DC SQUARE

CAPITAL

RESEARCH — ROAD INFRASTRUCTURE

India's Highway Infrastructure Outlook 2026

An institutional examination of India's highway ecosystem, its evolving capital structure, and the investment characteristics of operating road assets.

Contents

01

Executive Summary

India built 60% more national highway in the past decade than existed before it. That's the headline number. The more useful story, for an investor, is who paid for it and how that's changing.

For most of the 2010s, the answer was simple: the government did, mostly through NHAI, mostly by borrowing. That worked until it didn't. NHAI's debt went from under ₹5,000 crore in 2010-11 to ₹3.35 lakh crore by 2023-24, while the private sector — still cautious after the IL&FS default rattled infrastructure lending — grew reluctant to take on new construction risk itself. Something had to give.

What gave was the financing model. Instead of building everything on the government's own balance sheet, India started selling the rights to completed, revenue-generating roads to outside investors — first through an auction process called TOT, which has raised almost ₹49,000 crore since 2018, and more recently through a securities structure called an InvIT, which lets institutional capital buy a claim on a portfolio of roads roughly the way it might buy into a bond fund. The largest of these, NHIT, has reported a 14.9% annual return to its investors since 2021 — a real number worth understanding properly, which we do in Section 5.

This report is mostly about that second thing: not the roads themselves, but the increasingly interesting question of how an investor actually gets paid for owning a claim on them, and what can go wrong along the way. We've tried to be equally clear about both.

146,195 km	₹48,995 cr	₹2.44 lakh cr
National highway network, up 60% since 2014	Raised through 11 successful TOT auctions since 2018	NHAI debt, March 2025 — down from a ₹3.35 lakh cr peak in FY24

Source: NHAI Asset Monetisation Strategy document; Brickwork Ratings NHAI credit analysis, August 2025.

A NOTE ON HOW TO READ THIS REPORT

Statements of fact are supported by the sources cited alongside them. Statements introduced as "DC Square analysis" or "in our view" are our own interpretation, not independently verified third-party data. Any numerical example marked "illustrative" is hypothetical — it does not represent an actual asset, transaction, forecast or expected return.

02

Sector Overview

India's total road network exceeds 6.6 million kilometres, making it the largest in the world by length.[1] The subset that matters most for this report is narrower: the 146,195 km national highway network, which carries a disproportionate share of freight and passenger traffic relative to its length and has been the near-exclusive focus of recent monetisation activity.[2]

How highway financing has changed

Highway construction in India has moved through three broad contracting models. Under Engineering, Procurement and Construction (EPC), the government funds construction directly and a contractor executes the work for a fixed price, bearing no revenue or traffic risk. Under Build-Operate-Transfer (BOT), a private developer funds construction and recovers its investment by collecting tolls over a concession period, bearing both construction and traffic risk. Under Hybrid Annuity Mode (HAM), introduced in 2016, the government funds roughly 40% of construction cost upfront and a private developer funds the remainder, recovering it through fixed annuity payments from NHAI rather than toll collection.

BOT's popularity declined through the mid-2010s as developer balance sheets weakened; HAM has since become NHAI's preferred model for new construction because it retains private execution discipline while removing the traffic-risk exposure that made BOT difficult to finance during a period of stressed infrastructure lending.[3] Section 4 explains precisely how HAM differs from the monetisation mechanisms — TOT and InvITs — that are the primary subject of this report; the two categories are frequently, and incorrectly, treated as interchangeable.

What the debt trajectory tells us

NHAI's reliance on budgetary support and market borrowing to fund construction pushed its debt from under ₹5,000 crore (2010-11) to a peak of ₹3.35 lakh crore (2023-24).[4] Over a similar period, gross non-performing assets across scheduled commercial banks rose from 2.5% (2010-11) to 11.2% (2017-18), with public sector banks disproportionately affected following the IL&FS default.[5] By March 2025, capital recycling through TOT and InvIT monetisation had reduced NHAI's debt to ₹2.44 lakh crore — a reduction of roughly ₹91,000 crore directly attributable to the mechanisms this report examines.[6]

> DC SQUARE ANALYSIS
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> We read this debt trajectory as the single clearest piece of evidence that asset monetisation has moved from policy aspiration to operating necessity for NHAI. That does not, by itself, make any specific monetised asset attractively priced — it explains why the supply of monetisable assets is likely to continue growing, which is a separate question from whether any given asset is a good investment (see Section 9).

