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REPORT FORMAT: V-L11 (Enterprise Valuation) | Version: 1.0_2018

File No.: VIS (2022-23)-PL112-Q015-103-123

Dated: 12.09.2023

ENTERPRISE VALUATION REPORT OF M/S. RANCHI EXPRESSWAYS LIMITED

REGISTERED AT

**MADHUCON HOUSE, PLOT NO. 1129/A, ROAD NO. 36, JUBILEE HILLS,
HYDERABAD – 500033, INDIA**

OWNER/ PROMOTER

MADHUCON GROUP

REPORT PREPARED FOR

- Corporate Valuers
- Business/ Enterprise/ Equity Valuations
- Lender's Independent Engineer (LIE)
- Techno Economic Viability Consultants (TEC)
- Agency for Specialized Account Monitoring (ASM)
- Project Techno-Financial Advisors
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PART A

INTRODUCTION

- 1. ABOUT THE REPORT:** Enterprise Valuation of M/s Ranchi Expressways Limited, a Special Purpose Vehicle (SPV) established to undertake the implementation of four lane of Ranchi-Jamshedpur highway Section of NH-33 from KM 114.000 to KM 277.500 with a total length of KM 163.500 under NHDP Phase-III on Design, Build, Finance, Operate, Transfer (DBFOT) Annuity Basis in the State of Jharkhand, for a concession period of 15 years.
- 2. EXECUTIVE SUMMARY:** The Government of India had entrusted to the National Highway Authority of India the development, maintenance and management a section of National Highway-33. The Authority had resolved to augment the existing road from km 114.000 to km 277.500 section of NH-33 in the state of Jharkhand by Four- Laning on design, build, finance, operate and transfer (DBFOT-Annuity) basis in accordance with the terms and conditions of Concession Agreement.

The Authority invited proposals and Madhucon Projects Ltd (MPL) emerged as L1 (lowest bid/tender/quotation) for the Project based on the lowest annuity sought from NHAI in consideration of the grant of Concession. Letter of Award (LoA) was issued to MPL on 8th March 2011. As per the LoA, the project will receive an annuity of INR 133.20 crores in semi-annual instalments from the COD for an operating period of 12.5 Years.

Accordingly, the Madhucon Group incorporated a Special Purpose Vehicle ("SPV") by the name of Ranchi Expressways Limited for implementing the project. As per concession agreement, the company is required to initiate and complete the construction of the Project Highway within a 910 day period (Construction Period) starting from the Financial Closure, (Financial closure is required to be achieved within 180 days from the date of signing of the CA, also referred to as the "Appointed Date"), operate and maintain the Project during concession period (the Concession Period is 15 years including 910 days of construction period) or lesser in case of termination as per the CA terms), and, hand over the Project Highway to NHAI on expiry of the Concession Period.

As per information provided by the client/company, REL entered into EPC Agreement with MPL as per the terms of NHAI on back-to-back basis and submitted a copy to NHAI and lenders. REL entered into Common Loan Agreement with consortium of lenders lead by Canara Bank on 31st October 2011. Further, an Escrow Agreement and Substitution Agreements were entered into between REL, Consortium of lenders lead by Canara Bank and NHAI on 28th February 2012.

The construction of the Project will be undertaken by MPL, under a fixed price, fixed time EPC Contract. The Financial Closure was targeted for 17th October 2011 (i.e., 180 days from the date of signing of CA). The Project was expected to achieve Provisional Commercial Operation Date (PCOD) by 4th June 2015.

Operations & Maintenance (O&M) responsibility is proposed to be either entrusted to MIL under an Operations and Maintenance contract or undertaken by REL. The total cost of the Project, estimated at INR 1655.00 crores, is proposed to be funded through a mix of Debt & Equity in the ratio of 2.75:1. The equity requirement of INR 463.40 crores will be contributed by the Promoters of REL. The Rupee Term Loan requirement of INR 1191.60 crores is proposed to be raised from Banks and Financial Institutions (FIs).

Brief Description of the Project		
S. No.	Particular	Details
1.	Name of the Company	M/s Ranchi Expressways Limited
2.	Project	4-laning of Ranchi-Jamshedpur highway of NH-33 from km 114.00 to km 277.50 in the state of Jharkhand under NHDP Phase III on Design, Build, Finance, Operate, Transfer (DBFOT) Annuity basis.
3.	Basis	DBFOT (Annuity)
4.	EPC Contractor	Madhucon Projects Limited (MPL)
5.	Concession Agreement Date	20 th April 2011
6.	Financial Closure Date	17 th October 2011
7.	Appointed Date	4 th December 2011
8.	PCOD	10 th May 2015
9.	Final COD Achieved	No
10.	Length of the stretch in Kms	163.50 kms
11.	Project Cost	INR 1655.00 Crores
12.	Annuity Payment	INR 133.20 Crores (Semi-annually for the period of 12.5 years)
13.	Construction Period	910 days from Appointment Date
14.	Concession Period	15 years

Source: Project Information Memorandum shared by the client/company

As per CA the project was scheduled to achieve PCOD by 4th June 2015, however, due to NHAI non clearance of handover of land acquisition and statutory approvals the project got delayed. On 12th March 2019, the Central Bureau of Investigation filed a police complaint against the promoters of the Ranchi Expressway Ltd, including Managing Director K Srinivasa, for causing a loss of over 1,000 crores in Ranchi-Jamshedpur (NH-33) project to a consortium of banks led by Canara Bank.

The project to widen NH-33 to four lanes - between Ranchi and Jamshedpur section, stretching nearly 163.50 kilometers - was given to the Madhucon Project Limited in 2011 by the National Highway Authority of India. The project began in December 2012. The Jharkhand High Court intervened in the matter when the project did not finish in five years. The court ordered a probe by the Serious Fraud Investigation Office (SFIO).

In its report, the SFIO alleged the Consortium of Banks led by Canara Bank released ₹ 1,029.39 crore without verifying the progress of the project, and around ₹ 264 crore was diverted and not used for the project. The CBI began a preliminary inquiry based on the SFIO report. And then CBI declared the account as fraud. Therefore, the NHAI terminated its contract with the company on 31st January 30 2019.

NHAI also invoked the Performance Bank Guarantee (PBG) for Rs 73.95 Crs. on 1st February 2019 (As per CA, BG was to be released by NHAI immediately after one year from the appointment date i.e., on 3rd December, 2013) issued by EPC Contractor.

Hence 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. And also, between NHAI and REL.

Hence, State Bank of India 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 THE REPORT:** Enterprise Valuation report to ascertain the Fair Market value of the Company based on the existing terminated project undertaken and the risk associated with it.
4. **PURPOSE OF THE REPORT:** To estimate & determine computation of Enterprise Value of the SPV Company based on the terminated project to enable the lenders to evaluate the further course of action on this account.
5. **SCOPE OF THE REPORT:** As per the client requirement and based on the purpose of the report, RK subject matter expert team has identified following points for arriving at Fair



Valuation of the Project and describe in-depth detailed assessment of the clear basis of the Valuation assessment. To assess and determine Fair Market Valuation of M/s Ranchi Expressways Limited, the Enterprise Valuation is being calculated by using Arbitration method as per best fit method in present scenario.

- (i) *This is just Net Present Value of the SPV Company based on the recoverability of the arbitration claims and required rate of return to be considered to discount the recovery year on year basis.*
- (ii) *This report only contains general assessment & opinion on the recoverability of the arbitration claims shared by bank/company, for which the Bank/customer has asked us to conduct the Valuation. No legal aspects in terms of ownership or any other legal aspect is taken into consideration. It doesn't contain any due-diligence other than the valuation assessment of the property shown to us on site. Information/ data/ documents given to us by Bank/ client has been relied upon in good faith. This report doesn't contain any other recommendations of any sort.*

NOTES:

- ***This Enterprise Valuation report doesn't cover vetting of the documents/ financial data/ projections or any other information provided to us by the Bank.***
- ***It doesn't contain the principles of physical asset valuation and is not based on the site inspection of the project.***
- ***This exercise is neither an audit activity nor investigative in nature.***
- ***We have relied on the data provided by the Bank and the Company in good faith.***

6. METHODOLOGY/ MODEL ADOPTED: Arbitration method has been used to calculate the Enterprise Value/Fair Market Value of the Company.

