

POWERGRID INFRASTRUCTURE INVESTMENT TRUST

Issue highlights

- The POWERGRID Infrastructure Investment Trust ("PGInvIT") was formed on September 14, 2020 by the sponsor, Power Grid Corporation of India Ltd. ("POWERGRID") as an irrevocable trust, pursuant to the Trust Deed, under the provisions of the Indian Trusts Act, 1882.
- The Investment objectives of the Trust is to carry on the activities of and to make investments as an infrastructure investment trust as permissible in terms of the InvIT Regulations and the Trust Deed. The investment of the Trust shall be in any manner permissible under, and in accordance with the InvIT Regulations and applicable law including in holding companies and/or special purpose vehicles and/or infrastructure projects and/or securities in India as permitted under the InvIT Regulations.
- The Trust is an infrastructure investment trust established for making investments in special purpose vehicles as defined under Regulation 2(1)(zy) of the InvIT Regulations, or infrastructure projects or securities of Indian companies engaged in the infrastructure sector, as may be permitted in terms of Regulation 18(5) of the InvIT Regulations.
- Their Sponsor, POWERGRID was conferred with 'Maharatna' status also acting in the capacity of their Project Manager, is a CPSE under the Ministry of Power, GoI. As of March 31, 2019, POWERGRID was the 3rd largest CPSE in terms of gross block as per the Public Enterprises Survey 2018-19. As of November 1, 2020, POWERGRID was the largest power transmission company in India in terms of length of transmission lines measured in circuit kilometres. As of August 31, 2020, POWERGRID's share in India's cumulative inter-regional power transfer capacity was more than 85%.
- POWERGRID is carrying out O&M of the Initial Portfolio Assets ("IPA") since their respective Commercial Operation Date ("COD") and has entered into O&M agreements with the IPA POWERGRID, as Project Manager, has entered into Project Implementation and Management Agreement with PGInvIT.
- As of December 31, 2020, their Sponsor owned the Sponsor Tariff based competitive bidding ("TBCB") Projects. As of December 31, 2020, 8 of these Inter-state transmission system ("ISTS") SPVs had commenced commercial operations, comprising 39 transmission lines (6,398 Circuit kilometres ("ckm")), with a total power transformation capacity of 9,630 Megavolt-Ampere ("MVA"). The remaining Sponsor TBCB Projects are at different stages of development.

Brief Financial Details of the Project SPVs*

(₹ In Cr)

Particulars	As on 31 st December	As at March 31,		
	2020(09)	2020(12)	2019(12)	2018(12)
Equity Share Capital	1,213.04	1,200.68	998.68	442.28
Other Equity	275.09	333.02	219.61	71.21
Net worth	1,488.13	1,533.70	1,218.29	513.49
Net Debt^	4,945.40	5,136.90	5,574.10	5,329.70
Cash Flow from Operations	900.54	1,052.15	342.50	373.18
Revenue from Operations	992.28	1,324.29	977.16	343.57
Revenue Growth (%)	-	35.52%	184.41%	-
Profit Before Tax	547.65	487.42	348.04	128.53
Profit for the Period	337.14	378.83	248.06	114.13
PAT as % to revenue	33.98%	28.61%	25.39%	33.22%
Long Term Debt to Equity	3.36	3.38	4.58	10.41
Net Debt/EBITDA	3.9x	4.0x	5.9x	15.9x

Source: Offer Document, *Combined statement, ^Net debt includes borrowings, including current maturities of long term borrowings, less cash and cash equivalents. EBITDA includes revenue from operations (excludes other income) less operating expenses.

