



HIGHWAYS INFRASTRUCTURE TRUST

ACTIVITY AND PERFORMANCE REPORT FOR THE QUARTER ENDED September 30, 2024

This report for Highways Infrastructure Trust ("HIT/Trust") for the quarter ended Sep 30, 2024 has been prepared pursuant to regulations 10(18) and 10(24) of the Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014 and any amendment thereof ("SEBI InvIT Regulations").

FINANCIAL PERFORMANCE

Un-audited Financial Statements along with the Limited Review Report for the quarter ended Sep 30, 2024 will be presented before the Board of the Directors of Highway Concessions One Private Limited, the investment manager of HIT ("HC1" or "IM") within 45 days of end of the quarter.

ACQUISITIONS: HIT awarded TOT Bundle 16 by NHA

HIT has successfully emerged as the highest bidder for TOT Bundle 16 under the NHA's monetization program. HIT signed the Letter of Award on 20th September 2024.

The project covers ~251 km stretch on the Hyderabad-Nagpur corridor with five toll plazas, spanning from the MH/TS Border to Armur (Existing Km 175+000 to Existing Km 313+507) and from Adloor Yellareddy to Bowenpally (Existing Km 373+762 to Existing Km 486+838) on NH-44, located in Telangana. The project will be operated on toll-operate-transfer (TOT) basis.

HIT executed the Concession Agreement on 18th October 2024, securing a 20-year concession period.

OPERATIONAL HIGHLIGHTS



INCOME - BOT (TOLL) PROJECTS

Sl. No.	Particulars	Q2 FY 2025 (INR Mn)
1	Godhra Expressways Private Limited ("GEPL")	405.5
2	Ulundurpet Expressways Private Limited ("UEPL")	458.4
3	Jodhpur Pali Expressway Private Limited ("JPEPL")	175.4
4	Dewas Bhopal Corridor Private Limited ("DBCPL")	580.7
5	Udupi Tollways Pvt. Ltd. ("UTPL")	311.8
6	Swarna Tollway Private Limited ("STPL")	868.6
7	Gujarat Road and Infrastructure Company Limited ("GRICL")	847.3
8	Bangalore Elevated Tollway Private Limited ("BETPL")	599.3

Notes:-

1. For Toll project, revenue collected through Toll has been considered and income arising out of change of scope activity has not been considered.
2. For GRICL please note full revenue has been reported while HIT owns around 56.8%.
3. Revenue numbers are as per limited review financials of the SPVs as on September 30, 2024 and may undergo a change upon completion of audit.
4. Revenue numbers do not represent Ind-As adjustments and final numbers under the audited financials may differ.





OPERATIONAL HIGHLIGHTS

INCOME -BOT (ANNUITY) - PROJECTS

Sl. No.	Particulars	Q2 FY 2025 (INR Mn)
1	Shillong Expressway Private Limited ("SEPL")	36.1
2	Nirmal BOT Private Limited ("NBL") (Formerly known as Nirmal BOT Limited) ("NBPL")	55.6

Notes:-

1. Revenue for BOT Annuity projects considered are as per Ind-AS 115 and the actual annuity receipt figures may differ.
2. Revenue numbers are as per the limited review financial of SPV as on Sep 30, 2024 and may undergo a change upon completion of audit.

INCOME - HYBRID ANNUITY MODEL PROJECT (HAM PROJECTS)

Sl. No.	Particulars	Q2 FY 2025 (INR Mn)
1.	Gurgaon Sohna Highway Private Limited ("GSHPL")	100.1
2.	Rewari Ateli Highway Private Limited ("RAHPL") (Formerly known as H.G. Rewari Ateli Highway Private Limited)	88.1
3.	Ateli Narnaul Highway Private Limited ("ANHPL") (Formerly known as H.G. Ateli Narnaul Highway Private Limited)	256.9

Notes:-

1. Revenue for HAM projects considered are as per Ind-AS 115 and the actual annuity receipt figures may differ.
2. Revenue numbers are as per the limited review financial of SPV as on Sep 30, 2024 and may undergo a change upon completion of audit.





