

## **RBSA Valuation Advisors LLP**

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# **Enterprise and Equity Valuation of National Highways Infra Projects Private Limited as of 31<sup>st</sup> December 2023**

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## Private and Confidential

Report Ref No: RVA2324AMDREP082

09/02/2024

National Highways Infra Investment Managers Private Limited  
G-5 & 6, Sector-10, Dwarka  
Delhi 110075

## Sub: Valuation of National Highways Infra Projects Private Limited

Dear Sir,

We refer to our appointment letter dated 17<sup>th</sup> May 2023 wherein RBSA Valuation Advisors LLP ("RBSA") was appointed by National Highways Infra Investment Managers Private Limited ("NHIIMPL"/ the "Investment Manager") for valuation of National Highways Infra Projects Private Limited ("NHIPPL" or the "SPV"), as an independent valuer, as per Regulation 2(zzf) of the SEBI (Infrastructure Investment Trust) Regulations, 2014 ("SEBI InvIT Regulations"), our Report Ref No: RVA2324AMDREP061 dated 10 November 2023 ("September 2023 Valuation Report") for valuation of NHIPPL as at 30<sup>th</sup> September 2023 and our subsequent discussions for updating the valuation of NHIPPL as at 31 December 2023 ("Valuation Date").

NHIPPL is a wholly owned subsidiary of National Highways Infra Trust ("NHIT" or the "Trust" or "InvIT") and has been incorporated as a special purpose vehicle to operate and maintain the road projects. NHIPPL has entered into concession agreements with National Highway Authority of India ("NHAI" or "Sponsor") to operate, maintain and transfer 8 Toll Road projects under the Toll, Operate and Transfer ("TOT") model (together referred to as the "Specified Projects" and individually referred to as the "Project"). The Specified Projects held by NHIPPL as at the Valuation Date comprise the following:

1. Palanpur (Gujarat) to Abu Road (Rajasthan)
2. Abu Road (Rajasthan) to Swaroopganj (Rajasthan)
3. Kothakota Bypass (Telangana) to Kurnool (Andhra Pradesh)
4. Belgaum (Karnataka) to Kagal (Karnataka)
5. Chittorgarh (Rajasthan) to Kota (Rajasthan)
6. Agra Bypass (Uttar Pradesh)
7. Shivpuri (Madhya Pradesh) to Jhansi (Uttar Pradesh)
8. Borkhedi – Wadner – Deodhari – Kelapur (Maharashtra/Telangana Border)

NHIT is registered with the Securities and Exchange Board of India ("SEBI") as an infrastructure investment trust under the SEBI InvIT Regulations.

NHIIMPL is acting as Investment Manager to the Trust, NHAI is acting as Sponsor to the Trust and IDBI Trusteeship Services Limited ("Trustee") is acting as the Trustee to the Trust, within the meaning of the SEBI InvIT Regulations. NHAI monetized the Specified Projects through the InvIT (Infrastructure Investment Trust) route.



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The Trust intends to undertake the fair valuation of the SPV as on 31<sup>st</sup> December 2023 (“Valuation Date”) as per the SEBI InvIT Regulations.

In this regard, RBSA Valuation Advisors LLP has been appointed by the Investment Manager, as an independent valuer, as per Regulation 2(zzf) of the SEBI InvIT Regulations, for the purpose of carrying out the valuation of National Highways Infra Projects Private Limited.

We have analyzed the information provided by/ on behalf of the Investment Manager through broad inquiry, analysis and review but have not carried out a due diligence or audit of such information. We have relied on the explanations and information provided by/ on behalf of the Investment Manager. We have no present or planned future interest in the Sponsor, the SPV or the Investment Manager except to the extent of our appointment as an independent valuer. Our professional fees for the valuation are not contingent upon the values reported herein. Our valuation analysis should not be construed as an investment advice specifically, we do not express any opinion on the suitability or otherwise of entering into any financial or other transaction with the Trust.

We enclose our valuation report (the “Report”) providing our opinion on the fair enterprise valuation of NHIPPL as of 31<sup>st</sup> December 2023, on a ‘going concern value’ premise. The attached Report details the valuation approach and methodologies, calculations and conclusions with respect to this valuation.

Our valuation analysis must be considered as a whole. Selecting portions of our analysis or the factors we considered, without considering all factors and analysis together could create a misleading view of the process underlying the valuation conclusions. Valuation is a complex process and is not necessarily susceptible to partial analysis or summary description. Any attempt to do so could lead to undue emphasis on any particular factor or analysis.

Our valuation conclusion included herein, and the Report complies with the SEBI InvIT Regulations and guidelines, circulars or notifications issued by SEBI there under.

Please note that the Report must be read in conjunction with the Report including Assumptions and Limiting Conditions specified therein. This letter, the Report and the summary of valuation included herein may be provided to the Trust’s advisors, the Securities and Exchange Board of India and other regulatory and supervisory authority, as may be required under the applicable regulations.

This letter should be read in conjunction with the attached Report.

For **RBSA Valuation Advisors LLP**,  
(RVE No.: IBBI/RV-E/05/2019/110)

**Name: Ravishu Vinod Shah**

Designation: Partner

Asset Class: Securities or Financial Assets (RV No.: IBBI/RV/06/2020/12728)

09/02/2024

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## 1. Executive Summary

National Highway Authority of India (“NHAI”) was set up by an act of the Indian Parliament, NHAI Act, 1988. NHAI was set up with the primary objective of facilitating development, maintenance and management of national highways in India. NHAI has been entrusted with National Highways Development Project, along with other minor projects.

National Highways Infra Trust (“NHIT” or the “Trust” or “InvIT”) is registered with the Securities and Exchange Board of India (“SEBI”) as an infrastructure investment trust under the SEBI InvIT Regulations. National Highways Infra Investment Managers Private Limited (“NHIIMPL” or the “Investment Manager”) is acting as Investment Manager to the Trust, National Highway Authority of India (“NHAI” or “Sponsor”) is acting as Sponsor to the Trust and IDBI Trusteeship Services Limited (“Trustee”) is acting as the Trustee to the Trust, within the meaning of the SEBI InvIT Regulations.

