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# ENTERPRISE VALUATION REPORT

OF

## M/S SURAT HAZIRA NH-6 TOLLWAY PRIVATE LIMITED

REGISTERED AT

5TH FLOOR, BLOCK-2, VATIKA BUSINESS PARK, SOHNA ROAD, SECTOR-49,  
GURUGRAM, HARYANA, 122101

REPORT PREPARED FOR

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TABLE OF CONTENTS		
SECTIONS	PARTICULARS	PAGE NO.
Part A	<b>INTRODUCTION</b>	<b>4</b>
	1. About the Report	4
	2. Background	4
	3. Type of Report	7
	4. Purpose of the Report	7
	5. Scope of the Report	7
	6. Methodology/ Model Adopted	8
	7. Documents/ Data Referred	8
Part B	<b>PROJECT COMPANY</b>	<b>9</b>
	1. Brief Description about the Company	9
	2. Details of Promoters/Directors	9
	3. Snapshot of the Outstanding Debt of the Company	11
	4. Capital Structure	11
	5. Shareholding Pattern	11
	6. Current Status of the Project	11
	7. Reason for Financial Stress	12
Part C	<b>THE PROJECT</b>	<b>15</b>
	1. Scope Of the Project	15
	2. Project Stretch Details and Location	15
	3. Salient Features of The Project	16
	4. Project Facilities	16
	5. Period of Concessionaire Agreement	17
Part D	<b>ASSESSMENT OF INFRASTRUCTURE SECTOR</b>	<b>18</b>
	1. Introduction	18
	2. EPC Industry Overview	19
	3. Regulatory Scenario	20
	4. Major Policy Measures	20
	5. Measures taken by GOI	20

<b>TABLE OF CONTENTS</b>		
<b>SECTIONS</b>	<b>PARTICULARS</b>	<b>PAGE NO.</b>
	6. Key Developments	21
	7. Key Challenges faced by the industry	21
	8. Way Forward	22
	<b>FINANCIAL PROJECTIONS</b>	<b>23</b>
<b>Part E</b>	1. Historical P&L Statement	23
	2. Historical Ratio Analysis	23
	3. Projected P&L Statement	24
	4. Projected Ratio Analysis	25
	<b>VALUATION OF THE COMPANY</b>	<b>26</b>
<b>Part F</b>	1. Methodology/ Model Adopted	26
	2. Calculation of Free Cash Flow to Firm	27
	3. Key Inputs	29
	4. Calculation Of Enterprise Value	29
	5. Calculation of Termination Payment	30
	6. Corporate Guarantee of M/s Soma Enterprises Ltd.	33
	7. Corporate Guarantee of M/s Indus Concessions India Pvt. Ltd.	33
	8. Value of Pledged Shares	34
	9. Computation of Expected Recovery	34
	10. Assumptions for Financial Projections	35
<b>Part G</b>	<b>IMPORTANT DEFINITIONS</b>	<b>42</b>
<b>Part H</b>	<b>DISCLAIMER/REMARKS`</b>	<b>44</b>



**PART A**

**INTRODUCTION**

1. **ABOUT THE REPORT:** Enterprise Valuation of M/s Surat Hazira NH-6 Tollway Private Limited (SHNTPL), a Special Purpose Vehicle (SPV) created as a Joint Venture (JV) by ROADIS group and Soma Enterprise Limited (SEL) for implementing Four-Laning of section of NH-6 in the state of Gujarat under NHDP Phase III on DBFOT basis.
2. **BACKGROUND:** The Government of India had entrusted to the National Highway Authority of India the development, maintenance and management of National Highway-6 including the section from km 103.000 to km 29.100. The Authority had resolved to augment the existing road from km 103.000 to km 29.100 on the Gujarat / Maharashtra Border – Surat - Hazira section of NH-6 in the State of Gujarat by Four-Laning on design, build, finance, operate and transfer ("DBFOT") basis in accordance with the terms and conditions of Concession Agreement.

The Authority invited proposals and allotted the Project to the consortium comprising ROADIS Concessions S.L.U and Soma Enterprises Limited on the basis of lowest Grant Quote of Rs. 556.00 Cr (Rs. 301.82 Cr. has been availed during construction period and balance Rs. 254.18 Cr is being availed during operations). The Letter of Award was issued to the Sponsors on February 18, 2009. Subsequently, CA was signed on May 18, 2009 for a period of 19 years from Appointed Date (March 30, 2010) including construction period of 910 day. The Appointment Date as per the terms of CA was declared on Mar 30, 2010 by the Authority due to delay in clearance from MOEF attributable to NHA.

Accordingly, the Sponsors incorporated a Special Purpose Vehicle ("SPV") Soma Isolux Surat Hazira Tollway Private Limited for implementing the project, the name of the SPV was changed to Surat Hazira NH-6 Tollway Private Limited in 2016 due to change in ownership. Soma and its group companies hold 50% stake in the SPV, the remaining 50% is held by ROADIS and its group companies.

As per concession agreement, the Project involved Four-Laning of carriageway of Surat Hazira section of NH-6 from km 103.000 to km 29.100 admeasuring approximately 131.50 km (original length was 132.913 km out of which 1.363 km was de-scoped as per Independent Engineer (IE) letter dated December 17, 2013) and operation & maintenance of the above stretch of road till the Transfer Date (transfer the project highway upon termination of CA). In consideration of the development of Project, the Concessionaire is entitled to collect toll on the Project Highway from Commercial Operation Date (COD) till Transfer Date in accordance with the CA and National



Highways Fee (Determination of Rates and Collection) Rules, 2008 (the "Fee Rules"). Below table shows the milestones of the company:

S.No.	Milestone	Date	Comments
1	Letter of Award	Feb. 18, 2009	-
2	Concession Signed	May 18, 2009	-
3	Financial Closure	Nov. 14, 2009	-
4	Appointed Date	March 30, 2010	NHAI vide their letter NHAI/PIU Surat/41/16989 dated April 3rd 2010 referring to the four-laning of Gujarat/Maharashtra Border-Surat-Hazira Port of NH-6 in the state of Gujarat under NHDP Phase-III set the appointed date of the project to be March 30th 2010
5	Schedule COD	Sep.25, 2012	-
6	PCOD	August 19, 2015	Tolling commenced for 117.40 km (~89% of total length of 131.50 km) w.e.f. August 21, 2015 with issuance of Provisional Certificate of Completion by NHAI's Independent Engineer ('IE'), Sheladia Associates Inc., vide Letter No. 5406/NHAI/6003 dated August 19, 2015.
7	DCCO achieved	April 30, 2016	Certificate declaring achievement of DCCO as on April 30, 2016 was issued by NHAI's IE, Frischmann Prabhu, vide letter no. FPI/SH/NH-6/SPV/147 dated June 9, 2016.
8	Completion for 11.60 Km	October 5, 2016	Company further completed 11.60 km stretch and received approval from IE vide letter no. FPI/SH/NH- 6/NHAI/480 dated October 07, 2016. Tolling for 11.60 Km started from December 04, 2016 onwards. Since then, tolling is being carried for 129.00 km of project highway
9	Completion for 2.5 Km	March 29, 2018	Provisional Certificate of Completion by NHAI's Independent Engineer vide Letter No. 5406/NHAI/6003 dated March 29, 2018 FPOM/165003/PVK/15A to start the tolling for balance stretch. Tolling of complete highway, 131.5 Km started from 1 <sup>st</sup> April 2018.

Thus, tolling for total length of 131.50 KM has been started from 1st April, 2018 as the company has achieved the COD as on 29<sup>th</sup> March 2018 and collecting the toll of complete highway via two toll plazas.



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
Total Income	230.60	209.48	171.21	189.08
Less: Operating Expenses	39.43	32.47	50.85	87.04
<b>EBITDA</b>	<b>191.17</b>	<b>177.01</b>	<b>120.36</b>	<b>102.04</b>
Less: Depreciation	116.53	89.74	117.79	78.53
<b>EBIT</b>	<b>74.64</b>	<b>87.27</b>	<b>2.57</b>	<b>23.51</b>
Less: Unwinding Cost (IND-AS Entry)	101.88	112.96	413.87	86.88
Less: Finance Cost	120.68	114.15	106.12	99.08
<b>PBT</b>	<b>-147.92</b>	<b>-139.84</b>	<b>-517.42</b>	<b>-162.45</b>
Less: IT Payable	0.00	0.00	0.00	0.00
Less: Exceptional Item	137.69	0.00	0.00	0.00
<b>PAT</b>	<b>-10.23</b>	<b>-139.84</b>	<b>-517.42</b>	<b>-162.45</b>
<b>Net Profit Margin</b>	<b>-4.44%</b>	<b>-66.76%</b>	<b>-302.22%</b>	<b>-85.91%</b>
<b>EBITDA Margin</b>	<b>82.90%</b>	<b>84.50%</b>	<b>70.30%</b>	<b>53.97%</b>
<b>EBIT Margin</b>	<b>32.37%</b>	<b>41.66%</b>	<b>1.50%</b>	<b>12.44%</b>
<b>Revenue Growth % (YOY)</b>	<b>-</b>	<b>-9.16%</b>	<b>-18.27%</b>	<b>10.44%</b>

As per the historical analysis, it is observed that EBITDA Margin of the company is declining continuously from 82.90% in FY 2019 to 53.97% in FY 2022. EBIT Margin was positive throughout FY 2019 to FY 2022, while in FY 2020, it increased to 41.66% from 32.37% in FY 2019, it falls to 1.50% in FY 2021 and again rose up to 12.44% in FY 2022.