Issue Details

Issue of Units aggregating upto ₹7,734.99 Cr

(Fresh Issue of Units aggregating upto ₹4,993.48 Cr and Offer for Sale of units upto ₹2,741.51 Cr)

Issue summary

Issue size: Upto ₹ 7,734.99 Cr

No. of Units: Upto 773,499,100^ Units
(^Based on upper Price Band)

Price band: ₹ 99 - 100 per unit

Bid Lot: 1,100 Units and in multiples thereof

Issue opens : Thursday, 29th Apr'2021

Issue closes : Monday, 3rd May'2021

*The Anchor Investor Bidding Date shall be one Working Day prior to the Bid/ Issue Opening date (i.e. on Wednesday, 28th Apr'2021)

Indicative Timetable

Activity	On or about
Finalisation of Basis of Allotment	10-05-2021
Refunds/Unblocking ASBA Fund	11-05-2021
Allotment of Units	11-05-2021
Trading commences	17-05-2021

Credit Rating

Provisional AAA (Stable)	ICRA
AAA/Stable (Is)	CARE
Stable and Provisional CCR AAA/Stable	CRISIL

Sponsor/Project Manager :

Power Grid Corporation of India Ltd

Investment Manager:

POWERGRID Unchahar Transmission Ltd

Trustee:

IDBI Trusteeship Services Ltd

BRLM: Axis Capital, ICICI Securities, Edelweiss Financial, HSBC Securities

Registrar: KFin Technologies Pvt. Ltd

Listing : BSE & NSE

ISSUE STRUCTURE

Issuer/Sponsor	POWERGRID Infrastructure Investment Trust		
Issue Opens on	Thursday, 29 th April 2021		
Issue Closes on	Monday, 3 rd May 2021		
	The Anchor Investor Bidding Date shall be one Working Day prior to the Bid/Offer Opening Date i.e. Wednesday, 28 th April 2021.		
Issue Size	Upto ₹7,734.99 Cr comprising of Fresh Issue of upto ₹ 4,993.48 Cr and Offer for Sale of upto ₹2,741.51 Cr		
Issuance of Units	Compulsorily in dematerialised form.		
Category	Institutional Investors	Non Institutional Bidders	
Category Allocations	Not more than 75% of the Issue size	Not less than 25% of the Issue size	
	For Anchor Investors : Not more than 60% of the Institutional Investors Category		
Bucket Size (Units) at upper band	Anchor	Non Anchor	
	~34.81 Cr Units	~23.20 Cr Units	~19.34 Cr Units
Bucket Size (₹ Cr) at upper band	Upto ₹ 3,480.74Cr	Upto ₹ 2,320.49 Cr	Upto ₹ 1,933.76 Cr
	Non-ASBA	ASBA	ASBA
Bid Lot	1,100 Units and in multiples thereafter		1,100 Units and in multiples thereafter
Trading Lots	100 Units		100 Units
Maximum Application amount	Such number of Units (in multiples of the 1,100 Units) not exceeding the size of this offer, subject to applicable limits		Such number of Units (in multiples of the 1,100 Units) not exceeding the size of this Issue, subject to applicable limits
Mode of Allotment	Compulsorily in dematerialised form		
Terms of Payment	Entire Bid Amount shall be payable at the time of submission of the Bid cum Application Form (including for Anchor Investors)		Entire Bid Amount shall be blocked by the SCSBs in the bank account of the ASBA Bidder that is specified in the ASBA Form at the time of submission of the ASBA Form
Who can Apply	<ul style="list-style-type: none"> QIBs; or Family trusts or systemically important non-banking financial companies registered with the Reserve Bank of India or intermediaries registered with SEBI, with net-worth of more than ₹500 crore, as per the last audited financial statements 		<ul style="list-style-type: none"> Bidders other than Institutional Investors, eligible to apply in this Issue
Basis of Allotment allocation if respective category is oversubscribed	Proportionate basis		
Basis of Allotment allocation if respective category is undersubscribed	In case of under-subscription in any investor category, the unsubscribed portion in either the Institutional Investor category or the Non-Institutional Investor category may be allotted to applicants in the other category.		

Note: Any Units Allotted to Anchor Investors in this Offer shall be locked-in for a period of 30 days from the date of Allotment.