National Highways Infra Projects Private Limited (“NHIPPL” or the “SPV”) is a wholly owned subsidiary of the Trust, which has been incorporated as a special purpose vehicle to operate and maintain the road projects. NHIPPL has entered into concession agreements with NHAI to operate, maintain and transfer 8 Toll Road projects under the Toll, Operate and Transfer (“TOT”) model (together referred to as the “Specified Projects”).

Accordingly, the Investment Manager and the Trustee intend to undertake the fair valuation of the SPV as on 31st December 2023 (“Valuation Date”). In this regard, RBSA Valuation Advisors LLP has been appointed by the Investment Manager, as an independent valuer, as per Regulation 2(zzf) of the SEBI InvIT Regulations, for the purpose of carrying out the Valuation of National Highways Infra Projects Private Limited.

The details of the Specified Projects are as under:

Sr. No.	Name of Section	NH	Total Length (Kms)	Toll Plaza	Start Kms	End Kms
1	Palanpur (Gujarat) to Abu Road (Rajasthan)	NH-27	45.000	Khemana	601.000	646.000
2	Abu Road (Rajasthan) to Swaroopganj (Rajasthan)	NH-27	31.000	Undavariya	646.000	677.000
3	Kothakota Bypass (Telangana) to Kurnool (Andhra Pradesh)	NH-44	74.622	Pullur	135.469	211.000
4	Belgaum (Karnataka) to Kagal (Karnataka)	NH-48	77.705	Hattargi and Kognoli	515.000	592.705

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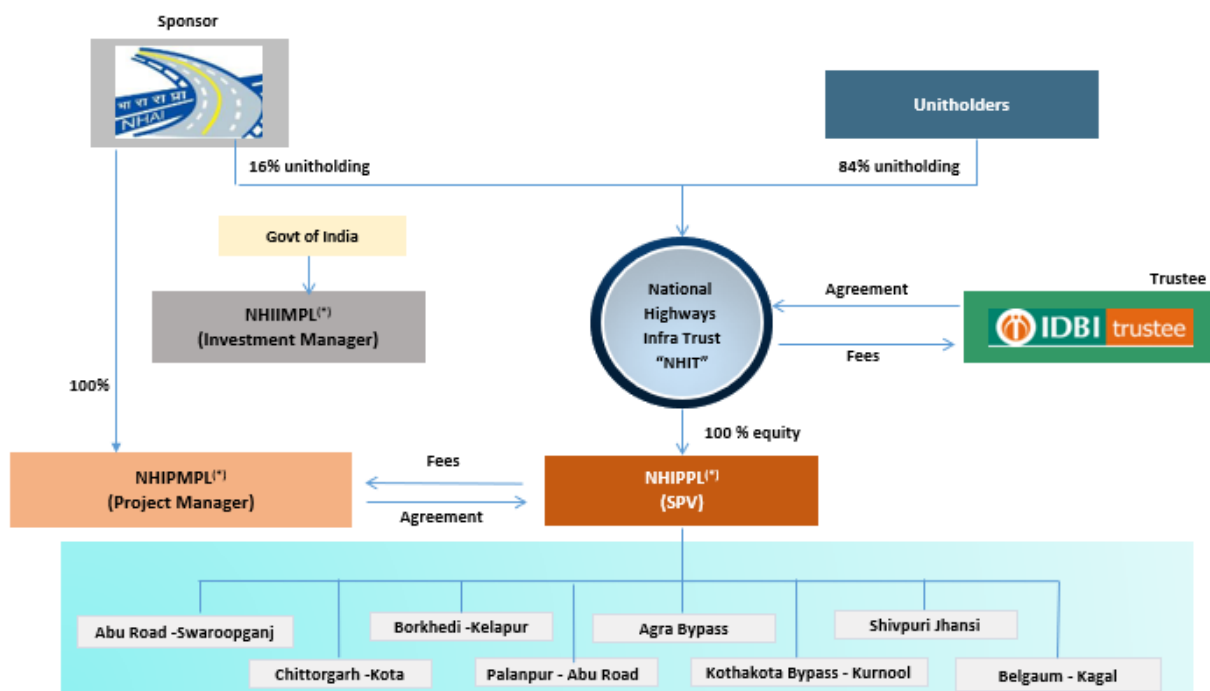
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Sr. No.	Name of Section	NH	Total Length (Kms)	Toll Plaza	Start Kms	End Kms
5	Chittorgarh (Rajasthan) to Kota (Rajasthan)	NH-27	160.500	Bassi, Aroli and Dhaneshwar	891.929	1052.429
6	Agra Bypass (Uttar Pradesh)	NH-2 – NH-3	32.800	Raibha	176.800 KM of NH-2	13.030 KM of NH-3
7	Shivpuri (Madhya Pradesh) to Jhansi (Uttar Pradesh)	NH-27	75.300	Raksha	1305.000 KM of NH-27	1380.387 KM of NH-27
8	Borkhedi – Wadner – Deodhari – Kelapur (Maharashtra/Telanga na Border)	NH-44	138.150	Daroda and Kelapur	36.600 KM of NH-44	175.600 KM of NH-44

Source: Information provided by the Management

## National Highways Infra Trust Structure



\*NHIPPL - National Highways Infra Projects Private Limited, NHIIMPL - National Highways Infra Investment Managers Private Limited, NHIPMPL – National Highways InvIT Project Managers Private Limited

Note: - National Highways Infra Trust Structure as on 31<sup>st</sup> December 2023.

