**REPORT FORMAT:** V-L5 | Version: 4.2\_2017

**File No.: RKA/FY20-21/MUM-148 Dated: 10.08.2022**

**ENTERPRISE VALUATION REPORT**

**OF**

**M/S. GVRM WAGHDHARI RIBBANPALLY TOLLWAY PRIVATE LIMITED TOLLWAY**

**REGISTERED AT**

**PLOT NO. 46A, VETTUVANKENI FIRST AVENUE MAIN ROAD, INJAMBAKKAM VILLAGE, SHOLINGANALLUR TALUK CHENNAI TN 600115 IN**

**REPORT PREPARED FOR**

**STATE BANK OF INDIA- 21st FLOOR, MAKER TOWERS E, CUFFE PARADE, MUMBAI-400005 Branch- SARG**

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| --- | --- | --- |
| **TABLE OF CONTENTS** | | |
|  | | |
| **SECTIONS** | **PARTICULARS** | **PAGE NO.** |
| **Part A** | **INTRODUCTION** |  |
| 1. About the Report |  |
| 1. Background of the Project |  |
| 1. Brief Description of the Project |  |
| 1. Type of Report |  |
| 1. Purpose of the Report |  |
| 1. Scope of the Report |  |
| 1. Documents/ Data Referred |  |
| **Part B** | **PROJECT COMPANY** |  |
| 1. Brief Description about the Company and Promoters |  |
| 1. Banking Arrangements |  |
| 1. Financial Performance |  |
| 1. Period of Concessionaire Agreement |  |
| **Part C** | **The Project** |  |
| 1. Scope Of the Project |  |
| 1. Project Stretch Details and Location |  |
| 1. Salient Features of The Project |  |
| 1. Project Facilities |  |
| 1. Project Milestones |  |
| 1. Reasons for Stress & Initiatives taken by Company |  |
| 1. Contingent Claims |  |
| **Part D** | **ASSESSMENT OF INFRASTRUCTURE SECTOR** |  |
| 1. Introduction |  |
| 1. EPC Industry Overview |  |
| 1. Regulatory Scenario |  |
| 1. Major Policy Measures |  |
| 1. Measures taken by GOI |  |
| 1. Key Developments |  |
| 1. Key Challenges faced by the industry |  |
| 1. Way Forward |  |
| **Part E** | **FINANCIAL PROJECTIONS** |  |
| 1. Historical P&L Statement |  |
| 1. Historical Ratio Analysis |  |
| 1. Graphical Representation of Historical Ratios |  |
| 1. Projected P&L Statement |  |
| 1. Projected Ratio Analysis |  |
| 1. Graphical Representation of Projected Ratios |  |
| **Part F** | **VALUATION OF THE COMPANY** |  |
| 1. Methodology/ Model Adopted |  |
| 1. Calculation of Free Cash Flow to Firm |  |
| 1. Key Inputs |  |
| 1. Calculation Of Enterprise Value |  |
| 1. Assumptions for Financial Projections |  |
| **Part G** | **IMPORTANT DEFINITIONS** |  |
| **Part H** | **DISCLAIMER/REMARKS** |  |

|  |  |
| --- | --- |
| **PART A** | **INTRODUCTION** |

1. **ABOUT THE REPORT:** Enterprise Valuation Report of Engineering-Procurement-Construction (EPC) Company M/S. GVRMP Whagdhari Ribbanpally Tollway Private Limited a Special Purpose Vehicle (SPV) engaged in built, operate and transfer (BOT) project having its registered office address at Plot No. 46A, Vettuvankeni First Avenue Main Road, Injambakkam Village, Sholinganallur Taluk Chennai TN 600115.
2. **BACKGROUND OF THE PROJECT COMPANY & THE PROJECT:** The Government of Karnataka (GoK), as part of its various programs for development of the state, has identified transportation sector as one of the key growth sectors; road sector in particular. The Karnataka Road Development Corporation Ltd. (KRDCL), a Government of Karnataka enterprise, has been entrusted with the responsibility of development of roads. It proposes to undertake inter-alia improvements to State Highways under EPC as also BOT (Build, Operate, and Transfer) basis. State Highway - 10 (SH-10) from Maharashtra border to Andhra Pradesh border via Aland, Gulbarga, Malkhed, Sedam, Ribbanpally (Whagdhari-Ribbanpally Road) in Gulbarga District over a length of 135.85 Kms (Project Road) has been identified as one of the roads to be developed under the BOT route.

GoK, had invited bid proposals in May 2009 from private sector developers for Design, Engineering, Finance, Construction, Operation and Maintenance of Whagdhari Ribbanpally section for 135.85 of SH 10 under on Build Operate Transfer (BOT) VGF (Toll) basis. This is the main interstate road connecting Andhra Pradesh and Maharashtra through Karnataka and the corridor traverses through important towns and many villages and has a mix of fast and slow plying traffic.

The Company (GVRMP Whagdhari Ribbanpally Tollway Private Limited) is an unlisted public company. It was incorporated on 29th April, 2010. GVRMP Whagdhari Ribbanpally Tollway Private Limited (GWRTL) is the Special Purpose Vehicle (SPV) incorporated by the Consortium to carry out the project and subsequently, the Concession Agreement (CA) was signed on 4th June 2010 between the SPV, Public Works, Ports and Inland Water Transport Department of GoK, and Karnataka State Road Development Corporation Ltd. (KRDCL) for the project. The Company is owned by GVR Infra Projects Ltd. (51%), RMN Infrastructures Limited (25%) and Prathyusha Associates and Shipping Private Limited (24%).

The Whagdhari-Ribbanpally project was undertaken up by GVR Infra Projects Ltd on a Build-Operate-Transfer (BOT) basis through a special purpose vehicle (SPV) GVRMP Whadhari Ribbanpally Tollway Private Ltd, which is a consortium of GVR, RMN and Prathusha.

Construction of road Project was completed and company achieved its COD on 6th September 2012. And it stared its toll collection from 7th September 2012. Presently the company is operating 4 tollway with 2 lanes Whagdhari-Ribbanpally State Highway-10 on build-operate and transfer (BOT) basis from last 11 years. The project road starts at Whagdhari, the border of Karnataka and Maharashtra and traverses through Aland, Malkhed and Sedam and ends at Ribbanpally, Karnataka. The company has 30-years concession period from the Karnataka Road Development Corporation Limited (KRDCL).

For the implementation of this Project, company has taken financial assistance from consortium of lenders with SBI being the lead banker. The total Project cost was Rs.314 crores which is implemented in a 68:32 debt-equity ratio.

1. **BRIEF DESCRIPTION OF THE PROJECT:**
2. **Concessionaire Agreement Signing**

The Concession Agreement (“CA”) between Public Works, Ports and Inland Water Transport Department of GoK, Karnataka State Road Development Corporation Ltd. (KRDCL) and GWRTL has been signed on 4th June, 2010.

1. **Financial Closure**

Financial Closure was achieved on November 30, 2010. At the time of Financial Closure, the cost of the Project was estimated at Rs. 314.31 Crs, which was proposed to be financed by Sponsors’ Contribution of Rs. 100.58 Cr (including state govt grant during construction period) and Rupee Term Loan facility of Rs. 213.73 Cr i.e. debt to equity ratio of 2.13:1. The Rupee Term Loan facility of Rs. 213.73 Cr was tied up under consortium lending through signing of Common Loan Agreement (CLA) with SBI as the lead bank.

1. **Appointment Date**

The Appointment Date as per the terms of CA was declared on December 1, 2010 including 21 months construction period.

1. **Commercial Operations Date (COD)**

The scheduled COD of the Project was December 1, 2012. But company achieved its COD on 6th September 2012, which was 3 months prior to the scheduled date.

1. **Concessionaire Agreement End Date**

The end date of Concession period given in concession agreement is November 30, 2040.

1. **Debt Funding**

Debt requirement of Rs. 213.73 cr. as envisaged for the project is proposed to be arranged through Rupee Term Loan as per indicative terms mentioned below:

|  |  |
| --- | --- |
| Borrower | GVRMP Whagdhari Ribbanpally Tollway Pvt. Ltd. |
| Facility | Rupee Term Loan (RTL) of Rs. 213.73 Crore to part fund the project |
| Availability Period | Up to 6 months from Commercial Operation Date (COD) |
| Interest Rate & Interest Reset | Interest Rate & Interest Reset 3.75% over SBI Base Rate (floating) present effective rate 11.25% p.a up to COD and reset of interest spread at annual intervals thereafter |
| Bank charges | 0.9% of the loan amount including upfront fee and under-writing commission |
| Tenor of Loan | Door-to-door tenor of 14 years including 2 years of construction period, 6 months of moratorium and 11.5 years of repayment |
| Security | • A first mortgage and charge over all the Borrower’s properties and assets, both present and future excluding the project assets (as defined in Concession Agreement).  • A first charge/assignment of all the receivables/ revenues of the Borrower from the project or otherwise.  • Pledge of 51% shares of the Borrower.  • A first charge on Debt Service Reserve Account for 6 months of interest & principal payments.  • A first charge on all Borrower’s bank accounts including, without limitation, the Escrow Account and each of the other accounts required to be created by the Borrower under any project document or contract.  • A first charge / assignment/ security interest on the Borrower’s rights under the Concession Agreement, Project Documents, EPC Contract, Contracts and all licenses, permits, approvals, consents and insurance policies in respect of the Project, as per the provisions of the Concession Agreement.  • Assignment of contractor guarantees, liquidated damages, letter of credit, guarantee or performance bond that may be provided by any counter-party under any Project Agreement or contract in favor of the Borrower. Project Information Memorandum GWRTL 17 |
| Undertakings | • Promoter shall furnish a shortfall undertaking (to bring in additional funds in a form acceptable to lenders) for cases of any cost overrun during construction period.  • Promoter shall furnish an undertaking to provide promoter support in case of termination of concession during the construction period.  • Undertaking from GVR Infra Projects Ltd for not reducing its shareholding in the Borrower below 50% without prior written approval of lenders  • Undertaking from the Promoter that in the event the Promoter’s contribution for the Project is brought in the form other than equity, then the repayment / redemption of such amount shall be sub-ordinated to servicing of term debt from Lenders. Further, no such repayment/redemption / servicing in respect of promoter contribution shall be allowed during the moratorium period.  All the charges on security shall be ranked Pari-Passu with the participating Lenders. |

1. **Commencement Of Tolling**

Company achieved its COD on 6th September 2012, which was 3 months prior to the scheduled date. Tolling commenced for 135.85 km started on September 7, 2012.

