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ENTERPRISE VALUATION REPORT

OF

M/S. SUPREME VASAI BHIVANDI TOLLWAYS PRIVATE LIMITED (SPV)

REGISTERED AT

510, 5TH FLOOR, ABW TOWER, IFCO CHOCK MG ROAD, GURGAON, GURGAON, 112-002

OWNER/ PROMOTER

A/C: SUPREME INFRA BOT PRIVATE LIMITED

REPORT PREPARED FOR

SAMB-1, STATE BANK OF INDIA, MUMBAI

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TABLE OF CONTENTS

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PART A INTRODUCTION

1. ABOUT THE REPORT:

Enterprise Valuation of Special Purpose Vehicle (SPV) Company **Supreme Vasai Bhivandi Tollways Private Limited (SPV).** The Company engaged in construction projects having its registered office address at 510, 5th Floor, ABW Tower, IFCO Chock Mg Road, Gurgaon, Gurgaon, 112-002, India

2. EXECUTIVE SUMMARY:

The Company "Supreme Vasai Bhivandi Tollways Private Limited (SPV)" is an unlisted private company and non-government company. It was incorporated on 1st May, 2013 and is majorly involve in Construction business from last 8 years. M/s Supreme Vasai Bhiwandi Tollways is a special purpose vehicle that was acquired by Supreme Infra BOT Private Limited in October 2013. Currently, company's operations are active. SVBTPL was incorporated as SPV Company for execution of 4 laning of Chinchoti-Kaman-Anjurphata to Mankoli road (Major SH No. 4) section from km 00.00 to km 26.425 of the existing road in the state of Maharashtra on Build-Operate-Transfer (BOT) basis.

As per concession agreement the section from km 00.00 to km 22.600 of this road was under BOT from year 2000, built and operate by M/s Ideal road Builders Pvt. Ltd. while in 2008, M/s Bharat Udyog Limited entered into the agreement with Government of Maharashtra (GoM) to implement the project envisaging construction, operation and maintenance of 4 laning of Chinchoti-Kaman-Anjurphata to Mankoli road (Major SH No. 4) section from km 00.00 to km 26.425 of the existing road in the state of Maharashtra on Build-Operate-Transfer (BOT) basis.

3. COMPANY DETAILS:

NAME OF THE COMPANY	SUPREME VASAI BHIVANDI TOLLWAYS PRIVATE LIMITED
CIN No.	U45200HR2013PTC048979
Date of Incorporation	1st May, 2013
Constitution	Limited by Shares
Sector	Building of complete constructions or parts thereof, civil engineering
Registered Office	510, 5th Floor, ABW Tower, IFCO Chock Mg Road, Gurgaon, Gurgaon, 112-002, India
Site Location	Chinchoti-Kaman-Anjurphata to Mankoli road (Major SH No. 4) section from km 00.00 to km26.425 of the existing road in the state of Maharashtra.

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Activity	Four Laning of Chinchoti-Kaman-Anjurphata to Mankoli road section from km 00.00 to km 26.425
Authorized Capital	Rs 50,00,000
Project Description	Four laning of Chinchoti-Kaman-Anjurphata to Mankoli road (Major SH No. 4) section from km 00.00 to km26.425 of the existing road in the state of Maharashtra on Build-Operate-Transfer (BOT) basis.

Source: *Project Information Memorandum*

DETAILS OF THE EPC PROJECT

S. No.	Particular	Description
1.	**Name of the project**	4 laning of Chinchoti-Kaman-Anjurphata to Mankoli road (Major SH No. 4) section from km 00.00 to km26.425 of the existing road in the state of Maharashtra on Build-Operate-Transfer (BOT) basis.
2.	**Name of Concessionaire**	Supreme Vasai Bhivandi Tollways Private Limited
3.	**Name of EPC Contractor**	Supreme Infra BOT Private Limited
4.	**Project Cost as per concession agreement**	INR 95.96 Crore
5.	**Performance security for construction and Operation & Maintenance**	INR 190 Lakhs and INR 60 Lakhs
6.	**Appointed Date**	1st May 2013
7.	**Concession Period**	24.3 Years
8.	**Physical Progress of the Project**	As per discussion with banker the project is completed and operated.
9.	**Financial Progress of the Project**	The company is collecting the toll revenue.

Source: *Termination of concession agreement*

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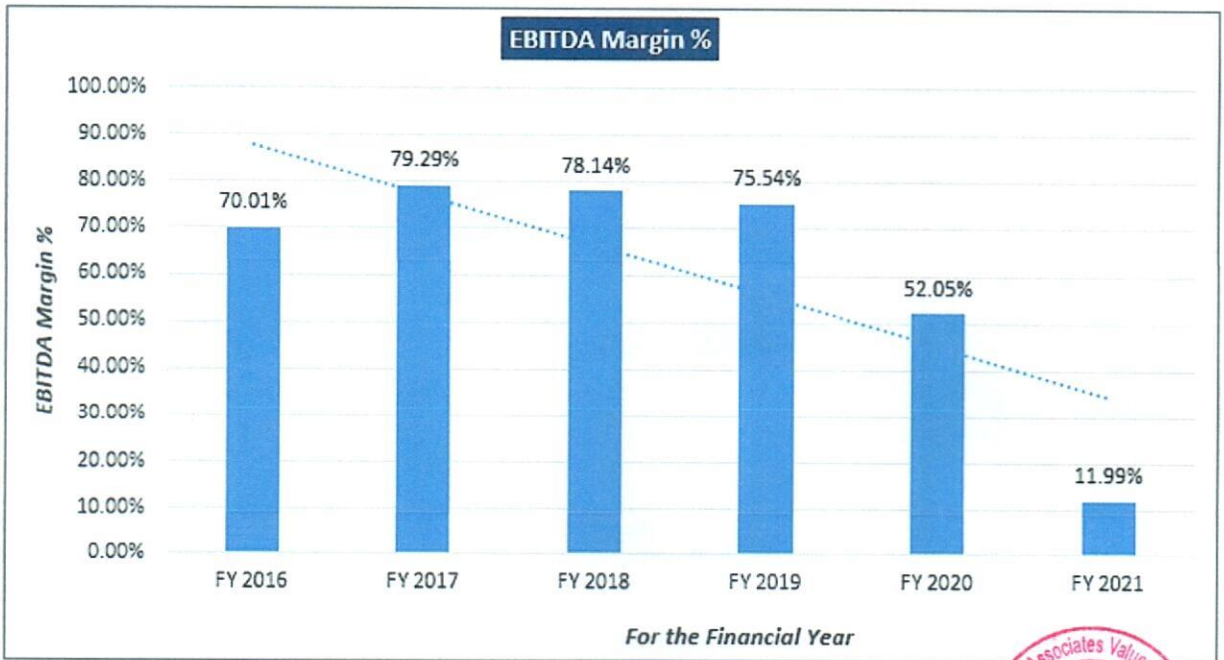
4. Historical Performance:

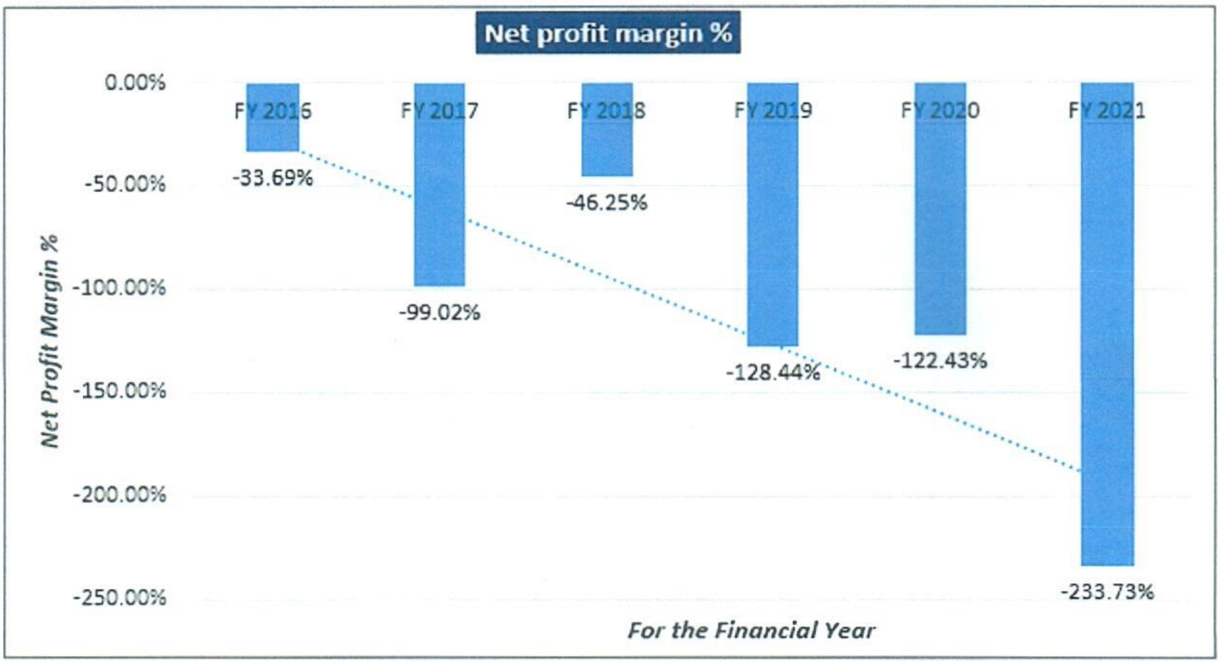
The financial performance of the Company from F.Y. 2016 to 31st March, 2021 is provided below:

(INR Lakhs)

Particular (INR Lakhs)	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Income						
Revenue from operation	2555.16	3172.39	2703.3	2258.49	2073.4	1,523.79
Other Income	16.80	15.04	15.19	0.41	0.002	-
Total Income	**2,571.96**	**3,187.43**	**2,718.49**	**2,258.90**	**2,073.40**	**1,523.79**
Expenses						
Employee benefit expense	69.74	88.09	105.67	107.02	109.96	108.39
other expenses	701.58	572.08	488.61	445.59	884.24	1232.65
Total Expenses	**771.32**	**660.17**	**594.28**	**552.61**	**994.20**	**1341.04**
EBITDA	**1,800.64**	**2,527.26**	**2,124.21**	**1,706.29**	**1,079.20**	**182.75**
Depreciation and Amortization	381.50	473.06	402.42	336.41	336.36	336.32
EBIT	**1,419.14**	**2,054.20**	**1,721.79**	**1,369.88**	**742.84**	**-153.57**
Interest	2,285.64	5,210.30	2,978.97	4,271.26	3,281.32	3,408.00
Profit before tax	**-866.50**	**-3,156.10**	**-1,257.18**	**-2,901.38**	**-2,538.48**	**-3,561.57**
Tax Expenses						
Current Income tax	-	-	-	-	-	-
Deferred Income tax/(credit)	-	-	-	-	-	-
Profit for the year	**-866.50**	**-3,156.10**	**-1,257.18**	**-2,901.38**	**-2,538.48**	**-3,561.57**

***Source:** Previous Annual Report of the company*





Current Status of the Project Reasons for Financial Stress in the Company:

This partially completed project with existing tolling operations was awarded by PWD Maharashtra taken over from the earlier owner. The total length of the stretch is 26.425 kms. SIBPL is the majority stakeholder in the SPV Company. The total concession period is 24.3 years. Income from toll collection for the year ended 31st March 2020 was 2073.40 Lakh as compared to 2258.90 Lakh in the previous year. The Company has incurred net loss of Rs.3, 561.57 lakhs during they earned 31 March 2021 and has also suffered losses from operations during the preceding financially years and as of that date, and its current liabilities exceeded its current assets by Rs.27, 797.80 lakhs.

The Company also has external borrowings from banks and financial institutions, principal and interest repayment of which has been delayed/deviated from the provisions of the financing/security documents. In comparison to the projected revenue, during the year the reduction in toll collection due to reduction in traffic and growth of traffic due to economic slowdown, has resulted into the reduction in toll revenue consequentially. Considering the pending tolling tail period, Company's management is in the process of formulating are solution plan along with the lenders.

Now the post Covid-19, the economy is recovering from the slowdown rapidly. Thus the revenue from toll operations is expected to increase accordingly as the imposed lockdown is ended and the mobility of the traffic will grow sharply.

5. TYPE OF REPORT:

It is an Enterprise Valuation report to ascertain the present value of the Company based on the existing project undertaken and the risk associated with it.

6. PURPOSE OF THE REPORT:

To provide computation of Enterprise Value of the Company based on the existing Project under implementation as a whole as required by the lenders to take further appropriate course of action.

7. SCOPE OF THE REPORT:

As per the client requirement and based on the purpose of the report, RK subject matter expert team has identified following points for arriving at Fair Valuation of the Project and describe in-depth detailed assessment of the clear basis of the Valuation assessment.

a. Enterprise/ Business Valuation:

To assess and determine Fair Market Valuation of M/s Supreme Vasai Bhivandi Tollways Private Limited, the Enterprise Valuation is being calculated by using Net Assets Value (NAV) Method.

1. *This is just Net Assets Value of the project based on the cost & market approach methodologies considering the utility of the asset for the business & the company as on-ongoing concern basis.*
2. *This report only contains general assessment & opinion on the Depreciated market value of the assets of the project found on as-is-where basis on site for which the Bank/customer has shown & asked us to conduct the Valuation for which photographs is also attached with the report. No legal aspects in terms of ownership or any other legal aspect is taken into consideration. It doesn't contain any due-diligence other than the valuation assessment of the property shown to us on site. Information/ data/ documents given to us by Bank/ client has been relied upon in good faith. This report doesn't contain any other recommendations of any sort.*

- ***NOTES:***
- ***This Enterprise Valuation report doesn't cover vetting of the documents/ financial data/ projections or any other information provided to us by the Bank.***
- ***It doesn't contain the principles of physical asset valuation and is not based on the site inspection of the project.***

- ***This exercise is neither an audit activity nor investigative in nature.***
- ***We have relied on the data provided by the Bank and the Company in good faith.***

METHODOLOGY/ MODEL ADOPTED:

Net Assets Value (NAV) method is being used for the calculation of Enterprise Value of the Company.

DOCUMENTS / DATA REFFERED:

- Last 5 Years Audited Financial Statements and Notes Provided by the Company.
- Concession/Bid Agreement provided by the Bank/Client.
- Last Available Toll Audit Report.

PART B SHAREHOLDING PATTERN OF THE COMPANY

1. Capital Structure

Equity Share Capital (in lakhs):

- Authorized: Equity Shares at Rs.10 each- INR 5,00,000
- Issued Subscribed & Paid up: Equity Shares of Rs. 10 each full paid up- INR 1,00,000

2. SHAREHOLDING PATTERN: As per provisional financials of FY 2021 of the company, The Shareholding Pattern of the company as follows:-

The Company has only one class of equity shares having a par value of Rs.10 per share. Share. The Company declares and pays dividends in Indian Rupees. The dividend proposed by the Board of Directors, if any, is subject to the approval of the shareholders in the ensuing Annual General Meeting, except interim dividend, if any.

In the event of liquidation of the Company, the holders of equity shares will been titled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

Shareholding Pattern			
Name of the shareholder	**% held**	**Number of shares**	**As at 31st March 2021 (INR Lakhs)**
Supreme Infra BOT Private Limited	100%	10,000	6000.00

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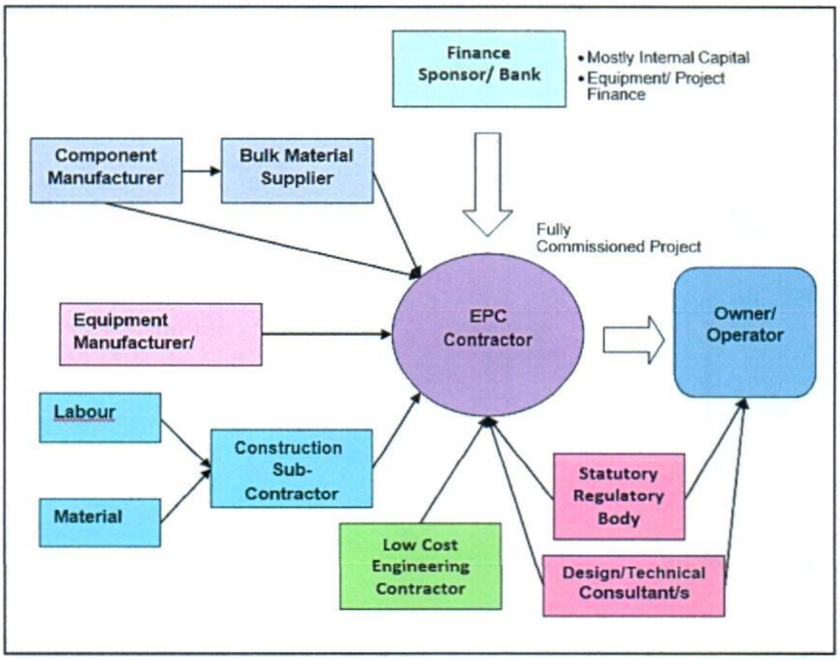
PART C	PROJECT ASSESSMENT

Engineering procurement and construction (EPC) contracts are the most common form of contracts used to undertake construction works by the public and private sector on large scale and complex infrastructure projects, such as power plants, petroleum and LNG terminals, steel mills, roads, bridges etc. Under an EPC contract a contractor is obliged to deliver a complete facility to a developer who needs only turnkey to start operating the facility; hence EPC contracts are sometimes called turnkey construction in contracts. In addition to delivering a complete facility, the contractor must deliver that facility for a guaranteed price by a guaranteed date and it must perform to the specified level. Failure to comply with any requirements will usually result in the contractor incurring monetary liabilities.

