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Report on Enterprise Valuation of Three Road Projects proposed to be acquired by National Highways Infra Projects Private Limited (“NHIPPL”) as of 31st July 2022

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Private and Confidential

30th August 2022

Report Ref No: RVA2223DELREPO23

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

Sub: Enterprise Valuation of three new Toll Road projects, pursuant to SEBI (Infrastructure Investment Trusts) Regulations, 2014, as amended.

Dear Sir,

We refer to our appointment letter dated 29th December 2020 wherein RBSA Valuation Advisors LLP ("RBSA" or "We" or "us") has been appointed by National Highways Infra Investment Managers Private Limited ("NHIIMPL"/ the "Investment Manager"), as an independent valuer, as per Regulation 2(zzf) of the SEBI (Infrastructure Investment Trust) Regulations, 2014 ("SEBI InvIT Regulations") and our subsequent discussions, for carrying out the Enterprise Valuation of three Toll Road projects (together referred to as the "Specified Projects") proposed to be acquired by National Highways Infra Projects Private Limited ("NHIPPL" or the "SPV").

NHIPPL is a wholly owned subsidiary of National Highways Infra Trust ("NHIT" or the "Trust" or "InvIT") and is incorporated as a special purpose vehicle to operate and maintain the road projects. 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, NHA is acting as Sponsor to the Trust, and IDBI Trusteeship Services Limited ("Trustee") is acting as Trustee to the Trust, within the meaning of the SEBI InvIT Regulations.

NHIPPL has entered into concession agreements with NHA to operate, maintain and transfer the five projects under the Toll, Operate and Transfer ("TOT") model.

NHA aims to monetize the Specified Projects through the InvIT (Infrastructure Investment Trust) route. In this context, NHIIMPL is evaluating a proposal for acquisition of the Specified Projects for which NHIPPL shall enter into concession agreements with NHA ("Proposed Transaction"). The Specified Projects proposed to be acquired by NHIPPL on a TOT basis are as follows:

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

In connection with the Proposed Transaction, the Trust intends to undertake the Enterprise Valuation of the Specified Projects, as on 31st July 2022 ("Valuation Date") as per the SEBI InvIT Regulations. 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 the Specified Projects.



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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, NHIPPL 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 the Specified Projects as of 31st July 2022 ("Valuation Date"), on a 'going concern value' premise and considering the Specified Projects as a 'stand-alone' business. 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 Report complies with the SEBI InvIT Regulations and guidelines, circular or notification issued by SEBI there under.

Please note that the Report must be read in conjunction with the Assumptions and Limiting Conditions, which are contained in Section 3 of this Report. 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 in connection with the Transaction and can be reproduced and included in the draft placement memorandum and final placement memorandum proposed to be filed in connection with offering of the units of the Trust.

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)

Date: 30th August 2022

Place: Mumbai

RBSA Valuation Advisors LLP

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1. Executive Summary

National Highway Authority of India (“NHA”) 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 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 (“NHIMPL” or the “Investment Manager”) is acting as Investment Manager to the Trust, National Highway Authority of India (“NHA” 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 NHIT and is incorporated as a special purpose vehicle to operate and maintain the road projects. NHIPPL has entered into concession agreements with NHA to operate, maintain and transfer the five projects under the Toll, Operate and Transfer (“TOT”) model. NHA aims to monetize the additional three Toll road projects (together referred to as the “Specified Projects”) through the InvIT (Infrastructure Investment Trust) route. In this context, NHIMPL is evaluating a proposal for acquisition of the Specified Projects for which NHIPPL shall enter into concession agreements with NHA (“Proposed Transaction”).

In this context, the Trust intends to undertake the Enterprise Valuation of the Specified Projects, as on 31st July 2022 as per the SEBI InvIT Regulations.

In connection with the Proposed Transaction, 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 the Specified Projects.

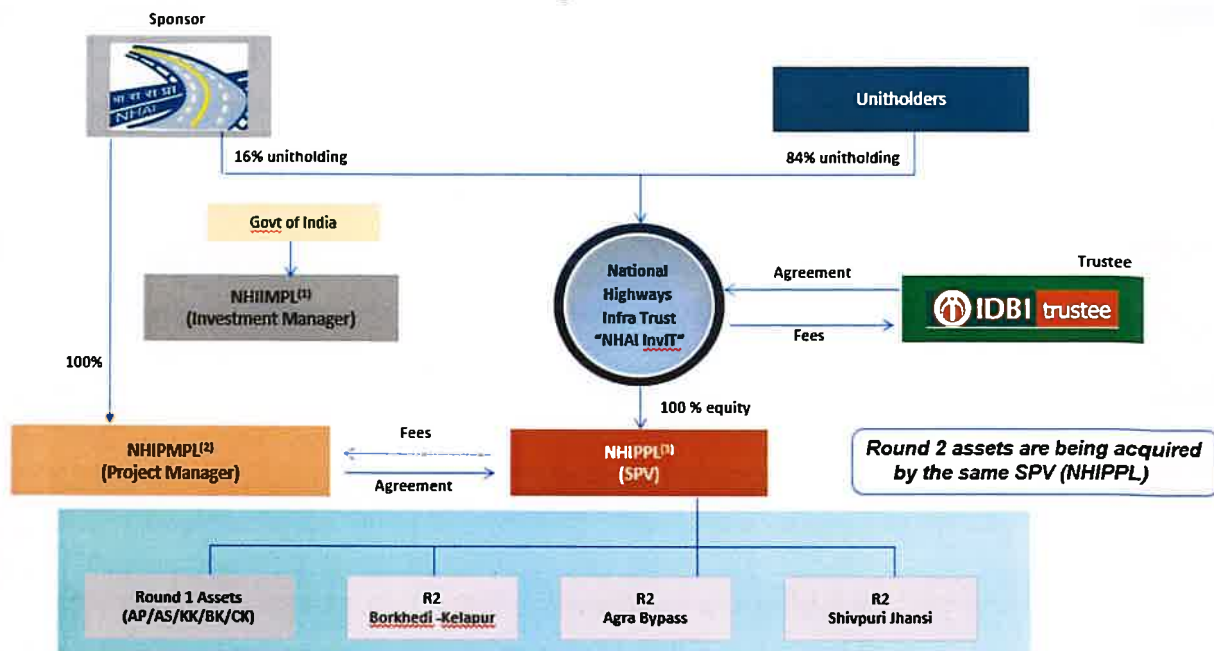
The Specified Projects proposed to be acquired by NHIPPL on a TOT basis are as follows:

Sr. No.	Name of Section	NH	Total Length (Kms)	Toll Plaza	Start Kms	End Kms
1	Agra Bypass	NH-2 – NH-3	32.800	Raibha	176.800 KM of NH-2	13.030 KM of NH-3
2	Shivpuri to Jhansi	NH-27	75.300	Raksha	1305.000 KM of NH-27	1380.387 KM of NH-27
3	Borkhedi-Wadner-Deodhari-Kelapur	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

Valuation Analysis

The Discounted Cash Flow (“DCF”) method under the Income Approach has been adopted for the Enterprise Valuation of the Specified Projects. Free Cash Flow to Firm method under DCF has been applied based on the projected financials of the Specified Projects provided by the management of NHIIMPL (the “Management”). The Enterprise Value of the Specified Projects as of 31st July 2022 has been estimated, on a ‘going concern value’ premise and considering the Specified Projects as a ‘stand-alone’ business. The Enterprise Value has been computed by discounting the free cash flows to the firm until the end of the concession period of 20 years beginning from 1st October 2022, using an appropriate WACC. Since the proposed effective implementation date is 1st October 2022, the cashflows have been discounted as of 30th September 2022.