Source: Information provided by the Management



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## Valuation Analysis

The Discounted Cash Flow (“DCF”) method under the Income Approach has been adopted for the Enterprise Valuation of the SPV. Free Cash Flow to Firm (“FCFF”) method under DCF has been applied based on the projected financial statements of the SPV provided by the management of NHIIMPL (the “Management”). The Enterprise Value has been computed by discounting the projected FCFF of the SPV beginning from 1<sup>st</sup> January 2024 until the end of the respective concession period of the Specified Projects, using an appropriate Weighted Average Cost of Capital (“WACC”).

The Investment Manager has appointed independent consultants to carry out Traffic study for estimation of toll revenue and Technical Due Diligence study for estimation of operating and maintenance expenses and major maintenance expenses, for each of the Specified Projects of the SPV over their respective concession periods. We have relied upon the Traffic Study Reports and Technical Due Diligence Reports provided by independent consultants on the Specified Projects of the SPV for the Enterprise Valuation of NHIPPL.

Valuation of a company/ business is not a precise science and the conclusions arrived at in many cases will be subjective and dependent on the exercise of individual judgment. There is, therefore, no indisputable single value and we normally express our opinion on the value as falling within a likely range. However, considering the nature of the engagement, we have provided a single point value estimate. While we have provided our opinion on the enterprise value of NHIPPL based on the information made available to us and within the scope and constraints of our engagement, others may have a different opinion. Accordingly, we expressly disclaim all liability for any loss or damage of whatever kind which may arise from any person acting on any information and estimates contained in this Report which are contrary to the stated purpose.

While our work has involved an analysis of financial and other information provided by/ on behalf of the Management, our engagement does not include an audit in accordance with generally accepted auditing standards of NHIPPL existing business records. We have not carried out any independent technical evaluation or appraisal or due diligence of the assets or liabilities of NHIPPL. Accordingly, we assume no responsibility and make no representations with respect to the accuracy or completeness of any information provided by/ on behalf of the Management. Our Report is subject to the scope, assumptions and limitations detailed hereinafter. As such the Report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to herein and in the context of the purpose for which it is made.



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Management represented that:

- It expects a reduction in the interest rate on the Term Loan availed by the Trust from a bank from ~8.65% to ~8%, considering *inter-alia* ongoing negotiations between the bank and the Trust.
  - It expects a reduction in the capital expenditure for the Specified Projected to be borne by the SPV from ~INR 1,383 Crore to ~INR 1,212 Crore, considering *inter-alia* actual contracts awarded so far, actual bids and Management's estimate.

The implication of aforementioned has been for the valuation of NHIPPL as at 31<sup>st</sup> December 2023

Further, the Management represented that:

- There are no ongoing material litigations including tax disputes and claims in relation to the Specified SPVs of 31<sup>st</sup> December 2023.
- In respect of additional stamp duty demand notice by the Government of Karnataka for the Belgaum Kagal project for an amount of INR 69.91 Cr, the Management does not expect any financial impact on NHIPPL since NHIPPL has a confirmation from NHAI as part of pre-bid clarification wherein any demand for additional stamp duty shall be treated as change in law under the provisions of Concession Agreement.

Enterprise Valuation of NHIPPL as of 31 December 2023 has been carried out considering *inter-alia* Traffic Study Reports and Technical Due Diligence Reports of independent consultants, Business plan/ Projected financial statements of NHIPPL and other information provided by/ on behalf of the Management, industry analysis and other relevant factors.

The Valuation summary of NHIPPL as of 31<sup>st</sup> December 2023 is as follows:

SPV	WACC	Enterprise Value (INR Cr)	Equity Value (INR Cr.)
National Highways Infra Projects Private Limited ("NHIPPL")	10.40%	11,711.8	2,092.0

Particulars	In INR cr.
<b>Enterprise Value</b>	<b>11,711.8</b>
Less: Debt	(9,720.5)
Less: Debt like items	(0.1)
Add: Cash and cash equivalent*	100.8
<b>Equity Value</b>	<b>2,092.0</b>

\* Cash and cash equivalent as at 31<sup>st</sup> December 2023 excludes fixed deposits aggregating ~INR 5.1 Cr which was earmarked by the Bank of Maharashtra ("BoM") for issue of Performance Guarantee to NHAI. Management represented that this FD is expected to be released once non-fund limit by BoM is sanctioned. Considering the aforementioned, working capital as at 31<sup>st</sup> December 2023 includes the aforementioned FD and the same is projected to be released in the subsequent period.





## 2. Engagement Overview

- National Highway Authority of India was set up by an act of the Indian Parliament, NHA Act, 1988. NHA was set up with the primary objective of facilitating development, maintenance, and management of national highways in India. NHA has been entrusted with National Highways Development Project, along with other minor projects.
- National Highways Infra Projects Private Limited is a wholly owned subsidiary of National Highways Infra Trust and has been incorporated as a special purpose vehicle to operate and maintain the road projects. NHIPPL has entered into a concession agreement with NHA to operate, maintain and transfer 8 Toll road projects under the Toll, Operate and Transfer model.
- National Highways Infra Projects Private Limited entered into concession agreements with NHA in March 2021 for the following five projects (collectively referred to as “Round 1” assets):
  1. Palanpur (Gujarat) to Abu Road (Rajasthan)
  2. Abu Road (Rajasthan) to Swaroopganj (Rajasthan)
  3. Kothakota Bypass (Telangana) to Kurnool (Andhra Pradesh)
  4. Belgaum (Karnataka) to Kagal (Karnataka)
  5. Chittorgarh (Rajasthan) to Kota (Rajasthan)

Subsequently, NHIPPL entered into concession agreements with NHA in October 2022 for the following additional three projects (collectively referred to as “Round 2” assets):

1. Agra Bypass (Uttar Pradesh)
2. Shivpuri (Madhya Pradesh) to Jhansi (Uttar Pradesh)
3. Borkhedi – Wadner – Deodhari – Kelapur (Maharashtra/Telangana Border)

Round 1 assets and Round 2 assets are together referred to as the Specified Road Projects