MAINTENANCE WORK



ROUTINE MAINTENANCE

All routine maintenance activities have been carried out as per the requirements set out under the respective concession agreements.

MAJOR MAINTENANCE

A synopsis of status of ongoing major maintenance ("MM") is set out below:

Entity Name	Status as on September 30, 2024	Expected Completion date
BETPL	Major maintenance commenced in the month of September 2024. BC overlay of 7.65 / 48.73 running kilometres on the main carriageway was completed by September 30, 2024.	March, 2025
GRICL - AM	Major maintenance commenced in May 2024. The BC overlay of 13.6/19.3 kilometers on the main carriageway and 1.5/3.0 kilometers on the service road has been completed. No work was done from July 2024 to September 2024 due to monsoon. GRICL is also assessing the post-monsoon pavement condition; additional stretches will be taken up for overlay accordingly.	January, 2025
GRICL - VH	Major maintenance commenced in the month of June 2024. BC overlay of 5.9/10.8 kms on main carriage way and 1.0/2.6 kms on service road has completed. No work was done from July 2024 to September 2024 due to monsoon. GRICL is also assessing the post-monsoon pavement condition; additional stretches will be taken up for overlay accordingly.	January, 2025
UTPL	Major maintenance commenced in the month of December 2023. SMA overlay of 41/148 running kilometers on main carriage way has completed by June 30, 2024.	March, 2025



HEALTH, SAFETY, ENVIRONMENTAL AND SOCIAL (HSES)

1. During the quarter ended Sep 30, 2024 around 12,083 man-hours were spent on HSES trainings across all SPVs.
2. 2 Fatal Incidents occurred during the quarter. Incident Investigation of both the incidents has been completed and implementation of corrective actions is ongoing.
3. A comprehensive monsoon safety campaign ("Short Term Works Safety") was implemented at all sites, including site inspections, hazard identification, targeted safety training, and safety walks conducted by VPs and Project Managers.

Compliance Confirmation

The status of the compliance with the SEBI InvIT Regulations is set out below:

Borrowings:

HIT has availed the following third-party borrowings and such borrowings are in compliance with Regulation 20 under SEBI InvIT Regulations.

Particulars	Facility (INR Mn)	Outstanding as on Sep 30, 2024 (INR Mn)
Rupee term Loan I & II	26,969	21,592
Listed Non-convertible	11,500	11,370
Commercial Papers	2,750	2,750
Loans at SPVs	NA	1,134

1. The amounts outstanding provided above are actual amounts outstanding and may be different from those appearing in the financial statements due to Ind-AS adjustments.

2. All amounts as on Sep 30, 2024 are provisional and unaudited and subject to changes.

3. Loan at SPVs include loan from erstwhile promoters in UEPL and NCD in GRICL (HIT's proportionate economic interest of 56.80%) as at Sep 30, 2024.

4. As on Sep 30, 2024, the aggregate consolidated net borrowing (net of cash and cash equivalents) and deferred payment of HIT is at 30.4% of the value of HIT assets as determined by the latest available valuation (as of March 31, 2024) undertaken by the valuers in accordance with the SEBI InvIT Regulations.

5. Please note that cash and cash equivalents consider all cash, bank balances, fixed deposits and mutual fund investments as per financial statements and includes all interest accrued / reserves / amounts earmarked for distribution. (Cash and cash equivalents for GRICL are considered proportionate to economic interest of HIT of 56.80%)

6. During the quarter ended Sep 30, 2024, CPs of face value of Rs. 2,750 Mn were issued ("New CPs"). The disbursement proceeds of the same of Rs. 2,698 Mn were entirely utilized towards repayment of existing CPs due on Sep 23, 2024. Amount outstanding of New CPs along with accumulated interest as per IndAS as on Sep 30, 2024 is Rs. 2,706 Mn. Such amount has been considered for the purpose of calculation as per Regulation 20 under SEBI InvIT Regulations. However, maturity value of Rs. 2,750 Mn of New CPs is considered in the borrowings mentioned above.



