

Distribution Policy
IndiGrid Infrastructure Trust

- A. **Preamble:** The Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014, as amended or supplemented, including any guidelines, circulars, notifications and clarifications framed or issued thereunder (“**InvIT Regulations**”), prescribes certain conditions in relation to distribution to be made to the Unitholders of an infrastructure investment trust. The Distribution Policy (“**Policy**”) aims to outline the process and procedure for distribution in relation to the IndiGrid Infrastructure Trust (“**Trust**”). Accordingly, IndiGrid Investment Managers Limited (“**Investment Manager**”), the investment manager to the Trust appointed pursuant to the Investment Management Agreement dated November 10, 2016 as amended and/or restated from time to time, has formulated this Policy.
- B. The net distributable cash flows of the Trust (the “**Distributable Income**”) are presently based on the cash flows generated from the underlying operations undertaken by the special purpose vehicles (“**SPVs**”) held by the holding company (“**HoldCo**”), which is in turn, held by the Trust or held directly by the Trust.
- C. Cash flows receivable by the Trust may include dividends from the HoldCo/SPVs or interest income received from the SPVs / the HoldCo in relation to any debt sanctioned by the Trust.
- D. In terms of the InvIT Regulations, with respect to distributions made by the Trust and the HoldCo and/or the SPVs (the “**Distribution Requirements**”):
- (i) not less than 90% of the net distributable cash flows of the SPV shall be distributed to the Trust/HoldCo in proportion of its holding in the SPV, subject to applicable provisions in Companies Act, 2013 or Limited Liability Partnership Act, 2008;
 - (ii) not less than 90% of net distributable cash flows of the Trust shall be distributed to Unitholders.

With regard to distribution of net distributable cash flows by the HoldCo to the Trust, the following shall be complied with:

- (i) with respect to the cash flows received by the HoldCo from underlying SPVs, 100% of such cash flows received by the HoldCo shall be distributed to the InvIT and
- (ii) with respect to the cash flows generated by the HoldCo on its own, not less than 90% of such net distributable cash flows shall be distributed by the HoldCo to the Trust.

However, if any infrastructure asset is sold by the Trust, the HoldCo or an SPV, or if the equity shares or interest in the HoldCo or SPV are sold by the Trust; (i) if the Trust proposes to re-invest the sale proceeds into another infrastructure asset, it shall not be required to distribute any sales proceeds to the Trust or to the unitholders; or (ii) if the Trust proposes not to invest the sale proceeds into any other infrastructure asset within a period of one year, it shall be required to distribute the same in accordance with the Distribution Requirements.

- E. The Trust shall distribute at least 90% of the Distributable Income to the Unitholders. Such distribution shall be declared and made not less than once every six months in every financial year.
- F. The Distributable Income and the net distributable cash flows of the HoldCo and each SPV shall be calculated in accordance with the InvIT Regulations. The indicative method of calculating net distributable cash flows is provided below.

