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**File No.:** **VIS (2024-25)-PL505-453-625 Dated: 30.12.2024**

**ENTERPRISE VALUATION REPORT**

**OF**

**M/S. TN (DK) EXPRESSWAYS LIMITED**

**REGISTERED AT**

**MADHUCON HOUSE, PLOT NO.1129/A, ROAD NO. 36, HITECH CITY RD, JUBILEE HILLS, HYDERABAD TELANGANA - 500033**

**PROMOTERS**

**M/S. MADHUCON PROJECTS LIMITED-SREI (CONSORTIUM)**

**REPORT PREPARED FOR**

**STATE BANK OF INDIA, SAMB BRANCH – II, D NO. 3-4-1013/A,1ST FLOOR, COMMUTER AMENITY CENTER(CAC), TSRTC BUS STATION, KACHIGUDA, HYDERABAD- 500027**

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| **PART A** | **INTRODUCTION** |

1. **ABOUT THE REPORT:**

Enterprise Valuation of M/s TN (DK) Expressways Limited, a Special Purpose Vehicle (SPV) established to Design, Construct, Development, Finance, Operation and Maintenance of four lane of Karur to Dindigul bypass from KM 305.600 (New KM 299.600) to KM 373.275 (New KM 367.725) on NH-44 (OLD NH-7) with a total length of 68.125 km and Improvement, Operation and Maintenance of 9.6 km from KM 292.6 (New KM 290.0) to KM 305.6 (New KM 299.6) of Karur bypass in the state of Tamil Nadu on NH-44 (OLD NH-7) on a Build Operate and Transfer (”BOT”) basis.

1. **EXECUTIVE SUMMARY:**

TN(DK) Expressways Limited (TNDK) is subsidiary company of Madhucon Infra Limited, a flagship construction/investment company of Madhucon Group. TNDK was incorporated in the year 2006 as a Special Purpose Vehicle (SPV) promoted by Madhucon Group to take up the project of Design, Construction, Development, Finance, Operation and Maintenance of four lane of Karur to Dindigul bypass from KM 305.600 (New KM 299.600) to KM 373.275 (New KM 367.725) on NH-44 (OLD NH-7) with a total length of 68.125 km and Improvement, Operation and Maintenance of 9.6 km from KM 292.6 (New KM 290.0) to KM 305.6 (New KM 299.6) of Karur bypass in the state of Tamil Nadu on NH-44 (OLD NH-7) in the state of Tamil Nadu under North-South Corridor (NHDP Phase – II) on a Build Operate and Transfer (”BOT”) basis.

|  |  |  |
| --- | --- | --- |
| **Brief Description of the Project** | | |
| **S. No.** | **Particular** | **Details** |
|  | Concessionaire | M/s TN (DK) Expressways Limited |
|  | Project | Widening existing 2 lane to 4 lane Design, Construction, Development, Finance, Operation and Maintenance of Km. 305+600(Km. 299+600) (End of Karur Bypass) to Km. 373+725 (New Km. 367+725) (Start of Dindigul Bypass) and Improvement, Operation and Maintenance of Km. 292+600 (New Km. 290+000) (Start of Karur Bypass) to Km. 305+600 (Km. 299+600) (End of Karur Bypass) on NH7 in the state of Tamil Nadu on Build, Operate & Transfer (BOT) basis, NS-2/BOT/TN-04. |
|  | Basis | BOT |
|  | Length of Project | 77.725 Km |
|  | Concession Agreement Date | 20th April 2006 |
|  | Financial Closure Date | 11th October 2006 |
|  | Appointed Date (Development Period 180 Days from 20.04.2006) | 17th October 2006 |
|  | Date of Commencement | 17th October 2006 |
|  | COD as per Financial Closure Date | 16th April 2009 |
|  | COD as per Appointed Date | 16th April 2009 |
|  | Provisional COD Achieved on | 5th November 2009 |
|  | Final COD Achieved | No |
|  | Project End Date | 16th October 2026 |
|  | Concession Period in Years | 20 Years including 2.5 years set off for construction |

The concession agreement between TN (DK) Expressways Limited and National Highways Authority of India (NHAI), an autonomous body under the Ministry of Road Transport and Highways, Government of India was signed on April 20th, 2006. The concession granted to TN (DK) is for a period of 20 years starting from the appointed date. Date of Appointment began from 180 days from the concession agreement date i.e., October 17th, 2006. The project execution is through a fixed cost-fixed time EPC contract awarded to Madhucon Projects Limited (MPL).

The Project cost at the time of financial closure was estimated at INR 373.32 Cr. The Project was proposed to be funded by a Promoter’s contribution of INR 74.66 Cr., NHAI construction grant of Rs.74.66 Cr. and Rupee term loans of Rs.224.00 Cr. leading to a debt to equity (including quasi-equity) ratio of 1.5:1. The project was completed at a cost of Rs.375.51 Cr. with a cost overrun of INR 2.19 Cr. which was funded by way of promoter contribution.

|  |  |
| --- | --- |
| **Project Cost & Means of Finance** | |
| **Particular** | **Value** |
| Project Cost (INR Cr.) | 375.52 |
| Project Asset (INR Cr.) | 385.70 |
| Debt (INR Cr.) | 224.00 |
| Equity (INR Cr.) | 74.66 |
| NHAI Construction Grant (INR Cr.) | 74.66 |
| NHAI Operational Grant (INR Cr.) | 11.34 |
| Unsecured Loan by Promoters during Construction (INR Cr.) | 2.20 |
| Total Unsecured Loan by Promoters (INR Cr.) | 19.05 |

Below table shows the historical financial performance of the company from FY 2017 to FY 2025 (Up to Sept-24):