1. **TYPE OF REPORT:** Enterprise Valuation of M/s GVRMP Whagdhari Ribbanpally Tollway Private Limited.
2. **PURPOSE OF THE REPORT:** To estimate & determine current Fair Enterprise Value of the SPV Companyto enable the lenders to evaluate the further course of action on this account.
3. **SCOPE OF THE REPORT:** To assess, determine & compute the Enterprise Value of the Company based on Discounted Cash Flows Model

* ***This is just the enterprise valuation of the project based on its income generating capacity/ projections in future years. This Valuation shall not be construed as the physical asset valuation or should be directly related to cost approach or Project cost.***
* ***This Valuation only covers the cash flow generated from 131.50 KM toll project of the Company. It does not cover any transaction with the subject company’s subsidiary/ associate/ Joint Venture Companies.***
* ***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.***
* ***The Market and Industrial assessment of the given company’s industry has not been done at our end. So, this valuation doesn’t cover the Market & industrial scenario in terms of the product demand & market potential.***

1. **METHODOLOGY/ MODEL ADOPTED:** Free Cash Flow to Firm Model for the calculation of Enterprise Value of the Company.
2. **DOCUMENTS / DATA REFFERED:**

* Audited / provisional Financial Statements and Notes provided by M/s GWRTL.
* Financial Model of the M/s GWRTL
* Concession agreement
* Data collected from public sources and Government agencies.
* Details of Outstanding Debt of M/s GWRTL
* Previous Valuation Reports of M/s GWRTL
* Traffic Report
* Completion Certificate of the Project
* Write-up on company details

|  |  |
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| **PART B** | **PROJECT COMPANY** |

1. **BRIEF DESCRIPTION ABOUT THE COMPANY**

The Sponsors and their respective group companies incorporated an SPV in the name of M/s GVRMP Whagdhari Ribbanpally Tollway Private Limited (“GWRTL”) for implementing Two-Laning of SH-10 in the state of Karnataka under KRDLC on BOT basis.

The incorporation details of the Project Company are provided in the table below:

1. **COMPANY DETAILS**

|  |  |
| --- | --- |
| **COMPANY NAME** | GVRMP Whagdhari Ribbanpally Tollway Private Limited (GWRTL) |
| **CORPORATE IDENTITY NUMBER** | U45209TN2010PTC092111 |
| **INCORPORATION DATE** | April 29, 2010 |
| **CONSTITUTION** | Private Limited Company/Company limited by Shares |
| **SECTOR** | Infrastructure - Roads & Highways |
| **REGISTERED / CORPORATE OFFICE ADDRESS** | Plot No. 46A, Vettuvankeni First Avenue Main Road, Injambakkam Village, Sholinganallur Taluk Chennai TN 600115 |
| **AUTHORIZED SHARE CAPITAL** | 530000000 |
| **ISSUED, SUBSCRIBED AND PAID-UP CAPITAL** | 528600000 |

*Source: http://www.mca.gov.in/*

1. **SHAREHOLDING PATTERN**

The Shareholding Pattern of M/s. GVRMP Whagdhari Ribbanpally Tollway Private Limited is:

|  |  |  |  |
| --- | --- | --- | --- |
| **S. NO.** | **SHAREHOLDER’S NAME** | **NO. OF SHARES** | **%** |
| 1 | GVR Infra Projects Ltd. | 2,69,58,600 | 51% |
| 2 | RMN Infrastructures Limited | 1,32,15,000 | 25% |
| 3 | Prathyusha Resources and Infra Private Limited | 1,26,86,400 | 24% |
|  | **Total** | **5,28,60,000** | **100** |

1. **BOARD OF DIRECTORS**

Below table shows the details of directors of the company along with their DIN details, Academic background and working experience:

**List of Directors of GWRTL**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **S. NO.** | **NAME** | **DIN No.** | **DESIGNATION** | **DATE OF APPOINTMENT** |
| 1. | Nanaji Tananki | 0002590765 | Director | 27th February 2021 |
| 2 | Lakshmi Kantha Mohan Kanneganti | 0002693861 | Director | 27th February 2021 |
| 3 | Chandra Mohan Sriramulu | 0005170468 | Director | 16th May 2012 |
| 4 | Sateesh Thananki | 0008178735 | Director | 2nd December 2020 |
| 5 | Shalem Raju Vempati | AXDPV0944Q | Director | 15th June 2021 |

1. **CREDIT FACILITIES OF THE COMPANY**

Below table shows the present status of the company with all the lenders as on 31st March 2022.

**Details of Credit Facilities of the Company**

*(Figures in Rs. Crores)*

|  |  |  |
| --- | --- | --- |
| **Name of the Bank** | **Outstanding Amount as on**  **31st March 2022 (In Crores)** | **Sanctioned Amount**  **(In Crores)** |
| SBI | 56.10 | 75.00 |
| SBM | 19.47 | 25.00 |
| IOB | 36.65 | 48.73 |
| KTK | 41.17 | 50.00 |
| J&K | 14.77 | 15.00 |
| **Total** | **168.16** | **213.73** |

***(Source:*** *Data provided by the Company and Bank)*

1. **FINANCIAL PERFORMANCE**

Below table shows the historical financial performance of the company from FY 2017-18 to FY 2021-22:

*(Figures in INR Crores)*

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Particular** | **FY 2018 A** | **FY 2019 A** | **FY 2020 A** | **FY 2021 A** | **FY 2022 P** |
| Total Income | 45.43 | 37.46 | 32.00 | 19.75 | 20.06 |
| Less: Total Expenses | 12.06 | 13.61 | 4.80 | 5.54 | 6.16 |
| **EBITDA** | 33.37 | **23.85** | **27.19** | **14.21** | **13.90** |
| Less: Depreciation | 12.21 | 10.96 | 15.93 | 5.63 | 5.99 |
| **EBIT** | 21.16 | **12.89** | **11.26** | **8.59** | **7.90** |
| Less: Finance Cost | 25.74 | 23.58 | 25.74 | 5.23 | 21.32 |
| **PBT** | (4.58) | **(10.69)** | **(14.48)** | **3.36** | **(13.42)** |
| Less: Tax | 0.00 | (1.35) | (0.14) | 0.16 | 0.00 |
| **PAT** | (4.58) | **(9.34)** | **(14.34)** | **3.20** | **(13.42)** |
| **Net Profit Margin** | -10.09% | -24.93% | -44.80% | 16.18% | -66.90% |
| **EBITDA Margin** | 73.46% | 63.67% | 84.99% | 71.95% | 69.28% |
| **EBIT Margin** | 46.58% | 34.40% | 35.20% | 43.47% | 39.40% |
| **Revenue Growth % (YOY)** |  | -17.54% | -14.58% | -38.26% | 1.55% |

**Notes:**

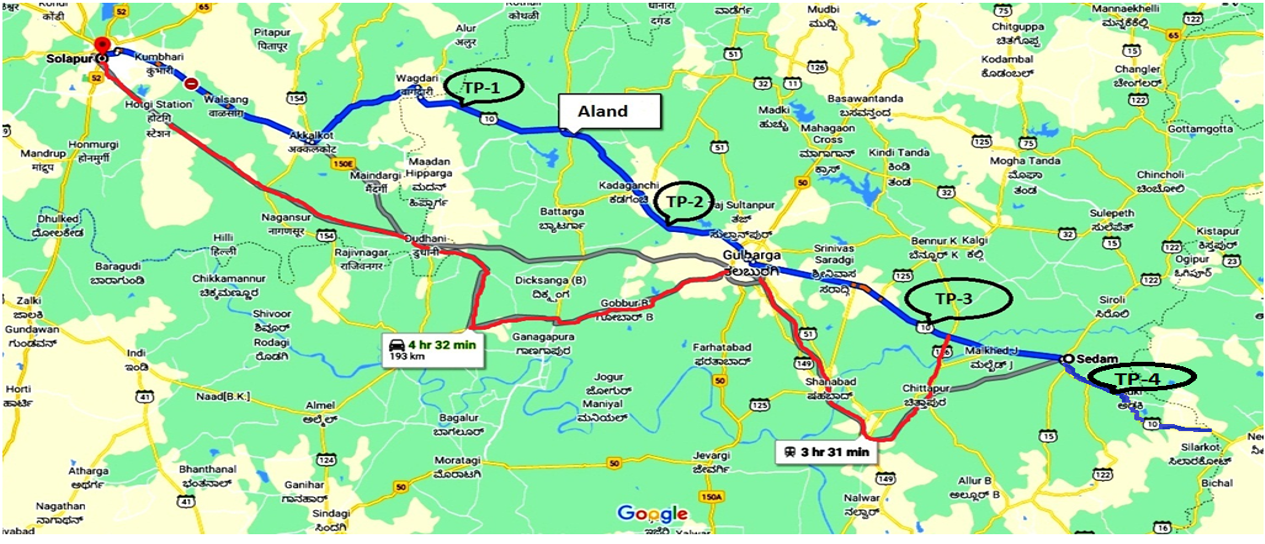
Project is in operation since 2010. As per the historical data, which can be seen in the above table, net profit margin in approximately all the years except one, is continuously declining which can be attributed to the financial stress faced by the company. EBITDA and EBIT margins are positive for all the years, but PAT is showing the declining trend reason is finance cost. As per the discussion with the client, majority of the revenue has gone for debt servicing as depicted above, the company is not able to fulfill its financial obligations and hence SBI Bank and other lenders need to take appropriate decision/resolution on this NPA account.

1. **FINANCIAL STRESS**

Currently account is in NPA state since July, 2019 due to financial stress in the company. As per the company,project's financial status is NPA due to lower toll collection of the project. Major reasons attributed for lower toll collection are:

* Alternative routes/roads came up in the nearby areas as result of which traffic has got diverted/ dispersed to a greater extent from company’s Toll road.
* Road condition of this toll road has become very poor because major maintenance is not done as per concession agreement.
* Two NHAI future projects in nearby areas.

Considering of the above said facts road toll collection has fallen and showing a downward trend from 2017-18 onwards. Below picture shows the alternative routes of the tollway in nearby areas. It is clear from the picture that these alternative routes can pass TP-1, TP-2 and TP-3. Only TP-4 is left, which is only 20 KM last stretch road of the tollway.



