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ENTERPRISE VALUATION REPORT

OF

M/S SURATGARH BIKANER TOLL ROAD COMPANY PRIVATE LIMITED

REGISTERED AT

"DIVINE BLISS", 2/3, JUDGES COURT ROAD, 1ST FLOOR,
KOLKATA, WEST BENGAL-700027

REPORT PREPARED FOR

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PART A

INTRODUCTION

1. ABOUT THE REPORT:

Enterprise Valuation of M/s Suratgarh Bikaner Toll Road Company Private Limited (SBTRCPL), a Special Purpose Vehicle (SPV) created for the project of 172.384 kms of Suratgarh-Bikaner Section of NH-62 in the state of Rajasthan through Public-Private Partnership on Design, Build, Finance, Operate and Transfer (DBFOT) basis.

2. BACKGROUND:

The Government of Rajasthan (the Authority) engaged in the development of National Highways as an executive agency for and on behalf of Ministry of Road Transport & Highways, Govt. of India invited proposals for Development of Suratgarh-Bikaner Section of NH-62. The length of the project corridor is around 172.38 Km including Bikaner Bypass in the State of Rajasthan which is to be executed through Public Private Partnership on Design, Build, Finance, Operate and Transfer (DBFOT) basis.

The Concession was awarded to the Consortium led by MBL Infrastructures Ltd based on quoted premium of Rs. 2.51 Crores in the first year of COD and an increase of 5% thereafter per year. PWD Rajasthan issued its Letter of Acceptance (LoA) on 9th January 2012. The project is implemented through a Special Purpose Vehicle (SPV) namely Suratgarh Bikaner Toll Road Company Private Limited ("SBTRCPL") and Concession Agreement (CA) was signed between Rajasthan PWD and SBTRCPL on 9th May, 2012.

The concession period was for 16 years including construction period of 2 Years. The project highway starts from Bikaner, an important commercial town of Rajasthan and ends at Suratgarh by joining in NH-62. The highway mostly passes through plain area except for few built up areas.

The project Highway passes through two districts namely Bikaner and Sriganganagar. Bikaner has two Tehsils namely Bikaner & Loonkarasar whereas Sriganganagar has one tehsil viz. Suratgarh falling on the existing alignment. These tehsils have been directly benefitted by implementation of Project Road.

The original estimated project cost of Rs.620.07 crore, including the EPC cost of Rs.510.00 crore, was to be funded by Term loan of Rs.450 crore and equity of Rs.170.07 crore, i.e., at debt equity ratio of 2.65:1. A consortium of Banks, with PNB as Lead Bank, have sanctioned and disbursed the entire term loan of Rs.450.00 crore to the project. The concessionaire has achieved financial closure on 10th April 2013.



The Construction period as stipulated in the Concession Agreement is 730 days from the Appointed Date. The Appointed Date of the project is 16th September, 2013. Due to various delays in fulfilment of conditions precedent, delay in handing over of land & other permissions, COVID-19 first & second wave, the Independent Engineer vide his letter dated 15th April 2021 has determined the extension of time up to 31st December, 2021 for the completion of the project.

In light of non-removal of hindrances by the authority so far, the Company has submitted extension of time application to the Authority for extension of completion of the balance work by 30th September, 2022. Thereafter, time will be required for approval of COD by Independent Engineer/PWD/MoRTH, the likely date of COD is 30th November, 2022. Upon completion of the Concession Period, SBTRCPL would hand over the Project Highway to PWD, Rajasthan.

According to clause 29.2.1, in the event that the Actual Traffic falls short of the Target Traffic by more than 2.5% on the Target Date, then for every 1% shortfall as compared to the Target Traffic, the Concession Period shall, subject to payment of Concession Fee in accordance with the CA, be increased by 1.5% thereof; provided that such increase in Concession Period shall not in any case exceed 20% of the Concession Period. Accordingly, the tolling period shall stand extended by 3.20 years i.e. upto 29th November, 2032.

Below table shows the milestones of the company:

S.No.	MILESTONE	DATE
1	Letter of Award	Feb. 09, 2012
2	Concession Signed	May 09, 2012
3	Financial Closure	March 30, 2013
4	Appointed Date	Sep. 16, 2013
5	Construction Period	Sep. 16, 2013 to Nov.30, 2022
6	Provisional COD (90.86%)	Feb. 15, 2019(Collection started from 17th Feb, 2019)
7	Provisional COD (96.54%)	March 18, 2021 (Collection started from 01.04.21)
8	Expected Completion	Nov 30, 2022
9	Original Concession End Date	Sep. 15, 2029
10	Concession End Date (due to actual traffic being less than target traffic & other factors)	Nov. 29, 2032

Below table shows the historical financial performance of the company from FY 2018-19 to FY 2021-22:

(Figures in INR Crores)

Particulars	FY 2019 A	FY 2020 A	FY 2021 A	FY 2022 A
INCOME				
Revenue from operations	7.13	60.14	65.46	83.74
Other income	0.30	7.6701	2.53	4.38
TOTAL INCOME	7.43	67.81	67.99	88.12
EXPENSES				
Employee benefits expense	0.74	5.94	6.15	6.32
Finance costs	7.10	58.44	34.49	34.47
Other expenses	1.38	23.11	18.17	29.93
TOTAL Operating EXPENSES	9.22	87.49	58.81	70.72
EBITDA	(1.78)	(19.68)	9.18	17.40
Depreciation and amortisation expense	3.46	38.35	41.18	54.16
EBIT	(5.24)	(58.03)	(32.01)	(36.76)
Tax Expense:				
Current Tax	0.00	0.00	0.00	0.00
Deferred Tax	(0.95)	(0.14)	0.09	1.21
Total Profit/(loss) for the period	(4.29)	(57.89)	(32.10)	(37.97)
EBITDA Margin	-24.01%	-29.02%	13.50%	19.75%
EBIT Margin	-70.51%	-85.58%	-47.08%	-41.72%
Net Profit Margin	-57.72%	-85.37%	-47.22%	-43.09%
Revenue Growth (Y-o-Y)		812.38%	0.26%	29.61%

As per the historical analysis, it is observed that EBITDA Margin of the company had negative value and it is declined by 24.01% in FY 2019. And again in FY 2020 it had negative value and it is declined by 29.02%. After that throughout FY 2021 and FY 2022 it were positive.