7. DOCUMENTS/ DATA REFERRED:

- Audited Financial Statements of Ranchi Expressways Limited from FY 2019-20 to FY 2022-23, Concession agreement, Details of Directors and Shareholding Pattern,
- Escrow Agreement, Substitution Agreement, Common Loan Agreement and Letter of Award. Termination Notice by NHAI.
- Details of Arbitration Claims and counter claims of the company



PART B

ABOUT THE COMPANY

1. **BRIEF DESCRIPTION ABOUT THE COMPANY:** The incorporation details of the Project Company are provided in the table below:

INCORPORATION DETAILS OF THE COMPANY	
Name	M/s. Ranchi Expressways Limited
CIN	U45209TG2011PLC073568
Sector	Infrastructure - Roads & Highways
Company Category	Company limited by Share
Company Subcategory	Non-govt company
Class of Company	Private Limited Company
Address	Registered Office: Madhucon House, Plot No.1129/A, Road No.36, Hi-tech City Road, Jubilee Hills, Hyderabad - 500033
Date of Incorporation	29 th March 2011
Authorized Capital	INR 100,00,00,000/-
Issued, Subscribed and Paid-up Capital	INR 80,80,00,000/-

Source: "https://www.mca.gov.in/mcafoportal/companyLLPMasterData.do" and Data provided by the Company

2. **COMPANY'S DIRECTORS:** The details of directors of the Project Company are provided in the table below:

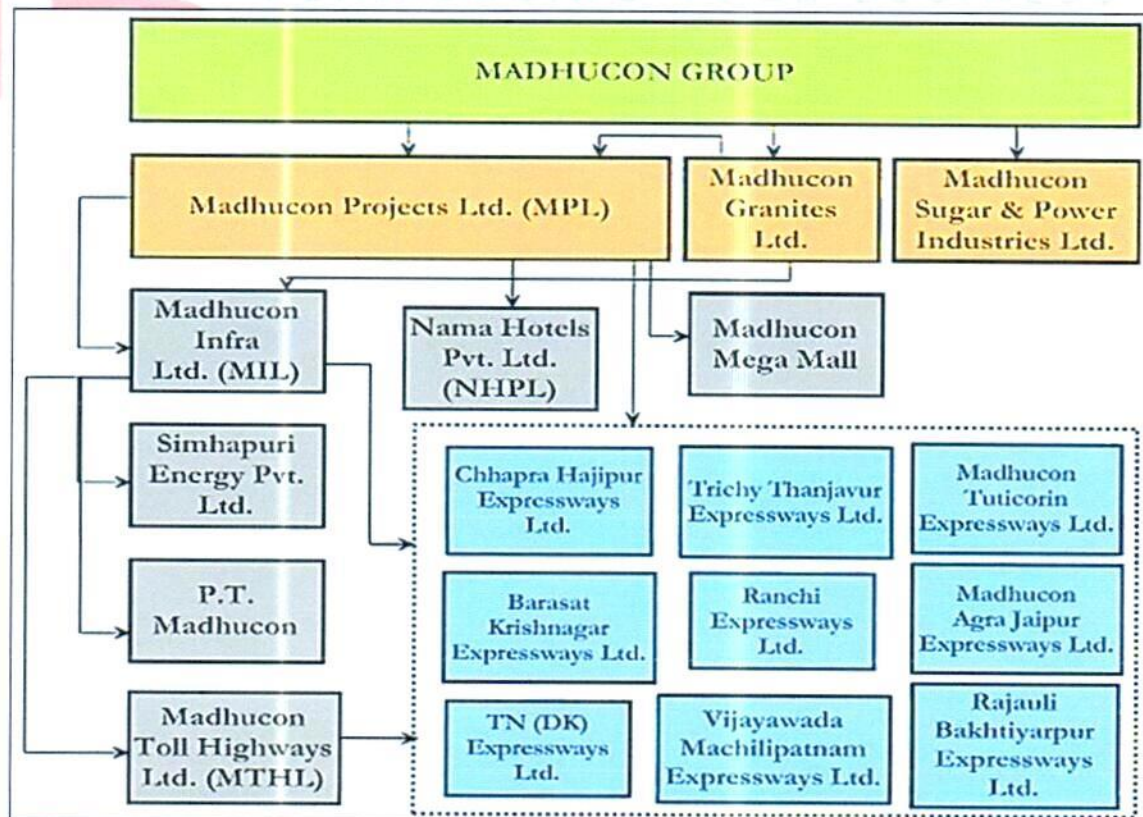
S. No.	DIN	Director Name	Begin Date
1	00022855	Mr. Srinivasa Rao Kamma	29/03/2011
2	00784491	Mr. Seethaiah Nama	29/03/2011
3	07388694	Mr. Sriram Gurukataksham	01/11/2022

3. **PROMOTERS OF THE PROJECT COMPANY:** Madhucon group, based out of Hyderabad, Andhra Pradesh, founded and promoted by Mr. N. Nageswara Rao, is one of the major players in Indian infrastructure space having interests in diverse verticals like construction of roads, thermal power projects, mining, real estate, dams, tunnels, aqua ducts, bridges, coal handling plants and other civil projects.

- a) **MADHUCON PROJECTS LIMITED (MPL):** MPL is the flagship company of Madhucon

Group. MPL originally incorporated on March 15, 1990, as Madhu Continental Constructions Private Limited was converted into a Public Limited Company in the year 1995 and was renamed as Madhucon Projects Limited. MPL has led the groups foray into infrastructure space like road, energy and mining. MPL has its presence in developing hotels, malls and office complexes through its subsidiaries viz., Nama Hotels Private Limited and Madhucon Mega Mall Private Limited.

- b) **MADHUCON INFRA LIMITED (MIL):** In order to unlock the group valuation and ensure focus on growth in the infrastructure sector, investment in BOT road projects, energy and mining under MPL have been transferred to its subsidiary, Madhucon Infra Limited (MIL). MIL will focus its investments in infrastructure space across transportation, energy and mining in India and other countries.
- c) **MADHUCON TOLL HIGHWAYS LIMITED (MTHL):** Madhucon Group is in the process of reorganizing its structure and has set up a road holding company viz., Madhucon Toll Highways Limited (MTHL). All the road projects under various SPVs are proposed to be vested under MTHL. The group structure of Madhucon is depicted below:



4. **SNAPSHOT OF OUTSTANDING DEBT OF THE COMPANY:** As per information shared by the client/company, below table shows the current term loan status of the company:

(In INR Crores)

S. No.	Bank Name (Lenders)	Principal Amount	Outstanding Liability
1	Canara Bank	177.95	347.51
2	Indian Bank (Allahabad Bank)	66.77	125.64
3	Union Bank of India (e-Corp Bank)	57.42	96.43
4	Bank of Baroda	110.34	273.01
5	Federal Bank	54.52	105.28
6	ICICI Bank	81.96	157.97
7	IDBI Bank	104.69	199.79
8	IIFCL	125.97	232.48
9	Panjab National Bank (e-obc)	93.81	177.50
10	Panjab & Sind Bank	38.19	69.21
11	South Indian Bank	67.62	177.42
12	State Bank of India (SBBJ & SBP)	56.13	106.05
Total		1035.37	2068.29

5. **CAPITAL STRUCTURE:** Below table shows the capital structure of the company as on 31st March 2023:

Particulars	Amount (In INR)
Authorized Share Capital	100,00,00,000
Issued, Subscribed and Paid-up Capital	80,80,00,000

6. **SHAREHOLDING PATTERN OF THE COMPANY:** As per provisional financials for FY 2023 provided by the client/company, below table shows the details of shareholding pattern of the company as on 31st March 2023:

Name of the Company	Holding/ Subsidiary/ Associate	Number of Shares of Rs. 10/- Each	% Of Shareholding
Madhucon Toll Highways Limited	Ultimate Holding	8,07,50,000	99.938
Madhucon Infra Limited	Holding Company of Holding Company	16,000	0.019

Name of the Company	Holding/ Subsidiary/ Associate	Number of Shares of Rs. 10/- Each	% Of Shareholding
Madhucon Projects Limited	Holding Company	14,000	0.017
Individuals	-	20,000	0.024
Total		8,08,00,000	100.00

7. CURRENT STATUS OF THE PROJECT: As per the information shared by the client/company, Ranchi Expressways Limited (REL) was incorporated under the Companies Act, 1956, on 29th March 2011 as a SPV for undertaking the work of four lane of Ranchi-Jamshedpur highway Section of NH-33 from KM 114.000 to KM 277.500 with a total length of KM 163.500 under NHDP Phase-III on Design, Build, Finance, Operate, Transfer (DBFOT) Annuity Basis in the State of Jharkhand, on a concession period of 15 years (including construction period 910 days). At the end of concession period, the company was to hand over the project highway to NHAI.

