
DISTRIBUTION POLICY OF SHREM 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**”), 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 Shrem InvIT (the “**Trust**” or the “**InvIT**”). Accordingly, Shrem Financial Private Limited (the “**Investment Manager**”), the investment manager to the Trust appointed pursuant to the investment management agreement dated January 12, 2021 entered into between Axis Trustee Services Limited and the Investment Manager (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 asset 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 a financial year. 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.
- H. All distributions to the Unitholders shall be made in compliance with the InvIT Regulations, Income-tax Act, 1961 (the “IT Act”) and other applicable law.
- I. 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 statement of profit and loss account (standalone) (A)
Add: Depreciation and amortisation as per statement of profit and loss account. [In case of impairment reversal, same needs to be deducted from profit and loss
Add/less: Loss/gain on sale of infrastructure assets
Add: Net proceeds (after applicable taxes) from sale of infrastructure assets adjusted for the following: <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)(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]
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"> • any decrease/increase in carrying amount of an asset or a liability recognised in the statement of 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.; • [unwinding of interest cost on interest free loan or other debentures; • portion reserve for major maintenance of InvIT assets which has not been accounted for in profit and loss statement; • reserve for debenture/ loan redemption (Excluding any reserve required by any law or as per lender’s agreement)] • any amount to be kept aside as required by lenders
Less: Repayment of external debt (principal) / redeemable preference shares / debentures, etc. [(Excluding refinancing) / net cash set aside to comply with DSRA requirement under loan agreements]

Add/Less: Change in working capital
Add: Interest on loans (if any) from Trust;
Add: Amount invested by the Trust in the project entity for service of debt or interest, through internal accruals to the extent allowed under the InvIT Regulations.
Add/less: Any other item of non-cash expense / non-cash income (net of actual cash flows for these items) or any other income/expense or adjustments not considered for the calculation of profit after tax, if deemed necessary by the Investment Manager, after the [InvIT Closing Date]
Total Adjustments (B)
Net Distributable Cash Flows (C)=(A+B)

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

Description
Profit after tax as per statement of profit and loss/ income and expenditure (standalone) (A)
Add: Depreciation and amortisation as per statement of profit and loss/ income and expenditure (consolidated).
Add/less: Loss/gain on sale of infrastructure assets or equity shares or interest in SPV.
Add: Net proceeds (after applicable taxes) from sale of infrastructure assets or equity shares or interest in SPV adjusted for the following: <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)(a) of the InvIT Regulations. • capital gains taxes on sale of the SPV, or other investments of the Trust.
Add: Net proceeds (after applicable taxes) from sale of infrastructure assets or equity shares or interest in SPV not distributed pursuant to an earlier plan to re-invest, if such proceeds are not intended to be invested subsequently.
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 <ul style="list-style-type: none"> • any decrease/increase in carrying amount of an asset or a liability recognised in statement of profit and loss/income and expenditure on measurement of the asset or the liability at fair value; • interest cost as per effective interest rate method; • deferred tax; and • lease rents.
Less: Repayment of external debt (principal) / redeemable preference shares / debentures, etc., net of any debt raised by refinancing of existing debt or/and any new debt raised, if deemed necessary by the Investment Manager.
Add: Any other income accruing at the Trust level and not captured above, including but not limited to interest/return on surplus cash, if any, invested by the Trust.
Total cash inflow at the Trust level (A)
Less: Any payment of fees, interest and expense incurred at the Trust level, including but not limited to the fees of the Investment Manager and the Trustee.
Less: Any expenditure reimbursed to Investment Manager which the Investment Manager incurred on behalf of Trust.
Less: Proceeds reinvested or planned to be reinvested in accordance with Regulation 18(7)(a) of the InvIT Regulations and investment policy, if any.

<i>*Less: Amount set aside for fresh investment in accordance with Regulation 18 (4) of the InvIT Regulations and investment policy, if any.</i>
Less: Income tax (if applicable) at the standalone Trust level
Less: Amount invested in or lent to the SPV for service of debt or interest funded through internal accruals of the Trust, to the extent allowed under the InvIT Regulations. Such amount shall be decided by the IM Board in accordance with Trust Deed;
Add: Net proceeds from fresh issuance of units by the Trust.
Less: Any provision, adjustment or reserve deemed necessary by the board of directors of the Investment Manager for expenses which may be due in the future period but for which there may not be commensurate amounts available by the date such expenses become due provided such expenses are already included in accordance with the Trust Deed.
Distributable Income

- 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 Portfolio Assets (whether in the nature of income or capital) net of expenses (direct and indirect) to the unitholders in the same 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. ***In-specie Distribution:*** Subject to the approval of the Unitholders, in accordance with the Trust Deed and provisions of applicable law, the Trustee, in consultation with the Investment Manager, may at any time during the life of the InvIT make in-specie distributions of the assets of the Trust on such terms and conditions and in such manner that is in accordance with the Trust Deed, the Investment Management Agreement, the project implementation and management agreement and other documents for the purpose of the Trust (including the offer documents) and applicable law.

**Inserted pursuant to Board approval obtained in Board Meeting held on November 12, 2022 and unitholders approval obtained in the unitholders meeting held on December 8, 2022.*



Shrem Financial Private Limited
(Investment Manager to Shrem InvIT)

- 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 Shrem Financial Private Limited on behalf of the Trust on November 12, 2022.
