

RANCHI EXPRESSWAYS LIMITED

(CIN - U45209TG2011PLC073568)

Ref.: REL/HYD/F&A/2023/17

Dt.13/06/2023

To
R.K Associates Valuers &
Techno Engineering Consultants (P) Ltd.,
D-39, 2nd Floor, Sector- 2, Noida
Uttar Pradesh- 201301

Dear Sir,

Sub: Ranchi Expressways Limited – Submission of information required for valuation.

Ref: Your email dated 13/06/2023

Ranchi Expressways Limited (REL), an SPV, was incorporated to undertake implementation of Four-laning of Ranchi-Rargaon-Jamshedpur Section of NH-33 from Km.114.000 to Km.277.500 of approximate length of 163.500 km in the State of Jharkhand on DBFOT (Annuity) basis. Total concession period is 15 years including construction period of 2.5 years.

The Project cost was estimated at Rs.1655.00 Cr and was to be funded by Concessionaire with an Equity & Unsecured Loan of Rs.463.40 Cr, and a Debt of Rs.1191.60 Cr by the Lenders without any contribution whatsoever, by the NHAI.

The Company brought in Equity & Unsecured Loan of Rs.485.02 Cr, more than what it had even agreed and the Bankers released Rs.652.07 Cr to the Project and Rs.378.58 Cr was adjusted towards their Interest (thus totaling Rs.652.07 Cr + Rs.378.58 Cr = Rs.1030.65 Cr Debt).

As per Debt: Equity ratio of 72:28 stipulated in the CLA, REL was required to infuse Equity of Rs.400.80 Cr as against the Debt of Rs.1030.65 Cr, whereas it actually infused Rs.485.02 Cr i.e. Rs.84.22 Cr in excess.

As per Concession Agreement (CA), on achievement of PCOD, NHAI was to pay Semi Annuities to the Company after completion of 6 months from the date of PCOD. The Company was to service interest and principal on receipt of Semi Annuities from NHAI.

As per CA the project was scheduled to achieve PCOD by 04/06/2015. However, due to NHAI's defaults as brought out hereunder, the Project got delayed:

➤ Environmental Clearances:

The Concession Agreement (CA) was signed on 20-04-2011. At the time of signing CA, there were no Environmental clearances / other statutory clearances which were to be provided by NHAI.

➤ Forest and Wild Life clearances:

There were delay in obtaining Forest and Wild Life clearances by NHAI

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CORRESPONDENT OFFICE :

3 rd Floor, Plot No. 1129/A, Road No.: 36,
Jubilee Hills, Hyderabad - 500 033.
Tel : +91 40 4002 0072 Fax: +91 40 23554513

REGISTERED OFFICE :

Plot No. 1129/A, Road No.36, Jubilee Hills,
HITEC City Road, Hyderabad - 500 033.
Tel : +91 40 23556001/2/3/4 Fax : +91 40 23556005

➤ Land Acquisition Delays:

As per CA, NHAI was required to handover 80% of site (ROW) immediately on signing of CA / Appointed Date

100% site should be given within 90 days.

However, NHAI has provided only 21.31% site (out of required project length of 163.50 Kms) in disjointed patches at the time of signing of CA

Even from the date of signing of CA and the date of termination of the CA i.e. after a lapse of around 8 years only 79.74% of ROW was provided.

➤ Law & Order Problem:

The works also suffered due to Law and Order situation in the Project area. There were three PLFI/ Extremists / Naxalites attacks on the Camp Offices resulting in damage to the Plant & Machinery and also the work got affected.

➤ There were several other local problems and court cases

There are other problems which were informed by the concessionaire from time to time to the NHAI and Bankers.

Even though, the Company had achieved physical progress to the extent of 61.47%. Out of which, Independent Consultant has certified the physical work progress of 50.24% and there was unmeasured work in progress is 11.23%.

Due to abnormal delay in execution of the project because of NHAI's defaults, IDC payment was increased from original estimated amount of Rs.147.64 Cr to Rs.378.58 Cr upto 31/03/2018. Project completion period was estimated at 30 months, whereas actual interest was paid for 72 months because of NHAI defaults as mentioned above, though percentage of project completion was only 61.47%. Hence, an amount of Rs.230.94Cr were additionally incurred towards interest. Due to delay there is increase in LIE and IE fees, Insurance, administrative expenses and other Misc. expenses.

As per Central Govt. Policy and NHAI's Circulars, earlier NHAI sanctioned One Time Fund Infusion (OTFI) on achievement of over 50% physical progress for completion of balance work. However, NHAI took a 'U' turn and cancelled the Limit.