EBIT Margin and Net Profit Margin were negative throughout FY 2019 to FY 2022. In FY 2022, EBIT Margin fall by 41.72% and Net Profit Margin was declined by 43.09%.

The Company had commenced commercial operations of toll collections for 90.86% of 172.384 kms since 17th February, 2019. The tolling operations for 96.54% (increased from 90.86%) have

already started since 1st April, 2021 and balance work of the project along with the change of scope works are expected to be completed within the F.Y. 2022-23.

As per the documents provided by the client/company, 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.

The account is a stressed assets in the books of all the lenders since September, 2017. The account turned NPA due to Delay in Date of Commencement of Commercial Operations (DCCO) due to reasons beyond the control of the Concessionaire.

Hence, State Bank of India, SARG has appointed R. K Associates to determine the Fair Market Value/Enterprise Value of the Business/Company to take appropriate course of action on this stressed account.

3. **TYPE OF REPORT:** Enterprise Valuation of M/s Suratgarh Bikaner Toll Road Company Private Limited.
4. **PURPOSE OF THE REPORT:** To determine the current Fair Enterprise Value of the SPV Company to enable the lenders to evaluate the further course of action on this account.
5. **SCOPE OF THE REPORT:** To estimate & determine current Enterprise Value of the Company based on Income based approach (Discounted Cash Flow method).
 - *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 172.38 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/company.*
 - *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.***

6. DOCUMENTS / DATA REFERRED:

- Last four year's audited Financial Statements of the company.
- Resolution Plan of the company
- Concession agreement.
- Details of Outstanding Debt of M/s SBTRCPL.
- Details of Directors and Shareholding Pattern.
- LIE Report upto July 2022.
- TEV Report for March 2018.
- Letter on completion of additional Length and Issuance of Provisional Certificate for tolling date



PART B

PROJECT COMPANY

- EXECUTIVE SUMMARY:** The Sponsors and their respective group companies incorporated an SPV in the name of M/s Suratgarh Bikaner Toll Road Company Private Limited ("SBTRCPL") for 172.384 kms Section of NH-62 in the state of Rajasthan through Public-Private Partnership on Design, Build, Finance, Operate and Transfer (DBFOT) basis. Below table shows the incorporation details of the company:

Incorporation Details	
Company Name	M/s Suratgarh Bikaner Toll Road Company Private Limited
Corporate Identity Number	U45400WB2012PTC174476
Incorporation Date	20 th February, 2012
Constitution	Private Limited Company/Company limited by Shares
Sector	Infrastructure - Roads & Highways
Registered / Corporate Office Address	"Divine Bliss", 2/3, Judges Court Road, 1st Floor, Kolkata, West Bengal-700027
Authorized Share Capital	INR 170,07,00,000/-
Issued, Subscribed and Paid-Up Capital	INR 170,07,00,000/-

Source: <http://www.mca.gov.in/>

- DETAIL OF PROMOTERS/DIRECTORS:** As per information provided by the company/client, below table shows the details of directors/promoters of the company along with their DIN details, Academic background and working experience:

List of Directors of M/s Suratgarh Bikaner Toll Road Company Private Limited

S.No	Name	DIN/DOA	Designation	Education	Experience
1.	Mr. Anjanee Kumar Lakhota	00357695/ 20 th February 2012	Director	Chartered Accountant; B.Com (Hons)	As per the information provided by the client/company, he is a commerce graduate from St. Xavier's College, Kolkata and a fellow member of the Institute of Chartered Accountants of India. He has over two decades of

					experience in the infrastructure industry.
2	Mr Surendra Agarwal	07272927/ 27 th May 2019	Director	M.Tech (IIT Delhi)	As per the information provided by the client/company, he is M.Tech (Structural Engg.) from IIT (Delhi) and MBA (Finance), having more than two decades of experience in the field of Project Management/Highway, Bridge & Structural Engineering.
3	Mr Ashwini Kumar Singh	00365901/ 30 th May 2018	Independent Director	Electrical Engineer	As per the information provided by the client/company, he holds a degree in electrical engineering from Jadavpur University, Kolkata. He has been associated with SAIL as part of their senior management for more than twenty years, and with Essar Steel Limited as the resident director of their Jharkhand Unit. He was also associated with the Rourkela Steel Plant and the Muktanand Steel Plant as the managing director. He is a fellow member of the Institute of Engineers, Indian Council of Arbitration, All India Management Association and the National HRD Network.
4	Ms. Sunita Palta	03612793/ 11 th July 2015	Independent Director	Post Graduate Diploma in Journalism & Anthropology	As per the information provided by the client/company, she is a post graduate in anthropology from Miranda House, Delhi

					University with a post-graduate diploma in journalism from Indian Institute of Mass Communication, New Delhi. She has held academic positions with the World Food Programme and UNICEF on Child Rights Issues as part of Integrated Child Development Services of the Government of India.
5	Mr. Mukesh Baheti	AMNPB560 2J/ 25th March 2015	Chief Financial Officer	-	-
6	Mr. Anubhav Maheshwari	AEJPM5446 F/ 20th February 2012	Company Secretary	-	-

3. **ORIGINAL TERM LOAN OF THE COMPANY:** As per information provided by the company/client, the banking arrangement of SBTRCPL as on 30 November, 2020 is as provided below:

S. No.	Name of the Bank	Principle O/s in Crores
1	Central Bank of India	50
2	Union Bank of India	100
3	Bank of Baroda	100
4	State Bank of India	50
5	Punjab National Bank	150
6	Total	450

4. **DETAILS OF RESOLUTION PLAN:** Resolution Plan has been prepared by the management project finance team of SBTRCPL. The Resolution Plan provides for payment of entire sustainable debt and entire unsustainable debt. Account is likely to be standardized by 31st March, 2024 as per RBI master circular dated 1st October 2021. Cash flows are assured with established track record of 3 years. It ensures infusion of Rs. 50 crores as Promoter's contribution (from MBL/Investors). On restructuring of debt, the account is likely to be upgraded to standard



category in the quarter ended March, 2024 as per RBI Master Circular. The provision already made by the banks will get reversed.

The priority loan of Rs 25 crores availed from PNB for completion of the project, has already been timely repaid along with interest. The PCOD has already been achieved on 15th February 2019 and the toll is being collected from 17th February 2019 for 90.86% of the length of the project. As was decided in JLMs, the cash flow from toll is being utilised for completion of the project. With the cash flow generated from toll collection, the company was able to complete 96.54% of the length of the project on 18th March 2021 and started collecting the toll for 96.54% of the road length from 1st April 2021.