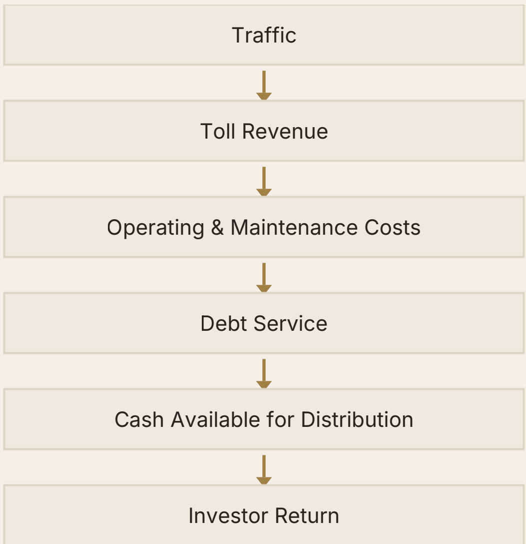
03

Road Asset Economics

Before considering how capital enters a road asset, it is worth being precise about how that asset actually generates the cash that flows to investors. Operating road assets generate cash in one of two structurally different ways, and the distinction matters more than most descriptions of the sector acknowledge.

A. Toll road cash flow

A toll road's revenue is a direct function of traffic volume and the applicable toll rate. This makes revenue variable and cyclical — sensitive to economic activity, fuel prices, and the availability of competing routes — but also gives it direct upside exposure to traffic growth over time.



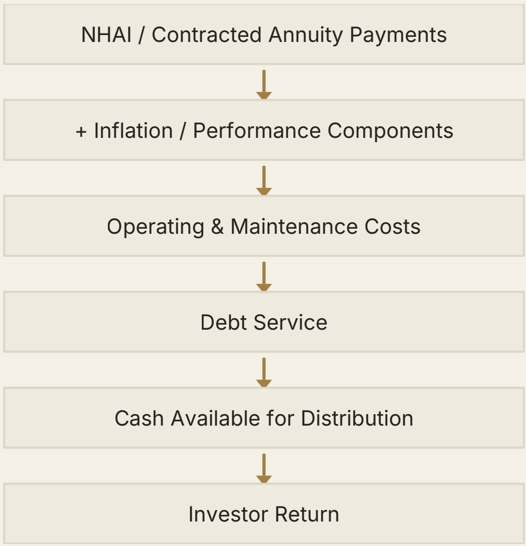
Illustrative toll road cash flow structure. DC Square illustration; not specific to any asset.

Operating and maintenance costs on a toll road are relatively predictable and contractually defined; debt service depends on the capital structure at the asset or SPV level. What remains — cash available for distribution — is the base from which investor returns are ultimately paid, whether via direct concession ownership or via an InvIT holding the asset.

Traffic-dependent revenue means a toll road's cash flow, and therefore an investor's return, is directly exposed to macroeconomic and route-competition risk in a way that annuity structures are not.

B. HAM / annuity road cash flow

An annuity-structured road — the cash-flow profile that results once a HAM asset reaches Commercial Operation Date — instead receives fixed or formula-linked payments from NHAI, generally with inflation or performance-linked components, regardless of actual traffic volume.



Illustrative HAM/annuity road cash flow structure. DC Square illustration; not specific to any asset.

This gives annuity-structured assets materially more revenue visibility than toll assets, which is why they are typically viewed as lower-volatility, more bond-like exposures. It does not eliminate risk: payment timing, contractual disputes, and counterparty considerations remain relevant, and are addressed directly in Section 8.

Not every HAM asset has identical economics — annuity terms, inflation linkage, and performance conditions vary by concession agreement and must be assessed individually.

ILLUSTRATIVE ASSUMPTION

The diagrams above describe a generic cash flow structure for educational purposes. They are DC Square illustrations, not a representation of any specific asset, InvIT or concession agreement.

