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ENTERPRISE VALUATION REPORT

OF

M/S. SEW KRISHNAGAR BAHARAMPORE HIGHWAYS LIMITED.

REGISTERED AT

6-3-871, SNEHALATA, 1ST FLOOR, GREENLANDS ROAD, BEGUMPET, HYDERABAD-
500016

OWNER/ PROMOTER

A/C: M/S. SEW Infrastructure Limited.

■ Corporate Valuers

■ Business/ Enterprise/ Equity Valuations

■ Lender's Independent Engineers (LIE)

■ Techno Economic Viability Consultants (TEV)

■ Agency for Specialized Account Monitoring (ASM)

■ Project Techno-Financial Advisors

■ Chartered Engineers

■ Industry/ Trade Rehabilitation Consultants

■ NPA Management

■ Panel Valuer & Techno Economic Consultants for PSU
Banks

REPORT PREPARED FOR

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PART A

INTRODUCTION

- 1. ABOUT THE REPORT:** Enterprise Valuation of Engineering-Procurement-Construction (EPC) Company M/S. SEW Krishnagar Baharampore Highways Limited (The Company) engaged in construction projects having its registered office address at 6-3-871, Snehalata, Greenland Road Begumpet, Hyderabad-500016, Telangana, India.
- 2. BACKGROUND OF THE COMPANY:** In January 2010, NHAI had invited interested applicants through International Competitive Bidding (ICB) process to participate in the Design, Engineering, Construction, Development, Finance, Operation and Maintenance for Four-laning of Krishnagar - Baharampore Section of NH- 34 (km. 115.000 to km. 193.000) in the State of West Bengal under NHDP Phase III on BOT (Annuity) basis on DBFOT Pattern for pre-agreed concession period.

SEW Infrastructure Ltd (SIL) emerged as L1 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 SIL on February 21, 2011. As per the LoA, the project will receive an annuity of Rs 61.20 crore in semi-annual instalments from the COD for an operating period of 12.50 Years.

SIL is a leading diversified Engineering, Procurement and Construction ("EPC") Services Company based at Hyderabad in Andhra Pradesh, India. It has 50 years of excellence in executing several dam and barrage projects, irrigation projects, hydropower projects, roads and urban infrastructure projects on time.

The overall Project implementation framework involves incorporation of a special purpose vehicle (SPV), promoted by the successful bidder (SEW), entering into the Concession Agreement or CA with NHAI, wherein the SPV undertakes to, design, engineer, construct, develop, finance, operate and maintain the Project Highway on DBFOT (Annuity) Basis.

Accordingly, a SPV, by the name of SEW Krishnagar Baharampore Highways Limited, is being incorporated as a 100% subsidiary of SEW Transport and Networks Limited (STNL is a wholly owned subsidiary of SIL and is vested with road assets of the group). The Concession Agreement (CA) was signed between SKBHL, as the Concessionaire, and NHAI on or before April 07, 2011 (45 days from LOA).

The CA requires the Company to initiate and complete the construction of the Project Highway within a 910 day period (Construction Period) starting from the Financial Closure, (Financial closure was required to be achieved within 180 days from the date of signing of the CA),

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.

The construction of the Project was undertaken by SIL, under a fixed price, fixed time EPC Contract. The Financial Closure is targeted for 4th Oct 2011 (i.e., 180 days from the date of signing of CA). The Project is expected to achieve Commercial Operation Date (COD) by 1st April 2014. Operations & Maintenance (O&M) responsibility was proposed to be entrusted to SIL under an Operations and Maintenance contract.

The total cost of the Project, estimated at Rs.755.00 Crore, is proposed to be funded through a mix of Debt & Equity in the ratio of 4:1. The equity requirement of Rs.151.00 Crore will be contributed by the Promoters of SKBHL i.e., SIL, through STNL. The Rupee Term Loan requirement of Rs.604.00 Crore is proposed to be raised from Indian Banks and Financial Institutions (FIs).

Project Cost Items	Amount (INR Cr.)	Share (%)
EPC Cost	640.00	84.77%
Interest During Construction (IDC)	70.09	9.28%
Contingency	8.45	1.12%
Preliminary & Pre-operative	26.35	3.49%
Margin Money for Working Capital	10.11	1.34%
Total	755.00	100%

M/s SEW Krishnagar Baharampore Highways Limited is an unlisted public company. It was incorporated on 8th March, 2011 and is majorly involve in Construction business from last 12 years. Currently, company's operations are active and is currently involved in the construction of Krishnagar Baharampore highway in West Bengal.

Particular	Details
Name of the Company	SEW Krishnagar Baharampore Highways Limited
CIN No.	U45400AP2011PLC073116
Date of Incorporation	March 8, 2011
Constitution	Public Limited (Closely held)
Sector	Infrastructure – Roads & Highways
Registered Office	6-3-871, Snehalata, 1st Floor, Greenlands Road, Begumpet, Hyderabad- 500016

Site Location	Krishnagar to Baharampore section of NH-34 from km 115.00 to km 193.00
Activity	Four Laning of Krishnagar-Baharampore section of NH-34.
Project Description	Four-laning of Krishnagar to Baharampore section of NH-34 from km 115.00 to km 193.00 in the state of West Bengal under NHDP Phase III on Design, Build, Finance
Length	78km (115 km to 193 km).
Authority & Concessionaire	NHAI & SKBHL.
EPC Contractor	M/s SEW Infrastructure Ltd.
Design Consultant	Sheladia Associates Inc.
Construction Period	910 days
Concession Period	15 years from the appointed date i.e., 10.02.2012
Signing of CA	June 16, 2011.
Appointed date	February 10, 2012
Scheduled Completion	10-Jul-14
Targeted Completion	31-Dec-18
Estimated Completion	15-May-2019(for 65.018 km)
PCOD Recommended	13-Nov-2019 (for 65.018 km)
PCOD Granted	10-Feb-2020 (for 65.018 km)
Tolling Commencement	15-Mar-20
1stAnnuity Receipt	07-Jul-20
Revised Length	66.90 km (after 9.5 km to be descoped)
Concession end date	10-Feb-27

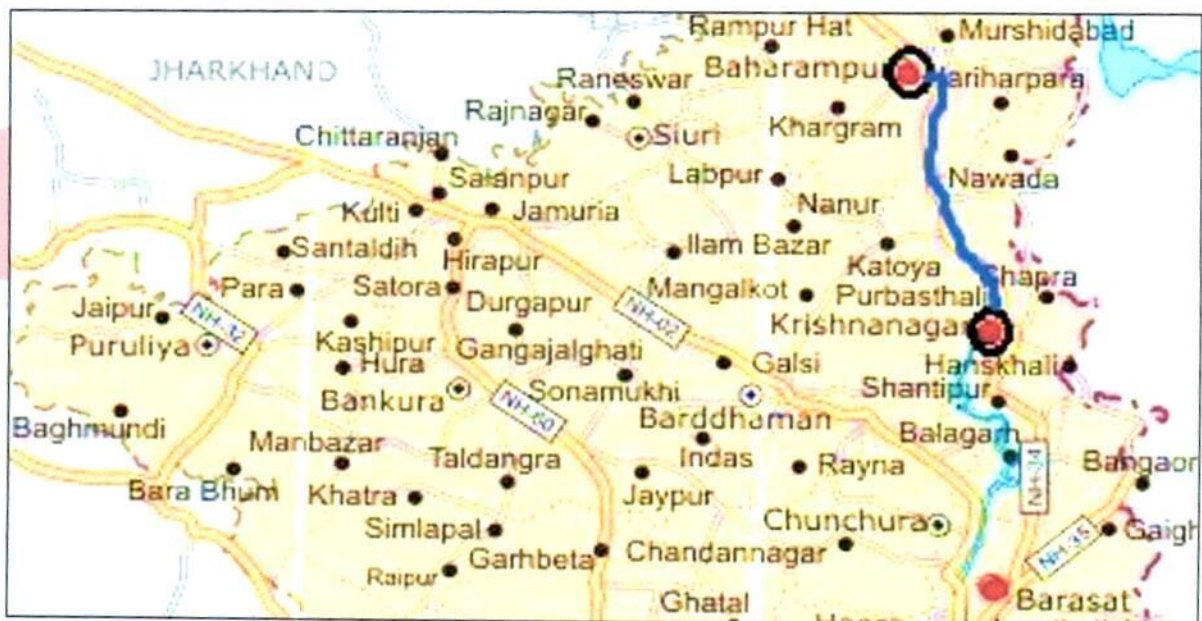
As per the Memorandum of Association SKBHL business activities primarily include the following:

- To Design, Build, Finance, Operate and Transfer of Krishnagar to Baharampore section of NH-34 from km 115.00 to km 193.00 in the state of West Bengal under NHDP Phase III on through a Concession on Build, Operate and Transfer.
- To enter into any arrangement, agreement, contract, sub-contract, lease with NHAI and its affiliate Companies, Partnership Firm, Person or Persons, individual or Group of

individuals in furtherance of objects of the Company, to establish branches, work spots, site offices for purposes of carrying out the objects of the Company.