The Investment Manager has appointed independent consultants to carry out Traffic study and estimation of toll revenue and Technical study for estimation of operating and maintenance expenses and major maintenance expenses, for each of the Specified Projects over the concession period of 20 years ending on 30th September 2042. We have relied upon the Traffic Study reports and Technical reports provided by independent consultants on the Specified Projects for the Enterprise Valuation.



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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 the Specified Projects 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 the Specified Projects' existing business records. We have not carried out any independent technical evaluation or appraisal or due diligence of the assets or liabilities of the Specified Projects. 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.

Enterprise Valuation of the Specified Projects as of 31st July 2022 ("Valuation Date"), has been carried out considering *inter-alia* Traffic Study and Technical Reports of independent consultants, Business plan/ Projected financial statements of the Specified Projects and other information provided by/ on behalf of the Management, industry analysis and other relevant factors.

The Valuation summary of the Specified Projects as of 31st July 2022, is as follows:

Particulars	WACC	Enterprise Value (INR Cr)
Agra Bypass	10.60%	1,021
Shivpuri Jhansi		450
Borkhedi – Wadner – Deodhari - Kelapur		1,354
Total	10.60%	2,825

Note: The Enterprise Value of respective Specified Projects has been estimated considering *inter-alia* apportionment of common expenses to the Specified Projects and may not be representative of the Enterprise Value of each Specified Project on a 'standalone' basis.



2. Engagement Overview

- National Highway Authority of India 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 “SPV”) is a wholly owned subsidiary of NHIT to operate and maintain the road projects. NHIPPL has entered into concession agreements with NHAI to operate, maintain and transfer the five projects under the Toll, Operate and Transfer (“TOT”) model. NHAI aims to monetize the additional three Toll road projects (together referred to as the “Specified Projects”) through the InvIT (Infrastructure Investment Trust) route. In this context, NHIIMPL is evaluating a proposal for acquisition of the Specified Projects for which NHIPPL shall enter into concession agreements with NHAI (“Proposed Transaction”).
- The Trust intends to undertake the Enterprise Valuation of the Specified Projects, as on 31st July 2022 as per the SEBI InvIT Regulations.
- In connection with the Proposed Transaction, 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 the Specified Projects.



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- The Specified Projects proposed to be acquired by NHIPPL on a TOT basis are as follows:

Sr. No.	Name of Section	NH	Total Length (Kms)	Toll Plaza	Start Kms	End Kms
1	Agra Bypass	NH-2 – NH-3	32.800	Raibha	176.800 KM of NH-2	13.030 KM of NH-3
2	Shivpuri to Jhansi	NH-27	75.300	Raksha	1305.000 KM of NH-27	1380.387 KM of NH-27
3	Borkhedi-Wadner-Deodhari-Kelapur	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

- 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:
 - We are competent to undertake the financial valuation in terms of the SEBI InvIT Regulations;
 - We are an independent registered valuer entity and have prepared the Report on a fair and unbiased basis; and
 - 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 the Specified Projects is 31st July 2022. Valuation analysis and results are specific to the Valuation date. A valuation of this nature involves consideration of various factors including the operational and financial performance and position of the Specified Projects as at the Valuation Date, trends in the equity stock market and fixed income security market, macro-economic and industry trends, etc.
- We have carried out additional scope of work as per schedule V of SEBI InvIT Regulations (Refer para 10.1 for further details).
- This Report covers all the disclosures required as per the SEBI InvIT Regulations and the Valuation of the Specified Projects 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 and Technical Reports for the Specified Projects by independent consultants, and (iv) Business plan/ Projected financial statements of the Specified Projects and other information provided by/ on behalf of the Management and information obtained from public domain/ subscribed databases till 27th August 2022.
- 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 Specified Projects' existing business records. We have not carried out any independent technical evaluation or appraisal or due diligence of the assets or liabilities of the Specified Projects. 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 Specified Projects 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

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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 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.
- 3.11. The Report assumes that the Specified Projects comply 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



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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 Proposed Transaction 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 Proposed Transaction. No investigation of the Specified Projects' claim to title of assets has been made for the purpose of this Report and the Specified Projects' 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 which a wider scope might uncover.
- 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 significantly 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 and additionally provided by the Investment Manager / Management which has been presented in this Report, which could materially affect the Specified Projects' economic



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environment and future performance and therefore, their fair value.

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.

- **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:

- Draft Concession Agreements for the three projects between the SPV and NHA for the Specified Projects;
- 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 (“Traffic Study Reports”);
- Reports of independent consultants appointed by the Investment Manager for Technical study for estimation of operating and maintenance expenses and major maintenance expenses for the duration of the concession period for each of the Specified Projects (“Technical Reports”);
- Projected financial statements of the Specified Projects for the concession period from 1st October 2022 to 30th September 2042 (FY2023 – FY2043) which the Management expects to be their best estimate of the expected performance of the Specified Projects (“Management Projections”);
- Discussions with the Management to inter-alia understand expected future performance of the Specified Projects, key value drivers and other factors affecting the business of the Specified Projects;
- 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 Specified Projects, 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 Draft Concession Agreements;
- Analysis of the Management Projections;
- Considered the Traffic Study Reports and Technical Reports;
- Analysis of the key economic and industry factors which may affect the valuation of the Specified Projects;
- 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 of the Specified Projects.



6. Industry Overview

Road Infrastructure in India

- India has the second largest road network in the world, spanning a total of ~ 5.9 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	140,995	2.21%
State Highways	171,039	2.68%
Other Roads	6,059,813	95.10%
Total	6,371,847	

