



## **DISTRIBUTION POLICY**

Adopted by the Board of Investment Manager on:	03.02.2021
Amended by the Board of Investment Manager on:	27.09.2021 04.03.2024 13.08.2025

## **DISTRIBUTION POLICY OF NATIONAL HIGHWAYS INFRA TRUST**

### **A. Preamble**

The Securities and Exchange Board of India (Infrastructure Investment Trust) Regulations, 2014, as amended or supplemented, including any guidelines, circulars, notifications, and clarifications framed thereunder (the "InvIT Regulations"), prescribes certain conditions in relation to distribution to be made to the Unitholders (as defined below) of an infrastructure investment trust. The Distribution Policy (the "Policy") aims to outline the process and procedure for distribution in relation to the National Highways Infra Trust (the "Trust"). Accordingly, National Highways Infra Investment Managers Private Limited (the "Investment Manger"), the investment manager to the Trust appointed pursuant to the Investment Management Agreement dated October 21, 2020, entered into between IDBI Trusteeship Services Limited and the Investment Manager (the "Investment Management Agreement"), as amended from time to time, has formulated this policy.

- B. The net distributable cash flows of the Trust (the "Distributable Income") shall be based on the cash flows generated from the underlying operations undertaken by the Project SPVs (being NHIT Western Projects Private Limited, ~~and~~ NHIT Eastern Projects Private Limited and NHIT Southern Projects Private Limited and other SPVs incorporated/ acquired from time to time by the Trust) held by the Trust.
- C. Distributions may be made from the monies received by the Trust, in accordance with the provisions of the InvIT documents and applicable law.
- D. In terms of the InvIT Regulations, the Project SPVs shall distribute not less than 90% of the net distributable cash flows to the Trust in the proportion of its holding in the Project SPV, subject to applicable provisions of the Companies Act, 2013 or Limited Liability Partnership Act, 2008, each as amended.
- E. In the event any infrastructure assets is sold by the Trust or any Project SPVs or if the equity shares or interest in any Project SPVs is sold by the Trust, then in accordance with the InvIT Regulations:
- if the Trust proposes to re-invest the sales proceeds into any other infrastructure asset, it shall not be required to distribute any sales proceeds to the Unitholders or the Trust; and
  - if the Trust proposes not to invest the sales proceeds into any other infrastructure asset within a period of one year, it shall be required to distribute the same in accordance with the InvIT Regulations.

- F. Subject to the provisions of the Trust Deed and in accordance with the SEBI (Infrastructure Investment Trusts) Regulations, National Highways Infra Trust shall declare and distribute not less than 90% of its Distributable Income to the Unitholders, in proportion to their respective unit holdings. The Trust shall ensure that such distribution of available Distributable Income is made at least once in every quarter during the financial year. Prior approval from the Unitholders shall be obtained for any proposed distribution to be made prior to the acquisition of new projects. All distributions shall be effected within the prescribed timelines from the record date, as stipulated under the applicable SEBI InvIT Regulations.
- G. All distributions to the Unitholders shall be made in compliance with the InvIT Regulations, Income-tax Act, 1961 ("IT Act") and other applicable laws.
- H. The net distributable cash flows of any Project SPVs and Trust shall be calculated in accordance with the InvIT Regulations, formats and circulars issued thereunder, as amended from time to time. The indicative method of calculating net distributable cash flows for the Project SPVs and the Trust is provided below:

**I. Computation of net distributable cash flows at any HoldCo and/or SPV level: -**

<b>Particulars</b>
<b>Cash flow from operating activities as per Cash Flow Statement of HoldCo/ SPV</b>
(+) Cash Flows received from SPV's which represent distributions of NDCF computed as per relevant framework <b>(refer note 1 and 8 below) (relevant in case of HoldCos)</b>
(+) 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"> <li>• Applicable capital gains and other taxes</li> <li>• Related debts settled or due to be settled from sale proceeds</li> <li>• Directly attributable transaction costs</li> <li>• Proceeds reinvested or planned to be reinvested as per Regulation 18(7) of InvIT Regulations or any other relevant provisions of the InvIT Regulations</li> </ul>
(+) 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. The amortization of any transaction costs can be excluded provided such transaction costs have already been deducted while computing NDCF of previous period when such transaction costs were paid.
(-) 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;— <b>(refer note 2)</b>
(-) 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 <b>(refer note 9)</b>
<b>NDCF for HoldCo/SPV's</b>