Thus, as per the Memorandum of Association, SKBHL was duly authorized to implement the proposed Project.

National Highway NH-34 is the principal north-south road transport route from Kolkata to the northern extremities of West Bengal via NH-31, which it joins at Dalkhola some 453 kilometers from Kolkata. The NH-34 road is predominantly a two-lane road throughout which crosses the north-south railway system and other rail routes at numerous locations either at level crossings or at bridges under or over the rail track. The Site of the Four-Lane divided Project Highway comprises the section of National Highway 34 commencing from Km 115.000 to Km 193.000.00 i.e., the Krishnagar - Baharampore section in the State of West Bengal.



The construction work of the company was stopped due to COVID pandemic lockdown being imposed by government across the country. However, the company again started the work on the rest of the project (7.39 Km) from June 2020. The construction works again got hindered by the local land owner on the plea that they didn't receive adequate compensation for their land. Further, the work put on hold till September 2020 due to monsoon season. SEW started de watering of the construction from September 2020.

Again, local villagers' protests occurred on 7th November 2020. The local administration scheduled a meeting between the SEW and local villagers. SEW asked NHAI to provide security for their construction work. However, as per NHAI letter as on 20th Feb 2020, the

company has achieved PCOD w.e.f. 10th Feb 2020 for 65.018 KM out of 76.36 KM. In the audited financial statement of FY 2021-22, Executive Committee NHAI in its 429th meeting held on 15.07.2020 has descope the balance length of 3.962 KM in the district of Nadia and 7.378 KM length in Murshidabad District is work in progress. However, as per the information shared by the client/company, the revised design length is 66.90 KM and the remaining 9.50 KM is to be descope.

Due to above reasons, company has gone under a severe financial stress and company became unable to pay its liabilities on time.

Hence, India Infrastructure Finance Company Limited (IIFCL) has appointed R. K Associates to determine the Enterprise Value of the Company to take appropriate course of action on this account.

3. **TYPE OF REPORT:** It is an Enterprise Valuation report to ascertain the present value of the Company based on the existing projects undertaken by the Company and the risk associated with it.
4. **PURPOSE OF THE REPORT:** To assess & determine Enterprise Value of the existing Project under implementation as a whole as required by the lenders to go into the strategic sale of the Company in open market.
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 SEW Krishnagar Baharampore Highways Limited, the Enterprise Valuation is being calculated by using DCF 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/CCIE proceedings, annuity receivables 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/CCIE proceedings 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: Income based approach Discounted Cash Flow Model (DCF) is being used for the purpose of Enterprise Valuation of the Company.

7. DOCUMENTS / DATA REFERRED:

- Audited Financial Statements and Notes Provided by the Company.
- Provisional Financial Statement for FY 2022-23.
- Concession Agreement, Tripartite Agreement and Indenture of Mortgage document shared by the client.
- Summary of Claims by Company.
- Letters of NHAI, Banks, IE and Company for reference.
- Other documents relevant for the working and inputs.



PART B

COMPANY DETAILS

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

Particular	Details
CIN	U45400TG2011PLC073116
Company / LLP Name	SEW KRISHNAGAR BAHARAMPORE HIGHWAYS LIMITED
ROC Code	RoC-Hyderabad
Registration Number	073116
Company Category	Company limited by Shares
Company Subcategory	Non-govt company
Class of Company	Public
Authorised Capital (Rs)	27,00,00,000
Paid up Capital (Rs)	26,90,60,000
Date of Incorporation	8 th March 2011
Registered Address	6-3-871, Snehalata, Greenlands Road Begumpet, Hyderabad-500016, India
Email Id	cs@sewinfrastructure.com
Whether listed or not	Unlisted
Date of last AGM	30/09/2022
Date of Balance Sheet	31/03/2022
Company Status (for e-filing)	Active

Source: <http://www.mca.gov.in/mcafoportal/companyLLPMasterData.do> & Data provided by client

2. **EXECUTIVE SUMMARY:** As per the concession agreement, the concessionaire and NHAI has been signed the agreement to construct the Four laning of Krishnagar Baharampore Section of NH-34 in the state of West Bengal under National Highway Development Programme (NHDP) Phase III on DBFOT (Annuity) basis dated as on 16th day of June, 2011. SEW Infrastructure Ltd (SIL) emerged as L1 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 SIL on February 21, 2011. As per the LoA, the project will receive an annuity of Rs 61.20 crore in semi-annual instalments from the COD for an operating period of 12.50 Years.

SIL is one of the fastest growing companies in infrastructure and civil engineering space. It was founded by the name of Southern Engineering Works (SEW) in the year 1960 by Sri. Vallurupalli Nageswara Rao, with late Sri. Y. Purnachandra Rao and Sri. Y.M.G. Nageswara Rao as co-founders and was mainly focused on construction of major dams.

SIL was involved in construction of the prestigious Nagarjuna Sagar Dam, Andhra Pradesh and also dams at Tawa, Bargi, Bansagar and Hasdeo Bango in Madhya Pradesh and in masonry work for Srisailem Dam in Andhra Pradesh. In the year 1983, the firm was converted to a Private Limited Company and was named SEW Constructions Ltd.

The name was changed to SEW Infrastructure Limited in 2008. SIL has executed several major projects till date and as on December 2010 had an order book of over Rs.15,511 Crore. A Gold Medal awarded by the Honorable Prime Minister of India in 1967 for achieving record progress of stone masonry at the Nagarjuna Sagar Dam on a single day and a Memento & Scroll of Honor by the Honorable Prime Minister of India in 1992 for the record performance of completing a 33m high Dam near Ujjain (Gambhir dam) in Madhya Pradesh in just 7 months are amongst the notable achievements of the company.

To execute the construction of the Four laning of Krishnagar Baharampore Section of NH-34 in the state of West Bengal under National Highway Development Programme (NHDP) Phase III on DBFOT (Annuity) basis, a SPV, by the name of SEW Krishnagar Baharampore Highways Limited, is being incorporated as a 100% subsidiary of SEW Transport and Networks Limited (STNL is a wholly owned subsidiary of SIL and is vested with road assets of the group). The Concession Agreement (CA) was signed between SKBHL, as the Concessionaire, and NHAI on or before April 07, 2011 (45 days from LOA).

SEW Krishnagar Baharampore Highways Limited, a company incorporated under the provisions of the Companies Act, 1956 and having its registered office at 6-3-871, Snehalata, 1st Floor, Greenlands Road, Begumpet, Hyderabad-500016, Andhra Pradesh.

The concessionaire has not been able to complete the construction of the project in accordance with the concession agreement and the project did not achieve Commercial Operation Date (COD) in accordance with the provision of the concession agreement.

For that reason, a Tripartite agreement has been made among National Highway Authority of India (NHAI) and State Bank of India (Lender's representative and the Escrow Bank) and M/s SEW Krishnagar Baharampore Highways Limited (As Concessionaire) dated as on October 21, 2016 at New Delhi.

The Concessionaire has raised debt from the senior Lender under the common loan agreement dated as on November 23, 2011 executed amongst the Senior Lender and the Concessionaire, for an aggregate principal amount not exceeding Rs 600.32 Crore.

The concessionaire has accepted, agreed that it require an amount equivalent to Rs 475 Crore for completing the balance work of developing the project Highway (including balance equity of Rs 40 Crore to be infused by the promoters) and also funds equal to an amount of interest to be paid on the facility during the Construction Period referred to as the Balance Project Cost (BPC).

In view of liquidity issue and inability of shareholder of the concessionaire to contribute funds towards Equity in a timely manner, the Concessionaire approached NHAI for availing NHAI'S One time Funds Infusion Scheme (OTFIS) for completion of Project Up to Rs 404.10 Crore to enable the Concessionaire to complete the balance work of Construction of the Highway project.

As on February 10, 2020 PCOD Certificate has been issued by Independent Engineer for 65.018 km Krishnagar-Bahrampore section of NH- 34 (76.36 km of Design length).

As per latest update available in the audited financial statements for the FY 2021-22, Executive Committee NHAI in its 429th meeting held on 15.07.2020 has descope the balance length of 3.962 KM in the district of Nadia and 7.378 KM length in Murshidabad District is work in progress.

REASON FOR DELAY: Due to countrywide lockdown imposed by the government of India to curb the Covid- 19 pandemic in the month of June 2020, M/s SKBHL resumed the initial works in the available stretches of 7.39 Km. The ongoing works were physically stopped by the local land owner on the plea that they have not received the suitable compensation & the same was reported to the authority. The Authority then attempted to take up the Eviction drives but could not progress due to the stringent & violent protests by the local villagers.

SKBHL asked form NHAI to provide security for their construction work. SKBHL told to the Authority that any delay in the construction will lead to huge losses due to idling of the resources of the company. Concessionaire are ready with machinery and man power requested to expedite the handing over of 7.39 km stretch free of encumbrance without further delay as they are incurring huge losses due to prolonged idling of the huge resources.