Source: IBEF March 2022 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

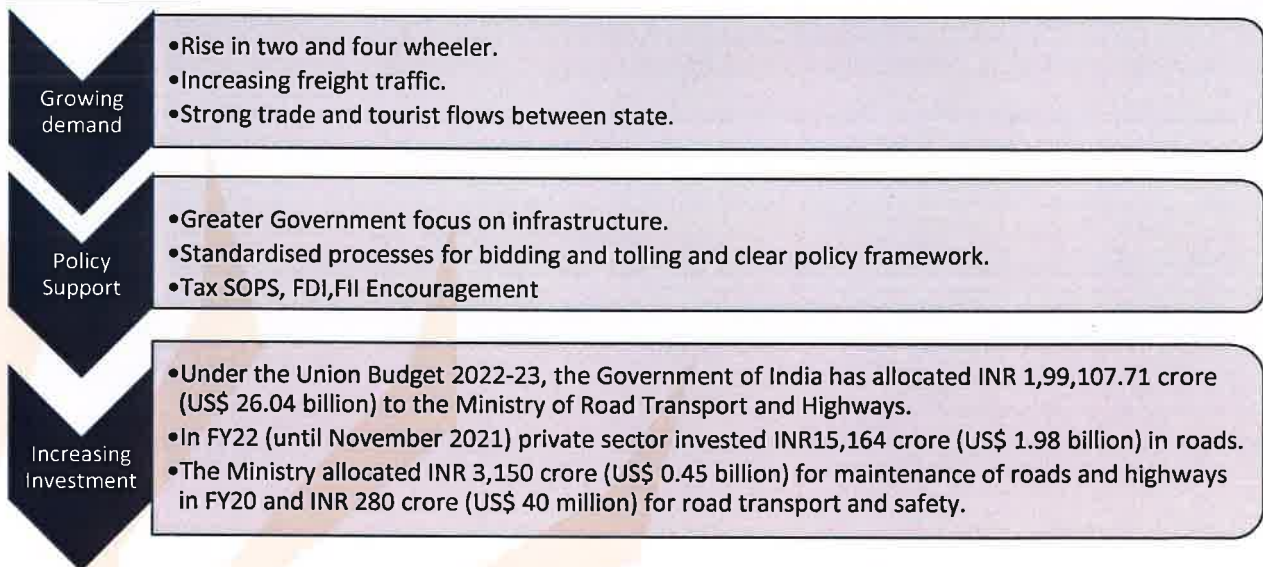
- In FY22, the Ministry of Road Transport and Highways constructed national highways extending ~10,457 kms.
- The Government of India aims to construct ~18,000 km of National Highways in FY2022-23 at record speed of ~50km per day.
- The Ministry of Road Transport and Highways constructed 2,284 kms of national highways until June 2021.
- In August 2021, The Ministry of Road Transport & Highways extended certain relief measures provided earlier in view of the second COVID-19 wave. The Central Government sanctioned more than INR 600 crore (US\$ 81 million), of the Central Road and Infrastructure Fund (CRIF), for construction of 42 roads and bridges in Uttarakhand.
- In September 2021, the Government of India has planned to construct roads extending 313 kms for INR 11,000 crore (US\$ 1.48 billion) to transform road infrastructure in Punjab, Haryana and Rajasthan.
- In October 2021, the Government inaugurated a national highway extending 527 kms and worth INR 4,075 crore (US\$ 542.34 million) in Ahmednagar, Maharashtra, to boost connectivity in the state.
- In FY22 till October 2021, the Ministry of Road Transport and Highways constructed national highways extending 4,450 kms.





Source: IBEF March 2022 Report & Make in India portal

Growth Drivers



Source: IBEF March 2022 Report

Future growth Prospects

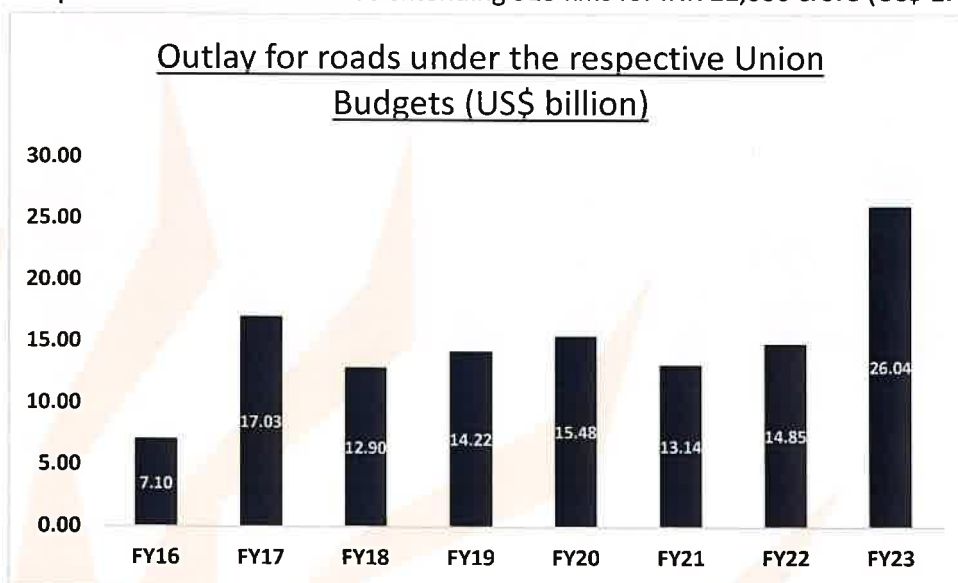
- In December 2021, the government set a highway monetization target of INR 2 trillion (US\$ 26.20 billion) for the next 3 years.
- In October 2021, the Indian government announced five road projects in Ladakh, measuring 255 kms in length, to boost connectivity in the region.
- In August 2021, Union 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 more than 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 2022-23

- The Government has allocated INR 1,99,108 crore for Ministry of Road Transport and Highways – which is ~68.0% 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).



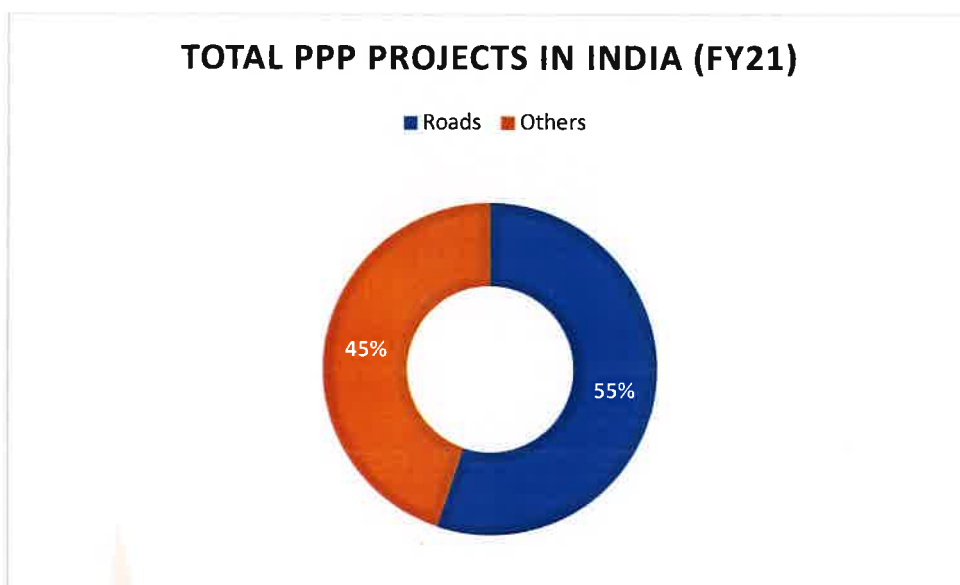
Source: IBEF Road Report March 2022

Private Sector Participation: -

- 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, valued INR 2,500 – 5,000 crore (US\$ 339.76 - 679.53 million).
- 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 March 2022 & 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			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.