As per CA, NHAI was required to handover 80% of the site (Right of Way - ROW) immediately on signing of CA or Appointed date and 100% site should be given within 90 days. However, as per data / information provided, NHAI has acquired only 21.31% site (out of required project length of 163.50 Kms) in disjointed patches at the time of signing of CA.

Due to the inordinate delay in handing over of ROW by NHAI, the project execution was delayed and due to that, the Cost of execution increased disproportionately. As per the information provided by the client/company, the project had achieved physical progress to the extent of 50.24%. But before completion of construction of the project, the project got terminated and arbitration proceedings are going on. Currently, there are two kinds arbitrations are going on i.e., one arbitration between EPC Contractor and REL and another arbitration between REL and NHAI.

- 1. EPC Contractor vs REL:** As per information shared by the client/company, as EPC Contactor had mobilized manpower, plant & machinery for execution of the project time to time and the project got terminated before completion of the project, EPC Contractor had raised claims for an amount of INR 927.75 Crores on REL.
- 2. REL Vs. NHAI:** REL has put up claims amounting to INR 8264.66 Crores and the NHAI has submitted Counter Claims amounting to INR 2641.80 Crores.

The Arbitration proceedings are in the initial stages only. Cross-Examination of witness is in

progress. Previous hearing was held on 15th May, 2023 and next date of hearing is scheduled on 1st August 2023.

As per information provided by the client/company, the arbitration proceedings are going on and even if the Arbitration Tribunal gives the award, the aggrieved party 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' together and it is very difficult to assess any probable amount as there will be different stages of proceedings and time consuming.

- 8. REASON FOR FINANCIAL STRESS:** As per CA, NHAI was required to handover 80% of the site (ROW) immediately on signing of CA or Appointed date and 100% site should be given within 90 days. However, as per information provided by company, 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. The work was also suffered due to Law-and-Order situation in the project area. There were three PLFI / Extremist / Naxalites attacks on the camp offices resulting in damage to the plant and machinery and also the work got affected. There were several other local problems and court cases, which were informed by the company from time to time to the NHAI and Bankers.

The Project became unviable, due to reasons attributable to NHAI because of inordinate delay in handing over of ROW and encumbrances & obstructions remaining to be cleared, which was brought to the notice of lenders in all consortium meetings. As per information provided by company, due to abnormal delay in execution of the project, Infrastructure Development Charges (IDC) payment was increased from original estimated amount of Rs. 147.64 Crs to Rs. 378.58 Crs as on 31st March 2018. Project completion period was estimated at 30 months, whereas actual interest was paid for 72 months because of delays as mentioned above. Hence, an amount of Rs. 230.94 Crs 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 cancelled the limit. Hence, company was facing liquidity problem. NHAI had terminated the contract on 30st January 2019, in contravention of contract provisions laid down in concession agreement (CA) and consequently invoked the Performance Bank Guarantee (PBG) for 73.95 Crs on 1st February 2019, (as per CA, BG was to be released by NHAI immediately after one year from

the appointed Date i.e., on 3rd December, 2013) issued by EPC Contractor.

With the knowledge of lenders, the matter was referred for Arbitration Committee. As per information provided by client/company, EPC Contractor had raised claims for an amount of INR 927.75 Crores on REL. Also, REL has put up claims amounting to INR 4934.66 Crores and the NHAI has submitted Counter Claims amounting to INR 2641.80 Crores. Arbitral proceedings were commenced and are still going on. Cross-Examination of witness is in progress.

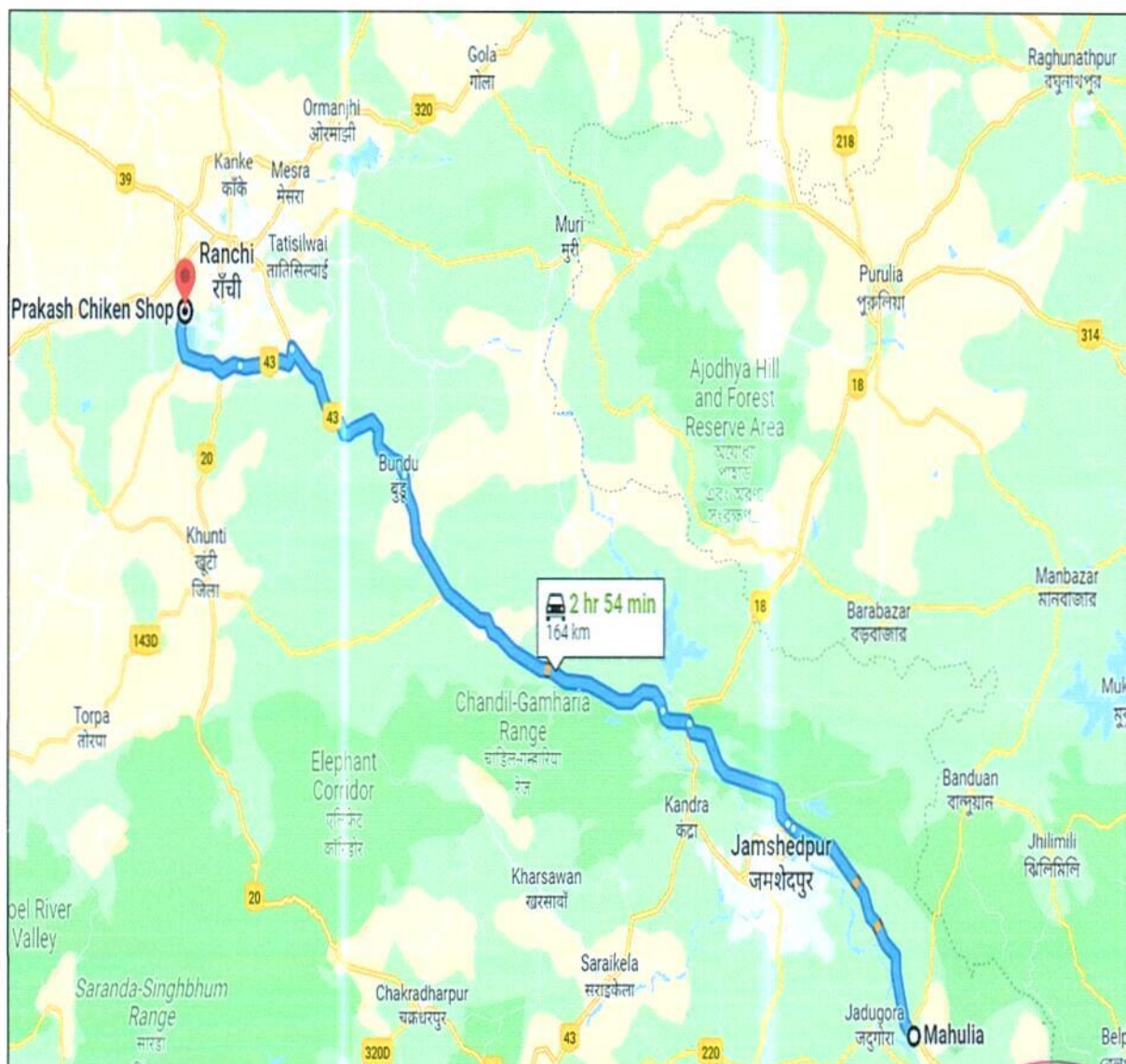
Hence, State Bank of India has appointed R.K. Associates to determine the Fair Market Value/Enterprise Value of the Business/Company to take appropriate course of action on this stressed account.



