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 (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, POWERGRID Vizag Transmission Limited, POWERGRID Kala Amb Transmission Limited, POWERGRID Parli Transmission Limited, POWERGRID Warora Transmission Limited and POWERGRID Jabalpur Transmission Limited (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 together, the "**Holding Companies**" and together with the SPVs, the "**Portfolio Assets**") 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 SPVs shall distribute not less than 90% of each of their net distributable cash flows to the Trust or a Holding Company, as applicable, 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 to the Trust, 100% of cash flows received by the Holding Companies from underlying SPVs shall be distributed to the Trust 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 is 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:

- 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. Notwithstanding the foregoing, the first declaration of distribution by the Trust shall be made within six months from the listing and trading of units pursuant to the initial offer by the Trust, subject to compliance with the InvIT Regulations.

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 distribution, when made, shall be made in Indian Rupees.

I. All distributions to the Unitholders shall be made in compliance with the InvIT Regulations, Income-tax Act, 1961 (“**IT Act**”) and other applicable laws.

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

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

Description
Profit after tax as per profit and loss account (standalone) (A)
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: Interest on loans availed from Trust as per profit and loss account
Add: Interest on unpaid interest (on account of loans availed from Trust) as per profit and loss account
Add/Less: Decrease/Increase in working capital affecting the cash flow
Add/less: Loss/gain on sale of infrastructure assets
Add: Net Proceeds (after applicable taxes) from sale of infrastructure assets adjusted for the following: • 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)(a) of the InvIT Regulations
Add: Net Proceeds (after applicable taxes) 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.
Less: Capital expenditure, if any
Less: Investments made in accordance with the investment objective, if any
Add/less: Any other item of non-cash expense / non cash income (net of actual cash flows for these items), if deemed necessary by the Investment Manager, including but not limited to • 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; • interest cost as per effective interest rate method (difference between accrued and actual paid); • deferred tax, lease rents, etc.
Less: Any provision or reserve deemed necessary by the Investment Manager for expenses which may be due in the intervening period till next proposed distribution, but for which there may not be commensurate amounts available by the date such expenses become due.
Less: Repayment of external debt (principal) / redeemable preference shares / debentures, etc. / net cash set aside to comply with borrowing requirements under agreements including DSRA, net

of any debt raised by refinancing of existing debt or/and any new debt raised
Add/ less: Amounts added or retained to make the distributable cash flows in accordance with the Transaction Documents or the loan agreements
Add/Less: Any other adjustment to be undertaken by the board of directors of the Investment Manager (the "**IM Board**") to ensure that there is no double counting of the same item for the above calculations
Total Adjustments (B)
Net Distributable Cash Flows (C)=(A+B)

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

Description
Cash flows received from Portfolio Assets in the form of interest/accrued interest/ additional interest
Add: Cash flows received from Portfolio Assets in the form of dividend
Add: Cash flows/ Proceeds from the Portfolio Assets towards the repayment of the debt issued to the Portfolio Assets by the Trust
Add: Cash Flow / 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
Add: Cash Flow / Proceeds from the sale of the Portfolio Assets not distributed pursuant to an earlier plan to reinvest, or if such proceeds are not intended to be invested subsequently
Less: Costs/retentions associated with sale of the Portfolio Assets (a) Related debts settled or due to be settled from sale proceeds of Portfolio Assets (b) Transaction costs paid on sale of the assets of the Portfolio Assets; and (c) Capital gains taxes on sale of assets/shares in Portfolio Assets/other investments
Add: Any other income accruing at the Trust level and not captured above, including but not limited to interest/return on surplus cash invested by the Trust
Total cash inflow at the InvIT level (A)
Less: Any payment of fees, interest and expenses incurred at the Trust level, including but not limited to the fees of the Investment Manager, Trustee, Auditor, Valuer, Credit Rating Agency
Less: Reimbursement of expenses in relation to the Initial Public Issue of units of the Trust, if any
Less: Repayment of external debt (principal), net of any debt raised by refinancing of existing debt or/and any new debt raised
Less: Net cash set aside to comply with DSRA under loan agreements, if any.
Less: Income tax (if applicable) at the standalone Trust level and payment of other statutory dues
Less: Proceeds reinvested or planned to be reinvested as per Regulation 18(7)(a) of the InvIT Regulations
Less: Amount invested in any of the Portfolio Assets for service of debt or interest
Less: Any provision or reserve deemed necessary by the Investment Manager for expenses which may be due in the intervening period till next proposed distribution, but for which there may not be commensurate amounts available by the date such expenses become due.
Add: Net proceeds from fresh issuance of units by the Trust
Add/Less: Any other adjustment to be undertaken by the IM Board to ensure that there is no double counting of the same item for the above calculations
Total cash outflow/retention at the InvIT level (B)
Net Distributable Cash Flows (C) = (A+B)

K. 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.

L. 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.

M. 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.

N. 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.

O. 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 January 21, 2021.

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