5. Rural Development

Under the Union Budget 2022-23, the Government of India has allocated INR 19,500 crores for Pradhan Mantri Gram Sadak Yojana (PMGSY). As per the Union Budget 2019-20, 30,000 Km of PMGSY roads were built using green technology, waste plastic and cold mix technology, thereby reducing carbon footprint.



7. Valuation Approach and Methodology

VALUATION APPROACHES		
INCOME APPROACH	MARKET APPROACH	ASSET APPROACH
Estimates value based on the present value of future earnings of cash	Estimates value based on the multiples of comparable companies and precedent comparable transactions	Estimates value based on the fair value of the business' assets less the fair value of its liabilities
Applied	Not applied	Not Applied

Basis and Methodology of Valuation

- Basis of Valuation**

It means the indication of the type of value being used in an engagement. Fair Value as per ICAI VS defined as under:

“Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the valuation date.”

Fair value basis has been adopted for enterprise valuation of the Specified Assets.

- Valuation Date**

Valuation Date is the specific date at which the value of the assets to be valued gets estimated or measured. Valuation is time specific and can change with the passage of time *inter-alia* due to changes in the condition of the asset to be valued and market parameters. Accordingly, valuation of an asset as at a particular date can be different from other date(s).

The Valuation Date considered for the fair enterprise valuation of the Specified Projects is 31st July 2022 (“Valuation Date”). The attached Report is drawn up by reference to accounting and financial information as on 26th August 2022.

- Premise of Value**

Premise of Value refers to the conditions and circumstances how an asset is deployed. In the present case, we have determined the fair enterprise value of the Specified Assets on a Going Concern Value defined as under:

“Going concern value is the value of a business enterprise that is expected to continue to operate in the future. The intangible elements of going concern value result from factors such as having a trained work force, an operational plant, the necessary licenses, systems, and procedures in place, etc.”

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Approach & Method	Applied/Not Applied	Description	Rationale
Income Approach Discounted Cash Flow Method (DCF)	Applied	<ul style="list-style-type: none"> ▪ In the DCF method under the Income approach, forecast cash flows are discounted back to the Valuation Date, estimating a net present value of the cash flow stream of the business. A terminal value at the end of the explicit forecast period is then determined and that value is also discounted back to the Valuation Date to give an overall value for the business. ▪ A discounted cash flow methodology typically requires the forecast period to be of such a length to enable the business to achieve a stabilized level of earnings, or to be reflective of an entire operation cycle for more cyclical industries ▪ The rate at which the future cash flows are discounted (the “discount rate”) should reflect not only the time value of money, but also the risk associated with the business’ future operations. The discount rate most generally employed is Weighted Average Cost of Capital (“WACC”) or Cost of Equity (Ke), reflecting an optimal as opposed to actual financing structure 	<ul style="list-style-type: none"> • The Management has provided financial projections of the Specified Projects, which represent their best estimate of the expected performance of the Specified Projects for the tenor of their respective Concession period. Considering the aforementioned, the DCF method has been adopted to estimate the enterprise value of the Specified Projects.
Market Approach <ul style="list-style-type: none"> • Market Price Method 	Not Applied	<ul style="list-style-type: none"> ▪ Under this method, the value of a company is arrived at considering its market price over an appropriate period. 	<ul style="list-style-type: none"> ▪ As the Specified Projects are not listed, this method is not applied
Market Approach <ul style="list-style-type: none"> • Comparable Companies Multiples (“CCM”) Method 	Not Applied	<ul style="list-style-type: none"> ▪ Under Comparable Companies Method, the value of shares / business of a company is determined based on market multiples of publicly traded comparable companies. Although no two companies are entirely alike, the companies selected as comparable companies should be engaged in the same or a similar line of business as the subject company. ▪ The appropriate multiple is generally 	<ul style="list-style-type: none"> ▪ The Specified Projects are operational and do not have project implementation risk. Further, the projected income and cash flows of the Specified Projects primarily depends on the key terms of the respective concession agreements, residual tenor, project-specific characteristics/ factors, etc. which may differ from the

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Approach & Method	Applied/Not Applied	Description	Rationale
		based on the performance of listed companies with similar business models and size.	other projects. Accordingly, this method is not adopted.
Market Approach <ul style="list-style-type: none"> Comparable Transaction Multiples (“CTM”) Method 	Not Applied	<ul style="list-style-type: none"> Under Comparable Transaction Multiples Method, the value of shares /business of a company is determined based on market multiples of publicly disclosed transactions in the similar space as that of the subject company Multiples are generally based on data from recent transactions in a comparable sector, but with appropriate adjustment after consideration is given to the specific characteristics of the business being valued 	<ul style="list-style-type: none"> The projected income and cash flows of the Specified Projects primarily depend on the key terms of the respective concession agreements, residual tenor, project-specific characteristics/ factors, etc. which may differ from the other projects. We have not adopted this methodology due to unavailability of information in public domain involving recent transactions in similar projects.
Asset based Approach <ul style="list-style-type: none"> Adjusted Net Asset Value Method 	Not Applied	<ul style="list-style-type: none"> Under the Adjusted Net Asset Value Method, a Valuation of a 'going concern' business is computed by adjusting the assets and liabilities to the fair market value as of the date of the Valuation. A net asset value methodology is typically most appropriate when: <ul style="list-style-type: none"> Valuing a holding company or a capital-intensive company. Losses are continually generated by the business; or Valuation methodologies based on a company’s net income or cash flow levels indicate a value lower than its adjusted net asset value. 	<ul style="list-style-type: none"> The revenues and cashflows of the Specified Projects are largely predetermined for the concession period and are expected to make operating profits. In such a scenario, the true worth of the business is reflected in its future earning capacity rather than the historical cost of the project. The valuation of the Specified Projects is carried out on a 'going concern value' premise. Since the Net Asset Value does not capture the future earning potential of the businesses, we have not adopted the Asset approach for the valuation of the Specified Projects.

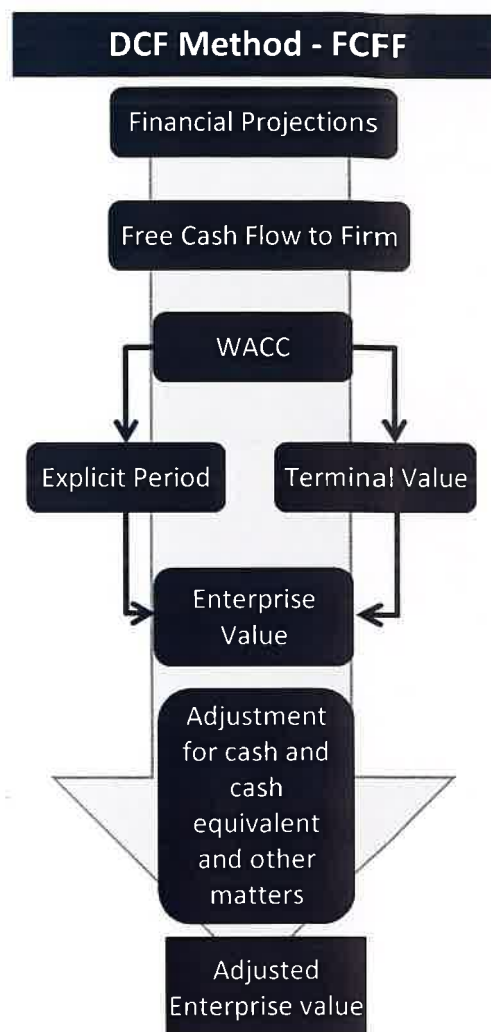


Income Approach

The Income Approach is widely used for valuation under "Going Concern" basis. It focuses on the income generated by a company in the past as well as its future earning capability.