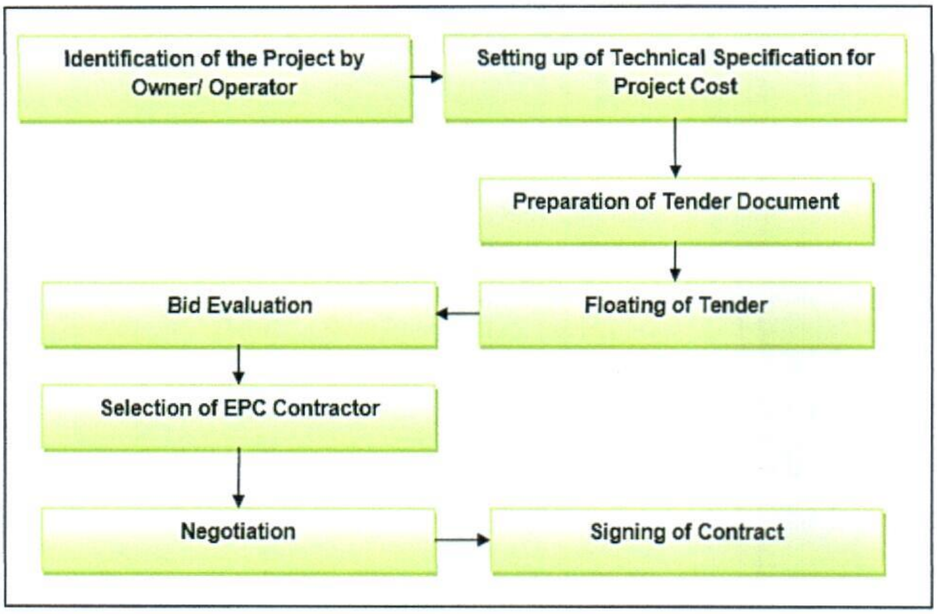
1. EPC PROCESS

The most modern variation is called EPCM that is engineering, procurement, construction and management. On a global level, construction industry has completely adopted the EPC contracts and the EPC contractors have limited the otherwise predominant role of engineering consultants. These EPC firms are ready to take the risks associated with managing a project and possess procurement and project.

Competitive forces are driving consolidation of construction in the EPC industry and leading to alliances among the large players. EPC contracts may vary in the basis of assignment of responsibility and related penalties. The relationship between different constituents of the industry is very flexible as shown in the exhibit below.



The process of appointing EPC Contractor has been provided in the exhibit below –



2. TYPE OF EPC CONTRACTS

Based on these linkages constituents, various project delivery mechanisms have been devised. The size and nature of the project also influences the choice of the project delivery mechanism. The different types of contracts are as given here:

i. Engineering, Procurement and Construction (EPC)

- Complete single point responsibility
- Fixed time fixed price contracts, heavy penalties for non-performance
- Escalation possible by mutual consent

ii. Lump-sum Turnkey (LSTK)

- Preferred for power and industrial projects
- Engineering Procurement Construction Management (EPCM)
- Responsibility for placement of order for equipment and payment lies with the promoters.
- Fixed time–fixed price contracts
- Lower penalties relative to EPC for non-performance
- Preferred for very large projects in sectors such as petrochemicals, oil and gas and steel

iii. Turnkey

- Responsibility to implement complete project
- Fixed price as well as cost plus contracts are possible
- Contractor need not have financial capability
- Preferred for medium and small projects

iv. Engineered Packages Route

- Promoter breaks up the project into packages
- Turnkey supply of packages
- Promoter is responsible for project co-ordination

i. Item Rate Contract

- This is the most prevalent contractual mechanism in which: -
- The owner through an appointed consultancy organization does the Engineering.
- Bill of qualities is furnished and tenderer is required to quote the price item-wise.
- The contractor need not have large financial capability in this case.

EPC Construction Risk Management

Often EPC construction contemplates a turnkey approach to project delivery. In other words, the project owner or employer will look to the EPC contractor as the single point of contact for all facets of the project, from basic design through commissioning and startup of the facility. EPC projects offer a mutually beneficial and exciting form of project delivery for both the owner and the contractor.

But, with the EPC contract come many new risks that are often severe due to the complex nature and high cost frequently associated with this type of project. Understanding these risks and some of the other unique characteristics of EPC contracting its critical to a successful project where both the owner and the contractor obtain the high rewards for the risk. Project owners have attempted to shift more risk to the contractor, understanding at least theoretically, that this risk allocation carries a higher price tag. Some important features that differentiate risk in an EPC contract as compared to regular contracts can be seen below:

- Risks traditionally assumed by the owner in design-bid-build and design build contracts may no longer fall under the owner's umbrella of responsibility. For example, the contractor may be required to assume the risk of unforeseen site conditions and may be responsible for events that would traditionally be viewed as force majeure (i.e. beyond the control of either party).

- The greatest risk for the contractor in entering into the EPC contract is not necessarily anything inherent in the EPC form of contracting. Instead, the problems most frequently arise when the contractor commits to a lump sum or fixed price. Despite the inherent risks to the contractor, the project owner cannot assume that lump pricing insulates him from all cost overruns. There are always activities on a project that interfaced business processes such as marketing, sales and customer services. After each phase, reviews are also undertaken.

At the initial stage a strategic review is carried out of the works to be carried out. This is followed by the "offer kick off, which is in the form of proposals submitted by the EPC contractor, defining how and at what price the project should be undertaken. After the contract agreement, review is conducted to ascertain whether the engineering by the contractors conforms to the contractual obligation.

Development Phase

The development phase is the first stage of the EPC project process and covers the important aspects of engineering. This can be viewed as an extension of the planning process. The engineering process produces a range of deliverables, which includes –

- Feasibility Study
- Estimates
- Designs
- Drawings
- Specifications
- Data sheets

Tests Results

Having made a decision to execute the process on EPC turnkey basis, the employer appoints a consultant and states his requirements in the form of a design brief. The consultant then expands the design brief into a more explicit employer's requirement, taking into account the project development phase during which the design responsibility is handed over to the contractor.

Financing Stage

The employer has to achieve financial closure, which involves the promoters brining in their own funding in the shape of equity as well as organizing loans. This should ideally precede or proceed with parallel with the EPC negotiation process.

Bidding Award of Contract

Having made a decision to benefit from a contractor's expertise and experience by selecting the EPC Turnkey approach the Employer, usually in collaboration with his chosen consultant, will, first of all, express his requirements in the form of a design brief. The consultant, normally employed to oversee the project, advises the Employer from the conceptual stage of the project and is then involved in expanding the brief in to the more explicit "Employer's Requirements'" taking into consideration, up to what stage it has been decided that the design responsibility should be taken over by the successful contractor. The consultant, with or without the aid of the Employer, will then incorporate the Employer's

Requirements into bid documents for presentation to various prequalified bidders before finally being involved in the technical and financial assessment of the successful contractor's bid in response to the same. It can be seen, therefore, in reality that in EPC Turnkey projects contractors may have to assume responsibility for completing and/or developing an incomplete design at any time from briefing onwards.

Negotiating Stage

The consultant incorporates the employer's requirements into the bid documents and brings out a notice for prequalification. This is done so that only established parties are short listed as bidders. Thereafter, a notice inviting tenders (NIT) is issued by the consultant on the employers' behalf. The short-listed contractors are then required to submit a two part proposal. The technical part contains details of all deliverables and processes. Those technical bids that are found satisfactory are put through the commercial bidding process. The price of the bids finally determines the contract award.

Contract Agreement

After the contract has been awarded, the two parties, that is, the contractor and the employer, sign the contract agreement. The contract includes the following aspects to be covered.

- The time and the mode of payment of the works.
- It also consists of the warranty terms and tenure in addition to the damages that would be payable if the contractor deviates from the contract in terms of specified design or commissioning schedule etc.
- The contract also covers the interest payable to the turnkey contractor in case the employer is not able to release funds in time.

Design and Manufacture of Equipment

Once the contract has been signed, the selected EPC contractor assumes his responsibility for satisfying employer's requirements. Verifying does this first the incomplete bid package or basic design and then expanding this design into a complete description of the required project in the form of residual and detailed design, engineering drawings, diagrams, specifications, purchase orders and other specified matters.

Procurement

After the completion of all design related parameters, the procurement process begins. The contractor is responsible for supplying all the equipment and procuring all the equipment from the vendors. In this process, the EPC contractor also assumes responsibility for inventory and materials management.

Procurement becomes important because it is here that project management can be most effective in cutting time without compromising quality. For this, either the EPC contractor puts together a separate team or hires a project management.

