Fixed-Fee Tolling for Private Cars: A New Variable in India's NH Road Landscape

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Synopsis

On June 18, 2025, the Ministry of Road Transport and Highways (MoRTH) announced a toll pass for non-commercial passenger vehicles at Rs 3,000, valid for one year or 200 trips across national highway (NH) toll plazas, effective August 15, 2025. CARE Ratings Limited (CareEdge Ratings) deep dives into the plausible impact on commuters, NH toll roads operators and MoRTH to lay out a credit perspective for toll roads.

Annual toll pass for Rs 3,000: Relief for commuters, watchpoint for operators

The move aims to ease toll burden on frequent Private Passenger Vehicle (PPV) commuters, reduce traffic congestion and ensure smooth operations at NH toll plazas. For frequent travellers—particularly intercity and suburban commuters, the scheme offers substantial savings. Integration with FASTag ensures seamless use, incentivising highway usage by private vehicle owners. Yet, revenue implications for operational NH toll roads cannot be overlooked. In CareEdge Ratings' opinion, for stretches with high-frequency passenger traffic—such as peripheral expressways, inter-city roads and industrial corridors—the effective toll realisation per trip could decline, especially if users maximise their 200-trip allowance. The exact financial impact will hinge on user-adoption patterns apart from composition of commercial and non-commercial traffic on the stretch.

Impact analysis and credit implications

1. **Revenue impact analysis:** A sample of ~5,000 km of NH toll-roads data indicates passenger cars account for roughly 30% of traffic (in passenger car units [PCUs]) and contribute ~20% of toll revenues. There are few passenger vehicle dominated stretches where cars contribute over 40% of toll revenue. These roads are either peripheral roads or connect tourist destinations.

   Assuming PPV traffic at 50% of total tollable car traffic and 75% adoption rate, CareEdge Ratings estimates that weighted average impact on toll collections for this sample ~5000 km is estimated at around 7-8% of the total toll revenue of the project stretch. Magnitude of this impact shall be higher for stretches with dominance of toll from cars (40% or more in toll revenue) and high PPV traffic.

2. **Estimated 80% reduction in toll payable for users adopting the pass:** An extensive analysis of over 950 toll plazas spanning over 51,000 Km of NH revealed that the weighted average toll fee stands at Rs 1.60 per km for car users. However, with the proposed annual toll pass mechanism (Rs 3,000 valid for 200 trips), the effective toll fee per trip per toll plaza shall drop to Rs 15 irrespective of the tollable length, leading to estimated weighted average rate of Rs 0.30 per km, which tantamount to ~80% savings in toll payable for PPV users.

   Illustration for tollable length of 50 km:

Particulars	Existing	Proposed
Tollable Length	50 km	50 km
Toll rate	Rs 80 per trip (Rs 1.60/Km)	Rs 15 per trip (Rs 3000 / 200 trips)
Number of trips	200	200
Toll Expense	Rs 16,000	Rs 3,000
Savings	Rs 13,000 at ~80% of existing toll outflow	

   Actual extent of savings shall vary based on length and structures on the project stretch.

3. **Compensation modalities under change in law is critical:** The implementation of the annual pass system is likely to be considered as "Change in Law" under existing concession agreements. Consequently, the authority is expected to develop a reimbursement mechanism to address corresponding financial loss incurred by concessionaires. However, adequacy of reimbursement and timelines for releasing compensation shall be a key monitorable. Per the data of National Payments Corporation of India (NPCI), the FASTag toll collection across India stood at ~ Rs 73,000 crore for FY25.

   Adjusting the toll collection from state highways, considering ~20% contribution from cars (as observed in the sample analysis in Point 1), PPV traffic at 50% and user-pass adoption in the range of 50-75%, the estimated amount to be compensated by MoRTH can be in the range of Rs 3,000 -Rs 5,000 crore annually which can be considerably met through income from toll passes. For upcoming toll projects, bidders will now need to incorporate this variable in their financial and technical feasibility proposals, potentially leading to revised bid strategies.

4. **Credit Perspective:**
   At an individual asset level, the composition of traffic, project stretch, and leverage profile will need closer examination. Most of the NH toll projects are protected by a Debt Service Reserve Account (DSRA) covering three months of principal and interest obligations, offering a cushion against short-term losses until a compensation mechanism is implemented. Adequacy of compensation mechanism by Authority and timely release therefore shall be key monitorable from credit perspective. InvITs of NH Toll road portfolio, on the other hand, are relatively better positioned to withstand the revenue impact owing to well-diversified revenue streams, limited concentration in single vehicle category and low leverage.

CareEdge Ratings View:

"The Rs 3,000 Toll Pass for private vehicle is a welcome move from a user's perspective. This shall help in de-congesting traffic at peripheral expressways, inter-city roads and industrial corridors besides reduction in per trip charges for such toll roads PV users. CareEdge Ratings estimates 7-8% impact in toll revenue for the sample project length of ~5000 km considering 20% contribution of cars in toll revenue with an assumption of 50% private passenger vehicle and 75% user adoption rate. This move could reduce effective toll rates for non-commercial car users by 80% from Rs 1.60 per km to just Rs 0.30 per km; marking major affordability shift for frequent national highway users" said Maulesh Desai, Director, CareEdge Ratings.

"On the impact of revenue loss, CareEdge Ratings believes that this event is likely to be considered as change in law for release of suitable compensation to toll operators. Potential annual compensation from authority is estimated to range between Rs 3,000-5,000 crore, which can be considerably met through income from toll passes. However, adequacy of the reimbursement and timelines for releasing compensation shall be a key monitorable from the credit perspective", said Setu Gajjar, Associate Director, CareEdge Ratings.

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