REASON FOR FINANCIAL STRESS: The construction work of the company was stopped due to COVID pandemic lockdown being imposed by government across the country. However, the company again started the work on the rest of the project (7.39 Km) from June

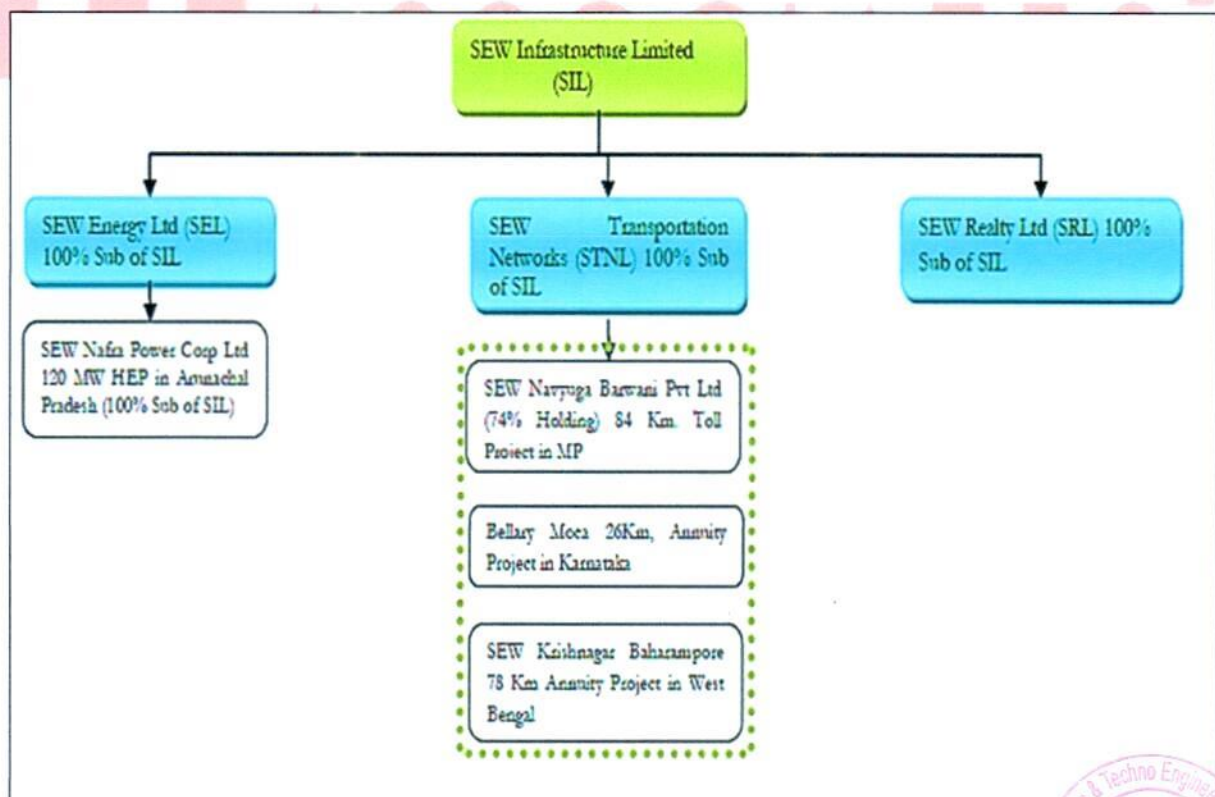
2020. The construction works again got hindered by the local land owner on the plea that they didn't receive adequate compensation for their land. Further, the work put on hold till September 2020 due to monsoon season. SEW started de watering of the construction from September 2020.

Again, local villagers' protests occurred on 7th November 2020. The local administration scheduled a meeting between the SEW and local villagers. SEW asked NHAI to provide security for their construction work. However, as per NHAI letter as on 20th Feb 2020, the company has achieved PCOD w.e.f. 10th Feb 2020.

Due to above reasons, company has gone under a severe financial stress and company became unable to pay its liabilities on time.

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

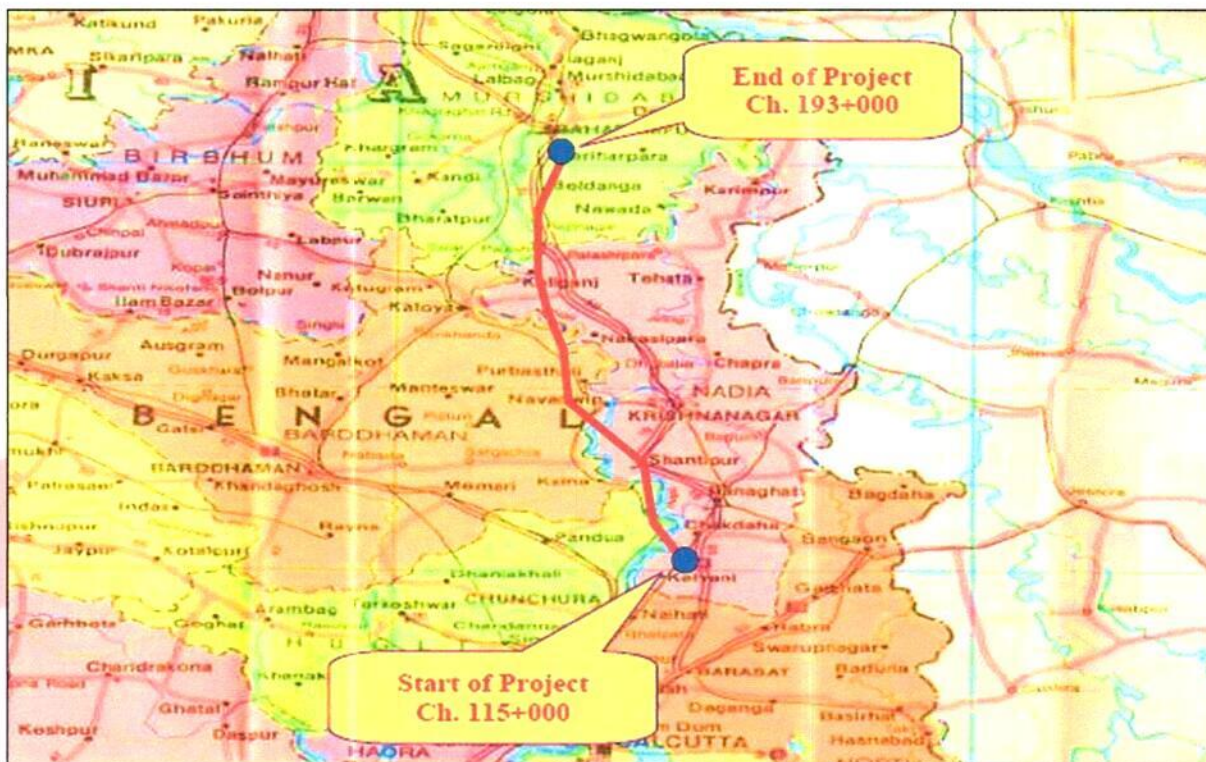
3. GROUP STRUCTURE OF SEW INFRASTRUCTURE LIMITED (SIL):



SEW Infrastructure Limited (SIL) is promoters of three company with 100% subsidiary names are SEW Energy Ltd (SEL), SEW Transportation Network (STNL) and SEW Realty Ltd (SRL).

M/s SEW Krishnagar -Baharampore Highways Limited is a subsidiary company of SEW Transportation Network (STNL) and referred to as special purpose vehicle (SPV) after concession agreement.

4. **PROJECT CORRIDOR AND LAYOUT PLAN:** Road map of the highway to be constructed as per the agreement has been attached in the picture below:



EPC PROJECTS UNDER DEVELOPMENT

Project Name	Work Location and Address	Status of the Project as on 10.10.2023
Krishnagar Baharampore Highway Limited	Four-Laning of Krishnagar-Baharampore section of NH-34 from km 115.000 to km 193.000 in the State of West Bengal	As per the information shared by the client/company, the revised design length is 66.90 KM and the remaining 9.50 KM is to be descoped.