Even though users have started using the highway from December-2013 onwards, NHA delayed the process of awarding PCOD and Tolling finally commenced on 19<sup>th</sup> Aug 2015 for 117.40 km post intervention of Hon'ble Delhi High Court. Project achieved full COD on 1<sup>st</sup> April 2018 for total length of 131.5 km. The Project got delayed due to the non-availability of land for construction, specifically in the new bypasses (Bardoli, Bajipura and Vyara) and the utility shifting in Hazira Industrial Area due to dense network of gas and other utility pipe lines. Project Cost was increased by 34% (Rs. 818 Cr) due to delays, primarily because of increase in Interest during construction (IDC) by 300% (Rs. 642 Cr) and EPC & other cost by 8% (Rs. 177 Cr).

The Company is facing financial stress due to various reasons such as lower toll collection (actual toll collection in FY 19 and FY 20 is 16.52% and 27.35% respectively lower than the Resolution



Plan's projected revenue) and increase in Project Cost due to delay in implementation on account of reasons beyond the control of concessionaire. The company is announced as NPA since 2018.

Hence, Punjab National Bank 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 Surat-Hazira NH-6 Tollway Private Limited.
4. **PURPOSE OF THE REPORT:** To estimate & determine 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 the 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 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 (Value of Corporate guarantee, pledging of share etc.) 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.*
  - *Termination payment has been considered as per the NHAI's circular and concession agreement.*
  - *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. METHODOLOGY/ MODEL ADOPTED:** Income-based Approach (Discounted Cash Flow Model) for the calculation of Enterprise Value of the Company.

**7. DOCUMENTS / DATA REFERRED:**

- Last four year's audited Financial Statements of the company.
- Latest audited financial statements of M/s Soma Enterprises Limited and M/s Indus Concessions India Private Limited.
- NHAI Circular on Termination Payment.
- LIE report for Provision of Budget for Major Maintenance after monsoon 2022.
- Financial Model of the company.
- Concessionaire agreement.
- Details of Outstanding Debt of M/s SHNTPL.
- Details of Directors and Shareholding Pattern.
- LIE Quarterly Progress Report for April-June 2022 Quarter.
- Revised Validation of Toll fee for Financial Year 2022-23.
- Penalty imposed by NHAI on the Company against descoped works and imposed damages.
- Corrigendum No. 2 to NHAI Circular No. NHAI/11033/CGM(Fin)/2011.
- Consortium Meeting minutes, dated 25<sup>th</sup> March 2022 & 28<sup>th</sup> June 2022.



**PART B**

**PROJECT COMPANY**

- 1. BRIEF DESCRIPTION ABOUT THE COMPANY:** The Sponsors and their respective group companies incorporated an SPV in the name of Surat Hazira NH-6 Tollway Private Limited ("SHNTPL") for implementing Four-Laning of section of NH-6 in the state of Gujarat under NHDP Phase III on DBFOT basis. Below table shows the incorporation details of the company:

Incorporation Details	
Company Name	Surat Hazira NH-6 Tollway Pvt. Ltd.
Corporate Identity Number	U45206HR2009PTC039059
Incorporation Date	May 5, 2009
Constitution	Private Limited Company/Company limited by Shares
Sector	Infrastructure - Roads & Highways
Registered / Corporate Office Address	5th Floor, Block-2, Vatika Business Park, Sohna Road, Sector-49, Gurugram, Haryana, 122101
Authorized Share Capital	INR 1086,93,00,000/-
Issued, Subscribed and Paid-Up Capital	INR 1086,90,30,000/-

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

**2. 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 SHNTPL**

S.N o.	Name	DIN/DOA	Designation	Education	Experience
1.	Pentrala Subbarao	0001951343/ 4 <sup>th</sup> March 2015	Director/ Soma	M.S. from BITS Pilani and B.E. - Civil from University of Pune.	As per the information provided by the client/company, he has total experience of over 29 years and associated with Soma Enterprise Limited since 1997. He is involved in Tendering, Contract Management and Execution of the Projects in various capacities.



S.N o.	Name	DIN/DOA	Designati on	Education	Experience
2.	Maria Esther Ayuso Gil	0002189811/ 6 <sup>th</sup> February 2015	Director/ ROADIS	N/A	As per the information provided by the client/company, she has previously led the India Concessions' Division of Grupo Isolux Corsan since 2008. She has over 10 years of experience in implementing, executing and tendering infrastructure concession projects. She joined Isolux from OHL Concesiones, as a Project Manager for different international concession infrastructures tenders.
3.	Ramachand ra Rao Patri	0002336617/ 5 <sup>th</sup> May 2009	Director/ Soma	B. Tech in Civil Engineering	As per information provided by the company/client, he currently holds the position of Vice President in Soma Enterprise Ltd. He has been involved in business development, contract management and construction management for highway projects.
4.	Jose Ramon Ballesteros Martinez	0008068661/ 15 <sup>th</sup> February 2018	Director/ ROADIS	PhD in Civil Engineering at the Madrid Polytechnic University and a Bachelor degree in Business and Management	As per the information provided by the client/company, his professional career was built on the concession field (Public-Private Partnership), assuming different responsibilities both in the technical and operating area and in the area of financing and assets management. He was CEO at Sociedad Concesionaria Autovía A-4 Madrid S.A., member of the Board of Directors of several projects and he was CEO of I-69 Development Partners LLC concession in Indiana, USA, as well as Director of ROADIS USA.



3. **SNAPSHOT OF OUTSTANDING DEBT OF THE COMPANY:** As per information provided by the company/client, the banking arrangement of SHNTPL as on September 30, 2022 is as provided below:

(Figures in INR Crores)

Banks/FI	% Exposure	Principal Outstanding					Interest Overdue
		Total TL - Part A	Part-A Repaid	Part-A O/S	CRPS/ NCD	Total Debt O/S (A)	
ARCIL	53.99%	677.62	157.28	520.34	613.08	1,133.42	12.71
PNB	22.01%	276.42	64.46	211.96	250.09	462.05	5.17
SBI	15.72%	197.91	46.94	150.97	179.06	330.03	3.69
UCO Bank	8.28%	103.85	24.10	79.75	93.96	173.71	1.95
<b>Total</b>	<b>100.00%</b>	<b>1,255.80</b>	<b>292.78</b>	<b>963.02</b>	<b>1,136.19</b>	<b>2,099.21</b>	<b>23.52</b>

4. **CAPITAL STRUCTURE:** As per information available on MCA, the company is having an authorized share capital is INR 1086,93,00,000 and its paid-up capital is INR 1086,90,30,000.
5. **SHAREHOLDING PATTERN:** The shareholding pattern of SHNTPL as on 30 June, 2022 is provided below:

S. NO.	SHAREHOLDER'S NAME	NO. OF SHARES	(%)
1	Indus Concessions India Pvt. Ltd.	59,257,462	66.90
2	Roadis Concessions S.L.U.	10,029,038	11.32
3	Soma Enterprise Limited	11,126,260	12.56
4	Soma Tollways Pvt. Ltd.	8,160,240	9.21
	<b>Total</b>	<b>88,573,000</b>	<b>100%</b>

6. **CURRENT STATUS OF THE PROJECT:** Financial closure of the project was achieved on November 14, 2009. At the time of Financial Closure, the cost of the project was estimated at Rs. 2,418.65 Cr, which was proposed to be financed by Sponsors' Contribution of Rs. 604.65 Cr (including NHAI grant during construction period) and Rupee Term Loan facility of Rs. 1,814.00 Cr i.e., debt to equity ratio of 3:1. The Rupee Term Loan facility of Rs. 1,814.00 Cr was tied up under consortium lending through signing of Common Loan Agreement (CLA) with OBC as the lead bank. The scheduled COD of the Project was May 13, 2012. Tolling commenced for 117.40 km (~89% of total length of 131.50 km) w.e.f. August 21, 2015 with issuance of Provisional Certificate of Completion by NHAI's Independent Engineer (IE) vide Letter No. 5406/NHAI/6003 dated August 19, 2015. Subsequently, certificate declaring achievement of DCCO as on April 30, 2016 was issued by IE vide letter no. FPI/SH/NH-6/SPV/147 dated June 30, 2016. As per the CA, Company



further completed 11.60 km stretch and started collecting toll for 129.00 (~98% of 131.50 km) from December 4, 2016 onwards after approval from IE vide letter no. FPI/165003/PVK/03A dated October 5, 2016.

Company has already completed balance length of 2.50 km and has received Provisional Certificate of Completion by NHAI's Independent Engineer vide Letter No. 5406/NHAI/6003 dated March 29, 2018 FPOM/165003/PVK/15A to start the tolling for balance stretch. Thus, tolling for total length of 131.50 KM has been started from 1st April, 2018. Tolling for total length of 131.50 KM has been started from 1st April, 2018 as the company has achieved the COD as on 29<sup>th</sup> March 2018 and collecting the toll of complete highway via two toll plazas (Mandal & Bhatia).