Discounted Cash Flow ("DCF") Method

- Under the DCF method, the business is valued by discounting its free cash flows for the explicit forecast period and the perpetuity value thereafter.
- Free Cash Flows to Firm ("FCFF") under the DCF method has been applied for estimating the enterprise value of the Specified Projects.
- FCFF represent the cash available for distribution to both, the owners and creditors of the business. FCFF for the explicit period and perpetuity value is discounted by the Weighted Average Cost of Capital ("WACC") to derive the net present value. The WACC is an appropriate rate of discount to calculate the present value of the future cash flows as it considers equity-debt risk by incorporating debt-equity ratio of the firm.
- Enterprise Value ("EV") is derived by aggregating the present value of FCFF for the balance tenor of the Concession Agreement ("Explicit period") and Terminal value at the end of the Explicit period.
- Terminal value is estimated based on the business' potential for further growth beyond the Explicit period. Considering *inter-alia* the estimated economic life of the projects, Terminal value has been estimated considering release of net working capital, at the end of the Explicit period.
- The Enterprise Value of the Specified Assets have been determined as an aggregate of the present value of FCFF for the Explicit period and Terminal value.



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Weighted Average Cost of Capital (WACC)

WACC has been estimated as under:

Particulars	Definition/Formula
WACC	$Ke * (E / (D + E)) + Kd * (1-T) * (D / (D + E))$
Where:	
Ke	cost of equity
E	market value of equity
Kd	cost of debt
D	market value of debt
T	effective tax rate

The cost of equity is derived using the Capital Asset Pricing Model ("CAPM") as follows:

Particulars	Definition/Formula
Ke	$Rf + \beta * (Rm - Rf) + \alpha$
Where:	
Rf	the return on risk-free assets
Rm	the expected average return of the market
(Rm - Rf)	the average risk premium above the risk - free rate that a "market" portfolio of assets is earning
β	the beta factor, being the measure of the systematic risk of a particular asset relative to the risk of a portfolio of all risky assets
α	Company specific risk factor (alpha), if any

A summary of WACC for the Specified Projects is appended as per **Appendix 1**.



8. Valuation of Specified Projects

8.1. Key underlying assumptions as provided by the Management are as follows:

- We have carried out the Enterprise Valuation of the Specified Projects as of 31st July 2022, considering inter-alia the latest Traffic Study Reports and Technical Due Diligence Study Reports of independent consultants dated August 2022, Business plan/ Projected financial statements of the Specified Projects and other information provided by/ on behalf of the Management, industry analysis and other relevant factors.
- **Operating Revenue:** Operating revenue for the Specified Projects for the forecast period from 1st October 2022 until 30th September 2042 (the “Projected Period”) have been estimated by the Management considering the Traffic Study reports of independent traffic consultants appointed by NHIIMPL.
- **Operational and Maintenance Expenses (Routine maintenance):** O&M expenses for the Specified Assets for the Projected Period have been estimated by the Management basis the technical study conducted by independent consultants.
- **Major Maintenance & Repair Expenses (MMR / Periodic maintenance):** Periodic maintenance expenses are incurred to bring the road asset back to an earlier condition or to keep the road asset operating at its present condition. Like O&M expenses, MMR expenses have been estimated by the Management for the Projected Period basis the technical study reports of independent consultants.
- **Project Management (PM) Expenses:** PM expenses shall be paid by NHIT to the Project Manager for the Operations and Management of all the toll road projects. These expenses have been considered as per the PM agreement between NHIT and the Project Manager.
- **Insurance and Other Office Expenses:** These expenses for the Projected Period have been estimated by the Management basis the technical study conducted by independent consultants.
- **Administrative Costs:** The Management has estimated the base year Admin costs for each project and annual escalation as follows:

Project	Annualized Base Year Admin Cost (INR Crore)	Annual Escalation (%)
Agra Bypass	4.92	7.5%
Shivpuri Jhansi	6.06	7.5%
Borkhedi – Wadner – Deodhari – Kelapur	7.16	7.5%

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- **Depreciation and Amortization:** One-time lumpsum consideration for Service Concession to be paid to NHAI and future capital expenditure have been amortized over the period of concession (20 years) on the basis of projected revenues.
- **Taxes:** Income taxes have been estimated considering, as appropriate, tax depreciation/amortisation policy proposed to be followed by the SPV and corporate income tax rate of 25.17%.
- **Capital Expenditure:** The Management has projected that capital expenditure aggregating ~INR 857.1 crore shall be incurred by the SPV during FY2024 and FY2025 for the Specified Projects. There will be no further capital expenditure in the Projected Period. We have relied on the projections provided by the Management.
- **Working Capital:** Considering the nature of the business of operating toll road projects, the working capital requirement is estimated to be ~0.01% of the projected toll revenues for the Projected Period.



8.2. Specified Projects to be acquired by NHIPPL

8.2.1. Agra Bypass (Uttar Pradesh)

8.2.1.1. Project Overview

Parameters	Details
Project Name	NH-2 – NH-3 Agra Bypass (Uttar Pradesh)
Length of the project	32.80 kms
Toll Plaza Location	Raibha

Source: Management information

8.2.1.2. Additional Procedures to be complied with in accordance with InvIT regulations

- A. List of one-time sanctions/approvals which are obtained or pending:
As represented by the Management, the list of sanctions/ approvals obtained until 31st July 2022 is provided in **Appendix 3**.
- B. List of up to date/ overdue periodic clearances:
As represented by the Management, all other material permits, registrations, licenses, approvals, consents and other authorizations (collectively, "Governmental Licenses") shall be obtained by NHIPPL as per individual project requirements once the rights and obligations are assumed by the SPV. The Project SPV (NHIPPL) would in due course and as required under applicable law procure all the Governmental Licenses issued by, and shall make all material declarations and filings with, the applicable Governmental Authority to own, lease, license, operate and use its properties and assets and to conduct the business by the Project SPV, as will be described in the placement documents. No notice of proceedings has been received relating to the revocation or modification of any Governmental Licenses, except as would not result in a Material Adverse Change. The general list of Governmental Licenses is enclosed in **Appendix 4**.
- C. Estimates of already carried out as well as proposed major repairs and improvements along with estimated time of completion:

Historical Major Maintenance Expenses (INR Cr): Not applicable as represented by the Management