***(In INR Crore)***

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Particulars** | **FY 2017 A** | **FY 2018 A** | **FY 2019 A** | **FY 2020 A** | **FY 2021 A** | **FY 2022 A** | **FY 2023 A** | **FY 2024 A** | **Sept. 2024 P** |
| **Total Income** | **42.21** | **54.18** | **53.76** | **63.55** | **67.44** | **101.53** | **100.79** | **83.43** | **42.03** |
| **Total Expenses** | 12.26 | 12.82 | 30.34 | 37.77 | 68.42 | 71.17 | 107.52 | 65.98 | 24.81 |
| **EBITDA** | **29.95** | **41.36** | **23.42** | **25.78** | **-0.98** | **30.35** | **-6.73** | **17.46** | **17.22** |
| *EBITDA %* | *70.95%* | *76.34%* | *43.56%* | *40.57%* | *-1.45%* | *29.90%* | *-6.67%* | *20.92%* | *40.97%* |
| D&A | 17.99 | 15.93 | 15.12 | 24.07 | 25.58 | 28.77 | 39.71 | 25.62 | 18.56 |
| **EBIT** | **11.96** | **25.43** | **8.3** | **1.71** | **-26.56** | **1.59** | **-46.44** | **-8.16** | **-1.34** |
| *EBIT %* | *28.33%* | *46.94%* | *15.44%* | *2.69%* | *-39.38%* | *1.56%* | *-46.07%* | *-9.78%* | *-3.19%* |
| Finance Cost | 23.78 | 21.6 | 13.82 | 9.72 | 1.79 | 2.72 | 6.34 | 8.32 | 4.16 |
| **Profit Before Tax** | **-11.82** | **3.83** | **-5.52** | **-8.01** | **-28.35** | **-1.13** | **-52.78** | **-16.48** | **-5.50** |
| *PBT %* | *-28.00%* | *7.07%* | *-10.27%* | *-12.60%* | *-42.04%* | *-1.12%* | *-52.36%* | *-19.76%* | *-13.09%* |
| Tax Expense | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| *Effective Tax Rate* | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00 | 0.00 | 0.00 | 0.00 |
| **Profit (Loss) after Tax** | **-11.82** | **3.83** | **-5.52** | **-8.01** | **-28.35** | **-1.13** | **-52.78** | **-16.48** | **5.50** |
| *PAT %* | *-28.00%* | *7.07%* | *-10.27%* | *-12.60%* | *-42.04%* | *-1.12%* | *-52.36%* | *-19.76%* | *-13.09%* |

As per historical analysis, EBIDTA, EBIT and Net Profit Margin have been showing a downward trend historically due to significant increase in Operating Expenses of the project which includes Major Maintenance Expenses (MMR), High Depreciation Expense and High Interest Costs respectively.

As per information shared by the company officials, M/s TN (DK) Expressways Limited was categorized as NPA during March 2013. However, in March 2013, the loan account was restructured but NPA status is still continuing. The bank had adjusted part payments till the month of March 2023. The first periodic Maintenance which was due in November, 2014 is almost completed in 2022 after much persuasion with the Lenders. The company had issued work order for second maintenance and most of the work had already been completed for the same. Independent Consultant i.e., IE had sent letter dated 26/10/2024 to start the 3rd MMR works. 3rd MMR works were estimated at 151.00 Cr. and work program had been submitted to IE.

As per the letter of Award dated 05.11.2018, in the case of TN (DK) Expressways Limited versus National Highways Authority of India (NHAI), an amount of INR 288.97 Cr. was awarded to TNDK. But NHAI had filed case against Arbitration in the Hon’ble High Court of Delhi by depositing an amount of INR 107 Cr. on 14/06/2019 in the Hon’ble High Court of Delhi. Since 2019 company had tried to draw the amount however NHAI was not allowed the same by their arguments. Further, the Hon’ble High Court had passed an order for taking the amount by providing security against the amount. The arbitration case has been running for several years and the matter is now at High Court and it may prolong the process for several more years.

There is a large variation between actual traffic and projected traffic as per the bid documents of the project by ~48% affecting the revenues badly. The actual realization during the past 15 years i.e., up to October 2024 is just about INR 720.80 Cr. against projected revenue of INR 1,460.28 Cr. with a shortfall in revenue for INR 739.48 Cr. The lenders have adjusted an amount of INR 389.88 Cr. towards interest and principal as on 30th November, 2024 against the debt of INR 224.00 Cr. given by the lenders.

**Hence, State Bank of India, SAMB-II, Hyderabad 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.**

1. **TYPE OF THE REPORT:**

Enterprise Valuation of M/s TN (DK) Expressways Limited.

1. **PURPOSE OF THE REPORT:**

To estimate & determine current Fair Enterprise Value of the SPV Companyto enable the lenders to evaluate the further course of action on this account.

1. **SCOPE OF THE REPORT:**

As per the client requirement and based on the purpose of the report, RKA subject matter expert team has arrived 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 TN(DK) Expressways Limited, the Enterprise Valuation is being calculated by using Net Asset Value (NAV) Method as per best fit method in present scenario.

***NOTES:***

* ***This is just the enterprise valuation of the company based on its fair market value of******Current and Non-Current Assets. Further the Liabilities will be adjusted with the Fair market value of Total assets, which will give the Net Assets Value (adjusted) of the company which can be used as proxy of Enterprise Value of the company.***
* ***This Enterprise Valuation report doesn’t cover vetting of the documents/ financial data/ projections or any other information provided to us by the Bank.***
* ***This Valuation only covers the fair market value of Current and Non-Current assets of the company. It does not cover any transaction with the subject company’s subsidiary/ associate/ Joint Venture Companies, as per the requirement by the lender.***
* ***This Valuation is prepared based on the current financial & operational status of the company, other facts & information provided by the company/ lender/ Client in writing & verbal discussions held during the course of the assignment and based on independent assessment of certain assumptions which are specifically mentioned in the Valuation section of the Report.***
* ***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.***
* ***The Market and Industrial assessment of the given company’s industry has not been done at our end. So, this valuation doesn’t cover the Market & industrial scenario in terms of the product demand & market potential.***

1. **METHODOLOGY/ MODEL ADOPTED:**

Net Assets Value (NAV) Method has been used to calculate the Enterprise Value/Fair Market Value of the Company.

1. **DOCUMENTS/ DATA REFFERED:**
2. Audited Financial Statements of TN(DK) Expressways Limited from FY2019-20 to FY2023-24.
3. Provisional Financial Statement of TN(DK) Expressways Limited dated 30.09.2024
4. Concessionaire agreement between NHAI and TN (DK) Expressways Limited.
5. Data collected from public sources and Government agencies.
6. Annual toll collection data from FY 2009-10 to FY 2024-25 (Up to Oct. 2024).
7. Penalty imposed by NHAI on the Company for delay in Major Maintenance Work.
8. Provisional Completion Certificate dated 04.09.2024
9. Monthly O&M Report – October 2024

|  |  |
| --- | --- |
| **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. TN (DK) Expressways Limited |
| **CIN** | U45200TG2006PLC048941 |
| **ROC Name** | ROC Hyderabad |
| **Registration Number** | 048941 |
| **Sector** | Infrastructure - Roads & Highways |
| **Constitution** | Public Limited Company (Closely Held) |
| **Address** | **Registered Office:** Madhucon House, 1129/A, Road no. 36, Hightech City Road, Jubilee Hills, Hyderabad**,** Telangana – 500033 |
| **Date of Incorporation** | 31st January 2006 |
| **Authorized Capital** | INR 75,00,00,000/- |
| **Issued, Subscribed and Paid-up Capital** | INR 74,66,00,000/- |
| **Date of Last AGM** | 22nd September 2023 |
| **Date of Balance Sheet** | 31st March 2023 |