Historical Financial Performance: The financial performance of the Company from Financial Year 2018-19 to FY 2022-23 are provided below: -

(Figures in Rs. Crores)

Particulars	Mar 2019	Mar 2020	Mar 2021	Mar 2022	Mar 2023
Total Income	144.85	51.37	137.65	253.25	96.10
Total Expenditure	111.91	15.20	172.47	435.99	71.06
EBITDA	32.94	36.17	-34.82	-182.74	25.04
EBITDA %	22.74%	70.41%	-25.30%	-72.16%	26.06%
Depreciation & Amortization	0.10	0.11	-	-	-
EBIT	32.84	36.06	-34.82	-182.74	25.04
EBIT %	22.67%	70.20%	-25.30%	-72.16%	26.06%
Finance Cost	126.29	123.12	114.81	137.82	79.87
Profit Before Tax	-93.45	-87.06	-149.63	-320.56	-54.83
PBT %	-64.51%	-169.49%	-108.71%	-126.58%	-57.06%
Less: Tax expense	-	-	-	-	-
Profit After Tax	-93.45	-87.06	-149.63	-320.56	-54.83
PAT %	-64.51%	-169.49%	-108.71%	-126.58%	-57.06%

Source: Previous Financial Statements provided by the Company

5. **DEBT OUTSTANDING:** As per information/data provided by client/company, below table shows the lender wise details of outstanding debt of the company as on 4th October 2023:

Lender	Sanctioned Amt. (INR Crore)	Disbursed Amount (INR Crore)	% Share
ACRE-141-Trust (State Bank of India)	200.3	199.9	33.5%
ACRE-141-Trust (Indian Bank)	75.0	74.8	12.6%
ACRE-141-Trust (Indian Overseas Bank)	50.0	49.9	8.4%
ACRE-141-Trust (Union Bank of India)	75.0	71.6	12.0%
ACRE (Aggregate)	400.3	396.2	66.5%
ICICI	100.0	99.8	16.7%
IIFCL	100.0	99.8	16.8%
Total	600.32	595.8	100.0%

6. **CAPITAL STRUCTURE:** As per provisional financials as on 31st March 2023, the company is having an authorized share capital is Rs. 27,00,00,000 and its paid-up capital is Rs. 26,90,60,000. Details of Equity Share capital shown in the below table:

Particular	As at 31 st March 2023
Authorised: Equity Share of Rs 10 each/-	INR 27.00 Crore
Issued, Subscribed & Paid-up: Equity share of Rs 10 each/- Fully paid up	INR 26.90 Crore

7. SHAREHOLDING PATTERN: The Shareholding Pattern of the company as follows:

Shareholding Pattern of M/s. SEW Krishnagar Baharampore Highways Limited			
S. No.	Name of the Shareholder	No. of Equity Shares of Rs. 10/- each	% of holding
1.	SEW Transportation Networks Limited ('STNL')	2,69,06,000	100.00%
	TOTAL	2,69,06,000	100.00%

Source: Data provided by the Company

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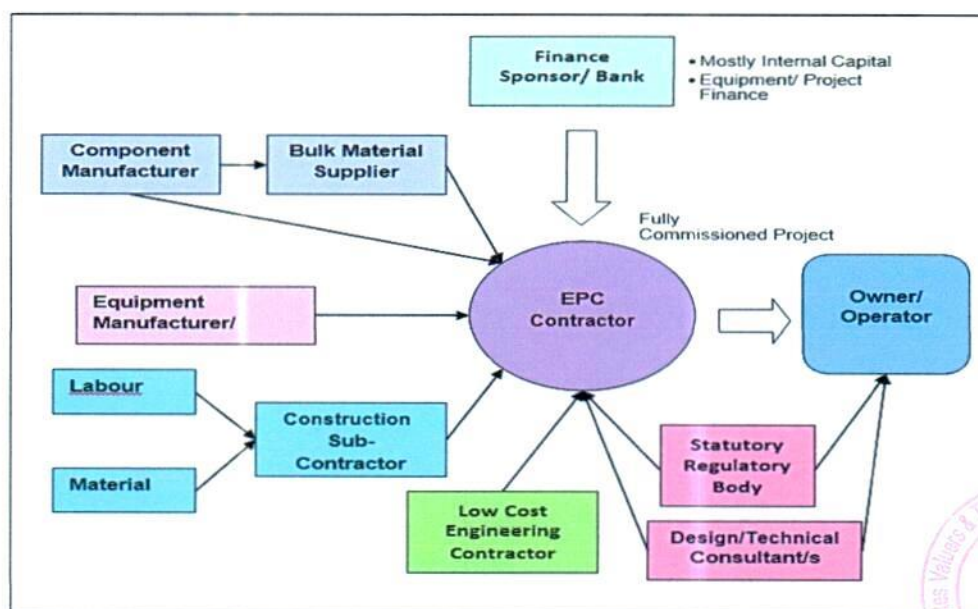
PART C

PROJECT ASSESSMENT

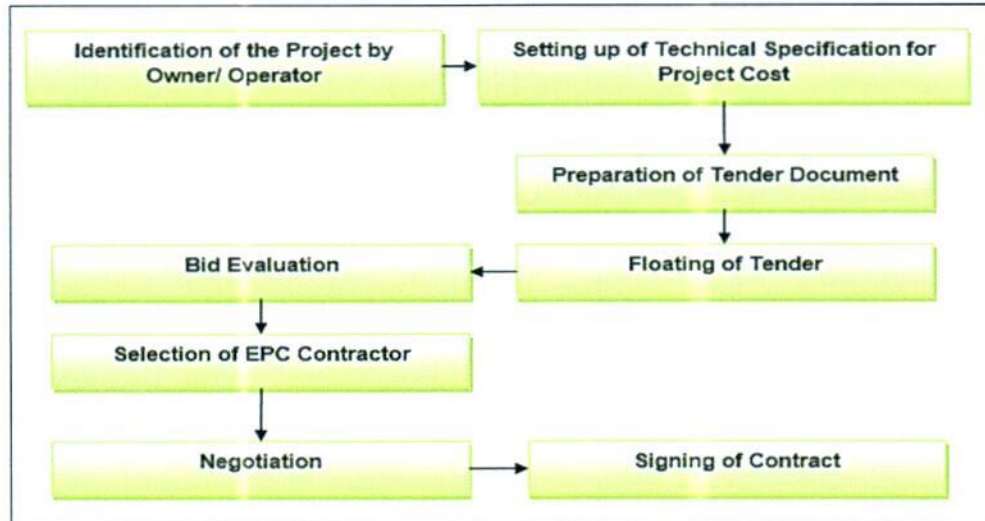
- 1. INTRODUCTION:** Engineering procurement and construction (EPC) contracts are the most common form of contracts used to undertake construction works by the public and private sector on large scale and complex infrastructure projects, such as power plants, petroleum and LNG terminals, steel mills, roads, bridges etc. Under an EPC contract a contractor is obliged to deliver a complete facility to a developer who needs only turnkey to start operating the facility; hence EPC contracts are sometimes called turnkey construction in contracts. In addition to delivering a complete facility, the contractor must deliver that facility for a guaranteed price by a guaranteed date and it must perform to the specified level. Failure to comply with any requirements will usually result in the contractor incurring monetary liabilities.

EPC PROCESS: The most modern variation is called EPCM that is engineering, procurement, construction and management. On a global level, construction industry has completely adopted the EPC contracts and the EPC contractors have limited the otherwise predominant role of engineering consultants. These EPC firms are ready to take the risks associated with managing a project and possess procurement and project.

Competitive forces are driving consolidation of construction in the EPC industry and leading to alliances among the large players. EPC contracts may vary in the basis of assignment of responsibility and related penalties. The relationship between different constituents of the industry is very flexible as shown in the exhibit below.



The process of appointing EPC Contractor has been provided in the exhibit below:



2. TYPE OF EPC CONTRACTS: Based on these linkages' constituents, various project delivery mechanisms have been devised. The size and nature of the project also influences the choice of the project delivery mechanism. The different types of contracts are as given here:

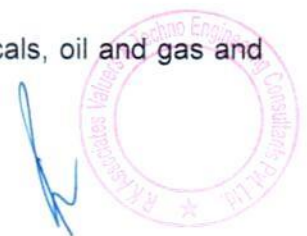
a) Engineering, Procurement and Construction (EPC)

- Complete single point responsibility
- Fixed time fixed price contracts, heavy penalties for non-performance
- Escalation possible by mutual consent

b) Lump-sum Turnkey (LSTK)

- Preferred for power and industrial projects
- Engineering Procurement Construction Management (EPCM)
- Responsibility for placement of order for equipment and payment lies with the promoters.
- Fixed time–fixed price contracts
- Lower penalties relative to EPC for non-performance
- Preferred for very large projects in sectors such as petrochemicals, oil and gas and steel

c) Turnkey



- Responsibility to implement complete project
- Fixed price as well as cost plus contracts are possible
- Contractor need not have financial capability
- Preferred for medium and small projects

d) Engineered Packages Route

- Promoter breaks up the project into packages
- Turnkey supply of packages
- Promoter is responsible for project co-ordination

e) Item Rate Contract

- This is the most prevalent contractual mechanism in which: -
- The owner through an appointed consultancy organization does the Engineering.
- Bill of qualities is furnished and tenderer is required to quote the price item-wise.
- The contractor need not have large financial capability in this case.

3. EPC CONSTRUCTION RISK MANAGEMENT: Often EPC construction contemplates a turnkey approach to project delivery. In other words, the project owner or employer will look to the EPC contractor as the single point of contact for all facets of the project, from basic design through commissioning and start-up of the facility.

EPC projects offer a mutually beneficial and exciting form of project delivery for both the owner and the contractor. But, with the EPC contract come many new risks that are often severe due to the complex nature and high cost frequently associated with this type of project. Understanding these risks and some of the other unique characteristics of EPC contracting its critical to a successful project where both the owner and the contractor obtain the high rewards for the risk.

Project owners have attempted to shift more risk to the contractor, understanding at least theoretically, that this risk allocation carries a higher price tag. Some important features that differentiate risk in an EPC contract as compared to regular contracts can be seen below:

- Risks traditionally assumed by the owner in design-bid-build and design build contracts may no longer fall under the owner's umbrella of responsibility. For example, the contractor

may be required to assume the risk of unforeseen site conditions and may be responsible for events that would traditionally be viewed as force majeure (i.e., beyond the control of either party).