RELATED PARTY TRANSACTIONS:

All related party transactions by HIT during the quarter have been entered into in accordance with the provisions set out in Regulation 19 of the SEBI InvIT Regulations and will be set out in the limited Un-audited Financial Statement for the quarter ended September 30, 2024 which will be presented to the Board of Directors of the IM within 45 days of end of the quarter.

INVESTMENT CONFIRMATION:

All investments by HIT during the quarter have been made in 'eligible infrastructure projects', and no investments in under construction assets has been made by HIT.

DISTRIBUTIONS:

HIT distributed INR 4.76/- per unit in the quarter ended Sep 30, 2024 for the previous quarter. The distribution for the quarter ended Sep 30, 2024 will be considered by the board of directors of the Investment Manager in upcoming Board Meeting.

COMMUNICATION FROM SEBI:

During the quarter, SEBI has issued a letter requiring the IM to ensure appointment of majority directors in GRICL to ensure compliance with the SEBI InvIT Regulations. The IM is in discussions with the other shareholders of GRICL on this issue.

OTHER UPDATES:

Please find below other important updates for the quarter and until the date of this report: -

Change in Board of Director/ Key Managerial Personnel:

- Dr. Zafar Khan, Joint CEO of the Company was appointed as additional executive Director w.e.f. August 8, 2024.
- The Board of Directors at their meeting held on August 08, 2024 has appointed Mr. Soma Sankara Prasad, as an additional independent director.
- Ms. Kunjal Shah has stepped down as the Compliance officer of the Trust in accordance with the SEBI InvIT Regulations w.e.f. close of business hours on August 08, 2024 and Ms. Meghana Singh, General Counsel of the Investment Manager, was appointed as Compliance Officer of the Trust under the SEBI InvIT Regulations w.e.f. August 09, 2024.
- Ms. Kunjal Shah has resigned from the position of Company Secretary of the Investment Manager w.e.f. close of business hours on August 31, 2024
- The Board of the Directors of the IM have inducted Mr. Stefano Ghezzi in place of Mr. Gaurav Chandna in the investment committee w.e.f. August 08, 2024. The reconstituted composition of the investment committee is presented below in a table:

Name of the Committee	Composition w.e.f. August 08, 2024
Investment Committee	(i) Mr. Hardik Shah
	(ii) Mr. Stefano Ghezzi
	(iii) Mr. Manish Agarwal
	(iv) Mrs. Sudha Krishnan

General Information:

- The list of material litigations of the assets of the Trust are attached as annexure to this Report.
- Capital reduction process at the following SPVs of the Trust is ongoing: UEPL, RAHPL, and STPL.

General Meeting /Postal Ballots:

- The Second Annual Meeting of the Unitholder was held on July 25, 2024 and following resolutions were passed with the requisite majority:- (i) Approving the audited standalone & consolidated financial statements of HIT as at and for the FY ended March 31, 2024 together with the report of the auditors and the report on performance of HIT; (ii) Adoption of the valuation report of the assets of the trust for the FY ended March 31, 2024; and (iii) Approving the appointment of Valuer of the Trust for the FY 2024-25 and fix their remuneration.
- IM on behalf of HIT has circulated a postal ballot notice to the unitholders of HIT for seeking the approval of the requisite unitholder for Approving the variation in terms of use of proceeds raised from the Preferential Issue of the units made by the Trust. The Approval for the same was granted by resolution dated September 23, 2024.