***Source:*** *“http://mca.gov.in/mcafoportal/companyLLPMasterData.do” and Data provided by the Company*

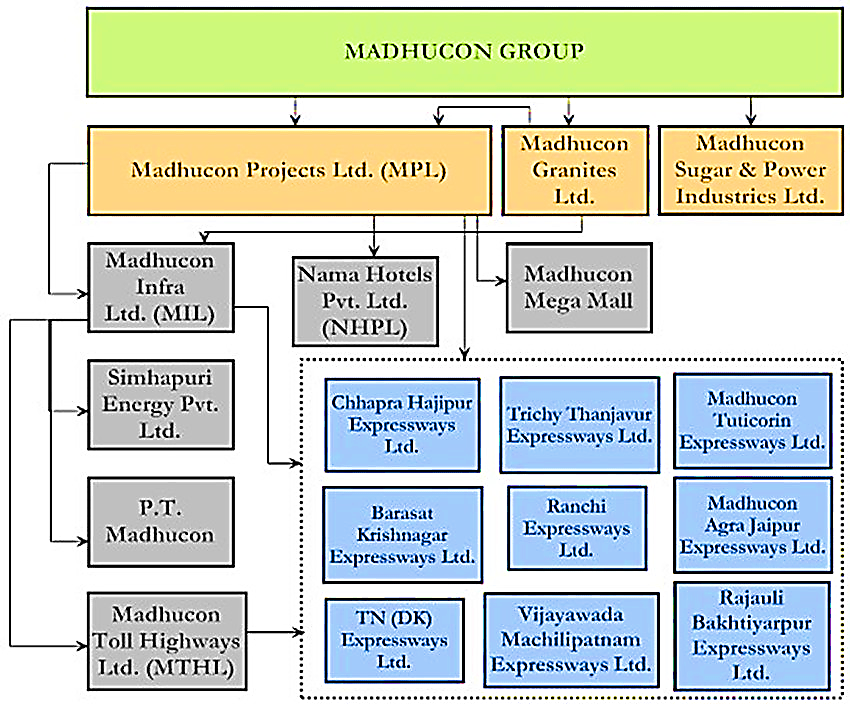
1. **COMPANY’S DIRECTORS:**

|  |  |  |  |
| --- | --- | --- | --- |
| **S. No.** | **Director Name** | **DIN No.** | **Begin Date** |
| 1 | Mr. Srinivasa Rao Kamma | 00022855 | 31/01/2006 |
| 2 | Mr. Nama Rama Rao | 02984867 | 14/02/2015 |
| 3 | Mr. Singaravel | 09769588 | 01/10/2022 |

1. **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.

1. **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.
2. **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.
3. **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:



1. **SNAPSHOT OF OUTSTANDING DEBT OF THE COMPANY**:

As per the information shared by the client/company, below table shows the term loan status of the company as on 30th November 2024:

|  |  |  |
| --- | --- | --- |
| **S. No.** | **BANK** | **Amount (INR Crores)** |
| 1 | State Bank of India & Its Associates | 95.75\* |
| 2 | UBI (Ex. Andhra Bank) | 3.34# |
| 3 | Maximus ARC (BOB - Ex. VB) | 3.12# |
|  | **TOTAL** | **102.21** |

\*Details shared by the bank.

#Details shared by the company.

1. **CAPITAL STRUCTURE:**

Below table shows the capital structure of the company as on 31st March 2024:

| **Particular** | **Amount (INR)** |
| --- | --- |
| Authorized Share Capital (Equity Share of INR 10/- each) | 75,00,00,000 |
| Issued, Subscribed and Paid-up Capital (Equity Share of INR 10/- each fully paid-up) | 74,66,00,000 |

1. **SHAREHOLDING PATTERN OF THE COMPANY:**

As per the data/information provided by the client/company, below table shows the details of shareholders holding in the company as on 30th September 2024:

| **S. No.** | **Particular** | **Number of Shares held** | **% of holding** |
| --- | --- | --- | --- |
| 1 | Madhucon Infra Limited (Holding Company) | 3,80,55,000 | 50.97% |
| 2 | Madhucon Toll Highways Limited (Subsidiary of Holding Company) | 3,64,77,000 | 48.85% |
| 3 | Mr. Nama Nageswar Rao | 8,888 | 0.01% |
| 4 | Mr. Nama Seethaiah | 2,888 | 0.00% |
| 5 | Mr. Nama Krishnaiah | 2,888 | 0.00% |
| 6 | Mr. Nama Rama Rao | 188 | 0.00% |
| 7 | Mr. Mallampati Madhu | 88 | 0.00% |
| 8 | Mr. Kamma Srinivasa Rao | 60 | 0.00% |
| 9 | M/s SREI Infrastructure Finance Limited | 13,000 | 0.017% |
| 10 | M/s Madhucon Infra Limited | 1,00,000 | 0.13% |
|  | **Total** | **7,46,60,000** | **100%** |

1. **CURRENT STATUS OF THE PROJECT:**

According to the Company, as per the concession agreement once in five years, the company needs to undertake Major maintenance works which were due in Nov. 2014. Second maintenance was fallen due in 2019 and third maintenance is falling due in 2024.

A letter was received by the company from NHAI vide their letter dated 8th October 2024 levying total penalties amounting to INR 352.48 Cr. The bankers are taking entire toll collections towards interest and principal payments and they are not releasing funds towards maintenance works and not following the waterfall mechanism laid down in the Escrow Account.

Hence the company was not able to do the MMR works in 2014. Since bankers are not following the waterfall mechanism as per Escrow Agreement and not releasing funds for maintenance works, the company had filed suit against bankers in the Hon’ble High Court. The Hon’ble High Court had ordered the Escrow Agent to release the amounts for maintenance works and strictly follow the conditions stipulated in the waterfall mechanism of Escrow Account vide its order dated 06/03/2020.

However, due to funding constraints, it was delayed by 50 months and finally commenced in January 2019 with an estimated cost of INR 93.55 Cr., which is being funded through the project cash flows. The first periodic Maintenance which was due in November, 2014 was completed in 2022 after much persuasion with the Lenders. The second periodic maintenance which was due in November, 2019 is almost completed with an estimated cost of INR 120 Cr. with funds required to complete the pending works amounting to INR 21 Cr. Independent Consultant i.e., IE had sent letter dated 26/10/2024 to start the 3rd MMR works. 3rd MMR works were estimated at 151.00 Cr. and work program had been submitted to IE.