Construction

Once the project and related subsystem have been designed, manufactured and supplied, construction begins. This includes pre-installation, civil construction as well as installation of the project at the identified site.

Training

In an EPC contract, it is also the responsibility of the EPC contractor to impart training to a team of engineers or other technical staff of the employer at the site during the pre-commissioning and commissioning of the project. In addition, training programs are also arranged at the supplier's works.

Commissioning and Handing Over

This is the final stage of the EPC contract. Once the pre-commissioning and commissioning trials of the individual equipment and of overall systems are complete, the contractor has to commission the contract as per the term of the contract. The contractor has to conduct the trail run or the reliability run– trials at full load, varying loads etc. for a period defined by the contract. Following this demonstration, the project is handed over to the owner.

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PART D	ASSESSMENT OF INFRASTRUCTURE SECTOR

1. Introduction

Road infrastructure is the backbone of the Indian economy. Roads and highways form one of the core areas under the infrastructure sector. The Government has been taking measured efforts in providing more efficient transportation, for which they have significantly stepped up the highway development and road building program. The Government's thrust on the Infrastructure sector has remained strong in the Union Budget 2022-23. The revised estimate total capital outlay for the year 2021-22 planned by the Ministry of Road Transport and Highways stands at approximately Rs.1.27 Lakh Crores which is higher by 35% as compared to the previous year's actual capital outlay of Rs.0.89 Lakh Crores. The outlay comprises of Rs. 59,000 crores through Gross Budgetary Support and Rs. 62,000 crores through Internal and Extra Budgetary Resources.

The Government has also approved development of another 48,877 km of projects totaling to Rs. 1.57 lakh crores under other ongoing schemes like NH (O), Special Accelerated Road Development Programme in North East (SARDP-NE), Externally Aided Projects (EAP) and Roads Projects in Left Wing Extremism Affected Areas (LWE) to be completed by 2021-22.

In order to provide a boost to infrastructure development and enable it to overcome the impact of COVID-19 pandemic, Ministry placed the highest ever target of 12,000 km for award and 12,000 km for construction for the year 2021-22.Overall road projects exceeding 64,000 km in length, costing more than Rs.11 lakh crore, are in progress out of which work in respect of projects of more than 40,000 km length has been completed and in balance length of more than 24,000 km works are in progress.

The road ministry has recorded highest ever awarding of 17,055km in Financial Year 2018 which grew by 7% over Financial Year 2017. Out of these, NHAI has awarded 7,396 km in Financial Year 2018 which is 72% higher over the previous year and MoRTH has awarded 9,659 km in Financial Year 2018 which is drop of 17% over the previous year. Out of the total awarded projects worth Rs. 1,220 billion by NHAI in Financial Year 2018, Rs. 765 billion has been awarded on HAM mode (63%), Rs. 427 billion on EPC mode (35%) and remaining on BOT mode (2%). The awarding of contracts led by HAM and toll-operate-transfer models is expected to continue given the announcement and subsequent implementation of the Bharatmala project.

Road construction touched a high of 9,829 km in Financial Year 2018 indicating a growth of 19% over the previous year, out of which NHAI has constructed 3,071 km which is 17% higher over the previous year and MORTH has constructed 6,758 km in Financial Year 2018 which is higher by 21% over the previous year.

Planning Commission came out with a set of factors to identify sectors that can be classified under the broader infrastructure sector. Natural monopoly, high investment and high level of government regulations were few of the factors that were considered. Based on these factors **Power, Roads, Railways, Ports, Airports, and Telecom** have been grouped under infrastructure sector.

OVERVIEW OF INDIAN INFRASTRUCTURE SECTOR : Key Highlights	
Power	• Third largest electricity generation country in the world. • Public sector companies and State electricity boards dominate both generation and T&D sectors. • 3.2% peak deficit in FY 2017-18 against 10.6% in FY 2012.
Roads (Road & Bridges)	• With 5.32a Mn Km roads India has second largest road network in the world comprising of National Highway, State Highways, Project and Rural road. • Road traffic share in total traffic movement of rail & road account for 64.5% of freight and 85.9% of passenger traffic. • National Highways accounts for only 1.7% of total road network but carries 40% of traffic.
Railways	• Fourth largest rail network in the world • Rail network in the country spans 117,996 Kms of tracks over a route of 66,030 Km making it one of the largest rail networks in Asia. • It is also one of the busiest networks in the world with 22,300 trains running daily. • Low average speeds (Freight - 25.9 kmph: Mail/ Express – 50.6 kmph). Target to increase average speed of freight trains to 50kmph and Mail/Express trains to 80 kmph by 2020. • Targets to complete Eastern and Western Dedicated Freight Corridors bytheend of Dec 2019.
Ports	• 12 major ports and over 205 notified minor ports along a coastline spanningover 7,517 kms. • Over 90% of total trade in volume terms and 70% of total trade in value terms in the country is handled by ports.

Airports	• Indian aviation sector comprises of over 449 airports and airstrips out of which 125 are owned and operated by Airport Authority of India. • Key Challenges include inadequate capacity in Runways & Aircraft handling and Congestion in Parking Space and Terminal Buildings
Telecom	• Second largest telecom market in the world after China in terms of subscriber base. • Around 1058. 86 Mn subscribers, with a tele density of 83.36%. • Private operators dominate the sector with ~89.78% market share. • Broadband to all villages by 2022 under which 250,000 Gram Panchayats are planned to be connected. • Wi-fi connectivity to major tourist places and cities.

2. EPC Industry Overview

- With the rapid increase in quantum of projects being announced and complexities in the scope of work, the responsibility of successful project execution has shifted from project owner/developer to EPC contractors.
- Engineering, Procurement and Construction (EPC) is a contract under which the project is executed under a single point responsibility of a contractor. It is also known as a Lump sum Turnkey (LSTK) contract.
- Under EPC contract, a contractor undertakes activities like conceptualizing, designing, procuring equipment and engineering services from various sources for construction, installation and commissioning of the project or plant. EPC is majorly applicable in the industries like infrastructure, transport, chemicals, power, aviation, and oil & gas etc.

Regulatory Scenario

The government has identified infrastructure as a *priority sector* to bolster GDP growth. Hence, various reforms have been introduced from time to time to attract investment in the infrastructure industry. The government intends to increase share of infrastructure investment to GDP to 9% by end of 12th five- year plan.

Impact of Economic Reforms

Infrastructure sector was opened to private participation post-liberalization in 1991 and currently up to 100% FDI under automatic route is allowed in most sectors/activities. Under this route, no

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permission from the Central Government is required for FDI inflow, but the same is subject to applicable laws/regulations, security and other conditions. However, participation was low due to high upfront capital investment, long gestation period, and uncertain returns in investment. Public Private Partnership (PPP) project mode was introduced to circumvent this hurdle.

Prevailing regulatory framework consist of close to 32 regulations / laws / statues with wide variation in implementation from state to state. Currently there is no Pan-India regulatory framework governing the sector. In addition, there is no common regulatory authority and nodal implementation agency despite the sector comprising multiple sub-segments like infrastructure construction, real estate construction and industrial construction.

Major Policy Measures

Program	Focus Area
National High Development Program (NHDP)	Highway Development
Pradhan Mantri Grameen Sadak Yojana (PMGSY)	Road Infrastructure
Deendayal Upadhyaya Gram Jyoti Yojana (DDUGJY)	Power
Integrated Power Development Scheme (IPDS)	Power
JNNURM	Urban Infrastructure
National Maritime Development Program	Ports
Ultra Mega Power Projects	Power
Jawaharlal Nehru National Solar Mission	Solar Power
Saubhagya Scheme	Power

3. MEASURES TAKEN BY GOVERNMENT OF INDIA TO BOOST THE INFRASTRUCTURE FINANCING IN UNION BUDGET 2021-22:

INTRODUCTION:

The Finance Minister (FM) focused on infrastructure as part of her second theme for the Union Budget i.e. economic development. As regards infrastructure, the focus has been on transportation and connectivity as well as increasing the solar power generation capacity, in the backdrop of the larger theme of 'Aspirational India' being development for all.

In line with the overall "Sabka Saath, Sabka Vikas, Sabka Vishwas" principle, the FM also proposed that the National Skill Development Agency would give a special thrust to infrastructure-focused skill development opportunities in light of the huge employment potential of the infrastructure sector. A project preparation facility for infrastructure projects is also proposed to be set up. This step is significant, given that the lack of capacity with the relevant expertise has been identified as a major requirement for the sector.

INVESTMENTS IN INFRASTRUCTURE SECTOR:

- **Tax Exemptions for Sovereign Wealth Funds:** One of the most significant announcements for the infrastructure sector was the 100% tax exemption granted to sovereign wealth funds of foreign governments in respect of their interest, dividend and capital gains income from investments made in infrastructure and other notified sectors before March 21, 2024. The only conditionality placed on such exemption is a minimum lock-in period of 3 years.

