Revised axle norms, slowdown have hit toll collections: Icra

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THE SLOWDOWN IN economy coupled with the higher-than-anticipated adverse impact of revision in axle-load norms have adversely hit vehicular traffic, which resulted in weak traffic performance across toll road stretches, says a research report.

“The revision in axle load norms in July 2018 allowed medium and heavy commercial vehicles (M&HCV)(trucks) to carry higher freight by 15-20% with the same fleet size. This resulted in negative y-o-y (year-on-year) implied traffic growth at 0.1% during H2 FY19 and overall traffic growth remained subdued at 2.4% in FY19, which was the lowest between FY15 and FY19,” said Rajeshwar Burla, vice-president and associate head, corporate ratings, Icra.

“Nevertheless, due to higher WPI in Q4 FY19 the increase in toll rate is higher in the range of 4.3-5.5% (depending on the applicable toll rate revision formula) in FY20 which will be the primary driver for growth. Given these factors, toll collections are likely to witness mid-single digit growth in FY20,” Burla said in a statement on Thursday.

The slowdown in automotive sales, too, will impact vehicular movement and toll collections.

The latest commercial vehicle (CV) sales trend is not encouraging to the M&HCV cargo segment witnessing a significant degrowth of 32% during 5M FY20. Despite the potential pre-buying (before the implementation of BS-VI emission norms from April 2020) in the later half of this fiscal, the overall M&HCV sales for FY20 are likely to witness contraction. Domestic PV sales volume declined by 23.5% during this period.

Starting Q3 FY20, the traffic is expected to witness modest growth vis-a-vis Q3 FY19 due to low-base effect. However, if the slowdown persists beyond Q4 FY20 there could be material deterioration in the debt coverage metrics necessitating some rating changes, Burla said.

Automotive sales, mainly CV, are one of the leading indicators for the likely movement of traffic. Typically, CVs account for around 65-70% of the total vehicular movement on a majority of the national highway stretches while PV account for the remaining 30-35%.