



Highway Concessions One Private Limited

Distributions Policy

(Approved by the Board of Directors vide its resolution dated on March 22, 2024)

(HC1_Version 02_2024)

This document supersedes all the previous versions of Policy/ communication on this subject.

The policy shall be effective from the date of approval of the Securities and Exchange Board of India for appointment of Highway Concessions One Pvt. Ltd. ("Company") as Investment Manager of Highways Infrastructure Trust which is registered as an infrastructure investment trust under the Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014, as amended ("SEBI InvIT Regulations") on December 23, 2021 having registration number IN/InvIT/21-22/0019).

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1. Preamble

- 1.1. This Policy on distribution of the net distributable cash flows of the Highways Infrastructure Trust (“**Highways Trust**”) aims at formulating a structure for timely declaration of distribution of such Distributable Income to the Unitholders of the Highways Trust.
- 1.2. This Policy has been adopted by the board of directors of the Investment Manager (the “**Board**”) on November 15, 2022, and is effective on and from the Highways Trust Closing Date with respect to the Highways Trust and may be amended from time to time in compliance with the requirement under Applicable Law. The Policy will be effective with respect to, Company from the date of approval of the Securities and Exchange Board of India for appointment of the Company as Investment Manager of Highways Infrastructure Trust. The Investment Manager shall, at all times, comply with the requirements envisaged under the Highways Trust Documents and Applicable Law.

2. Definitions

- 2.1. “**Applicable Law**” shall mean the Indian Trusts Act, 1882, the Companies Act, 2013 and the rules issued thereunder the SEBI InvIT Regulations, the circulars issued by the SEBI time to time including SEBI Circular No. SEBI/HO/DDHS/DDHS-PoD/P/CIR/2023/184 regarding revised framework for computation of Net Distributable Cash Flow (NDCF) by Infrastructure Investment Trusts (InvITs) and any amendment thereof .
- 2.2. “**Distributable Income**” shall mean the Net Distributable Cash Flows of the Highways Trust, calculated in accordance with Clause 5.1(b) of this Policy.
- 2.3. “**Highways Trust Assets**” shall mean assets owned by the Highways Trust, whether directly or Project SPVs, and includes all rights, interests and benefits arising from and incidental to ownership of such assets.
- 2.4. “**Highways Trust Closing Date**” shall mean the date on which units are allotted to the successful applicants pursuant to the Initial Offer.
- 2.5. “**Highways Trust Documents**” shall mean the Trust Deed, the Investment Management Agreement, the Securities Acquisition/Purchase Agreements, Project Management Agreements, any agreement between the Trustee and/or the Investment Manager and/or the Project Manager with respect to the Highways Trust or to which the Investment Manager or the Trustee is a party in their capacity as the manager or trustee of the Highways Trust or Units or any other obligations, securities or instruments as permitted under Applicable Law, executed for the purpose of the Highways Trust, any Placement Memorandum or Offer Document, and such other documents in connection therewith, as originally executed and amended, modified, supplemented or restated from time to time.
- 2.6. “**Initial Offer**” shall mean the proposed initial offer of Units by the Highways Trust.
- 2.7. “**Investment Manager**” shall mean Highway Concessions One Private Limited, in its capacity as the investment manager to the Highways Trust.
- 2.8. “**Management Fees**” shall mean the investment management fee payable to the Investment Manager by the Highways Trust, in consideration for the investment management services rendered by the Investment Manager to the Highways Trust pursuant to the Investment Management Agreement.