Change in shareholding of the Investment Manager:

During the period under review, on July 29, 2024, the Investment Manager has issued and allotted 1,54,60,106 equity shares ("Equity Shares") having a face value of ₹10/- each, at a per share price of ₹11.80/- and aggregating to principal amount of ₹18,24,29,250.80/- to Nebula Asia Holdings II Pte. Ltd. and 2743298 Ontario Limited ("Identified Investors") as per the following details on the terms and conditions set out in two distinct Securities Subscription Agreements dated July 18, 2024 executed amongst the Company and the Identified Investors. The current shareholding of the IM is as follows:

Name of the Shareholder	No of shares	% of holding
Galaxy Investments II Pte. Ltd. (along with the Nominee)	3,76,47,289	60.50
Nebula Asia Holdings II Pte. Ltd.	1,24,45,385	20.00
2743298 Ontario Limited	1,21,34,251	19.50
Total	6,22,26,925	100.00





ANNEXURE: MATERIAL LITIGATION OF SPVs

Legal Proceedings and Material Litigations

1.1 There are no material litigations against the Trust. The details of the material litigations against the special purpose vehicles owned by the Trust are listed below. For the purposes of claims involving amounts exceeding Rs.212.54 million, i.e., 1.5% of the total revenue from operations of the special purpose vehicles as of the period ended March 31, 2024, being the last audited financials available or which are otherwise considered material by the management, have been considered.

1.2 Proceedings against the SPVs:

(a) Dewas Bhopal Corridor Private Limited ("DBCPL")

Proceedings against DBCPL

(i) A former employee of DBCPL, has filed a complaint before the Labour Court, Bhopal, under the Industrial Disputes Act, 1947, regarding the wrongful termination of his employment. DBCPL position is that the termination of the complainant was due to (i) the complainant's involvement in stopping toll collection at DBCPL's toll plazas and allowing vehicles to cross without payment of toll on December 30, 2015, and (ii) the complainant's misbehavior with other senior employees of DBCPL. The matter is currently pending.

(ii) DBCPL received an assessment order under section 143(3) of the Income Tax Act 1965 in December 2019, together with a notice of demand of Rs. 103.08 million for the financial year 2016-17. The key grounds of the demand order are (i) Major Maintenance Expenses of Rs. 359.4 million claimed as deduction disallowed; and (ii) Disallowance of Rs. 0.82 million under section 14A of the Income Tax Act 1965 (Expenses incurred to earn exempt income). The company has filed an appeal with CIT(A) against the demand order, and the hearing of the same is awaited.

Proceedings by DBCPL

(i) DBCPL has filed a criminal complaint before the court of L.D. Judicial Magistrate, First Class, Sonkutch (Dist. Dewas) against its former employee under sections 408 and 420 of the Indian Penal Code, 1860, read with section 200 of the Code of Criminal Procedure, 1973, in relation to unauthorised absence from service and misappropriation of an amount of approximately ₹0.09 Mn. The matter is currently pending.

(ii) DBCPL had filed a writ petition ("**Stamp Act WP**") before the High Court of Madhya Pradesh ("**MP High Court**"), against the Department of Commercial Taxes and Madhya Pradesh Road Development Corporation Limited ("**MPRDC**") challenging the constitutionality of proviso (c) to Entry No. 33 of Schedule 1-A of the Indian Stamp Act, 1899 as amended by the Indian Stamp Act (M.P Amendment) Act, 2002 (Act No. 12 of 2022) which provides for levy of a stamp duty at 2% on the amount likely to be spent under a B.O.T agreement by a lessee. The alleged deficit stamp duty payable by DBCPL is ₹85.30 Mn. The MP High Court by its order dated February 11, 2010, dismissed the Stamp Act WP. Subsequently, DBCPL filed Special Leave Petition ("**SLP**") before the Supreme Court of India challenging the MP High Court's order. The Supreme Court, vide, its judgment dated 19th July 2024 ("**SC Order**"), has directed the Collector (Stamps)/Revenue Officer to calculate and communicate the stamp duty to DBCPL within a period of 2 months. The order further states that DBCPL will have to discharge the demand amount within a period of 2 months of the fresh demand. DBCPL has not yet received any fresh demand notice from the Collector (Stamps)/Revenue Officer pursuant to the SC Order. Further, the order is subject to review which is proposed to be filed by the affected parties.