  The aforesaid move should definitely incentivize further investment in India by sovereign wealth funds that generally make longer term investments in socially relevant sectors as compared to other foreign funds.

- **National Infrastructure Pipeline:** In consonance with one of the prominent themes of the FM for the Union Budget i.e. a caring society, the Union Budget aims to improve the physical quality of life through the NIP. The NIP was launched by the FM on December 31, 2019. As per the PIB release dated December 31, 2020, the total project capital expenditure in infrastructure sectors in India during the fiscals 2020 to 2025 was projected at over INR 10.2 trillion.

  The FM indicated that the NIP would consist of over 6,500 projects. As per the FM, about INR 220 billion has already been provided, as support to NIP, which would cater for equity support to infrastructure finance companies such as IIFCL and a subsidiary of NIIF. As per the Union Budget, such companies would leverage it, as permissible, to create financing pipeline of more than INR 1 trillion which would in turn create a major source of long-term debt for infrastructure projects.

  In our view, the NIP is a critical measure that would boost investments in the infrastructure sector. However, given the mammoth proposal, the financing of the NIP may be a challenge.

- **POWER, OIL AND GAS:** In her speech, the FM hinted about the Central Government's intention to provide a push for Solarization of farms. The FM has proposed support to the farmers for setting up solar powered hand pumps and grid connected solar plants on barren lands owned by farmers. The Central Government hopes that the sale of power generated from the farmers' solar power plants through the grid would provide promising income to the farmers.

Acknowledging India's best effort commitments to the Paris Agreement signed in 2015, the FM has recommended that the concerned power utilities close old thermal power plants having high carbon emissions than permitted.

The FM also urged the State Governments and Union Territories to adopt smart metering systems instead of the conventional ones which would not only help in checking payment defaults (due to prepaid metering) but will also provide the customer with the ability to choose the power supplier. This is a welcome move, but many more reforms are required to aid ailing DISCOMs.

In the passing, the FM also spoke about deliberations by the Government on honoring of the terms of its contracts. It may be inferred that this, in part, has to do with the recent arm twisting of power developers by state DISCOMs/State Governments by renegotiating the power tariffs and the terms and conditions of the renewable power purchase agreements.

The FM proposed an allocation of INR 220 billion for the power and renewable energy sector. The FM has proposed to extend the new concessional corporate tax rate of 15% to new domestic companies engaged in the generation of electricity in order to incentivize investment in the power sector.

With respect to the oil and gas sector, the FM announced that reforms will be undertaken to make natural gas price discovery more transparent and facilitate ease of transactions. Additionally, the FM also announced that the existing national gas grid will be expanded from 16,200 km to 27,000 km.

While the FM acknowledged the never ending stress over DISCOMs, nothing was proposed on how the Central Government would address the present situation. In her previous budget speech in July 2019, the FM mentioned that the performance of the efforts to address the DISCOM stress including the success of Central Government's UDAY Scheme is being evaluated. However, the FM did not discuss the same in this speech. It may be advisable for the Central Government to focus on the more critical concerns that have been looming over the power sector such as, fuel supply issues, easing the renewable purchase obligations, cross - subsidy surcharge, pilferage and transmission losses, transmission capacity augmentation and open access availability, payment defaults by DISCOMs and compliance of their obligations under the power purchase agreements (such as providing payment securities to the developer/power supplier), the long pending amendments to the Electricity Act, 2003 and the captive power rules, anti-dumping, building indigenous capabilities for renewal equipment and technologies etc.

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- **ROADS:** The FM announced that accelerated development of highways would be undertaken, including development of 2,500 km access control highways, 9,000 km of economic corridors, 2,000 km of coastal and land port roads and 2,000 km of strategic highways. The Delhi-Mumbai Expressway and two other packages are targeted to be completed by 2023 and work on the Chennai-Bengaluru Expressway would also be started.

  The FM also stated that the FASTag mechanism encourages towards greater commercialization of highways enabling the NHAI to raise more resources. It was proposed to monetize at least 12 lots of highway bundles of over 6,000 km before 2024.

  While monetization of 12 lots of highway bundles is a welcome move, it would be important to see whether timely monetization is actually achieved in a manner that enables NHAI to decrease its debt burden. Given the tepid response received for the previous TOT bundles, it would be crucial to ascertain whether the Central Government proposes another model for the monetization or amends the TOT model as envisaged by the Cabinet in November 2019. The geographies of the identified bundles would be key.

- **RAILWAYS:** The FM envisions the setting up of "Kisan Rail" through PPP arrangements, with a view to attaining a seamless national cold supply chain for perishables, inclusive of milk, meat and fish. Equipping express and freight trains with refrigerated coaches is also identified under the theme "Aspirational India' in the Union Budget.

  As regards railways, the Central Government's focus has been on fostering economic development through optimization of costs and ensuring greater connectivity through the following:

  - Increase in the number of Tejas type trains
  - High speed train between Mumbai and Ahmedabad
  - Setting-up a large solar power capacity alongside the rail tracks on the land owned by the railways
  - Re-development projects for 4 stations and operation of 150 passenger trains would be done through PPP mode
  - Grant of financial assistance for the 148 km long Bengaluru Suburban transport project

  The Union Budget reinforces the importance of raising resources through PPP for network strengthening, connectivity and modernization of Indian Railways. In light of the announcement by the FM that bidding for various PPP projects is underway, it is clear that effective steps are being taken to make the sector on railways amenable to private investment. Insofar as the setting up of large solar power capacity alongside the rail tracks on the land owned by the railways has been envisioned, it remains unclear whether land owned by private players will be excluded for the purpose, in a scenario where the stretch of land alongside the rail tracks owned by the Indian Railways is not contiguous.

- **AIRPORTS:** Noting the rapid growth in air traffic in the country, the FM announced that 100 more airports would be developed by 2024 to support the Regional Connectivity Scheme i.e. UDAN. It was also proposed that the air fleet number is expected to double from the present number of 600 by 2024.

  The development of new airports would ease the strain on the existing airports. However, it would be important to see whether such development is done through the PPP mode or otherwise. Furthermore, given the news reports from January 2020 suggesting that the Central Government may introduce a cap on the number of projects a bidder can get, it would be interesting to see whether such move leads to wider participation by private parties in the sector and more realistic bids.

- **PORTS AND WATERWAYS:** In order to increase the efficiency of sea-ports, the FM proposed to implement a governance framework in line with global benchmarks. Further, it has also been proposed to corporatize at least 1 major port and subsequently list it on the stock exchanges.

  As regards inland waterways, the FM announced that the Jal Vikas Marg on the 1,620 km Haldia-Allahabad stretch of river Ganga would be completed. Further, the 890 km Dhubri-Sadiya connectivity was proposed to be done by 2022. The FM announced that in consonance with Arth Ganga, plans are being prepared to energize economic activity along river banks.

  Corporatization of ports would go a large way in improving operational efficiencies which has been a challenge with India's major ports. It would be interesting to see the way this would be achieved and to also evaluate the global benchmarks that are introduced by the Central Government.

- **LOGISTICS:** The FM announced that a National Logistics Policy would be released clarifying the roles of the Central Government, the State Governments and other regulators. A single window e-logistics market is also envisaged under the policy.

  Given that a National Logistics Policy has been in the works for a while now, it would be important to ensure that the aforesaid announcement of the FM is implemented timely and efficiently. Considering that logistics involve inter-state movement, it would be crucial for the policy to harmonize the roles of the Central Government and the various State Governments, whilst at the same time bringing down the cost of logistics and making the Indian logistics sector globally competitive.

4. KEY CHALLENGES FACED BY THE INDUSTRY

Delay in Project Execution due to lack of delay in clearance and Land Acquisition: Major impediments can be attributed to procedural formalities in land acquisition, obtaining environment, foreign and wildlife clearances, clearance from Railways (for over bridge and under bridge construction) and delays in financial closure. The time taken by various ministries to grant clearance for infra projects to proceed for execution range from about 12 month to up to 36 months. Due to delay in execution, the industry player has to bear both time and cost overrun that is sometime substantially higher than the original estimated cost. To address clearance delays, Ministry of Environment & Forests and the Ministry of Tribal Affairs have taken certain measures to speed up project execution.

New Highway projects, for widening within standard ROW for National Highways i.e. 60m and up to 100km are exempted from Environment Clearance.

- "Special Exemption" or 'No Objection Certificate' under Forest Rights Act (FRA), 2006 to be granted in respect of strengthening and widening of the National Highways 17 projects specifically pertaining to diversion of Protected Forest land under Forest Conservation Act, 1980e.
- De-linking of Environment Clearance from Forest Clearance for highway projects that earlier was linked to the forest clearance. Consequently, project could be started only if forest clearance was obtained even if the small portion of project passes through forest.
- Also Delegation of Power Mechanism to Secretary (Road Transport & Highways) or the Expenditure Finance Committee (EFC) has been enhanced under notification issued (O. M. No. 24/35/PFII/12) dated 12.04.2013. Under this Secretary (Road Transport & Highways) & Expenditure Finance Committee (EFC) will be empowered to grant approval to project worth up to INR 10 Bn.