- National Highways Infra Trust is registered with the Securities and Exchange Board of India as an infrastructure investment trust under the SEBI InvIT Regulations. National Highway Authority of India is acting as Sponsor to the Trust, NHIPPL is acting as Investment Manager to the Trust and IDBI Trusteeship Services Limited is acting as the Trustee to the Trust.
- A full valuation of the SPV has to be carried out not less than once in every financial year as per Regulation 21(4) contained in the Chapter V of the SEBI InvIT Regulations. The Trust intends to undertake the fair valuation of the SPV encompassing the Specified Projects, as on 31 December 2023 (“Valuation Date”) as per the SEBI InvIT Regulations.
- In this regard, RBSA Valuation Advisors LLP has been appointed by the Investment Manager, as an independent valuer, as per Regulation 2(zf) of the SEBI InvIT Regulations, for the purpose of carrying out the Enterprise Valuation of National Highways Infra Projects Private Limited.



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- RBSA Valuation Advisors LLP is a registered valuer entity under the Section 247 of the Companies Act, 2013 registered with the Insolvency and Bankruptcy Board of India having Registered Valuer Entity No. IBBI/RV-E/05/2019/110.
- We declare that:
  - i. We are competent to undertake the financial valuation in terms of the SEBI InvIT Regulations;
  - ii. We are an independent registered valuer entity and have prepared the Report on a fair and unbiased basis; and
  - iii. We have at least two partners/ directors having experience of 5 years each in the valuation of infrastructure assets.
- The Valuation Date considered for the Enterprise Valuation of SPV is 31 December 2023. Valuation analysis and results are specific to the Valuation date. A valuation of this nature involves consideration of various factors including the financial position of the SPV as at the Valuation Date, trends in the equity stock market and fixed income security market, macro-economic and industry trends, etc.
- The Valuation of the SPV is impartial, true and fair and in compliance with the SEBI InvIT Regulations.



## 3. Assumptions and Limiting Conditions

- 3.1. This Report, its contents and the results herein are specific to (i) the purpose of valuation agreed as per the terms of our engagement; (ii) the date of this Report; (iii) Traffic Study Reports and Technical Due Diligence Reports for the Specified Projects by independent consultants, iv) Provisional financial statements of the SPV for the period ended 31 December 2023 and (iv) Business plan/ Projected financial statements of the SPV and other information provided by/ on behalf of the Management and information obtained from public domain/ subscribed databases till 1<sup>st</sup> February 2024.
- 3.2. While our work has involved an analysis of financial and other information provided by/ on behalf of the Management, our engagement does not include an audit in accordance with generally accepted auditing standards of the SPV's existing business records. We have not carried out any independent technical evaluation or appraisal or due diligence of the assets or liabilities of the SPV. Accordingly, we assume no responsibility and make no representations with respect to the accuracy or completeness of any information provided by/ on behalf of the Management. Our Report is subject to the Scope, Assumptions and Limitations detailed hereinafter. As such the Report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to herein and in the context of the purpose for which it is made.
- 3.3. The valuation of companies and businesses is not a precise science and the conclusions arrived at in many cases will be subjective and dependent on the exercise of individual judgment. There is, therefore, no indisputable single value and we normally express our opinion on the value as falling within a likely range, considering the purpose and requirement of this engagement, we have provided a single value. While we have provided our opinion on the fair value of the SPV based on the information made available to us and within the scope and constraints of our engagement, others may have a different opinion.
- 3.4. A valuation of this nature is necessarily based on stock market, financial, economic and other conditions in general and industry trends in particular prevailing as on the Valuation date and the information made available to us as of the date hereof. Events occurring after the Valuation date may affect this Report and the assumptions used in preparing it, and we do not assume any obligation to update, revise or reaffirm this Report.
- 3.5. In the course of valuation, we were provided with both written and verbal information as mentioned in the Section 4. We have analysed the information provided to us by/ on behalf of the Management through broad inquiry, analysis and review but have not carried out a due diligence or audit of the information provided for the purpose of this engagement. We have assumed that no information has been withheld that could have influenced the purpose of our Report.



- 3.6. Valuation may be based on estimates of future financial performance or opinions that represent reasonable expectations at a particular point in time. However, we do not provide assurance on the achievability of the results projected by the Management as events and circumstances do not occur as expected and differences between actual and expected results may be material. We express no opinion as to how closely the actual results will correspond to those projected as the achievement of the projected results is *inter-alia* dependent on actions, plans and assumptions of the Management and macro-economic and other external factors which are beyond the control of the Management.
- 3.7. Our valuation is primarily from a business perspective and does not take into account various legal and other corporate structures beyond the limited information provided to us by the Investment Manager. The value conclusion is not intended to represent the value at any time other than the Valuation Date that is specifically stated in the Report.
- 3.8. We have also relied on the data from external sources to conclude the valuation. 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.
- 3.9. The actual price achieved in case of a transaction may be higher or lower than our estimate of value depending upon the circumstances and timing of the transaction, the nature of the business and other relevant factors. The knowledge, negotiating ability and motivation of the buyers and sellers and the applicability of a discount or premium for control will also affect actual market price achieved. Accordingly, our valuation conclusion 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 considering *inter-alia* their own assessment of the Transaction and inputs from other advisors.
- 3.10. This Report has been prepared for the sole use by the Investment Manager / Trust / Sponsor/ SPV in connection with the purpose stated herein. It is inappropriate to use this Report for any purpose other than the purpose mentioned herein. This restriction does not preclude the Investment Manager from providing a copy of the Report to its third-party advisors whose review would be consistent with the intended use. Our Report may be disclosed in connection with any statutory and regulatory filing in connection with the Transaction and in accordance with the provision of SEBI InvIT Regulations. Further, the Report and summary of valuation included herein can be reproduced and included in the Draft placement memorandum and final placement memorandum, which may be filed with the SEBI. We shall not assume any responsibility to any third party to whom the Report is disclosed or otherwise made available.