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Forecasted Major Maintenance Expenses (INR Cr):

Particulars for the year/ period ended	31-Mar-23	31-Mar-24	31-Mar-25	31-Mar-26	31-Mar-27	31-Mar-28	31-Mar-29	31-Mar-30
No of Months	6	12	12	12	12	12	12	12
Major Maintenance Expenses	0.00	0.00	0.00	0.00	3.12	0.00	45.63	0.62

Particulars for the year/ period ended	31 Mar-31	31 Mar-32	31 Mar-33	31 Mar-34	31 Mar-35	31-Mar-36	31 Mar-37
No of Months	12	12	12	12	12	12	12
Major Maintenance Expenses	11.97	0.00	0.00	3.27	0.00	0.00	0.00

Particulars for the year/ period ended	31 Mar-38	31 Mar-39	31 Mar-40	31 Mar-41	31 Mar-42	30-Sep-42
No of Months	12	12	12	12	12	6
Major Maintenance Expenses	0.00	4.62	112.17	0.00	0.00	0.00

Source: Management information

- D. On-going material litigations including tax disputes and claims in relation to the assets, if any;
As represented by the Management, there are no litigations pending against the project as at 31st July 2022.
- E. Revenue pendencies including local authority taxes associated with InvIT asset and compounding charges, if any
As represented by the Management, there are no revenue pendencies including local authority taxes associated or compounding charges associated with the project as at 31st July 2022.
- F. Vulnerability to natural or induced hazards that may not have been covered in town planning building control.
As represented by the Management, any natural or induced hazards would be adequately covered by insurance.
- G. Latest Pictures of the project along with date of physical inspection
Please refer **Appendix 5**.



8.2.2. Shivpuri (Madhya Pradesh) to Jhansi (Uttar Pradesh)

8.2.2.1. Project Overview

Parameters	Details
Project Name	NH27 Shivpuri (Madhya Pradesh) to Jhansi (Uttar Pradesh)
Length of the project	75.30 kms
Toll Plaza Location	Raksha

Source: Management information

8.2.2.2. Additional Procedures to be complied with in accordance with InvIT regulations

- A. List of one-time sanctions/approvals which are obtained or pending:
As represented by the Management, the list of sanctions/ approvals obtained until 31st July 2022 is provided in **Appendix 3**.
- B. List of up to date/ overdue periodic clearances:
As represented by the Management, all other material permits, registrations, licenses, approvals, consents and other authorizations (collectively, "Governmental Licenses") shall be obtained by NHIPPL as per individual project requirements once the rights and obligations are assumed by the SPV. The Project SPV (NHIPPL) would in due course and as required under applicable law procure all the Governmental Licenses issued by, and shall make all material declarations and filings with, the applicable Governmental Authority to own, lease, license, operate and use its properties and assets and to conduct the business by the Project SPV, as will be described in the placement documents. No notice of proceedings has been received relating to the revocation or modification of any Governmental Licenses, except as would not result in a Material Adverse Change. The general list of Governmental Licenses is enclosed in **Appendix 4**.
- C. Estimates of already carried out as well as proposed major repairs and improvements along with estimated time of completion:

Historical Major Maintenance Expenses (INR Cr): Not applicable as represented by the Management



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Forecasted Major Maintenance Expenses (INR Cr):

Particulars for the year/ period ended	31-Mar-23	31-Mar-24	31-Mar-25	31-Mar-26	31-Mar-27	31-Mar-28	31-Mar-29	31-Mar-30
No of Months	6	12	12	12	12	12	12	12
Major Maintenance Expenses	0.00	0.00	0.00	0.00	5.08	0.00	77.72	1.05

Particulars for the year/ period ended	31 Mar-31	31 Mar-32	31 Mar-33	31 Mar-34	31 Mar-35	31-Mar-36	31 Mar-37
No of Months	12	12	12	12	12	12	12
Major Maintenance Expenses	19.66	5.31	1.16	2.65	110.81	1.29	9.68

Particulars for the year/ period ended	31 Mar-38	31 Mar-39	31 Mar-40	31 Mar-41	31 Mar-42	30-Sep-42
No of Months	12	12	12	12	12	6
Major Maintenance Expenses	25.01	4.57	0.00	119.11	19.70	0.00

Source: Management information

- D. On-going material litigations including tax disputes and claims in relation to the assets, if any;
As represented by the Management, there are no litigations pending against the project as at 31st July 2022.
- E. Revenue pendencies including local authority taxes associated with InvIT asset and compounding charges, if any
As represented by the Management, there are no revenue pendencies including local authority taxes associated or compounding charges associated with the project as at 31st July 2022.
- F. Vulnerability to natural or induced hazards that may not have been covered in town planning building control.
As represented by the Management, any natural or induced hazards would be adequately covered by insurance.
- G. Latest Pictures of the project along with date of physical inspection
Please refer **Appendix 6**.



8.2.3. Borkhedi – Wadner – Deodhari – Kelapur (Maharashtra/Telangana Border)

8.2.3.1. Project Overview

Parameters	Details
Project Name	NH44 Borkhedi – Wadner – Deodhari - Kelapur (Maharashtra)
Length of the project	138.15 kms
Toll Plaza Location	Daroda and Kelapur

Source: Management information

8.2.3.2. Additional Procedures to be complied with in accordance with InvIT regulations

- A. List of one-time sanctions/approvals which are obtained or pending:
As represented by the Management, the list of sanctions/ approvals obtained until 31st July 2022 is provided in **Appendix 3**.
- B. List of up to date/ overdue periodic clearances:
As represented by the Management, all other material permits, registrations, licenses, approvals, consents and other authorizations (collectively, "Governmental Licenses") shall be obtained by NHIPPL as per individual project requirements once the rights and obligations are assumed by the SPV. The Project SPV (NHIPPL) would in due course and as required under applicable law procure all the Governmental Licenses issued by, and shall make all material declarations and filings with, the applicable Governmental Authority to own, lease, license, operate and use its properties and assets and to conduct the business by the Project SPV, as will be described in the placement documents. No notice of proceedings has been received relating to the revocation or modification of any Governmental Licenses, except as would not result in a Material Adverse Change. The general list of Governmental Licenses is enclosed in **Appendix 4**.
- C. Estimates of already carried out as well as proposed major repairs and improvements along with estimated time of completion:

Historical Major Maintenance Expenses (INR Cr): Not applicable as represented by the Management



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Forecasted Major Maintenance Expenses (INR Cr):

Particulars for the year/ period ended	31-Mar-23	31-Mar-24	31-Mar-25	31-Mar-26	31-Mar-27	31-Mar-28	31-Mar-29	31-Mar-30
No of Months	6	12	12	12	12	12	12	12
Major Maintenance Expenses	4.31	0.00	0.00	5.15	42.53	0.98	207.68	34.85

Particulars for the year/ period ended	31 Mar-31	31 Mar-32	31 Mar-33	31 Mar-34	31 Mar-35	31-Mar-36	31 Mar-37
No of Months	12	12	12	12	12	12	12
Major Maintenance Expenses	0.00	22.78	2.66	0.00	276.45	0.00	44.34

Particulars for the year/ period ended	31 Mar-38	31 Mar-39	31 Mar-40	31 Mar-41	31 Mar-42	30-Sep-42
No of Months	12	12	12	12	12	6
Major Maintenance Expenses	28.01	0.00	0.00	330.45	9.71	0.00

Source: Management information

- D. On-going material litigations including tax disputes and claims in relation to the assets, if any;
As represented by the Management, there are no litigations pending against the project as at 31st July 2022.
- E. Revenue pendencies including local authority taxes associated with InvIT asset and compounding charges, if any
As represented by the Management, there are no revenue pendencies including local authority taxes associated or compounding charges associated with the project as at 31st July 2022.
- F. Vulnerability to natural or induced hazards that may not have been covered in town planning building control.
As represented by the Management, any natural or induced hazards would be adequately covered by insurance.
- G. Latest Pictures of the project along with date of physical inspection
Please refer **Appendix 7**.