- 7. REASON FOR FINANCIAL STRESS:** Due to various external factors like delay in declaration of appointed date and delay on part of NHAI in meeting Concession Agreement obligations viz. Right of Way, shifting of utilities etc., the DCCO had to be extended three times during various stages of construction phase. Accordingly, the Common Loan Agreement (CLA) was revised to incorporate revision in DCCO, revised Project Cost and other relevant terms. The summary of CLA amendments during construction phase is as follows:

(Figures are in INR Crores)

Project Cost	Financial Closure	1 <sup>st</sup> Supplementary CLA	2 <sup>nd</sup> Supplementary CLA	3 <sup>rd</sup> Supplementary CLA
DCCO/ SCOD	13-May-12	1-Jan-14	31-Mar-15	30-Apr-16
Repayment Start Date	31-Dec-12	30-Jun-14	30-Sep-15	30-Sep-16
Repayment End Date	30-Sep-24	30-Sep-24	31-Mar-25	30-Sep-27
EPC cost	2,088	2,017	2,017	2,200
IDC	213	389	597	855
NON-EPC Cost	119	155	169	183
Total Project Cost	2,420	2,561	2,783	3,238
Project Debt	1814	1814	2085	2400
Sponsors' Contribution	303	303	343	368
NHAI Grant	302	302	302	302
Toll Revenue during Construction	0	142	53	168
<b>Total Project Cost</b>	<b>2,420.00</b>	<b>2,561.00</b>	<b>2,783.00</b>	<b>3,238.00</b>

Overall increase in cost post third supplementary CLA was Rs. 818.00 Cr (Hard Cost Rs. 176.00 Cr and IDC Rs. 642.00 Cr). Even though users have started using the project from December-2013 onwards, NHAI delayed the process of awarding PCOD and Tolling finally commenced on 19<sup>th</sup> Aug



2015 for 117.40 km post intervention of Hon'ble Delhi High Court. Project achieved full COD on 1<sup>st</sup> April 2018 for total length of 131.5 km. The Company has been facing financial stress for various listed reasons:

- a) Actual toll collection in FY 19 and FY 20 is 16.52% and 27.35% respectively lower than the Resolution Plan's projected revenue.
- b) Increase in Project Cost due to delay in implementation on account of reasons beyond the control of concessionaire. The Project got delayed due to the non-availability of land for construction, specifically in the new bypasses (Bardoli, Bajipura and Vyara) and the utility shifting in Hazira Industrial Area due to dense network of gas and other utility pipe lines. Due to delays, Project Cost increased by 34% (Rs. 818 Cr), primarily because of increase in IDC by 300% (Rs. 642 Cr) and EPC & other cost by 8% (Rs. 177 Cr).

(INR Crores)	FC	R1	R2	R3	COD	Incr.	% Incr.
DCCO / SCOD	Est.	Est.	Est.	Est.	Actual	Act Vs FC	Act Vs FC
	13/05/12	01/01/14	31/03/15	30/04/16	01/04/18	Absolute	%
EPC & Non-EPC Cost	2,207	2,172	2,186	2,383	2,225	18	1%
IDC	213	389	597	855	842	629	296%
<b>Total</b>	<b>2,419</b>	<b>2,561</b>	<b>2,783</b>	<b>3,238</b>	<b>3,067</b>	<b>648</b>	<b>27%</b>
Promoters' Equity	303	303	343	368	385*	82	27%
NHAI Grant	302	302	302	302	302	-	-
Toll for Capex	-	142	53	168	62	62	NA
Loans	1,814	1,814	2,085	2,400	2,318	504	28%

\*Over & above Rs. 385 Crore, Promoters have infused Rs. 50 Crore during implementation of RP

It's clear from the table above that the entire increase in Total Project Cost is on account of increase in IDC. Due to delay in signing of State Support Agreement, project witnessed traffic leakage due to up-gradation / revamping of adjoining roads under state government jurisdiction mainly near Ichchapore, Bardoli and Ukai junction. The associated increase in debt to fund the increase in project cost led to additional burden on project cash flows.

- c) **Toll Leakage:** Project has three major leakage points, two for Bhatia Toll Plaza and one for Mandal toll plaza. There is no change in the status since last quarter.
  - (i) **Leakage at Bhatia toll Plaza:** At Ichchapur (Km 116) ROB cum Flyover was constructed. As per provisions of CA and Railway norms, level crossings to be closed after construction of ROB. District Administration and PD, NHAI have consented jointly for closure of level crossing but till date this level crossing is still functioning for reasons beyond the control of SPV and as a result a lot of traffic escapes/takes this alternate route.



(ii) **Detour from Sachin to Navsari (at Km 96+240):** Earlier this road was meant for local light vehicles and not for heavy vehicles. This road was subsequently developed/upgraded by State Government. Now, traffic from Hazira using this detour as escape route to evade Toll fee at Bhatia Toll Plaza.

(iii) **Leakage at Mandal Toll Plaza: Detour at Songadh (Km 18+638):** Earlier Songadh-Ukai Road was meant for movement of light vehicles. It was widened by State Government. Now, traffic from Maharashtra travels through the Project stretch till Songadh flyover and thereafter uses this detour thereby evading payment of Toll fee at Mandal Plaza. From January 2017, the government implemented restriction of heavy vehicle movement through Surat City and Navsari Road for a period of 12 hours in a day. In November 2017, height barrier ramp structure was placed in Icchapore to restrict the entry of heavy commercial vehicles towards the alternative railway crossing route allowing skipping of the toll plaza. From January 2018, a temporary ban on movement of heavy vehicles on a bridge near Ukai dam was implemented. The measures led to improvement in overall traffic in FY18 and FY19 and led to an overall revenue growth of 18.7% and 11.5% respectively. However, despite the measures taken by the Company, we understand from Management that other alternate routes/ potential leaks further came about the highway over the succeeding period. The leakage at Icchapore was to be plugged by construction of Ramp at Icchapore under Change of Scope from NHAI.

d) On 22 March 2020, the country went into a national lockdown in light of developments regarding COVID-19. This led to a further decrease in the revenue collection from 22 March 2020 to 31 March 2020 during FY20. Given the aforementioned reasons, the Company recorded revenue decline by (4.2%) in FY20. The national lockdown and aforementioned issues of leakages also adversely impacted the 6m FY21 traffic and toll collection. Major expenses of the Company include provisioning for major maintenance, employee benefit expenses and operating expenses. Any construction costs incurred in connection with utility shifting and change of scope by NHAI was completely reimbursed by NHAI.

The Company is facing financial stress due to various reasons such as lower toll collection, increase in Project Cost due to delay in implementation on account of reasons beyond the control of concessionaire and toll leakages. The company is announced as NPA since 2018.

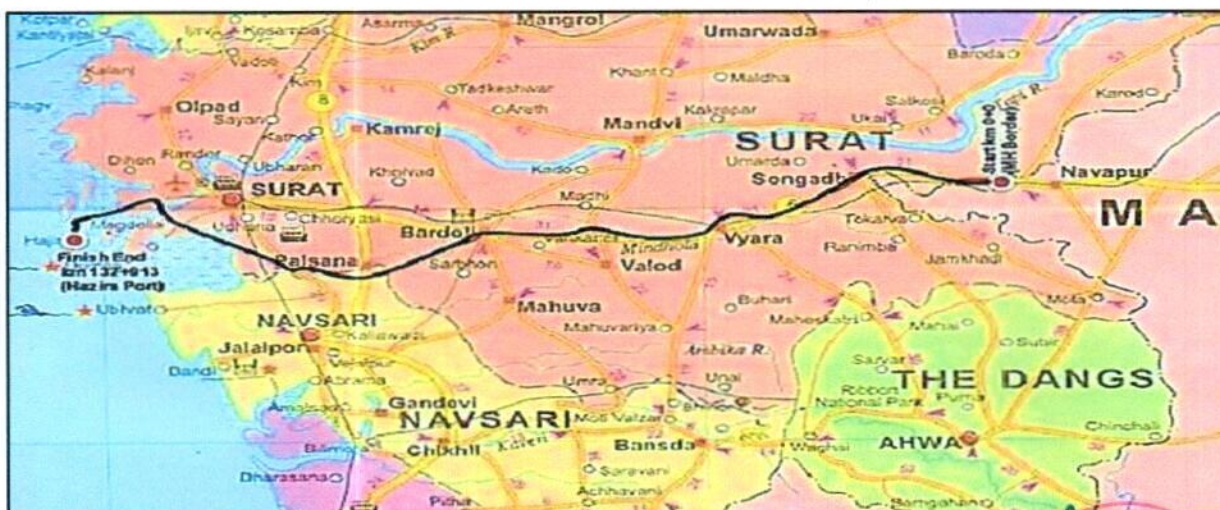
**Hence, Punjab National Bank has appointed R. K Associates to determine the Fair Market Value/Enterprise Value of the Business/Company to take appropriate course of action on this stressed account.**



**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 site for four laning of NH-6 starts from Chainage km 103+000 (at Gujarat/Maharashtra border) of Surat-Gujarat/Maharashtra border section of NH-6 and goes up to Chainage km 29+100 (at a distance of 1.1 Km from the junction at Km 28+00 near Gate of Hazira Village on existing Hazira village bypass road) of Surat-Hazira Port section of NH-6 of Gujarat. The length of the Project is ~131.50 km. The Project Highway forms part of the road stretch which connects Gujarat/ Maharashtra Border –Surat – Hazira port section in the State of Gujarat under NHDP Phase III, as is being developed through Public Private Partnership (PPP) on Design, Build, Finance, Operate and Transfer (DBFOT) basis. The main towns and villages falling under the Project Highway are Uchchhal, Songarh, Vyara, Bardoli, Palsana, Sachin, Magdalla and Ichhapore. The Project Highway lies within the Surat and Tapi districts of Gujarat as indicated in Project Map below:





- 3. SALIENT FEATURES OF THE PROJECT:** For execution, the project road has been divided in two packages by the concessionaire. Salient features of the project road in both the packages are given below:

PARTICULARS	SOMA PACKAGE (B)	ISOLUX PACKAGE (A)	TOTAL (A + B)
<b>LENGTH</b>	<b>75+930 KM</b>	<b>55+570 KM</b>	<b>132.913 KM</b>
Carriageway	Two carriage way of 9 m paved width each (including 1.5 m paved shoulder) with 1.2 m to 4.5 m wide median in urban/rural areas as per site conditions and 2.0 m wide earthen shoulder.		
Service Roads (both sides)	29.07 km	50.30 km	79.373 km
Major Bridges	02 - New constructions	03 - Rehabilitation, 01 - New construction	03 - Rehabilitation, 03 - New construction
Minor Bridges	20 - New construction	11 - New construction 1 - Widening	32 Nos
Road Over Bridge (ROB)	03 - New constructions	03 - New constructions	06 - New Constructions
Flyovers	05 - New constructions	04 - New constructions	09 - New Constructions
Vehicular Underpass (VUP)	18 - New constructions	07 - New constructions	25 - New constructions
Pedestrian/ Cattle Underpass	11 - New constructions	02 - New constructions	13 - New Constructions
Culverts	142 Nos	113 Nos	225 Nos
Truck lay-byes	01 on both sides	01 on both sides	02 on both sides
Bus bays & Bus shelters	1 Nos on both sides	1 no. on both sides	2 Nos
Toll Plaza	01- km 28+500	01 - km 89+850	02 Nos

- 4. PROJECT FACILITIES:** The Concessionaire has provided Project facilities in accordance with the provisions of the CA to form part of the 4-lane Project Highway. Such Project facilities have been completed. It includes two toll plazas at design Ch. km 28+500 near Vyara (km 74+800 of existing NH-6 from 'zero chainage' at Surat) and design Ch. km 89+400 between Palsana and Sachin (km 5+450 of SH-168 from 'zero chainage' at Palsana).



Each toll plaza is provided with rest area including 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.

Truck lay-bys are constructed one on either side of road at design chainage km 15+100 at Chacharbunda near Songadh (On both sides of NH-6) and at design chainage km 93+650 near Sachin (on both sides) in accordance with the Manual of Specifications and Standards.

- 5. PERIOD OF CONCESSIONAIRE AGREEMENT:** The original end date of the concessionaire agreement is 29 March 2029. Additionally, Clause 29 of the agreement provided that if the Actual Average Traffic falls short of Target Traffic by more than 2.5% then for every shortfall of 1% in traffic, the Concession Period shall be increased by 1.5% provided such increase shall not exceed 20% increase in Concession Period.

Given the shortfall in actual traffic than initial projections, Management expects an extension of the concession period by 3.8 years in line with the clauses of the concessionaire agreement which was also recommended in the IE Letter No. MSV-AV/NH53/SHP/2020/480 dated 31<sup>st</sup> July 2020. Covid-19 relief extension awarded in concession period by 90 days. An Arbitration award with extension period of 959 days has been awarded to the company against the claims filed by both NHAI and company.

Accordingly, the projections are prepared till 2<sup>nd</sup> December 2035, including a total of 6.7 years of extension period.

Although, in the consortium meeting dated 28<sup>th</sup> June 2022, it was informed that in March 2021, the arbitration tribunal awarded extension in concession period by 959 days. However, both NHAI and company have challenged the award in Hon'ble Delhi High Court. Last Hearing was held on 12<sup>th</sup> July 2022. Next hearing on this matter is scheduled on 19<sup>th</sup> October, 2022.





**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, as 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.

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. 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 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.

**OVERVIEW OF INDIAN INFRASTRUCTURE SECTOR: KEY HIGHLIGHTS**

<b>Roads (Road &amp; Bridges)</b>	<ul style="list-style-type: none"> <li>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.</li> <li>National Highways accounts for about 2% of total road network but carries 40% of traffic.</li> </ul>
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OVERVIEW OF INDIAN INFRASTRUCTURE SECTOR: KEY HIGHLIGHTS	
<b>Power</b>	<ul style="list-style-type: none"> <li>• Third largest electricity generation country in the world.</li> <li>• Public sector companies and State electricity boards dominate both generation and T&amp;D sectors.</li> </ul>
<b>Railways</b>	<ul style="list-style-type: none"> <li>• Fourth largest rail network in the world</li> <li>• 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.</li> <li>• It is also one of the busiest networks in the world with 22,300 trains running daily.</li> </ul>
<b>Ports</b>	<ul style="list-style-type: none"> <li>• 12 major ports and over 205 notified minor ports along a coastline spanning over 7,517 kms.</li> <li>• Over 90% of total trade in volume terms and 70% of total trade in value terms in the country is handled by ports.</li> </ul>
<b>Airports</b>	<ul style="list-style-type: none"> <li>• Indian aviation sector comprises of over 449 airports and airstrips out of which 125 are owned and operated by Airport Authority of India.</li> <li>• Key Challenges include inadequate capacity in Runways &amp; Aircraft handling and Congestion in Parking Space and Terminal Buildings</li> </ul>
<b>Telecom</b>	<ul style="list-style-type: none"> <li>• Second largest telecom market in the world after China in terms of subscriber base.</li> <li>• Around 1058. 86 Mn subscribers, with a tele density of 83.36%.</li> <li>• Private operators dominate the sector with ~89.78% market share.</li> </ul>

## 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. 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.

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.

**4. 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

**5. 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.
- 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.
- 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.
- 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.



- Railways to develop new products and efficient logistics services for small farmers and SMEs to provide seamless solutions for movement of parcels.
- 'One Station-One Product' concept for rail stations to be endorsed to help local businesses and supply chain.

**6. 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.

- 7. 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

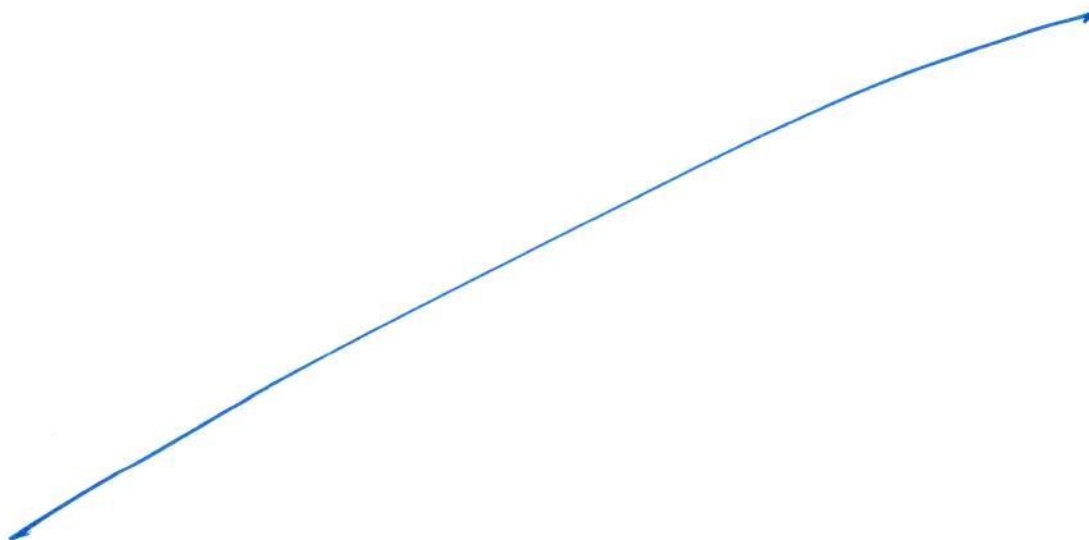




(for over bridge and under bridge construction) and delays in financial closure. The time taken by various ministries to grant clearance for infra projects to proceed for execution range from about 12 months to up to 36 months. Due to delay in execution, the industry player has to bear both time and 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.

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.

8. **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.





**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)

Particular	FY 2019 A	FY 2020 A	FY 2021 A	FY 2022 A
Revenue from Operations	169.27	162.15	169.96	185.28
Other Income	61.33	47.33	1.25	3.80
<b>Total Income</b>	<b>230.60</b>	<b>209.48</b>	<b>171.21</b>	<b>189.08</b>
Operational Costs (Excl. Pers.)	23.75	19.84	32.46	28.95
Operational Costs (Personnel)	9.52	9.98	9.26	9.78
Other Expense	4.34	0.67	0.42	4.01
MME Provision	1.82	1.98	8.71	44.30
Other Provision	0.00	0.00	0.00	0.00
<b>Operating Expenses</b>	<b>39.43</b>	<b>32.47</b>	<b>50.85</b>	<b>87.04</b>
<b>EBITDA</b>	<b>191.17</b>	<b>177.01</b>	<b>120.36</b>	<b>102.04</b>
Depreciation	116.53	89.74	117.79	78.53
<b>EBIT</b>	<b>74.64</b>	<b>87.27</b>	<b>2.57</b>	<b>23.51</b>
Unwinding Cost (IND-AS Entry)	101.88	112.96	413.87	86.88
Finance Cost	120.68	114.15	106.12	99.08
<b>PBT</b>	<b>-147.92</b>	<b>-139.84</b>	<b>-517.42</b>	<b>-162.45</b>
IT Payable	0.00	0.00	0.00	0.00
Exceptional Item	137.69	0.00	0.00	0.00
<b>PAT</b>	<b>-10.23</b>	<b>-139.84</b>	<b>-517.42</b>	<b>-162.45</b>

**2. KEY FINANCIAL RATIOS:**

Particular	FY 2019 A	FY 2020 A	FY 2021 A	FY 2022 P
<b>EBITDA Margin %</b>	82.90%	84.50%	70.30%	53.97%
<b>EBIT Margin %</b>	32.37%	41.66%	1.50%	12.44%
<b>Net Profit Margin%</b>	-4.44%	-66.76%	-302.22%	-85.91%
<b>Revenue Growth % (Y.O.Y.)</b>	-	-9.16%	-18.27%	10.44%



**Notes:**

As per the historical analysis, it is observed that EBITDA Margin of the company is declining continuously from 82.90% in FY 2019 to 53.97% in FY 2022.