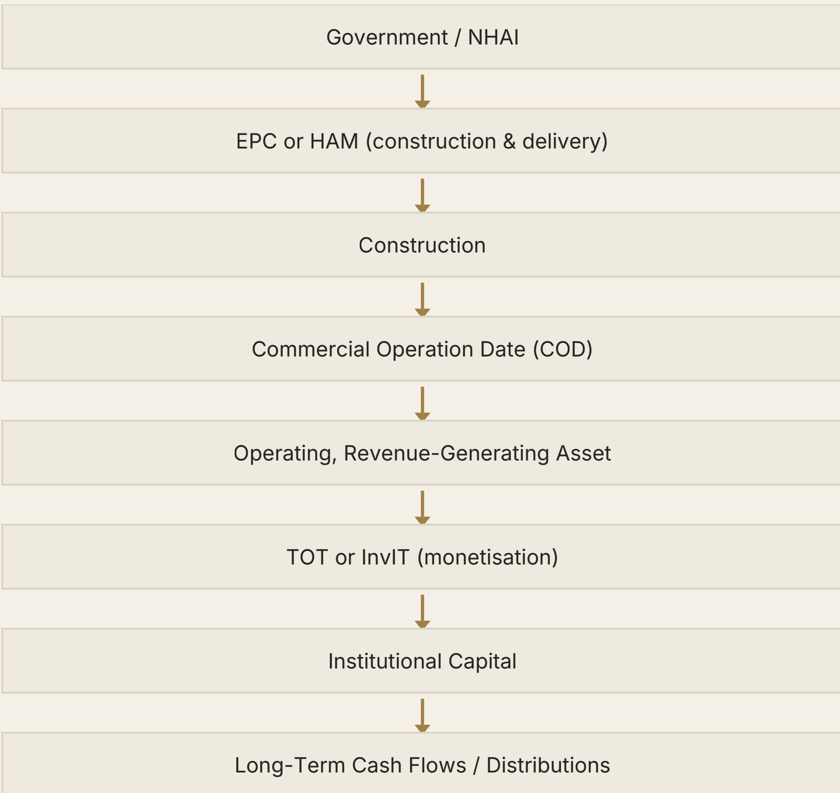
04

Policy & Monetisation Framework

The government's response to NHAI's debt position was the National Monetisation Pipeline (NMP), announced in 2021, identifying ₹6 lakh crore of operational public infrastructure assets across sectors — roads and railways together account for more than half of the targeted value — that could be monetised without transferring underlying ownership, only the right to operate and collect revenue for a defined period.[7]

The road investment lifecycle

A single, precise point underlies this entire report: **HAM determines how a road is financed and delivered; it is not itself a post-construction investment vehicle.** TOT and InvITs are the mechanisms through which a completed road becomes accessible to outside investors. The lifecycle below sets out where each mechanism sits.



The Road Investment Lifecycle. DC Square illustration, based on NHAI and SEBI regulatory disclosures.

EPC, HAM, TOT and InvIT compared

	EPC	HAM	TOT	INVIT
Primary purpose	Construction contracting	Construction financing & delivery	Monetisation of a completed asset	Ownership vehicle for infrastructure cash flows
Construction risk	Borne by government	Shared; developer bears execution risk on its funded portion	None — asset already complete	None — asset already complete
Traffic risk	Not applicable	Not borne by developer — annuity is fixed	Borne by the TOT concessionaire	Borne by unitholders, per underlying asset's revenue model
Capital provider	Government	~40% government, ~60% private developer	Private concessionaire (upfront payment)	Public / institutional investors via units
Revenue mechanism	Fixed contract price	Annuity payments from NHAI	Toll collection or underlying asset contract	Distributions from SPV cash flows
Typical asset stage	Pre-construction	Pre-construction / construction	Completed, operating	Completed, operating (predominantly)
Investor exposure	None — contractor, not investor	Developer / lender exposure only	Concessionaire-level, typically institutional	Direct, via tradable units

Source: NHAI Asset Monetisation Strategy document; SEBI Infrastructure Investment Trusts Regulations, 2014 (as amended); DC Square analysis of publicly disclosed structures.

TOT: the first monetisation route

Since 2017, NHAI has auctioned bundles of completed, tolling roads to private operators under TOT, in exchange for an upfront lump-sum payment for a fixed concession period. Of 16 TOT auctions conducted through March 2025, 11 succeeded, raising ₹48,995 crore in aggregate across 2,564 km; five bundles (2, 4, 6, 8 and 10) were undersubscribed at the reserve price.[8]

BUNDLE	LENGTH (KM)	VALUE (₹ CR)	WINNING BIDDER
ToT 1	681	9,682	Macquarie-Ashoka
ToT 3	566	5,011	Cube Highways
ToT 7	135	6,267	CDPQ, IIFL Trust
ToT 14	189	7,701	Cube Highways
ToT 16	252	6,661	Highway Infrastructure Trust
11 successful bundles, total	**2,564**	**48,995**	—

Table shows a representative selection of the 11 successful bundles; totals reflect all 11. Source: NHAI Asset Monetisation Strategy document.[8]

The identity of TOT bidders — Macquarie, CDPQ (Caisse de dépôt et placement du Québec), and domestic infrastructure investment trusts — indicates that long-horizon institutional capital has already been willing to underwrite completed Indian road assets directly, ahead of the InvIT structure discussed in Section 5 becoming widely available.

What NMP 2.0 targets

The government has indicated a further ₹2 trillion of monetisation under a second NMP phase for FY2025-26, with roads again a significant contributor.[9] We treat forward monetisation targets as policy intent rather than a guaranteed outcome: execution against prior NMP targets has been uneven across sectors, and readers should not treat a stated target as equivalent to a committed pipeline.

05

Capital Structure & the Rise of InvITs

An Infrastructure Investment Trust is an ownership and distribution vehicle: a SEBI-regulated structure through which investors hold units representing a claim on the cash flows of underlying operating infrastructure assets. It is not a financing mechanism for construction – that distinction, set out in Section 4, is the one most often lost in casual descriptions of this market.