1. **REASON FOR FINANCIAL STRESS:**

As per the information provided by the lender, the toll collections of the company remain significantly low as compared to the previous projected revenue estimated by it. There is a large variation between actual traffic and projected traffic as per the bid documents of the project by ~48% affecting the revenues badly.

The actual realization during the past 15 years i.e., up to October 2024 is just about INR 720.80 Cr against projected revenue of INR 1,460.28 Cr., the lenders have adjusted an amount of Rs.389.88 Cr. towards interest and principal as on 30th November, 2024 against the debt of INR 224.00 Cr. given by the lenders.

It is considered continued delays in repayment of Tamil Nadu Dindigul Karur Expressways Limited’s (TNDK) debt obligations and has also been classified as non-performing asset by the lenders. Despite restructuring of debt in December 2012, the toll collections continue to remain significantly below expectations when compared to initial projected levels.

Further, TNDK witnessed 14.12% decline in toll collections in FY2021 owing to adverse impact of the COVID-19 pandemic. The prospects for traffic growth along the route are modest, given that the stretch is not an arterial route. Poor toll collections, caused major maintenance (MM) reserve could not be created.

**Hence, State Bank of India, SAMB-II, Hyderabad 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.**

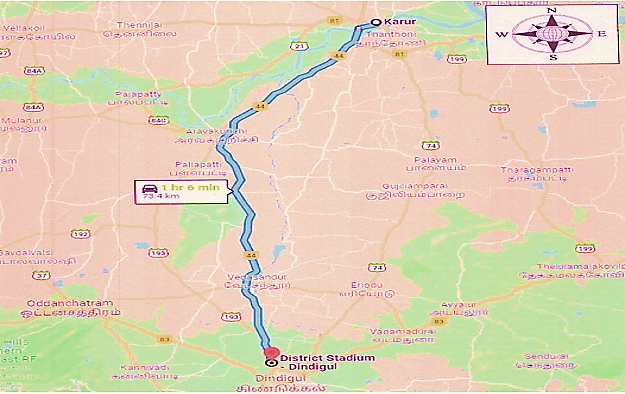
|  |  |
| --- | --- |
| **PART C** | **ABOUT THE PROJECT** |

1. **BACKGROUND:**

M/s. TN (DK) Expressways Limited, a special purpose vehicle (SPV) promoted by Madhucon Projects Limited (MPL) as lead member and its associates and SREI Infrastructure Finance Limited, was established in January 2006 to undertake the implementation of four lane of Karur to Dindigul bypass (from Km 305.600 to Km 373.275) on NH-44 (Old NH-7) with a total length of 68.125 km and Improvement, Operation and Maintenance of 9.6 km from 292.6 to 305.6 of Karur bypass in the state of Tamil Nadu under a Build Operate and Transfer (BOT-Toll) concession awarded by NHAI.

1. **LOCATION:**

The project is located at Karur to Dindigul bypass (from Km 305.600 to Km 373.275) on NH-44 (Old NH-7) in the state of Tamil Nadu as per shown in the location map below:



1. **SALIENT FEATURE OF THE PROJECT:**

As per IE’s report as on 5th November 2024, below table shows the salient features of the project:

|  |  |  |
| --- | --- | --- |
| **Salient features of the project** | | |
| **S. No.** | **Description** | **Length in Km/Nos.** |
|  | Total Length of the project (Km. 290+000 to Km. 367+725) | 77.725 Kms. |
|  | Major Bridges | 03 Nos. |
|  | Minor Bridges | 18 Nos. |
|  | Slab Culverts/Box Culverts | 20 Nos. |
|  | HP Culverts | 81 Nos. |
|  | Flyovers | 01 No. |
|  | ROB+RUB | 01 No. |
|  | Underpasses (Pedestrians) | 07 Nos. |
|  | Underpasses (Vehicular) | 05 Nos. |
|  | Major Intersections | 04 Nos. |
|  | Minor Intersections | 163 Nos. |
|  | Toll Plaza (332+000\_ | 01 No. |
|  | Service Road | 20.753 Km |
|  | Bus Bays | 32 Nos. |
|  | Truck Lay Bays | 03 Nos. |
|  | Way Side Amenity | 01 No. |
|  | Bypass & Realignment (349+740 to 355+060) | 01 No. |

|  |  |
| --- | --- |
| **PART D** | **ASSESSMENT OF INFRASTRUCTURE SECTOR** |

1. **INTRODUCTION:**

Road infrastructure is the backbone of the Indian economy. Roads and highways form one of the core areas under the infrastructure sector. The Government has been taking measured efforts in providing more efficient transportation, for which they have signiﬁcantly stepped up the highway development and road building program.

The Government’s thrust on the infrastructure sector has remained strong in the In Interim Budget 2024-25, capital investment outlay for infrastructure has been increased by 11.1% to Rs.11.11 lakh crore (US$ 133.86 billion), which would be 3.4 % of GDP. The Infrastructure Finance Secretariat is established to enhance opportunities for private investment in infrastructure that will assist all stakeholders in more private investment in infrastructure.  The Indian government has introduced various formats to attract private investments, especially in roads and highways, airports, industrial parks and higher education and skill development sectors. Private Equity-Venture Capital firms invested US$ 3.5 billion (across 71 deals) in Indian companies in May 2023.

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, and irrigation.

While these sectors still remain the key focus, the government has also started to focus on other sectors as India's environment and demographics are evolving. There is a compelling need for enhanced and improved delivery across the whole infrastructure spectrum, from housing provision to water and sanitation services to digital and transportation demands, which will assure economic growth, increase quality of life, and boost sectoral competitiveness.

1. **EPC INDUSTRY OVERVIEW:**

With the rapid increase in quantum of projects being announced and complexities in the scope of work, the responsibility of successful project execution has shifted from project owner/developer to EPC contractors. Engineering, Procurement and Construction (EPC) is a contract under which the project is executed under a single point responsibility of a contractor. It is also known as a Lump sum Turnkey (LSTK) contract.

Under EPC contract, a contractor undertakes activities like conceptualizing, designing, procuring equipment and engineering services from various sources for construction, installation and commissioning of the project or plant. EPC is majorly applicable in the industries like infrastructure, transport, chemicals, power, aviation, and oil & gas etc.

1. **MARKET SIZE:**

In India, 158 Airports are operational and with construction of 84 airports over the last decade, the aviation network in the country is rapidly evolving and over 1.36 crore people have already travelled till March 13, 2024. As per ICRA, India is expected to maintain current road construction momentum, adding up to 13,000 kilometres in the 12 months through March 2025, an annual increase of 5-8%.