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| **PART C** | **THE PROJECT** |

1. **SCOPE OF PROJECT**

The scope of the Project (the “Scope of the Project”) as per the resolution plan, Concession Agreement shall mean and include the following, during the Concession Period:

1. Construction of the Project Highway together with provision of project facilities in conformity with the specifications and standards as set forth in CA.
2. Operation and maintenance of the Project Highway in accordance with the provisions of the CA; and
3. Performance and fulfillment of all other obligations of the Concessionaire in accordance with the provisions of the CA and necessary for the performance of any or all of the obligations of the Concessionaire under the CA.
4. **PROJECT** **LOCATION**

The Project Road is the SH10 stretch of Karnataka, which starts from Whagdhari at Maharashtra border and ends at Ribbanpally at Andhra Pradesh border via Gulbarga district in Karnataka. The project road starts at Whagdhari, the border of Karnataka and Maharashtra and traverses through Aland, Malkhed and Sedam and ends at Ribbanpally, Karnataka and Andhra Pradesh border at Km 135.85. This is the main interstate road connecting Andhra Pradesh and Maharashtra through Karnataka. It traverses through important towns and many villages and has a mix of fast and slow plying traffic. The project corridor is abutted all through with cultivation land, mainly consisting of sunflower, maize and other annual crops. A site map of Project Road is placed below.

****

1. **MAJOR SECTIONS**

|  |  |  |
| --- | --- | --- |
| **Section No.** | **Sections** | **Chain age** |
| 1 | Start of the Project Stretch to Aland | km 0 to km 24 |
| 2 | Aland to Gulbarga | km 24 to km 61 |
| 3 | Gulbarga to Sedam | km 66 to km 116 |
| 4 | Sedam to End of the Project Stretch | km 116 to km 135.85 |

As per the information provided by the company, Section-1 starts from the border of Maharashtra and Karnataka and ends at Aland check post near Aland. The entire section is a single road with poor pavement condition. Sarasamba is the only noticeable builtup on this section and there are no major diversions in the section. Majority of the traffic on this section is the through traffic to Maharashtra State.

Section-2 starts from Aland check post to Gulbarga ring road. The pavement condition is also poor in this stretch and section is of single to two lane carriage way. SH-32 branches of from Aland check post which goes in to Aland town and further to Umarga joining NH-9 via Khajuri. There are no major builtups on this section except Kadaganchi. The traffic is uniform in the entire project stretch, the shuttle trips between Aland and Gulbarga are more on this section.

Section 3 starts from the Gulbarga ring road on Sedam side and ends after Sedam town. Lot of improvements are happening on this section, with the new proposed Gulburga airport near Sardagi, major residential layouts and international schools coming up and some are already in existence. Budha Vihar, a major piligrimage centre is located adjoining to this stretch. Major cement industries like Vasavadatta and Rajashree cements are located on this section. The entire section is almost having an Intermediate lane to two lane carriageway, with poor pavement condition, at some places improvements like patch work, overlay has been carried out.

Section 4 starts from the end of Sedam town to end of the project stretch at Karnataka / Andhra Pradesh Border. Mudhol, Adki are the major builtups on this section.

1. **TOLL PLAZAS**

Each toll plaza is having 4 lanes of 4 m width with a fully-automatic system of toll collection comprising equipment for registering of vehicle classification, ticket issuing, data processing and power supply. One toll lane in each direction shall be provided for traffic not required to pay fees and also to cater to the oversized vehicles. As per CA, the four toll plazas are planned at Chainage Km 2.65, Chainage 59.50 near Gulburga, Chainage 69.00 after Gulburga and Km 115.000 near Sedam.

|  |  |
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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 INR 1.27 Lakh Crores which is higher by 35% as compared to the previous year’s actual capital outlay of INR 0.89 Lakh Crores. In 2022-23, the Ministry of Road Transport and Highways has been allocated nearly INR 68,000 crore more than the revised expenditure in 2021-22.  In absolute terms, this is the highest increase (from revised estimates of 2021-22) among all ministries in 2022-23.  Nearly all of this additional allocation has been earmarked for investment in NHAI.  After many years, NHAI will not have any borrowings, and rely entirely on budgetary resources.  As of November 2021, NHAI’s total debt stood at INR 3.38 lakh crore. This is nearly 150% more than the allocation to NHAI in 2022-23.

The total expenditure on the Ministry of Road Transport and Highways for 2022-23 is estimated at INR 1,99,108 crore. This is 52% higher than the revised estimates for 2021-22. In 2022-23, capital expenditure is estimated at INR 1,87,744 crore while revenue expenditure is estimated at INR 11,364 crore.  Since 2015-16, the share of capital expenditure of the Ministry has increased significantly, while revenue expenditure has gradually declined.  In 2022-23, 94% of the Ministry’s spending is estimated to be on capital expenditure.

In the Union Budget 2022-23, the government allocated INR 64,573 crores towards Roads & Bridges and INR 1,34,015 crores towards NHAI. The Government has also announced the Bharatmala Pariyojana Scheme Phase I with an investment of INR 5.35 lakh crores for development National Highways totaling to 34,800 kms over a period of 5 years ending in 2021-22. The project will be taken up by the ministry in two phases of 34,800 kilometer (including 10,000 km residual NHDP stretches) and 30,187 km each. Further, the MoRTH announced that it achieved a milestone by constructing 13,298 km of National Highways, with construction of 37 km per day in FY21. As of December 2021, road projects with an aggregate length of 19,926 km, and costing INR 5.98 lakh crore have been approved under Bharatmala Pariyojana Phase-I. Of this, road length of 6,976 km has already been completed. This corresponds to 35% of the approved project length.

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 INR 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 17,055 km 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 INR 1,220 billion by NHAI in Financial Year 2018, INR 765 billion has been awarded on HAM mode (63%), INR 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.

In August 2021, the central government unveiled the National Asset Monetization Pipeline (NMP). The NMP aims to monetize core brownfield infrastructure assets (such as roads, rail, ports, power transmission lines) to mobilize INR 5.97 lakh crore from 2021-25. The central government targets monetizing 26,700 km of roads, with a potential revenue of INR 1.60 lakh crore (27% of the total potential monetization value). Only NHs with four lanes and above have been considered for asset monetization. As of February 2022, 20 stretches (1,407 km) have already been monetized through TOT mode in four Bundles. A sum of INR 15,703 crore has already been realized and remitted to the Consolidated Fund of India.

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 64 Lakhs Km roads India has second largest road network in the world comprising of National Highway, Expressways, State Highways, District Roads, PWD Roads and Project Roads. * 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 about 2% 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 50 kmph and Mail/Express trains to 80 kmph by 2020. * Targets to complete Eastern and Western Dedicated Freight Corridors by the end of Dec 2019. |
| **Ports** | * 12 major ports and over 205 notified minor ports along a coastline spanning over 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. |

1. **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.

1. **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 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.

1. **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 |

1. **MEASURES TAKEN BY GOVERNMENT OF INDIA TO BOOST THE INFRASTRUCTURE FINANCING IN UNION BUDGET 2022-23:**

* PM GatiShakti National Master Plan to encompass the engines for economic transformation, seamless multimodal connectivity, and logistics efficiency.
* Expressways to be augmented in 2022-23 to facilitate faster movement of people and goods.
* The National Highways network to be expanded by 25,000 KM in 2022-23.
* Contracts to be awarded in 2022-23 for implementation of Multimodal Logistics Parks at 4 locations through PPP mode.
* INR 20,000 crore will be mobilized through innovative ways of financing to complement public resources.
* Railways to develop new products and efficient logistics services for small farmers and SMEs to provide seamless solutions for movement of parcels.
* As a part of ‘Atmanirbhar Bharat’, 2,000 KM of rail network will be brought under ‘Kavach’ i.e., the indigenous world-class technology for safety and capacity augmentation in 2022-23.
* ‘One Station-One Product’ concept for rail stations to be endorsed to help local businesses and supply chain.

1. **FOLLOWING KEY DEVELOPMENTS TO BE ACHIEVED OVER THE NEXT 3 YEARS:**

* In the Budget Speech 2022-23, the Finance Minister announced that by March 2023, the NH network will be expanded by 25,000 km.
* 400 new-generation ‘Vande Bharat Trains’ with better energy efficiency and passenger riding experience; and
* 100 PM GatiShakti Cargo Terminals for multimodal logistics facilities.
* Multimodal connectivity between mass urban transport and railway stations to be facilitated on priority basis.
* Design of metro systems, including civil structures to be re-oriented and standardized for Indian conditions.
* Contracts for 8 ropeway projects totaling to length of 60 KM to be awarded in 2022-23 under PPP mode as preferred ecologically sustainable alternative to conventional roads in difficult hilly areas.
* In order to achieve target of 280 GW of installed solar capacity by 2030, additional allocation of INR 19,500 crore for PLI scheme for domestic manufacture of high efficiency modules (with priority to fully integrated manufacturing units from polysilicon to solar PV modules).
* Battery Swapping Policy to inter-operability standards to be formulated to overcome space constraints in urban areas to setup charging stations.
* Sovereign Green Bonds to be issued for mobilizing resources for green infrastructure - proceeds to be deployed in public sector projects to reduce carbon intensity.
* Infrastructure status for Data Centers and Energy Storage Systems including dense charging infrastructure and grid-scale battery systems.

**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 months 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 billion.
* **Shifting of Utilities:** A considerable amount of time is spent 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 labor, 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.

In order to resolve languishing projects, the Ministry has taken some steps which include:

* 1. Implementing an exit policy which allows private developers to take out their entire equity and exit operational Build-Operate-Transfer (BOT) projects two years from the start of operations irrespective of date of award.
  2. Providing rationalized compensation to concessionaires for languishing NH projects in BOT mode for delays not attributable to concessionaires.
  3. A one-time fund infusion by NHAI which enables revival and physical completion of languishing BOT projects that have achieved at least 50% physical progress, on a case-to-case basis, among others.