Structure and regulatory guardrails

A sponsor (often the original asset owner, such as NHAI) transfers completed assets into the trust for an upfront payment and retains a minimum stake — at least 15%, or 25% if not also acting as project manager, for a minimum of three years — to align its interests with unitholders. An independent investment manager operates the portfolio; a trustee, typically a SEBI-registered bank, monitors compliance; and the underlying assets are held in Special Purpose Vehicles (SPVs).[10]

REQUIREMENT	SEBI RULE
Asset composition	At least 80% completed, revenue-generating; up to 20% under construction
Leverage cap	49% of asset value; relaxable to 70% with six prior cash distributions and an AAA rating
Cash distribution	At least 90% of cash accruals distributed to unitholders
Sponsor lock-in	Minimum 15% stake retained for at least 3 years (25% if not project manager)
Governance	At least half of investment manager board must be independent directors

Source: SEBI Infrastructure Investment Trusts Regulations, 2014, as amended October 2023.[10]

SEBI also distinguishes publicly listed InvITs (open to retail investors, generally suited to lower-volatility annuity-style assets) from privately listed InvITs (restricted to Qualified Institutional Buyers, generally suited to assets with more cash-flow variability such as toll roads). This is a risk-allocation design choice, not an incidental feature of the regulation.

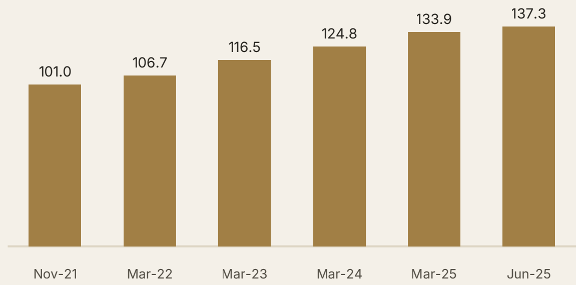
Case study: National Highways Infra Trust (NHIT)

NHIT, sponsored by NHAI and registered with SEBI in October 2020, is the largest road InvIT to date and the clearest available evidence of how this structure performs in practice. NHAI holds an 11% sponsor stake; IDBI Bank acts as trustee; a government-owned entity acts as investment manager; and three regionally organised SPVs hold the underlying 26 road concessions spanning 2,345 km.[11]

METRIC	VALUE
Roads in portfolio	26, spanning 2,345 km
Assets under management	₹47,679 crore
Fundraising rounds since 2021	4
Largest single round (Mar 2025)	₹18,380 crore
Cumulative distributions to date	₹24.42 per unit (16 distributions)

Source: NHIT Annual Report 2024-25; investor presentations.[11]

NHIT NAV per unit (₹)



Source: NHIT investor presentation, quarter ended June 2025.[11]

A NOTE ON THE "14.9% P.A." FIGURE

METHODOLOGY — SOURCE-REPORTED, NOT A DC SQUARE CALCULATION

NHIT's own investor presentation calculates an approximate 14.9% per annum return by combining NAV appreciation (₹101.0 to ₹137.3 per unit) with cumulative per-unit cash distributions (₹24.42) since the trust's November 2021 listing. This is NHIT's reported methodology as disclosed in its own materials, not an independent calculation by DC Square, and we have not re-derived it from underlying cash flows. It is a total-return figure inclusive of distributions, not a distribution yield alone. **Past performance is not indicative of future results.**

NHIT's investor base grew from 27 investors in its first fundraising round to over 500 by mid-2025, and now includes Canadian Pension Plan and Ontario Teachers' Pension Plan, which together hold approximately half of all units not retained by NHAI, alongside SBI's pension and mutual fund arms, insurers and domestic wealth managers.[11] In our view, this investor composition — long-duration pension and insurance capital — is consistent with what a maturing, lower-volatility infrastructure asset class should be expected to attract, though it is not by itself evidence of the return any individual investor will achieve.

TOT and InvITs are complementary structures

	TOT	INVIT
Investor profile	Road infrastructure operators / strategics	Institutional and, for listed InvITs, retail investors
Revenue model	Direct toll collection	Distributions from SPV cash flows
Investment horizon	15-30 years, concession-linked	Open-ended; units can be held beyond any single concession
Liquidity	Low — exit tied to concession terms	Higher for listed InvITs — units trade on exchange after one year
Operational control	High	Little to none for unitholders

Source: NHAI Asset Monetisation Strategy document.[8]

06

India's InvIT Market Map

As of 2025, India has 6 publicly listed and 18 privately listed InvITs across roads, power transmission, telecom towers and other infrastructure sectors, with combined AUM of approximately ₹7 lakh crore and market capitalisation of roughly ₹2.4 lakh crore (~$28 billion) — a fraction of the US REIT market's $1.3 trillion or the UK's $71 billion, suggesting the Indian market remains at an early stage of its development rather than a story that has already played out.[12]

Road-focused InvITs

We list below the InvITs we are aware of with a primary or substantial road-asset focus. Where a field cannot be reliably sourced from public disclosures at the time of writing, we have marked it as such rather than estimate a figure.