OBJECTS OF THE ISSUE

Objects	(₹ In Cr)
	Amount
<ul style="list-style-type: none"> Providing loans to the Initial Portfolio Assets for repayment or pre-payment of debt, including any accrued interest, availed by the Initial Portfolio Assets 	4,993.48
<ul style="list-style-type: none"> General Corporate Purposes 	[•]
Total	[•]

BUSINESS OVERVIEW

POWERGRID Infrastructure Investment Trust ("PGInvIT") is an InvIT set-up to own, construct, operate, maintain and invest as an infrastructure investment trust as permissible in terms of the InvIT Regulations, including in power transmission assets in India. They were registered with SEBI as an InvIT on January 7, 2021. **Their Sponsor, Power Grid Corporation of India Ltd.**, also acting in the capacity of their Project Manager, is a CPSE under the Ministry of Power, GoI and is listed on BSE and NSE. Their Sponsor was conferred with 'Maharatna' status on October 23, 2019 by the GoI. As of March 31, 2019, their Sponsor was the 3rd largest CPSE in terms of gross block as per the Public Enterprises Survey 2018-19 issued by the GoI, Ministry of Heavy Industries and Public Enterprises, Department of Public Enterprises in February 2020 ("Public Enterprises Survey"). As of November 1, 2020, their Sponsor was the largest power transmission company in India in terms of length of transmission lines measured in circuit kilometres. As of August 31, 2020, their Sponsor's share in India's cumulative inter-regional power transfer capacity was more than 85%. Further, for Fiscal 2020, their Sponsor's share in the transmission charges for ISTS billed by the CTU is over 85%. According to the World Bank, their Sponsor was internationally the 3rd largest transmission utility as of October 25, 2019. Their Sponsor has been ranked the 'Fastest Growing Electric Utility' in the 'Asia/Pacific Rim' region for 7 successive years since 2014 based on compound growth rate according to Platts Top 250 Global Energy Company Rankings® and is the only Electric Utility to feature in the Top 50 Fastest Growing Energy Companies list since 2014.

Their Sponsor is engaged in project planning, designing, financing, constructing, operating, and maintaining power transmission projects across India and undertakes operations in the Indian telecom infrastructure sector. As of December 31, 2020, their Sponsor also provides transmission and distribution consultancy services in India and other jurisdictions, with footprints in 21 countries (including India).

As of December 31, 2020, their Sponsor owned the Sponsor Tariff based competitive bidding ("TBCB") Projects. Their Sponsor, through its wholly-owned subsidiaries, is setting up, implementing and operating transmission projects at various locations in India where the right to provide transmission services is procured under the TBCB mechanism. As of December 31, 2020, 8 of these Inter-state transmission system ("ISTS") SPVs had commenced commercial operations, comprising 39 transmission lines (6,398 Circuit kilometres ("ckm")), with a total power transformation capacity of 9,630 Megavolt-Ampere ("MVA"). The remaining Sponsor TBCB Projects are at different stages of development.

Of the Sponsor TBCB Projects, they propose to acquire 5 projects initially with a total network of 11 power transmission lines of approximately 3,698.59 ckm and 3 substations having 6,630MVA of aggregate transformation capacity, as of December 31, 2020, across 5 states in India (the "**Initial Portfolio Assets**").

Their Investment Manager, POWERGRID Unchahar Transmission Ltd., a wholly-owned subsidiary of their Sponsor, is responsible for managing them and the Initial Portfolio Assets as well as undertaking investment decisions relating to their assets. Their Investment Manager has been engaged in the power transmission business since Fiscal 2014 and has relevant infrastructure sub-sector experience owing to its involvement in the construction and operation of a transmission system. Their Investment Manager meets the prerequisite experience as required under the InvIT Regulations. The Investment Manager has overall responsibility for setting their strategic direction, including in relation to their future acquisitions, divestment, or enhancement of assets.