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- 3.11. The Report assumes that the SPV complies fully with relevant laws and regulations applicable in its area of operations and usage unless otherwise stated, and that they will be managed in a competent and responsible manner. Further, unless specifically stated to the contrary, this Report has given no consideration to matters of a legal nature, including issues of legal title and compliance with local laws, and litigations and other contingent liabilities that are not recorded/ reflected in the financial statements provided to us.
- 3.12. It is clarified that this Report is not a fairness opinion under any of the stock exchange/ listing regulations. In case of any third-party having access to this Report, it should be noted that the Report is not a substitute for the third party's own due diligence/ appraisal/ enquiries/ independent advice that the third party should undertake for his purpose.
- 3.13. In the particular circumstances of this case, our liability (in contract or under statute or otherwise) for any economic loss or damage arising out of or in connection with this engagement, irrespective of the quantum of loss or damage caused, shall be limited to the amount of fees actually received by us from the Investment Manager, as laid out in the engagement letter, for such valuation work.
- 3.14. In rendering this Report, we have not provided any legal, regulatory, tax, accounting or actuarial advice and accordingly we do not assume any responsibility or liability in respect thereof.
- 3.15. This Report does not look into the business/ commercial reasons behind the acquisition of the Specified Projects by the SPV nor the likely benefits arising out of the same. Similarly, it does not address the relative merits of investing in an infrastructure trust as compared with any other alternative business transaction, or other alternatives, or whether or not such alternatives could be achieved or are available.
- 3.16. We are not advisors with respect to legal tax and regulatory matters for the SPV. No investigation of the SPV's claim to title of assets has been made for the purpose of this Report and the SPV's claim to such rights have been assumed to be valid. No consideration has been given to liens or encumbrances against the assets, beyond the loans is closed in the accounts. Therefore, no responsibility is assumed for matters of a legal nature.
- 3.17. The scope of work has been limited both in terms of the areas of the business and operations which have been reviewed. There may be matters, other than those noted in this report, which might be relevant in the context of the transaction and whose wider scope might uncover.



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- 3.18. The outbreak of the Novel Coronavirus ("COVID-19"), declared by the World Health Organization as a "Global Pandemic" on 11th March 2020 and second wave of the same in April 2021, has adversely affected the Global and Indian economy. The third wave on account of Omicron hit India in January 2022. Travel restrictions implemented by many countries has affected the economic activities. Governments have announced various measures to combat COVID 19 pandemic and to support the economic and business activities. Though economic recovery is being witnessed in India coupled with the Government's vaccination efforts and fall in covid cases, with many countries declaring the same as common flu. There are still higher uncertainties in the near to medium term. Considering the unprecedented set of circumstances, Value analysis is reported on the basis of 'material valuation uncertainty' and accordingly less certainty and a higher degree of caution should be attached to the Value Analysis than would normally be the case. It may be noted that the estimated value may change significantly and unexpectedly over a relatively short period of time based on the evolving conditions/ uncertainties on account of COVID 19 pandemic.
- 3.19. RBSA is not aware of any contingent, commitment or material issue, besides the information disclosed in the audited financial statements and additionally provided by the Investment Manager / Management which has been presented in this Report, which could materially affect the SPV economic environment and future performance and therefore, the fair value of their businesses.
- 3.20. We have no present or planned future interest in the Trustee, Investment Manager, the Sponsor or the SPV and the fee for this Report is not contingent upon the values reported herein. Our valuation analysis should not be construed as investment advice; specifically, we do not express any opinion on the suitability or otherwise of entering into any financial or other transaction.
- 3.21. We have relied upon the representations of the Management in respect of the information provided by them. We shall not be liable for any loss, damages, cost or expenses arising from fraudulent acts, misrepresentations, or willful default on part of the Investment Manager, the SPV, their directors, employee or agents.



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- **Limitation of Liabilities**

- It is agreed that, having regard to RBSA's interest in limiting the personal liability and exposure to litigation of its personnel, the Investment Manager, the Sponsor, the Trust or the Trustee will not bring any claim in respect of any damage against any of RBSA's personnel.
- In no circumstances, RBSA shall be responsible for any consequential, special, direct, indirect, punitive or incidental loss, damages or expenses (including loss of profits, data, business, opportunity cost, goodwill or indemnification) in connection with the performance of the Services whether such damages are based on breach of contract, tort, strict liability, breach of warranty, negligence, or otherwise) even if the Investment Manager had contemplated and communicated to RBSA the likelihood of such damages. Any decision to act upon the Report is to be made by the Investment Manager and no communication by RBSA should be treated as an invitation or inducement to engage the Investment Manager to act upon the Report.
- In the particular circumstances of this case, our liability (in contract or under statute or otherwise) for any loss or damage caused, shall be limited to the amount of fees actually received by us, as laid out in the engagement letter, for such valuation work.
- It is clarified that the Sponsor and the Trust will be solely responsible for any delays, additional costs, or other liabilities caused by or associated with any deficiencies in their responsibilities, misrepresentations, incorrect and incomplete information including information provided to determine the assumptions.
- RBSA will not be liable if any loss arises due to the provision of false, misleading or incomplete information or documentation by the Investment Manager, the Sponsor, the Trust or the Trustee.



## 4. Sources of Information

For the purpose of undertaking this valuation exercise, we have relied on the following sources of information provided by/ on behalf of the Management:

- Concession Agreements for the Specified Projects entered into between the SPV and NHAI;
- Reports of independent consultants appointed by the Investment Manager for Traffic study and estimation of toll revenue for the duration of the concession period for each of the Specified Projects of the SPV (together referred to as the “Traffic Study Reports”);
- Reports of independent consultants appointed by the Investment Manager for Technical Due Diligence study to estimate the operating and maintenance expenses and major maintenance expenses for the duration of the concession period for each of the Specified Projects of the SPV (together referred to as the “Technical Due Diligence Reports”);
- Provisional Financial statements of NHIPPL for the period ended 31<sup>st</sup> December 2023;
- Projected financial statements of the SPV from 1<sup>st</sup> April 2023 till the end of the concession period of the Specified Projects, which the Management expects to be their best estimate of the expected performance of the SPV encompassing the Specified Projects (“Management Projections”);
- Discussions with the Management to inter-alia understand the historical and expected future performance of the SPV and the Specified Projects, key value drivers and other factors affecting the business of the SPV;
- Management representation letter with respect to mandatory disclosures required by SEBI; and
- Capital IQ’s database of publicly traded companies.