At the start of the 2024-25 financial year, the Ministry had approximately 20,000 km of National Highways (NHs) planed construction. Additionally, there is a collection of projects in the DPR and tendering stages to enhance construction progress in the current and upcoming fiscal years. As per the Interim Budget 2023-24, a capital outlay of Rs. 2.55 lakh crore (US$ 30.72 billion) has been made for the Railways, an increase of 5.8% over the previous year.

Starting 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 the 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 are in the roads and bridges sub-sector.

1. **REGULATORY SCENARIO:**

The government has identified infrastructure as a priority sector to bolster GDP growth. Hence, various reforms have been introduced from time to time to attract investment in the infrastructure industry. The government intends to increase share of infrastructure investment to GDP to 9% by end of 12th five- year plan.

Infrastructure sector was opened to private participation post-liberalization in 1991 and currently up to 100% FDI under automatic route is allowed in most sectors/activities. Under this route, no permission from the Central Government is required for FDI inflow, but the same is subject to applicable laws/regulations, security and other conditions. However, participation was low due to high upfront capital investment, long gestation period, and uncertain returns in investment. Public Private Partnership (PPP) project mode was introduced to circumvent this hurdle.

1. **GOVERNMENT’S INITIATIVES:**

Some of the major initiatives taken by the Government of India to promote the Indian Infrastructureindustry are as follows:

* + - * For FY 2024-25, the government has allocated record CAPEX of Rs. 2,62,200 crore (US$ 31.67 billion) for Railways.
      * In June 2024, Ministry of Housing & Urban Affairs has approved proposals worth Rs. 860.35 crore (US$ 103.91 million) for West Bengal under SBM-U 2.0. During the first phase of SBM-U (2014-19) a total fund of Rs. 911.34 Cr (US$ 130.34 million) was allocated to West Bengal which has been increased by 1.5 times to Rs. 1449.30 crore (US$ 175.04 million) in SBM-U 2.0 (2021-26).
      * At the start of the 2024-25 financial year, the Ministry had approximately 20,000 km of National Highways (NHs) planed construction. Additionally, there is a collection of projects in the DPR and tendering stages to enhance construction progress in the current and upcoming fiscal years.
      * The total length of National Highways (NHs) constructed in Northeastern Region (NER) during the last ten years is 9,984 km with an expenditure of Rs. 1,07,504 crore (US$ 12.98 billion) while 265 nos. of NH projects are under implementation at a cost of Rs. 1,18,894 crore (US$ 14.36 billion) with total length of 5,055 km.
      * As part of the PM Awas Yojana (Grameen), two crores more houses to be taken up in the next five years. Despite COVID challenges, the target of three crore houses under PM Awas Yojana (Grameen) will be achieved soon.
      * The Central government has increased its capital expenditure (CAPEX) allocation to US$ 133.9 billion (Rs. 11.11 trillion) for the fiscal year beginning April 1, 2024, with a focus on advancing India's infrastructure, as part of a strategic move to stimulate economic growth. An increase of 11.1% from the previous year, the FY25 interim budget allots US$ 133.9 billion (Rs. 11.11 trillion) for capital expenditures, or 3.4% of GDP.

1. **MAJOR INVESTMENTS:** 
   * + - FDI in construction development (townships, housing, built-up infrastructure and construction development projects) and construction (infrastructure) activity sectors stood at US$ 26.61 billion and US$ 33.91 billion, respectively, between April 2000-March 2024.
       - 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 August 2023, Bharat Heavy Electricals Ltd. (BHEL) and Greenstat Hydrogen India Pvt. Ltd. (GHIPL) signed an MoU for ‘Potential Collaboration Opportunities in Green Hydrogen and Derivatives in the Hydrogen Value Chain’. This MoU will help in contributing towards the country's 'National Hydrogen Mission' aimed at making India 'AatmaNirbhar' in this area.
       - Contracts for 8 ropeway projects totaling to length of 60 KM to be awarded in 2022-23 under PPP mode as preferred ecologically sustainable alternative to conventional roads in difficult hilly areas.
       - In order to achieve target of 280 GW of installed solar capacity by 2030, additional allocation of INR 19,500 Cr. for PLI scheme for domestic manufacture of high efficiency modules (with priority to fully integrated manufacturing units from polysilicon to solar PV modules).
       - Battery Swapping Policy to inter-operability standards to be formulated to overcome space constraints in urban areas to setup charging stations.
       - Sovereign Green Bonds to be issued for mobilizing resources for green infrastructure - proceeds to be deployed in public sector projects to reduce carbon intensity. Infrastructure status for Data Centers and Energy Storage Systems including dense charging infrastructure and grid-scale battery systems.
2. **KEY CHALLENGES FACED BY THE INDUSTRY:**

Delay in Project Execution due to lack of delay in clearance and Land Acquisition: Major impediments can be attributed to procedural formalities in land acquisition, obtaining environment, foreign and wildlife clearances, clearance from Railways (for over bridge and under bridge construction) and delays in financial closure. The time taken by various ministries to grant clearance for infra projects to proceed for execution range from about 12 months to up to 36 months.

Due to delay in execution, the industry player has to bear both time and cost overrun that is sometime substantially higher than the original estimated cost. To address clearance delays, Ministry of Environment & Forests and the Ministry of Tribal Affairs have taken certain measures to speed up project execution. Majority of construction projects in India are facing approval as well as execution delays leading to cost and time over runs. These delays have pushed breakeven period even further and with high leverage, debt servicing cost has gone up for industry players amidst high interest rate regime in past three fiscal. The unfavorable market condition in past two years has impacted the cash flows of industry players.

1. **WAY FORWARD:**

India's Infrastructure forms an integral part of the country's economic ecosystem. There has been a significant shift in the industry that is leading to the development of world-class facilities across the country in the areas of roads, waterways, railways, airports, and ports, among others. The country-wide smart cities programmes have proven to be industry game-changers. Given its critical role in the growth of the nation, the infrastructure sector has experienced a tremendous boom because of India's necessity and desire for rapid development. The expansion has been aided by urbanization and an increase in foreign investment in the sector.

The infrastructure sector has become the biggest focus area for the Government of India. India's GDP is expected to grow by 8% over the next three fiscal years, one of the quickest rates among major, developing economies, according to S&P Global Ratings. India and Japan have joined hands for infrastructure development in India's Northeast states and are also setting up an India-Japan Coordination Forum for development of Northeast to undertake strategic infrastructure projects for the region.

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.