1. **WAY FORWARD**: Infrastructure development is key to India’s economic growth. The Infrastructure in India is estimated to grow at a CAGR of approximately 7% during the forecast period. India has a requirement of investment worth 50 trillion 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 mobilize 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).
* The Infrastructure in India is estimated to grow at a CAGR of approximately 7% during the forecast period.
* Government plans to invest about INR 102 lakh crore on infrastructure projects by 2024-25. The five-year-long National Infrastructure Pipeline (NIP) will enter its second year in FY21, during which INR 1,950,397 crores are to be invested. About INR 19.5 lakh crore has been budgeted during FY21 as part of the NIP. Urban infrastructure, road transport, energy, and Railways account for about 70% of allocation this 2020.
* About 42% of the projects in the NIP are under implementation, which means construction work is already going on. Another 19% is under a development stage, while a big 31% is still in the conceptual stage
* During the fiscals 2020 to 2025, sectors such as Energy (24%), Roads (19%), Urban (16%), and Railways (13%) amount to around 70% of the projected capital expenditure in infrastructure in India

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| **PART E** | **FINANCIAL PROJECTIONS** |

As per the audited financial statements provided by the company/client, below table shows the historical performance of the company.

1. **HISTORICAL PROFIT & LOSS STATEMENT: (FY 2017-18 to FY 2021-22)**

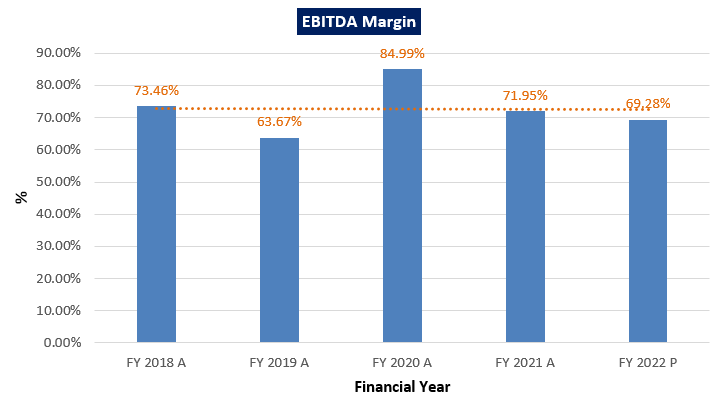
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| --- | --- | --- | --- | --- | --- |
| **Particular** | **FY 2018 A** | **FY 2019 A** | **FY 2020 A** | **FY 2021 A** | **FY 2022 P** |
| Toll Revenue | 44.88 | 36.20 | 30.06 | 19.03 | 20.06 |
| Other Income | 0.55 | 1.26 | 1.94 | 0.72 | - |
| **Total Income** | **45.43** | **37.46** | **32.00** | **19.75** | **20.06** |
| Operation & Maintenance Expenses | 0.71 | 0.53 | 0.68 | 0.79 | 0.91 |
| Employee Benefit Expenses | 1.96 | 2.30 | 2.56 | 2.56 | 2.71 |
| Insurance | 0.13 | 0.15 | 0.15 | 0.53 | 0.58 |
| Other Expenses | 1.34 | 1.35 | 1.41 | 1.67 | 1.97 |
| Major Maintenance Expense | 7.91 | 9.28 | - | - | - |
| **Total expenses** | **12.06** | **13.61** | **4.80** | **5.54** | **6.16** |
| **EBIDTA** | **33.37** | **23.85** | **27.19** | **14.21** | **13.90** |
| Depreciation | 12.21 | 10.96 | 15.93 | 5.63 | 5.99 |
| **EBIT** | **21.16** | **12.89** | **11.26** | **8.59** | **7.90** |
| Finance Cost | 25.74 | 23.58 | 25.74 | 5.23 | 21.32 |
| **PBT** | **(4.58)** | **(10.69)** | **(14.48)** | **3.36** | **(13.42)** |
| Tax | - | (1.35) | (0.14) | 0.16 | - |
| **PAT** | **(4.58)** | **(9.34)** | **(14.34)** | **3.20** | **(13.42)** |

1. **KEY FINANCIAL RATIOS:**

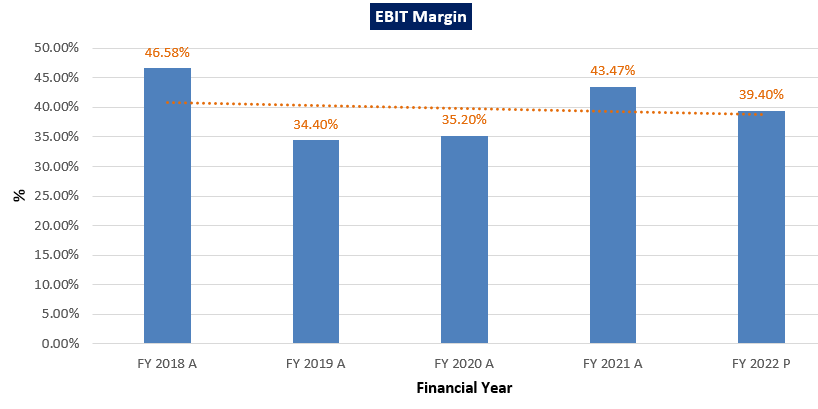
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| --- | --- | --- | --- | --- | --- |
| **Particular** | **FY 2018 A** | **FY 2019 A** | **FY 2020 A** | **FY 2021 A** | **FY 2022 P** |
| **EBITDA Margin** | -0.84% | -1.83% | -9.33% | 2.92% | -10.85% |
| **EBIT Margin** | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| **Net Profit Margin** | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| **Revenue Growth % (YOY)** |  | 12.88% | -64.71% | 15.40% | 11.21% |

1. **GRAPHICAL REPRESENTATION OF THE KEY FINANCIALS OF THE COMPANY**:

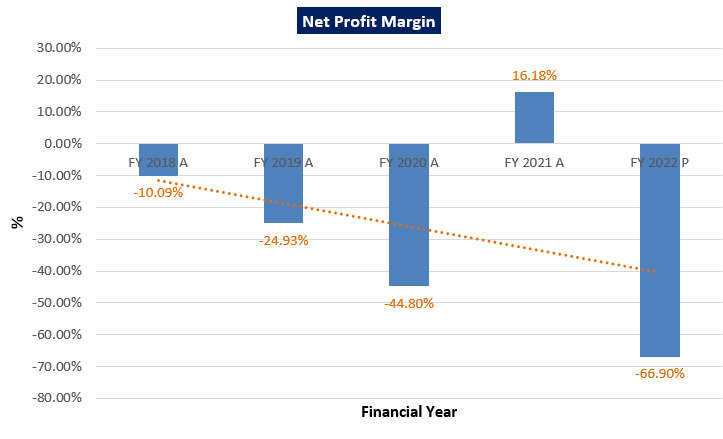
**EBITDA MARGIN %**

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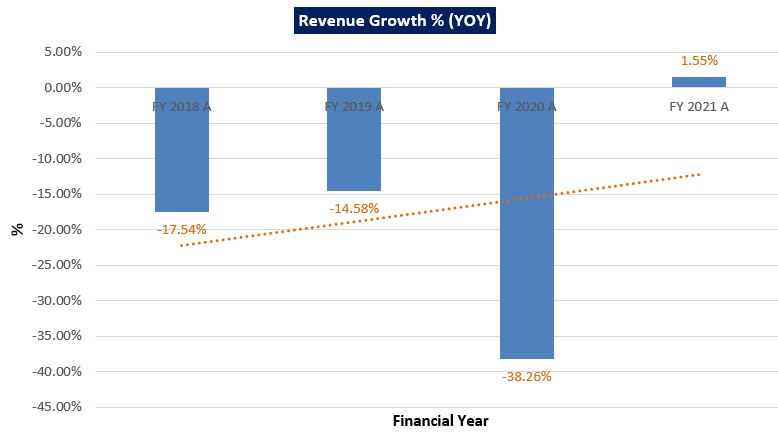
**EBIT MARGIN %**



**NET PROFIT MARGIN %**

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**REVENUE GROWTH% (Y.O.Y.)**



Based on the data/ information/ inputs provided by the Company Officials EBITDA Margin was positive throughout FY 2018 to 2022, it increased to 84.99% from 63,67% in FY 2020, then it falls around 13% in FY 2021 and 2.67% in FY 2022.

EBIT Margin was positive throughout FY 2018 to FY 2022, while in FY 2019, it declined to 34.40% from 46.58%. Then it increased to 43.47% from 32.20% in FY 2021. In FY 2022 it falls again to 39.40%.

Net profit margin is constantly negative from FY 2018 to FY 2022 due to the higher financing costs, except FY 2021.

Revenues of the company are constantly declining in most of the past recent years historically due to the adverse effect of Covid-19 & the traffic leakage issue this highway is facing, but according to FY2022 provisional data the revenue grows by 1.55%.

1. **PROJECTED PROFIT & LOSS STATEMENT (From FY 2023 to FY 2040):**

Based on the data/ information/ inputs provided by the Bank/ company, financial projections of the project have been estimated as follows:

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Particular** | **FY 2023 E** | **FY 2024 E** | **FY 2025 E** | **FY 2026 E** | **FY 2027 E** | **FY 2028 E** | **FY 2029 E** | **FY 2030 E** | **FY 2031 E** |
| Toll Revenue | 20.54 | 21.31 | 21.79 | 22.30 | 22.80 | 23.32 | 23.88 | 24.45 | 24.99 |
| **Total Income** | **20.54** | **21.31** | **21.79** | **22.30** | **22.80** | **23.32** | **23.88** | **24.45** | **24.99** |
| Operation & Maintenance Expenses | 0.94 | 0.98 | 1.02 | 1.06 | 1.10 | 1.15 | 1.19 | 1.24 | 1.29 |
| Employee Benefit Expenses | 2.98 | 3.27 | 3.60 | 3.96 | 4.36 | 4.79 | 5.27 | 5.80 | 6.38 |
| Insurance | 0.60 | 0.61 | 0.62 | 0.63 | 0.65 | 0.66 | 0.67 | 0.68 | 0.70 |
| Other Expenses | 2.04 | 2.13 | 2.21 | 2.30 | 2.39 | 2.49 | 2.59 | 2.69 | 2.80 |
| Major Maintenance Expense | 10.25 | 10.76 | - | - | - | 13.08 | 13.73 | - | - |
| **Total expenses** | **16.81** | **17.75** | **7.45** | **7.96** | **8.50** | **22.16** | **23.46** | **10.42** | **11.17** |
| **EBIDTA** | **3.73** | **3.57** | **14.34** | **14.34** | **14.30** | **1.15** | **0.43** | **14.03** | **13.82** |
| Depreciation | 10.89 | 10.89 | 10.89 | 10.89 | 10.89 | 10.89 | 10.89 | 10.89 | 10.89 |
| **EBIT** | **(7.16)** | **(7.32)** | **3.45** | **3.45** | **3.41** | **(9.74)** | **(10.5)** | **3.15** | **2.93** |
| Finance Cost | - | - | - | - | - | - | - | - | - |
| **PBT** | **(7.16)** | **(7.32)** | **3.45** | **3.45** | **3.41** | **(9.74)** | **(10.5)** | **3.15** | **2.93** |
| Tax | - | - | - | - | - | - | - | - | - |
| **PAT** | **(7.16)** | **(7.32)** | **3.45** | **3.45** | **3.41** | **(9.74)** | **(10.5)** | **3.15** | **2.93** |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Particular** | **FY 2032 E** | **FY 2033 E** | **FY 2034 E** | **FY 2035 E** | **FY 2036 E** | **FY 2037 E** | **FY 2038 E** | **FY 2039 E** | **FY 2040 E** |
| Toll Revenue | 25.62 | 26.20 | 26.9 | 27.54 | 28.16 | 28.79 | 29.47 | 30.16 | 30.85 |
| **Total Income** | **25.62** | **26.20** | **26.9** | **27.54** | **28.16** | **28.79** | **29.47** | **30.16** | **30.85** |
| Operation & Maintenance Expenses | 1.34 | 1.39 | 1.45 | 1.51 | 1.57 | 1.63 | 1.70 | 1.76 | 1.84 |
| Employee Benefit Expenses | 7.02 | 7.72 | 8.49 | 9.34 | 10.28 | 11.30 | 12.43 | 13.68 | 15.05 |
| Insurance | 0.71 | 0.73 | 0.74 | 0.76 | 0.77 | 0.79 | 0.80 | 0.82 | 0.83 |
| Other Expenses | 2.91 | 3.03 | 3.15 | 3.27 | 3.40 | 3.54 | 3.68 | 3.83 | 3.98 |
| Major Maintenance Expense | - | 16.69 | 17.5 | - | - | - | 21.30 | 22.37 | - |
| **Total expenses** | **11.98** | **29.56** | **31.3** | **14.88** | **16.02** | **17.26** | **39.92** | **42.46** | **21.70** |
| **EBIDTA** | **13.63** | **(3.36)** | **(4.5)** | **12.65** | **12.14** | **11.53** | **(10.4)** | **(12.3)** | **9.15** |
| Depreciation | 10.89 | 10.89 | 10.89 | 10.89 | 10.89 | 10.89 | 10.89 | 10.89 | 10.89 |
| **EBIT** | **2.75** | **(14.2)** | **(15.3)** | **1.77** | **1.25** | **0.64** | **(21.3)** | **(23.2)** | **(1.74)** |
| Finance Cost | - | - | - | - | - | - | - | - | - |
| **PBT** | **2.75** | **(14.2)** | **(15.3)** | **1.77** | **1.25** | **0.64** | **(21.3)** | **(23.2)** | **(1.74)** |
| Tax | - | - | - | - | - | - | - | - | - |
| **PAT** | **2.75** | **(14.2)** | **(15.3)** | **1.77** | **1.25** | **0.64** | **(21.3)** | **(23.2)** | **(1.74)** |

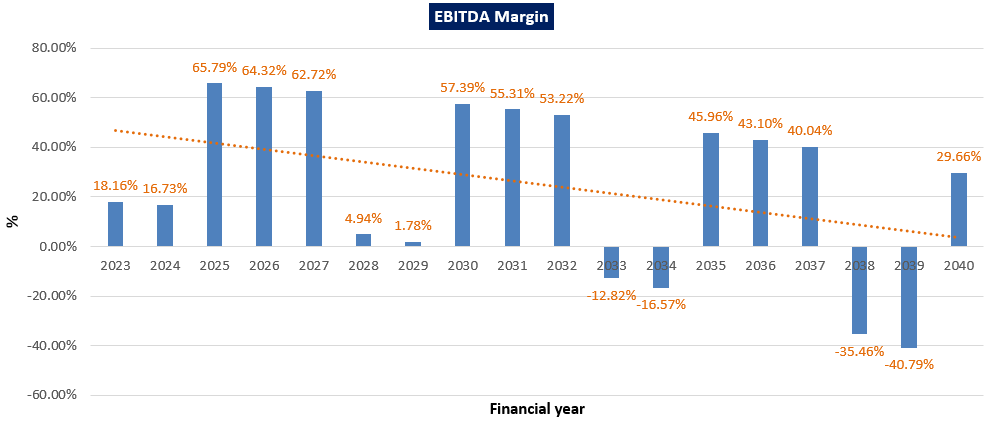
1. **KEY FINANCIAL RATIOS:**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Particular** | **FY 2023 E** | **FY 2024 E** | **FY 2025 E** | **FY 2026 E** | **FY 2027 E** | **FY 2028 E** | **FY 2029 E** | **FY 2030 E** | **FY 2031 E** |
| **EBITDA Margin %** | 18.16 | 16.73 | 65.79 | 64.32 | 62.72 | 4.94 | 1.78 | 57.39 | 55.31 |
| **EBIT Margin %** | -34.86 | -34.34 | 15.83 | 15.49 | 14.97 | -41.76 | -43.80 | 12.87 | 11.74 |
| **Net Profit Margin %** | -34.86 | -34.34 | 15.83 | 15.49 | 14.97 | -41.76 | -43.80 | 12.87 | 11.74 |
| **Revenue Growth % (YOY)** |  | 3.79 | 2.23 | 2.32 | 2.25 | 2.27 | 2.43 | 2.37 | 2.20 |

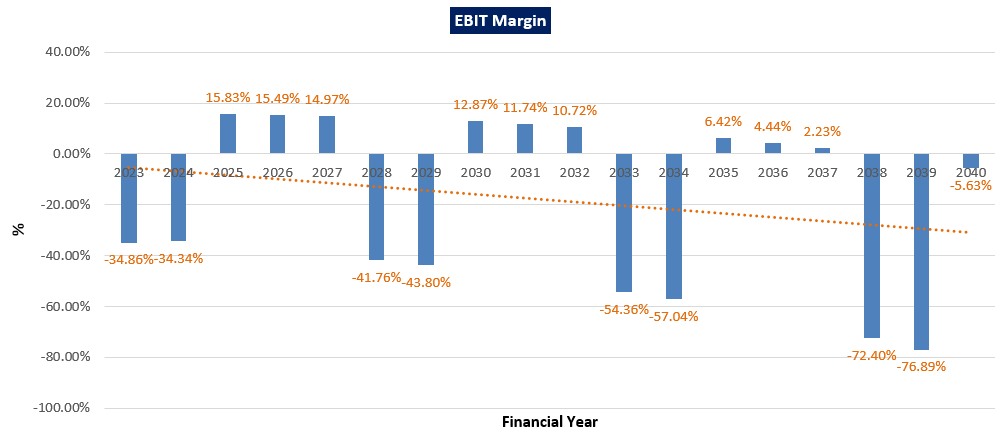
|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Particular** | **FY 2032 E** | **FY 2033 E** | **FY 2034 E** | **FY 2035 E** | **FY 2036 E** | **FY 2037 E** | **FY 2038 E** | **FY 2039 E** | **FY 2040 E** |
| **EBITDA Margin %** | 53.22 | -12.82 | -16.57 | 45.96 | 43.10 | 40.04 | -35.46 | -40.79 | 29.66 |
| **EBIT Margin %** | 10.72 | -54.36 | -57.04 | 6.42 | 4.44 | 2.23 | -72.40 | -76.89 | -5.63 |
| **Net Profit Margin %** | 10.72 | -54.36 | -57.04 | 6.42 | 4.44 | 2.23 | -72.40 | -76.89 | -5.63 |
| **Revenue Growth % (YOY)** | 2.51 | 2.29 | 2.67 | 2.36 | 2.26 | 2.25 | 2.35 | 2.34 | 2.29 |

1. **GRAPHICAL REPRESENTATION OF THE PROJECTED KEY RATIOS OF THE COMPANY**:

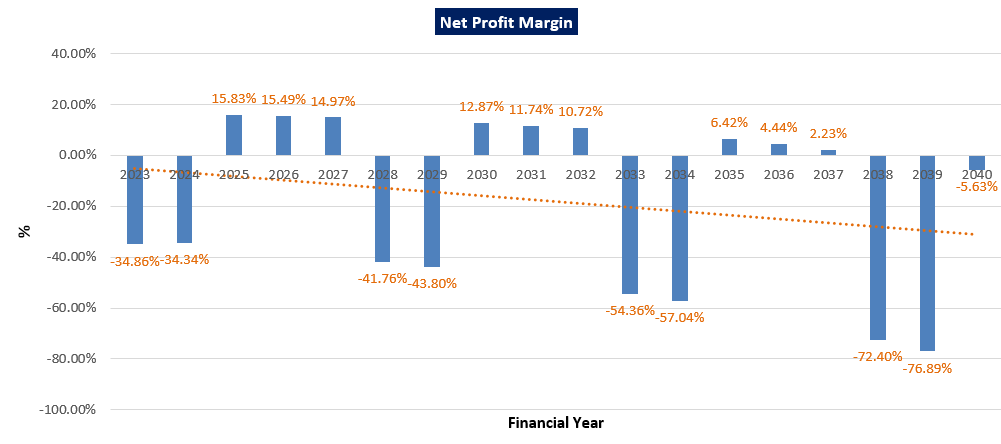
**EBITDA MARGIN %**

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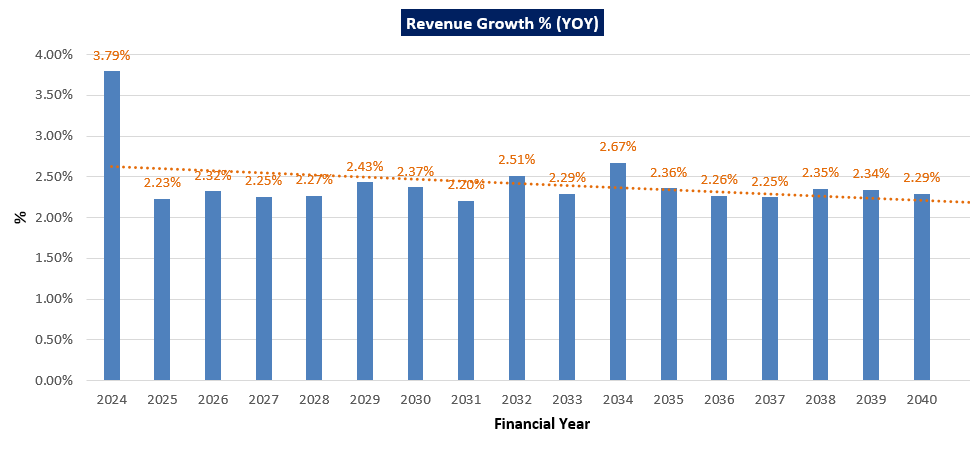
**EBIT MARGIN %**