With the cash flow generated from the toll collection, the remaining work of project is being completed and the entire work is likely to be completed by 30th September 2022 and the COD will be archived by 30th November 2022. With complete COD, the cash flow from toll will also improve. After the completion, the risk profile of the project is significantly reduced, since the construction risk is mitigated & the cash flows are expected to increase as the toll fee will increase by 3.46% immediately upon completion of the balance construction work apart from the yearly increase in fee & traffic growth expected every year. Also, the support from local administration like Police etc. would improve as the public pressure due to non-completion would be reduced. The exemptions are likely to be further reduced on completion of the balance work and accordingly toll collection is likely to be increased.

The Independent Engineer (IE) vide his letter dated 15th April 2021 has determined the extension of time up to 31st December, 2021 for the completion of the project. In light of non-removal of hindrances by the authority so far, the Company has submitted extension of time application to the Authority for extension of completion of the balance work by 30th September, 2022. Thereafter time will be required for approval of COD by Independent Engineer/PWD/MoRTH.

Therefore, the COD is likely to be achieved by 30th November 2022. With the regular cash flow from the toll collection, the company has not only been able to timely repaid the entire Priority Term Loan (Availed from PNB) of Rs.25 Crores along with interest, but has also repaid an amount of Rs. 60.01 as on 30.07.2022, thereby reducing the balance of Principal loan from Rs 450 crores to Rs 389.99 crores. Below table shows the repayment schedule of the Sustainable debt:

Year	Project Term Loan Instalment
2022-23 (Jan23 - Mar23)	37.63
2023-24	24

2024-25	32
2025-26	40
2026-27	50
2027-28	60
2028-29	72
2029-30	74.36
TOTAL	389.99

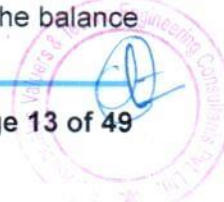
Due to delay in Date of Commencement of Commercial Operations, the cost of project has increased substantially due to an increase in Interest during Construction, other Preliminary expenses like Independent Engineer fees & company overheads and increase in Construction Cost. The same had to be funded.

The Concessionaire continued to service interest despite the delay in the project and non-funding of additional Interest during Construction (IDC) & an increase in other expenses and that led to a shortage of funds for completion of the project and later the account turned NPA. On restructuring of the debt, the company will timely service the interest and instalment on due date. On restructuring of the debt, the lenders will be able to recover the entire sustainable debt as well as unsustainable portion of the debt.

- CAPITAL STRUCTURE:** As per information available on the MCA website, the company is having an authorized share capital is INR 170, 07, 00,000 and its paid-up capital is INR 170, 07, 00,000.
- SHAREHOLDING PATTERN:** The shareholding pattern of M/s Suratgarh Bikaner Toll Road Company Private Limited as on 31 March, 2022 is provided below:

SHAREHOLDER'S NAME	NO. OF SHARES	(%)
MBL Infrastructures Limited	17,00,70,000	100%
Total	17,00,70,000	100%

- CURRENT STATUS OF THE PROJECT:** The Company had commenced commercial operations of toll collections for 90.86% stretch of 172.384 kms since 17th February 2019. The tolling operations for 96.54% have already started since 1st April 2021 and balance work of the project is expected to be completed within the F.Y. 2022-23. As on 30th June, 2022, out of the balance



work of Rs.69.95 crores, an amount of Rs. 10.24 crores work is pending for completion.

During the year total revenue of the Company from operations was Rs. 83.74 crores as against Rs. 65.45 crores during F Y 2020-21. The Company has incurred net loss of Rs. 36.76 crores as against net loss of Rs. 32 crores during F Y 2020-21.

The Company has exercised protection available to it as per the various contractual provisions and government policies to reduce the impact of COVID-19 and farmers' agitation. The company is in stress in the books of all the lenders since September, 2017. It turned NPA due to Delay in Date of Commencement of Commercial Operations (DCCO) due to reasons beyond the control of the Concessionaire.

8. REASON FOR FINANCIAL STRESS:

The company had got sanction of Rs 450 crores from the consortium of bankers led by Punjab National Bank for the said project to meet a cost of Rs. 620.07 crores with the proposed COD as 4th November 2014 and a door-to-door tenure of 12.75 years (including a construction period & moratorium period of 3 years).

However, due to delay in fulfilment of conditions precedent by the client i.e. PWD, Rajasthan, there was a shifting of the appointed date to 16th September, 2013 and due to further delays in handing over of land & other permissions, the Independent Engineer extended the scheduled COD to 31st March, 2017. The Independent Engineer has further determined extension of time upto 30th June 2021, considering the delay in getting finance to fund the completion and several other delays beyond the control of the Concessionaire, the IE has determined the extension of time up to 31st December, 2021 for the completion of the project. In light of non-removal of hindrances by the authority so far, the Company has submitted an application to the Authority for extension of time for completion of the balance work by 30th September, 2022. Thereafter time will be required for approval of COD by Independent Engineer/PWD/MoRTH and the likely date of COD is 30.11.2022.

The entire finance of Rs 620.07 crores as originally stipulated (Equity of Rs 170.07 crores & Debt of Rs 450 crores) was already spent and the project was stuck up since October, 2016, Punjab National Bank, the lead bank of the consortium gave a priority loan of Rs 25 crores in the end of June, 2018 for completion of the project.

Independent Engineer had originally recommended the Provisional COD vide letter dated 23rd November, 2018. But due to the concerns of the authority regarding Concessionaire's ability to



complete the project without further funding, the authority delayed granting of Provisional COD citing one reason after the other. Finally, the PCOD was granted on 15th February, 2019 after an undertaking by the Lead Bank that it will sanction a priority loan of Rs 50 crores based on the assessment of the balance work at Rs 69.95 crores under the original scope. As on 30th June, 2022, out of the balance work of Rs.69.95 crores, an amount of Rs. 10.24 crores work is pending for completion.