Their Trustee, IDBI Trusteeship Services Ltd., is a trusteeship company registered with SEBI as a debenture trustee under the SEBI (Debenture Trustees) Regulations, 1993, since February 14, 2017. On behalf of their Unit-holders, the Trustee is responsible for (a) ensuring that their business activities and investment policies comply with the provisions of the InvIT Regulations, and (b) monitoring the activities of their Investment Manager (in terms of the Investment Management Agreement) and their Project Manager (in terms of the Project Implementation and Management Agreement).

They intend to distribute at least 90% of the net cash available for distribution to their Unit-holders once at least every quarter in every financial year. However, the first declaration of distribution by the Trust shall be made within 6 months from the listing and trading of units pursuant to the Offer, subject to compliance with the InvIT Regulations.

They are well positioned to take advantage of the growth potential of India's power transmission industry given their financial position, support from their Sponsor and the robust regulatory framework for power transmission in India.

They are also focused on providing stable and sustainable distributions to their Unit-holders.

For the 9 months ended December 31, 2020 and the Fiscals 2020, 2019 and 2018:

- The Revenue from Operations was ₹ 992.28 crore, ₹ 1,324.29 crore, ₹ 977.16 crore and ₹ 343.57 crore, respectively.
- The profit was ₹ 337.14 crore, ₹ 378.83 crore, ₹ 248.06 crore and ₹ 114.13 crore, respectively.

They have been given a credit rating of Provisional [ICRA] AAA (Stable), CARE AAA (Is); Stable and Provisional CCR AAA/Stable by ICRA Ltd., CARE Ratings Ltd. and CRISIL Ratings Ltd., respectively.

INITIAL PORTFOLIO ASSETS - OVERVIEW

The Initial Portfolio Assets comprise five power transmission projects located across five states of India. The projects comprise 11 transmission lines, including six 765 kV transmission lines and five 400 kV transmission lines, with a total circuit length of approximately 3,698.59 ckm, and three substations with 6,630 MVA of an aggregate transformation capacity and 1,955.66 km of optical ground wire.

Key points of the Initial Portfolio Assets (IPA)

- The Assets were awarded under the Tariff Based Competitive Bidding (TBCB) mechanism on a build-own-operate-maintain ("BOOM") basis with a long-term Transmission Service Agreement (TSA) of 35 years from the COD. The average remaining term of the TSAs is over 32 years.
- By carrying out required renovation works, the useful life of transmission assets can be extended up to 50 years and upon expiry of the term of a TSA, PGINVIT can apply to regulators for renewal if it is not unilaterally extended.
- The transmission charges being contracted for 35 years result in minimal price risk arising from transmission charge resetting, which provides stability, consistent cash flows and long term visibility.
- Inter-state power transmission projects receive transmission charges on the basis of availability, including outage due to a force majeure event, irrespective of the quantum of power transmitted through the system
- Maintaining annual availability in excess of 98% gives the right to claim incentives under the terms of the respective TSAs and each of the IPAs has consistently achieved annual average availability of more than 98% and earned incentives.
- Transmission charges under the TSAs are typically billed, collected, and disbursed by Central Transmission Utility (PGCIL is acting as CTU in India) and the proceeds are distributed proportionately to all entities whose transmission charges have been considered for the purpose of calculation. Any shortfall in collection is shared on a pro-rata basis ensuring limited counterparty risk.
- A surcharge of 1.50% per month on the unpaid amount for late payments, regulation of power supply in the event of non-payment and lack of alternate power infrastructure deter transmission customers from defaulting on payments.

Acquisition of the Initial Portfolio Assets by the Trust and acquisition of the Units by the Sponsor

The Sponsor (jointly with its nominees) presently holds 100% of the equity shareholding of each of the Initial Portfolio Assets. Prior to the Allotment, the Trust, acting through the Trustee, proposes to acquire from the Sponsor, and the Sponsor proposes to transfer to the Trust in exchange for Units, the equity shareholding of each of the Initial Portfolio Assets, pursuant to the Share Purchase Agreements, a portion of which shall be transferred to the Trust prior to Allotment (the "Proposed Transfer").