A. Computation of Net Distributable Cash Flow at HoldCo/ SPV level:

Particulars
Cash flow from operating activities as per Cash Flow Statement of HoldCo/ SPV
(+) Cash Flows received from SPV's which represent distributions of NDCF computed as per relevant framework (refer note 1 and 9 below) <i>(relevant in case of HoldCos)</i>
(+) Treasury income / income from investing activities (interest income received from FD, tax refund, any other income in the nature of interest, profit on sale of Mutual funds, investments, assets etc., dividend income etc., excluding any Ind AS adjustments. Further clarified that these amounts will be considered on a cash receipt basis)
(+) Proceeds from sale of infrastructure investments, infrastructure assets or shares of SPVs or Investment Entity adjusted for the following <ul style="list-style-type: none"> • Applicable capital gains and other taxes • Related debts settled or due to be settled from sale proceeds • Directly attributable transaction costs • Proceeds reinvested or planned to be reinvested as per Regulation 18(7) of InvIT Regulations or any other relevant provisions of the InvIT Regulations
(+) Proceeds from sale of infrastructure investments, infrastructure assets or sale of shares of SPVs or Investment Entity not distributed pursuant to an earlier plan to re- invest as per Regulation 18(7) of InvIT Regulations or any other relevant provisions of the InvIT Regulations, if such proceeds are not intended to be invested subsequently
(-) Finance cost on Borrowings, excluding amortisation of any transaction costs as per Profit and Loss Account and any shareholder debt / loan from Trust
(-) Debt repayment (to include principal repayments as per scheduled EMI's except if refinanced through new debt including overdraft facilities and to exclude any debt repayments / debt refinanced through new debt, in any form or equity raise as well as repayment of any shareholder debt / loan from Trust)
(-) any reserve required to be created under the terms of, or pursuant to the obligations arising in accordance with, any: (i). loan agreement entered with banks / financial institution from whom the Trust or any of its SPVs/ HoldCos have availed debt, or (ii). terms and conditions, covenants or any other stipulations applicable to debt securities issued by the Trust or any of its SPVs/ HoldCos, or (iii). terms and conditions, covenants or any other stipulations applicable to external commercial borrowings availed by the Trust or any of its SPVs/ HoldCos, (iv). agreement pursuant to which the SPV/ HoldCo operates or owns the infrastructure asset, or generates revenue or cashflows from such asset (such as, concession agreement, transmission services agreement, power purchase agreement, lease agreement, and any other agreement of a like nature, by whatever name called); or (v). statutory, judicial, regulatory, or governmental stipulations; or – (refer note 2)
(-) any capital expenditure on existing assets owned / leased by the SPV or Holdco, to the extent not funded by debt / equity or from reserves created in the earlier years (refer note 10)
NDCF for HoldCo/SPV's

B. Computation of Net Distributable Cash Flow at Trust level: -

Particulars
Cashflows from operating activities of the Trust
(+) Cash flows received from SPV's / Investment entities which represent distributions of NDCF computed as per relevant framework (refer note 1 and 9 below)
(+) Treasury income / income from investing activities of the Trust (interest income received from FD, any investment entities as defined in Regulation 18(5), tax refund, any other income in the nature of interest, profit on sale of Mutual funds, investments, assets etc., dividend income etc., excluding any Ind AS adjustments. Further clarified that these amounts will be considered on a cash receipt basis)
(+) Proceeds from sale of infrastructure investments, infrastructure assets or shares of SPVs/Holdcos or Investment Entity adjusted for the following: <ul style="list-style-type: none"> • Applicable capital gains and other taxes • Related debts settled or due to be settled from sale proceeds • Directly attributable transaction costs • Proceeds reinvested or planned to be reinvested as per Regulation 18(7) of InvIT Regulations or any other relevant provisions of the InvIT Regulations
(+) Proceeds from sale of infrastructure investments, infrastructure assets or sale of shares of SPVs/ Hold cos or Investment Entity not distributed pursuant to an earlier plan to re-invest as per Regulation 18(7) of InvIT Regulations or any other relevant provisions of the InvIT Regulations, if such proceeds are not intended to be invested subsequently
(-) Finance cost on Borrowings, excluding amortisation of any transaction costs as per Profit and Loss account of the Trust
(-) Debt repayment at Trust level (to include principal repayments as per scheduled EMI's except if refinanced through new debt including overdraft facilities and to exclude any debt repayments / debt refinanced through new debt in any form or funds raised through issuance of units)
(-) any reserve required to be created under the terms of, or pursuant to the obligations arising in accordance with, any: (i). loan agreement entered with financial institution, or (ii). terms and conditions, covenants or any other stipulations applicable to debt securities issued by the Trust or any of its SPVs/ HoldCos, or (iii). terms and conditions, covenants or any other stipulations applicable to external commercial borrowings availed by the Trust or any of its SPVs/ HoldCos, or (iv). agreement pursuant to which the Trust operates or owns the infrastructure asset, or generates revenue or cashflows from such asset (such as, concession agreement, transmission services agreement, power purchase agreement, lease agreement, and any other agreement of a like nature, by whatever name called); or (v). statutory, judicial, regulatory, or governmental stipulations; or – (refer note 2)
(-) any capital expenditure on existing assets owned / leased by the InvIT, to the extent not funded by debt / equity or from contractual reserves created in the earlier years (refer note 10)
NDCF at Trust Level

Notes/ Other Rules:

1. NDCF computed at SPV level for a particular period to be added under this line item, even if the actual cashflows from SPV to InvIT has taken place post that particular period, but before finalization and adoption of accounts of the InvIT.
2. The specified agreements could be for either PPP or non-PPP projects. The Trust retains the option to distribute any surplus amounts, unless such surplus is required to create reserves for any subsequent period.
3. The option to retain 10% distribution under Regulation 18(6) needs to be computed by taking together the retention done at SPV level and Trust level.
4. Further, Trust along with its SPVs needs to ensure that minimum 90% distribution of NDCF be met for a given financial year on a cumulative periodic basis as specified for mandatory distributions in the InvIT regulations (subject to provisions of Note 1 above).
5. Surplus cash available in SPVs due to:
 - (i) 10% of NDCF withheld in line with the Regulations in any earlier year or half year or
 - (ii) Such surplus being available in a new SPV on acquisition of such SPV by InvIT
 - (iii) Any other reason, excluding if such surplus cash is available due to any debt raise could be considered for distribution by the SPV to the InvIT, or by the Trust to its Unitholders in part or in full, but needs to be disclosed separately in the NDCF computation and Distribution.
6. Similarly, any restricted cash (disclosed as such) should not be considered for NDCF computation by the SPV or InvIT (e.g. unspent CSR balance for any year deposited in a separate account as per Companies Act which will be utilized in subsequent years, DSRA reserve, major maintenance reserve etc)
7. Further, it is expressly provided that no Trust or SPVs can distribute any cashflows by obtaining external debt, except to the extent clarified in note 2 above (this will exclude any working capital / OD facilities obtained by Trust/ SPVs as part of Treasury management / working capital purposes as long as they are squared off within the quarter).
8. Further, it is also clarified that Proceeds from sale of infrastructure investments, infrastructure assets or shares of SPVs or Investment Entity adjusted for transaction costs or repayment of debt taken for such assets or other items as mentioned above which is intended to be reinvested or planned to be reinvested as per Regulation 18(7) of InvIT Regulations, could be temporarily parked in Overdraft accounts or used to repay any additional/ unrelated debt. Further if such proceeds are not intended to be reinvested as per the timeline provided in the Regulations and such net proceeds are to be distributed back to Unitholders, then redrawing such temporarily parked funds to distribute such net proceeds will not be considered as a contravention of note 7 above.

9. Cash flows received from SPV's / Investment entities which represent distributions of NDCF computed as per relevant framework at the Trust level for further distribution to Unitholders shall exclude any such cash flows used by the Trust for onward lending to any other SPVs / Investment entities to meet operational / interest expenses or debt servicing of such other SPVs / Investment entities.
 10. Capital expenditure include amounts incurred and paid towards asset enhancement and are capitalized to asset value in the financial statements including lease payments. It is further clarified that Existing Assets as referred to in this line item includes any new structure / building / other infrastructure constructed on an existing infrastructure asset which is already a part of the InvIT.
- G. In case the amount to be distributed for a particular period does not exceed the Distributable Cashflow of such period, the entire amount distributed will be from Distributable cash flow of such period. Further, in case the amount of Distributable Cash flow in a particular period is less than the amount to be distributed for such period, then shortfall (i.e. amount to be distributed less Distributable Cashflow) will be drawn from the accumulated reserve balance of the Trust/SPV. Further, in case the amount of Distributable Cash flow in a particular period exceeds the amount to be distributed for such period, then such excess will be added to the accumulated reserve balance of the Trust/SPV. **Distributable cash flow means "Net distributable cash flow (NDCF) as per audited/limited reviewed financial statement/result sheet) for such period".**
- H. In accordance with the InvIT Regulations, distributions by the Trust shall be made within five working days from the record date. The record date for the payment of distribution shall be two working days from the date of the declaration of distribution, excluding the date of declaration and the record date. The distribution, when made, shall be made in Indian Rupees.
- I. The Distributable Income of Trust shall be calculated in accordance with the InvIT Regulations and any circular, notification or guidance issued thereunder.
- J. In terms of the InvIT Regulations, if the distribution is not made within timeline specified in clause G above., then, the Investment Manager shall be liable to pay interest to the Unitholders at the rate of 15% per annum or such other rate as may be specified under applicable law, until the distribution is made. Such interest shall not be recovered in the form of fees or any other form payable to the Investment Manager by the Trust.
- K. Notwithstanding the above, this Policy will stand amended to the extent of any change in applicable law, including any amendment to the InvIT Regulations, without any action from the Investment Manager or approval of the Unitholders of the Trust.