EBIT Margin was positive throughout FY 2019 to FY 2022, while in FY 2020, it increased to 41.66% from 32.37% in FY 2019, then it falls to 1.50% in FY 2021 and again rose up to 12.44% in FY 2022. Net profit margin is constantly negative from FY 2019 to FY 2022 due to the higher financing costs.

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 in FY2022 the revenue grows by 10.44% as the company is able to fix two of the leakage points.

- 3. PROJECTED PROFIT & LOSS STATEMENT (From FY 2023 to FY 2036):** 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 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	FY 2032 E	FY 2033 E	FY 2034 E	FY 2035 E	FY 2036 E
Days	365	366	365	365	365	366	365	365	365	366	365	365	365	247
Operating Revenue	206.44	220.55	232.65	245.54	258.54	273.52	286.67	301.87	319.13	336.40	353.59	372.53	392.57	279.56
Other Revenue	0.00	0.63	1.90	3.16	4.43	5.70	3.16	0.85	2.54	4.24	5.94	7.63	4.24	0.00
<b>Total Revenue</b>	<b>206.44</b>	<b>221.18</b>	<b>234.55</b>	<b>248.70</b>	<b>262.97</b>	<b>279.21</b>	<b>289.83</b>	<b>302.72</b>	<b>321.67</b>	<b>340.64</b>	<b>359.53</b>	<b>380.16</b>	<b>396.81</b>	<b>279.56</b>
Operational Costs (Excl. Pers.)	30.40	31.92	33.51	35.19	36.95	38.80	40.74	42.77	44.91	47.16	49.51	51.99	54.59	38.68
Operational Costs (Pers.)	10.76	11.83	13.02	14.32	15.75	17.33	19.06	20.96	23.06	25.37	27.90	30.69	33.76	25.06
Other Expense	4.41	4.85	5.34	5.87	6.46	7.10	7.81	8.60	9.46	10.40	11.44	12.59	13.84	10.28
MME Provision	-25.37	21.10	21.10	21.10	21.10	21.10	0.00	28.27	28.27	28.27	28.27	28.27	0.00	0.00



Particulars	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	FY 2032 E	FY 2033 E	FY 2034 E	FY 2035 E	FY 2036 E
<b>Operating Expenses</b>	20.19	69.70	72.97	76.48	80.25	84.32	67.61	100.60	105.70	111.20	117.13	123.54	102.19	74.02
<b>EBITDA</b>	186.25	151.48	161.58	172.23	182.72	194.89	222.22	202.12	215.97	229.44	242.40	256.62	294.62	205.53
Depreciation	72.64	77.60	81.86	86.40	90.97	96.24	100.87	106.22	112.29	118.37	124.42	131.08	138.13	98.37
<b>EBIT</b>	113.61	73.88	79.72	85.83	91.75	98.65	121.36	95.90	103.68	111.07	117.98	125.54	156.48	107.17
Finance Cost	91.87	78.61	63.28	44.08	17.70	0.09	0.03	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>PBT</b>	21.74	-4.73	16.44	41.75	74.05	98.56	121.33	95.90	103.68	111.07	117.98	125.54	156.48	107.17
IT Payable	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	15.71	24.02	26.51	33.15	23.51
Exceptional Item	43.43	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>PAT</b>	-21.69	-4.73	16.44	41.75	74.05	98.56	121.33	95.90	103.68	95.37	93.96	99.03	123.34	83.66

#### 4. 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	FY 2032 E	FY 2033 E	FY 2034 E	FY 2035 E	FY 2036 E
<b>EBITDA Margin</b>	90.22%	68.49%	68.89%	69.25%	69.48%	69.80%	76.67%	66.77%	67.14%	67.36%	67.42%	67.50%	74.25%	73.52%
<b>EBIT Margin</b>	55.03%	33.40%	33.99%	34.51%	34.89%	35.33%	41.87%	31.68%	32.23%	32.61%	32.82%	33.02%	39.44%	38.33%
<b>Net Profit Margin</b>	-10.51%	-2.14%	7.01%	16.79%	28.16%	35.30%	41.86%	31.68%	32.23%	28.00%	26.13%	26.05%	31.08%	29.93%
<b>Revenue Growth % (Y.O.Y.)</b>	9.18%	7.14%	6.04%	6.04%	5.74%	6.18%	3.80%	4.45%	6.26%	5.90%	5.55%	5.74%	4.38%	29.55%



**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:** M/s SHNTPL is an SPV which operates a toll road project under a long-term concession agreement with NHAI in the state of Gujarat. The period of operations and toll prices are derived by the terms of the specific agreement between M/s SHNTPL and NHAI.

- 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) 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.





- f) 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.
- g) The best method input option for the PV Model in the case of M/s Surat Hazira NH-6 Tollway Pvt. Ltd. will be FCFF as it represents the benefits accruable to all the stakeholders in the Business enterprise.

**FCFF Model Formula and Key Inputs:**

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

- **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 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	FY 2032 E	FY 2033 E	FY 2034 E	FY 2035 E	FY 2036 E
Days	365	366	365	365	365	366	365	365	365	366	365	365	365	247
Total Revenue	103.22	221.18	234.55	248.70	262.97	279.21	289.83	302.72	321.67	340.64	359.53	380.16	396.81	279.56



Particulars	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	FY 2032 E	FY 2033 E	FY 2034 E	FY 2035 E	FY 2036 E
Operating Expenses	22.78	48.60	51.87	55.38	59.16	63.22	67.61	72.33	77.43	82.92	88.86	95.27	102.19	74.02
MM Expense	78.72	0.00	0.00	0.00	0.00	0.00	105.49	0.00	0.00	0.00	0.00	0.00	141.37	0.00
NHAI Descope & Penalties	43.43	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Expenses</b>	<b>144.93</b>	<b>48.60</b>	<b>51.87</b>	<b>55.38</b>	<b>59.16</b>	<b>63.22</b>	<b>173.10</b>	<b>72.33</b>	<b>77.43</b>	<b>82.92</b>	<b>88.86</b>	<b>95.27</b>	<b>243.56</b>	<b>74.02</b>
<b>EBITDA</b>	<b>-41.71</b>	<b>172.58</b>	<b>182.68</b>	<b>193.33</b>	<b>203.82</b>	<b>215.99</b>	<b>116.73</b>	<b>230.39</b>	<b>244.24</b>	<b>257.71</b>	<b>270.67</b>	<b>284.89</b>	<b>153.25</b>	<b>205.53</b>
Less: (Dep. & Amor.)	36.32	77.60	81.86	86.40	90.97	96.24	100.87	106.22	112.29	118.37	124.42	131.08	138.13	98.37
<b>EBIT</b>	<b>-78.03</b>	<b>94.98</b>	<b>100.82</b>	<b>106.93</b>	<b>112.84</b>	<b>119.75</b>	<b>15.87</b>	<b>124.17</b>	<b>131.95</b>	<b>139.35</b>	<b>146.25</b>	<b>153.81</b>	<b>15.12</b>	<b>107.17</b>
Tax Rate (T)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	17.47%	17.47%	17.47%	17.47%	17.47%
(1-T)	100%	100%	100%	100%	100%	100%	100%	100%	100%	82.53%	82.53%	82.53%	82.53%	82.53%
<b>NOPAT=</b> <b>EBIT*(1-T)</b>	<b>-78.03</b>	<b>94.98</b>	<b>100.82</b>	<b>106.93</b>	<b>112.84</b>	<b>119.75</b>	<b>15.87</b>	<b>124.17</b>	<b>131.95</b>	<b>115.00</b>	<b>120.70</b>	<b>126.94</b>	<b>12.48</b>	<b>88.44</b>
Add: Dep. & Amor.	36.32	77.60	81.86	86.40	90.97	96.24	100.87	106.22	112.29	118.37	124.42	131.08	138.13	98.37
Less: Changes in W.C.	44.36	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.25
Less: Change in MMR Provision	0.00	21.10	21.10	21.10	21.10	21.10	-105.49	28.27	28.27	28.27	28.27	28.27	-141.37	0.00
Less: CAPEX	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Free Cash Flow to Firm</b>	<b>-86.07</b>	<b>151.48</b>	<b>161.58</b>	<b>172.23</b>	<b>182.72</b>	<b>194.89</b>	<b>222.22</b>	<b>202.12</b>	<b>215.97</b>	<b>205.09</b>	<b>216.84</b>	<b>229.75</b>	<b>291.98</b>	<b>186.56</b>
<b>Discount Rate (WACC)</b>							<b>13.97%</b>							
Period	0.50	1.50	2.50	3.50	4.50	5.50	6.50	7.50	8.50	9.50	10.50	11.50	12.50	13.50
Discount Factor	0.94	0.82	0.72	0.63	0.56	0.49	0.43	0.38	0.33	0.29	0.25	0.22	0.20	0.17
<b>PV of FCFF</b>	<b>-80.63</b>	<b>124.52</b>	<b>116.55</b>	<b>109.02</b>	<b>101.49</b>	<b>94.99</b>	<b>95.05</b>	<b>75.86</b>	<b>71.13</b>	<b>59.28</b>	<b>55.00</b>	<b>51.13</b>	<b>57.02</b>	<b>31.97</b>
<b>ENTERPRISE VALUE</b>														
<b>INR 961.78 Crores</b> <b>(NINE HUNDRED SIXTY-ONE CRORES AND SEVENTY-EIGHT LAKHS)</b>														

\*For the year 2022-23, revenue, operating expenses and depreciation are considered for half-year only as we are using half-year convention for discounting and as half the current financial year is passed at the time of valuation.