- 2.9. “**Net Distributable Cash Flows**” or “**NDCF**” shall mean the net distributable cash flows of the Highways Trust, the Holdcos, the Project SPVs, the Infrastructure Assets and all other assets of the Highways Trust, calculated in accordance with Clause 5.1 of this Policy and the relevant provisions of the Trust Deed, as stipulated in the SEBI InvIT Regulations or in accordance with Applicable Law.
- 2.10. “**Policy**” shall mean this Distribution Policy, as amended from time to time.
- 2.11. “**Project SPVs**” shall have the meaning ascribed to such term defined as SPV in the SEBI InvIT Regulations or otherwise as permitted by SEBI.
- 2.12. “**SEBI**” shall mean the Securities and Exchange Board of India.
- 2.13. “**SEBI InvIT Regulations**” shall mean the Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014, as amended and supplemented from time to time by the SEBI, including all guidelines, circulars, notifications and directions issued by SEBI under the SEBI InvIT Regulations from time to time.
- 2.14. “**Trust Deed**” shall mean the trust deed dated December 3, 2021 entered into between Highways Trust, Investment Manager or the Settlor and the Sponsor, and the Trustee as amended from time to time.
- 2.15. “**Unit**” shall mean an undivided beneficial interest in the Highways Trust, and all issued and allotted Units together represent the entire beneficial interest in the Highways Trust.
- 2.16. “**Unitholders**” shall mean any person who holds any Unit in the Highways Trust.

3. Interpretation

- 3.1. Capitalised terms used, but not defined herein, shall have the meaning ascribed to such terms under the Trust Deed and other Highways Trust Documents, as the case may be.
- 3.2. Save for Paragraph 9 of this Policy, in case of any inconsistency between any other term of the Trust Deed and this Policy, the terms of the Trust Deed shall prevail.

4. Distributable Income

- 4.1. Subject to the terms of the Trust Deed, the Highways Trust shall declare and distribute not less than 90% of the Distributable Income to the Unitholders in proportion of their holdings. The Highways Trust shall distribute the available Distributable Income at least once every year.
- 4.2. The Distributable Income shall be distributed by the Highways Trust no later than 15 (fifteen) days from the date of declaration of the Distributable Income by the Investment Manager, in accordance the SEBI InvIT Regulations.
- 4.3. If the distribution is not made within 15 (fifteen) days from the date of declaration of the Distributable Income, the Investment Manager shall be liable to pay interest to the Unitholders at the rate of 15% (fifteen per cent) per annum till the distribution is made. Such interest shall not be recovered in the Management Fees of the Investment Manager or in the form of fee or any other form payable to the Investment Manager by the Highways Trust.
- 4.4. The distribution shall be made in Indian Rupees and each Unitholder will receive its distribution in Indian Rupees.

- 4.5. Distribution shall be made *pro rata* to the Unitholding of each Unitholder and in accordance with the provisions of the Highways Trust Documents and Applicable Law.
- 4.6. Distributions may be made from the monies received by the Highways Trust by way of the investment held by the Highways Trust in the SPVs, repayment of the loan(s) availed from the Highways Trust by the Project SPVs, interest paid by the Project SPVs to the Highways Trust on the loan(s) availed by the Project SPVs from the Highways Trust, return of capital including dividends received by the Highways Trust from the Project SPVs, redemption/buy-back of the fully paid-up Units and/or otherwise and in accordance with the provisions of the Highways Trust Documents and Applicable Law.

5. Method of Calculation of Distributable Income

- 5.1. The Distributable Income of the Highways Trust shall be calculated in accordance with the SEBI InvIT Regulations. The Highways Trust proposes to calculate the Distributable Income in the manner provided below:

- (a) Calculation of the Net Distributable Cash Flows at Project SPVs level:

Particulars
Cash flow from operating activities as per Cash Flow Statement of HoldCo/ Project SPV
(+) Cash Flows received from Project SPV' 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 Project SPVs or HoldCo 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 Project SPVs or HoldCo 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 Highways 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 the Highways 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 Highways Trust or any of its Project SPVs / HoldCos have availed debt, or (ii). terms and conditions, covenants or any other stipulations applicable to debt securities issued by the Highways Trust or any of its Project SPVs / HoldCos, or (iii). terms and conditions, covenants or any other stipulations applicable to external commercial borrowings availed by the Highways Trust or any of its Project SPVs / HoldCos, (iv). agreement pursuant to which the Project 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 Project 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/ Project SPV's

(b) Calculation of the Distributable Income at the Highways Trust level:

Particulars
Cashflows from operating activities of the Highways Trust
(+) Cash flows received from Project SPVs / HoldCos which represent distributions of NDCF computed as per relevant framework (refer note 1 and 9 below)
(+) Treasury income / income from investing activities of the Highways 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 Project 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 Project 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 Highways 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 Highways Trust or any of its Project SPVs / HoldCos, or (iii). terms and conditions, covenants or any other stipulations applicable to external commercial borrowings availed by the Highways Trust or any of its Project SPVs / HoldCos, or (iv). agreement pursuant to which the Highways 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 Highways Trust Level