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| **PART E** | **FINANCIAL PERFORMANCE** |

1. **HISTORICAL PROFIT & LOSS STATEMENT (FROM FY 2017 TO FY 2024):** As per the audited financial statements provided by the company/client, below table shows the historical performance of the company:

(In INR Crore)

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Particulars** | **FY 2017 A** | **FY 2018 A** | **FY 2019 A** | **FY 2020 A** | **FY 2021 A** | **FY 2022 A** | **FY 2023 A** | **FY 2024 A** | **Sept. 2024 P** |
| **Total Income** | **42.21** | **54.18** | **53.76** | **63.55** | **67.44** | **101.53** | **100.79** | **83.43** | **42.03** |
| **Total Expenses** | 12.26 | 12.82 | 30.34 | 37.77 | 68.42 | 71.17 | 107.52 | 65.98 | 24.81 |
| **EBITDA** | **29.95** | **41.36** | **23.42** | **25.78** | **-0.98** | **30.35** | **-6.73** | **17.46** | **17.22** |
| *EBITDA %* | *70.95%* | *76.34%* | *43.56%* | *40.57%* | *-1.45%* | *29.90%* | *-6.67%* | *20.92%* | *40.97%* |
| D&A | 17.99 | 15.93 | 15.12 | 24.07 | 25.58 | 28.77 | 39.71 | 25.62 | 18.56 |
| **EBIT** | **11.96** | **25.43** | **8.3** | **1.71** | **-26.56** | **1.59** | **-46.44** | **-8.16** | **-1.34** |
| *EBIT %* | *28.33%* | *46.94%* | *15.44%* | *2.69%* | *-39.38%* | *1.56%* | *-46.07%* | *-9.78%* | *-3.19%* |
| Finance Cost | 23.78 | 21.6 | 13.82 | 9.72 | 1.79 | 2.72 | 6.34 | 8.32 | 4.16 |
| **Profit Before Tax** | **-11.82** | **3.83** | **-5.52** | **-8.01** | **-28.35** | **-1.13** | **-52.78** | **-16.48** | **-5.50** |
| *PBT %* | *-28.00%* | *7.07%* | *-10.27%* | *-12.60%* | *-42.04%* | *-1.12%* | *-52.36%* | *-19.76%* | *-13.09%* |
| Tax Expense | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| *Effective Tax Rate* | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00 | 0.00 | 0.00 | 0.00 |
| **Profit (Loss) after Tax** | **-11.82** | **3.83** | **-5.52** | **-8.01** | **-28.35** | **-1.13** | **-52.78** | **-16.48** | **5.50** |
| *PAT %* | *-28.00%* | *7.07%* | *-10.27%* | *-12.60%* | *-42.04%* | *-1.12%* | *-52.36%* | *-19.76%* | *-13.09%* |

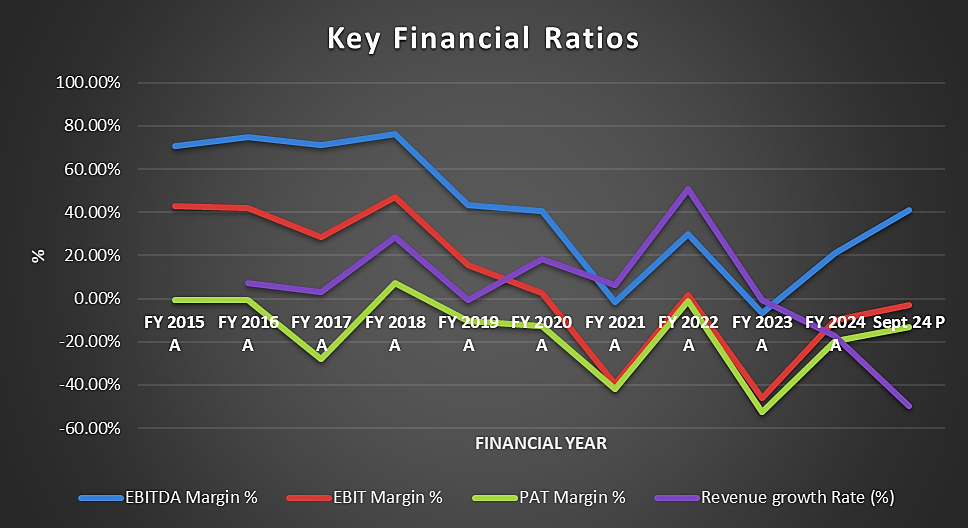
***Source:*** *Financials provided by the Bank/Company*

1. **HISTORICAL KEY FINANCIAL RATIOS:**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Particulars** | **FY 2017 A** | **FY 2018 A** | **FY 2019 A** | **FY 2020 A** | **FY 2021 A** | **FY 2022 A** | **FY 2023 A** | **FY 2024 A** | **Sept. 2024 P** |
| **EBITDA Margin %** | *70.95%* | *76.34%* | *43.56%* | *40.57%* | *-1.45%* | *29.90%* | *-6.67%* | *20.92%* | *40.97%* |
| **EBIT Margin %** | *28.33%* | *46.94%* | *15.44%* | *2.69%* | *-39.38%* | *1.56%* | *-46.07%* | *-9.78%* | *-3.19%* |
| **PAT Margin %** | *-28.00%* | *7.07%* | *-10.27%* | *-12.60%* | *-42.04%* | *-1.12%* | *-52.36%* | *-19.76%* | *-13.09%* |
| **Revenue growth Rate (%)** | *3.13%* | *28.36%* | *-0.78%* | *18.21%* | *6.12%* | *50.54%* | *-0.72%* | *-17.22%* | *-49.62%* |

**Note:** Revenue of the company has increased steadily from FY 2017 to FY 2024 at a CAGR of 7.86%.However, expenses of the company have been increased at a CAGR of 20.56% over the same period.

1. **GRAPHICAL REPRESENTATION OF THE KEY FINANCIALS OF THE COMPANY:**



As per historical analysis, EBIDTA, EBIT and Net Profit Margin have been showing a downward trend historically due to significant increase in Operating Expenses of the project which includes Major Maintenance Expenses (MMR), High Depreciation Expense and High Interest Costs respectively.

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| **PART F** | **VALUATION METHODOLOGY** |

1. **METHODOLOGY / MODEL ADOPTED:** Out of the various models & theories available we have adopted the Methodology namely NAV (Net Asset Value) Approach for the calculation of Enterprise Value of M/s TN (DK) Expressways Limited:
2. The NAV approach used here, is based on the present value/fair market value of all its fixed asset and its financial assets.
3. Present/Fair value of fixed assets of the company is calculated based on the Market and Cost Approach as-is-where-is basis for estimating the Current Depreciated Replacement value of the assets.
4. Present value of the financial/ current assets is estimated based on the document/ information provided by the company.
5. Further, the liabilities of the company will be net off with the Fair market value of total asset value estimated based on the present scenario.