However, the said priority loan of Rs. 50 crores was not sanctioned and the Concessionaire is continuing the construction of the balance works of the project from the available cash-flows from the toll collections. Concessionaire expects the completion of the original scope of project by 30th September, 2022 and to achieve the COD by 30th November 2022. The lenders have already recovered Rs. 60.01 Crores (Rs. 34.09 crores till 31st March, 2022 and a further Rs 25.92 crores was recovered in April-July, 2022) thereby reducing the o/s of Principal loan from Rs. 450 crores to Rs 389.99 crores. In addition to the above, the priority loan of Rs 25 crores availed from lead bank, Punjab National Bank has also been fully repaid along with interest.

Due to delay in completion of the project beyond the control of the company, the cost of project has gone up substantially. Some of the reasons are as follows:

- Delay in Environment Clearance.
- Site hindrance at Railway over Bridge (ROB) towards Bikaner approach due to demands of public for box culvert/crossing.
- Encroachments on service road at Lunkaransar Town Portion.
- Delay in acquisition of land for Toll Plazas and the Rest Area.
- Delay in approval for case of shifting of the site of the Major Bridge on Ghagghar River at km 163.101 from RHS to LHS.
- Delay in approval for the case of re-construction of the Major Bridge over Indira Gandhi Main Canal at Km 157.631 instead of repairing/strengthening of the Existing Bridge catered for in the Concession Agreement.
- Delay in approval for construction of Vehicular Under Pass (VUP) @ km 172.100 and further hindrances after approval and resultant changes in the structure thereof
- Hindrance for execution of lined drain & service road in Suratgarh – Public Health Engineering



Department (PHED) Pipeline, Transformers, Electric poles etc.

- Delay in approval for the case of repair and strengthening of Minor Bridge at Km 107.050 instead of re-construction as catered for in the Concession Agreement.
- Delay in approval for cutting down of trees.
- There was delay in forest clearance. Forest clearance was obtained on 12th May 2017 and conveyed to the Concessionaire on 15th May 2017. There are delays in Stage - II forest clearance.
- Delay due to Covid – 19 pandemic.
- Delay due to delay in sanction and disbursement of Priority Loan I for Rs. 25 crores and non-availability of Priority Loan II for Rs. 50 crores.
- Delay due to removal of encroachment at Lunkarsar Township.

The Company is facing financial stress due to various reasons as mentioned above. The company is announced as NPA since 2017.

Hence, State Bank of India, SARG has appointed R. K Associates to determine the Fair Market Value/Enterprise Value of the Business/Company to take appropriate course of action on this stressed account.



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:
 - a) Construction of the Project Highway together with provision of project facilities in conformity with the specifications and standards as set forth in CA.
 - b) Operation and maintenance of the Project Highway in accordance with the provisions of the CA; and
 - c) 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.
2. **PROJECT STRETCH DETAILS AND LOCATION:** The Project Road starts at Km. 553.869 of NH-11 and ends at Km. 173.000 of NH-15 (via Km. 10.630 of NH-15). The proposed length of the project road is around 172.384 km including 9.845 km of Bikaner Bypass. The work involves improvement of project corridor by strengthening and widening the road to two lanes with paved shoulders along with 4 laning at section of 2 Km. from Chainage Km. 70.014 to Km. 72.015 at Loonkaransar Town and another 2.336 Km from Km. 170.048 to Km. 172.384 at Suratgarh.



3. SALIENT FEATURES OF THE PROJECT: Salient features of the project road are given below:

Particulars	Number
No. of Toll Plaza	3 (Three)
	First - Km 25
	Second - Km 85
	Third - Km 145
State Bypass	1
Existing Major bridges	2
Existing Minor Bridges	6
New Railway Over Bridge	1
Vehicular Underpass (VUP)	1
Indra Gandhi Nahar Project (IGNP) Canal Major Bridge	1
Existing No. of Pipe Culverts	6
Existing No. of Syphon Pipe	55
Existing No. of RCC Slab Culverts	5
Existing No. of Sub Minor Irrigation Canal	18
Reconstruction of Existing Major Bridges	1
Reconstruction of Existing Minor Bridges	1
New construction of Pipe Culverts	17
Reconstruction of Pipe Culverts	1
Widening of Existing Slab Culverts	6
Widening of Existing Pipe Culverts	9
Truck Lay Bys	3
Bus bays with Bus Shelters	22

Details of Lane Configuration Section		
Section	Length in Kms	Road Width (m)
Km. 0.000 to Km.44.781	44.781	12
Km. 44.781 to Km. 45.581	0.8	14.80 (ROB)
Km.45.581 to km. 70.014	24.433	12
Km. 70.014 to Km. 72.015	2.001	41 (4 Lane with Service Road)

Details of Lane Configuration Section		
Section	Length in Kms	Road Width (m)
Km. 72.015 to km. 124.667	52.652	12
Km. 124.667 to Km.125.167	0.5	12
Km. 125.167 to km 170.408	45.241	12
Km. 170.408 to Km. 172.384	1.976	41.00 (4 Lane with Service Road)
Total	172.384 kms	

There were 92 Existing structures in the project corridor – 2 Major Bridges, 6 Minor Bridges. The existing two-lane highway was saturated in terms of design carrying capacity. However, one railway level crossing exists on the project road near Bamanwali village on Bikaner Bhatinda Railway section where ROB is proposed.

4. **PROJECT FACILITIES:** The Concessionaire has provided Project facilities in accordance with the provisions of the CA to form Project Highway. Such Project facilities have been completed. It includes three toll plazas, which are at the following chainage as per CA:

S. No.	Location of Toll Plaza		Length for which Toll collected
	(Existing Chainage)	(Design Chainage)	
1	Km 25.500	At Km 24.739	Kms.50.155 (excluding 9.845 Km. on Bikaner bypass)
2	Km 84.500	At Km 84.025	Kms.60.000
3	Km 145.000	At Km 144.400	Kms.52.384

In addition to the above, the Concessionaire shall be entitled to levy and collect toll fee for the Bypass costing more than Rs. 10 cr. as specified below at the following Toll Plaza as per CA:

Location of Toll Plaza (Design Chainage)	Nature of Structure	Length, Km
Km. 24.739	Bikaner Bypass	9.845

Each toll plaza is provided with toilets and drinking water facilities. Roadside furniture, street lightning, pedestrian facilities, landscaping and plantation have been provided in accordance with Manual of Specifications and Standard.

