



# **Distributions Policy**

Version	Date of Approval
01	November 15, 2022
02	March 22, 2024
03	June 28, 2025

(Vertis\_Version 03\_2025)

This document supersedes all the previous versions of Policy/ communication on this subject.

The policy shall be effective from the date of approval of the Securities and Exchange Board of India for appointment of Vertis Fund Advisors Pvt. Ltd. (*formerly known as Highway Concessions One Pvt. Ltd.*) ("Company") as Investment Manager of Vertis Infrastructure Trust (*formerly known as Highways Infrastructure Trust*) which is registered as an infrastructure investment trust under the Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014, as amended ("SEBI InvIT Regulations") on December 23, 2021 having registration number IN/InvIT/21-22/0019).

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## 1. Preamble

- 1.1. This Policy on distribution of the net distributable cash flows of the Vertis Infrastructure Trust (*formerly known as Highways Infrastructure Trust*) (“**Vertis**” or “**Trust**”) aims at formulating a structure for timely declaration of distribution of such Distributable Income to the Unitholders of the Trust.
- 1.2. This Policy has been adopted by the board of directors of the Investment Manager (the “**Board**”) on November 15, 2022, and is effective on and from the Trust Closing Date with respect to the Trust and may be amended from time to time in compliance with the requirement under Applicable Law. The Policy will be effective with respect to, Company from the date of approval of the Securities and Exchange Board of India for appointment of the Company as Investment Manager of Vertis. The Investment Manager shall, at all times, comply with the requirements envisaged under the Trust Documents and Applicable Law.

## 2. Definitions

- 2.1. “**Applicable Law**” shall mean the Indian Trusts Act, 1882, the Companies Act, 2013 and the rules framed thereunder, the SEBI InvIT Regulations, the Master Circular bearing reference no. SEBI/HO/DDHS-PoD-2/P/CIR/2024/44 dated May 15, 2024, as amended from time to time and any other circulars, guidelines, or regulations issued by the Securities and Exchange Board of India (“SEBI”) from time to time.
- 2.2. “**Distributable Income**” shall mean the Net Distributable Cash Flows of the Vertis, calculated in accordance with Clause 5.1(b) of this Policy.
- 2.3. “**Vertis Trust Assets**” shall mean assets owned by the Trust, whether directly or Project SPVs, and includes all rights, interests and benefits arising from and incidental to ownership of such assets.
- 2.4. “**Vertis Trust Closing Date**” shall mean the date on which units are allotted to the successful applicants pursuant to the Initial Offer.
- 2.5. “**Vertis Trust Documents**” shall mean the Trust Deed, the Investment Management Agreement, the Securities Acquisition/Purchase Agreements, Project Management Agreements, any agreement between the Trustee and/or the Investment Manager and/or the Project Manager with respect to the Vertis Trust or to which the Investment Manager or the Trustee is a party in their capacity as the manager or trustee of the Vertis Trust or Units or any other obligations, securities or instruments as permitted under Applicable Law, executed for the purpose of the Vertis Trust, any Placement Memorandum or Offer Document, and such other documents in connection therewith, as originally executed and amended, modified, supplemented or restated from time to time.
- 2.6. “**Initial Offer**” shall mean the proposed initial offer of Units by the Vertis Trust.
- 2.7. “**Investment Manager**” shall mean Vertis Fund Advisors Private Limited, in its capacity as the investment manager to the Vertis Trust.
- 2.8. “**Management Fees**” shall mean the investment management fee payable to the Investment Manager by the Vertis Trust, in consideration for the investment management services rendered by the Investment Manager to the Vertis Trust pursuant to the Investment Management Agreement.