****

**NET PROFIT MARGIN %**

****

**REVENUE GROWTH % (Y.O.Y.)**

****

**Notes**:

* As per the ratio analysis performed, it is observed that EBITDA Margin of the company is not showing a constant trend. In FY 2223, 2024, 2028, 2029, 2033 and 2039 it is falling down and in rest of the years it is increasing. But trend line is showing a declining trend. Alternative routes/roads came up in the nearby areas as result of which traffic has got diverted/ dispersed to a greater extent from company’s Toll road. In FY 2023 it is going up by 18.16% and in FY 2040 it is going up by 29.66%.
* Similarly, EBIT Margin and net profit margins are also showing the same trend. In FY 2023 it is 34.86% decline and in FY 2040 it is fall by 5.63%.
* Revenue growth rate is showing positive trend throughout FY 2023 to FY 2040. It means that in future traffic is showing a steady growth.

|  |  |
| --- | --- |
| **PART F** | **VALUATION OF THE COMPANY** |

1. **METHODOLOGY/ MODEL ADOPTED:**

Out of the various models & theories available, we have adopted the most widely used & acceptable approach to calculate the Enterprise Value of the Company, which is, Income based approach (Discounted Cash Flow Model).

1. The free cash flow method is similar to the method used for public companies.
2. FCFF is more practical when substantial capital changes are expected because weighted average cost of capital (WACC) is less sensitive to the cost of equity.
3. In this method, we calculate the free cash flow to firm (FCFF) for the projected period.
4. Finally, we calculate the present value of future cash flows by using a required rate of return based on the riskiness of the project, which we determine by using the Weighted Average Cost of Capital (WACC).

**RATIONALE FOR USING DCF METHOD FOR ENTERPRISE VALUATION:**

M/s GWRTL is an SPV which operates a toll road project under a long-term concession agreement with SH in the state of Karnataka. The period of operations and toll prices are derived by the terms of the specific agreement between M/s GWRTL, KRDLC and GoK.

1. The three broadly used approaches of the company/Business Valuations are – Income based approach (Discounted Cash Flow Model), Asset Based Approach (Net Asset Value Method) and Relative Valuation Approach (Market Multiple method).
2. Asset Based Model is inappropriate as the Company is a going concern and the model is unable to capture the Value of the company.
3. Considering the limited life of the toll road project and project characteristics not being comparable to other projects/companies in terms of number of operational projects, period of concession, location, traffic situation etc, typically market approach-based methods like CCM or CTM are not used for valuing a road project.
4. Instead, DCF method is used which determines the value of a business based on its ability to generate desired economic benefit/ cash flows for the owners. Thus, considering the nature of business, we have used DCF method for valuing the Company.
5. The DCF 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.
6. 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.
7. The best method input option for the PV Model in the case of M/s GVRMP Whagdhari Ribbanpally Tollway Private Limited will be FCFF as it represents the benefits accruable to all the stakeholders in the Business enterprise.

**FCFF Model Formula and Key Inputs:**



1. **Free Cash Flow to Firm (FCFF):**

FCFF is the [cash](http://www.investinganswers.com/node/5011) available to pay investors after a company pays its costs of doing business, invests in short-term assets like [inventory](http://www.investinganswers.com/node/2474), and invests in assets like property, plants and equipment.

*FCFF = Net Income + Non-Cash Charges + Interest (1 - tax rate) – Working Capital Investment – Fixed Capital Investment.*

1. **Weighted Average Cost of Capital (WACC):**

The weighted average cost of capital (WACC) is the rate that a company is expected to pay on average to all its security holders to finance its assets. The WACC is commonly referred to as the firm’s cost of capital. WACC is used as the discount rate to discount FCFF.

******

Where D is the total debt, E is the shareholders equity and Kd and Ke are the cost of debt and cost of equity, respectively.

1. **CALCULATION OF FREE CASH FLOW TO FIRM:**

GVRMP Whagdhari Ribbanpally Tollway Private Limited had started its construction on December 1, 2010. Construction period shown CA was 21 month’s time after construction start date. Company achieved its COD in the 1st week of September 2012, prior to 3 months of construction end date (3 months additional revenue will be earned by the company). And company starts its toll collection on September 7, 2012. So in this scenario company don’t have any working capital. And while calculating EBITDA we have already adjusted Capex (Major Maintenance Expense) and depreciation and amortization. Therefore as per industry best practise we have consider cash EDITDA as a proxy of free cash flow to the firm.

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Particular**  **(In Crores)** | **FY23 E** | **FY24 E** | **FY25 E** | **FY26 E** | **FY27 E** | **FY28 E** | **FY29 E** | **FY30 E** | **FY31 E** |
| **Free Cash Flow to Firm (FCFF)** | 3.73 | 3.57 | 14.34 | 14.34 | 14.30 | 1.15 | 0.43 | 14.03 | 13.82 |

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Particular**  **(In Crores)** | **FY32 E** | **FY33 E** | **FY34 E** | **FY35 E** | **FY36 E** | **FY37 E** | **FY38 E** | **FY39 E** | **FY40 E** | **FY41 E** |
| **Free Cash Flow to Firm (FCFF)** | 13.63 | -3.36 | -4.46 | 12.65 | 12.14 | 11.53 | -10.45 | -12.30 | 9.15 | 0.14 |

1. **KEY INPUTS USED TO DISCOUNT CASH FLOWS DURING THE PROJECTION PERIOD:**

**Table: Calculation of Weighted Average Cost of Capital (WACC)**

|  |  |  |
| --- | --- | --- |
| **Weighted Average Cost of Capital (WACC)** | | |
| **Particulars** | **Weightage** | **Required Return** |
| Sustainable Debt | 76.4% | 8.88% |
| Equity Shared Capital | 23.6% | 19.63% |
| **Total** | **100%** | **11.42%** |
| Company Risk Premium | | 3.00% |
| **Appropriate Discount Rate** | | **14.42%** |

**Table: Valuation Inputs for M/s GVRMP Whagdhari Ribbanpally Tollway Pvt. Ltd.**

|  |  |
| --- | --- |
| **INPUTS** | |
| **Valuation Date** | **11TH August 2022** |
| **Discount Rate** | **14.42%** |
| **Discount Rate Change** | **1%** |

***Note***: *Discount Rate Change of 1% is used to calculate the Sensitivity of the Enterprise Valuation with +/- changes in discount rate of Free Cash Flow.*

1. **CALCULATION OF ENTERPRISE VALUE:**

**Table: Calculation of Enterprise Value**

|  |  |  |
| --- | --- | --- |
| **CUMULATIVE DISCOUNTED CASH FLOW OVER THE PROJECTION PERIOD** | | |
| **Scenario** | **Discount Rate** | **Enterprise Value (in INR Crores)** |
| **Bull Case** | 13.42% | 54.79 |
| **Present Case** | **14.42%** | **52.61** |
| **Bear Case** | 15.42% | 50.58 |

|  |
| --- |
| **ENTERPRISE VALUE OF THE FIRM** |
| **INR 52.61 Crores** |
| **INR FIFTY TWO CRORES AND SIX ONE LAKHS** |

***NOTE:***

* Under Valuation Inputs section, the discount rate change measures the sensitivity of Firm Value to a (+/-) 1% change.
* The Company account has been converted to Non-Performing Asset (NPA) from FY 2019. We have assumed that the company will repay its pending dues and remaining debt till 30th November, 2040.
* The overall valuation is estimated based on the financial statements up to FY 2021-22 and further it has been projected based on the previous data as reference from 2022-23 onwards.
* No claim amount or tenable claim amount has been considered in the financial projections as the cases are currently ongoing.

**Contingencies to the Valuation: -**

1. All the projections are made after considering the macroeconomic effect of Covid-19 pandemic, traffic growth and toll rate in this project.
2. As per concession agreement company has achieved its COD in September 2012, prior 3 months of the date for COD, which is mentioned in CA. Construction period shown CA was 21 month’s time after construction start date, which was December 1, 2010.
3. GWRTL started its toll collection next day after achieving its COD i. e. September 7th 2012. So in the present year company don’t have any capex and working capital.
4. **ASSUMPTIONS FOR FINANCIAL PROJECTIONS:**

Assumptions in the Valuation assessment have been taken based on data/ information/ documents shared by the Company/ Bank, Project Cost Figures, Operating History of the Project. Assumptions have been considered after thoroughly reviewing their feasibility.