PART C

ABOUT THE PROJECT

- 1. BACKGROUND:** M/s. Ranchi Expressways Limited (REL), a special purpose vehicle (SPV) promoted by Madhucon Group was established in 29th March 2011 to undertake implementation of four lane of Ranchi-Jamshedpur highway Section of NH-33 from KM 114.000 to KM 277.500 with a total length of KM 163.500 under NHDP Phase-III on Design, Build, Finance, Operate, Transfer (DBFOT) Annuity Basis in the State of Jharkhand, on a concession period of 15 years.
- 2. LOCATION:** The project is located at Ranchi-Jamshedpur highway Section of NH-33 from KM 114.000 to KM 277.500 in the state of Jharkhand as per shown in the location map below:



3. **SALIENT FEATURE OF THE PROJECT:** As per concession agreement, below table shows the silent features of the project:

S. No.	Description	Length in Km/No's
1.	Total Length of the project (Km. 114.00 to Km. 277.50)	163.50 Kms.
2.	Major Bridges	03 No's
3.	Minor Bridges	40 No's
4.	Slab Culverts/Box Culverts	75 No's
5.	Pipe Culverts	183 No's
6.	ROB+RUB	03 No's
7.	Toll Plazas	04 No's

4. **PROJECT FACILITIES:** As per concession agreement, below table shows the project facilities of the project:

S. No.	Particulars	S. No.	Particulars
1.	Roadside Furniture	7.	Bus-Bays and Bus Shelters
2.	Street Lighting/ Highway Lighting	8.	Vehicular underpasses and pedestrian/cattle underpasses
3.	Pedestrian Facilities	9.	Traffic Aid Posts
4.	Landscaping and Tree Plantation	10.	Medical Aid Posts
5.	Rest Areas	11.	Vehicle Rescue Posts
6.	Truck Lay-Bys	12.	Telecom System



PART D

ASSESSMENT OF INFRASTRUCTURE SECTOR

- 1. INTRODUCTION:** Indian economy is driven through multiple economic sectors and infrastructure is one of the major sector contributions to continuous growth. The infrastructure sector in India is poised to grow at a CAGR of 8.2% by 2027. In order to meet India's aim of reaching a US\$ 5 trillion economy by 2025, infrastructure development is the need of the hour.

The government has launched the National Infrastructure Pipeline (NIP) combined with other initiatives such as 'Make in India' and the production-linked incentives (PLI) scheme to augment the growth of the infrastructure sector. Historically, more than 80% of the country's infrastructure spending has gone toward funding for transportation, electricity, and water& irrigation.

In India, about 42% of the projects in the NIP are under implementation, which means construction work is already going on. Another 19% is under the development stage, while a significant 31% is still in the conceptual stage. During the fiscals 2020 to 2025, sectors such as Energy (24%), Roads (19%), Urban (16%), and Railways (13%) amount to around 70% of the projected capital expenditure in infrastructure in India.

- 2. MARKET SIZE:** In Budget 2023-24, capital investment outlay for infrastructure is being increased by 33% to Rs. 10 lakh crore, which would be 3.3% of GDP. Started with 6,835 projects, the NIP project count now stands at 9,142 covering 34 sub-sectors, as per news reports. Under the initiative, 2476 projects are under development phase with an estimated investment of US\$ 1.9 trillion. Nearly half of the under-development projects are in the transportation sector, and 3,906 in the roads and bridges sub-sector.

The Indian Railways expects to complete total revenue of Rs. 2,35,000 crores by the end of fiscal year 2022-23. The overall revenue of Indian Railways at the end of August'22 was Rs. 95,486.58 crore, showing an increase of Rs. 26,271.29 crore (38%) over the corresponding period of last year.

India's logistics market is estimated to reach US\$ 410.75 billion in 2022 and is expected to reach US\$ 556.97 billion by 2027, growing at a CAGR of 6.28%. India intends to raise its ranking in the Logistics Performance Index to 25 and bring down the logistics cost from 14% to 8% of GDP, leading to a reduction of approximately 40%, within the next five years. Below graph shows Indian infrastructure index for eight core industries for FY 2023 (Sep. 2023):



3. GOVERNMENT INITIATIVES: Some of the recent government initiatives and investments in the infrastructure sector are as follows:

Under Budget 2023-24:

- Capital investment outlay for infrastructure is being increased by 33% to Rs.10 lakh crore (US\$ 122 billion), which would be 3.3% of GDP and almost three times the outlay in 2019-20.
- Infrastructure Finance Secretariat is being established to enhance opportunities for private investment in infrastructure that will assist all stakeholders for more private investment in infrastructure, including railways, roads, urban infrastructure, and power.
- The Government has decided to continue the 50-year interest free loan to state governments for one more year to spur investment in infrastructure and to incentivize them for complementary policy actions, with a significantly enhanced outlay of Rs 1.3 lakh crore.
- A capital outlay of Rs 2.40 lakh crore has been provided for the Railways, which is the highest ever outlay and about 9 times the outlay made in 2013- 14.
- 100 critical transport infrastructure projects, for last and first mile connectivity for ports, coal, steel, fertilizer, and food grains sectors have been identified and will be taken up on priority with investment of Rs. 75,000 crore, including Rs. 15,000 crore from private sources.
- 50 additional airports, heliports, water aerodromes and advance landing grounds will be revived for improving regional air connectivity.
- An Urban Infrastructure Development Fund (UIDF) will be established through use of priority sector lending shortfall, which will be managed by the National Housing Bank, and will be used by public agencies to create urban infrastructure in Tier 2 and Tier 3 cities.
- States will be encouraged to leverage resources from the grants of the 15th Finance Commission, as well as existing schemes, to adopt appropriate user charges while accessing the UIDF.
- For realizing the vision of "Make A-I in India and Make A-I work for India", three centres of excellence for Artificial Intelligence will be set-up in top educational institutions.

4. INVESTMENTS: The Government of India has designed various policies for the growth of MSMEs in the country.

- FDI in construction development (townships, housing, built-up infrastructure and construction development projects) and construction (infrastructure) activity sectors stood at US\$ 26.23 billion and US\$ 28.95 billion, respectively, between April 2000-September 2022.
- In January 2023, the Construction arm of Larsen & Toubro has secured orders for its power transmission & distribution and buildings & factories businesses to establish a 112.5MW Solar Power Plant in West Bengal and to construct a 600-bed super specialty hospital at Mumbai, respectively.
- In December 2022, BHEL formed a consortium with Titagarh Wagons and is among five entities which have bid for the mega Rs. 58,000 crore contract to manufacture 200 Vande Bharat trains and maintaining them for the next 35 years.
- In December 2022, Mr. Nitin Gadkari, Minister of Road Transport and Highways inaugurated and laid foundation stone of 8 National Highway projects of 226 km length worth Rs. 1800 crore at Igatpuri, Nashik, Maharashtra.

5. ROAD AHEAD: The roadmap to India's infrastructure is exciting and the new decade seems to be promising. More and more green and clean initiatives are happening across government bodies in major countries, especially, the Indian government has given the much-needed push to the infrastructure sector in the recent 2023 budget. India is looking at a US\$ 5 trillion economy dream.

India invests \$840 billion over the next 15 years into urban infrastructure to meet the needs of its fast-growing population. This investment will only be rational as well as sustainable, if we additionally focus on long-term maintenance and strength of our buildings, bridges, ports and airports.