- 2.9. **“Net Distributable Cash Flows”** or **“NDCF”** shall mean the net distributable cash flows of the Vertis Trust, the Holdcos, the Project SPVs, the Infrastructure Assets and all other assets of the Vertis Trust, calculated in accordance with Clause 5.1 of this Policy and the relevant provisions of the Trust Deed, as stipulated in the SEBI InvIT Regulations or in accordance with Applicable Law.
- 2.10. **“Policy”** shall mean this Distribution Policy, as amended from time to time.
- 2.11. **“Project SPVs”** shall have the meaning ascribed to such term defined as SPV in the SEBI InvIT Regulations or otherwise as permitted by SEBI.
- 2.12. **“SEBI”** shall mean the Securities and Exchange Board of India.
- 2.13. **“SEBI InvIT Regulations”** shall mean the Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014, as amended and supplemented from time to time by the SEBI, including all guidelines, circulars, notifications and directions issued by SEBI under the SEBI InvIT Regulations from time to time.
- 2.14. **“Trust Deed”** shall mean the trust deed dated December 3, 2021 entered into between Vertis Trust, Investment Manager or the Settlor and the Sponsor, and the Trustee as amended from time to time.
- 2.15. **“Unit”** shall mean an undivided beneficial interest in the Vertis Trust, and all issued and allotted Units together represent the entire beneficial interest in the Vertis Trust.
- 2.16. **“Unitholders”** shall mean any person who holds any Unit in the Vertis Trust.

### **3. Interpretation**

- 3.1. Capitalised terms used, but not defined herein, shall have the meaning ascribed to such terms under the Trust Deed and other Vertis Trust Documents, as the case may be.
- 3.2. Save for Paragraph 9 of this Policy, in case of any inconsistency between any other term of the Trust Deed and this Policy, the terms of the Trust Deed shall prevail.

### **4. Distributable Income**

- 4.1. Subject to the terms of the Trust Deed, the Vertis Trust shall declare and distribute not less than 90% of the Distributable Income to the Unitholders in proportion of their holdings. The Vertis Trust shall distribute the available Distributable Income not less than once every quarter in every financial year. Such frequency shall be followed consistently.
- 4.2. The Distributable Income shall be distributed by the Vertis Trust within 5 (five) working days from the record date, in accordance the SEBI InvIT Regulations. The record date for the payment of distribution shall be two working days from the date of the declaration of distribution, excluding the date of declaration and the record date.
- 4.3. If the distribution is not made within the timelines specified in clause 4.2 above, the Investment Manager shall be liable to pay interest to the Unitholders at the rate of 15% (fifteen per cent) per annum till the distribution is made. Such interest shall not be recovered in the Management Fees of the Investment Manager or in the form of fee or any other form payable to the Investment Manager by the Vertis Trust.

- 4.4. The distribution shall be made in Indian Rupees and each Unitholder will receive its distribution in Indian Rupees.
- 4.5. Distribution shall be made *pro rata* to the Unitholding of each Unitholder and in accordance with the provisions of the Vertis Trust Documents and Applicable Law.
- 4.6. Distributions may be made from the monies received by the Vertis Trust by way of the investment held by the Vertis Trust in the SPVs, repayment of the loan(s) availed from the Vertis Trust by the Project SPVs, interest paid by the Project SPVs to the Vertis Trust on the loan(s) availed by the Project SPVs from the Vertis Trust, return of capital including dividends received by the Vertis Trust from the Project SPVs, redemption/buy-back of the fully paid-up Units and/or otherwise and in accordance with the provisions of the Vertis Trust Documents and Applicable Law.

## 5. Method of Calculation of Distributable Income

- 5.1. The Distributable Income of the Vertis Trust shall be calculated in accordance with the SEBI InvIT Regulations. The Vertis Trust proposes to calculate the Distributable Income in the manner provided below:

(a) Calculation of the Net Distributable Cash Flows at Project SPVs level:

Particulars
<b>Cash flow from operating activities as per Cash Flow Statement of HoldCo/ Project SPV</b>
(+) Cash Flows received from Project SPV' which represent distributions of NDCF computed as per relevant framework ( <b>refer note 1 and 8 below</b> ) ( <i>relevant in case of HoldCos</i> )
(+) 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 Ind AS adjustments. Further 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 HoldCo adjusted for the following <ul style="list-style-type: none"> <li>• Applicable capital gains and other taxes</li> <li>• Related debts settled or due to be settled from sale proceeds</li> <li>• Directly attributable transaction costs</li> <li>• Proceeds reinvested or planned to be reinvested as per Regulation 18(7) of InvIT Regulations or any other relevant provisions of the InvIT Regulations</li> </ul>
(+) Proceeds from sale of infrastructure investments, infrastructure assets or sale of shares of Project SPVs or HoldCo 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 as per Profit and Loss Account excluding finance cost on any shareholder debt/loan from trust. The amortization of any transaction costs can be excluded provided such transaction costs have already been deducted while computing NDCF of previous period when such transaction costs were paid.
(-) 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 the Vertis Trust)
(-) any reserve required to be created under the terms of, or pursuant to the obligations arising in accordance with, any: (i). loan agreement entered with banks / financial institution from whom the Vertis Trust or any of its Project SPVs / HoldCos have availed debt, or (ii). terms and conditions, covenants or any other stipulations applicable to debt securities issued by the Vertis Trust or any of its Project SPVs / HoldCos, or (iii). terms and conditions, covenants or any other stipulations applicable to external commercial borrowings availed by the Vertis Trust or any of its Project SPVs / HoldCos, (iv). agreement pursuant to which the Project SPV / HoldCo 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; or – (refer note 2)
(-) any capital expenditure on existing assets owned /leased by the Project SPV or Holdco, to the extent not funded by debt / equity or from reserves created in the earlier years (refer note 9)
<b>NDCF for HoldCo/ Project SPV's</b>

(b) Calculation of the Distributable Income at the Vertis Trust level:

<b>Particulars</b>
<b>Cashflows from operating activities of the Vertis Trust</b>
(+) Cash flows received from Project SPVs / HoldCos which represent distributions of NDCF computed as per relevant framework (refer note 1 and 8 below)
(+) Treasury income / income from investing activities of the Vertis Trust (interest income received from FD, any investment entities as defined in Regulation 18(5), 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 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 / Holdcos or investment entity adjusted for the following <ul style="list-style-type: none"> <li>• Applicable capital gains and other taxes</li> <li>• Related debts settled or due to be settled from sale proceeds</li> <li>• Directly attributable transaction costs</li> <li>• Proceeds reinvested or planned to be reinvested as per Regulation 18(7) of InvIT Regulations or any other relevant provisions of the InvIT Regulations</li> </ul>
(+) Proceeds from sale of infrastructure investments, infrastructure assets or sale of shares of Project SPVs / Hold cos 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 as per Profit and Loss Account. However, amortization of any transaction costs can be excluded provided such transaction costs have already been deducted while computing NDCF of previous period when such transaction costs were paid.



(-) Debt repayment at Trust 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: (i). loan agreement entered with financial institution, or (ii). terms and conditions, covenants or any other stipulations applicable to debt securities issued by the Vertis Trust or any of its Project SPVs / HoldCos, or (iii). terms and conditions, covenants or any other stipulations applicable to external commercial borrowings availed by the Vertis Trust or any of its Project SPVs / HoldCos, or (iv). agreement pursuant to which the Vertis Trust 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; or – (refer note 2)
(-) 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 (refer note 9)
<b>NDCF at Vertis Trust Level</b>

**Notes/ Other Rules:**

1. NDCF computed at the Project SPV level for a particular period to be added under this line item, even if the actual cashflows from Project SPV to the Vertis Trust has taken place post that particular period, but before finalization and adoption of accounts of the Vertis Trust.
2. The Vertis Trust retains the option to distribute any surplus amounts, unless such surplus is required to create reserves for any subsequent period. However, any reserve created out of debt funds at the time of availing debt as per the terms of the financing documents shall not be reduced.
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 Project SPV level and Vertis Trust level.
4. Surplus cash available in Project SPVs due to:
  - (i) 10% of NDCF withheld in line with the 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 Vertis Trust, or by the Vertis Trust to its Unitholders in part or in full. Also, such distribution of surplus funds shall be separately disclosed after the NDCF computation for the respective period.

Provided that with regard to the point 4 (ii) above, if an acquisition of such Project SPV was funded by external debt, then surplus cash available with such Project SPV should first be used to repay such external debt. After such debt repayment, remaining surplus, if any, can be used for distribution

5. Similarly, any restricted cash (disclosed as such) should not be considered for NDCF computation by the Project SPV or the Vertis Trust (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.)