INVIT	SPONSOR	LISTED STATUS	ASSET TYPE	AUM	KEY ASSETS
National Highways Infra Trust (NHIT)	NHAI	Publicly listed (NSE, BSE)	Toll roads	₹47,679 cr	26 roads, 2,345 km
IRB InvIT Fund	IRB Infrastructure Developers	Publicly listed	Toll roads	Not independently verified for this report	Multiple toll road concessions
Highway Infrastructure Trust	Cube Highways	Privately listed	Toll roads (incl. ToT 16 bundle)	Not independently verified for this report	ToT 16 bundle and other concessions

Source: NHIT Annual Report 2024-25; Bharat InvITs Association industry listings; NHAI TOT auction records. AUM and yield figures for IRB InvIT Fund and Highway Infrastructure Trust were not independently verified against primary disclosures at the time of writing and should be confirmed against each trust's own filings before use.

24
InvITs operating in India across all infrastructure sectors

₹7 lakh cr
Combined InvIT/REIT AUM in India, 2025

11.7%
Median distribution-yield component, 3 listed InvITs, 5-year basis

Source: Bharat InvITs Association; India REITs/InvITs Primer, June 2024 (median calculated across Indigrid, Power Grid InvIT and IRB InvIT Fund; distribution yield component only, excludes capital appreciation).[12,13]

SCOPE NOTE

This market map is illustrative of the sector's structure and is not exhaustive. It excludes non-road InvITs (power transmission, telecom towers, gas pipelines and others), which fall outside this report's scope. A fuller listing is maintained by the Bharat InvITs Association.

07

Demand Drivers

The case for continued highway investment depends on demand that is durable rather than cyclical. A 2013 NIPFP study estimated that government infrastructure capital expenditure carries a fiscal multiplier of 4.4x on GDP; a 2019 RBI estimate placed the figure closer to 3.25x.[14] Even at the more conservative estimate, highway spending appears to generate growth well beyond its direct cost, through reduced logistics costs, expanded market access, and second-order effects on employment and land value along new corridors — though we note that multiplier estimates of this kind are model-dependent and should be treated as directional rather than precise.

India's national highways carry a disproportionate share of freight and passenger movement relative to their length. As the economy continues to grow toward the government's stated $5 trillion target, logistics costs, safety and market access are likely to remain structurally linked to highway capacity and quality — a driver that, in our assessment, tracks the underlying growth of the economy rather than any single policy cycle.

> DC SQUARE ANALYSIS
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> Demand for highway capacity in India is not, in our view, seriously in question. The more relevant investment question — addressed in Sections 9 through 11 — is which specific assets, structures and entry prices allow capital to participate in that demand on acceptable risk-adjusted terms. Demand alone does not make any given asset an attractive investment.

08

Risk Factors

Here's what we think can actually go wrong, stated plainly rather than buried in qualifiers.

Execution and completion risk

Land acquisition, environmental clearance and legal disputes are the usual reasons Indian highway projects run late or over budget. This is a construction-stage problem, which is exactly why this report's investment lens sits on completed, operating assets rather than projects still being built.

Traffic and revenue forecasting risk

A toll road's revenue moves with the economy, fuel prices, and whatever competing route someone builds next door. It is not a fixed number. SEBI's decision to split InvITs into publicly listed (steadier, annuity-style assets) and privately listed (more variable, toll-heavy assets) is really just a formal acknowledgment of this: some cash flows swing more than others, and investors should be paid differently for holding each.

Counterparty and payment risk

Annuity and contracted cash flows are only as good as the entity paying them — typically NHAI or a state authority — actually paying on time. We want to be precise here rather than reassuring: a government-linked payment is not the same thing as a guaranteed one. Contractual and escrow protections help, but payment timing, disputes and counterparty financial strength are still real variables, not formalities.

Refinancing and duration risk

Roads last decades. The debt financing them often doesn't — it gets refinanced periodically, which means the SPV or InvIT holding the asset is exposed to whatever interest rates and credit conditions happen to exist at each refinancing date, not just the rate it started with.

Interest rate sensitivity

InvITs behave like most yield instruments: when rates rise, their relative appeal falls, and unit prices can come under pressure even if the underlying road's cash flow hasn't changed at all.

Regulatory and policy risk

SEBI has amended the InvIT rules several times since 2014, generally in the direction of wider access. That trend is not a guarantee. A future change could just as easily tighten something that currently works in investors' favour.

Competing modes

Railways get a comparable or larger slice of the National Monetisation Pipeline than roads do, and dedicated freight corridors could pull cargo off specific highway routes over time. Worth watching on a route-by-route basis; not, in our view, a reason to doubt the broader case for highway capacity given how large India's infrastructure gap still is.

09

How We Underwrite Road Infrastructure

We assess every road infrastructure opportunity across six dimensions. None is sufficient on its own; a strong result on one dimension does not offset a weak result on another.