Notes/ Other Rules:

1. NDCF computed at the Project SPV level for a particular period to be added under this line item, even if the actual cashflows from Project SPV to the Highways Trust has taken place post that particular period, but before finalization and adoption of accounts of the Highways Trust.
2. The specified agreements could be for either PPP or non-PPP projects. The Highways 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) of the InvIT Regulations needs to be computed by taking together the retention done at Project SPV level and Highways Trust level.
4. Further, the Highways Trust along with its Project 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 Project 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 Project SPV on acquisition of such Project 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 Project SPV to the Highways Trust, or by the Highways 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 Project SPV or the Highways Trust (e.g. unspent CSR balance for any year deposited in a separate account as per Companies Act, 2013 which will be utilized in subsequent years, DSRA reserve, major maintenance reserve etc)
7. Further, the Highways Trust or Project SPVs shall not 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 the Highways Trust / Project SPVs as part of

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Treasury management / working capital purposes as long as they are squared off within the quarter or such other purpose as may be allowed under Applicable Law).

8. Further, it is also clarified that proceeds from sale of infrastructure investments, infrastructure assets or shares of Project SPVs/ HoldCos 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 Project 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 Project SPVs / investment entities to meet operational / interest expenses or debt servicing of such other Project 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.

6. Distribution on disposition

- 6.1. The proceeds realized from the disposition of Investments/Project SPVs shall either be reinvested in the manner as permitted under the SEBI InvIT Regulations or be distributed by the Highways Trust acting through the Investment Manager, within a period of one year, in accordance with the SEBI InvIT Regulations and the Highways Trust Documents, provided that such disposition proceeds shall not be used in contravention of the SEBI InvIT Regulations.
- 6.2. The Distribution shall be declared by the Investment Manager and made by the Trustee through the Investment Manager to the Unitholders in the ratio of the beneficial interest of the Unitholders.

7. Distribution on Dissolution

- 7.1. In the event of dissolution of the Highways Trust, all of the assets of the Highways Trust or the proceeds therefrom shall be distributed or used as follows and in the following order of priority, in accordance with the provisions of the Trust Deed and Applicable Law:
 - 7.1.1. First, towards the payment of the debts and liabilities of the Highways Trust, including without limitation any statutory dues of the Highways Trust and also any statutory dues and amounts due to the Trustee (including but not limited to trustee remuneration), the Investment Manager, or a service provider to the Highways Trust and any expenses incurred for the dissolution of the Highways Trust;
 - 7.1.2. Second, towards the setting up of any reserves which the Trustee (on the advice of the Investment Manager) or the authority in-charge of the winding up of the affairs of the Highways Trust may deem reasonably necessary for any contingent or unforeseen liabilities or obligations of the Highways Trust; and
 - 7.1.3. Third, to the Unitholders in the ratio of their Unitholding.

7.2. If Highways Trust Assets are distributed in kind, the amount of such distribution shall be on the basis of the fair market value of the Highways Trust Assets so distributed.

8. Deduction of Taxes

8.1. The Trustee shall, subject to the advice of the Investment Manager, and in accordance with the Trust Deed, make any deduction of taxes, cess, fees, charges, assessments and duties that may be required to be deducted or withheld under Applicable Law and also deduct any stamp duties or government taxes, registration fees or charges payable by it, before making any payment of Distributable Income to any Unitholder, or in connection with any documents executed in that regard.

8.2. The Investment Manager shall be responsible for deducting all types of taxes and deposit with the relevant Governmental Agency as per the Applicable Law.

9. Conflict with Law

9.1. This Policy shall not contradict any the provisions of any Applicable Law. In case of any discrepancy, the provisions of Applicable Law shall prevail over the provisions of this Policy.

9.2. Notwithstanding the above, this Policy will stand amended to the extent of any change in Applicable Law, including any amendment to the SEBI InvIT Regulations, without any action from the Investment Manager or approval of the Unitholders of the Highways Trust.