### 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	963.02	68.9%	7.84%
Equity Shared Capital	434.82	31.1%	17.90%
<b>Total</b>	<b>1,397.84</b>	<b>100%</b>	<b>10.97%</b>
Company Risk Premium			3.00%
Discount Rate			<b>13.97%</b>

#### Valuation Inputs for M/s Surat Hazira NH-6 Tollway Pvt. Ltd.

INPUTS	
Discount Rate	13.97%
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	11.48%	1,020.83
Present Case	12.48%	961.78
Bear Case	13.48%	907.35

ENTERPRISE VALUE OF THE FIRM
INR 961.78 Crores
NINE HUNDRED SIXTY-ONE CRORES AND SEVENTY-EIGHT 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 18-19. We have assumed that the company will repay its pending dues and remaining debt till 31<sup>st</sup> March, 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 Surat Hazira NH-6 Tollway Private Limited” is **INR 961.78 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. CALCULATION OF TERMINATION PAYMENT:** As per the NHA circular of Internal Guidelines for calculation of Termination Payments of Road Projects dated 3<sup>rd</sup> February, 2021.

M/s SHNTPL - Termination Payment as per NHA			
Project Completed?			Yes
Disaggregation Letter Provided			No
Cost of Incomplete Work as certified by IE			N.A.
Cap on Debt Due of 85% of Total Project Cost?			No
Project Cost as per last approved financial package			
A	Debt		2,400.00
B	Equity		367.83
C	Sub-Debt		0.00
Computation of Total Project Cost (TPC)			
D	Cost as per the Finance Closure less Equity Support	2116.83	As per FC, Equity - Rs. 302.83, Grant - 301.82, Debt - 1814 Crore
E	Actual Cost as per completion less Equity Support	2,674.31	As per Actuals
F	Project Cost under sub clause (c) of the definition of TPC less Equity	1,207.28	As per CA
G	Base Total Project Cost = Min (D, E, F)	1,207.28	-



M/s SHNTPL - Termination Payment as per NHAI			
	Variation due to WPI from Appointed Date to COD (over threshold limit as per CA)	8.10%	As per Actuals
<b>H</b>	<b>Total Project Cost = G * (1+__%)</b>	<b>1,305.07</b>	<b>-</b>
Computation of Debt Due			
<b>I</b>	Senior Debt Outstanding as per approved Financial Package	2,099.20	4.3.(vi) - Details of principal & interest outstanding, and repayments to be made for calculation of Debt Due shall be taken as per the last approved Financial Package submitted to NHAI.  Definition of Debt Due: ".... provided that if all or any part of the Debt Due is convertible into Equity at the option of Senior Lenders and/or the Concessionaire, it shall for the purposes of this Agreement be deemed to be the Debt Due even after such conversion and principal thereof shall be dealt with as if such conversion had not been undertaken.
<b>J</b>	Less: any part of principal due from Sr. Lender that had fallen due for repayment two years prior to the Transfer Date as per approved Financial Package	119.91	As per company
<b>K</b>	Principal Portion of Debt Due = (I)-(J)	1,979.29	
<b>L</b>	All accrued interest, financing fees and charges payable under the Financing Agreements on or in respect of Senior Debt until the Transfer Date as per approved Financial Package	95.40	As per company and 4.3.(iv) - While calculating the debt due, the principal repayment due in the immediate last 2 years from the Transfer Date shall be reduced and interest accrued for the last one-year (except penal interest, prepayment charges, damages etc.) shall be added as per definition.
<b>M</b>	Any Interest, fees or charges that had fallen due one year prior to the	0.00	As per Actuals



M/s SHNTPL - Termination Payment as per NHAI			
	Transfer Date as per approved Financial Package		
<b>N</b>	Any penal interest or charges payable under the Financing Agreements to any Senior Lender as per approved Financial Package	0.00	As per Actuals
<b>O</b>	Any pre-payment charges in relation to accelerated repayment of debt except where such charges have arisen due to Authority Default as per approved Financial Package	0.00	As per Actuals
<b>P</b>	Interest Portion of Debt Due = (L) - (M) - (N) - (O)	95.40	
<b>Q</b>	Sub Debt as per approved Financial Package and disbursed by the lenders	0.00	As per Actuals
<b>R</b>	Interest on Sub Debt as per approved Financial Package and disbursed by the lenders limited to the cap provided in CA	0.00	As per Actuals
<b>S</b>	Sub Debt portion of Debt Due (Q + R)	0.00	
<b>T</b>	<b>Total Base Debt Due</b>	<b>2,074.69</b>	
<b>U</b>	<b>Debt Due = MINIMUM (H, T)</b>	<b>1,305.07</b>	If Disaggregation Letter not provided (No Cap of 85% on Debt Due)

Termination Payment		
<b>Concessionaire Default (90% of U)</b>	<b>1,174.56</b>	
Less: Pending Works*	122.15	4.5: "The amount to be recovered by NHAI against the Concessionaire shall not be adjusted against Termination Payment (except as permitted in the respective CA), and the entire amount shall be deposited into the Escrow Account wherefrom it shall be disbursed as per the mechanism prescribed in the relevant clause for



Termination Payment		
		"Withdrawals upon Termination" of the Escrow Agreement"
<b>Net Termination Payment</b>	<b>1,052.41</b>	

\* When the project is terminated, NHAI will make termination payment after deducting the amount NHAI is required to maintain the road in present and what is owed to NHAI from the concessionaire, which is MMR Expense for 2022-23 of INR 78.72 Crores and descope penalties of INR 43.43 Crores in this case.

We have assumed that NHAI will repay the termination payment in instalments and calculated its present value as shown below:

(In INR Crores)

PV of Termination Payment			
Year	Repayment	PVIF (r%, n)	PV of Repayment
2023	252.41	0.94	236.44
2024	400.00	0.82	328.76
2025	400.00	0.72	288.47
<b>Total</b>	<b>1,052.41</b>		<b>853.66</b>

6. **CORPORATE GUARANTEE OF M/S SOMA ENTERPRISES LTD.:** As per ABS (31.3.2022) of M/s Soma Enterprise Limited, the company's debt has been classified as a non-performing asset by banks for more than five years and we understand that JC Flowers is in process of settling the company's debt with existing lenders. According to the Auditor's Opinion on the financials of the company, it also indicates the existence of material uncertainty that may cast significant doubt about the company's ability to continue as a going concern. As per the Annexure A of the Audit Report of M/s Soma Enterprise Limited, the company is not capable of meeting its liabilities existing at 31.3.2022 as and when they fall due within a period of one year from the balance sheet date.

After considering these points, we are of the opinion that the company will not be available to furnish its dues if the corporate guarantee is invoked, which is why we have considered the value of corporate guarantee of M/s Soma Enterprises Limited to be **Nil**.

7. **CORPORATE GUARANTEE OF M/S INDUS CONCESSIONS INDIA PVT. LTD.:** M/s Indus Concessions India is providing corporate guarantee to 3 companies, namely, M/s Surat Hazira NH-6 Tollways Pvt. Ltd., M/s Soma Indus Varanasi Aurangabad Tollway Pvt. Ltd. & M/s Kishangarh Beawar NH-8 Tollway Pvt. Ltd. M/s Indus Concessions India Pvt. Ltd. has given a corporate guarantee of INR 2,400 crores for M/s Surat Hazira NH-6 Tollways Pvt. Ltd. but the company will not be able to pay off more than its Net Worth, if the corporate guarantee is invoked. As per the





ABS 31.3.2022, the net worth of M/s Indus Concessions India Pvt. Ltd. is INR 510.95 Crores. As per the information provided by the company and our examination of the same, and according to the auditor's response in the financial statements of the company, there is very likely scenario in which the liabilities against the company for M/s SHNTPL will arise in the near future. Hence, we have allocated the net worth of M/s Indus Concessions against the Outstanding Debt (As on Sep. 22) for M/s SHNTPL on a pro-rata basis is INR 247.43 Crores.

(In INR Crores)

Particulars	Amount of Guarantee	Outstanding Debt (As on Sep. 22)	Realisable Value
Surat Hazira NH-6 Tollways Pvt. Ltd.	2400.00	2099.21	<b>247.43</b>
Soma Indus Varanasi Aurangabad Tollway Pvt. Ltd.	2340.00	1286.19	151.60
Kishangarh Beawar NH-8 Tollway Pvt. Ltd.	1216.96	949.51	111.92
<b>Total</b>	<b>5956.96</b>	<b>4334.91</b>	<b>510.95</b>

8. **VALUE OF PLEDGED SHARES:** As per ABS (31.3.2022) of M/s Surat-Hazira NH-6 Tollways Private Limited dated 31.03.2022, Value of Total Equity is negative INR 717.58 Crores, which means that there is no value of the company's shares in the market. Hence, the value of pledged shares of the company is Nil.

