

**DISTRIBUTION POLICY**  
**INDIA GRID 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 (“**InvIT Regulations**”), prescribes certain conditions in relation to distribution to be made to the Unitholders of an infrastructure investment trust. The Distribution Policy (“**Policy**”), aims to outline the process and procedure for distribution in relation to the India Grid Trust (“**Trust**”). Accordingly, Sterlite Infraventures Limited (“**Investment Manager**”), the investment manager to the Trust appointed pursuant to the Investment Management Agreement dated November 10, 2016 as amended by an amendment agreement dated December 1, 2016, has formulated this Policy.
- B. The net distributable cash flows of the Trust (the “**Distributable Income**”) are presently based on the cash flows generated from the underlying operations undertaken by the special purpose vehicles (“**SPVs**”) held by the holding company (“**HoldCo**”), which is in turn, held by the Trust.
- C. Cash flows receivable by the Trust may include dividends from the HoldCo or interest income received from the SPVs or the HoldCo in relation to any debt sanctioned by the Trust.
- D. In terms of the InvIT Regulations, with respect to distributions made by the Trust and the HoldCo and/or the SPVs (the “**Distribution Requirements**”):
- (i) not less than 90% of the net distributable cash flows of the SPV shall be distributed to the Trust/HoldCo in proportion of its holding in the SPV, subject to applicable provisions in Companies Act, 2013 or Limited Liability Partnership Act, 2008;
  - (ii) not less than 90% of net distributable cash flows of the Trust shall be distributed to Unitholders.

With regard to distribution of net distributable cash flows by the HoldCo to the Trust, the following shall be complied with:

- (i) with respect to the cash flows received by the HoldCo from underlying SPVs, 100% of such cash flows received by the HoldCo shall be distributed to the InvIT and
- (ii) with respect to the cash flows generated by the HoldCo on its own, not less than 90% of such net distributable cash flows shall be distributed by the HoldCo to the Trust.

However, if any infrastructure asset is sold by the Trust, the HoldCo or an SPV, or if the equity shares or interest in the HoldCo or SPV are sold by the Trust; (i) if the Trust proposes to re-invest the sale proceeds into another infrastructure asset, it shall not be required to distribute any sales proceeds to the Trust or to the unitholders; or (ii) if the Trust proposes not to invest the sale proceeds into any other infrastructure asset within a period of one year, it shall be required to distribute the same in accordance with the Distribution Requirements.

- E. The Trust shall distribute at least 90% of the Distributable Income to the Unitholders. Such distribution shall be declared and made not less than once every six months in every financial year.
- F. The Distributable Income and the net distributable cash flows of the HoldCo and each SPV shall be calculated in accordance with the InvIT Regulations. The indicative method of calculating net distributable cash flows is provided below.

**I. Calculation of net distributable cash flows at each SPV level:**

Description
<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 IndAs 7
Add: Interest accrued on loan/non-convertible debentures issued to IndiGrid or SGLI
Add/less: Loss/gain on sale of infrastructure assets
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>• directly attributable transaction costs 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 P&L 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: Repayment of external debt (principal) / redeemable preference shares / debentures, etc. (Excluding refinancing) / net cash aside for complying with DSRA requirement under loan agreements
<b>Total Adjustments (B)</b>
<b>Net Distributable Cash Flows (C)=(A+B)</b>

**II. Calculation of net distributable cash flows at the consolidated IndiGrid level:**

Description
Cash flows received from the Portfolio Assets in the form of interest
Cash flows received from the Portfolio Assets in the form of dividend
Any other income accruing at IndiGrid level and not captured above, including but not limited to interest/return on surplus cash invested by IndiGrid
Cash flows received from the Portfolio Assets towards the repayment of the debt issued to the Portfolio Assets by IndiGrid
Proceeds from the Portfolio Assets for an capital reduction by way of buy back, etc., 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 IndiGrid level (A)</b>
Less: Any payment of fees , interest and expense incurred at IndiGrid level, including but not limited to the fees of the Investment Manager and Trustee
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</li> <li>• capital gains taxes on sale of assts/ 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 IndiGrid level and at the level of any of the underlying portfolio assets/special purpose vehicles (Excluding refinancing)
Less: Income tax (if applicable) at the standalone IndiGrid level
<b>Less: Amount invested in any of the SPV for debt service / interest service</b>
<b>Less: Repair work in any of the SPV</b>
<b>Total cash outflows / retention at IndiGrid level (B)</b>
<b>Net Distributable Cash Flows (C) = (A+B)</b>

- G. In accordance with the InvIT Regulations, distributions by the Trust shall be made no later than 15 days from the date of such declaration. The distribution, when made, shall be made in Indian Rupees.
- H. The Distributable Income of Trust shall be calculated in accordance with the InvIT Regulations and any circular, notification or guidance issued thereunder.
- I. 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.
- J. 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 Sterlite Infraventures Limited on behalf of the Trust on March 18, 2017.

Certified true copy

Harsh Dinesh Shah  
Authorised Signatory

