***[On the letter head of Nangloi Water Services Private Limited]***

30st December, 2023

To,

**The Director**,

**M/s Indcap Advisors Private Limited,**

**Suite # 1201, 12th Floor, Aurora Waterfront**

**GN-34/1, Sector – V, Salt Lake City,**

**Kolkata - 700 091**

Dear Sir

**Sub: Management Representation for Enterprise Valuation**

This is in reference to the conduct of Enterprise Valuation of M/s Nangloi Water Services Private Limited (“**Company**”) mandated by Bank of India (“**BOI**”) to M/s Indcap Advisors Private Limited (“**Indcap**”). This representation letter is provided for the said purpose. We acknowledge our responsibility for the fair presentation of the financial statements and all other information (including verbal discussions) as required by Indcap.

We confirm, to the best of our knowledge and belief, that the following information are correct as per our knowledge:

1. Nangloi Water Services Private Limited is a special purpose entity set up to undertake water treatment activity for uninterrupted water supply system in Nangloi area in New Delhi. Capacity of Nangloi WTP is 40 MGD (million gallons per day).
2. The Company only has one 15 year concession project currently i.e., operations and maintenance project from Delhi Jal Board which expires in September 2028.
3. The Company is undergoing financial distress and requires funds for future operations and also for undertaking balance capex as per the agreement entered with Delhi Jal Board. There is a possibility that if the capex is not undertaken, the on-going project from Delhi Jal Board may be cancelled.
4. Additional funds required to undertake the pending capex is around ~INR 141 crores comprising of
   1. ~INR 113 cr related to distribution network, water treatment plant, underground reservoirs and automation
   2. ~INR 28 cr of net payables

which is spread over a period upto Mar-25. In relation to point (a) above a cost escalation of 10% can be

assumed and ~70% of original BOQ cost shall be borne by Delhi Jal Board as per the agreement entered.

1. Promoters have already infused more equity / loans than was envisaged initially. However Promoters are going to bring in the necessary funds in the form of equity / loans or a combination thereof to meet the net funding requirement for the balance capex plan subject to satisfactory resolution of debt as mentioned in point #6 below
2. There is a debt of ~INR 201 cr from banks/financial institutions in the Company which the promoters are in discussion for a resolution for which the instant exercise is being conducted
3. Post incurring capex over a period upto Mar-25, the Company expects improvement in cash flows on account to additional consumers, increased usage per connection and collection efficiency which are reflected in the estimates provided to you
4. Estimated revenue, expense and profitability, and cash flow reflect a best estimate relating to the future and can be relied upon for the purpose of this exercise
5. The intangible asset amounting to ~INR 191 crores as on 31 March 2023 appearing on the balance sheet of the Company is the Concession Rights which is being amortized over the period of the concession. It does not represent any real asset as all these represented would belong to Delhi Jal Board post the concession term.
6. Currently the Company is supplying water to over 2,77,000 households in the Nangloi area of New Delhi.
7. As the Company consists of only one project with less than 5 year remaining life of concession, it does not have a comparable peer and currently the net worth of the company is also completely eroded
8. There aren’t any contingent liability or litigations except those listed below, which will have a material impact and needs to be factored for the instant exercise:
9. There is ongoing litigation with SREI and BOI for NCLT matter
10. BG of 33 crs given to DJB is a contingent liability

We confirm that to the best of our knowledge, we are unaware of any material misstatement of fact or any other information that should be disclosed in preparation of valuation report.

Yours faithfully,

For **M/s Nangloi Water Services Private Limited,**

**Director**