India plans to spend US\$ 1.4 trillion on infrastructure during 2019-23 to have a sustainable development of the country. The Government has suggested investment of Rs. 5,000,000 crore (US\$ 750 billion) for railways infrastructure from 2018-30.

India being a developing nation is set to take full advantage of the opportunity for the expansion of the infrastructure sector, and it is reasonable to conclude that India's infrastructure has a bright future ahead of it. India is now at a juncture where a huge investment in R&D for energy-efficient and green fuel is much-needed. Thus, boosting the overall infrastructure.



PART E

VALUATION METHODOLOGY

1. METHODOLOGY/ MODEL ADOPTED: Out of the various models & theories available we have adopted Methodology namely Arbitration method for the calculation of Enterprise Value of M/s Ranchi Expressways Limited:

- a) Due to terminated account, Arbitration method is being used here to determine the EV as per scope of work.
- b) Details of Arbitration claims has been provided by the client/bank, which has been considered to determine the recoverability of the claims based on the probability of the realizability of the claims.
- c) Claims by EPC Contractor and counter claims filed by NHA has been adjusted to calculate the net recovery.
- d) Net Present value of the arbitration claims is estimated based duration assumed of the net recoverable amount and discounted it by expected rate of return.
- e) Thus, NPV of net recovery has been considered as the proxy of Enterprise Value of the company, since whatever the claims company will be recovered is the only value of the firm because the project is terminated and no any kind of income or assets to evaluate.

Rationale for using Arbitration approach for the Enterprise Valuation:

- a) The 4 Broad Model of Company Valuation are – Income based approach (Discounted Cash Flow Models), Asset Based, Market Multiple & Arbitration method.
- b) The free cash flow method is not used here because the account has been terminated by NHA as per the concession agreement and due to going on hearings & pending litigations future cash flow cannot be projected easily while the account is already categorized NPA.
- c) 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.
- d) Also, due to uncertain future operations as the same is communicated by the banker/client, estimating accurate future projections becomes difficult.
- e) Asset Based Model is not applicable since the terminated account will not be having any kind of assets.
- f) Market Comparable Approach was also not used since we could not find any suitable market comparable transactions and company of similar scale, scope & nature in the market.



committed various material breach and default of provision of the concession agreement.

- As per Project completion Schedule (G) of the concession agreement, concessionaire had to achieve Milestone-II on the date falling on the 365th day from the appointment date.

REL failed to achieve Milestone-II as per defined time line in CA. For the achievement of Milestone II, the work on all the structures has to commence, which is not possible as on date, as in some cases/structures either the land over which the structure is to come up is not available or the drawing for these structures have not been finalized/approved by the NHAI. Hence Milestone II could not have been achieved.

- As per CA Article No. 23.3, remuneration, cost and expenses of the independent engineer shall be paid by the authority and subject to the limits set forth in Schedule-P, one half of such remuneration, cost and expenses shall be reimbursed by the Concessionaire to the Authority within 15 days of receiving a statement of expenditure from the Authority.

Neither the concessionaire reimbursed the remuneration, cost and expenses nor the Authority release the statement of expenditure.

- The Project suffered adversely due to delay in statutory clearance such as environmental, forest etc, delay in grant of mining permission for Stone Quarries, and borrow areas for soil, entirely beyond the control of REL.
- As per CA article 10 clause no. 10.3.1 and 10.3.2, 80% of the Right of Way (ROW) required to be handed over by NHAI, on the appointment date, i.e., 04.12.2012. Similarly, as per article 10 clause no. 10.3.4, the 100% land required to be handed over by within 90 days of the appointment date i.e. 15.02.2013. Below table shows the time line data of handing over of ROW by NHAI and physical work completed by REL:

S. No	Dates	Land Available (Km)	Handing over of ROW by NHAI (In %)	Physical Work Completed by REL (In %)
1	04.12.2012 (Appointed Date)	34.84	21.31	0.00
2	04.03.2013	66.29	40.54	0.292
3	02.06.2013	75.12	45.94	0.782
4	29.11.2013	99.59	60.89	3.828
5	17.05.2016	100.29	61.34	28.19
6	11.02.2017	128.87	78.82	40.54
7	15.02.2018	130.37	79.74	53.148

It is clear from above table that 80% ROW was not acquired by NHAI on the appointed date. 80% ROW is not available even as on date. As per Article 4 of the concession

agreement there are certain condition precedent about ROW are required to be fulfilled by NHAI. Hence, NHAI is in default as per the terms of the clause 4.1.2 condition precedent of the CA.

Physical work completed by REL is also not up to date. The desired progress of work could not be achieved due to NHAI's failure to provide the required inputs by way of availability of land, environmental/wild life clearances, and design drawings for the number of structures.

After the perception of the overall situation, which potentially influencing the valuation, it is observed that commencement of the default started from not providing 80% of the Right of Way (ROW) required to be handed over by NHAI, on the Appointed date.

Hence the targeted progress could not be achieved due to non-fulfilment of reciprocal commitments made by NHAI. Therefore, in addition to the claim payments, authority has to pay damage for delay by the authority (As per clause no. 4.2 of CA) and termination payment on account of authority default (as per clause no. 37.3.2 of CA).

Subsequently examining the aforementioned findings, we have thoroughly analyzed all compensation/claims made due to default by the authority and provided our remarks on each individual claim.

3. SUMMARY OF ARBITRATION CLAIMS FILED:

- a) **CLAIMS FILED BY COMPANY:** As per data/information provided by client/company, below table shows the details of claims filed by M/s Ranchi Expressways Limited against the authority (NHAI):

S. No.	Description	Amount Provided by REL (In Rs.)	Remarks	Amount after Assessment (In Rs.)
A	Payment of the Amount of Expenditure incurred for the execution of the Works			
1	Payment towards the value of work done.	9,19,58,46,176	In the meeting held between REL, Lenders and NHAI dated 16.11.2022, as per the Independent Engineer assessment it is certified, that the value of work done by REL is 458.20 Crs. As per	4,58,20,00,000

			Article 35 for compensation for breach of agreement of CA all the construction / Direct costs involved while working on the project highway will be paid by NHAI to the contractor, therefore it has been considered accordingly.	
2	Payment of amount expended on the works of stone pitching.	53,98,050	As per CA this claim comes under Article 10.2 and 10.3. As we do not possess any documentary evidence or calculation for this claim, it is possible that upon reassessment by authority, its value may turn out to be lower than the initially provided amount. Therefore, we have applied a 20% discount to account for this uncertainty. And therefore, it has been considered accordingly.	43,18,440
3	Payment of amount expended on the works of Median Plantation and filling.	3,83,78,771		3,07,03,017
4	Payment of amount spent on Scarification/Dismantling of existing Pavement.	98,10,171		78,48,137
5	Refund of amount expended on the maintenance of the existing road.	1,19,63,75,602	This claim comes under Article 17.1 of CA. During the construction period, concessionaire has to maintain the project highway by itself. The construction of the highway was scheduled to be completed within a period of 912 days (2 n 1/2 Years) and the concessionaire was expected to maintain the existing road for a period of not more than 1 year. However, even after a lapse of more than 5 years and 5 months the disjointed stretch of 128.87 Km (78.87% ROW) only out of the total length of 163.5 Km could be made	95,71,00,482