Shifting of Utilities: A considerable amount of time is spend on shifting of utilities such as electrical lines, sewer line, water pipeline, telecommunication wire in assistance with the respective utility owning agencies.

Law and Order problem at local level: Construction projects often face challenges at local level due to adverse law and order condition created by anti-social groups. Moreover, the problem created by local population demanding additional flyover, bypass, underpass have been frequently experienced as a key reason that leads to project delays.

Budget Constraint of the Developer: Construction companies primarily depend upon debt for project funding. Infrastructure projects typically have long gestation period and with high breakeven period.

Majority of construction projects in India are facing approval as well as execution delays leading to cost and time over runs. These delays have pushed breakeven period even further and with high leverage, debt servicing cost has gone up for industry players amidst high interest rate regime in past three fiscal.

The unfavorable market condition in past two years has impacted the cash flows of industry players. Thus, large numbers of projects are on standstill that has blocked the investment made earlier. This has affected balance sheet of banks with high NPA and as majority of the companies in the sector have high debt on books and banks are cautious in further lending. As on March 2016, gross NPA of commercial banks rose to 7.6% which is highest in last 12 year (bad loans grew by about 80% during FY 2016) and it is further expected to grow to 8.5% by March 2017 as per the Financial Stability Report released by RBI in June 2016. This has led to liquidity crunch impacting further investment needed for completion of the projects.

Other Reasons

Delay in supply of equipment, geological surprises, problems in equipment erection, geo-mining conditions, shortage of labour, inadequate mobilization by the contractor, slow progress in civil works, contractual issues, Maoist problems, and law and order situation, amongst other are other major reason for cost and time overrun of various infrastructure projects.

Due to above mentioned reasons, amongst 1071 projects worth above INR 1.5 Bn monitored by Ministry of Statistic as on February 2016, 238 projects reported cost overrun and 341 projects observed delay. The total cost of 1,071 projects was INR 12.6 Tn while their implementation cost has gone up by INR 1.6 Tn to INR 14.3 Tn. In April 2015, about 758 projects monitors by Ministry of statistic, 231 projects faced cost overrun and 323 projects time over run.

5. OUTLOOK

Infrastructure development is key to India's economic growth. India has a requirement of investment worth ` 50 trillion (US$777.73 billion) in infrastructure by 2022 to have sustainable development in the country. India is witnessing significant interest from international investors in the infrastructure space. Sectors like power transmission, roads & highways and renewable energy will drive the investments in the coming years. Only 24% of the National Highway network in India is four-lane, therefore there is immense scope for improvement. Some of the recent investments include:

- Private equity and venture capital (PE/VC) investments in the infrastructure sector reached US$ 3.3 billion with 25 deals during January-May 2018
- In January 2018, the National Investment and Infrastructure Fund (NIIF) partnered with UAE-based DP World to create a platform that will mobilise investments worth US$ 3 billion into ports, terminals, transportation, and logistics businesses in India
- In February 2018, the Government of India signed a loan agreement worth US$ 345 million with the New Development Bank (NDB) for the Rajasthan Water Sector Restructuring Project for desert areas
- In June 2018, the Asian Infrastructure Investment Bank (AIIB) has announced US$ 200 million investment into the National Investment & Infrastructure Fund (NIIF).

PART E | FINANCIAL PERFORMANCE OF COMPANY

1. PREVIOUS YEARS FINANCIAL PERFORMANCE: (FROM FY 2016 TO FY 2021)

As per audited financial statements shared by the bank/client, below table shows the 5-years historical performance of the company:

Particular (INR Lakhs)	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Income						
Revenue from operation	2555.16	3172.39	2703.3	2258.49	2073.4	1,523.79
Other Income	16.80	15.04	15.19	0.41	0.002	-
Total Income	**2,571.96**	**3,187.43**	**2,718.49**	**2,258.90**	**2,073.40**	**1,523.79**
Expenses						
Employee benefit expense	69.74	88.09	105.67	107.02	109.96	108.39
other expenses	701.58	572.08	488.61	445.59	884.24	1232.65
Total Expenses	**771.32**	**660.17**	**594.28**	**552.61**	**994.20**	**1341.04**
EBITDA	**1,800.64**	**2,527.26**	**2,124.21**	**1,706.29**	**1,079.20**	**182.75**
Depreciation and Amortization	381.50	473.06	402.42	336.41	336.36	336.32
EBIT	**1,419.14**	**2,054.20**	**1,721.79**	**1,369.88**	**742.84**	**-153.57**
Interest	2,285.64	5,210.30	2,978.97	4,271.26	3,281.32	3,408.00
Profit before tax	**-866.50**	**-3,156.10**	**-1,257.18**	**-2,901.38**	**-2,538.48**	**-3,561.57**
Tax Expenses						
Current Income tax	-	-	-	-	-	-
Deferred Income tax/ credit)	-	-	-	-	-	-
Profit for the year	**-866.50**	**-3,156.10**	**-1,257.18**	**-2,901.38**	**-2,538.48**	**-3,561.57**

As per the historical trend, it is observed that the company is generating revenue from the operations and is continue having a positive **EBITDA** and negative **Net profit** for the year from the last 5 years due to higher Finance cost.

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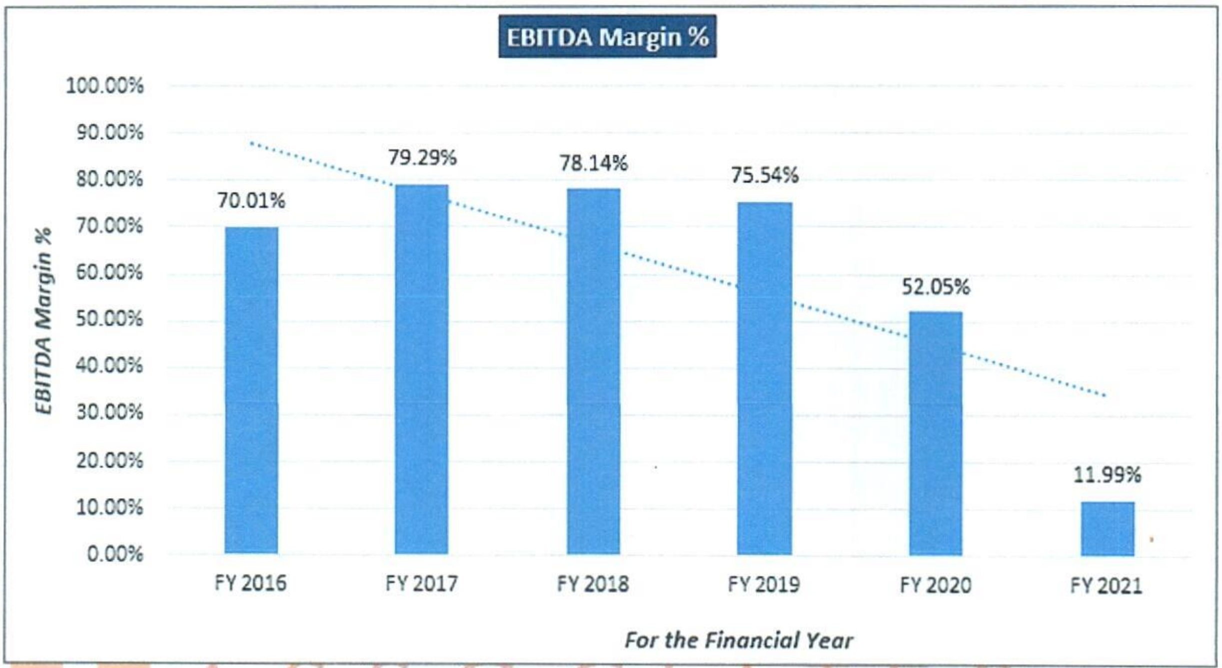
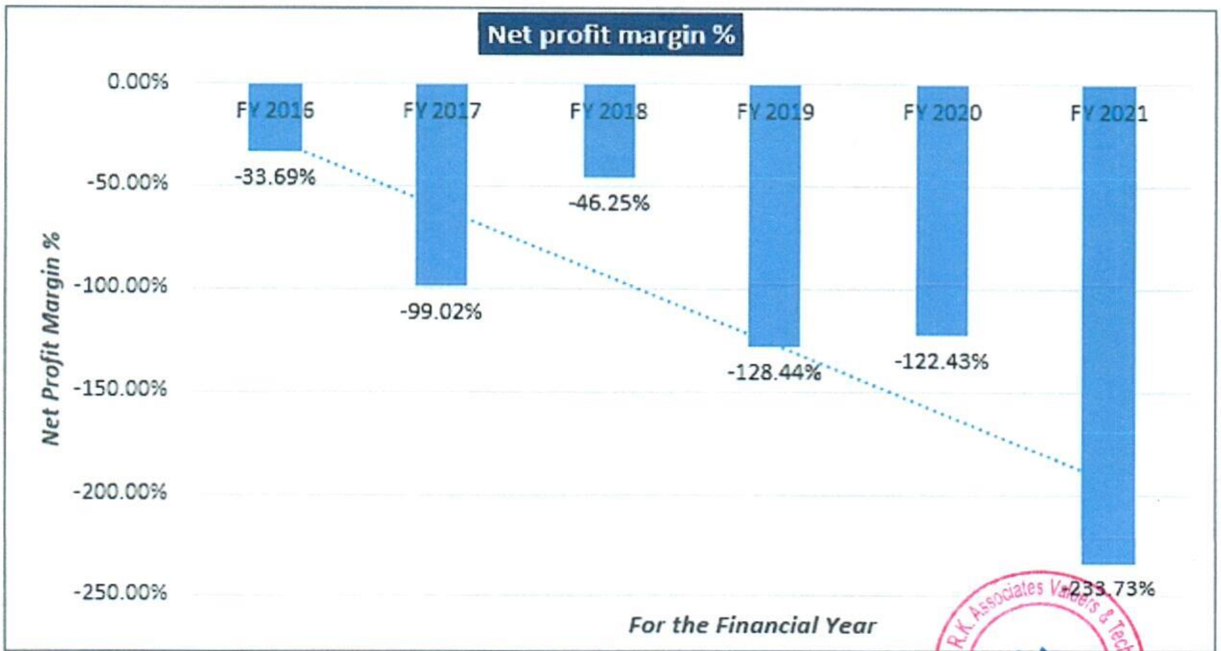
2. GRAPHICAL REPRESENTATION OF THE KEY FINANCIALS OF THE COMPANY:

a) **EBITDA Margin %:** Below graph shows the EBITDA Margin trend of the company from FY 2016 to FY 2021.



b) **Net Profit Margin %:** Below graph shows the Net profit Margin trend of the company from FY 2016 to FY 2021.



PART F	VALUATION OF COMPANY BY USING NET ASSETS VALUE (NAV) METHOD

1. METHODOLOGY/ MODEL ADOPTED:

Out of the various models & theories available we have adopted Methodology namely Net Asset Value (NAV) Approach for the calculation of Enterprise Value of M/s Vasai Bhivandi Tollways Private Limited:

a. The NAV approach used here, is based on the present value of all its fixed asset and its financial assets.
b. Present value of fixed assets of the company including property, plant and equipment is calculated based on the Market and Cost Approach as-is-where-is basis for estimating the Current Depreciated Replacement value of the assets.
c. Present value of the financial/ current assets is estimated based on the document/ information provided by the company.
d. Further, the operational liabilities of the company will be net off with the Total asset value estimated based on the present scenario.

Rationale for using Net Asset Value Approach for the Enterprise Valuation:

a. The 3 Broad Model of Company Valuation are - Present Value (Discounted Cash Flow Models), Asset Based and Market Multiple.
b. The free cash flow method is not used here because the company is operational on the lease basis from some time and future cash flow cannot be projected easily while the account is already categorized NPA.
c. Also, due to uncertain future operations as the same is communicated by the company, estimating accurate future projections becomes difficult.
d. Asset Based Model is a more appropriate approach for estimating the Company's present value based on the present value calculation of the assets (fixed asset and financial assets).
e. Market Comparable Approach was also not used since we could not find any suitable market comparable transactions and company of similar scale, scope & nature in the market.
f. Therefore, the most appropriate Model left to Value M/s Vasai Bhivandi Tollways Private Limited is Net Asset Value approach since there is an uncertainty regarding company's operations.
g. The best method input option for the NAV Model in the case of M/s Vasai Bhivandi Tollways Private Limited will be present value of the fixed assets based on the market and cost-based approach and financial assets valuation based on the document s/information made available us by the company.

h. Further, the Present Value Model gives us a variety of input options to use while calculating the Value of the firm - Dividend, Free Cash Flow to the Firm, Free Cash Flow to Equity, Capitalized Cash Flows and Residual Earnings.

i. Dividends cannot be used as the Company has no history of paying dividends and we don't foresee any dividend payments to occur in the future due to the high leverage of the firm.

j. Hence, NAV method is used in the valuation process of the company

Gathering of Information on high level breakup of each head of current and Non-Current assets for assessment (as per RKA Format).

- Review of data/ inputs/ information which Bank/Client could provide to us against the queries raise.
- Review of Last Audited Financial Statement of the company.

Note:

a. There is no a fixed criterion, formula or norm for the Valuation of Current Assets. It is purely based on the individual assessment and may differ from consultant to consultant based on the practicality he analyses in recoveries of the outstanding dues. Ultimate recovery depends on efforts, extensive follow-ups of the individual case by the company. So our values should not be regarded as any judgement in regard to the recoverability of current assets but should only be read in terms of analysis.

*b. For arriving at the Liquidation Value, **appropriate discounting factor against each current asset item is applied based on the nature of current asset and level of difficulty in realization of these.***

c. No audit of any kind is performed by us at our end from the books of account or ledger statements. All the data/ information/ input/ details provided to us by the company/ lenders are taken by us as-it-is on good faith and assumed that that these are factually correct information.

2. SUMMARY OF VALUATION ASSESSMENT:

NET ASSET VALUE (NAV)		
Particular (Values in INR Lakhs)	**Value as on 31st March 2021**	**Fair Market Value as on 20/03/2022**
Assets:		
Non-Current Assets		
Property, Plant & Equipment	0.46	0.00
Intangible Assets	19695.73	20909.22

Financial Assets		
Other Financial assets	35.89	35.89
Tax Assets	2.63	2.63
Total Non-Current Assets	**19734.71**	**20947.74**
Current Assets		
Financial Assets		
Cash & Cash Equivalents	37.96	37.96
Bank Balance other than cash and cash equivalent above		
Other Financial Assets	1095.10	1314.12
Other Current Assets	5237.64	6285.17
Total Current Assets	**6370.70**	**7637.25**
Total Assets	**26105.41**	**28584.99**
Equity & Liabilities		
Shareholder's Equity		
Equity share capital	1.00	1.00
Subordinate debts	6000.00	
Other Equity	-15528.19	0.00
Total Equity	**-9527.19**	**1.00**
Liabilities		
Non-Current Liabilities		
Financial Liabilities		
Borrowings	0.00	0.00
Provisions	1464.09	1464.09
Total Non- Current Liabilities	**1464.09**	**1464.09**
Current Liabilities		
Financial Liabilities		
Borrowings	580.00	580.00
Trade Payables	278.70	278.70
Other financial liabilities	33261.58	18293.87
Other current liabilities	47.01	47.01
Provisions	1.22	1.22
Total Current Liabilities	**34168.51**	**18340.88**
Total Equity & Liabilities	**26105.41**	**19805.97**

Adjusted Net Asset Value (NAV)	
Assets	INR 28584.99 Lakhs
Operational Liabilities	INR 18340.88 Lakhs
Final NAV	**INR 102.44 Crore**

3. ENTERPRISE VALUATION:

NET ASSET VALUE OF M/S VASAI BHIVANDI TOLLWAYS PRIVATE LIMTED
One Hundred Two Crore and Forty Four Lakhs (INR 102.44 Crores)

Hence the "Enterprise Value" of the Firm "M/s Vasai Bhivandi Tollways Private Limited" is INR 102.44 Crores.

This is only a general assessment of the current value of the current assets based on the data/ input Company officials could provide to us against our questions/ queries. In no manner this should be regarded as an audit activity/ report and NO micro analysis or detailed or forensic audit/ scrutiny of the financial transactions or accounts of any kind has been carried out at our end.

4. KEY ASSUMPTIONS:

a. Non-Current Assets:

- Fair Market value of Property, Plant and equipment has been considered as per the notes provided in the audited financial statement as on 31st March 2021.
- Intangible Assets contains the value of revenue generated from the toll operations by the company, 10% escalation has been considered in the Last toll collection for the FY 2022 to calculate the value as on date considering the economic recovery factor post Covid.
- Other Financial Liability can be paid by the company since the revenue is expected to grow rapidly after a slowdown in the economy after Covid-19 pandemic the mobility in the transport will increase.

Hence after deducting the operational liabilities from the Total Assets value, the Adjusted Net Asset Value (NAV) is being calculated as INR 102.44 Crores, which is being considered as the proxy of Enterprise Value of "M/s Supreme Vasai Bhivandi Tollways Private Limited".