We have also obtained the explanations, information and representations, which we believed were reasonably necessary and relevant for our exercise from the Management.





## 5. Procedures

We have carried out the Enterprise Valuation of the SPV, to the extent applicable, in accordance with ICAI Valuation Standards, 2018 (“ICAI VS”) issued by the Institute of Chartered Accountants of India.

We have adopted the following procedures for carrying out the valuation analysis:

- Considered the key terms of Concession Agreements;
- Analysis of the Management Projections;
- Considered the Traffic Study Reports and Technical Due Diligence Reports;
- Analysis of the key economic and industry factors which may affect the valuation of the SPV;
- Analysis of the financial performance (Profit & Loss Statement) of the SPV for the period 1<sup>st</sup> April 2023 to 31<sup>st</sup> December 2023;
- Analysis of the financial position (balance sheet) of the SPV as of 31<sup>st</sup> December 2023;
- Analysis of the information available in public domain/ subscribed databases in respect of the comparable companies/ comparable transactions, as considered relevant by us;
- Selection of valuation approach and valuation methodology/(ies), in accordance with ICAI VS, as considered appropriate and relevant by us;
- Analysis of other publicly available information, as considered relevant by us; and
- Determination of Enterprise Value and Equity Value of the SPV.



## 6. Industry Overview

### Road Infrastructure in India

- India has the second largest road network in the world, spanning a total of ~ 6.23 million kilometers (“kms”). This comprises National Highways, Expressways, State Highways, Major District Roads, Other District Roads and Village Roads as under:

Particulars	In kms	% share
National Highways	144,634	2%
State Highways	186,908	3%
Other Roads	5,902,539	95%
Total	6,234,081	

Source: IBEF August 2023 Report

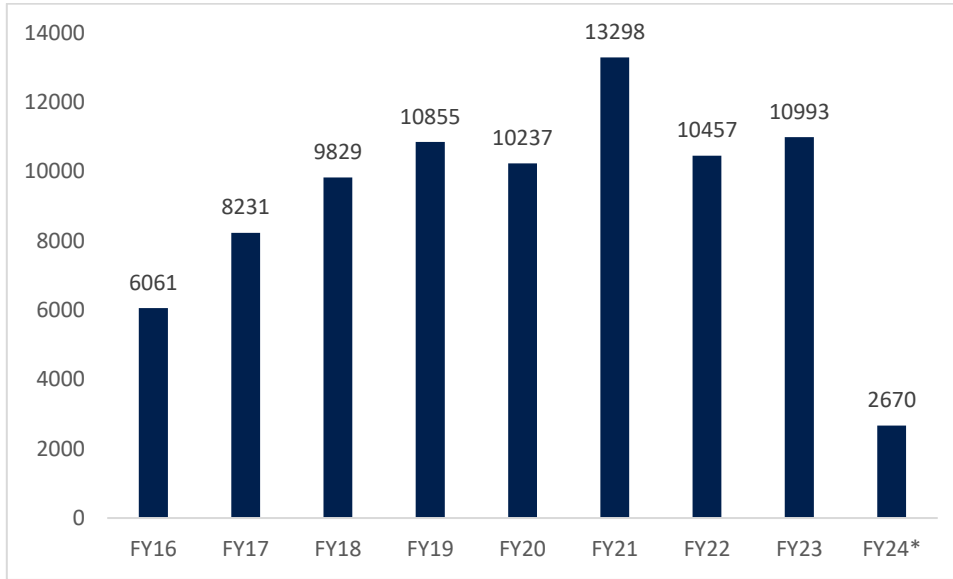
- This road network transports ~64.5 per cent of all goods in the country and ~90 per cent of India’s total passenger traffic uses road network to commute. Road transportation has gradually increased over the years with improvement in connectivity between cities, towns, and villages in the country.

### Strong momentum in expansion of roadways

- In FY24 (until July), cumulatively, 2,670 km of National Highways have been constructed and has been 1,125 km awarded.
- In FY23, the Ministry of Road Transport and Highways constructed national highways extending ~10,993 kms. In FY 22 the same was ~10,457 kms.
- To transform road infrastructure in Punjab, Haryana and Rajasthan, the Indian government has planned to construct roads for INR 11,000 crore (US\$ 1.48 billion).
- The Ministry of Road Transport & Highways extended certain relief measures provided earlier in view of the second COVID-19 wave. The central government sanctioned >INR 600 crore (US\$ 81 million), of the Central Road and Infrastructure Fund (“CRIF”), for construction of 42 roads and bridges in Uttarakhand.
- Odisha has completed 62,192 kms of roads under the Pradhan Mantri Gram Sadak Yojana (“PMGSY”) programme, making it one of the highest performing states in construction of rural roads.
- GOI aims to construct ~25,000 km of National Highways in FY2022-23 at record speed of ~50km per day.