5. **PERIOD OF CONCESSIONAIRE AGREEMENT:** Concession period is of 16 years from the Appointed Date (including construction period of 2 years). The 730th day from the Appointed Date



is the scheduled date for completion of project. In the event the two laning is not completed within 270 days from the scheduled Two Laning date, unless the delay is due to reasons attributable to the Government or Force Majeure, the government shall be entitled to terminate the CA.

The Chief Engineer, PWD Rajasthan has also recommended Extension upto 31st March, 2020. The Independent Engineer (IE) has determined the extension of time up to 31st December, 2021 for the completion of the project.

In light of non-removal of hindrances by the authority so far, the Company has submitted extension of time application to the Authority for extension of completion of the balance work by 30th September, 2022. Thereafter time will be required for approval of COD by Independent Engineer/PWD/MoRTH, the likely date of COD is 30th November 2022. Considering the present conditions and issues faced by the concessionaire due to external factors the completion of the construction work would be done by the concessionaire out of the cash flows available from the toll collections by 30th September, 2022 and COD by 30th November 2022.

The original concession period is up to 15th September 2029. The concession period will be extended by the Authority in accordance with the power granted to the Authority, in terms of the Clause 35.3 of the Concession agreement it is extended up to 29th November, 2032 on account of actual traffic being less than the target traffic and delay in the achievement of COD, delay in procurement of ROW, Land acquisition/ transfer of land in favour of PWD and other clearances and approvals.

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.

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	<ul style="list-style-type: none"> • 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 FY2012.
Roads (Road & Bridges)	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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.

3. 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

4. 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.

5. 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.
- Other than the above, the EPC industry is faces challenges in terms of Shifting of Utilities, Law and Order problem at local level, Budget Constraint of the Developer.

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.

6. **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:

- 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.



PART E

FINANCIAL PERFORMANCE

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 2018-19 to FY 2021-22)

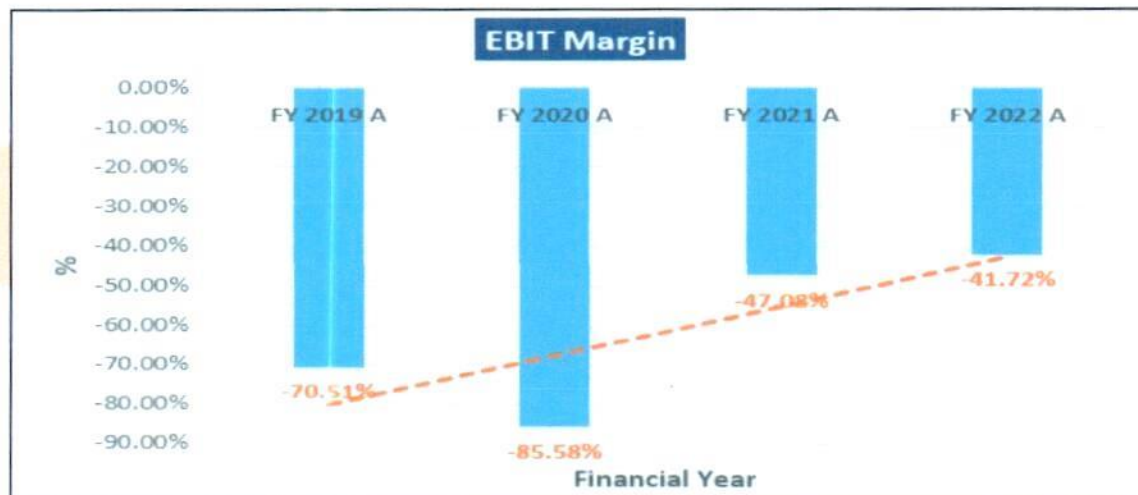
(Figures in INR Crores)

Particulars	FY 2019 A	FY 2020 A	FY 2021 A	FY 2022 A
INCOME				
Revenue from operations	7.1275	60.1404	65.46	83.74
Other income	0.3048	7.6701	2.53	4.38
(A) TOTAL INCOME	7.43	67.81	67.99	88.12
EXPENSES				
Cost of Materials Consumed	0.00	0.00	0.00	0.00
Employee benefits expense	0.74	5.94	6.1518	6.3226
Finance costs	7.10	58.44	34.49	34.47
Other expenses	1.3804	23.11	18.17	29.93
(B) TOTAL Operating EXPENSES	9.22	87.49	58.81	70.72
(C) EBITDA (A-B)	(1.78)	(19.68)	9.18	17.40
(D) Depreciation and amortisation expense	3.46	38.35	41.18	54.16
(E) EBIT (C-D)	(5.24)	(58.03)	(32.01)	(36.76)
(F) Tax Expense:				
(1) Current Tax	0.00	0.00	0.00	0.00
(2) Deferred Tax	(0.95)	(0.14)	0.09	1.21
(E) Total Profit/(loss) for the period (E-F)	(4.29)	(57.89)	(32.10)	(37.97)

2. KEY FINANCIAL RATIOS:

Particular	FY 2019 A	FY 2020 A	FY 2021 A	FY 2022 A
EBITDA Margin %	-24.01%	-29.02%	13.50%	19.75%
EBIT Margin %	-70.51%	-85.58%	-47.08%	-41.72%
Net Profit Margin%	-57.72%	-85.37%	-47.22%	-43.09%
Revenue Growth % (Y.O.Y.)		812.38%	0.26%	29.61%

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





Notes:

As per the historical analysis, it is observed that EBITDA Margin of the company is declining and it had negative value for FY 2019 and FY 2020. For Fiscal year 2021 and 2022 it was showing a positive value i.e. 13.50% in FY 2021 to 19.75% in FY 2022.

EBIT Margin and Net Profit Margin were negative throughout FY 2019 to FY 2022 due to the higher financing costs. In FY 2022 EBIT Margin was negative 41.72% and Net Profit Margin was negative 43.09%.

Revenues of the company were constantly declining in most of the past recent years historically due to the adverse effect of Covid-19, protests against the farm laws ('Kisan Andolan') & and other reasons, but according to FY2022 historical data the revenue grows by 29.61%.