9. **COMPUTATION OF EXPECTED RECOVERY:**

OPTION 1		(In INR Crores)
Particulars	Amount	
NPV of Termination Payment	853.66	
PV of Corporate Guarantee of M/s Soma Enterprises Ltd.	0.00	
PV of Corporate Guarantee of M/s Indus Concessions India Pvt. Ltd.	247.43	
Value of Pledged Shares	0.00	
<b>Net Expected Recovery</b>	<b>1,101.09</b>	

OPTION 2		(In INR Crores)
Particulars	Amount	
Enterprise Value	961.78	
PV of Corporate Guarantee of M/s Soma Enterprises Ltd.	0.00	
PV of Corporate Guarantee of M/s Indus Concessions India Pvt. Ltd.	247.43	
Value of Pledged Shares	0.00	
<b>Net Expected Recovery</b>	<b>1,209.21</b>	



**10. 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:** Key dates and projection period details are as follows:

Particulars	Detail
Concession Agreement Signing Date	18 <sup>th</sup> May 2009
Financial Closure Date	14 <sup>th</sup> Nov 2009
Concession Appointed date	30 <sup>th</sup> Mar 2010
Concessionaire Period	19 Years
Extension Awarded by Arbitral Tribunal	959 days
Extension Awarded for Covid-19 relief	90 days
Extension for Traffic Variation	3.8 Years
Projection End Date	1 <sup>st</sup> Dec 2035

**B. REVENUE/ INCOME:**

**I. Toll Collection Revenue:** The Toll collection for FY19 was INR 169.3 Cr which is 11.55% more than the previous year. But in FY20, the Toll Collection has decreased by 4.22% to INR 162.15 Cr from previous year. In FY21, Revenue from Toll Collection increase to INR 169.96 Cr by 4.81% from previous year and in FY22(Prov.), the Toll Collection increase to INR 185.28 Cr by 9.02% from previous year.

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. The forecast WPI growth rate used by the Management are summarized below:

FY Ending	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25	Mar-26	Mar-27
WPI (RBI)	343.32	355.61	367.91	378.05	385.43	440.45	462.47	480.97	496.84	513.24
Linking Factor 2005 Series		3.58 %	3.46%	2.76%	1.95%	14.28%	5.00%	4.00%	3.30%	3.30%

FY Ending	Mar-28	Mar-29	Mar-30	Mar-31	Mar-32	Mar-33	Mar-34	Mar-35	Mar-36
WPI (RBI)	530.18	547.67	565.75	584.41	603.70	623.62	644.20	665.46	687.42
Linking Factor 2005 Series	3.30%	3.30%	3.30%	3.30%	3.30%	3.30%	3.30%	3.30%	3.30%



**Annual Average Daily Traffic (AADT) Data for the project stretch in FY20:**

AADT (Projected FY20)		
Vehicle Type	TP-1 (Mandal)	TP-2 (Bhatia)
Car/jeep/van	5,392	7,078
LCV/Minibus	333	499
Bus	-	-
2-Axle Truck	1,258	575
HCM (3 to 6 Axles)	3,140	2,715
Oversized Vehicles	-	-
<b>Total</b>	<b>10,123</b>	<b>10,867</b>

**Toll rates at Mandal toll plaza (effective from April 1, 2022):**

Vehicle Type	Single (INR)	Return (INR)	Monthly Pass (INR)
Car	160	240	5365
LCV	250	375	8330
Bus/Truck	510	765	17010
MAV	780	1170	26005
Oversized Vehicle	1000	1500	33285

**Toll rates at Bhatia toll plaza (effective from April 1, 2022):**

Vehicle Type	Single (INR)	Return (INR)	Monthly Pass (INR)
Car	125	190	4180
LCV	200	295	6590
Bus/Truck	410	610	13610
MAV	630	945	21020
Oversized Vehicle	790	1185	26360

As per the recent market reports provided by the client/company, 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. During FY23, the Company expects higher revenue growth of 11.42% on account of recovery from impact of COVID-19 on traffic. Beyond FY23, revenues have been forecast to increase from INR



206.44 Cr in FY23 to INR 353.59 Cr in FY33 at a CAGR of ~5.50% driven by contractual price increase and traffic growth.

- II. O&M Grant:** Out of the total NHAI's Grant of Rs. 556.00 Cr, Rs. 301.82, referred as Equity Support in the Concession Agreement was disbursed for Project capital expenditure during construction and remaining Rs. 254.18 Cr was to be distributed as O&M Support Grant during operations. During the FY20, the company booked Rs. 45.43 Cr in P&L statement but has only received Rs. 22.94 Cr. Till FY20, the Company has received Rs. 231.74 Cr from NHAI towards O&M Support Grant. The company has received last tranche of NHAI O&M Grant last year. The details of disbursed O&M Support Grant by NHAI are as follows:

(Figures in INR Crores)

FY Ending	FY19 (A)	FY20 (A)	FY21 (A)	FY22 (Prov)	Total
O&M Support Grant	60.66	22.94	15.05	7.24	<b>105.89</b>

The grant was completely realized by FY20 and no further inflow is expected on account of this as represented by the Management.

- III. Other Revenues:** As per the information provided by the client/company, the other revenues historically include the interest income earned by the company on the FDR, Security Deposit and Tax Refund, whereas for future projections, other revenues consist of interest income earned on Major Maintenance Reserve maintained by the company.

#### C. EXPENSES:

- I. Operating Expenses (Excl. Personnel):** 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 expected inflation of 5%.
- II. 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 expected inflation of 10%.
- III. Other Expenses:** Other expenses are estimated based on previous years' expenses with an annual expected inflation of 10%.
- IV. Major Maintenance Repair Work (MMW) expenses:** As per the information provided to us by the client and as per scope of work in accordance with the work order, the MMR Expense is calculated in accordance with Corrigendum No. 2 dated 25<sup>th</sup> November 2011 to Circular No. NHAI/11033/CGM(Fin)/2011 dated 29<sup>th</sup> April 2011, issued by NHAI, advises



that for flexible pavement and 4-lane Highway, Periodic Maintenance expenses for base year 2011-12 will be INR 35 Lakh/km/annum; to be expended once in every 6 years. We have estimated the MMR Expenses with an annual expected inflation of 5%. It is estimated that the Company will start the Major Maintenance work of 131.5 km section of highway in FY23. The MMW expenses schedule is as follows:

Year	Amount (in INR Crores)	Year	Amount (in INR Crores)
Mar-23	78.72	Mar-30	0.00
Mar-24	0.00	Mar-31	0.00
Mar-25	0.00	Mar-32	0.00
Mar-26	0.00	Mar-33	0.00
Mar-27	0.00	Mar-34	0.00
Mar-28	0.00	Mar-35	141.37
Mar-29	105.49	Mar-36	0.00

**V. Descoping Cost & Penalties:** According to the IE letter no. 364 dated 28.04.2020, wherein it has been stated that 0.5 km & part of service road was descoped from the project scope & other various penalties were levied by the NHAI amounting to INR 43.43 Crore. For Valuation Purposes, we have assumed that the aforementioned amount will be paid in the FY2022-23.

**D. AMORTIZATION:** Toll collection rights in respect of road projects are amortized over period of concession using the Revenue based amortization method prescribed under Schedule II to the Companies Act 2013.

**E. TAXATION:** MAT of 17.47% is considered for taxation purposes.

**F. DISCOUNT RATE:** To discount the firm's FCFF, we have used the firm's cost of capital as the appropriate discount rate, i.e., the rate that a company is expected to pay on average to all its security holders to finance its assets. It is commonly referred to as the firm's weighted average cost of capital (WACC), in which cost of debt is taken as post-tax cost of debt and cost of equity is calculated by using CAPM as per the best industry practices.

**G. WEIGHTS OF DEBT & EQUITY:** Wd and We are assumed at 68.9% and 31.1%, respectively, as the information provided by the company. For the consideration of weight of debt, we only



considered senior debt of INR 963.02 Crores and for weight of equity, we considered INR 434.82 Crores (i.e., sum of share capital and share premium).

**H. BETA:** To calculate the beta of M/s Surat Hazira NH-6 Tollway Private Limited, we have followed the "Pure-Play Method".

Comparable Companies	Market Cap. (INR Crores)	Beta Value	Debt-Equity					Avg. D/E	Unlevered Beta
			2022	2021	2020	2019	2018		
Dilip Buildcon Ltd.	3,304	1.54	2.47	2.82	2.62	2.48	2.08	2.49	0.72
IRB Infrastructure Developers Ltd	13,023	1.9	1.33	2.62	1.28	2.49	2.28	2.00	0.50
JMC Projects (India) Ltd.	1,571	1.53	3.27	3.36	2.83	2.67	3.11	3.05	0.44
NCC Infra	4,599	2.07	0.23	0.34	0.38	0.51	0.45	0.38	1.57
Hindustan Construction Company Ltd.	2,294	2.1	-2.29	-2.63	-3.94	-3.64	-4.48	-3.40	-1.16
<b>Average</b>								<b>0.91</b>	<b>0.69</b>

M/s. SHNTPL's Data	
Debt Ratio	0.69
Equity Ratio	0.31
D/E Ratio	2.21
<b>Levered Beta</b>	<b>1.85</b>

- I. COST OF EQUITY:** The Cost of Equity for SIIL is assumed to be 17.90% using CAPM Model and Beta of 1.85. Expected Market Return (R<sub>m</sub>) is taken as Nifty Fifty 10- year return 2022, which is 13.0%. Risk-free Rate (R<sub>f</sub>) is taken as 10-year govt. bond yield, which is 7.26%.
- J. COST OF DEBT:** As the company has been declared NPA account, we have considered sustainable debt cost of 9.50% as the cost of debt. Likewise, post-tax cost of debt is calculated at 7.84%.
- K. COMPANY RISK PREMIUM:** As the company has been declared NPA since 2018 and its financial status haven't improved since then and also, the company has received last tranche of NHAI O&M Grant last year and hence, going forward in absence of NHAI Grant, Part I 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 3.00%.