* + - * 1. **Projection Period:**

Key dates and projection period details are as follows:

|  |  |
| --- | --- |
| **PARTICULARS** | **DETAIL** |
| Concession Agreement Signing Date | 4 June 2010 |
| Financial Closure Date | 30 Nov 2010 |
| Concession Appointed date | 1 Dec 2010 |
| Concessionaire Period | 30 Years |
| Projection End Date | 30 March 2040 |

* + - * 1. **Revenue/ Income:**

**Toll Collection Revenue:** Toll Rates to be increased annually, without compounding, by 3% per annum along with additional increase by 40% of the increase in Wholesale Price Index (“WPI”) every year. WPI series capture the structural changes in the economy. All the series of WPI have their base year, here we have consider 94-95, 04-05 and 11-12 base year’s series. The government is at advance stage of finalizing the new WPI series with base year 17-18. The WPI growth rate used by the Management are summarized below:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **WPI HISTORIC INFLATION - ANNUAL** | Base Year | Mar-08 | Mar-09 | Mar-10 | Mar-11 | Mar-12 | Mar-13 | Mar-14 |
| No. of Years | 0 | 1 | 2 | 3 | 4 | 5 | 6 |
| WPI Series (94-95) | 208.70 | 216.40 | 229.70 | 248.30 | - | - | - |
| WPI Series (04-05) | - | - | - | - | 146.00 | 157.30 | 168.8 |
| WPI Series (11-12) | - | - | - | - | - | - | - |
| Factor to align with 94-95 | - | - | - | - | 1.873 | 1.873 | 1.873 |
| Factor to align with 04-05 | - | - | - | - | - | - | - |
| WPI Series (Composite) | 208.70 | 216.40 | 229.70 | 248.30 | 273.46 | 294.62 | 316.2 |
| Annual Escalation WPI - historic |  | 3.69% | 6.15% | 8.10% | 10.13% | 7.74% | 7.31% |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **WPI HISTORIC INFLATION - ANNUAL** | Base Year | Mar-15 | Mar-16 | Mar-17 | Mar-18 | Mar-19 | Mar-20 | Mar-21 |
| No. of Years | 7 | 8 | 9 | 10 | 11 | 12 | 13 |
| WPI Series (94-95) | - | - | - | - | - | - | - |
| WPI Series (04-05) | 179.60 | 178.70 | 176.80 | 183.30 | - | - | - |
| WPI Series (11-12) | - | - | - | - | 115.70 | 119.70 | 122.8 |
| Factor to align with 94-95 | 1.873 | 1.873 | 1.873 | 1.873 | 1.873 | 1.873 | 1.873 |
| Factor to align with 04-05 | - | - | - | - | 1.641 | 1.641 | 1.641 |
| WPI Series (Composite) | 336.39 | 334.71 | 331.15 | 343.32 | 355.61 | 367.91 | 377.4 |
| Annual Escalation WPI - historic | 6.40% | -0.50% | -1.06% | 3.68% | 3.58% | 3.46% | 2.59% |
| **AVERAGE WPI** | | | | | | | | |
| From Mar-12 to Mar-21 | | | | | 4.66% | | | |
| WPI Growth Assumption taken for the future years | | | | | 4.66% | | | |

|  |  |
| --- | --- |
| Toll Rates | **Assumptions (Per Single Trip)** |
| Trip Frequency - Round Trip | 2 |
| Trip Frequency - Monthly pass | 2 |
| Toll Fee - Round Trip | 1.5 |
| Toll Fee - Monthly Pass | 30 |
| Toll Fee Rounded to nearest | 5/10 Rs |
| Local Traffic | 100 Rs |
| WPI - FY 2007 | 206.2 Rs |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Traffic Projection** | TP-I | | | | | | |
| **Calendar Year** | **Car/Jeep/Van** | **Mini Bus** | **LCV** | **Standard Bus** | **Two Axle Trucks** | **Three Axle Trucks** | **MAV** |
| **31-Dec-21** | 355 | 96 | 89 | 23 | 74 | 320 | 41 |
| **31-Dec-22** | 357 | 96 | 89 | 23 | 74 | 322 | 41 |
| **31-Dec-23** | 359 | 97 | 90 | 23 | 75 | 323 | 41 |
| **31-Dec-24** | 360 | 97 | 90 | 23 | 75 | 325 | 42 |
| **31-Dec-25** | 362 | 98 | 91 | 23 | 75 | 326 | 42 |
| **31-Dec-26** | 364 | 98 | 91 | 24 | 76 | 328 | 42 |
| **31-Dec-27** | 366 | 99 | 92 | 24 | 76 | 330 | 42 |
| **31-Dec-28** | 368 | 99 | 92 | 24 | 77 | 331 | 42 |
| **31-Dec-29** | 369 | 100 | 93 | 24 | 77 | 333 | 43 |
| **31-Dec-30** | 371 | 100 | 93 | 24 | 77 | 335 | 43 |
| **31-Dec-31** | 373 | 101 | 94 | 24 | 78 | 336 | 43 |
| **31-Dec-32** | 375 | 101 | 94 | 24 | 78 | 338 | 43 |
| **31-Dec-33** | 377 | 102 | 94 | 24 | 79 | 340 | 44 |
| **31-Dec-34** | 379 | 102 | 95 | 25 | 79 | 341 | 44 |
| **31-Dec-35** | 381 | 103 | 95 | 25 | 79 | 343 | 44 |
| **31-Dec-36** | 383 | 103 | 96 | 25 | 80 | 345 | 44 |
| **31-Dec-37** | 384 | 104 | 96 | 25 | 80 | 347 | 44 |
| **31-Dec-38** | 386 | 104 | 97 | 25 | 81 | 348 | 45 |
| **31-Dec-39** | 388 | 105 | 97 | 25 | 81 | 350 | 45 |
| **31-Dec-40** | 390 | 106 | 98 | 25 | 81 | 352 | 45 |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Traffic Projection** | TP-II | | | | | | |
| **Calendar Year** | **Car/Jeep/Van** | **Mini Bus** | **LCV** | **Standard Bus** | **Two Axle Trucks** | **Three Axle Trucks** | **MAV** |
| **31-Dec-21** | 561 | 143 | 290 | 103 | 242 | 501 | 84 |
| **31-Dec-22** | 564 | 144 | 291 | 104 | 243 | 504 | 84 |
| **31-Dec-23** | 567 | 144 | 293 | 104 | 244 | 506 | 85 |
| **31-Dec-24** | 569 | 145 | 294 | 105 | 246 | 509 | 85 |
| **31-Dec-25** | 572 | 146 | 296 | 105 | 247 | 511 | 86 |
| **31-Dec-26** | 575 | 147 | 297 | 106 | 248 | 514 | 86 |
| **31-Dec-27** | 578 | 147 | 299 | 106 | 249 | 516 | 87 |
| **31-Dec-28** | 581 | 148 | 300 | 107 | 251 | 519 | 87 |
| **31-Dec-29** | 584 | 149 | 302 | 107 | 252 | 521 | 87 |
| **31-Dec-30** | 587 | 150 | 303 | 108 | 253 | 524 | 88 |
| **31-Dec-31** | 590 | 150 | 305 | 108 | 254 | 527 | 88 |
| **31-Dec-32** | 593 | 151 | 306 | 109 | 256 | 529 | 89 |
| **31-Dec-33** | 596 | 152 | 308 | 109 | 257 | 532 | 89 |
| **31-Dec-34** | 599 | 153 | 309 | 110 | 258 | 535 | 90 |
| **31-Dec-35** | 602 | 153 | 311 | 110 | 260 | 537 | 90 |
| **31-Dec-36** | 605 | 154 | 313 | 111 | 261 | 540 | 91 |
| **31-Dec-37** | 608 | 155 | 314 | 112 | 262 | 543 | 91 |
| **31-Dec-38** | 611 | 156 | 316 | 112 | 263 | 545 | 91 |
| **31-Dec-39** | 614 | 156 | 317 | 113 | 265 | 548 | 92 |
| **31-Dec-40** | 617 | 157 | 319 | 113 | 266 | 551 | 92 |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Traffic Projection** | TP-III | | | | | | |
| **Calendar Year** | **Car/Jeep/Van** | **Mini Bus** | **LCV** | **Standard Bus** | **Two Axle Trucks** | **Three Axle Trucks** | **MAV** |
| **31-Dec-21** | 448 | 115 | 129 | 126 | 199 | 467 | 62 |
| **31-Dec-22** | 450 | 116 | 130 | 127 | 200 | 469 | 62 |
| **31-Dec-23** | 452 | 116 | 130 | 127 | 201 | 472 | 63 |
| **31-Dec-24** | 455 | 117 | 131 | 128 | 202 | 474 | 63 |
| **31-Dec-25** | 457 | 117 | 132 | 129 | 203 | 476 | 63 |
| **31-Dec-26** | 459 | 118 | 132 | 129 | 204 | 479 | 64 |
| **31-Dec-27** | 462 | 118 | 133 | 130 | 205 | 481 | 64 |
| **31-Dec-28** | 464 | 119 | 134 | 130 | 206 | 484 | 64 |
| **31-Dec-29** | 466 | 120 | 134 | 131 | 207 | 486 | 65 |
| **31-Dec-30** | 469 | 120 | 135 | 132 | 208 | 488 | 65 |
| **31-Dec-31** | 471 | 121 | 136 | 132 | 209 | 491 | 65 |
| **31-Dec-32** | 473 | 121 | 136 | 133 | 210 | 493 | 65 |
| **31-Dec-33** | 476 | 122 | 137 | 134 | 211 | 496 | 66 |
| **31-Dec-34** | 478 | 123 | 138 | 134 | 212 | 498 | 66 |
| **31-Dec-35** | 480 | 123 | 138 | 135 | 213 | 501 | 66 |
| **31-Dec-36** | 483 | 124 | 139 | 136 | 214 | 503 | 67 |
| **31-Dec-37** | 485 | 125 | 140 | 136 | 216 | 506 | 67 |
| **31-Dec-38** | 488 | 125 | 140 | 137 | 217 | 508 | 67 |
| **31-Dec-39** | 490 | 126 | 141 | 138 | 218 | 511 | 68 |
| **31-Dec-40** | 493 | 126 | 142 | 139 | 219 | 513 | 68 |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Traffic Projection** | TP-IV | | | | | | |
| **Calendar Year** | **Car/Jeep/Van** | **Mini Bus** | **LCV** | **Standard Bus** | **Two Axle Trucks** | **Three Axle Trucks** | **MAV** |
| **31-Dec-21** | 273 | 74 | 108 | 42 | 98 | 547 | 38 |
| **31-Dec-22** | 274 | 74 | 109 | 42 | 98 | 550 | 38 |
| **31-Dec-23** | 276 | 75 | 109 | 42 | 99 | 552 | 38 |
| **31-Dec-24** | 277 | 75 | 110 | 43 | 99 | 555 | 39 |
| **31-Dec-25** | 279 | 75 | 110 | 43 | 100 | 558 | 39 |
| **31-Dec-26** | 280 | 76 | 111 | 43 | 100 | 561 | 39 |
| **31-Dec-27** | 281 | 76 | 111 | 43 | 101 | 564 | 39 |
| **31-Dec-28** | 283 | 77 | 112 | 43 | 101 | 566 | 39 |
| **31-Dec-29** | 284 | 77 | 112 | 44 | 102 | 569 | 40 |
| **31-Dec-30** | 286 | 77 | 113 | 44 | 102 | 572 | 40 |
| **31-Dec-31** | 287 | 78 | 114 | 44 | 103 | 575 | 40 |
| **31-Dec-32** | 288 | 78 | 114 | 44 | 104 | 578 | 40 |
| **31-Dec-33** | 290 | 79 | 115 | 45 | 104 | 581 | 40 |
| **31-Dec-34** | 291 | 79 | 115 | 45 | 105 | 584 | 41 |
| **31-Dec-35** | 293 | 79 | 116 | 45 | 105 | 587 | 41 |
| **31-Dec-36** | 294 | 80 | 116 | 45 | 106 | 589 | 41 |
| **31-Dec-37** | 296 | 80 | 117 | 45 | 106 | 592 | 41 |
| **31-Dec-38** | 297 | 81 | 118 | 46 | 107 | 595 | 41 |
| **31-Dec-39** | 299 | 81 | 118 | 46 | 107 | 598 | 42 |
| **31-Dec-40** | 300 | 81 | 119 | 46 | 108 | 601 | 42 |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Total Revenue (Rs. Crore)** | | | | | | | | |
| **Calendar Year** | **Car/Jeep/Van** | **Mini Bus** | **LCV** | **Standard Bus** | **Two Axle Trucks** | **Three Axle Trucks** | **MAV** | **SUM** |
| **31-Mar-22** | 1.53 | 0.97 | 1.45 | 1.38 | 2.83 | 11.31 | 1.34 | **20.81** |
| **31-Mar-23** | 1.51 | 0.95 | 1.39 | 1.37 | 2.79 | 11.17 | 1.36 | **20.54** |
| **31-Mar-24** | 1.58 | 0.98 | 1.44 | 1.42 | 2.91 | 11.59 | 1.40 | **21.31** |
| **31-Mar-25** | 1.59 | 1.00 | 1.47 | 1.46 | 2.99 | 11.86 | 1.43 | **21.79** |
| **31-Mar-26** | 1.64 | 1.04 | 1.53 | 1.48 | 3.02 | 12.12 | 1.46 | **22.30** |
| **31-Mar-27** | 1.66 | 1.05 | 1.55 | 1.53 | 3.12 | 12.40 | 1.49 | **22.80** |
| **31-Mar-28** | 1.73 | 1.07 | 1.57 | 1.56 | 3.19 | 12.67 | 1.53 | **23.32** |
| **31-Mar-29** | 1.78 | 1.10 | 1.62 | 1.60 | 3.27 | 12.95 | 1.56 | **23.88** |
| **31-Mar-30** | 1.79 | 1.13 | 1.65 | 1.63 | 3.33 | 13.30 | 1.61 | **24.45** |
| **31-Mar-31** | 1.82 | 1.15 | 1.68 | 1.67 | 3.40 | 13.63 | 1.64 | **24.99** |
| **31-Mar-32** | 1.89 | 1.18 | 1.73 | 1.71 | 3.50 | 13.92 | 1.68 | **25.62** |
| **31-Mar-33** | 1.94 | 1.21 | 1.77 | 1.76 | 3.60 | 14.21 | 1.71 | **26.20** |
| **31-Mar-34** | 1.97 | 1.24 | 1.83 | 1.80 | 3.68 | 14.61 | 1.77 | **26.90** |
| **31-Mar-35** | 2.02 | 1.26 | 1.86 | 1.84 | 3.76 | 14.99 | 1.81 | **27.54** |
| **31-Mar-36** | 2.08 | 1.31 | 1.92 | 1.88 | 3.83 | 15.29 | 1.84 | **28.16** |
| **31-Mar-37** | 2.13 | 1.33 | 1.95 | 1.91 | 3.91 | 15.67 | 1.89 | **28.79** |
| **31-Mar-38** | 2.18 | 1.34 | 1.98 | 1.96 | 4.01 | 16.06 | 1.94 | **29.47** |
| **31-Mar-39** | 2.24 | 1.40 | 2.05 | 2.02 | 4.11 | 16.37 | 1.97 | **30.16** |
| **31-Mar-40** | 2.28 | 1.42 | 2.08 | 2.07 | 4.22 | 16.76 | 2.03 | **30.85** |
| **31-Mar-41** | 1.76 | 1.09 | 1.60 | 1.58 | 3.22 | 12.86 | 1.55 | **23.67** |
| **TOTAL** | | | | | | | **950.64** | |