4. PROJECTED PROFIT & LOSS STATEMENT (From FY 2023 to FY 2033):

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

(Figures in INR Crores)

Particulars	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033
Toll Receipts	72.15	78.93	85.80	92.18	98.95	106.05	113.79	122.72	131.68	141.24	100.77
Overload Revenue	20.34	22.33	24.20	26.07	27.93	29.99	32.15	34.68	37.22	39.98	28.49

Interest on Cash & Bank Balance	1.11	1.59	2.04	2.53	3.07	3.65	4.29	4.91	5.52	5.18	3.16
Total Revenue	93.60	102.85	112.04	120.78	129.95	139.69	150.23	162.31	174.42	186.40	132.42
Toll Plaza Operational Cost	3.35	3.50	3.66	3.82	4.00	4.18	4.36	4.56	4.76	4.98	3.45
SPV Expenses	0.47	0.49	0.51	0.54	0.56	0.59	0.61	0.64	0.67	0.70	0.49
Employee Benefit Expenses	6.60	6.90	7.21	7.54	7.88	8.23	8.60	8.99	9.39	9.81	6.81
Routine Maintenance Cost	7.21	7.70	8.09	8.49	8.91	9.36	9.83	10.32	10.84	11.38	5.27
Premium to Public Works Deptt, Govt. of Rajasthan	3.05	3.20	3.36	3.53	3.71	3.89	4.09	4.29	4.51	4.73	3.30
Major Maintenance Cost	12.09	12.64	13.21	13.80	14.42	15.07	15.75	16.46	17.20	17.97	12.50
Independent Engineer Fee	0.92	1.01	1.10	1.18	1.27	1.36	1.46	1.57	1.69	1.81	1.29
Operational Insurance	0.49	0.51	0.53	0.56	0.58	0.61	0.63	0.66	0.69	0.72	0.50
Other Expenses	0.82	0.85	0.89	0.93	0.97	1.02	1.06	1.11	1.16	1.21	1.27
Total Expenditure	35.00	36.80	38.56	40.39	42.30	44.31	46.39	48.60	50.91	53.31	34.88
EBITDA	58.60	66.05	73.48	80.39	87.65	95.38	103.84	113.71	123.51	133.09	97.54
Less: Depreciation	69.39	75.98	82.53	88.72	95.20	102.06	109.49	54.35	0.00	0.00	0.00

EBIT	(10.79)	(9.93)	(9.05)	(8.33)	(7.55)	(6.68)	(5.65)	59.36	123.51	133.09	97.54
Less: Interest	31.50	27.33	25.17	22.37	18.76	14.33	9.09	1.76	0.02	0.00	0.00
PBT	(42.29)	(37.26)	(34.22)	(30.70)	(26.31)	(21.01)	(14.74)	57.60	123.49	133.09	97.54
Less: Income Tax	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	43.98	32.04
PAT	(42.29)	(37.26)	(34.22)	(30.70)	(26.31)	(21.01)	(14.74)	57.60	123.49	89.11	65.50

5. KEY FINANCIAL RATIOS:

Particular	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033
Net Profit Margin	-45.18%	-36.23%	-30.54%	-25.42%	-20.25%	-15.04%	-9.81%	35.49%	70.80%	47.80%	49.46%
EBITDA Margin	62.61%	64.22%	65.58%	66.56%	67.45%	68.28%	69.12%	70.06%	70.81%	71.40%	73.66%
EBIT Margin	-11.53%	-9.65%	-8.08%	-6.90%	-5.81%	-4.78%	-3.76%	36.57%	70.81%	71.40%	73.66%
Revenue Growth % (YOY)	6.22%	9.88%	8.94%	7.80%	7.59%	7.50%	7.55%	8.04%	7.46%	6.87%	-28.96%

6. GRAPHICAL REPRESENTATION OF THE PROJECTED KEY RATIOS OF THE COMPANY:





Notes:

- As per the ratio analysis performed, it is observed that EBITDA Margin of the company grown from 62.61% in FY 2022-23 to 77.66% in FY 2032-33, as the traffic is returning to now pre-covid levels.
- EBIT Margin and Net Profit Margin are showing increasing trend. EBIT margin grown from -11.53% in FY 2023 to 73.66% in FY 2033. Also it is predicted that Net Profit Margin mature from -45.18 in FY 2023 to 73.66% in FY 2033.
- It is observed from revenue growth rate that company will be able to generate revenue as this highway is an important and major National Highway in Western & North Western India which connects Kandla to Pathankot in Punjab having 270 km length in Gujarat, 906 km length in Rajasthan and 350 km length in Punjab connecting Samakhiali, Radhanpur, Jaisalmer, Bikaner, Sri Ganganagar, Bhatinda and Amritsar etc.



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).
- a) The free cash flow method is similar to the method used for public companies.
 - b) 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.
 - c) In this method, we calculate the free cash flow to firm (FCFF) for the projected period.
 - d) 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:

- a) 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).
- b) Asset Based Model is inappropriate as the Company is a going concern and the model is unable to capture the Value of the company.
- c) 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.
- d) 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.
- e) 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.



- f) 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.
- g) The best method input option for the PV Model in the case of M/s Suratghar Bikaner Toll Road Company 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:

$$\text{Firm value} = \sum_{t=1}^{\infty} \frac{\text{FCFF}_t}{(1 + \text{WACC})^t}$$

• **Free Cash Flow to Firm (FCFF):**

FCFF is the cash available to pay investors after a company pays its costs of doing business, invests in short-term assets like inventory, 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.

• **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.

$$\text{WACC} = \frac{D}{D + E} K_d + \frac{E}{D + E} K_e$$

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



2. CALCULATION OF FREE CASH FLOW TO FIRM:

(Figures in INR Crores)

Particulars	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033
EBITDA	58.60	66.05	73.48	80.39	87.65	95.38	103.84	113.71	123.51	133.09	97.54
Less: (Dep & Amortization)	69.39	75.98	82.53	88.72	95.20	102.06	109.49	54.35	0.00	0.00	0.00
EBIT	-10.79	-9.93	-9.05	-8.33	-7.55	-6.68	-5.65	59.36	123.51	133.09	97.54
Tax Rate (T)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	29.12%	29.12%
(1-T)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	70.88%	70.88%
NOPAT= EBIT*(1-T)	-10.79	-9.93	-9.05	-8.33	-7.55	-6.68	-5.65	59.36	123.51	94.33	69.13
Add: D & A	69.39	75.98	82.53	88.72	95.20	102.06	109.49	54.35	0.00	0.00	0.00
Less: Changes in Working Capital	23.28	13.55	15.10	16.81	17.64	19.78	21.43	18.55	20.22	-25.03	-92.07
Less: CAPEX	10.24	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Free Cash Flow to Firm (FCFF)	25.08	52.50	58.38	63.58	70.01	75.60	82.41	95.16	103.29	119.36	161.20
Discount Rate (WACC)	12.25%										
Period	0.50	1.50	2.50	3.50	4.50	5.50	6.50	7.50	8.50	9.50	10.50
Discount Factor	0.94	0.84	0.75	0.67	0.59	0.53	0.47	0.42	0.37	0.33	0.30
PV of FCFF	23.67	44.15	43.73	42.43	41.62	40.04	38.89	40.00	38.68	39.82	47.91

