

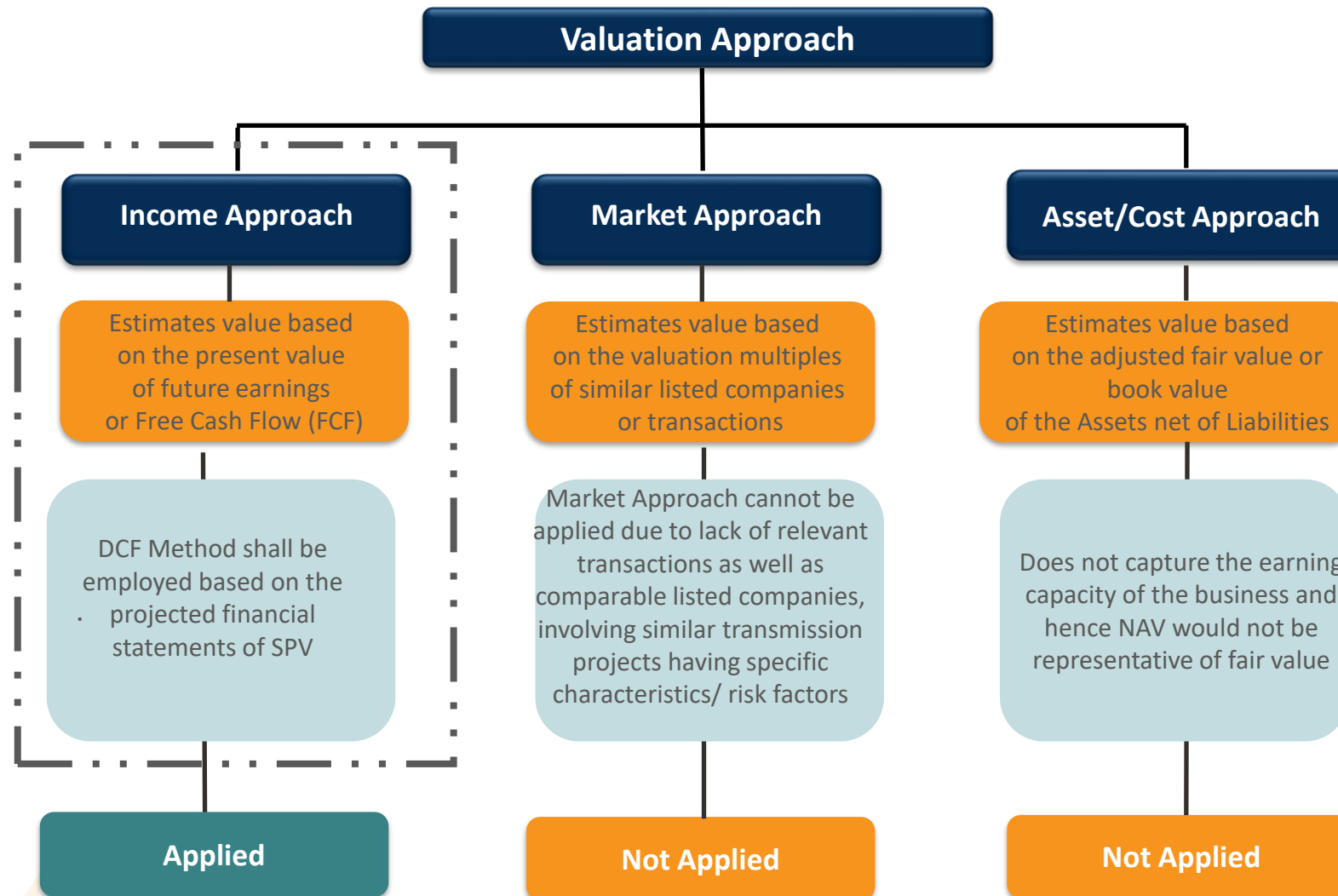
EQUITY VALUATION OF NATIONAL HIGHWAYS INFRA PROJECTS PRIVATE LIMITED (NHIPPL) AS OF 31ST DECEMBER 2023

DISCUSSION DRAFT

Valuation
Investment Banking
Restructuring
Transaction Services
Transaction Tax
Risk Consulting
Dispute & Litigation