(iii) DBCPL filed a writ petition before the High Court of Madhya Pradesh against, amongst others, the State of Madhya Pradesh, challenging the constitutionality of Rule 14(2)(b) of the Building and Other Construction Workers Cess Rules, 1988 ("**Cess Rules**"). DBCPL has challenged (i) the inspection report issued by the Labour Inspector; and (ii) the show cause notices issued to it by the Labour Commission, Madhya Pradesh, in respect of submission of the project cost for assessment of cess and alleged non-payment of labour cess. The Petitioner submitted that the Cess Rules are not applicable to the Petitioner. The High Court, by way of its order dated September 09, 2015 (as modified by way of order dated September 30, 2015), directed that, pending disposal of the writ petition, no coercive steps for the recovery of cess shall be taken against the Petitioner. The estimated amount involved in this matter is ₹ 47.78 Mn. The matter is currently pending.





ANNEXURE: MATERIAL LITIGATION OF SPVs

1.2 Proceedings against the SPVs:

(b) Nirmal BOT Private Limited (formerly known as Nirmal BOT Limited) ("NBPL")

Proceedings by NBPL

NBPL has filed a writ petition before the High Court of Andhra Pradesh, against the District Registrar and the Inspector General of Stamps and Registration regarding the demand for payment of ₹ 135.86 Mn as stamp duty on the NBPL concession agreement. The High Court by way of its order dated June 09, 2011, has granted a stay in respect of all further proceedings. The matter is currently pending.

(c) Shillong Expressway Private Limited ("SEPL")

Proceedings against SEPL

SEPL received an assessment order under section 143(3) of the Income Tax Act 1965 in October 2022, together with a notice of demand of Rs. 36.32 million for the financial year 2019-20. The ground of the demand order is disallowance of exemption under section 80(IA) Rs.156.06 million. The company has filed an appeal with CIT(A) against the demand order, and the hearing of the same is awaited.

(d) Ulundurpet Expressways Private Limited ("UEPL")

Proceedings by UEPL

UEPL has filed a petition dated December 2, 2022 before the NCLT, Mumbai for reduction in its paid-up equity share capital to ₹ 968,559,830 divided into 96,855,983 equity shares of ₹ 10 each. This matter was rejected by the Hon'ble NCLT and the UEPL has filed an appeal against it before the National Company Law Appellate Tribunal.

(e) Swarna Tollway Private Limited ("STPL")

Proceedings against STPL

(i) A writ petition has been filed against STPL by a local individual seeking the removal of the toll plaza at Keesara, recovery, and deposit of toll collection. The writ petition was filed on the grounds that as per National Highways Fee (Determination of Rates and Collection) Rules, 2008, the minimum distance between two adjacent toll plazas should be 60 kilometers. However, the distance between the toll plaza at Keesara village and another toll plaza named Vijayawada Expressways Private Limited at Chillakallu village, on the NH-65, is less than 35 kilometers. Since the toll plaza at Keesara village is in contravention of the NH Rules, 2008, the sum collected by STPL from the public is against the law. NHA has filed its response indicating that since the concession agreement with respect to STPL was entered into on March 27, 2001, it is regulated by the National Highway Collection of Fee by any person for the use of NHA Fee Rules, 1997, and not the NH Rules, 2008, and accordingly there is no breach. The matter is currently pending.

(ii) Petitions have been filed against STPL before Central Government Industrial Tribunal by 17 dismissed employees claiming wrongful dismissal and claiming an aggregate compensation of approx. ₹ 6,00,00,000 and reinstatement of employment. The matters are pending.

(iii) There are 7 matters pending before High Court of Andhra Pradesh for AY 2005-06 to AY 2011-12 in connection with disallowance by Income Tax authority of depreciation on toll road as deduction. The aggregate amounts involved in these appeals are ₹ 2,908.53 Mn.