9. Valuation Conclusion

We have carried out the Enterprise Valuation of the Specified Projects as of 31st July 2022, considering *inter-alia* Traffic Study and Technical Reports of independent consultants, Business plan/ Projected financial statements of the Specified Projects and other information provided by/ on behalf of the Management, industry analysis and other relevant factors.

The Valuation summary of the Specified Projects as of 31st July 2022 is as follows:

Particulars	WACC	Enterprise Value (INR Cr)
Agra Bypass	10.60%	1,021
Shivpuri Jhansi		450
Borkhedi – Wardner – Deodhari - Kelapur		1,354
Total	10.60%	2,825

Note: The Enterprise Value of respective Specified Projects has been estimated considering *inter-alia* apportionment of common expenses to the Specified Projects and may not be representative of the Enterprise Value of each Specified Project on a 'standalone' basis.

Sensitivity Analysis

WACC	10.30%	10.40%	10.50%	10.60%	10.70%	10.80%	10.90%
Enterprise Value (INR Cr)	2,919	2,888	2,856	2,825	2,795	2,765	2,735
Percentage Change (%)	3.3%	2.2%	1.1%	0.0%	-1.1%	-2.1%	-3.2%



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TRANSACTION TAX | ADVISORY SERVICES



Appendices



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Appendix 1 - WACC

Particulars		Remarks
Debt-to-equity Ratio	1.00	Considering <i>inter-alia</i> typical funding pattern for road infrastructure projects and long-term debt-equity ratio and permissible leverage under the SEBI InvIT Regulations
Unlevered Beta – Industry	0.45	Beta is a measure of the risk of the shares of a company. β is the co-variance between the return on sample stock and the return on the market. In order to determine the appropriate beta factor for the Company, consideration must be given either to the market beta of the Company or betas of comparable quoted companies. Unlevered beta has been estimated based on the 5-year monthly beta of select comparable companies.
Cost of Equity (Ke)		
Risk Free Rate (Rfr)	~ 7.31%	Based on 10-year zero coupon yield curve for Govt securities as at 31 st July 2022
Equity Market Risk Premium	~ 7.00%	Equity Market equity risk premium is estimated considering <i>inter-alia</i> historical equity market returns over a risk-free rate and forward-looking equity market risk premium estimates. Data sources reviewed generated a range of equity risk premium indications. However, a 7% equity market risk premium was considered reasonable representative of the equity risk premium for India.
Relevered Beta	~ 0.90	Considering <i>inter-alia</i> 5-year monthly beta of comparable companies and debt-to-equity ratio
Additional Risk Premium	1.00%	Considering <i>inter-alia</i> nature of revenue of the Specified Projects (toll collection), projected performance of the Specified Projects, macro-economic additional uncertainties due to Covid 19 pandemic and certain global events, partially offset by the operational nature of the Specified Projects.
Cost of Equity (Ke)	~ 14.6%	
Cost of Debt (Kd)		
Pre-Tax Cost of Debt (Kd)	~ 8.0%	The Management estimate considering <i>inter-alia</i> prevailing interest rate at which the Trust has borrowed money from the consortium of three banks, impact of measures taken/expected to be taken by the Reserve Bank of India to curtail inflationary pressures, etc.
Effective tax rate	~ 17.8%	Estimated considering <i>inter-alia</i> tax depreciation/amortization policy proposed to be followed and corporate income tax rate
Post-Tax Cost of Debt (Kd)	~ 6.6%	
WACC	~ 10.58%	
Rounded off WACC	~ 10.60%	



Appendix 2 – Discounted Cash Flow (DCF)

Enterprise Valuation of the Specified Projects

Amount in INR Cr.

Financial Year	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029
Months	6	12	12	12	12	12	12
Revenue	161.0	372.7	402.4	443.1	484.2	521.1	558.9
Operating EBITDA before MMR Provisions	137.1	287.2	312.1	347.5	383.1	414.1	455.4
Less: IM Expenses	(5.3)	(5.9)	(6.5)	(7.1)	(7.8)	(8.6)	(9.5)
Less: Income Tax	-	-	-	-	-	-	-
Less: MMR Expenses	(4.3)	-	-	(5.2)	(50.7)	(1.0)	(331.0)
Less: Capital Expenditure	-	(765.4)	(91.7)	-	-	-	-
(Increase)/Decrease in Working Capital	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Free Cashflows	127.4	(484.1)	213.9	335.3	324.5	404.5	114.9
Time to Midpoint	0.25	1.00	2.00	3.00	4.00	5.00	6.00
Discount Rate	10.60%	0.98	0.90	0.82	0.74	0.67	0.55
Discounted Cash Flow	124.2	(437.7)	174.9	247.8	216.9	244.4	62.8

Financial Year	FY2030	FY2031	FY2032	FY2033	FY2034	FY2035	FY2036
Months	12	12	12	12	12	12	12
Revenue	602.4	656.7	718.8	777.5	838.5	914.4	997.4
Operating EBITDA before MMR Provisions	482.6	529.7	584.2	645.1	697.9	773.5	838.1
Less: IM Expenses	(10.4)	(11.4)	(12.6)	(13.9)	(15.2)	(16.8)	(18.4)
Less: Income Tax	-	-	-	(120.2)	(159.4)	(84.8)	(199.8)
Less: MMR Expenses	(36.5)	(31.6)	(28.1)	(3.8)	(5.9)	(387.3)	(1.3)
Less: Capital Expenditure	-	-	-	-	-	-	-
(Increase)/Decrease in Working Capital	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Free Cashflows	435.6	486.7	543.5	507.2	517.3	284.6	618.6
Time to Midpoint	7.00	8.00	9.00	10.00	11.00	12.00	13.00
Discount Rate	10.60%	0.49	0.45	0.40	0.37	0.33	0.27
Discounted Cash Flow	215.2	217.4	219.5	185.2	170.8	85.0	166.9