VALUATION APPROACH AND METHODOLOGY

VALUATION OF SPV – APPROACH & METHODOLOGY

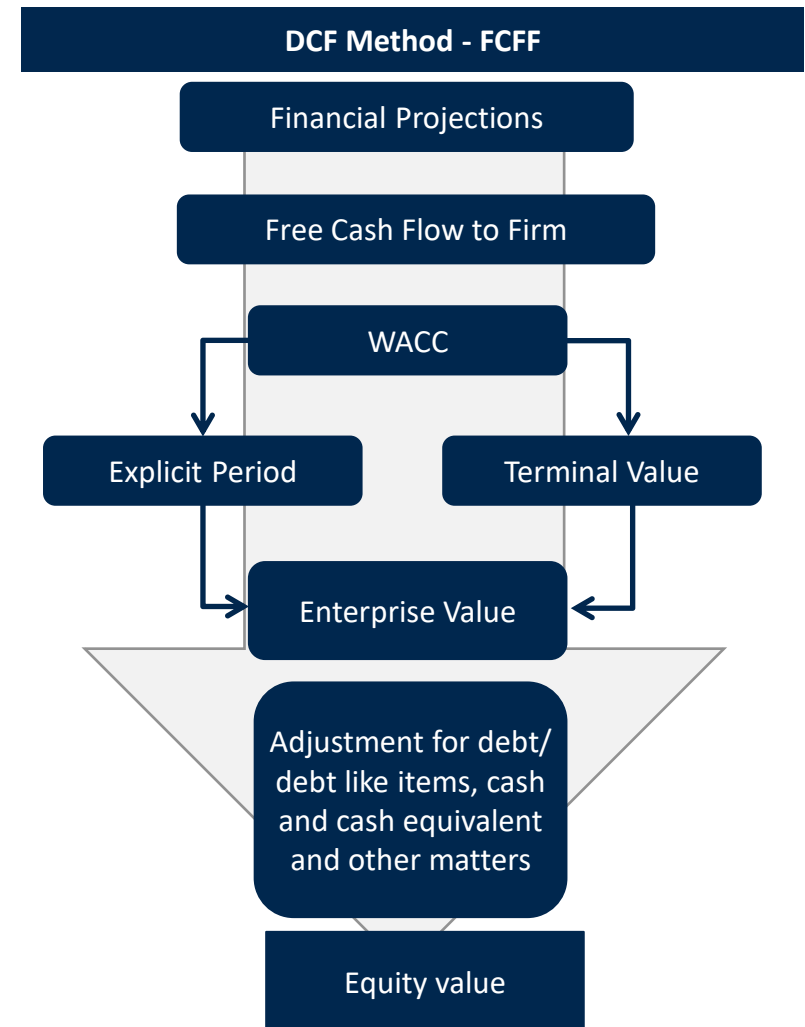


- *Projected income and cash flows of the SPVs/ Specified Projects primarily depend on the key terms of the respective concession agreements, residual tenor, project-specific characteristics/ factors, etc. which may differ from the other projects.*
- *Considering inter-alia the aforementioned, Income Approach is considered most suitable method for valuation*