## II. Computation of net distributable cash flows at Trust level

<b>Particulars</b>
<b>Cashflows from operating activities of the Trust</b>
(+) Cash flows received from SPV's / Investment entities which represent distributions of NDCF computed as per relevant framework <b>(refer note 1 and 8 below)</b>
(+) 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"> <li>• Applicable capital gains and other taxes</li> <li>• Related debts settled or due to be settled from sale proceeds</li> <li>• Directly attributable transaction costs</li> <li>• Proceeds reinvested or planned to be reinvested as per Regulation 18(7) of InvIT Regulations or any other relevant provisions of the InvIT Regulations</li> </ul>
(+) 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 as per Profit and Loss account. However, amortization of any transaction costs can be excluded provided such transaction costs have already been deducted while computing NDCF of previous period when such transaction costs were paid
(-) 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: <ul style="list-style-type: none"> <li>(i). loan agreement entered with financial institution, or</li> <li>(ii). terms and conditions, covenants or any other stipulations applicable to debt securities issued by the Trust or any of its SPVs/ HoldCos, or</li> <li>(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</li> <li>(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</li> <li>(v). statutory, judicial, regulatory, or governmental stipulations; or – <b>(refer note 2)</b></li> </ul>
(-) 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 <b>(refer note 9)</b>
<b>NDCF at Trust level</b>

**(III.) 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 Trust retains the option to distribute any surplus amounts, unless such surplus is required to create reserves for any subsequent period. However, any reserve created out of debt funds at the time of availing debt as per the terms of the financing documents shall not be reduced.
3. The option to retain 10% distribution under Regulation 18(6) needs to be computed by taking together the retention done at HoldCo, SPV level and Trust level.
4. Surplus cash available in InvITs/HoldCos/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 HoldCo/SPV on acquisition of such HoldCo/SPV by InvIT or
  - iii. Any other reason, excluding if such surplus cash is available due to any debt raise,

could be considered for distribution by the HoldCo/SPV to the InvIT/HoldCo, or by the InvIT to its Unitholders in part or in full. Also, such distribution of surplus funds shall be separately disclosed after the NDCF computation for the respective period.

Provided that with regard to the point 4 (ii) above, if an acquisition of such SPV was funded by external debt, then surplus cash available with such SPV should first be used to repay such external debt. After such debt repayment, remaining surplus, if any, can be used for distribution.

5. 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).
6. Further, the Trust or SPVs shall not distribute any cashflows by obtaining external debt, except to the extent clarified in note 2 and 7 (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).

7. 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 6 above.
8. Cash flows received from HoldCos / SPV's / Investment entities which represent distributions of NDCF computed as per relevant framework at the Trust level and/or HoldCo level for further distribution to Unitholders shall exclude any such cash flows used by the Trust and/or HoldCo for onward lending to any other SPVs / Investment entities/HoldCo to meet operational / interest expenses or debt servicing of such entities.
9. 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.
10. Debt repayment at Trust level will not be reduced from NDCF to the extent such debt is refinanced at the HoldCo/SPV level and such proceeds from refinancing have been transferred by the HoldCo/SPV to the Trust for such debt repayment.

Similarly, debt repayment at HoldCo/SPV level will not be reduced from NDCF to the extent such debt is refinanced at the Trust level and such proceeds from refinancing have been transferred by the Trust to the HoldCo/SPV for such debt repayment.

- I. For the purposes of the IT Act, any income distributed by the Trust to the Unitholders shall be deemed to be of the same nature and in the same proportion in the hands of the Unitholder as it had been received by, or accrued to, the Trust. Accordingly, the Trust may follow either the receipt approach or the accrual approach subject to the provisions of the IT Act and applicable accounting standard, however the same shall be followed since the beginning and on a consistent basis.
- J. In terms of the InvIT Regulations, if the distribution is not made within the timelines

in accordance with the InvIT Regulations, the Investment Manager shall be liable to pay interest to the Unitholders in accordance with the InvIT Regulations, 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.
- L. ***In-specie Distribution:*** Subject to the approval of the Unitholders, in accordance with the Trust Deed and provisions of applicable law, the Trustee, in consultation with the Investment Manager, may at any time during the life of the InvIT make in-specie distributions of the assets of the Trust on such terms and conditions and in such manner that is in accordance with the Trust Deed, the Investment Management Agreement, the Project Implementation and Management Agreement and other documents for the purpose of the Trust (including the offer documents) and applicable law.

Adopted by the Board of Directors of National Highways Infra Investment Private Limited on behalf of the Trust on February 3, 2021 (effective from February 3, 2021), and as amended on September 27, 2021(effective from September 27, 2021), March 4, 2024 (effective from April 01, 2024) and August 13, 2025 (effective from August 13, 2025)