DISTRIBUTION POLICY OF POWERGRID INFRASTRUCTURE INVESTMENT 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 of an infrastructure investment trust. The Distribution Policy[1] (the "**Policy**") aims to outline the process and procedure for distribution in relation to POWERGRID Infrastructure Investment Trust (the "**Trust**" or the "**InvIT**"). Accordingly, POWERGRID Unchahar Transmission Limited (the "**Investment Manager**"), the investment manager to the Trust appointed pursuant to the investment management agreement dated December 18, 2020 entered into between IDBI Trusteeship Services Limited (the "**Trustee**"), the Investment Manager, Vizag Transmission Limited, POWERGRID Kala Amb Transmission Limited, POWERGRID Parli Transmission Limited, POWERGRID Warora Transmission Limited and POWERGRID Jabalpur Transmission Limited, as amended from time to time (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 by it and from the underlying operations undertaken by the special purpose vehicles (together, the "**SPVs**") and any holding companies (such holding companies individually referred to as "Holdco" and together the, the "**Holding Companies**" and together with the SPVs, the "**Portfolio Assets**") held by the Trust. The computation of the Distributable Income will at all times be compliant with the prevailing provisions of the InvIT Regulations. Notwithstanding anything given in this policy, there is no obligation on the Trust, SPVs or Holdco, if any, to distribute income beyond what is required under the InvIT Regulations.

C. Distributions may be made from the monies received by the Trust, in accordance with the provisions of the InvIT documents and Applicable Laws[2].

D. In terms of the InvIT Regulations, the SPVs shall distribute not less than 90% of each of their net distributable cash flows to the Trust/ Holding Company in the proportion of its holding in the SPV, subject to applicable provisions of the Companies Act, 2013, as amended or Limited Liability Partnership Act, 2008, as amended.

E. With regard to distribution of net distributable cash flows by the Holding Companies, if any, to the Trust, 100% of cash flows received by the Holding Companies from underlying SPVs shall be distributed to the Trust (net of any expense and applicable taxes including withholding taxes) and with respect to the cash flows generated by a Holding Company on its own, not less than 90% of such net distributable cash flows shall be distributed by the Holding Company to the Trust.

F. In the event any infrastructure assets are sold by the Trust or any Portfolio Asset, or if the equity shares or interest in any Portfolio Asset is sold by the Trust, then in accordance with the InvIT Regulations:

[1] *Amended and adopted vide resolution passed in board meeting of POWERGRID Unchahar Transmission Limited on 20th March 2024 in light of the circular bearing reference number SEBI/HO/DDHS/DDHS-PoD/P/CIR/2023/184 dated December 6, 2023, issued by SEBI, as amended. (To be effective from April 01, 2024)*

[2] *Applicable Law(s) for the purpose of this policy shall mean the laws having jurisdiction over the matter in question, including all applicable statutes, enactments, acts of legislature, ordinances, rules, bye-laws, regulations, notifications, decrees, arbitral award, consents, directions, directives, orders or regulations or other governmental or regulatory restrictions or conditions, or any similar form of decision of, or determination by, any governmental authorities, including the Securities and Exchange Board of India, whether in effect as of the date of adoption of this policy or thereafter, including but not limited to 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 Trust or the Unitholders (as defined below); 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.

G. The Trust shall distribute at least 90% of the Distributable Income to its unitholders (the "**Unitholders**"). Such distribution shall be declared and made not less than once every quarter in every financial year.

H. In accordance with the InvIT Regulations, such distributions by the Trust shall be made no later than 15 days from the date of such declarations. The Investment Manager shall be responsible for deducting all type of taxes on all payments made by the Investment Manager and deposit with the relevant governmental agency in accordance with the InvIT Regulations and the Income Tax Act, 1961 ("**IT Act**"). The distribution, when made, shall be made in Indian Rupees.

I. The Distributable Income and the net distributable cash flows of any SPV shall be calculated in accordance with the InvIT Regulations. The method of calculating net distributable cash flows for the SPV and the Trust is provided below:

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

Particulars
Cash flow from operating activities as per Cash Flow Statement of HoldCo/ SPV
Add: Cash Flows received from SPV's which represent distributions of NDCF computed as per relevant framework ***(please refer to note 1 and 9 below) (relevant in case of HoldCos)***
Add: 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)
Add: Proceeds from sale of infrastructure investments, infrastructure assets or shares of SPVs or Investment Entity adjusted for the following • 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
Add: 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
Less: Finance cost on Borrowings, excluding amortisation of any transaction costs as per Profit and Loss Account and any shareholder debt / loan from Trust
Less: 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)
Less: 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 – ***(Please refer to note 2)***

Less: 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 ***(Please refer to note 10)***
Net Distributable Cash Flow for HoldCo/SPV's

II. ***Computation of Net Distributable Cash Flow at Trust level:***

Particulars
Cashflows from operating activities of the Trust
Add: Cash flows received from SPV's / Investment entities which represent distributions of NDCF computed as per relevant framework ***(refer note 1 and 9 below)***
Add: 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)
Add: Proceeds from sale of infrastructure investments, infrastructure assets or shares of SPVs/Holdcos or Investment Entity adjusted for the following • 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
Add: 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
Less: Finance cost on Borrowings, excluding amortisation of any transaction costs as per Profit and Loss account of the Trust.
Less: 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)
Less: 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)***
Less: 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)***
Net Distributable Cash Flow at Trust Level

<u>Notes for computation of NDCF:</u>

1. The NDCF computed at SPV level for a particular period shall 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 InvIT 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 SEBI InvIT Regulations shall be computed by taking together the retention done at SPV level and Trust level.

4. The InvIT along with its SPVs shall ensure that minimum 90% distribution of NDCF is 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. 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. The Trust or 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 Trust/ SPVs as part of Treasury management / working capital purposes as long as they are squared off within the quarter).

8. 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, may 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 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 to meet operational / interest expenses or debt servicing of such other SPVs.

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.

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 situations where it is not possible for the Trust to distribute the amounts received from the SPVs (whether in the nature of income or capital) net of expenses (direct and indirect) to the Unitholders in the same financial year, due to any reason, the Trustee shall cause the Investment Manager to maintain a record of nature and quantum of such un-distributed amounts. Future distributions by the Trust to the Unitholders to the extent of such un-distributed amounts shall be deemed to be of the same nature as the amounts remaining un-distributed in accordance with section 115UA of the IT Act.

L. Subject to any privileges/ immunities provided to the Unitholders under the Trust Deed or Applicable Law, the Trust may make deduction of any taxes, cess, fees, charges, duties, etc., as may be required to be deducted or withheld under the Applicable Law before making any payment of Distributable Income to any Unitholder.

M. 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.

N. **Conflict with Applicable Law**

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

O. **Amendment**

(i). Any amendment or variation to this Policy shall be undertaken in compliance with InvIT Regulations and Applicable Law.

(ii). 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.

Adopted by the board of directors of POWERGRID Unchahar Transmission Limited on behalf of the Trust on 20th March, 2024.