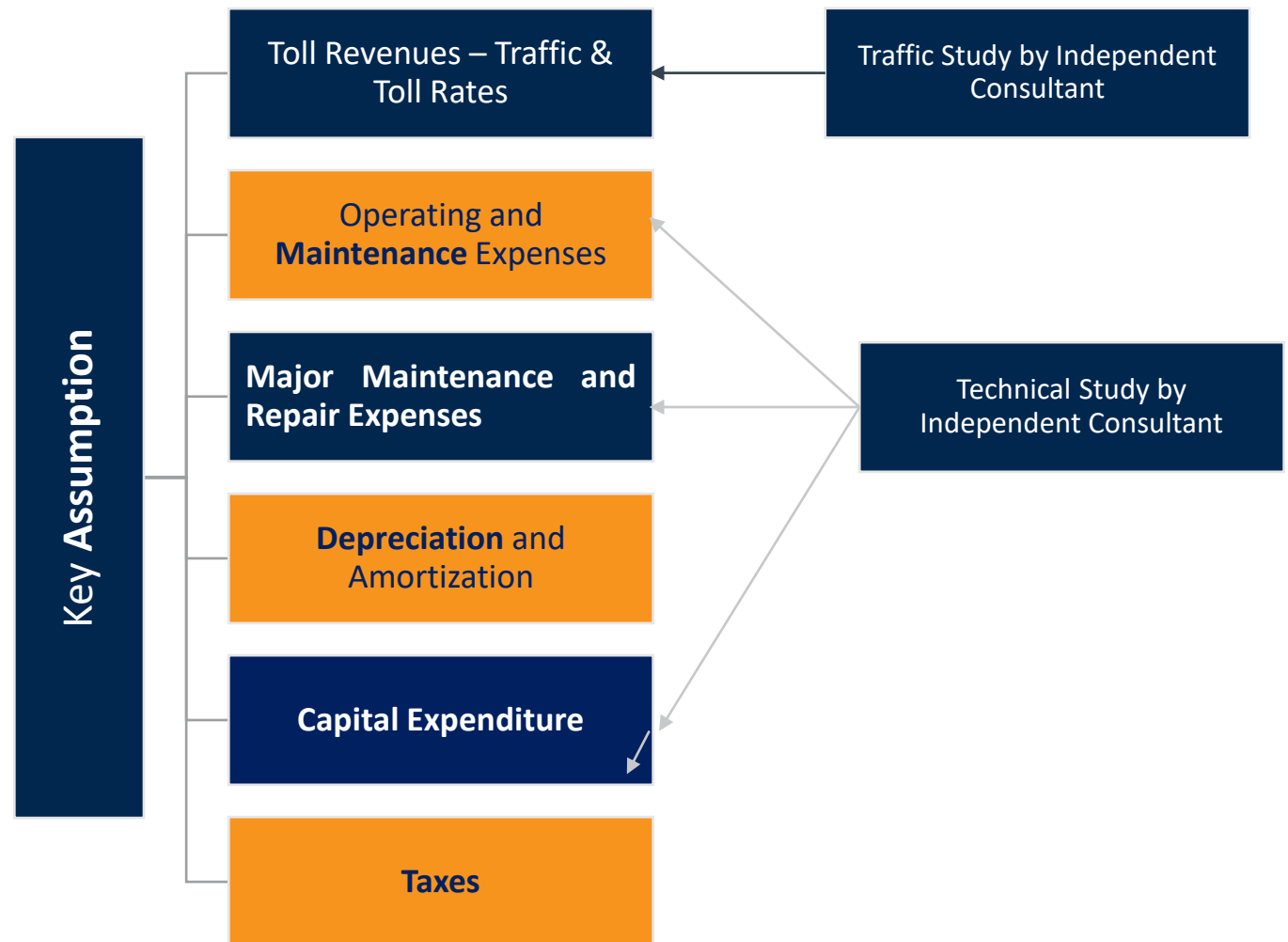


INCOME APPROACH – DCF METHOD

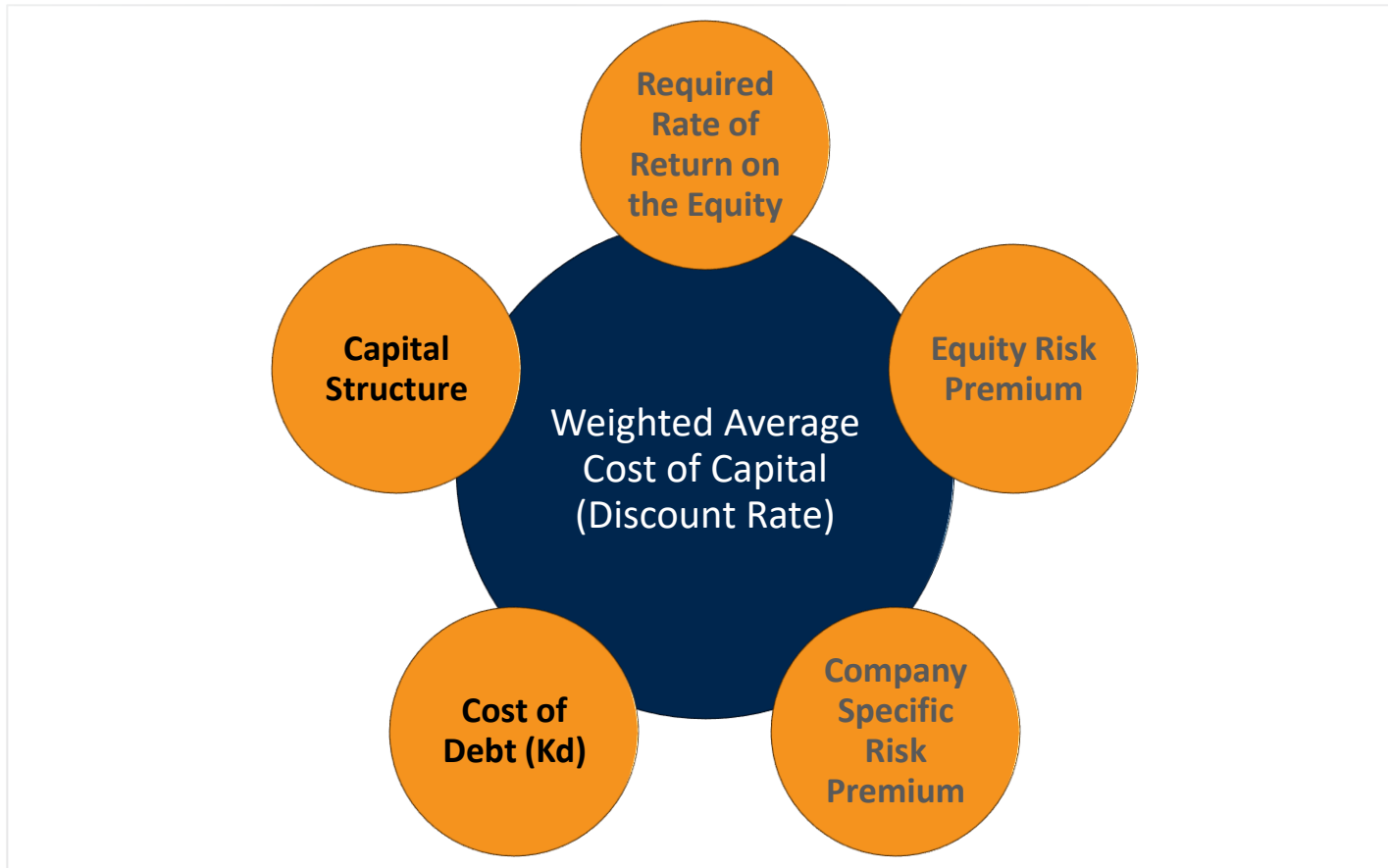
- Under the DCF method, the business is valued by discounting its free cash flows for the explicit forecast period and the perpetuity value (if applicable) thereafter;
- Free Cash Flows to Firm (“FCFF”) under the DCF method has been applied for estimating the enterprise value of the Specified Projects
- 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.
- 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. Considering the terms of the Concession Agreement, Terminal value has been estimated considering release of net working capital, at the end of the Explicit period.