			<p>available by the NHAI, with the result that the concessionaire had to maintain the existing road for more than 5 years.</p> <p>Hence, due to shortage of funds, concessionaire was not able to maintain the project highway after 5 years. Here we have considered 20% discount in the claim amount due to non-compliance of article 17 and article 5.1.1 by the concessionaire.</p>	
6	Refund of amount expended on the work for construction of temporary diversion roads.	11,79,00,000	<p>As per CA this claim comes under Article 10.3 Procurement of site. As we do not possess any documentary evidence or calculation for this claim, it is possible that upon reassessment by authority, its value may turn out to be lower than the initially provided amount.</p> <p>Therefore, we have applied a 20% discount to account for this uncertainty. And therefore, it has been considered accordingly.</p>	9,43,20,000
7	Refund of amount expended on the work done towards removal of slush and dewatering.	3,89,83,800	<p>As per CA this claim comes under Schedule K article 17. As we do not possess any documentary evidence or calculation for this claim, it is possible that upon reassessment by authority, its value may turn out to be lower than the initially provided amount.</p> <p>Therefore, we have applied a 20% discount to account for this uncertainty. And</p>	3,11,87,040
8	Refund of amount expended on the works of Pond filling.	17,07,65,350	<p>As per CA this claim comes under Schedule K article 17. As we do not possess any documentary evidence or calculation for this claim, it is possible that upon reassessment by authority, its value may turn out to be lower than the initially provided amount.</p> <p>Therefore, we have applied a 20% discount to account for this uncertainty. And</p>	13,66,12,280

			therefore, it has been considered accordingly.	
9	Refund of amount expended on Preparation and Implementation of the environmental plan.	1,20,17,183	As per CA this claim comes under Article 10.2. As we do not possess any documentary evidence or calculation for this claim, it is possible that upon reassessment by authority, its value may turn out to be lower than the initially provided amount. Therefore, we have applied a 20% discount to account for this uncertainty. And therefore, it has been considered accordingly.	96,13,746
10	Refund of amount expended on the works of Back Filling in the areas where Stumps were removed.	25,41,65,738	As per CA this claim comes under Schedule K article 17. As we do not possess any documentary evidence or calculation for this claim, it is possible that upon reassessment by authority, its value may turn out to be lower than the initially provided amount. Therefore, we have applied a 20% discount to account for this uncertainty. And therefore, it has been considered accordingly.	20,33,32,590
11	Refund of amount expended towards Design of works under Change of Scope viz EUPs and redesign of PUPs, VUPs ROB, etc.	5,39,19,517	As per CA this claim comes under Article 16.1 Change of Scope. As we do not possess any documentary evidence or calculation for this claim, it is possible that upon reassessment by authority, its value may turn out to be lower than the initially provided amount.	4,31,35,614

			Therefore, we have applied a 20% discount to account for this uncertainty. And therefore, it has been considered accordingly.	
12	Refund of amount expended on Tree Cutting (balance payments).	13,55,29,815	As per CA this claim comes under Article 11.4. As we do not possess any documentary evidence or calculation for this claim, it is possible that upon reassessment by authority, its value may turn out to be lower than the initially provided amount. Therefore, we have applied a 20% discount to account for this uncertainty. And therefore, it has been considered accordingly.	10,84,23,852
13	Refund of Retention Money withheld towards utility shifting.	1,51,13,164	As per CA this claim comes under article 11.1 of CA. As we do not possess any documentary evidence or calculation for this claim, it is possible that upon reassessment by authority, its value may turn out to be lower than the initially provided amount. Therefore, we have applied a 20% discount to account for this uncertainty. And therefore, it has been considered accordingly.	1,20,90,531



14	Refund of amount expended on the works of Dismantling of Structures and Removal & Relocation of Temples.	2,56,00,000	As per CA this claim comes under Schedule K article 17. As we do not possess any documentary evidence or calculation for this claim, it is possible that upon reassessment by authority, its value may turn out to be lower than the initially provided amount.	2,04,80,000
15	Refund of amount spent on Installation of Emergency Sign Boards (1033 nos.) on specific instructions of Authority.	54,65,478	Therefore, we have applied a 20% discount to account for this uncertainty. And therefore, it has been considered accordingly.	43,72,382
16	Refund of amount expended towards payment of Independent Engineer's fee.	10,73,56,074	In the meeting held between REL, Lenders and NHAI dated 16.11.2022, as per the Independent Engineer assessment it is certified, that the value of Independent Engineer's fee is 14.20 Crs.	14,20,00,000
17	Refund of amount expended towards payment of Lender's Independent Engineer's fees.	1,13,06,700	In the meeting held between REL, Lenders and NHAI dated 16.11.2022, as per the Independent Engineer assessment it is certified, that the value of Lender's Independent Engineer's fee is 1.13 Crs.	1,13,06,700
18	Refund of amount expended towards Financial Charges.	7,81,09,135	In the meeting held between REL, Lenders and NHAI dated 16.11.2022, as per the Independent Engineer assessment it is certified, that the value of financial expenses as Rs. 4.84 Crs. As per CA this claim comes under Article 38.6.	4,84,00,000
19	Refund of amount expended on bank charges.	9,39,15,854	The mentioned expenses pertain to services obtained from the bank by REL. However, since we lack any	



			breakdown or evidence regarding the bank charges claimed by REL, we are unable to include this amount in our consideration.	
20	Refund of amount expended on Insurance Premium (CAR policy etc.)	6,16,71,125	As per CA this claim comes under article 32. As we do not possess any documentary evidence or calculation for this claim, it is possible that upon reassessment by authority, its value may turn out to be lower than the initially provided amount. Therefore, we have applied a 20% discount to account for this uncertainty. And therefore, it has been considered accordingly.	4,93,36,900
21	Refund of amount incurred on OH & Running expenditure.	13,24,43,970	As per CA this claim comes under Article 11 and 32. As we do not possess any documentary evidence or calculation for this claim, it is possible that upon reassessment by authority, its value may turn out to be lower than the initially provided amount. Therefore, we have applied a 20% discount to account for this uncertainty. And therefore, it has been considered accordingly.	10,59,55,176
22	Refund of BG amount encashed.	73,95,00,000	As per CA this claim comes under Article 9.1 of CA Performance security. And therefore, it has been considered accordingly.	73,95,00,000
B	Concessionaire's Losses			



23	Interest amount on non-refund of BG.	68,70,66,411	As per CA this claim comes under Article 9.1 of CA Performance security. As we do not possess any documentary evidence or calculation for this claim, it is possible that upon reassessment by authority, its value may turn out to be lower than the initially provided amount. Therefore, we have applied a 20% discount to account for this uncertainty. And therefore, it has been considered accordingly.	54,96,53,129
24	Refund of interest on BG Encashed amount.	26,90,37,488	As per CA this claim comes under Article 9. As we do not possess any documentary evidence or calculation for this claim, it is possible that upon reassessment by authority, its value may turn out to be lower than the initially provided amount. Therefore, we have applied a 20% discount to account for this uncertainty. And therefore, it has been considered accordingly.	21,52,29,990
25	Compensation payable due to delay in handing over of land.	1,77,50,27,678	As per CA this claim comes under Article 35. As we do not possess any documentary evidence or calculation for this claim, it is possible that upon reassessment by authority, its value may turn out to be lower than the initially provided amount. Therefore, we have applied a 20% discount to account for this uncertainty. And therefore, it has been considered accordingly.	1,42,00,22,142



26	Refund of the extra expenditure incurred due to Change in law (viz. Goods and Services Tax)	6,71,38,991	As per CA this claim comes under Article 41.1. As we do not possess any documentary evidence or calculation for this claim, it is possible that upon reassessment by authority, its value may turn out to be lower than the initially provided amount. Therefore, we have applied a 20% discount to account for this uncertainty. And therefore, it has been considered accordingly.	5,37,11,193
27	Extra expenditure due to escalation of cost of work.	1,72,88,44,393	As per CA this claim comes under Article 35. As we do not possess any	1,38,30,75,514
28	Loss incurred on Idling of Machinery due to prolongation of project.	4,03,46,51,432	documentary evidence or calculation for this claim, it is possible that upon reassessment by authority, its value may turn out to be lower than the initially provided amount. Therefore, we have applied a 20% discount to account for this uncertainty. And therefore, it has been considered accordingly.	3,22,77,21,146
29	Loss of Overheads due to prolongation of the Project.	1,67,82,86,842		1,34,26,29,474
30	Loss of Return on Investment (Equity /Unsecured loan infused in the project) for the period since SCOD upto 30.01.2019.	3,19,55,89,333	As per article 35, compensation shall not include loss of annuity or debt repayment obligations or other consequential losses.	-
31	Loss of Return on Investment (Equity /Unsecured loan infused in the project) for the period since	7,72,34,71,525	Hence, we have not considered this amount of claim.	