**Rationale for using Net Asset Value (NAV) Approach for the Enterprise Valuation:**

1. The three broadly used approaches of the company/Business Valuations are – Income based approach (Discounted Cash Flow Model), Asset Based Approach (Net Asset Value Method) and Relative Valuation Approach (Market Multiple method).
2. Considering the limited life of the toll road project and project characteristics not being comparable to other projects/companies in terms of number of operational projects, period of concession, location, traffic situation etc., typically market approach-based methods like CCM or CTM are not used for valuing a road project.
3. The Discounted Cash Flow method is not used here as concession end date is October 2026, which means left over Concession period is about 2 years only as per Concession Agreement. As per Clause No. 34.11 of Concession Agreement, NHAI will retain the last two years toll revenues in the Escrow Account for renewal works while handing over of the project to NHAI at the end of concession period. Hence actual toll revenue available to the company is Nil.
4. 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.
5. 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.
6. 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.
7. Asset Based Model is a more appropriate approach for estimating the Company’s present value/fair market value based on the present value calculation of the assets (fixed asset and financial assets).
8. Hence, NAV Method is used in the valuation process of M/s TN (DK) Expressways Limited as an appropriate method in this scenario as per best practice in the industry and scope of work.

**NOTES:**

1. *There is no a fixed criterion, formula or norm for the Valuation of Current Assets. It is purely based on the individual assessment and may differ from consultant to consultant based on the practicality he analyses in recoveries of the outstanding dues. Ultimate recovery depends on efforts, extensive follow-ups of the individual case by the company. So, our values should not be regarded as any judgement in regard to the recoverability of current assets but should only be read in terms of analysis.*
2. *For arriving at the Fair Value,* ***appropriate discounting factor against each current asset item is applied based on the nature of current asset and level of difficulty in realization of these.***
3. *No audit of any kind is performed by us at our end from the books of account or ledger statements. All the data/ information/ input/ details provided to us by the company/ lenders are taken by us as-it-is on good faith and assumed that that these are factually correct information.*
4. *This is a general assessment of the estimated fair and liquidation value of the current assets based on the data/ input/ Information Company/ lenders could provide to us against our questions/ queries. In no manner this should be regarded as an audit activity/ report and NO micro analysis or detailed or forensic audit/ scrutiny of the financial transactions or accounts of any kind has been carried out at our end.*
5. Review of data/ inputs/ information which company could provide to us against the queries raised by the consultant. Final assessment as per the data /information available on record.
6. **SUMMARY OF VALUATION ASSESSMENT:**

***(INR LAKHS)***

|  |  |  |
| --- | --- | --- |
| **Particulars** | **Amount As On 30th September 2024** | **Fair Market Value** |
| **ASSETS** |  |  |
| **Non-Current Assets** |  |  |
| Property Plant & Equipment | 302.54 | 44.33 |
| Intangible Asset (Road Asset) | 10,134.00 | - |
| Other Non-Current Assets | 28.72 | - |
| **Total Non-Current Assets** | **10,465.26** | **44.33** |
| **Current Assets** |  |  |
| Trade Receivables | 0.47 | - |
| Cash and Cash Equivalents | 2,540.63 | 2,540.63 |
| Other Financial Assets | 198.02 | 73.45 |
| Other Current Assets | 227.16 | 160.77 |
| **Total Current Assets** | **2,966.28** | **2,774.85** |
| **TOTAL ASSETS** | **13,431.54** | **2,819.18** |
| **EQUITY AND LIABILITIES** |  |  |
| **Equity** |  |  |
| Equity Share Capital | 7,466.00 | 7,466.00 |
| Other equity | -21,548.11 | -21,548.11 |
| **Total Equity** | **-14,082.11** | **-14,082.11** |
| **LIABILITIES** |  |  |
| **Non-Current Liabilities** |  |  |
| Long-term Borrowings | 2,047.91 | 2,047.91 |
| Other Financial Liabilities | 3.00 | 3.00 |
| Provisions | 16,780.97 | 16,780.97 |
| **Total Non-Current Liabilities** | **18,831.88** | **18,831.88** |
| **Current Liabilities** |  |  |
| Trade Payables | 25.20 | 25.20 |
| Other Financial Liabilities | 8,199.85 | 8,199.85 |
| Provisions | 203.03 | 203.03 |
| Other Current Liabilities | 253.69 | 253.69 |
| **Total Current Liabilities** | **8,681.77** | **8,681.77** |
| **Total Liabilities** | **27,513.65** | **27,513.65** |
| **TOTAL EQUITY AND LIABILITIES** | **13,431.54** | **13,431.54** |

1. **NAV AS A PROXY OF ENTERPRISE VALUE:**

**CALCULATION OF ENTERPRISE VALUE**

|  |  |
| --- | --- |
| **Particulars** | **Amount** |
| Total Assets (A) | INR 2,819.18 Lakhs |
| Total Liabilities (B) | INR 27,513.65 Lakhs |
| **Net Assets Value (NAV) (A-B)** | **NIL** |

As the fair value of the assets is less than the fair value of the liabilities, hence, the Net Asset Value (NAV) of M/s TN (DK) Expressways Limited is estimated to be Nil.

|  |
| --- |
| **ADJUSTED NET ASSET VALUE (NAV) OF M/S TN (DK) EXPRESSWAYS LIMITED** |
| **NIL** |

**Hence, the “Enterprise Value” of the Firm “M/s TN (DK) Expressways Limited” is NIL.**

1. **EXPECTED RECOVERY OF ARBITRATION AWARDS:**

As per the information shared by the company/client, in the case of TN (DK) Expressways Limited versus National Highways Authority of India (NHAI), an amount of INR 288.97 Cr. was awarded to TNDK. But NHAI had filed case against Arbitration in the Hon’ble High Court of Delhi by depositing an amount of INR 107 Cr. on 14/06/2019 in the Hon’ble High Court of Delhi. Apart from this, an amount of INR 166.11 Cr. was awarded to Madhucon Projects Limited (EPC) against the company on 22/09/2022.