1. Asset quality

We examine corridor importance, location, traffic and freight composition, competing routes or transport modes, physical road condition, remaining concession life, and strategic significance within the broader network.

2. Contract quality

We assess the concession structure: whether revenue is toll-based, annuity-based or hybrid; counterparty identity and strength; escrow arrangements; termination provisions; inflation linkage; O&M obligations; and contractual protections if a dispute arises.

3. Cash flow quality

We examine historical traffic and growth trajectory, toll escalation, revenue visibility, operating costs, maintenance capex requirements, debt service, and distribution coverage — the margin by which available cash flow exceeds required distributions.

4. Sponsor and operator quality

We assess track record, financial strength, execution capability, O&M competence, governance standards, and how structurally aligned the sponsor's economic interests are with investors', including via retained equity and lock-ins.

5. Capital structure

We examine leverage, debt maturity profile, interest-rate exposure, debt service coverage ratio (DSCR), upcoming refinancing requirements, and resulting distribution coverage after debt service.

6. Valuation

We consider entry valuation and entry yield relative to comparable assets, enterprise value to EBITDA where relevant and available, net asset value, the discount rate implicit in a given price, the traffic or annuity assumptions embedded in that price, and terminal value assumptions where applicable. Section 10 sets out, in purely illustrative terms, how these considerations combine.

DC SQUARE PRINCIPLE

We would rather own one exceptional road asset that we understand deeply than five average assets that we understand superficially.

Illustrative Valuation Framework

ILLUSTRATIVE EXAMPLE — EDUCATIONAL PURPOSES ONLY

THIS EXAMPLE DOES NOT REPRESENT AN ACTUAL INVESTMENT

The figures below describe a simplified, hypothetical toll road and do not represent any actual asset, security, transaction or forecast by DC Square Capital. They illustrate the mechanics of infrastructure investment analysis only and should not be interpreted as DC Square's expected returns, a target return, or investment advice.

Consider a hypothetical, fully operational 100 km toll road with 15 years of concession life remaining. Under illustrative assumptions only:

ILLUSTRATIVE ASSUMPTION	VALUE
Annual toll revenue	₹150 crore
Operating & maintenance costs (~20% of revenue)	₹30 crore
Net operating cash flow	₹120 crore
Debt service	₹75 crore
Cash available for distribution	₹45 crore
Illustrative entry equity value	₹450 crore

All figures illustrative and hypothetical; not sourced from any actual asset.

Under these hypothetical assumptions, the resulting illustrative distribution yield would be approximately 10.0% (₹45 crore distributed against ₹450 crore of illustrative entry equity value). This is solely an illustration of the mechanics of infrastructure investment analysis — how cash available for distribution relates to an entry valuation to produce a yield — and should not be interpreted as a forecast, target, or expected return for any actual or contemplated DC Square investment.

A complete valuation assessment would also weigh cash-flow visibility (toll versus annuity, per Section 3), leverage and DSCR (per Section 9), interest-rate sensitivity and duration (per Section 8), and exit or terminal value assumptions — each of which can move the resulting yield or implied IRR materially. We have deliberately not extended this example into a multi-scenario IRR table, to avoid implying a level of precision or forecasting confidence that a single hypothetical example cannot support.

11

Our Investment Thesis

Road infrastructure is attractive when the asset, the structure and the price are right – not as a blanket statement about the sector.

01 – Structural demand

India needs more road capacity, and that need is tied to the economy's underlying growth, not to any one policy cycle (Section 7).

02 – A capital structure that's actually improving

NHAI's falling debt and the growth of TOT and InvITs aren't just policy talking points — they're evidence the market is genuinely shifting from construction-led financing toward monetising what's already built (Sections 2 and 4).

03 – Cash flow you can actually see

A well-structured operating or annuity asset gives you real visibility into long-duration cash flow — how much visibility depends heavily on which structure you're looking at, which is exactly why Section 3 exists (Section 3).

04 – Real institutions are already here

NHIT's investor base and the broader InvIT market's growth aren't hypothetical — long-duration institutional capital is already showing up (Sections 5 and 6).

05 – Selectivity

Not every road is a good investment. Asset quality, concession structure, sponsor capability, cash-flow durability and entry price determine the outcome (Sections 9 and 10) — which is exactly why we underwrite each opportunity individually instead of buying the sector as a whole.

> DC SQUARE PRINCIPLE
>
> Discipline means we only put capital to work where the underwriting in Section 9 actually gives us conviction — not wherever an opportunity happens to show up. Consistency means the same process applies every time, regardless of how a deal reaches us. And compounding is the reason NHIT's four-year, four-round track record is worth studying closely rather than citing as a headline number.