<i>Financial Year</i>	FY2037	FY2038	FY2039	FY2040	FY2041	FY2042	FY2043
<i>Months</i>	12	12	12	12	12	12	6
Revenue	1,083.0	1,177.7	1,279.8	1,393.4	1,508.0	1,633.5	887.7
Operating EBITDA before MMR	913.8	997.8	1,088.5	1,179.8	1,288.3	1,428.6	778.3
Provisions							
Less: IM Expenses	(20.3)	(22.3)	(24.5)	(27.0)	(29.7)	(32.7)	(18.0)
Less: Income Tax	(206.7)	(229.1)	(263.8)	(261.5)	(204.5)	(346.2)	(193.8)
Less: MMR Expenses	(54.0)	(53.0)	(9.2)	(112.2)	(449.6)	(29.4)	-
Less: Capital Expenditure	-	-	-	-	-	-	-
(Increase)/Decrease in Working Capital	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	0.2
Free Cashflows	632.8	693.3	791.0	779.0	604.5	1,020.4	566.7
Time to Midpoint	14.00	15.00	16.00	17.00	18.00	19.00	19.75
Discount Rate	10.60%	0.24	0.22	0.20	0.18	0.16	0.15
Discounted Cash Flow	154.4	153.0	157.8	140.5	98.6	150.5	77.5

Enterprise Value

2,825



Appendix 3 – List of one-time sanctions/approvals

- As represented by the Management, information regarding applicable one-time sanctions obtained by the respective Specified Projects is not available with the Trust.



Appendix 4 – List of Governmental Licenses

S. No.	Statutory Permission
1	Environmental Clearance
2	Forest Clearance
3	Tree Cutting permission
4	Borrow Area permission from state & local panchayat office
5	Boulder Extraction permission from state & local panchayat office
6	Quarry permission
7	Drilling & Blasting -Explosive License & permissing
8	Permission from State to draw Ground Water from river / reservoir
9	Factory License for Camp Set up
10	Shop & Establishment License for Setting up of Office other than Camp
11	Labour License
12	Inspector of Factories- For Setting up of Crusher, Batching Plant and HMP (CTE)
13	Inspector of Factories & Local Panchayat- For Consent to Operate- Crusher, Batching Plant and HMP (CTO)
14	PCB permission for Batching plant, HMP and Crusher Set up
15	PCB Permission/ State permission for using DG sets in camp and Construction projects
16	Approval /permission from Utility Shifting Agency- Electricity, Gas, Water pipelines for Excavations & elevated structure erection
17	Approval of Railways for ROB / RUB Construction
18	RTO permission to Operate and Run Construction equipments (movable) which does not have registration
19	Other any, as per local/ state Judicial body



Appendix 5 – Agra Bypass: Latest Pictures of the project along with date of physical inspection

- Date of physical inspection: 8th August 2022

Raibha Toll Plaza



Agra bypass Road Stretch





Appendix 6 – Shivpuri-Jhansi: Latest Pictures of the project along with date of physical inspection

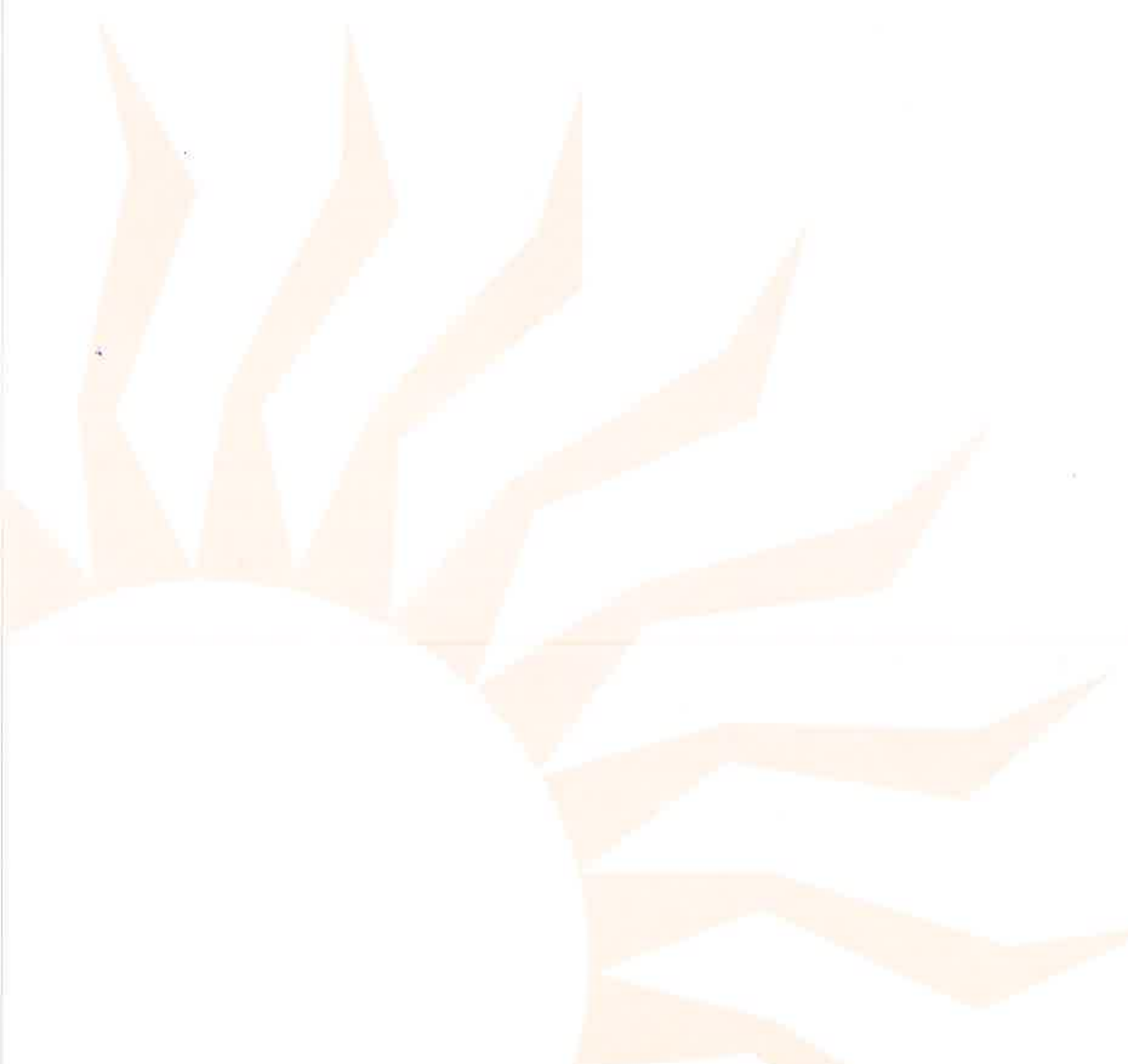
- Date of physical inspection: 9th August 2022

Raksha Toll Plaza



Shivpuri to Jhansi Road Stretch





Appendix 7 – Borkhedi - Wadner - Deodhari - Kelapur: Latest Pictures of the project along with date of physical inspection

- Date of physical inspection: 24th August 2022

Daroda Toll Plaza



Borkhedi - Wadner - Deodhari - Kelapur Road Stretch