- The greatest risk for the contractor in entering into the EPC contract is not necessarily anything inherent in the EPC form of contracting. Instead, the problems most frequently arise when the contractor commits to a lump sum or fixed price. Despite the inherent risks to the contractor, the project owner cannot assume that lump pricing insulates him from all cost overruns. There are always activities on a project that interfaced business processes such as marketing, sales and customer services. After each phase, reviews are also undertaken.

At the initial stage a strategic review is carried out of the works to be carried out. This is followed by the "offer kick off, which is in the form of proposals submitted by the EPC contractor, defining how and at what price the project should be undertaken. After the contract agreement, review is conducted to ascertain whether the engineering by the contractors conforms to the contractual obligation.

Development Phase

The development phase is the first stage of the EPC project process and covers the important aspects of engineering. This can be viewed as an extension of the planning process. The engineering process produces a range of deliverables, which includes –

- Feasibility Study
- Estimates
- Designs
- Drawings
- Specifications
- Data sheets

Tests Results

Having made a decision to execute the process on EPC turnkey basis, the employer appoints a consultant and states his requirements in the form of a design brief. The consultant then expands the design brief into a more explicit employer's requirement, taking into account the project development phase during which the design responsibility is handed over to the contractor.

Financing Stage

The employer has to achieve financial closure, which involves the promoters bringing in their own funding in the shape of equity as well as organizing loans. This should ideally precede or proceed with parallel with the EPC negotiation process.

Bidding Award of Contract

Having made a decision to benefit from a contractor's expertise and experience by selecting the EPC Turnkey approach the Employer, usually in collaboration with his chosen consultant, will, first of all, express his requirements in the form of a design brief. The consultant, normally employed to oversee the project, advises the Employer from the conceptual stage of the project and is then involved in expanding the brief in to the more explicit "Employer's Requirements" taking into consideration, up to what stage it has been decided that the design responsibility should be taken over by the successful contractor.

The consultant, with or without the aid of the Employer, will then incorporate the Employer's requirements into bid documents for presentation to various prequalified bidders before finally being involved in the technical and financial assessment of the successful contractor's bid in response to the same. It can be seen, therefore, in reality that in EPC Turnkey projects contractors may have to assume responsibility for completing and/or developing an incomplete design at any time from briefing onwards.

Negotiating Stage

The consultant incorporates the employer's requirements into the bid documents and brings out a notice for prequalification. This is done so that only established parties are short listed as bidders. Thereafter, a notice inviting tenders (NIT) is issued by the consultant on the employers' behalf. The short-listed contractors are then required to submit a two-part proposal. The technical part contains details of all deliverables and processes. Those technical bids that are found satisfactory are put through the commercial bidding process. The price of the bids finally determines the contract award.

Contract Agreement

After the contract has been awarded, the two parties, that is, the contractor and the employer, sign the contract agreement. The contract includes the following aspects to be covered.

- The time and the mode of payment of the works.
- It also consists of the warranty terms and tenure in addition to the damages that would be payable if the contractor deviates from the contract in terms of specified design or commissioning schedule etc.

- The contract also covers the interest payable to the turnkey contractor in case the employer is not able to release funds in time.

Design and Manufacture of Equipment

Once the contract has been signed, the selected EPC contractor assumes his responsibility for satisfying employer's requirements. Verifying does this first the incomplete bid package or basic design and then expanding this design into a complete description of the required project in the form of residual and detailed design, engineering drawings, diagrams, specifications, purchase orders and other specified matters.

Procurement

After the completion of all design related parameters, the procurement process begins. The contractor is responsible for supplying all the equipment and procuring all the equipment from the vendors. In this process, the EPC contractor also assumes responsibility for inventory and materials management.

Procurement becomes important because it is here that project management can be most effective in cutting time without compromising quality. For this, either the EPC contractor puts together a separate team or hires a project management.

Construction

Once the project and related subsystem have been designed, manufactured and supplied, construction begins. This includes pre-installation, civil construction as well as installation of the project at the identified site.

Training

In an EPC contract, it is also the responsibility of the EPC contractor to impart training to a team of engineers or other technical staff of the employer at the site during the pre-commissioning and commissioning of the project. In addition, training programs are also arranged at the supplier's works.

Commissioning and Handing Over

This is the final stage of the EPC contract. Once the pre-commissioning and commissioning trials of the individual equipment and of overall systems are complete, the contractor has to commission the contract as per the term of the contract. The contractor has to conduct the trial run or the reliability run— trials at full load, varying loads etc. for a period defined by the contract. Following this demonstration, the project is handed over to the owner.

PART D

INDUSTRY OVERVIEW

- 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 crores, including Rs. 15,000 crores 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 contracts 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

FINANCIAL ANALYSIS

1. **HISTORICAL FINANCIAL PERFORMANCE:** As per information provided by the client/company, Below table shows the historical Financial Performane of the company from FY 2018-19 to FY 2022-23:

(Figures in INR Crores)

Particulars	Mar 2019	Mar 2020	Mar 2021	Mar 2022	Mar 2023
Total Income	144.85	51.37	137.65	253.25	96.10
Total Expenditure	111.91	15.20	172.47	435.99	71.06
EBITDA	32.94	36.17	-34.82	-182.74	25.04
EBITDA %	22.74%	70.41%	-25.30%	-72.16%	26.06%
Depreciation & Amortization	0.10	0.11	-	-	-
EBIT	32.84	36.06	-34.82	-182.74	25.04
EBIT %	22.67%	70.20%	-25.30%	-72.16%	26.06%
Finance Cost	126.29	123.12	114.81	137.82	79.87
Profit Before Tax	-93.45	-87.06	-149.63	-320.56	-54.83
PBT %	-64.51%	-169.49%	-108.71%	-126.58%	-57.06%
Less: Tax expense	-	-	-	-	-
Profit After Tax	-93.45	-87.06	-149.63	-320.56	-54.83
PAT %	-64.51%	-169.49%	-108.71%	-126.58%	-57.06%

EBIT Margins and Net Profit Margins are continued declining and negative from FY 2018-19 to FY 2022-23 due to higher finance costs and higher expenditure. Below is the graphical representation of the key financial indicator of the company:



- 2. PROJECTED PROFIT & LOSS STATEMENT (FROM FY 2023-24 TO FY 2027-28):** Financial projections of the company have been estimated based on the data/ information/ inputs provided by the Company Officials and the assessment & analysis conducted by us, by way of several different financial indicators and assumptions.

The enterprise valuation has been done by us only based on the active M/s Krishnagar Baharampore Highway Construction. No hypothetical assumption has been made by us for any new projects to be taken by the Company in future. Below table shows the projected Profit and Loss Account of the company:

(Figures in INR Crore)

Year	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Annuity Payments	223.99	122.40	122.40	122.40	91.80
Annual Net Recovery of Claims by SKBHL	28.33	28.33	37.77	47.21	47.21
Total Revenue	252.32	150.73	160.17	169.61	139.01
Major Maintenance	45.00	40.00	-	-	-
Routine Maintenance	11.09	11.65	12.23	12.84	13.48
Employee Benefit	0.55	0.61	0.67	0.74	0.81
Other Expenses	25.23	15.07	16.02	16.96	13.90
Total Expenses	81.88	67.33	28.91	30.54	28.19
EBITDA	170.44	83.40	131.25	139.07	110.82
EBITDA Margin %	67.55%	55.33%	81.95%	82.00%	79.72%
Dep & Amortization	0.08	0.08	0.08	0.08	0.08
EBIT	170.36	83.32	131.17	138.99	110.73
EBIT Margin %	67.52%	55.28%	81.90%	81.95%	79.66%
Finance Cost	70.30	59.19	46.77	32.88	17.36
Profit before taxes	100.05	24.12	84.40	106.11	93.38
Taxes	25.18	6.07	21.24	26.70	23.50
PAT	74.87	18.05	63.16	79.40	69.88
PAT Margin %	29.67%	11.98%	39.43%	46.81%	50.27%



PART F

VALUATION OF FIRM

1. METHODOLOGY/ MODEL ADOPTED: M/s SEW Krishnagar Baharampore Highway Limited has significant Cash Flows arising from Annuity payments from NHAI. Further, we have used Discounted Cash Flow (DCF) methodology for the purpose of calculating PV of the future cash flows of the company.

- The free cash flow method is similar to the method used for public companies.
- FCFF is more practical when substantial capital changes are expected because weighted average cost of capital (WACC) is less sensitive to the cost of equity.

Rationale for using FCFF Model for the Enterprise Valuation:

- The 3 Broad Model of Company Valuation are - Present Value (Discounted Cash Flow Models), Asset Based and Market Multiple.
- Asset Based Model is inappropriate as the Company is a going concern and the model is unable to capture the Value of the company.
- Market Multiple Approach is also not suitable as the company is not listed and no proper similar recent comparable transactions are available.
- Therefore, the most appropriate Model left to Value the subject Company will be using the DCF model.
- The DCF Model gives us a variety of input options to use while calculating the Value of the firm - Dividend, Free Cash Flow to the Firm, Free Cash Flow to Equity, Capitalized Cash Flows and Residual Earnings.
- 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.
- The best method input option for the DCF Model in the case of the subject company will be generating FCFF as it represents the benefits accruable to all the stakeholders in the Business/ enterprise.