12

What Would Change Our View

Every thesis should come with a list of what would prove it wrong. Here's ours — the things that, if we saw them, would make us revise Section 11:

- Highway construction materially exceeding underlying traffic and freight demand, reducing the scarcity value of well-located assets.
- Persistent traffic underperformance relative to underwriting assumptions across a meaningful sample of monetised assets, not just a single road.
- A material and sustained slowdown in government asset monetisation activity, indicating NMP execution has stalled rather than merely paused.
- InvIT distribution yields compressing to a point where they no longer compensate investors for duration and risk relative to comparable fixed-income and equity alternatives.
- Material adverse regulatory change affecting concession economics, toll-setting mechanisms, or annuity payment terms.
- Structural traffic substitution toward rail, dedicated freight corridors, or other modes on routes relevant to assets we hold or are evaluating.
- Significant, sustained deterioration in counterparty or payment quality and timeliness from NHAI or relevant state authorities.

None of the above has occurred as of the date of this report. We list them because a thesis that cannot specify what would disprove it is not a thesis we consider credible.

13

What We Are Watching

01 NMP 2.0 Execution

The pace and scale at which the government actually brings further road assets to monetisation under the stated FY2025-26 NMP 2.0 target.

Why it matters: Execution, not the target itself, determines whether the monetisation pipeline this thesis depends on continues to grow.

Signal we watch for: Positive: bundles brought to market on or ahead of stated timelines. Negative: repeated delay or downward revision of targets.

02 InvIT Fundraising

The pricing, size and investor composition of new InvIT fundraising rounds, road-focused and otherwise.

Why it matters: Fundraising terms reveal whether institutional demand for this asset class is strengthening or softening in practice, not just in principle.

Signal we watch for: Positive: oversubscription and broadening investor base. Negative: down-rounds or concentrated, thin demand.

03 Highway Awards & Construction

The pace of new highway construction awards and the EPC/HAM mix NHAI selects.

Why it matters: The construction pipeline today determines the monetisable asset pipeline several years out.

Signal we watch for: Positive: steady award pace with a disciplined EPC/HAM mix. Negative: sharp slowdown or a shift back toward fully government-funded EPC at scale.

04 Traffic Growth

Actual traffic growth on monetised assets relative to GDP growth and relative to the assumptions embedded in monetisation pricing.

Why it matters: This is the single most direct read on whether toll-linked cash flow assumptions are holding up.

Signal we watch for: Positive: traffic growth tracking or exceeding GDP growth. Negative: sustained underperformance versus underwriting assumptions.

05 Interest Rates

Movements in Indian benchmark interest rates and their pass-through to InvIT distribution yields and unit valuations.

Why it matters: InvITs are yield instruments; their relative attractiveness moves inversely with rates, all else equal.

Signal we watch for: Positive: stable or declining rate environment. Negative: sustained rate increases that compress the InvIT yield premium.

06 Policy & Regulation

Further SEBI amendments to InvIT regulations and NHAI policy changes affecting monetisation structures.

Why it matters: This market's regulatory framework is still evolving; policy change can materially affect structure economics in either direction.

Signal we watch for: Positive: changes that broaden market access without weakening investor protections. Negative: changes that narrow the addressable investor base or weaken cash-distribution requirements.

14

Outlook

Three things we expect to shape the next five to ten years — all subject to the caveats in Section 12.

More asset recycling, if execution holds

NHAI has already retired ₹91,000 crore of debt this way, and a further ₹2 trillion is targeted under NMP 2.0 for FY2025-26. If the government executes at pace, the pipeline of InvIT- and TOT-eligible assets keeps growing. That's a meaningful "if" — see Section 13.

A wider investor base

SEBI has cut minimum InvIT investment thresholds sharply — from ₹25 crore to ₹25 lakh at issuance, and from ₹2 crore to ₹25 lakh in trading lot size.[15] That's a deliberate attempt to bring in retail and smaller institutional capital that's mostly been shut out so far. Whether it actually works depends on whether that demand shows up, not just on the rule existing.

Possible diversification beyond NHIT

State highway portfolios, multi-sector InvITs, and limited inclusion of under-construction assets are all plausible next steps for this market. None is guaranteed. If they happen, they widen the opportunity set for the kind of disciplined capital this report is written for.

This is the second edition of DC Square's Highway Infrastructure Outlook. We intend to revisit and republish this thesis as the market develops.

15

Important Disclosures

The following disclosures apply to this report as a whole. They are provided for transparency and should not be read as exhaustive; readers should seek independent professional advice before making any investment decision.

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REGULATORY STATUS

Kosmios Ventures LLP, the entity under which DC Square Capital operates, intends to apply for registration as a Category II Alternative Investment Fund (AIF) with SEBI. As of the date of this report, that registration has not yet been granted. Nothing in this report should be read as implying that DC Square Capital or Kosmios Ventures LLP is currently a SEBI-registered AIF.

RISK CATEGORIES

This report references market risk, infrastructure and project risk, construction risk, traffic and revenue risk, counterparty and payment risk, regulatory risk, interest-rate risk, refinancing and duration risk, liquidity risk, valuation risk, leverage risk, and operational risk, each discussed in context in Sections 3, 8 and 9. This report does not address taxation consequences, which vary by investor and should be assessed separately with qualified tax advice.