**EXPECTED RECOVERY OF CLAIMS**

| **Particulars** | **Amount** | **Remarks** |
| --- | --- | --- |
| Amount Awarded to TNDK | 2,88,96,78,319.00 |  |
| Less: Amount awarded to EPC | 1,66,10,87,972.00 |  |
| **Net Award Amount** | **1,22,85,90,347.00** |  |
| Less: Expected Expenses to be incurred to realize the claim amount | 12,28,59,034.70 | 10% of Amount Awarded |
| **Claim Realization available for lenders** | **1,10,57,31,312.30** |  |
| **Discount Rate** | **19.16%** |  |
| **Expected Realization of Claims** | **46,02,53,537.83** | **Due to uncertainty, it is assumed that this will take around 5 years to get realized.** |

***Note:*** *It is to be noted here that the details of arbitration awards are provided to us by the client which we have considered in good faith. Since, the arbitration is on-going for the past several years, there will be expected expenses which will be incurred to realise these claims, which are assumed to be 10% of the expected realization of the claims. Fair Market value of arbitration claims may change in actual if the assumed factors such as incurred expenses, duration, final verdict of judiciary etc.*

**KEY INPUTS USED TO DISCOUNT ARBITRATION AWARDS**

|  |  |
| --- | --- |
| **Particular** | **Input** |
| Nifty 50 10-year return | 14.16% |
| Company Risk Premium | 5.00% |
| **Appropriate Discount Rate** | **19.16%** |

**Hence, Enterprise Value/Business Value of M/s TNDK is Nil. However, the expected recovery of arbitration claims is calculated as INR 46,02,53,537.83 on the valuation date on the request of bank based on the data/information shared by client. 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.**

1. **KEY ASSUMPTIONS:**
2. The overall valuation is based on the provisional financial statement dated 30th September 2024 and the data/information provided by the client in response to our queries/discussion.
3. The fair value of **Property, Plant & Equipment of INR 302.54 Lakhs** isconsidered and valued as INR 44.33 Lakhs i.e., cost of the Motor Car after depreciation (71.19-26.86). Remaining value of assets consists of Computer accessories, furniture and office equipment do not have any realizable value. As per information provided by client/company, Toll Equipment with net book value of INR 233.44 Lakhs are not considered for valuation as this asset will be taken over by the NHAI at the time of handover of the project. Hence, the fair value is considered as INR 44.33 Lakhs.
4. **Intangible Asset of INR 10,134.00 Lakhs** is the value of road asset after amortization. As per the information shared with us, the concession period of the road asset is going to end by October 2026. NHAI will take over the toll collections, 2 years before end of expiry period. This total amount should be amortized since the same is going to take over by NHAI. Hence, the fair value is considered as Nil.
5. **Other Non-Current Assets of INR 28.72 Lakhs** consists of INR 16.26 Lakhs as Income Tax disputed tax for A.Y 2007-08 which is in ITAT. In this case, CIT had issued the order against the company, which makes the amount not realizable. Balance amount represents deposits with Electricity, Telephone and labor department. Hence, the fair value is considered as Nil.
6. As per the information shared by the client/company, **Trade Receivable amounting to INR 0.47 Lakhs** is outstanding for more than 3 years. Hence, the fair value is considered as Nil due to the factors such as data limitation, aging, legality etc.
7. **Cash and Cash equivalents of INR 2,540.63** **Lakhs** is taken as 100% of the book value as on the valuation date as per the information provided by the client/company that the same balance was lying in the escrow account as on the valuation date.
8. **Other Financial Asset of INR 198.02 Lakhs** consists Capital Advances of INR 173.94 Lakhs and TDS Receivables of INR 24.08 Lakhs.

Out of INR 173.94 Lakhs of Capital Advances, Advances for Rentals and New Vehicle amounting to INR 3.99 Lakhs and INR 45.38 Lakhs respectively are considered as realizable and the remaining balance consist of other receivables which are outstanding more than 3 years have been considered as not realizable.

The Fair Value of TDS/TCS Receivables is considered as 100% of the book value as the chances of realizability is high. Hence, the fair value is considered as INR 73.45 Lakhs.

1. **Other Current Assets of INR 227.16 Lakhs** consists of TDS/TCS Receivables of INR 160.77 Lakhs which is considered as 100% of the book value as the chances of realizability is high. Remaining receivables consist of welfare cess receivables and prepaid expenses which are not collectable. Hence, the fair value is considered as INR 160.77 Lakhs.

**Thus, the fair market value of Total Assets is being calculated as INR 2,819.18 Lakhs as on valuation date, i.e., 30.09.2024.**

1. The fair market value of Liabilities has been considered as 100% of the book value as on 30th September 2024.

**Thus, the fair market value of Total Liabilities is being calculated as INR 27,513.65 Lakhs as on valuation date, i.e., 30.09.2024.**

1. As the fair value of the assets is less than the fair value of the liabilities. Hence, the Net Asset Value (NAV) of M/s TN (DK) Expressways Limited is estimated to be Nil.
2. As per NHAI’s latest letter dated 8th October 2024, NHAI levied penalties of INR 352.48 Cr. up to Sep. 2024 on the company for delay in maintenance works, we have not considered the same for the purpose of valuation anywhere.

**Hence, after deducting the Total Liabilities from the fair market value of Total Assets, the Adjusted Net Asset Value (NAV) as on 30th September 2024 is being calculated as Nil, which is being considered as the proxy of Enterprise Value of “M/s TN (DK) Expressways Limited” based on above assumptions, details provided by the company and current operation of the company.**

* *Enterprise Valuation of the subject project has been done by using Net Assets Value (NAV) Method.*
* *The Net Assets Value (NAV) of the project has been calculated after the deduction of Liabilities from the Total Assets Value of the company.*
* *The NAV method has been adopted for the calculation of Enterprise Valuation of the subject project since the project is categorized as NPA since March 2013 and as per the information provided by the banker/company, the concession end date is October 2026, which means left over Concession period is about 2 years only as per Concession Agreement. As per Clause No. 34.11 of Concession Agreement, NHAI will retain the last two years toll revenues in the Escrow Account for renewal works while handing over of the project to NHAI at the end of concession period. Hence actual toll revenue available to the company is Nil.*
* *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.*

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| **Declaration** | 1. *The undersigned does not have any direct/indirect interest in the Project Company.* 2. *The information furnished herein is true and correct to the best of our knowledge.* 3. *This valuation work is carried out by our Financial & Market Research Analysis team on the request from* ***State Bank of India, SAM Branch – II, D No. 3-4-1013/A, 1st Floor, Commuter Amenity Center (CAC), TSRTC Bus Station, Kachiguda, Hyderabad- 500027.*** 4. *We have submitted Valuation report directly to the Bank.* |
| **Number of Pages in the Repost** | 38 |
| **Enclosed Documents** | Disclaimer & Remarks 33-38 |
| **Place** | Noida |
| **Date** | 30th December 2024 |

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| **FOR ON BEHALF OF**  **M/S. R.K. ASSOCIATES VALUER & TECHNO ENGINEERING CONSULTANTS PVT. LTD.** | |
| **PREPARED BY** | **REVIEWED BY** |
| **Mr. Rachit Gupta** | **Mr. Gaurav Kumar** |
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| **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 = (Market Capitalization + Market Value of Debt – 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.*

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| **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.