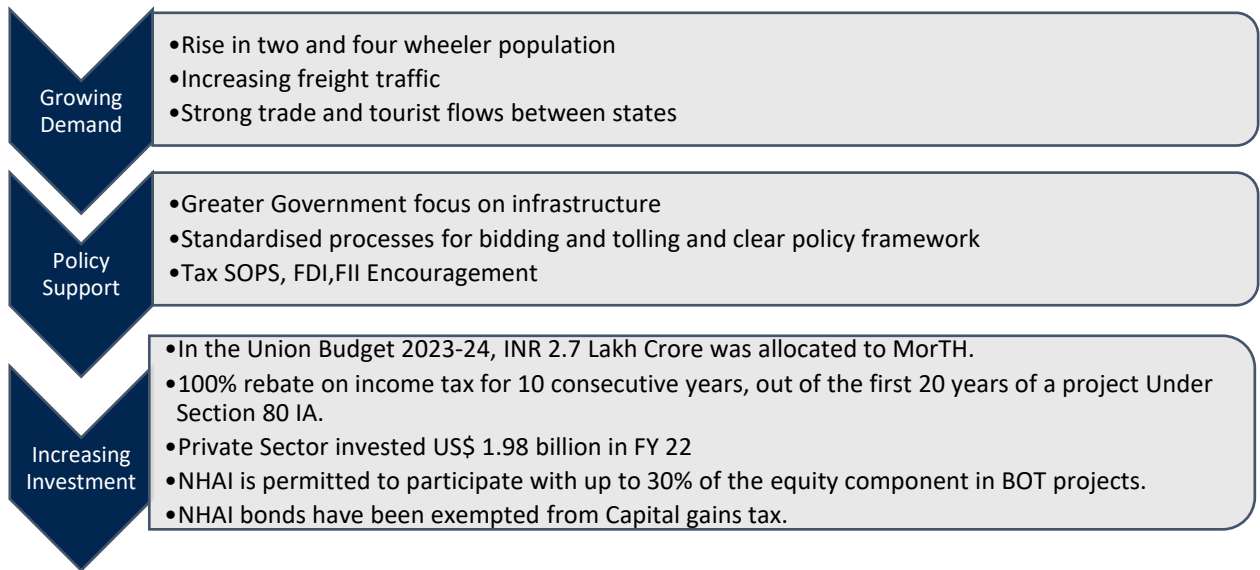
## Highway Construction in India (Kms)



\* Till July24

Source: IBEF August 2023 Report

## Growth Drivers



Source: IBEF August 2023 Report & Union Budget 2023-24

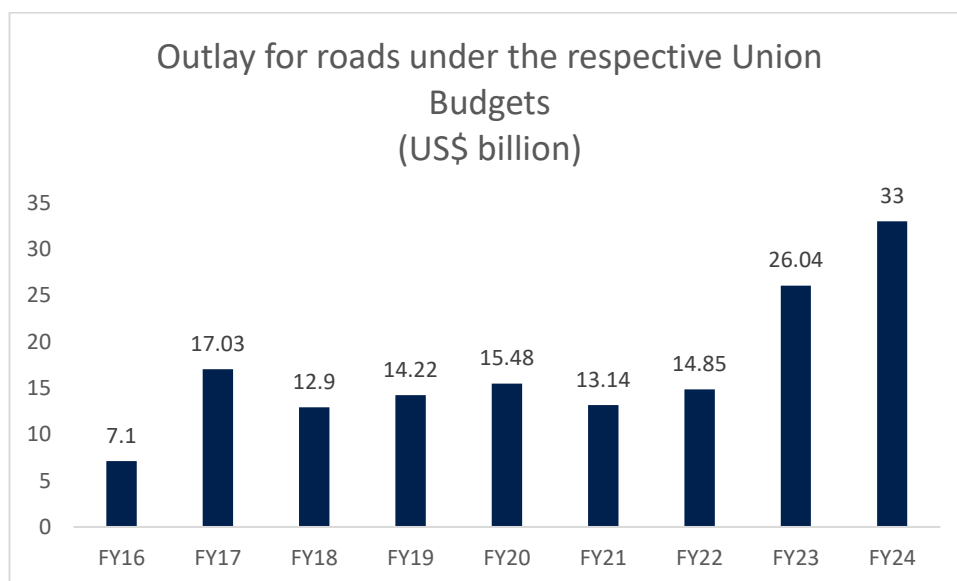
## Future Growth prospects

- Mr. Nitin Gadkari, the Union Minister for Road Transport and Highways, informed that under “Parvatmala Pariyojana”, the Government of India plans to develop 250+ projects with a Ropeway length of 1,200+ km over five years.
- A total of 600+ sites are planned to be awarded by 2024-25 of which 144 Wayside Amenities (WSAs) have already been awarded.
- In December 2021, the government set a highway monetization target of INR 2 trillion (US\$ 26.20 billion) for the next 3 years.

- In October 2021, the Indian government announced five road projects in Ladakh, measuring 255 kms in length, to boost connectivity in the region.
- In August 2021, Union Minister of Road Transport and Highways, Mr. Nitin Gadkari, announced to launch 1,080-km (road construction) projects worth INR 25,370 crore (US\$ 3.4 billion) under the Bharatmala Pariyojana—the ambitious road and highways project that aims to build highways from Maharashtra, Gujarat, Rajasthan, Punjab, Haryana and then cover the entire string of Himalayan territories.
- In 2018, the Indian government announced its plan to construct the Delhi-Mumbai Express Highway (extending 1,380 kms), to improve connectivity from Delhi to Mumbai, covering states such as Haryana, Rajasthan, Gujarat and Madhya Pradesh. As of September 2021, contracts for >1,200 kms have been awarded. The estimated cost to construct the Delhi-Mumbai Express Highway is INR 98,000 crore (US\$ 13.08 billion).
- NHAI is planning to raise Rs 40,000 crore (US\$ 5.72 billion) to monetize its highway assets through Infrastructure Investment Trust.

### **Highlights of Union Budget 2023-24**

- The Government has allocated INR 2.7 lakh crore for Ministry of Road Transport and Highways – which is ~36.0% higher than last year’s budget allocation.
- The Government plans to complete 25,000 Kilometers of National Highways.
- In July 2021, the Union Minister for Road Transport and Highways, Mr. Nitin Gadkari, laid the foundation stone for 16 National Highway projects in Manipur. These projects will cost US\$ 556.67 million to build and will cover a total distance of 298 kms.
- To transform road infrastructure in Punjab, Haryana and Rajasthan, the Indian government has planned to construct roads extending 313 kms for INR 11,000 crore (US\$ 1.48 billion).

