

DISTRIBUTION POLICY OF BHARAT HIGHWAYS INVIT

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**”), prescribe certain conditions in relation to distribution to be made to the Unitholders (*as defined below*) of an infrastructure investment trust. This distribution policy aims to outline the process and procedure for distribution in relation to the Bharat Highways InvIT (the “**InvIT**” and such policy, the “**Policy**”). Accordingly, GR Highways Investment Manager Private Limited (the “**Investment Manager**”), the investment manager to the InvIT appointed pursuant to the investment management agreement dated July 21, 2022, entered into between IDBI Trusteeship Services Limited and the Investment Manager (the “**Investment Management Agreement**”), has formulated this Policy.

B. Interpretation

- (i) Capitalised terms used, but not defined herein, shall have the meaning ascribed to such term under the amended and restated trust deed dated October 31, 2023, between GR Infraprojects Limited (acting as the settlor), Aadharshila Infratech Private Limited (the “**Sponsor**”) and IDBI Trusteeship Services Limited (the “**Trustee**”) (“**Trust Deed**”) and other InvIT Documents (as defined in the Trust Deed), as the case may be.
- (ii) In case of any inconsistency between the terms of the Trust Deed and this Policy, the terms of the Trust Deed shall prevail.

C. Policy

- (i) The net distributable cash flows of the InvIT shall be calculated in accordance with paragraph C(xi) of this Policy (the “**Distributable Income**”), based on the cash flows generated from the underlying operations undertaken by the project SPVs, as defined under the InvIT Regulations or otherwise as permitted by SEBI, held by the InvIT (“**Project SPVs**”) or any holding companies.
- (ii) Distributions may be made from the monies received by the InvIT, in accordance with the provisions of the InvIT documents and applicable law.
- (iii) The distribution shall be made in Indian Rupees and each Unitholder will receive its distribution in Indian Rupees.
- (iv) Distribution shall be made *pro rata* to the Unitholding of each Unitholder and in accordance with the provisions of the InvIT Documents and Applicable Law.
- (v) Distributions may be made by way of dividend, interest, repayment of principal, return of capital, redemption of the fully paid-up Units (subject to applicable lock-in requirements in accordance with the InvIT Regulations) and/or otherwise and in accordance with the provisions of the InvIT Documents and Applicable Law.
- (vi) In accordance with the InvIT Regulations, the Project SPVs shall distribute not less than 90% of the net distributable cash flows to the InvIT or a holding company, as applicable, proportionate to its holding in the Project SPVs, subject to applicable provisions of the Companies Act, 2013, as amended.
- (vii) In the event any infrastructure assets are sold by the InvIT or any Project SPV or if the equity shares or interest in any Project SPV is sold by the InvIT, then in accordance with the InvIT Regulations:
 - a) if the InvIT 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 InvIT; and
 - b) if the InvIT 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.

- (viii) The InvIT shall distribute at least 90% of the Distributable Income to its unitholders (“**Unitholders**”). Such distribution shall be declared and made not less than once every six months in every financial year, in the manner mentioned in the offer documents. In accordance with the InvIT Regulations, distributions by the InvIT shall be made no later than 15 days from the date of such declarations.
- (ix) In accordance with the InvIT Regulations, any amount remaining unclaimed or unpaid out of the distributions declared by the InvIT in terms of paragraph C (viii) of this Policy shall be transferred to the ‘Investor Protection and Education Fund’ constituted by the SEBI in terms of Section 11 of the Securities and Exchange Board of India Act, 1992, as amended, in such manner as may be specified by the SEBI. Further, the amount transferred to the ‘Investor Protection and Education Fund’ shall not bear any interest, and the unclaimed or unpaid amount of a person that has been transferred to the ‘Investor Protection and Education Fund’ may be claimed in such manner as may be specified by SEBI.
- (x) All distributions to the Unitholders shall be made in compliance with the InvIT Regulations, Income-tax Act, 1961 (“**IT Act**”) and other applicable laws.
- (xi) The net distributable cash flows of the InvIT and the SPV shall be calculated in accordance with the InvIT Regulations, any circular, notification or guidance issued thereunder and the InvIT Documents. Presently, the InvIT and the SPV propose to calculate the net distributable cash flows in the manner provided in **Annexure A**.
- (xii) For the purposes of the IT Act, any income distributed by the InvIT 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 InvIT. Accordingly, the InvIT 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.
- (xiii) 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 InvIT.