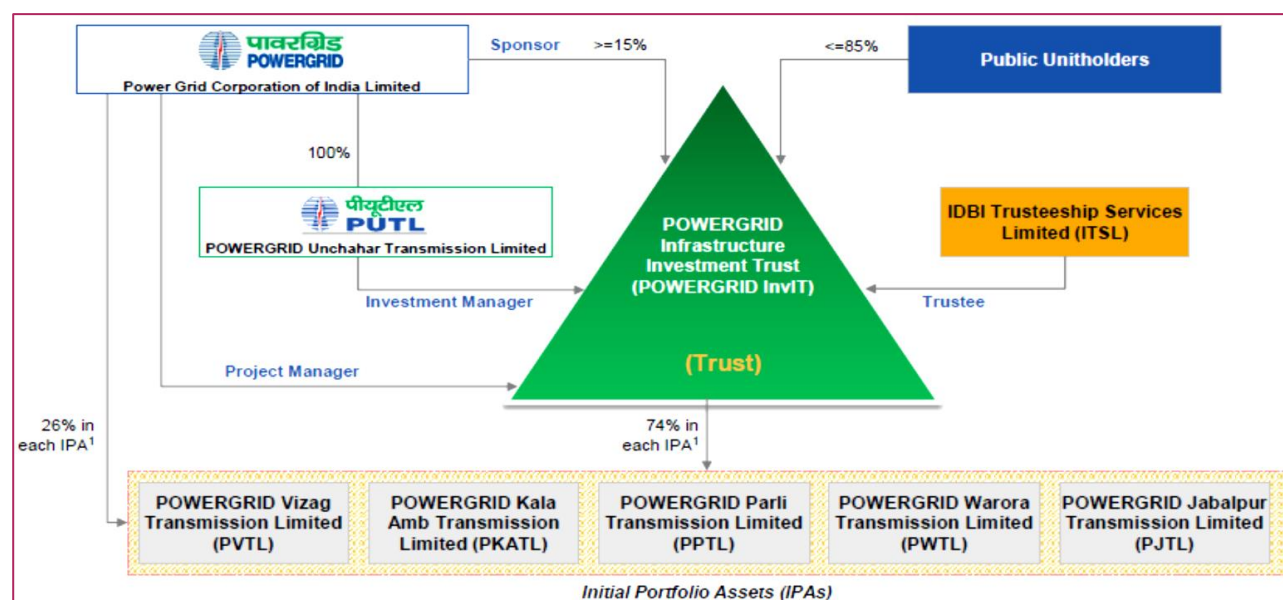
The Proposed Transfer shall be as set out below:

Name of the Initial Portfolio Asset	Pre-Offer shareholding of the Sponsor (jointly with its nominees)	Proposed post-Offer shareholding (%)	
		The Sponsor (jointly with its nominees)	The Trust
PVTL	100%	26%	74%
PKATL	100%	26%	74%
PPTL	100%	26%	74%
PWTL	100%	26%	74%
PJTL	100%	26%	74%

The Summary description of the Initial Portfolio Assets:

Project Name	Transmission Lines*	Specifications	Line length (in ckm)	Transformation Capacity(MVA)	COD	Expiry of Term (TSA)
POWERGRID Vizag Transmission Ltd ("PVTL")	Khammam (Existing) - Nagarjuna Sagar	400 kV D/C	288.84	-	03-01-2016	31-01-2052
	Srikakulam PP –Vemagiri-II Pooling Station	765 kV D/C	668	-	01-02-2017	
POWERGRID Kala Amb Transmission Ltd ("PKATL")	LILO of both circuits of Karcham Wangtoo –Abdullapur transmission line at Kala Amb substation (on M/C towers)	400 kV D/C	2.47	-	12-07-2017	11-07-2052
	400/ 220 kV GIS substation at Kala Amb	400 kV / 220 kV GIS substation	-	630	12-07-2017	
	40% Series compensation on 400 kV Karcham Wangtoo – Kala Amb (Quad) D/C line at Kala Amb ends	-	-	-	12-07-2017	
POWERGRID Parli Transmission Ltd ("PPTL")	Parli (New) - Solapur	765 kV D/C	235.92	-	27-04-2018	03-06-2053
	Parli (New) – Parli (PG)	400 kV D/C	36.50	-	27-04-2018	
	2x1500 MVA, Parli (New) S/S	765/400 kV substation	-	3,000	27-04-2018	
	Warora (Pooling Station) – Parli (New)	765 kV D/C	693.70	-	04-06-2018	
POWERGRID Warora Transmission Ltd ("PWTL")	Interim Arrangement*	765 kV D/C	30.55	-	30-11-2016	09-07-2053
	Gadarwara STPS -Jabalpur Pool	765 kV D/C	173.92	-	31-05-2017	
	LILO of both circuits of Wardha - Parli (PG) 400 kV D/C line at Warora Pooling Station (Quad)	400 kV D/C	196.29	-	16-05-2018	
	Gadarwara STPS-New Pooling Station within the jurisdiction / boundary of Warora	765 kV D/C	627.35	-	10-07-2018	
	2x1500 MVA 765/400 kV (New Pooling Station within the jurisdiction / boundary Warora)	765/400 kV substation	-	3,000	10-07-2018	
POWERGRID Jabalpur Transmission Ltd ("PJTL")	Vindhyachal Pooling Station- Jabalpur Pooling Station	765 kV D/C	745.05	-	25-06-2018	24-06-2053
Total			3,698.59	6,630		

*(including any stations/ substations); TSA= Transmission service agreement

PROPOSED POST LISTING STRUCTURE

COMPETITIVE STRENGTH

- Strong lineage and support from the Sponsor and Project Manager**

The experience and expertise of POWERGRID, the Sponsor, provides PGInvIT with a significant competitive advantage within the Indian power transmission industry. The Sponsor is the largest power transmission company in India in terms of length of transmission lines measured in circuit kilometres. As of August 31, 2020, Their Sponsor's share in India's cumulative inter-regional power transfer capacity was more than 85%. Further, for Fiscal 2020, their Sponsor's share in the transmission charges for ISTS billed by the CTU is over 85%.

- Consistent and stable cash flows from assets with long term visibility and low counter party risks**

PGInvIT derives their revenues for electricity transmission from contracted transmission charges. The transmission charges consist of fixed 'non-escalable' transmission charges and in case of PVTL, fixed 'non-escalable' transmission charges and 'variable escalable' transmission charges. Since transmission charges are fixed for a period of 35 years, there is minimal price risk arising from transmission charge resetting, which provides stability, consistent cash flows and long term visibility. Power transmission projects are characterized by low levels of operating risk. Once a transmission project has been commissioned, it requires low levels of expenditure for O&M. Further, inter-state power transmission projects receive transmission charges on the basis of availability, including in case of outage due to a force majeure event, subject to requisite approvals and irrespective of the quantum of power transmitted through the system.

- Strong financial position**

Company's financial position will help them finance their future expansion plans. Following utilization of the Offer Proceeds, their consolidated borrowings and deferred payments net of cash and cash equivalents will be below 49% of the total value of their assets, as prescribed by the InvIT Regulations. The low debt position of their balance sheet (relative to their assets) will provide them with the ability to finance the growth of their business without substantial dilution to their Unitholders in the near future to ensure compliance with the InvIT Regulations.

- Government support and an established regulatory framework**

The GoI has also been supportive in securing the settlement of outstanding dues by the designated inter-state transmission system customers. The current regulatory framework for the Indian power transmission segment provides significant risk mitigation provisions, such as, availability-based payment structure with no volume risk and the billing, collection and disbursement procedure for adequate payment with limited price risk. Such provisions help in ensuring long-term visibility on returns and predictable cash flows.