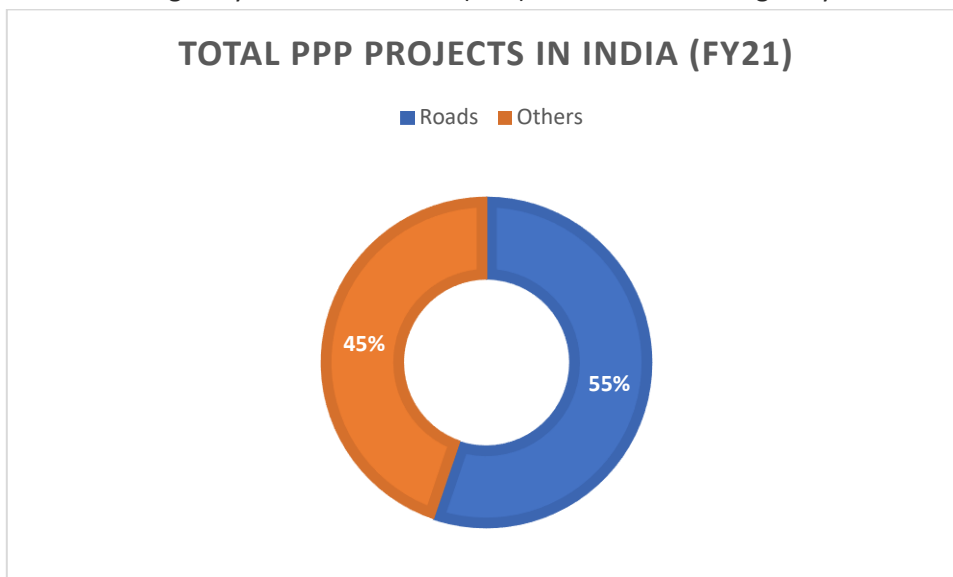


Source: IBEF Road Report August 2023



## **Private Sector Participation: -**

- NHAI is planning to award 1,000-1,500 km of projects under the BOT model in 2023-24.
- During the year 2020–21, 125 PPP projects (Including 69 road projects) with a total cost of Rs 1,72,314 crore were appraised. NHAI targeted 450 kilometers of the Build–operate–transfer (BOT) projects in FY22 and was looking forward to bidding out 600-1000 kilometers of highway stretch under the Build–operate–transfer (BOT) model as of November 2021.
- In August 2020, the Government of India revised the Model Concession Agreement for BOT projects to plug delays by imposing a deadline on the NHAI and incentivizing timely work by concessionaires. According to revised norms, the NHAI will have to hand over 90% of the project land (vacant and ready to build) to private developers, thus creating a more market-friendly sector and attracting more private players.
- In November 2020, L&T Construction bagged a contract to build India’s longest river bridge, across Brahmaputra River connecting Dhubri in Assam to Phulbari in Meghalaya.
- KKR, a global investment firm, announced to acquire the entire stake of Global Infrastructure Partners in Highway Concessions One (HC1) and seven other highway assets totaling 487 kms.



(Source: IBEF Road Report August 2023 & Niti Aayog)

## **Government initiatives: -**

### **1. National Infrastructure Pipeline (NIP)**

The government’s ambitious National Infrastructure Pipeline which is to be implemented until FY25 is an attempt undertaken by the centre to facilitate economic revival by relying on infrastructure creation. The NIP covers a gamut of sectors, rural and urban infrastructure as well and entails investments to the tune of INR 111 Lakh Crores to be undertaken by the central government, state governments and the private sector. The Roads sector is expected to account for 18% capital expenditure over FY2019-25.



## 2. Bharatmala Pariyojana (BMP) – Phase I

- Bharatmala Pariyojana is a program for the highways sector that focuses on optimizing efficiency of freight and passenger movement across the country by bridging critical infrastructure gaps through effective interventions like development of Economic Corridors, Inter Corridors and Feeder Routes, National Corridor Efficiency Improvement, Border and International connectivity roads, Coastal and Port connectivity roads and Green-field expressways.
- A total of around 24,800 kms are being considered in Phase I. In addition, Phase I also includes 10,000 kms of balance road works under NHDP. Estimated outlay for Phase I is ~ INR 5.35 lakh Crores spread over 5 years.
- Summary of Phase 1 Components and approved outlay of for the same are as follows: -

Sr. No.	Components	Length (Km)	Outlay (INR crore)
1	Economic corridors development	9,000	120,000
2	Inter- corridors & feeder roads	6,000	80,000
3	National Corridors Efficiency Improvement	5,000	100,000
4	Border and International Connectivity	2,000	25,000
5	Coastal and port connectivity roads	2,000	20,000
6	Expressways	800	40,000
Total		24,800	385,000
7	Balance Road works under NHDP	10,000	1,50,000
Total		34,800	5,35,000

Source: MorTH Website

NHAI will consider only those projects that require minimal land acquisition worth INR 3 trillion under Bharatmala Pariyojana Scheme. A total of ~65,000 kms of roads and highways are to be constructed under Bharatmala Pariyojana.

## 3. Gati Shakti – National Master Plan

India's Gati Shakti program has consolidated a list of 81 high impact projects, out of which road infrastructure projects were the top priority. The major highway projects include the Delhi-Mumbai expressway (1,350 kilometres), Amritsar-Jamnagar expressway (1,257 kilometres) and Saharanpur-Dehradun expressway (210 kilometres). The main aim of this program is a faster approval process which can be done through the Gati Shakti portal and digitized the approval process completely.

## 4. Taxes and Other Sops

Companies enjoy 100% tax exemption in road projects for 5 years and 30% relief over the next 5 years.



























































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## Appendices