INCOME APPROACH – KEY ASSUMPTIONS



INCOME APPROACH – WACC



VALUATION SUMMARY

EQUITY VALUATION OF NHIPPL (R1 + R2)

Equity Valuation of National Highways Infra Projects Private Limited (NHIPPL)

| | 31st December 2023 | 30th September 2023 |
|---|--------------------|---------------------|
| | INR Crore | INR Crore |
| Enterprise Value | 11,711.8 | 11,455.2 |
| Less: Debt | (9,720.5) | (9,573.2) |
| Less: Debt Like | (0.1) | (0.1) |
| Add: Cash | 100.8 | 81.9 |
| Equity Value | 2,092.0 | 1,963.9 |
| | | |
| Weighted Average Cost of Capital | 10.40% | 10.50% |

EQUITY VALUATION OF NHIPPL (R1 + R2)

| Weighted Average Cost of Capital | | |
|----------------------------------|--------------------------------|---------------------|
| | 31 st December 2023 | 30th September 2023 |
| Cost of Equity (Ke) | | |
| Risk Free Rate (Rfr) | 7.13% | 7.16% |
| Equity Risk Premium | 7.00% | 7.00% |
| Levered Beta | ~ 0.88 | ~ 0.88 |
| Company Specific Risk | ~ 1.00% | ~ 1.00% |
| Cost of Equity (Ke) | ~ 14.27% | ~ 14.35% |
| Cost of Debt (Kd) | | |
| Pre Tax - Cost of Debt (Kd) | # 8.00% | # 7.97% |
| Effective tax rate | ~ 18.20% | ~ 17.7% |
| Post Tax - Cost of Debt (Kd) | 6.54% | 6.56% |
| Debt / Equity | 1.00 | 1.00 |
| WACC (Rounded-off) | 10.40% | 10.50% |

After considering Management's expectation of reduction in the annual interest rate on SBI Term Loan from ~8.65% to ~8%, based on ongoing negotiations between SBI and the Trust.

ENTERPRISE VALUATION OF NHIPPL

Key updates in vis-à-vis September 2023

- Revision in WACC: WACC has marginally declined from 10.5% as at September 2023 to ~10.40% as at December 2023 primarily due to reduction in risk free rate and beta.
- Revision of Capex Phasing: Capex aggregating ~1,174 Cr which was initially to incurred in FY 2024 & FY 2025 is now expected to be incurred in FY2024, FY 2025 & FY 2026

THANK YOU