(iv) There is a matter pending before Commissioner of Income Tax (Appeals) for AY 2017-18 against the decision of by income tax authorities of disallowing deduction under section 80-IA. The aggregate amounts involved in these appeals are ₹ 121.42 Mn.

(v) There is a matter pending before Commissioner of Income Tax (Appeals) for AY 2018-19 against the Income Tax authority's decision of disallowance of (i) service fees paid to group entity; and (ii) disallowing deduction under section 80-IA. The aggregate amounts involved in these appeals are ₹ 250.37 Mn.



ANNEXURE: MATERIAL LITIGATION OF SPVs

1.2 Proceedings against the SPVs:

Proceedings by STPL

STPL has filed a complaint under the Consumer Protection Act, 2019, before District Consumer Dispute Redressal Commission, Hyderabad against United India Insurance Company Limited claiming deficiency of services by them and underpayment of claim amount lodged by the STPL. STPL prayed for payment of ₹ 337.7 Mn.

(f) Gujarat Road and Infrastructure Company Limited ("GRICL")

Proceedings against GRICL

(i) A writ petition has been filed against GRICL by Akhil Gujarat Truck Transport Association before the High Court of Gujarat claiming the toll collection under the concession agreements for the projects operated by the GRICL should be suspended since the GRICL has recovered the total cost of the project and reasonable return. As an alternate prayer, the petitioner has sought relief for the stoppage of toll on per axle basis. The petitioners have claimed the issue at hand to be similar to the issues present in Noida Tollway Bridge Company Limited ("NTBCL"), which has been objected to by GRICL. Further, GRICL has presented before the High Court, the legal and factual position to differentiate the concession and issues from those at NTBCL. The matter is currently pending before the High Court for filing of counter affidavits by other respondents.

(ii) There are currently 20 matters pending before the High Court of Gujarat covering the following areas for AY 2002-03 to AY 2016-17: (i) disallowance by Income Tax authority of depreciation on toll road as deduction; (ii) disallowance by Income Tax authority of interest on Deep Discount Bonds as deduction; (iii) disallowance by Income Tax authority of MAT credit entitlement while computing book profit u/s 115JB; and (iv) disallowance of carry forward of losses. The aggregate amounts involved in these appeals are INR 5,008.45 Mn.

(iii) There are 4 matters pending before Income Tax Appellate Tribunal and 1 matter before Commissioner of Income Tax (Appeals) for AY 2012-13 to AY 2022-23 for the following areas: (i) disallowance by Income Tax authority of depreciation on toll road as deduction; (ii) disallowance by Income Tax authority of interest on Deep Discount Bonds as deduction; (iii) disallowance by Income Tax authority of MAT credit entitlement while computing book profit u/s 115JB; and (iv) disallowance of carry forward of losses. The aggregate amounts involved in these appeals are Rs. 1,136.85 Mn.

(g) Rewari Ateli Highway Private Limited ("RAHPL") (formerly known as H.G. Rewari Ateli Highway Private Limited)

Proceedings against RAHPL

RAHPL has received an assessment order on March 20, 2024, passed under section 143 (3) of the Income Tax Act 1965, together with a notice of demand passed under section 156 of the Income Tax Act 1965 of Rs. 54.92 Mn. for the financial year 2021-22. The major grounds of the demand order are disallowance reduction of finance income of Rs. 206.05 Mn from its income. The company has recognised the said income in accordance with IND AS 109 whereas income for income tax computation is offered based on actual receipts. RAHPL has filed an appeal with CIT(A) against the demand order, and the hearing of the same is awaited.

(h) Bangalore Elevated Tollway Private Limited (BETPL)

Proceedings against BETPL

Arbitral Tribunal (AT) on 12 February 2021 was awarded claim of INR 54.60 Cr. in favour of BETPL in relation to BETPL's claim for revenue loss on account of breach of state support agreement by Government of Karnataka ("GOK"). GOK has filed an application under Section 34 of the Arbitration and Conciliations Act, 1996 (A&C Act) for setting aside aforesaid award. The matter is currently pending.