- Strategic and critical nature of power transmission infrastructure with low risk of emergence of alternate transmission Infrastructure**

The power sector is a strategic and critical sector as power supply system not only supports critical national infrastructure national defence and vital emergency services, but also supports the entire economy and day-to-day life of the citizens of India. Power transmission projects are strategic and critical assets since they operate as vital links in the power supply value chain. PGInvIT is in an advantageous position to capitalize on opportunities that may arise for increasing power transmission capacity by utilizing their existing right of way, since developing alternate and new lines may be challenging for another entity.

- Skilled and experienced Investment Manager having strong corporate governance philosophy**

PGInvIT is managed by qualified personnel of the Investment Manager who have management and operational experience in the power transmission sector and established track records in negotiating, structuring and financing investments of power transmission assets, and managing those assets. They also benefited from the skills and experience of the board of directors and the management teams of their Investment Manager while making investment decisions and financially managing the Initial Portfolio Assets.

KEY FINANCIAL DATA

The total revenue from operations of the Initial Portfolio Assets

(₹ in Cr)

Initial Portfolio Assets	9 months ended Dec' 31, 2020			Fiscal 2020			Fiscal 2019			Fiscal 2018		
	Transmission charges	Incentive	Total Revenue	Transmission charges	Incentive	Total Revenue	Transmission charges	Incentive	Total Revenue	Transmission charges	Incentive	Total Revenue
PVTL	220.89	7.98	228.87	302.32	10.62	312.93	285.35	10.09	295.44	234.34	7.95	242.30
PKATL	54.28	0.61	54.90	72.99	0.24	73.23	57.26	-	57.26	37.58	-	37.58
PPTL	238.49	8.88	247.37	316.22	11.07	327.29	273.85	9.12	282.97	-	-	-
PWTL	263.04	9.88	272.92	348.22	12.04	360.26	271.07	9.37	280.44	62.25	1.45	63.70
PJTL	182.96	5.27	188.22	242.76	7.81	250.58	59.87	1.18	61.05	-	-	-
Total	959.66	32.62	992.28	1,282.51	41.78	1,324.29	947.40	29.76	977.16	334.17	9.40	343.57

Statement of projections of Revenue from operations and Cash flow from operating activities

(₹ in Cr)

Project SPVs	Year ending March 31					
	2022		2023		2024	
	Revenue from Operations	Cash Flow	Revenue from Operations	Cash Flow	Revenue from Operations	Cash Flow
POWERGRID Infrastructure Investment Trust	1,313.79	1,208.58	1,258.77	1,168.49	1,234.42	1,137.39
POWERGRID Vizag Transmission Ltd ("PVTI")	295.65	260.70	242.62	225.96	220.17	201.14
POWERGRID Kala Amb Transmission Ltd ("PKATL")	73.05	65.05	71.06	61.47	69.16	56.55
POWERGRID Parli Transmission Ltd ("PPTL")	328.49	308.50	328.49	308.11	328.49	307.79
POWERGRID Warora Transmission Ltd ("PWTL")	364.39	343.52	364.39	343.17	364.39	342.91
POWERGRID Jabalpur Transmission Ltd ("PJTL")	252.21	242.44	252.21	242.13	252.21	242.13

QUANTITATIVE FACTORS

The Valuation Summary of the Specified SPVs as at 31st December 2020:

SPV	WACC	Enterprise Value (₹ Cr)	Equity Value (₹ Cr)
POWERGRID Vizag Transmission Ltd	7.80%	2,313.61	1,531.38
POWERGRID Kala Amb Transmission Ltd	7.60%	453.52	267.95
POWERGRID Parli Transmission Ltd	7.70%	2,597.64	1,313.86
POWERGRID Warora Transmission Ltd	7.70%	2,903.68	1,367.95
POWERGRID Jabalpur Transmission Ltd	7.60%	2,116.30	958.21

Comparison with Industry Peers

Particulars	NAV per Unit (₹)*	Premium / (Discount to NAV)%^
India Grid Trust	113.46	15.41%

*NAV as of December 31, 2020

^Calculated as Unit Price as of April 16, 2021 as quoted on NSE / NAV as of December 31, 2020

DISTRIBUTION POLICY

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 InvIT Assets and any holding companies (such holding companies, together, the "Holding Companies").