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 InvIT.

Adopted by the board of directors of GR Highways Investment Manager Private Limited on behalf of the InvIT.

Certified True Copy

Authorised Signatory

Name: Mohnish Dutta

Designation: Company Secretary

Annexure A

Computation of net distributable cash flows (“NDCF”) at Project SPV level:

Particulars
<i>Cash flow from operating activities as per cash flow statement of Project SPV</i>
(+) Cash flows received from Project SPV’s which represent distributions of NDCF computed as per relevant framework (refer to note 1 and 9 below)
(+) 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 IndAS adjustments. Further, it is 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 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 reinvest 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 InvIT
(-) 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 InvIT)
(-) 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"> (i) loan agreement entered with banks / financial institution from whom the InvIT or any of its Project SPVs have availed debt, or (ii) terms and conditions, covenants or any other stipulations applicable to debt securities issued by the InvIT or any of its Project SPVs; or (iii) terms and conditions, covenants or any other stipulations applicable to external commercial borrowings availed by the InvIT or any of its Project SPVs; (iv) agreement pursuant to which the Project SPV 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 (refer to note 2 below)
(-) any capital expenditure on existing assets owned / leased by the Project SPV to the extent not funded by debt / equity or from reserves created in the earlier years (refer to note 10 below)
<i>NDCF for Project SPVs:</i>

Computation of net distributable cash flow (“NDCF”) at InvIT level:

Particulars
<i>Cashflows from operating activities of the InvIT</i>
(+) Cash flows received from Project SPV’s / investment entities which represent distributions of NDCF computed as per relevant framework (refer to note 1 and 9 below)
(+) Treasury income / income from investing activities of the InvIT (interest income received from FD, any investment entities as defined in Regulation 18(5) of InvIT Regulations, 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, it is 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 investment entity adjusted for the following <ul style="list-style-type: none"> • Applicable capital gains and other taxes

<ul style="list-style-type: none"> • 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 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 InvIT
(-) Debt repayment at InvIT 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"> (i) loan agreement entered with financial institution; or (ii) terms and conditions, covenants or any other stipulations applicable to debt securities issued by the InvIT or any of its Project SPVs; or (iii) terms and conditions, covenants or any other stipulations applicable to external commercial borrowings availed by the InvIT or any of its Project SPVs; or (iv) agreement pursuant to which the InvIT 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 (<i>refer to note 2 below</i>)
(-) 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 (<i>refer to note 10 below</i>)
NDCF at InvIT level:

Notes:

1. NDCF computed at Project SPV level for a particular period to be added under this line item, even if the actual cashflows from Project 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 InvIT Regulations needs to be computed by taking together the retention done at the Project SPV level and the InvIT level. Refer to illustration below:

Illustration:

Particulars	SPV A	SPV B	Total at SPV level
NDCF as computed	100	150	250
Amount retained by Project SPV	5	10	15
Net amount distributed to InvIT	95	140	235

InvIT	Scenario 1	Scenario 2
Received from Project SPV	235	235
Add: other items at InvIT level for computation of NDCF	65	(35)
Total NDCF	300	200

Combined NDCF for computing max retention		
NDCF of InvIT (A)	300	200
NDCF of Project SPV's (B)	250	250
Less: - Amount distributed by Project SPV's (C)	(235)	(235)
D = A + B -C	315	215
Max retention amount – 10% of D	31.5	21.5

Amount already retained by Project SPV	15	15
Max amount that can be retained by InvIT	16.5	6.5

4. Further, InvIT 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 InvIT 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 InvIT, or by the InvIT 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 InvIT (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, it is expressly provided that no InvIT or Project SPV 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 InvIT/ Project 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 Project 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 InvIT 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 SPVs / investment entities which represent distributions of NDCF computed as per relevant framework at the InvIT level for further distribution to Unitholders shall exclude any such cash flows used by the InvIT 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.