- *Enterprise Valuation of the subject project has been done by using Net Assets Value (NAV) Method.*
- *The Net Assets Value (NAV) of the project has been calculated after the deduction of Operating Liabilities from the Total Assets Value of the company.*

- *The NAV method has been adopted for the calculation of Enterprise Valuation of the subject project since the project is categorized as NPA and as per the information provided by the company, the future operation of the is uncertain as financial institution is about to sell the distressed asset to recover its amount.*
- *No employee or member of R.K Associates has any direct/ indirect interest in the Project.*
- *This is just an opinion report on Valuation based on the copy of the documents/ information provided to us by the client which has been relied upon in good faith and the assessment and assumptions done by us.*
- *This is only a general assessment of the Enterprise/Business Value of the firm based on the data/ input Company officials could provide to us against our questions/ queries and information available in the public domain. In no manner this should be regarded as an audit activity/ report and NO micro analysis or detailed or forensic audit/ scrutiny of the financial transactions or accounts of any kind has been carried out at our end.*

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Declaration	i. *Since this is Enterprise Valuation hence no site inspection was carried out by us.* ii. *The undersigned does not have any direct/ indirect interest in the above property.* iii. *The information furnished herein is true and correct to the best of our knowledge.* iv. *This valuation work is carried out by our Financial Analyst team on the request from State Bank Of India, **SAMB-1, State Bank of India, Mumbai**.* v. *We have submitted Valuation report to the Client.*
Name & Address of Valuer company	**Signature of the authorized person**
M/s R.K. Associates Valuers & Techno Engineering Consultants Pvt. Ltd. D-39, Second Floor, Sector-2, Noida, UP-201301 India	
Enclosed Documents	Valuer's Remark - Page No. 38
Number of Pages in the Report	40
Financial Analyst Team worked on the report	***PREPARED BY: Mr. Gaurav Kumar***
	REVIEWED BY: HOD Valuations

For R.K Associates Valuers & Techno Engineering Consultants (P) Ltd.

Place : Noida

Date : 20th March 2022

(Authorized Signatory)

Valuations

PART G	IMPORTANT DEFINITIONS

Definitions:

- ***Enterprise Value:*** *Enterprise value (EV) is the corporate valuation of a company, determined by using market capitalization and total debt. Market cap comprises preference stocks, common stocks, and minority interest; total debt comprises short-term and long-term liabilities of the company. Enterprise value (EV) refers to the overall valuation—equity, debt, cash, and cash equivalents. In other words, it is the cost of acquiring a firm. The EV/EBITDA is an enterprise multiple. It correlates EV with earnings before interest, taxes, depreciation, and amortization. The metric determines whether the firm is undervalued or overvalued.*

- *EV is computed using the following formula: EV = (Market Capitalization + Market Value of Debt – Cash and Equivalents).*

- ***Fair Market Value*** *suggested by the competent Valuer is that prospective estimated amount in his expert & prudent opinion of the subject asset without any prejudice after he has carefully & exhaustively evaluated the facts & information came in front of him related to the subject asset at which the subject asset should be exchanged between a willing buyer and willing seller at an arm's length transaction in an open & unrestricted market, after proper marketing, wherein the parties, each acted knowledgeably, prudently and without any compulsion on the date of the Valuation.*

  Forced, under compulsion & constraint, obligatory sales transactions data doesn't indicate the Fair Market Value.

- ***Realizable Value*** *is the minimum prospective estimated value of the Company which it may be able to realize at the time of actual transaction factoring in the potential prospects of deep negotiations carried out between the buyer & seller for ultimately finalizing the transaction across the table. Realizable value may be 10-20% less than the Fair Market Value depending on the various salability prospects of the subject asset and the needs of the buyer & the seller.*

- ***Forced/ Distress Sale Value*** *is the value when the company has to be sold due to any compulsion or constraint like financial encumbrances, dispute, as a part of a recovery process, legal issues or any such condition or situation. In this type of sale, minimum fetch value is assessed which can be 15-25% less than the estimated Fair Market Value. In this type of sale, negotiation power of the buyer is always more than the seller and eagerness & pressure of selling the asset is more than buying it. Therefore the Forced/ Distress Sale Value will always fetch significantly less value compare to the estimated Fair Market Value.*

- ***Liquidation Value*** *is the amount that would be realized when an asset or group of assets are sold on a piecemeal basis that is without consideration of benefits (or detriments) associated with a going-concern business. Liquidation value can be either in an orderly transaction with a typical marketing period or in a forced transaction with a shortened marketing period.*

- ***Difference between Costs, Price & Value:*** *Generally these words are used and understood synonymously. However in reality each of these has a completely different meaning, premise and also have different definitions in the professional & legal terms. Therefore to avoid confusion, it is our professional responsibility to describe the definitions of these words to avoid ambiguity & confusion in the minds of the user of this report.*

    - *The **Cost** of an asset represents the actual amount spend in the construction/ actual creation of the asset.*
    - *The **Price** is the amount paid for the procurement of the same asset.*
    - *The **Value** is defined as the present worth of future rights in the asset and depends to a great extent on combination of various factors such as demand and supply, market situation, purpose, situation & needs of the buyer & seller, saleability outlook, usability factor, market perception & reputation. Needs of the buyer & seller, saleability outlook, usability factor, market perception & reputation.*
    - *Therefore in actual for the same asset, cost, price & value remain different since these terms have different usage & meaning.*

PART H	DISCLAIMER | REMARKS

1. No employee or member of R.K Associates has any direct/ indirect interest in the Project.
2. This report is prepared based on the copies of the documents/ information which the Bank/ Company has provided to us out of the standard checklist of documents sought from them and further based on our assumptions and limiting conditions. The client/owner and its management/representatives warranted to us that the information they supplied was complete, accurate and true and correct to the best of their knowledge. All such information provided to us has been relied upon in good faith and we have assumed that it is true and correct in all respect. I/We shall not be liable for any loss, damages, cost or expenses arising from fraudulent acts, misrepresentations, or wilful default on part of the owner, company, its directors, employee, representative or agents. Verification or cross checking of the documents provided to us from the originals or from any Govt. departments/ Record of Registrar has not been done at our end since this is beyond the scope of our work. If at any time in future, it is found or came to our knowledge that misrepresentation of facts or incomplete or distorted information has been provided to us then this report shall automatically become null & void.
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4. This report is a general analysis of the project based on the scope mentioned in the report. This is not an Audit report, Design document, DPR or Techno feasibility study. All the information gathered is based on the facts seen on the site during survey, verbal discussion & documentary evidence provided by the client and is believed that information given by the company is true best of their knowledge.
5. All observations mentioned in the report is only based on the visual observation and the documents/ data/ information provided by the client. No mechanical/ technical tests, measurements or any design review have been performed or carried out from our side during Project assessment.
6. Bank/FII should ONLY take this report as an Advisory document from the Financial/ Chartered Engineering firm and its specifically advised to the creditor to cross verify the original documents for the facts mentioned in the report which can be availed from the borrowing company directly.

7. In case of any default in loans or the credit facility extended to the borrowing company, R.K Associates shall not be held responsible for whatsoever reason may be and any request for seeking any explanation from the employee/s of R.K Associates will not be entertained at any instance or situation.
8. The documents, information, data provided to us during the course of this assessment by the client is reviewed only up to the extent required in relation to the scope of the work. No document has been reviewed beyond the scope of the work.
9. This report only contains general assessment & opinion as per the scope of work evaluated as per the information given in the copy of documents, information, data provided to us and/ and confirmed by the owner/ owner representative to us at site which has been relied upon in good faith. It doesn't contain any other recommendations of any sort including but not limited to express of any opinion on the suitability or otherwise of entering into any transaction with the borrower.
10. We have relied on data from third party, external sources & information available on public domain also to conclude this report. These sources are believed to be reliable and therefore, we assume no liability for the truth or accuracy of any data, opinions or estimates furnished by others that have been used in this analysis. Where we have relied on data, opinions or estimates from external sources, reasonable care has been taken to ensure that such data has been correctly extracted from those sources and /or reproduced in its proper form and context, however still we can't vouch its authenticity, correctness or accuracy.
11. This Report is prepared by our competent technical team which includes Engineers and financial experts & analysts.
12. This is just an opinion report and doesn't hold any binding on anyone. It is requested from the concerned Financial Institution which is using this report for taking financial decision on the project that they should consider all the different associated relevant & related factors also before taking any business decision based on the content of this report.
13. All Pages of the report including annexures are signed and stamped from our office. In case any paper in the report is without stamp & signature then this should not be considered a valid paper issued from this office.
14. Though adequate care has been taken while preparing this report as per its scope, but still we can't rule out typing, human errors, over sightedness of any information or any other mistakes. Therefore, the concerned organization is advised to satisfy themselves that the report is complete & satisfactory in all respect. Intimation regarding any discrepancy shall be brought into our notice immediately. If no intimation is received within 15 (Fifteen) days in writing from the date of issuance of the report, to rectify these timely, then it shall be considered that the report is complete in all respect and has been accepted by the client up to their satisfaction & use and further to which R.K Associates shall not be held responsible in any manner.

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