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

Calculation of Weighted Average Cost of Capital (WACC)

Particulars	Total Amount (in INR Crores)	Weightage	Required Return
Sustainable Debt	389.99	69.6%	5.67%
Equity Shared Capital	170.07	30.4%	19.10%

Total	560.06	100%	9.75%
Company Risk Premium			2.50%
Discount Rate			12.25%

Valuation Inputs for M/s Suratgarh Bikaner Toll Road Pvt. Ltd.

INPUTS	
Valuation Date	11 th October 2022
Discount Rate	12.25%
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.

4. CALCULATION OF ENTERPRISE VALUE:

Calculation of Enterprise Value

CUMULATIVE DISCOUNTED CASH FLOW OVER THE PROJECTION PERIOD		
Scenario	Discount Rate	Enterprise Value (in INR Crores)
Bull Case	11.25%	464.14
Present Case	12.25%	440.95
Bear Case	13.25%	419.43

ENTERPRISE VALUE OF THE FIRM
INR 440.95 Crores
INR FOUR HUNDRED FORTY CRORES AND NINETY-FIVE 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 17-18. As per resolution Plan Company will repay its pending dues and remaining debt till September, 2029.
- 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.

Hence, the "Enterprise Value" of the Firm "M/s Suratgarh Bikaner Toll Road Company Private Limited" is **INR 440.95 Crores**.

This is only a general assessment of the current value of the Enterprise/Business based on the data/ input that the Bank/Client/Company could provide to us against our questions/ queries using the appropriate method with respect to the present scenario. 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.

- 5. 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.

A. PROJECTION PERIOD DATES:

Key dates and projection period details are as follows:

PARTICULARS	DETAIL
Concession Agreement Signing Date	9 th May, 2012
Financial Closure Date	30 th March 2013
Concession Appointed date	16 th September 2013
Concessionaire Period	16 Years
Extension Period	3.2 Years
Expected Completion of Construction	30 th November 2022
Projection End Date	29 th November 2033

B. REVENUE PROJECTION:

As per the information provided by the client/company, traffic has been considered as per the average traffic from 1st April, 2021 to 31st March, 2022. The growth rate of traffic has been considered as 0% for FY 2023 and 2.5% of FY 2024 and onwards on traffic of FY 2022.

Average Actual Traffic from 1st April 2021 to 31st March, 2022:



Toll able Traffic (Nos)			
Toll Plaza	Km 25	Km 85	Km 145
Car	2264	1502	1486
LCV Tractor	74	101	74
LCV/Minibus	580	410	339
Bus	164	153	144
Truck (2 Axle)	326	295	304
Truck (3 Axle)	375	333	370
MAV	1994	1812	1741
Oversized Vehicles	1	2	6
Total vehicles	5778	4608	4464
PCUs	14818	12775	12421

As per the information provided by the client/company, local traffic will remain exempted from payment of toll. Such vehicles will be issued monthly passes by the concessionaire. Such passes will be issued to the eligible vehicle owners by the concessionaire on production of necessary documents and after payment of a monthly fee of Rs.150 to be revised annually to reflect the variation in WPI as compared to the WPI of the year ended March 31, 2007. Local traffic means Private Car/Jeep or equivalent vehicle which is owned by a person who resides within 20 km from the Toll Plaza.

The Whole Sale Price Index has been assumed to be escalated @ 4.5% every year from FY 2023 onwards for calculating the projected toll fees. The current fee table (from 1st April, 2022) is as follows:

Khara Toll Plaza (Km 25)	Single Journey	Return Journey	Monthly pass
PCJ	50	80	1725
Minibus/LCV	85	125	2790
BUS	175	265	5840
Truck (2 axle)	175	265	5840
Truck (3 axle)	190	285	6375
MAV (4-6 axle), Heavy Construction Machinery	275	410	9160
Oversized Vehicles (7 or more axles)	335	500	11150

Bhadera Toll Plaza (Km 85)	Single Journey	Return Journey	Monthly pass
PCJ	50	75	1660
Minibus/LCV	80	120	2685
BUS	170	255	5625
Truck (2 axle)	170	255	5625
Truck (3 axle)	185	275	6135
MAV (4-6 axle), Heavy Construction Machinery	265	395	8820
Oversized Vehicles (7 or more axles)	320	485	10735

Hindore Toll Plaza (Km 145)	Single Journey	Return Journey	Monthly pass
PCJ	40	60	1315
Minibus/LCV	65	95	2120
BUS	135	200	4445
Truck (2 axle)	135	200	4445
Truck (3 axle)	145	220	4850
MAV (4-6 axle), Heavy Construction Machinery	210	315	6970
Oversized Vehicles (7 or more axles)	255	380	8485

As per the information provided by the client/company, there was extraordinary reduction in toll collection in January 2021 due to non-operation of toll Plazas of the Project Highway on account of protests against the farm laws ('Kisan Andolan'). It has impacted the toll collections for all the 3 toll plazas.

The second wave of covid -19 had impacted the revenues of the Concessionaire. The state government of Rajasthan had issued circulars from time to time imposing several restrictions including lockdown/restriction/curfew since April. Apart from the state of Rajasthan, several other states in India had imposed lockdowns. The traffic started falling down since the mid of April and was down by about 30% in the month of May as the lockdown became very strict. The traffic again stabilized by August, 2021.