	31.01.2019 to End of the Concession Period.			
32	Claim on Loss of OH & Profit on balance value of work due to illegal termination.	2,35,57,86,000		
33	Claim for amount of Revenue loss (loss of Annuity)	33,30,00,00,000		
34	Loss of investment on plant and machinery equipment due to idling	2,64,03,10,000		
35	Refund of Amount Deducted as Interest During Construction (IDC).	3,78,52,51,346	As per CA this claim comes under article 35.2. As we do not possess any documentary evidence or calculation for this claim, it is possible that upon reassessment by authority, its value may turn out to be lower than the initially provided amount.	3,02,82,01,077
36	Refund of interest amount incurred on unsecured loan infused in the project	6,90,65,38,954	Therefore, we have applied a 20% discount to account for this uncertainty. And therefore, it has been considered accordingly.	5,52,52,31,163
Total Claim Amount		49,34,65,72,066		24,08,75,11,715

b) CLAIMS FILED BY EPC CONTRACTOR: As per data/information provided by client/company, below table shows the details of claims filed by EPC Contractor against M/s Ranchi Expressways Limited:

S. No.	Description	Amount Provided by REL (In Rs.)	Remarks	Amount after Assessment (In Rs.)
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1	Compensation for delay in handing over of land as per clause 10.3.4 of the Agreement	1,90,87,24,965	<p>As per Article 4 of the concession agreement there are certain condition precedent required to be fulfilled by NHAI.</p> <p>The 100% land required to be handed over within 90 days of the Appointment date as per clause 10.3.4 of CA, which is not available even as on date. Hence, NHAI is in default as per the terms of the clause 4.1.2 condition precedent of the CA. Therefore, EPC contractor's work got delayed and accordingly they have filed this claim.</p> <p>The value of this claim has been provided by REL. As we do not possess any documentary evidence or calculation for this claim, it is possible that upon reassessment by authority, its value may turn out to be lower than the initially provided amount.</p> <p>Therefore, we have applied a 20% discount to account for this uncertainty.</p>	1,52,69,79,972
2	Compensation for Idling of Manpower due to Non Availability of Land	13,29,44,172	<p>As per CA this claim comes under Article 35 and therefore it has been considered accordingly.</p> <p>The value of this claim has been provided by REL. As we do not possess any documentary evidence or calculation for this claim, it is possible that upon reassessment by authority, its value may turn out to be lower than the initially provided amount.</p>	10,63,55,337



			Therefore, we have applied a 20% discount to account for this uncertainty.	
3	Compensation for Idling of Machinery due to Non-Availability of Land	3,29,71,62,186	<p>As per CA this claim comes under Article 35 and therefore it has been considered accordingly.</p> <p>The value of this claim has been provided by REL. As we do not possess any documentary evidence or calculation for this claim, it is possible that upon reassessment by authority, its value may turn out to be lower than the initially provided amount.</p> <p>Therefore, we have applied a 20% discount to account for this uncertainty.</p>	2,63,77,29,749
4	Reimbursement of Additional cost of Maintenance works carried out	98,09,33,659	<p>As per Article 5 of CA the concessionary was obliged to perform various obligations inter-alia pertaining to construction, maintenance, operation and development of the project highway.</p> <p>In the same way, EPC contractor coordinates all design, procurement and construction work and ensures that the whole project is completed as required and in time.</p> <p>But due to lack of funds and due to non-availability of lands and Forest/Wild Life/Environmental Clearances for the entire project highway, concessionaire and EPC contractor failed to achieve the required progress in undertaking the construction of the project highway on time and additional cost of</p>	73,57,00,245



			<p>maintenance work arises. There is a lack of supporting documentary evidence or detailed calculations for this claim.</p> <p>To address the uncertainty surrounding the claim's value, there is a recognition that the reassessment process might reveal a lower value than the initially provided claim amount.</p> <p>This recognition of potential variability or discrepancy prompts the decision to apply a 25% discount to the claim amount.</p> <p>Here we have considered 25% discount in the claim amount due to non-compliance of article 5.1.1.</p>	
5	Termination payments as per clause 37 of the contract	51,14,15,382	<p>As per CA this claim comes under Article 37. As we do not possess any documentary evidence or calculation for this claim, it is possible that upon reassessment by authority, its value may turn out to be lower than the initially provided amount.</p> <p>Therefore, we have applied a 20% discount to account for this uncertainty. And therefore, it has been considered accordingly.</p>	40,91,32,306
6	Loss of overheads on the works which could not be commenced	60,14,29,920	<p>As per CA this claim comes under article 35, which says that compensation shall not include loss of annuity or debt repayment obligations or other consequential losses. Hence, we have not considered this amount of claim.</p>	-



7	Losses incurred due to Bank Guarantees	76,76,26,085	As per CA this claim comes under Article 9. As we do not possess any documentary evidence or calculation for BG Commission charges in this claim, it is possible that upon reassessment by authority, its value may turn out to be lower than the initially provided amount. Therefore, we have applied a 20% discount to account for this uncertainty. And therefore, it has been considered accordingly.	76,20,00,868
8	Loss of Business Opportunities due to Non-Release of Bank Guarantee	36,97,50,000	As per CA this claim comes under article 35, which says that compensation shall not include loss of annuity or debt repayment obligations or other consequential losses. Hence, we have not considered this amount of claim.	-
9	Compensation due to Change in Law under "Force Majeure" clause -- of the Agreement	6,71,38,991	As per CA this claim comes under Article 34.4 and 41.1. As we do not possess any documentary evidence or calculation for this claim, it is possible that upon reassessment by authority, its value may turn out to be lower than the initially provided amount. Therefore, we have applied a 20% discount to account for this uncertainty. And therefore, it has been considered accordingly.	5,37,11,193



10	Expenditure for additional works to the EPC contract	63,54,01,879	The EPC contractor coordinates all design, procurement and construction work and ensures that the whole project is completed as required and in time. But due to prolongation of the Project and non-availability of lands and Forest/Wild Life/Environmental Clearances for the entire project highway, EPC contractor failed to achieve the required progress in undertaking the construction of the project highway on time and additional cost of work arises. Here we have considered 25% discount in the claim amount due to various material breach and non-compliance of CA.	47,65,51,409
11	Cost of Arbitration Proceedings	50,00,000	Due to lack any documentary evidence to support the claim amount, and according to the Concession Agreement (CA), there is no available information or means to ascertain the validity of this claim. Therefore, we have chosen not to include or consider this amount.	-
Total Claim Amount		9,27,75,27,239		6,70,81,61,078

c) **COUNTER CLAIMS FILED BY NHAI:** As per information provided by client/company, below table shows the details of counter claims filed by NHAI against M/s Ranchi Expressways Limited:



S. No.	Description	Amount Provided by REL (In Rs.)	Remarks	Amount after Assessment (In Rs.)
1	Loss of toll revenue suffered by NHAI due to non-completion of the Project in Schedule time	9,89,96,18,950	<p>As per CA article 10 clause no. 10.3.1 and 10.3.2, 80% ROW was not acquired by NHAI on the appointed date. 80% ROW is not available even as on date.</p> <p>As per Article 4 of the concession agreement there are certain condition precedent about ROW are required to be fulfilled by NHAI.</p> <p>Hence, NHAI is in default as per the terms of the clause 4.1.2 condition precedent of the CA. Hence, we have not considered this claim.</p>	-
2	Liquidated damages for non-achievement of project Mile stone upto 29.01.2019	3,01,35,00,000	<p>As per Schedule (G) Project completion Schedule of the concession agreement, concessionaire had to achieve Milestone-II on the date falling on the 365th day from the appointment date.</p> <p>For the achievement of Milestone II, the work on all the structures has to commence, which is not possible as on date, as in some cases/structures either the land over which the structure is to come up is not available or the drawing for these structures have not been finalized/approved by the NHAI.</p> <p>Hence Milestone II could not have been achieved. Therefore, we have considered 50% discount on this claim due non-compliance of CA.</p>	1,50,67,50,000