HISTORICAL PERFORMANCE AND FORWARD-LOOKING STATEMENTS

Historical figures cited in this report, including NHIT's reported returns (Section 5), reflect past performance only. Past performance is not indicative of future results. Statements in this report concerning future traffic, government spending, monetisation activity, InvIT market growth, interest rates or policy are forward-looking statements that involve assumptions and uncertainties; actual outcomes may differ materially. Where used, terms such as "could," "may," "would depend on," or "if" are intended to signal that a statement is conditional rather than a forecast.

DATA LIMITATIONS

Figures in this report are drawn from the sources listed in Section 16 as of the dates indicated and are subject to revision. Certain figures in Section 6 could not be independently verified against primary disclosures at the time of writing and are labelled accordingly. This report reflects information available as of its stated preparation date and has not been updated for subsequent developments.

ILLUSTRATIVE CONTENT

The valuation example in Section 10 and the cash-flow diagrams in Section 3 are illustrative and hypothetical. They do not represent actual assets, transactions, or DC Square's expected or target returns.

16

Sources, Methodology & Appendices

Numbered sources

1–2. NHAI, road network statistics and Asset Monetisation Strategy document.
3. CARE Ratings, Update on Roads and Highways; Ministry of Road Transport and Highways contracting model documentation.
4–6. NHAI Annual Reports; Brickwork Ratings, NHAI credit analysis, August 2025.
7, 9. NITI Aayog, National Monetisation Pipeline, Volumes I & II; Indian Infrastructure, NMP 2.0 coverage, 2025.
8. NHAI Asset Monetisation Strategy document (TOT auction records).
10. SEBI, Infrastructure Investment Trusts Regulations, 2014, as amended October 2023.
11. NHIT Annual Report 2024-25; NHIT quarterly investor presentations.
12–13. Bharat InvITs Association industry data; India REITs/InvITs Primer, June 2024.
14. National Institute of Public Finance and Policy, Fiscal Multipliers for India, Working Paper No. 2013-125; Reserve Bank of India, infrastructure capital expenditure multiplier estimates, 2019.
15. SEBI circulars on InvIT minimum investment and trading lot thresholds, 2024-25.

Appendix A — Key definitions

EPC

Engineering, Procurement and Construction — a contracting model where government funds construction directly and a contractor executes for a fixed price.

BOT

Build-Operate-Transfer — a model where a private developer funds construction and recovers investment via tolling over a concession period.

HAM

Hybrid Annuity Mode — NHAI funds ~40% of construction upfront; a private developer funds the remainder, recovered via fixed annuity payments.

TOT

Toll-Operate-Transfer — NHAI auctions completed, tolling roads to private operators for an upfront payment and a fixed concession period.

InvIT

Infrastructure Investment Trust — a SEBI-regulated vehicle through which investors hold units representing a claim on underlying infrastructure asset cash flows.

COD

Commercial Operation Date — the date a road asset becomes operational and begins generating toll or annuity revenue.

DSCR

Debt Service Coverage Ratio — the ratio of cash flow available to debt service obligations.

NHAI

National Highways Authority of India — the government body responsible for national highway development and maintenance.

NMP

National Monetisation Pipeline — the government's programme identifying public infrastructure assets for monetisation.

SPV

Special Purpose Vehicle — a legal entity holding a specific asset or group of assets, commonly used to isolate project-level risk.

O&M

Operations and Maintenance — the ongoing costs and obligations required to keep a road asset operational.

Appendix B — InvIT market map

See Section 6 for the full table. This report does not maintain a separately expanded version at this time.

Appendix C — Key road infrastructure data

METRIC	VALUE	SOURCE
National highway network	146,195 km (2024)	NHAI
Network growth since 2014	+60% (from 91,287 km)	NHAI
NHAI debt, peak (FY24)	₹3.35 lakh crore	Brickwork Ratings
NHAI debt, March 2025	₹2.44 lakh crore	Brickwork Ratings
TOT aggregate value, 11 successful bundles	₹48,995 crore	NHAI
India InvIT/REIT combined AUM	~₹7 lakh crore (2025)	Bharat InvITs Association

Appendix D — Methodology & sources

Data cut-off: figures reflect publicly available information as of the report's stated preparation date and have not been updated for subsequent developments.

Return methodology: the NHIT return figure in Section 5 is reported as disclosed by NHIT in its own investor materials and has not been independently recalculated by DC Square.

Illustrative assumptions: the valuation example in Section 10 uses hypothetical figures selected for illustrative simplicity; they are not derived from any actual asset.

Source hierarchy: government and regulatory sources (NHAI, SEBI, RBI, NITI Aayog) were prioritised, followed by primary company/trust disclosures, recognised rating agencies, industry associations, and secondary research, in that order.