

## DISTRIBUTION POLICY OF NATIONAL HIGHWAYS INFRA 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 (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 National Highways Infra Trust (the "Trust"). Accordingly, National Highways Infra Investment Managers Private Limited (the "Investment Manager"), 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"), 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 SPV (being National Highways Infra Projects Private Limited) 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 SPV 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 SPV or if the equity shares or interest in any Project SPV 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. The Trust shall distribute at least 90% of the Distributable Income to its unitholders ("Unitholders"). Such distribution shall be declared and made such that the time period between any two declarations of distribution shall not exceed one year. In accordance with the InvIT Regulations, distributions by the Trust shall be made no later than 15 days from the date of such declarations. The distribution, when made, shall be made in Indian Rupees.
- 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 Distributable Income and the net distributable cash flows of any Project SPV shall be calculated in accordance with the InvIT Regulations. The indicative method of calculating net distributable cash flows for the Project SPV and the Trust is provided below:
- I. *Calculation of net distributable cash flows at any HoldCo and/or SPV level: -*

<b>Profit after tax as per profit and loss account (standalone) (A)</b>
Add: Depreciation, impairment and amortisation as per profit and loss account. In case of impairment reversal, same needs to be deducted from profit and loss.
Add/Less: Decrease/(increase) in working capital as per Ind AS 7
Add: Interest paid on loan/non-convertible debentures issued to Trust
Add/less: Loss/gain on sale of infrastructure assets
Add: NHAI Interest and NHAI Premium Provision

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Add: Proceeds from sale of infrastructure assets adjusted for the following: <ul style="list-style-type: none"> <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)(a) of the InvIT Regulations</li> </ul>
Add: Proceeds from sale of infrastructure assets not distributed pursuant to an earlier plan to re-invest, if such proceeds are not intended to be invested subsequently, net of any profit / (loss) recognised in profit and loss account
Less: Capital expenditure, if any
Add/less: Any other item of non-cash expense / non cash income (net of actual cash flows for these items), including but not limited to <ul style="list-style-type: none"> <li>any decrease/increase in carrying amount of an asset or a liability recognised in profit and loss account on measurement of the asset or the liability at fair value;</li> <li>interest cost as per effective interest rate method (difference between accrued and actual paid);</li> <li>deferred tax;</li> <li>unwinding of Interest cost on interest free loan or other debentures;</li> <li>portion reserve for major maintenance which has not been accounted for in profit and loss statement;</li> <li>reserve for debenture/ loan redemption (Excluding any reserve required by any law or as per lender's agreement)</li> </ul>
Less: Reserve for debentures / loans / capex expenditure in the intervening period till next proposed distribution if deemed necessary by the Investment Manager invested in permitted investments
Less: Repayment of external debt (principal) / redeemable preference shares / debentures, etc. (Excluding refinancing) / net cash set aside to comply with DSRA requirement under loan agreements
Less: Total NHAI Premium including interest and principal payment
Less: Cash Strap / Reserves requirements by Lenders / Rating Agencies
<b>Total Adjustments (B)</b>
<b>Net Distributable Cash Flows (C)=(A+B)</b>

*Calculation of net distributable cash flows at the consolidated Trust level:-*

Cash flows received from the Portfolio Assets in the form of interest
Cash flows declared /received from the Portfolio Assets in the form of dividend
Any other income accruing at the Trust level and not captured above, including but not limited to interest/return on surplus cash invested by Trust
Cash flows received from the Portfolio Assets towards the repayment of the debt issued to the Portfolio Assets by Trust
Proceeds from the Portfolio Assets for a capital reduction by way of a buy back or any other means as permitted, subject to applicable law
Proceeds from sale of assets of the Portfolio Asset not distributed pursuant to an earlier plan to re-invest, or if such proceeds are not intended to be invested subsequently
<b>Total cash inflow at the Trust level (A)</b>
Less: Any payment of fees, interest and expense incurred at the Trust level, including but not limited to the fees of the Investment Manager and Trustee
Less: Net cash set aside to comply with DSRA requirement under loan agreements
Less: Costs/retention associated with sale of assets of the Portfolio Assets: <ul style="list-style-type: none"> <li>relate debts settled or due to be settled from sale proceeds of Portfolio Assets;</li> <li>transaction costs paid on sale of the assets of the Portfolio Assets; and</li> <li>capital gains taxes on sale of assets/ shares in Portfolio Assets/ other investments.</li> </ul>
Less: Proceeds reinvested or planned to be reinvested in accordance with Regulation 18 (7) (a) of the InvIT Regulations
Less: Repayment of external debt at the Trust level and at the level of any of the underlying portfolio assets/special purpose vehicles (Excluding refinancing)

Less: Amount invested in any of the Portfolio Assets for service of debt or interest
Less: Reserve for debentures / loans / capex expenditure in the intervening period till next proposed distribution if deemed necessary by the Investment Manager invested in permitted investments
Less: Repair work in relation to the projects undertaken by any of the Portfolio Assets
Less: Income Tax (if applicable) at the standalone Trust level
Add/Less: Decrease/(increase) in working capital as per Ind AS 7
Less: Cash Strap / Reserves requirements by Lenders / Rating Agencies
<b>Total cash outflows / retention at the Trust level (B)</b>
<b>Net Distributable Cash Flows (C) = (A+B)</b>

- J. 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 standards, however, the same shall be followed since the beginning and on a consistent basis.
- K. In terms of the InvIT Regulations, if the distribution is not made within 15 days of declaration, 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.
- L. 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.
- M. *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 Managers Private Limited on behalf of the Trust on February 3, 2021 and as amended on September 27, 2021.

Certified True Copy



Authorised Signatory

Name: **MATHEW GEORGE**

Designation: **CFO, NHIIMPL**

The first part of the report is a general introduction to the subject of the study. It discusses the importance of the study and the objectives of the research. The second part of the report is a detailed description of the methodology used in the study. This includes a description of the data sources, the sampling method, and the statistical methods used to analyze the data. The third part of the report is a discussion of the results of the study. This includes a description of the findings and a comparison of the results with previous research. The final part of the report is a conclusion and a list of references.

The methodology used in this study was a combination of qualitative and quantitative methods. The data was collected through a series of interviews and focus groups. The data was then analyzed using a content analysis approach. This allowed us to identify the key themes and issues that emerged from the data.

The results of the study show that there are a number of key factors that influence the behavior of the participants. These factors include the social context, the individual characteristics of the participants, and the nature of the task. The findings suggest that there is a need for further research in this area to better understand the underlying mechanisms of the behavior.

In conclusion, this study has provided a detailed and comprehensive analysis of the behavior of the participants. The findings have important implications for the field of research and for the development of interventions. Further research is needed to explore the underlying mechanisms of the behavior and to develop more effective interventions.

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