As per the recent market reports, Commercial vehicle movement on highways has been picking up since June 2020, pushing toll collection closer to the pre-Covid levels, which can be seen as a sign of commercial activities picking up momentum after the disruption caused by the pandemic-triggered lockdown. However out of 4 toll plazas, this SH-10 have 3 alternative routes on 3 toll plazas. Therefore while forecasting toll collection, we are being conservative and consider only 0.5% growth in toll collection year on year basis, here the base year is FY2022.

From FY23, the Company expects revenue growth on account of recovery from impact of COVID-19 on traffic. Revenues have been forecast to increase from INR 20.54 Cr in FY23 to INR 30.85 Cr in FY40.

* + - * 1. **Expenses**

1. **Operation & Maintenance Expenses:**

As per the information provided by the company, operation expenses are included routine expenses (Excl. Personnel) which are estimated based on previous years’ expenses with an annual expected inflation of 4%.

1. **Employee Benefit Expenses**:

Employee benefit expenses is estimated based on previous years’ expenses with an annual expected inflation of 10%.

1. **Insurance**:

Insurance expenses is estimated based on previous years’ expenses with an annual expected inflation of 2%.

1. **Other Expenses**:

Other expenses are estimated based on previous years’ expenses with an annual expected inflation of 4%

1. **Major Maintenance Repair Work (MMW) expenses:**

As per the information provided by the banker/client, it is estimated that the Company does the Major Maintenance work of 135.85 km highway at the rate of 5% and 8 Lakhs per km per annum. This MMW will repeat after every 5 years.

* + - * 1. **Taxation**

Corporate tax rate – 34.94%

* + - * 1. **Depreciation**

Toll collection rights in respect of road projects are depreciate over period of concession using the Straight line method prescribed under the Companies Act 2013.

* + - * 1. **Weights of Debt & Equity**

Wd and We are assumed at 76.4% and 23.6%, respectively, as the information provided by the company. In the provisional financial statements for FY22, for the consideration of weight of debt, we only considered senior debt of INR 171.10 Crores and for weight of equity, we considered INR 52.86 Crores.

* + - * 1. **Beta**

To calculate the beta of M/s GVRMP Whagdhari Ribbanpally Tollway Private Limited, we have followed the “Pure-Play Method”. Calculating beta using the pure-play method involves the following four steps:

Step 1: Find a comparable company.

Step 2: Estimate the average beta of the comparable companies.

Step 3: Calculate unlevered beta of the companies.

Step 4: Level the beta for the company's (M/s. GWRTL) financial risk.

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Comparable Companies** | **Market Cap. (INR Crores)** | **Beta Value** | **Debt-Equity** | | | | | **Avg. D/E** | **Unlevered Beta** |
| 2022 | 2021 | 2020 | 2019 | 2018 |
| IRB Infrastructure Developers Ltd | 12,842 | 1.11 | 0.64 | 3.42 | 2.92 | 1.46 | 1.89 | 2.07 | 0.47 |
| Dilip Buildcon Ltd. | 3,419 | 1.28 | 0.71 | 0.7 | 0.76 | 1 | 1.13 | 0.86 | 0.82 |
| JMC Projects (India) Ltd. | 1,323 | 0.94 | 1.11 | 0.77 | 0.75 | 0.71 | 0.82 | 0.83 | 0.61 |
| NCC Infra | 3,547 | 1.07 | 0.2 | 0.28 | 0.32 | 0.37 | 0.27 | 0.29 | 0.90 |
| Hindustan Construction Company Ltd. | 1,838 | 1.16 | 2.87 | 5.22 | 2.31 | 2.16 | 1.19 | 2.75 | 0.42 |
| **Average** | | | | | | | | **1.36** | **0.59** |

|  |  |
| --- | --- |
| **M/s. GWRTL's Data** | |
| Debt Ratio | 0.76 |
| Equity Ratio | 0.24 |
| D/E Ratio | 3.24 |
| **Levered Beta** | **1.85** |

* + - * 1. **Cost of Equity**

The Cost of Equity for GVRMP is assumed to be 19.63% using CAPM Model and Beta of 1.85. Expected Market Return (Rm) is taken as Nifty Fifty 5- year return 2022, which is 14.0%. Risk-free Rate (Rf) is taken as 10-year govt. bond yield, which is 7.35%.

* + - * 1. **Cost of Debt**

As per the information provided by the banker/client, interest rate on total remaining outstanding debt is 13.65%. Therefore after considering effect of corporate tax rate on cost of debt, post-tax cost of debt is calculated at 8.88%.

* + - * 1. **Company Risk Premium**

As the company has been declared NPA since 2019 and its financial status haven’t improved since then and also debt servicing will not be possible, which makes this company a risky prospect for any prospective investor. Due to these reasons, we have assumed a company-wide risk premium of 3%.

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| **Declaration** | 1. *Since this is Enterprise Valuation hence no site inspection was carried out by us.* 2. *The undersigned does not have any direct/ indirect interest in the above property.* 3. *The information furnished herein is true and correct to the best of our knowledge.* 4. *This valuation work is carried out by our Financial Analyst team on the request from State Bank Of India, Stressed Asset Resolution Group Branch, Mumbai.* 5. *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 | |  |
| **Number of Pages in the Report** | | 49 |
| **Financial Analyst Team worked on the report** | | ***PREPARED BY: Mrs. Chhavi Toshan*** |
| ***REVIEWED BY: Mr. Gaurav Kumar*** |

**For R.K Associates Valuers & Techno Place : Noida**

**Engineering Consultants (P) Ltd. Date : 10 August 2022**

**(Authorized Signatory)**

**Valuations**

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| **PART G** | **IMPORTANT DEFINITION** |

***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, salability outlook, usability factor, market perception & reputation. Needs of the buyer & seller, salability 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.*

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| **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 willful 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.
      3. Legal aspects for e.g., investigation of title, ownership rights, lien, charge, mortgage, lease, sanctioned maps, verification of documents, etc. have not been done at our end and same has to be taken care by legal expert/ Advocate. It is assumed that the concerned Lender/ Financial Institution has satisfied them with the authenticity of the documents, information given to us and for which the legal verification has been already taken and cleared by the competent Advocate before requesting for this report. I/ We assume no responsibility for the legal matters including, but not limited to, legal or title concerns.
      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.
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