FCFF Model Formula and Key Inputs:

$$\text{Firm Value} = \sum_{t=1}^n \frac{\text{FCFF}_t}{(1 + \text{WACC})^t} + \frac{\text{FCFF}_{n+1}}{(\text{WACC} - g)} \frac{1}{(1 + \text{WACC})^n}$$

- a) **Free Cash Flow to Firm (FCFF)** – FCFF is the cash available to pay investors after a company pays its costs of doing business, invests in short-term assets like inventory, and invests in assets like property, plants and equipment.

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

- b) **Weighted Average Cost of Capital (WACC)** - The weighted average cost of capital (WACC) is the rate that a company is expected to pay on average to all its security holders to finance its assets. The WACC is commonly referred to as the firm's cost of capital. WACC is used as the discount rate to discount FCFF.

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

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

2. CALCULATION OF PRESENT VALUE OF FREE CASH FLOW TO FIRM:

(Figures in Crores)

Year	FY 2024 E	FY 2025 E	FY 2026 E	FY 2027 E	FY 2028 E
EBITDA	170.44	83.40	131.25	139.07	110.82
Free Cash Flow to firm	170.44	83.40	131.25	139.07	110.82
Period	0.47	1.47	2.47	3.47	4.47
Discount Factor	0.9101	0.7459	0.6114	0.5012	0.4108
PV of FCFF	155.11	62.21	80.25	69.70	45.52
EV of M/s SKBHL	367.27				

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

Particular	Input
Valuation Date	10 th October 2023
Weighted Average Cost of Capital	15.00%
Company Risk Premium	7.00%
Discount Rate	22.00%

4. ENTERPRISE VALUE OF THE COMPANY:

ENTERPRISE VALUE OF THE FIRM
INR THREE SIXTY-SEVEN CRORE AND TWENTY-SEVEN LAKHS (367.27 Crores)

5. KEY ASSUMPTIONS AND WORKINGS:

- a) **REVENUE/ INCOME:** Revenue of the company is calculated on the basis of the annuity payments from NHAI to the SEW Krishnagar Baharampore Highways Limited and claims submitted by the company to Independent Engineer as per letter No. SKBHL/NHAI/1279 shared by client with us. Annuity payments of 61.20 Crore is to be paid on half yearly basis which accounts for INR 122.40 Crore annual payments to the company.

Year	FY 2024 E	FY 2025 E	FY 2026 E	FY 2027 E	FY 2028 E
Annuity Payments	223.99	122.40	122.40	122.40	91.80
Annual Net Recovery of Claims / CCIE Proceedings	28.33	28.33	37.77	47.21	47.21
Total Revenue	252.32	150.73	160.17	169.61	139.01

Below table shows the details of expected Annuity receivables of the company:

Financial Year	Annuity	Amount (Crore)	Total Receivables
2023-24	3.66	61.20	223.99
2024-25	2.00	61.20	122.40
2025-26	2.00	61.20	122.40
2026-27	2.00	61.20	122.40
2027-28	1.50	61.20	91.80
Total	11.16		682.99

Company is expectedly receiving 3.66 annuity initially (7th and 8th annuity + 1.66 missed annuity), 2 annuities in the later years up to FY 2026-27 and 1.5 annuity in the FY 2027-28 as the concession period will be over.

As per information provided by bank/client, below table shows the summary of claims by the company submitted to IE letter no. SKBHL/NHAI/1279 as on 26th Aug 2020:

Summary of Arbitration Claims / CCIE Proceedings				
S. No.	Claim	Amount	Remark	Current Status
1.	Extension of Time	-	All elapsed time from AD up to PCOD + 10 months from the date of handing over of balance land	IE vide letter no. 4249 dated 23 rd June 2020 replied that there are no changes in their previous recommendation.
2.	Missed Annuities	343.94*	Out of total 11.2 Annuities from SPCD to PCOD, 5.62 yet to be recommended	IE vide letter no. 4277 dated 4 th July 2020 replied that there are no changes in their previous recommendation.
3.	Increase in interest on debt during construction	(337.76 + 45.45) = 383.21**	Ref. No. 910	No reply received from IE
4.	Increase in overhead	60.93	Ref. no. 911	No reply received from IE
5.	Increase in capital cost on account of inflation	127.39	Ref. no. 915	No reply received from IE
6.	Maintenance of existing road during extended period	1.22	Ref. no. 909	IE vide letter no.4292 dated 8 th July 2020 reply that they cannot recommend this amount to the authority
7.	Additional expenditure for IE supervision charges	2.07	Above the Concession Agreement limit	IE vide letter no. 4301 dated 14 th July 2020 agreed to the concessionaire's contention. But vide letter no. 4312 dated

	during extended period		expenditure – Ref. no. 906	23 rd July 2020 recommended deduction from 1 st annuity payment towards interest an amount INR 1, 35, 97,670 on the pending amount which is disagreed by company.
8.	Loss of profit	259.84	Ref. No. 919	No reply received from IE
9.	Change in Law- GST	17.53	Up to Oct 2019, Ref. no. 913	IE vide letter no. 4397 dated 10 th July 2020 stated that they had already recommended this issue to the authority vide letter no. 3660 dated 9 th May 2019. Finance division of NHAI HQ rejected this ref. letter no. 18773 dated 25 th July 2019 from PD/NHAI.
10.	Change of scope	34.986	Waiver of negative COS recovery amounts also requested in addition, Ref. no. 912	IE vide letter no. 4319 dated 24 th July 2020 reiterated the earlier stand of IE/Authority
11.	Deductions from the 1 st annuity	177.61	Ref. point no. 3 above	-
12.	Interest on Claims 2, 4, 5, 6, 8, 9, 10 and 11 above	41.47		
13.	Additional cost of works	30.92		
	Total	1481.12	-	-

*Excluding the payment of amount for 1.66 annuities recommended by the IE vide letter no. 3517 dated 15th Feb 2019, yet to be approved by the authority, which is included on S.no.11 above.

**Interest on OTFIS funds of INR 45.45 Cr. Up to PCOD as calculated by the IE vide letter no. 4312 dated 23rd July 2020 is also added as mentioned in our letter no. 910 dated 2nd July 2020. Hence as per the above-mentioned claims, we have calculated the realizable value of the claims as shown below and recoverable amount is being distributed Y-o-Y basis:

CALCULATION OF CLAIMS	
Particulars	Amount (INR Crore)
Summary of claims submitted to IE	1481.12
Considered factor for realization of claims	15%
Net Claims	222.17

Particular	Cost	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
% Expected Recovery		15%	15%	20%	25%	25%
Gross Expected Recovery		33.33	33.33	44.43	55.54	55.54
Recovery Cost	10%	3.33	3.33	4.44	5.55	5.55
Legal Cost	5%	1.67	1.67	2.22	2.78	2.78
Net Recovery		28.33	28.33	37.77	47.21	47.21

b) Expenses:

- **Major Maintenance Expenses:** As per the information provided by the client/company, major maintenance expenditure of approx. INR 85 Crore needs to be incurred after 5th year and 10th year from the PCOD date. Accordingly, the same is distributed into FY24 and FY25 as INR 45 Crores and INR 40 Crores respectively.
- **Routine & Periodic Maintenance Expenses:** First year Routine and Periodic Maintenance expenditure is calculated for 12 months. For the next upcoming years, the expenditure will calculate for 12 months. Routine and maintenance expense is calculated using the rate of INR 1,19,351/ per Km per month as on 31st March 2021. An annual increment of 5% is applicable on the Routine Maintenance Expenses. The design length of the project is 66.90 KM as per the information shared with us. Thus, the annual routine maintenance expense during the projected years is as follows:



Particulars	31-03-2024	31-03-2025	31-03-2026	31-03-2027	31-03-2028
R&P Maintenance Expense for 12 months	11,09,17,819	11,64,63,710	12,22,86,896	12,84,01,241	13,48,21,303
Rate/per Km per month	1,38,164	1,45,072	1,52,325	1,59,942	1,67,939

- c) **Depreciation:** The SLM method is used for the Assets held with the company with a gross block of 96.76 lakhs as 31st March, 2021. The tabular representation for the same is shown below:

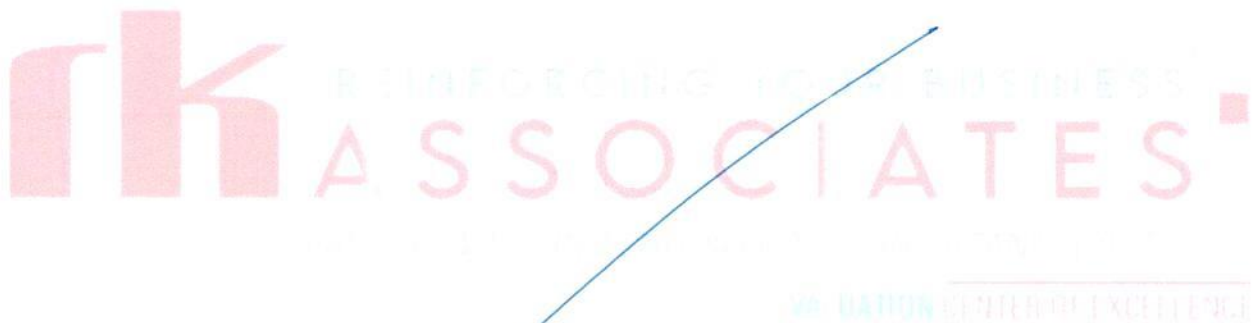
(In INR Crores)				
Year	Opening Balance	Depreciation %	Depreciation	Closing Balance
2024	41.65	20.00%	8.33	33.32
2025	33.32	20.00%	8.33	24.99
2026	24.99	20.00%	8.33	16.66
2027	16.66	20.00%	8.33	8.33
2028	8.33	20.00%	8.33	-

- d) **Provision for Tax:** The Company would be liable to pay tax at an effective rate of 25.17%.
- e) **Operating Expenses:** Employee Benefit Expenses have been taken at a 10% increment rate on the previous year's expense. Other expenses have been considered as 10% of the revenue for the year.
- f) **Discount rate:** WACC is being considered as 15% and 7% company risk premium is added to it, as any kind of investor will be requiring a reasonable return during making investment in this risky account, hence a reasonable risk adjusted required rate of return of 22% is being considered as discount rate to calculate the present value of Futuristic economic benefits of the company i.e., Free cash flow to firm.
- g) Cash EBITDA is being considered as the proxy of free cash flow as per the industry best practice because there would be no capex as company has already achieved COD and this cash EBITDA is the free hand cash which company is expected to get in future up to end of concession period.
- h) Thus, based on the above assumptions we have derived a reasonable Business/ Enterprise value of M/s SKBHL as **INR 367.27 Crore**.

Hence, the calculated Fair Market Value/Enterprise Value of M/s SEW Krishnagar Baharampore Highways Limited is INR 367.27 Crores, subject to the current micro & macro-economic assumptions, market, industry trends and inputs used during the forecasted period, as well as the growth rate and WACC used to calculate the EV. The revenue earned in each projected years include the expected realization of arbitration claim/CCIE proceedings as per the data/information shared with us by client/company, the net recovery of these claims is assumed to be recoverable in five years, considering the project is terminated.

- We have performed the valuation of M/s SEW Krishnagar Baharampore Highways Limited for State Bank of India in January 2022. The enterprise valuation of M/s SKBHL as per the valuation report dated 06th January 2022 was INR 292.89 Crores. After the submission of report, a request of modification was made by the client due to the availability of new information/data related to the arbitration claims of INR 1408.28 crores filed by the company & update related to annuity payments shared by banker. Thus, the modified valuation report with enterprise value of INR 374.59 Crores was submitted to the client/bank.
- This valuation has been done based on the annuity receivables and arbitration claims/CCIE proceedings 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, assumptions and observed activity of the company.
- Arbitration method has been adopted to calculate the expected annual realizability of the Arbitration Claims / CCIE Proceedings subject project since the project is categorized as NPA and as per the information provided by the client/company, the future operation of the company is uncertain as financial institution is looking to take an appropriate action to recover its amount.
- 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.
- 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.
- 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	i. Since this is Enterprise Valuation hence no site inspection was carried out by us.
	ii. The undersigned does not have any direct/indirect interest in the above property.
	iii. The information furnished herein is true and correct to the best of our knowledge.
	iv. This valuation work is carried out by our Financial Analyst team on the request from M/s India Infrastructure Finance Company Limited (IIFCL), 5 th Floor, Office Block-2, Plate A & B, NBCC Tower, East Kidwai Nagar, New Delhi – 110023.
	v. We have submitted Valuation report to the Client.
Name & Address of Valuer company	
M/s R.K. Associates Valuers & Techno Engineering Consultants Pvt. Ltd. D-39, Second Floor, Sector-2, Noida, UP-201301 India.	
Signature of the authorized person	
	
Number of Pages in the Report	45
Financial Analyst Team worked on the report	PREPARED BY: Mr. Rachit Gupta
	REVIEWED BY: Mr. Gaurav Kumar

For R.K Associates Valuers & Techno

Place: Noida

Engineering Consultants (P) Ltd.

Date: 10th October 2023


 (Authorized Signatory)

Valuations

PART G

IMPORTANT DEFINITION

Definitions:

- **Enterprise Value:** Enterprise value (EV) is the corporate valuation of a company, determined by using market capitalization and total debt. Market cap comprises preference stocks, common stocks, and minority interest; total debt comprises short-term and long-term liabilities of the company. Enterprise value (EV) refers to the overall valuation—equity, debt, cash, and cash equivalents. In other words, it is the cost of acquiring a firm. The EV/EBITDA is an enterprise multiple. It correlates EV with earnings before interest, taxes, depreciation, and amortization. The metric determines whether the firm is undervalued or overvalued.

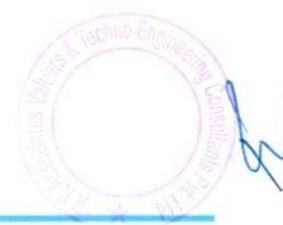
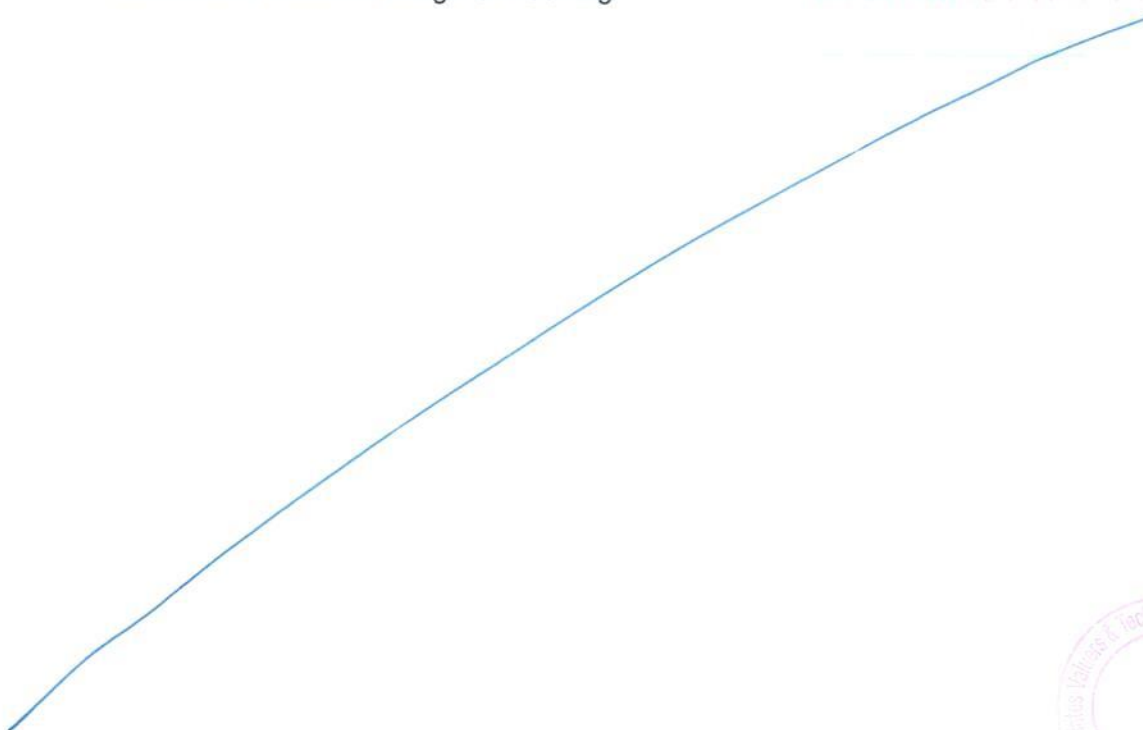
EV is computed using the following formula: $EV = (\text{Market Capitalization} + \text{Market Value of Debt} - \text{Cash and Equivalents})$.

- **Fair Market Value** suggested by the competent Valuer is that prospective estimated amount in his expert & prudent opinion of the subject asset without any prejudice after he has carefully & exhaustively evaluated the facts & information came in front of him related to the subject asset at which the subject asset should be exchanged between a willing buyer and willing seller at an arm's length transaction in an open & unrestricted market, after proper marketing, wherein the parties, each acted knowledgeably, prudently and without any compulsion on the date of the Valuation.

Forced, under compulsion & constraint, obligatory sales transactions data doesn't indicate the Fair Market Value.

- **Realizable Value** is the minimum prospective estimated value of the Company which it may be able to realize at the time of actual transaction factoring in the potential prospects of deep negotiations carried out between the buyer & seller for ultimately finalizing the transaction across the table. Realizable value may be 10-20% less than the Fair Market Value depending on the various salability prospects of the subject asset and the needs of the buyer & the seller.
- **Forced/ Distress Sale Value** is the value when the company has to be sold due to any compulsion or constraint like financial encumbrances, dispute, as a part of a recovery process, legal issues or any such condition or situation. In this type of sale, minimum fetch value is assessed which can be 15-25% less than the estimated Fair Market Value. In this type of sale, negotiation power of the buyer is always more than the seller and eagerness & pressure of selling the asset is more than buying it. Therefore, the Forced/ Distress Sale Value will always fetch significantly less value compare to the estimated Fair Market Value.