3	Non-payment of Independent Engineer fee	4,75,93,724	<p>As per CA this claim comes under Article 23.3. There is a lack of supporting documentary evidence or detailed calculations for this claim.</p> <p>To address the uncertainty surrounding the claim's value, there is a recognition that the reassessment process might reveal a lower value than the initially provided claim amount.</p> <p>This recognition of potential variability or discrepancy prompts the decision to apply a 20% discount to the claim amount.</p>	3,80,74,979
4	Non maintenance of Highway	20,10,05,014	<p>As per CA this claim comes under Article 17.9.1. There is a lack of supporting documentary evidence or detailed calculations for this claim.</p> <p>To address the uncertainty surrounding the claim's value, there is a recognition that the reassessment process might reveal a lower value than the initially provided claim amount.</p> <p>This recognition of potential variability or discrepancy prompts the decision to apply a 20% discount to the claim amount.</p>	16,08,04,011
5	Excess payment on account of tree cutting	9,37,72,233	<p>As per CA this claim comes under Article 11.4. There is a lack of supporting documentary evidence or detailed calculations for this claim.</p> <p>To address the uncertainty surrounding the claim's value, there is a recognition that the</p>	7,50,17,786



			reassessment process might reveal a lower value than the initially provided claim amount. This recognition of potential variability or discrepancy prompts the decision to apply a 20% discount to the claim amount.	
6	Value of work having non confirmation report	3,44,00,000	<p>As per CA this claim comes under Article 13.1 for monthly progress report. There is a lack of supporting documentary evidence or detailed calculations for this claim.</p> <p>To address the uncertainty surrounding the claim's value, there is a recognition that the reassessment process might reveal a lower value than the initially provided claim amount. This recognition of potential variability or discrepancy prompts the decision to apply a 20% discount to the claim amount.</p>	2,75,20,000
7	Account of due for shifting and laying of pipeline	4,08,21,517	<p>As per CA this claim comes under Article 11.1. There is a lack of supporting documentary evidence or detailed calculations for this claim.</p> <p>To address the uncertainty surrounding the claim's value, there is a recognition that the reassessment process might reveal a lower value than the initially provided claim amount. This recognition of potential variability or discrepancy prompts the decision to apply a 20% discount to the claim amount.</p>	3,26,57,214



8	On account of completion of balance works	13,08,73,00,000	Balance work of the project highway will be given to some other company, as the current concession agreement has been terminated. Hence, NHAI cannot apply for the claim on account of completion of balance work.	-
Total Claim Amount		26,41,80,11,438		1,84,08,23,990

EXPECTED RECOVERY OF CLAIMS

Particulars	Amount (In Crores)
Total Claim filed by the Company (A)	2,408.75
Less: Award received so far out of (A) above (B)	0.00
Total Amount Claimed (C) =(A-B)	2,408.75
Less: Claims filed by EPC against the company (D)	670.82
Less: Counter claims by NHAI against the company (E)	184.08
Net Claims (F) =(C-D-E)	1,553.85

4. **CALCULATION OF ENTERPRISE VALUE:** We have considered 90% expected realization from the net amount, as the arbitration proceedings are in the initial stages only and cross-examination of witness is in progress. The arbitration proceedings will take long time to get award. Even after arbitration committee issues award, the other party may go to the higher judiciary and it is expectedly take years together for conclusion.

Keeping in mind the fact, that contingent expenses such as legal charges, transportation charges, settlement charges and inflationary effects (applicable interest charges payable, if any) etc. may occur during the year. Thus, as per the best practice in the industry, it is reasonable to adjust the contingent liability and uncertain durability (Time value of money), to conclude the net realizability of said claims. Also, due to above reason, for the first 4 years, no recovery is assumed and recovery will start from 5th year till 7th year.

Due to unavailability of comparable listed companies, we cannot determine the cost of debt and equity easily, hence, in this scenario we have considered the NIFTY-50, 10 years return plus company risk premium as a proxy for discount rate (required rate of return for an unbiased investor) which is 16%.

Here company risk premium shows the internal risk of the company like: terminated and defaulted account, non-performing asset (NPA) and as per the minutes of meeting shared by banker, CBI categorized it as a fraud case. Hence, we have considered 4% as company risk premium.

CALCULATION OF WEIGHTED AVERAGE COST OF CAPITAL (WACC)

Particulars	Required Return
Nifty-50 10-year Return	12.00%
Company Risk Premium	4.00%
Discount Rate	16.00%

EXPECTED REALIZATION @ 90%

Years	1 st Year	2 nd Year	3 rd Year	4 th Year	5 th Year	6 th Year	7 th Year
Expected Realization	90%						
Expected Realization	1398.47						
Yearly Recovery	0.00	0.00	0.00	0.00	466.16	466.16	466.16
Discount period	1	2	3	4	5	6	7
Discount Factor	0.862	0.743	0.641	0.552	0.476	0.410	0.354
Discount Rate	16.00%						
Present Value	0.00	0.00	0.00	0.00	221.94	191.33	164.94
Net Present Value (NPV)	INR 578.21 Crore						

ENTERPRISE VALUE OF M/S RANCHI EXPRESSWAYS LIMITED
INR 578.21 CRORES
INR FIVE HUNDRED SEVENTY-EIGHT CRORES AND TWENTY-ONE LAKHS

As per our analysis, the total amount claimed by REL as on valuation date is INR 2,408.75 Crores, from which claims of EPC contractor are 670.82 Crores and counter claims filed by NHAI of INR 184.08 Crores, are adjusted. Thus, the net claim amount is INR 1,553.85 Crores. Hence, considering the percentage of expected realization at 90%, expected realizable amount of claims calculated as 1,398.47 Crores.


Therefore, NPV of these claims, at a discount rate of 16.00%, and 7-years' time span, is being calculated as INR 578.21 Crores, which is being considered as the proxy of Enterprise Value of "M/s Ranchi Expressways Limited".



NOTES:

- This valuation has been done based on the arbitration claims information shared by the client/company. However, any kind of vetting/audit/inspection was out of scope of work. Overall valuation exercise is subject to the current scenario, limited data / Information shared, and observed activity of the company.
- The valuation has been conducted using the most probable or likely realizable value, which may differ from the actual realization in the legal landscape as determined by legal professionals in the future. There is a possibility of significant variance in the arbitration award, as our report has been prepared based on technical wisdom & expertise.
- Arbitration method has been adopted for the calculation of Enterprise Valuation of the subject project since the project is categorized as NPA and terminated and as per the information provided by the client/company, the future operations of the company are uncertain.
- No employee or member of R.K Associates has any direct/ indirect interest in the Project. This is just an opinion report on Valuation based on the copy of the documents/ information provided to us by the client which has been relied upon in good faith and the assessment and assumptions done by us. Legal scrutiny of documents / data / information was out of scope of work.
- This is only a general assessment of the Enterprise/Business Value of the firm based on the data/ input Company officials could provide to us against our questions/ queries and information available in the public domain. In no manner this should be regarded as an audit activity/ report and NO micro analysis or detailed or forensic audit/ scrutiny of the financial transactions or accounts of any kind has been carried out at our end.



Declaration	<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 State Bank of India, Stressed Assets Resolution Group Corporate Center 21st Floor, Maker Tower 'E' Cuffe Parade, Mumbai – 400005, India.</p> <p>v. We have submitted Valuation report to the Bank.</p>
Name & Address of Valuer company	Signature of the authorized person
<p>M/s R.K. Associates Valuers & Techno Engineering Consultants Pvt. Ltd.</p> <p>D-39, Second Floor, Sector-2, Noida, UP-201301 India.</p>	
Number of Pages in the Report	51
Financial Analyst Team worked on the report	<p>PREPARED BY: Mrs. Chhavi Toshan</p> <p>REVIEWED BY: Mr. Gaurav Kumar</p>

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

Place: Noida

Date: 12th September 2023

(Authorized Signatory)
Valuations



PART F

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 G

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 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.