In terms of the InvIT Regulations, the InvIT Assets 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 InvIT Asset, subject to the applicable provisions of the Companies Act, 2013 or Limited Liability Partnership Act, 2008, as amended.

Further, 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.

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 Unit-holders (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.

The Trust shall distribute at least 90% of the Distributable Income to the Unit-holders. 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 6 months from the listing and trading of Units pursuant to this Offer, subject to compliance with the InvIT Regulations. 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. All distributions to the Unit-holders shall be made in compliance with the InvIT Regulations, IT Act and other applicable laws.

For the purposes of the IT Act, any income distributed by the Trust to the Unit-holders shall be deemed to be of the same nature and in the same proportion in the hands of the Unit-holder 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.

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 Unit-holders 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 Unit-holders 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.

Subject to any privileges/ immunities provided to the Unit-holders 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 Unit-holder.

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 Unit-holders 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.

TAX BENEFITS

Tax Benefits available to Trust

Tax benefit in the hands of Trust in respect of interest income received/ receivable from the SPVs:

- Interest received or receivable by Trust from the Project SPVs shall be exempt from tax, subject to satisfaction of conditions given in section 10(23FC) of the Act.
- In view of the provisions of section 14A of the Act, any expenditure incurred in relation to earning the above exempt income shall not be tax deductible.
- In addition, section 194A(3)(xi) exempts SPV from provisions of tax deduction at source ('TDS') in respect of interest paid or payable to the Trust, provided such interest is in relation to interest other than 'interest on securities'
- As per the provisions of section 193 of the Act, SPVs will be required to withhold taxes where interest is paid or payable on unlisted securities. Please note that the procedural provisions regarding exemption from TDS in relation to such interest paid or payable by SPV to business trust are absent. Accordingly, where SPVs withhold taxes on interest on securities paid or payable to the Trust, the Trust shall be eligible to claim a refund for the same.

Tax benefit in the hands of the Trust in respect of dividend income received/receivable from the SPVs:

- Dividend received or receivable by the Trust from the Project SPVs shall be exempt from tax, subject to satisfaction of conditions given in section 10(23FC) of the Act. Please note that in view of the provisions of section 14A of the Act, any expenditure incurred in relation to earning the above exempt income shall not be tax deductible.
- In case the Tax Authorities are not satisfied by the disallowance considered by the Trust, the quantum of disallowance shall be computed in accordance with the provisions of section 14A read with Rule 8D of the Rules.
- Further, dividend paid by SPV to a business trust shall not be subject to any withholding tax under section 194 of the Act.

Tax Benefits available to Unit Holders

Section 10(23FD) of the Act - Tax exemption in respect of income distributed by Trust:

- As per the provisions of section 115UA(1) of the Act, the income distributed by Trust shall be deemed to be of the same nature and in the same proportion in the hands of the Unit-holder as if such income was received by or accrued to Trust.

- As per the provisions of section 10(23FD) of the Act, any income referred to in section 115UA of the Act and distributed by the Trust [except for that proportion of income referred in sub-clause (a) of clause (23FC) or sub-clause (b) of said clause (in a case where the SPV has exercised the option under section 115BAA)] shall not be included in the total income of the unit-holders.
- Please note that in view of the provisions of section 14A of the Act, any expenditure incurred in relation to earning the above exempt income shall not be tax deductible.

For Detailed Tax Structure, please refer Offer Document

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