Some of the key underlying assumptions are as follows:



Inflation Rate	4.50%
Traffic Growth	For FY 22-23: 0%; From FY 23-24 onwards: 2.5%
Overload penalty	April, 2023 onwards – 2.75 times

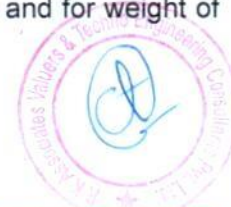
C. EXPENSES:

- I. **Routine Maintenance Expenses:** As per the information provided by the client/company, routine expenses are included in the head Operating Expenses (Excl. Personnel) which are estimated based on previous years' expenses with an annual escalation of 4.5%.
- II. **Toll Plaza Operational Cost:** As per the information provided by the client/company, toll plaza operational costs are estimated based on previous years' expenses with an annual escalation of 4.5%.
- III. **Employee Benefit Expenses:** As per the information provided by the client/company, employee benefit expenses are estimated based on previous years' expenses with an annual escalation of 4.5%.
- IV. **Other Expenses:** As per the information provided by the client/company, other expenses are estimated based on previous years' expenses with an annual escalation of 4.5%.
- V. **Major Maintenance Repair Work (MMW) expenses:** As per the information provided by the banker/client, the base year for major maintenance cost is 2021-22 and the Major Maintenance expenses are estimated with an annual escalation of 4.5%.

D. **TAXATION:** Corporate tax rate – 29.12% (Tax Exemption Period under section 80 IA is 10 years out of last 15 years operation)

E. **AMORTIZATION:** Toll Collection Rights are amortized over the concession period. The rights are amortized based on the projected toll revenue which reflects the pattern in which the assets' economic benefits are consumed.

F. **WEIGHTS OF DEBT & EQUITY:** Weight of debt and equity are assumed at 69.6% and 30.4%, respectively, as the information provided by the company. For the consideration of weight of debt, we only considered sustainable debt of INR 389.99 Crores and for weight of equity, we considered INR 170.07 Crores.



- G. BETA:** To calculate the beta of M/s Suratgarh Bikaner Toll Road Company Private Limited, we have followed the "Pure-Play Method". Calculating beta we have used the pure-play method.

Comparable Companies	Market Cap. (INR Crores)	Beta Value	Debt-Equity					Avg. D/E	Unlevered Beta
			2022	2021	2020	2019	2018		
IRB Infrastructure Developers Ltd	13,159	1.9	1.33	2.62	1.28	2.49	2.28	2.00	0.83
Dilip Buildcon Ltd.	3,262	1.54	2.47	2.82	2.62	2.48	2.08	2.49	0.59
JMC Projects (India) Ltd.	1,610	1.53	3.27	3.36	2.83	2.67	3.11	3.05	0.51
NCC Infra	4,495	2.07	0.23	0.34	0.38	0.51	0.45	0.38	1.66
Hindustan Construction Company Ltd.	2,375	2.1	-2.29	-2.63	-3.94	-3.64	-4.48	-3.40	-1.74
Average								0.91	0.68


M/s. SHNTPL's Data	
Debt Ratio	0.70
Equity Ratio	0.30
D/E Ratio	2.29
Levered Beta	1.79

- H. COST OF EQUITY:** The Cost of Equity for SBTRPLC is assumed to be 19.10% using CAPM Model and Beta of 1.79. Expected Market Return (R_m) is taken as Nifty Fifty 5- year return 2022, which is 14.0%. Risk-free Rate (R_f) is taken as 10-year govt. bond yield, which is 7.50%.
- I. COST OF DEBT:** As the company has been declared NPA account, we have considered sustainable debt cost of 8.00% as the cost of debt. Likewise, post-tax cost of debt is calculated at 5.67%.

J. COMPANY RISK PREMIUM: As the company has been declared NPA since 2017 and Due to various delays in fulfilment of conditions precedent, delay in handing over of land & other permissions, COVID-19 first & second wave, protest against farm laws, delay in getting finance to fund for the completion of the project and several other delays beyond the control of the concessionaire, its financial status haven't improved since then. Due to these reasons, we have assumed a company-wide risk premium of 2.5%.

Hence, as a base case, the calculated Fair Market Value/Enterprise Value of M/s Suratgarh Bikaner Toll Road Company Private Limited is INR 440.95 Crores, subject to the current micro & macro-economic assumptions, market, industry trends and inputs used during the forecasted period, market multiple and peers company used to compare the company, as well as the WACC used to calculate the EV.



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 SBI, Stressed Assets Resolution Group, Corporate Centre, 21st Floor, Maker Towers "E" Cuffe Parade, Mumbai – 400005.
	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	
Number of Pages in the Report	49
Financial Analyst Team worked on the report	PREPARED BY: Chhavi Toshan
	REVIEWED BY: Mr. Gaurav Kumar

For R.K Associates Valuers & Techno

Place: Noida

Engineering Consultants (P) Ltd.

Date : 11th October 2022


(Authorized Signatory)

Valuations

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: $EV = (\text{Market Capitalization} + \text{Market Value of Debt} - \text{Cash and Equivalents})$.

- **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.



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.
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.
15. Defect Liability Period is **15 DAYS**. We request the concerned authorized reader of this report to check the contents, data and calculations in the report within this period and intimate us in writing if any corrections are required or in case of any other concern with the contents or opinion mentioned in the report. Corrections only related to typographical, calculation, spelling mistakes, incorrect data/ figures/ statement will be entertained within the defect liability period. Any new changes for any additional information in already approved report will be regarded as additional work for which additional fees may be charged. No request for any illegitimate change in regard to any facts & figures will be entertained.
16. R.K Associates encourages its customers to give feedback or inform concerns over its services through proper channel at valuers@rkassociates.org in writing within 15 days of report delivery. After this period no concern/ complaint/ proceedings in connection with the Financial Feasibility Study Services will be entertained due to possible change in situation and condition of the subject Project.

17. Our Data retention policy is of **ONE YEAR**. After this period, we remove all the concerned records related to the assignment from our repository. No clarification or query can be answered after this period due to unavailability of the data.
18. This Financial Feasibility Study report is governed by our (1) Internal Policies, Processes & Standard Operating Procedures, (2) Information/ Data/ Inputs given to us by the client and (3) Information/ Data/ Facts given to us by our field/ office technical team. Management of R.K Associates never gives acceptance to any unethical or unprofessional practice which may affect fair, correct & impartial assessment and which is against any prevailing law. In case of any indication of any negligence, default, incorrect, misleading, misrepresentation or distortion of facts in the report then it is the responsibility of the user of this report to immediately or at least within the defect liability period bring all such act into notice of R.K Associates management so that corrective measures can be taken instantly.
19. R.K Associates never releases any report doing alterations or modifications from pen. In case any information/ figure of this report is found altered with pen then this report will automatically become null & void.