Concessionaire is facing liquidity problem and requested bankers to release balance amount in sanctioned limit and support the project for additional funds requirement. They have not come forward for funding the project and preferred for settlement with NHAI. Bankers have not exercised their right to replace the concessionaire.

NHAI had illegally and unilaterally terminated the Contract on 30/01/2019 in contravention of Contract Provisions laid down in Concession Agreement (CA) and consequently, invoked the PBG for Rs.73.95 Cr. on 01/02/2019 (as per CA, BG was to be released by NHAI immediately after one year from the Appointed Date i.e. on 03/12/2013) issued by EPC Contractor.

EPC Contractor had raised claims against the REL because they lost machinery, material, base camps etc. There is an arbitration going on between EPC Contractor and REL.

Although the Lenders were understood that NHAI had illegally terminated the CA, they did not challenge the NHAI's decision to terminate the Concession Agreement.

Bz

Several meetings were held with the NHAI wherein the Lenders had also participated. The company and Bankers tried to settle with NHAI, wherein NHAI had not come forward for settlement.

Though the entire money was invested by the Company and Bankers into the project, the Company and Bankers are not having any right on the road asset as the asset belongs to NHAI even though NHAI had not invested any amount in the project.

Since the project got illegally terminated by NHAI, there is no other way except recover the amount from NHAI for the value of the work done. The arbitration proceedings will take long time to get ward. Even after Arbitration committee issues award, the aggrieved party goes to the High Court and later on to the Supreme Court, It will take years together for conclusion.

Hence lenders are seeking for the One Time Settlement of the dues and advised to submit the OTS proposal. The company is scouting for the financiers for funding the OTS simultaneously.

In the consortium meeting held on 16/11/2022, the company requested the bankers to take a call on OTS offer submitted by the company either individually or consortium as a whole. Some of the bankers agreed to proceed along with consortium and some of the bankers agreed to proceed individually for settling of the accounts.

Accordingly the company had submitted the individual OTS proposals to all consortium lenders and pursuing with them for settlement.

The company was requested to provide the following information vide your email dated 13/06/2023:

1. Brief Description about the company

As explained above.

2. Current status of the project and reason for Financial Stress

The same was also briefed above.

3. Shareholding pattern of the company

| Sl.No. | Name of the shareholder | Number of Shares of Rs.10/- each | % of shareholding |
|--------|--------------------------------|----------------------------------|-------------------|
| 1 | Madhucon Toll Highways Limited | 8,07,50,000 | 99.93811 |
| 2 | Madhucon Infra Limited | 16,000 | 0.019802 |
| 3 | Madhucon Projects Limited | 14,000 | 0.017327 |
| 4 | Individuals | 20,000 | 0.024752 |
| | Total | 8,08,00,000 | 100.00 |

4. Detailed description about the directors of the company.

The present Directors are :

1. Srinivasa Rao Kamma
2. G.Sriram
3. Seethaiah Nama

5. Total outstanding of the company as on date (lender wise description).

Term Loan Details are enclosed.

6. Last 5 year audited / Provisional financial statement

Last 5 years financials are enclosed.

7. Tripartite Agreement, Concession Agreement etc

Concession Agreement, Common Loan Agreement, Escrow Agreement and Substitution Agreement are enclosed.

8. NHAI Appointment letter.

Letter of Award is enclosed.

9. Termination letter issued by the authority

NHAI termination letter is enclosed.

10. Arbitration claims and counterclaims by the authority

- Details and status of the arbitration Claims filed by the company
- Details and status of the arbitration Claims filed against the company

Details of arbitration were already provided to lenders. Please obtain the same from them.

With regard to status of arbitration, the arbitration proceedings are in the initial stages only. Cross-Examination of witness is in progress. Previous hearing was held on 15/05/2023 and next date of hearing is scheduled on 01/08/2023

It is to inform that even if the Arbitration Tribunal gives the award, the aggrieved party either NHAI or the company may contest the award and may file the case before the Hon'ble High Court. To come to a logical conclusion, it may go up to the Hon'ble Supreme Court. This entire procedure may take several years and it is very difficult to assess any probable award as there will be different stages of proceedings and time consuming.

11. Details of contingent liability, if any

Please refer the annual reports.

12. Details of special adjustments need to be incorporated for the time of different milestones, if any - NA

This is for your information.

Yours faithfully,
For Ranchi Expressways Limited


Authorised Signatory