6. Further, the Vertis Trust or Project SPVs shall not distribute any cashflows by obtaining external debt, except to the extent clarified in note 2 and 7 (this will exclude any working capital / OD facilities obtained by the Vertis Trust / Project SPVs as part of Treasury management / working capital purposes as long as they are squared off within the quarter).
7. Further, it is also clarified that proceeds from sale of infrastructure investments, infrastructure assets or shares of Project SPVs/ HoldCos 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 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.
8. Cash flows received from Project SPV's/ investment entities which represent distributions of NDCF computed as per relevant framework at the Trust level for further distribution to Unitholders shall exclude any such cash flows used by the Trust 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.
9. 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.
10. Debt repayment at Vertis Trust level will not be reduced from NDCF to the extent such debt is refinanced at the Project SPV level and such proceeds from refinancing have been transferred by the Project SPV to the Vertis Trust for such debt repayment.
11. Similarly, debt repayment at Project SPV level will not be reduced from NDCF to the extent such debt is refinanced at the Vertis Trust level and such proceeds from refinancing have been transferred by the Vertis Trust to the Project SPV for such debt repayment.
12. Investment Manager of the Vertis Trust shall ensure the following while making distributions:
  - (i) for each distribution, it should be ensured that cash flows from all assets, whether held by Vertis Trust or any of the underlying Project SPVs, are being distributed together.
  - (ii) the first distribution out of the NDCF computed for a financial year (or period thereof) should be minimum 90%/100% as mandated in the SEBI InvIT Regulations. Thereafter, minimum distribution requirement should be met on a cumulative basis for the subsequent distributions out of the NDCF for such financial year.

## **6. Distribution on disposition**

- 6.1. The proceeds realized from the disposition of Investments/Project SPVs shall either be reinvested in the manner as permitted under the SEBI InvIT Regulations or be distributed by the Vertis Trust acting through the Investment Manager, within a period of one year, in accordance with the SEBI InvIT

Regulations and the Vertis Trust Documents, provided that such disposition proceeds shall not be used in contravention of the SEBI InvIT Regulations.

- 6.2. The Distribution shall be declared by the Investment Manager and made by the Trustee through the Investment Manager to the Unitholders in the ratio of the beneficial interest of the Unitholders.

## **7. Distribution on Dissolution**

- 7.1. In the event of dissolution of the Vertis Trust, all of the assets of the Vertis Trust or the proceeds therefrom shall be distributed or used as follows and in the following order of priority, in accordance with the provisions of the Trust Deed and Applicable Law:

7.1.1. First, towards the payment of the debts and liabilities of the Vertis Trust, including without limitation any statutory dues of the Vertis Trust and also any statutory dues and amounts due to the Trustee (including but not limited to trustee remuneration), the Investment Manager, or a service provider to the Vertis Trust and any expenses incurred for the dissolution of the Vertis Trust;

7.1.2. Second, towards the setting up of any reserves which the Trustee (on the advice of the Investment Manager) or the authority in-charge of the winding up of the affairs of the Vertis Trust may deem reasonably necessary for any contingent or unforeseen liabilities or obligations of the Vertis Trust; and

7.1.3. Third, to the Unitholders in the ratio of their Unitholding.

- 7.2. If Vertis Trust Assets are distributed in kind, the amount of such distribution shall be on the basis of the fair market value of the Vertis Trust Assets so distributed.

## **8. Deduction of Taxes**

- 8.1. The Trustee shall, subject to the advice of the Investment Manager, and in accordance with the Trust Deed, make any deduction of taxes, cess, fees, charges, assessments and duties that may be required to be deducted or withheld under Applicable Law and also deduct any stamp duties or government taxes, registration fees or charges payable by it, before making any payment of Distributable Income to any Unitholder, or in connection with any documents executed in that regard.

- 8.2. The Investment Manager shall be responsible for deducting all types of taxes and deposit with the relevant Governmental Agency as per the Applicable Law.

## **9. Conflict with Law**

- 9.1. This Policy shall not contradict any the provisions of any Applicable Law. In case of any discrepancy, the provisions of Applicable Law shall prevail over the provisions of this Policy.

- 9.2. Notwithstanding the above, this Policy will stand amended to the extent of any change in Applicable Law, including any amendment to the SEBI InvIT Regulations, without any action from the Investment Manager or approval of the Unitholders of the Trust.

- 9.3. In case of any change in this policy other than regulatory changes, unitholder approval shall be required where votes cast in favour of the resolution are more than fifty percent of the total vote cast.