**L. CONTINGENT CLAIMS:** In December 2018, the Company filed a claim of INR 3,557 Cr against NHAI before an Arbitration tribunal towards increase in overheads, additional cost due to idling of resources, price escalation, loss of opportunity, additional interest liability, revenue loss, infusion of additional equity, change of Scope, losses due to forced exemption etc. In response, NHAI submitted a Statement of Defense along with counter-claims amounting to INR 1,199 Cr on 2 April 2019 towards economic loss due to delay by the concessionaire.


The final arbitration award has been passed by the Arbitral Tribunal on 10 March 2021. With respect to the arbitration award, we understand that the Arbitral Tribunal has directed extension of tolling period by 959 days in total as the arbitration award against all the claims and counter claims filed by the Company and NHAI. There is no additional compensation in cash or kind that have been awarded as part of this arbitration award. We also understand that the overall claims made by the Company during arbitration (totaling to INR 3,557 Cr) from NHAI had two components: 1. Claims of around INR 1,940 Cr made by the EPC contractor i.e., Soma Enterprise Limited and Isoulx Corsan India Engineering & Construction Private Limited (the "EPC contractors") from the Company which the Company in-turn claimed from NHAI. 2. Claims of around INR 1,617 Cr claimed by the Company on its own account.

These claims have been against various issues of which some are exclusively triggered by EPC contractor's claims, some on account of the Company and some in combination of both the parties. For these overall claims, we understand that an extension of total 959 days in tolling period has been awarded by the Arbitral Tribunal without allocating extension days against respective issues.

As per information provided by the client/company, the claims by the EPC contractors from the Company and by the Company from NHAI are interlinked and therefore are required to be settled together for a complete closure of arbitration proceedings/claims. Both NHAI & Company has already challenged the award in Hon'ble Delhi High Court.

Hence, as a base case, the calculated Fair Market Value/Enterprise Value of M/s Surat Hazira NH-6 Tollway Private Limited is INR 961.78 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. Enterprise valuation has been done as per the best industry practices. However, as per scope of work, the expected recovery of M/s Surat Hazira NH-6 Tollway Private Limited in case of Option 1 is INR 1,101.09 Crores and in Option 2 is INR 1,209.21 Crores.



<b>Declaration</b>	<p>i. Since this is Enterprise Valuation hence no site inspection was carried out by us.</p> <p>ii. The undersigned does not have any direct/indirect interest in the above property.</p> <p>iii. The information furnished herein is true and correct to the best of our knowledge.</p> <p>iv. This valuation work is carried out by our Financial Analyst team on the request from Punjab National Bank, Zonal Sastra, # 6-3-865, My Home Jupally, Ameerpet, Hyderabad – 500016.</p> <p>v. We have submitted Valuation report to the Client.</p>
<b>Name &amp; Address of Valuer company</b>	<b>Signature of the authorized person</b>
M/s R.K. Associates Valuers & Techno Engineering Consultants Pvt. Ltd.  D-39, Second Floor, Sector-2, Noida, UP-201301 India.	
<b>Number of Pages in the Report</b>	49
<b>Financial Analyst Team worked on the report</b>	<b>PREPARED BY: Mr. Rachit Gupta</b>
	<b>REVIEWED BY: Mr. Gaurav Kumar</b>

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

Place: Noida

Date: 10<sup>TH</sup> 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 is just an opinion report on Valuation based on the copy of the documents/ information provided to us by the client which has been relied upon in good faith and the assessment and assumptions done by us.
3. 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.
4. This Valuation is prepared based on the current financial status of the company, financial data, other facts & information provided by the client in writing & during verbal discussion during the course of the assignment and based on certain assumptions which are specifically mentioned in the Valuation section of the Report.
5. Key assumptions in the report are taken based on data, information, inputs, financial statements etc. provided by the client to us during the course of the assessment and on the basis of the assessment done by us and we have assumed that all such information is true & factual to the best of the knowledge of the promoter company.
6. Sale transaction method of the asset is assumed as free market transaction while assessing Prospective Fair Market Value of the asset.
7. 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.

8. 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.
9. 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.
10. 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.
11. 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.
12. This Report is prepared by our competent technical team which includes financial experts & analysts. 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.
13. Value varies with the Purpose/ Date/ Condition of the market. This report should not to be referred if any of these points are different from the one mentioned aforesaid in the Report.
14. Analysis and conclusions adopted in the report are limited to the reported assumptions, conditions and information came to our knowledge during the course of the work.
15. This report is having limited scope as per its fields to provide only the general indication of the Value of Equity of the companies prevailing in the market based on the documents/ data/ information/ financial statements provided by the client and the assessment and assumption taken



by us. The suggested value should be considered only if transaction is happened as free market transaction.

16. Secondary/ Tertiary costs related to transaction like Stamp Duty, Registration charges, Brokerage, etc. pertaining to the sale/ purchase of the company are not considered while assessing the Market Value.
17. Appropriate methodology & assumptions are rationally adopted based on the facts of the case came to our knowledge during the course of the assignment considering many factors like nature of Industry, current market situation and trends.
18. Valuation is a subjective field and opinion may differ from consultant to consultant. To check the right opinion, it is important to evaluate the methodology adopted and various factors/ basis considered during the course of assessment before reaching to any conclusion.
19. At the outset, it is to be noted that Value analysis cannot be regarded as an exact science and the conclusions arrived at in many cases will, of necessity, be subjective and dependent on the exercise of individual judgment. Given the same set of facts and using the same assumptions, expert opinions may differ due to the number of different factors, which have to be made. Therefore, there can be no standard formulae to establish an indisputable exchange ratio. In the event of a transaction, the actual transaction value achieved may be higher or lower than our indicative analysis of value depending upon the circumstances of the transaction. The knowledge, negotiability and motivations of the buyers and sellers and the applicability of a discount or premium for control will also affect actual price achieved. Accordingly, our indicative analysis of value will not necessarily be the price at which any agreement proceeds. The final transaction price is something on which the parties themselves have to agree. However, our Valuation analysis can definitely help the stakeholders to make them informed and wise decision about the Value of the asset and can help in facilitating the arm's length transaction.
20. This report is prepared on the Enterprise Valuation format as per the client requirement. This report is having limited scope as per its fields to provide only the indicative Fair value of the company based on the current financial position, future prospects & current Industry trends. The Valuation assessed in this Valuation Report should hold well only if transaction is happened as per free market transaction. No detailed analysis or verification of the information is carried upon pertaining to the value of the shares of the subject companies. No claim for any extra information will be entertained whatsoever be the reason. For any extra work over and above the fields mentioned in the report will have an extra cost which has to be borne by the customer.
21. As per the scope of the report no site survey has been carried out by us and no thorough vetting of the documents/ information provided to us has been done at our end.



22. This is just an opinion report and doesn't hold any binding on anyone. It is requested from the concerned stakeholder which is using this report that they should consider all the different associated relevant & related factors also before taking any business decision based on the content of this report.
23. 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.
24. This Valuation report is prepared based on the facts of the companies provided to us during the course of the assignment. However, in future the assumptions taken may change or may go worse due to impact of Govt. policies or effect of World economy, Industry/ market scenario may change, etc. Hence before taking any business decision the user of this report should take into consideration all such future risk.
25. 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.
26. In case of any default in repayment of credit facility extended to the borrowing company, as estimated by us, 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.
27. This report only contains general assessment & opinion as per the scope of work evaluated and based on technical & market information which came to knowledge during course of the assignment 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.
28. This Valuation is conducted based on the macro analysis of the asset/ property and operations of the companies and not based on the micro, component or item wise analysis. Analysis done is a general assessment and is not investigative in nature.



29. This report is prepared following our Standard Operating Procedures & Best Practices, Limitations, Conditions, Remarks, Important Notes, Valuation TOR.
30. Valuation is done based on the industry wide general accepted norms and based on the international standards & best practices for equity valuations.
31. Any kind of unpaid statutory, utilities, lease, interest or any other pecuniary dues on the asset has not been factored in the Valuation.
32. 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.
33. 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.
34. R.K Associates encourages its customers to give feedback or inform concerns over its services through proper channel at [valuers@rkassociates.org](mailto: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.
35. 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.
36. This Enterprise Valuation report is governed by our (1) Internal Policies, Processes & Standard Operating Procedures, (2) R.K Associates Quality Policy, (3) Valuation & Survey Best Practices Guidelines formulated by management of R.K Associates, (4) Information input given to us by the customer and (4) 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.

37. 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.
38. If this report is prepared for the matter under litigation in any Indian court, no official or employee of R.K Associates will be under any obligation to give in person appearance in the court as a testimony. For any explanation or clarification, only written reply can be submitted on the additional payment of charges.