- **Liquidation Value** is the amount that would be realized when an asset or group of assets are sold on a piecemeal basis that is without consideration of benefits (or detriments) associated with a going-concern business. Liquidation value can be either in an orderly transaction with a typical marketing period or in a forced transaction with a shortened marketing period.
- **Difference between Costs, Price & Value:** Generally, these words are used and understood synonymously. However, in reality each of these has a completely different meaning, premise and also have different definitions in the professional & legal terms. Therefore, to avoid confusion, it is our professional responsibility to describe the definitions of these words to avoid ambiguity & confusion in the minds of the user of this report.
 - The **Cost** of an asset represents the actual amount spend in the construction/ actual creation of the asset.
 - The **Price** is the amount paid for the procurement of the same asset.
 - The **Value** is defined as the present worth of future rights in the asset and depends to a great extent on combination of various factors such as demand and supply, market situation, purpose, situation & needs of the buyer & seller, salability outlook, usability factor, market perception & reputation. Needs of the buyer & seller, salability outlook, usability factor, market perception & reputation.
 - Therefore, in actual for the same asset, cost, price & value remain different since these terms have different usage & meaning.



PART H

DISCLAIMER | REMARKS

1. No employee or member of R.K Associates has any direct/ indirect interest in the Project.
2. This is just an opinion report on Valuation based on the copy of the documents/ information provided to us by the client which has been relied upon in good faith and the assessment and assumptions done by us.
3. This report is prepared based on the copies of the documents/ information which the Bank/ Company has provided to us out of the standard checklist of documents sought from them and further based on our assumptions and limiting conditions. The client/owner and its management/representatives warranted to us that the information they supplied was complete, accurate and true and correct to the best of their knowledge. All such information provided to us has been relied upon in good faith and we have assumed that it is true and correct in all respect. I/We shall not be liable for any loss, damages, cost or expenses arising from fraudulent acts, misrepresentations, or willful default on part of the owner, company, its directors, employee, representative or agents. Verification or cross checking of the documents provided to us from the originals or from any Govt. departments/ Record of Registrar has not been done at our end since this is beyond the scope of our work. If at any time in future, it is found or came to our knowledge that misrepresentation of facts or incomplete or distorted information has been provided to us then this report shall automatically become null & void.
4. This Valuation is prepared based on the current financial status of the company, financial data, other facts & information provided by the client in writing & during verbal discussion during the course of the assignment and based on certain assumptions which are specifically mentioned in the Valuation section of the Report.
5. Key assumptions in the report are taken based on data, information, inputs, financial statements etc. provided by the client to us during the course of the assessment and on the basis of the assessment done by us and we have assumed that all such information is true & factual to the best of the knowledge of the promoter company.
6. Sale transaction method of the asset is assumed as free market transaction while assessing Prospective Fair Market Value of the asset.
7. Legal aspects for e.g., investigation of title, ownership rights, lien, charge, mortgage, lease, sanctioned maps, verification of documents, etc. have not been done at our end and same has to be taken care by legal expert/ Advocate. It is assumed that the concerned Lender/ Financial Institution has satisfied them with the authenticity of the documents, information given to us.

and for which the legal verification has been already taken and cleared by the competent Advocate before requesting for this report. I/ We assume no responsibility for the legal matters including, but not limited to, legal or title concerns.

8. All observations mentioned in the report is only based on the visual observation and the documents/ data/ information provided by the client. No mechanical/ technical tests, measurements or any design review have been performed or carried out from our side during Project assessment.
9. Bank/FII should ONLY take this report as an Advisory document from the Financial/ Chartered Engineering firm and its specifically advised to the creditor to cross verify the original documents for the facts mentioned in the report which can be availed from the borrowing company directly.
10. In case of any default in loans or the credit facility extended to the borrowing company, R.K Associates shall not be held responsible for whatsoever reason may be and any request for seeking any explanation from the employee/s of R.K Associates will not be entertained at any instance or situation.
11. We have relied on data from third party, external sources & information available on public domain also to conclude this report. These sources are believed to be reliable and therefore, we assume no liability for the truth or accuracy of any data, opinions or estimates furnished by others that have been used in this analysis. Where we have relied on data, opinions or estimates from external sources, reasonable care has been taken to ensure that such data has been correctly extracted from those sources and /or reproduced in its proper form and context, however still we can't vouch its authenticity, correctness or accuracy.
12. This Report is prepared by our competent technical team which includes financial experts & analysts. This report is a general analysis of the project based on the scope mentioned in the report. This is not an Audit report, Design document, DPR or Techno feasibility study. All the information gathered is based on the facts seen on the site during survey, verbal discussion & documentary evidence provided by the client and is believed that information given by the company is true best of their knowledge.
13. Value varies with the Purpose/ Date/ Condition of the market. This report should not to be referred if any of these points are different from the one mentioned aforesaid in the Report.
14. Analysis and conclusions adopted in the report are limited to the reported assumptions, conditions and information came to our knowledge during the course of the work.

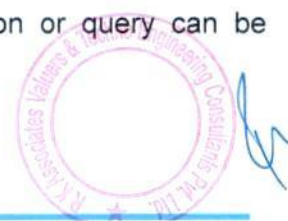
15. This report is having limited scope as per its fields to provide only the general indication of the Value of Equity of the companies prevailing in the market based on the documents/ data/ information/ financial statements provided by the client and the assessment and assumption taken by us. The suggested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

extra information will be entertained whatsoever be the reason. For any extra work over and above the fields mentioned in the report will have an extra cost which has to be borne by the customer.

21. As per the scope of the report no site survey has been carried out by us and no thorough vetting of the documents/ information provided to us has been done at our end.
22. This is just an opinion report and doesn't hold any binding on anyone. It is requested from the concerned stakeholder which is using this report that they should consider all the different associated relevant & related factors also before taking any business decision based on the content of this report.
23. Though adequate care has been taken while preparing this report as per its scope, but still, we can't rule out typing, human errors, over sightedness of any information or any other mistakes. Therefore, the concerned organization is advised to satisfy themselves that the report is complete & satisfactory in all respect. Intimation regarding any discrepancy shall be brought into our notice immediately. If no intimation is received within 15 (Fifteen) days in writing from the date of issuance of the report, to rectify these timely, then it shall be considered that the report is complete in all respect and has been accepted by the client up to their satisfaction & use and further to which R.K Associates shall not be held responsible in any manner.
24. This Valuation report is prepared based on the facts of the companies provided to us during the course of the assignment. However, in future the assumptions taken may change or may go worse due to impact of Govt. policies or effect of World economy, Industry/ market scenario may change, etc. Hence before taking any business decision the user of this report should take into consideration all such future risk.
25. The documents, information, data provided to us during the course of this assessment by the client is reviewed only up to the extent required in relation to the scope of the work. No document has been reviewed beyond the scope of the work.
26. In case of any default in repayment of credit facility extended to the borrowing company, as estimated by us, R.K Associates shall not be held responsible for whatsoever reason may be and any request for seeking any explanation from the employee/s of R.K Associates will not be entertained at any instance or situation.
27. This report only contains general assessment & opinion as per the scope of work evaluated and based on technical & market information which came to knowledge during course of the assignment as per the information given in the copy of documents, information, data provided to us and/ and confirmed by the owner/ owner representative to us at site which has been

relied upon in good faith. It doesn't contain any other recommendations of any sort including but not limited to express of any opinion on the suitability or otherwise of entering into any transaction with the borrower.

28. This Valuation is conducted based on the macro analysis of the asset/ property and operations of the companies and not based on the micro, component or item wise analysis. Analysis done is a general assessment and is not investigative in nature.
29. This report is prepared following our Standard Operating Procedures & Best Practices, Limitations, Conditions, Remarks, Important Notes, Valuation TOR.
30. Valuation is done based on the industry wide general accepted norms and based on the international standards & best practices for equity valuations.
31. Any kind of unpaid statutory, utilities, lease, interest or any other pecuniary dues on the asset has not been factored in the Valuation.
32. All Pages of the report including annexures are signed and stamped from our office. In case any paper in the report is without stamp & signature then this should not be considered a valid paper issued from this office.
33. Defect Liability Period is 15 DAYS. We request the concerned authorized reader of this report to check the contents, data and calculations in the report within this period and intimate us in writing if any corrections are required or in case of any other concern with the contents or opinion mentioned in the report. Corrections only related to typographical, calculation, spelling mistakes, incorrect data/ figures/ statement will be entertained within the defect liability period. Any new changes for any additional information in already approved report will be regarded as additional work for which additional fees may be charged. No request for any illegitimate change in regard to any facts & figures will be entertained.
34. R.K Associates encourages its customers to give feedback or inform concerns over its services through proper channel at valuers@rkassociates.org 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.

