change in WPI. For projects awarded prior to 2008 (March WPI-linked toll rate revision), ICRA expects an even lower toll rate hike of 1-1.5%. A modest toll rate revision is expected to result in 5-8% growth in toll collections for FY2025, primarily supported by 4%-5% growth in traffic.”*

EXHIBIT 1: TRENDS IN TOLL RATE GROWTH



Source: ICRA Research

The WPI remained in the deflationary zone through the first seven months of FY2024, amid an elevated base on account of the surge in global commodity prices following the Russia-Ukraine conflict. It subsequently reverted to a muted YoY inflation in November-December 2023. Although ICRA expects the WPI inflation to inch up

further in the remaining months of FY2024 from the level seen in December 2023, owing to the base effect, it is likely to remain below 1.5% through the ongoing quarter, unless there is a sharp rebound in global commodity prices.

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