



ORIENTAL INFRATRUST

EQUITY VALUATION OF BIAORA TO DEWAS HIGHWAY PRIVATE LIMITED

JUNE 2022

STRICTLY PRIVATE & CONFIDENTIAL





Private & Confidential
June 21, 2022
Ref no: LM/June21-26/2022

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To,
Oriental InfraTrust, (“the Trust”)
Acting through Axis Trustee Service Limited (In its
capacity as the “Trustee” of the Trust
3rd Floor, Plot no. 8, Sector B-7, Local Shopping
Complex, Vasant Kunj, New Delhi - 110 070

Dear Sir(s)/Madam(s),

Subject: Equity Valuation of Biaora to Dewas Highway Private Limited

We, BDO Valuation Advisory LLP (“BDO Val” or “We” or “Us”), have been appointed vide letter, by Oriental InfraTrust (“OIT” or “the Client”) to undertake equity valuation of Biaora to Dewas Highway Private Limited (“BDHPL” or “Target Business” or “the SPV”) for internal assessment purpose

We have carried out the valuation as on June 30, 2022 (“Valuation Date”) considering various data as stated in the ‘Sources of information’ section in the report. A summary of the analysis is presented in the accompanying report, as well as description of the methodology and procedure we used, and the factors we considered in formulating our opinion. In addition, we have listed the sources of information used in this report and the scope of work in the course of our assignment, noting any limitations on our assignment. This report is subject to the attached exclusions & limitations and to all terms and conditions in the engagement letter for this assignment. This valuation report is in relation to information provided by the Client and the SPV.

Should you require further information or clarifications, please feel free to contact us.

Regards

For BDO Valuation Advisory LLP

IBBI No.: IBBI/RV-E/02/2019/103

Lata R Gujar More

Partner & Leader

IBBI Regn No.: IBBI/RV/06/2018/10488



DEFINITIONS, ABBREVIATIONS AND GLOSSARY OF TERMS

Abbreviation	Meaning
OIT or the Client	Oriental InfraTrust
BDHPL or the SPV	Biaora to Dewas Highway Private Limited
BDO Val or We or Us	BDO Valuation Advisory LLP
OSEPL or Sponsor 1	Oriental Structural Engineers Private Limited
OSEPL or Sponsor 2	Oriental Tollways Private Limited
Investment Manager or IM	Indian Technocrat Limited
Trustee	Axis Trustee Services
Cr.	Crores
D/E ratio	Debt-Equity ratio
DCF	Discounted Cash Flow
EBIT	Earning Before Interest and tax
EBITDA	Earning Before interest, taxes and depreciation and amortization
EV	Enterprise Value

Abbreviation	Meaning
EPC	Engineering, Procurement and Construction
BOT	Build, Operate and Transfer
EqV	Equity Value
NH	National Highway
SH	State Highway
NHDP	National Highways Development Project
DBFOT	Design, Build, Finance, Operate, Transfer
HUDCO	Housing and Urban Development Corporation
PPP	Public Private Partnership
MDR	Major district roads
ODR	Other district roads
PMGSY	Pradhan Mantri Gram Sadak Yojana
IBEF	India Brand Equity Foundation
Km	Kilometer

DEFINITIONS, ABBREVIATIONS AND GLOSSARY OF TERMS

Abbreviation	Meaning
PCU	Passenger Car Equivalent
CA	Concession Agreement
WPI	Wholesale Price Index
FCFF	Free Cash Flows to Firm
MAT	Minimum Alternative Tax
NHAI	National Highways Authority of India
COD	Commercial Operation Date
GDP	Gross Domestic Product
EV	Enterprise value
GVA	Gross Value Added
IRR	Internal rate of return
NAV	Net Asset Value
PAT	Profit After Tax

Abbreviation	Meaning
HAM	Hybrid-Annuity Model
TOT	Toll Operate and Transfer
OMT	Operate-Maintain-Transfer
DCF	Discounted Cash Flow
EBITDA	Earning Before interest , taxes and depreciation and amortization
EBIT	Earning before interest and tax
CAGR	Compounded Annual Growth Rate
D/E ratio	Debt-Equity ratio
MCLR	Marginal Cost of Lending Rate
MoRTH	Ministry of Road Transport & Highways

CONTENTS

1	Executive Summary	6
2	Sources of Information	8
3	Exclusions and Limitations	10
4	Brief Background	14
5	Valuation Approach	18
6	Valuation of BDHPL	22
7	Valuation Conclusion	32



SECTION 1

EXECUTIVE SUMMARY



EXECUTIVE SUMMARY

Terms of Engagement:

- ▶ We have been appointed by Oriental InfraTrust (“OIT” or “the Client” or “the Trust”) to undertake equity valuation of Biaora to Dewas Highway Private Limited (“BDHPL” or “Target Business” or “the SPV”) for internal assessment purpose.
- ▶ As per the Engagement Letter between BDO Val and OIT, the valuation is to be carried out as on June 30, 2022. This report (the “Report”) has been prepared by BDO Val pursuant to terms of Engagement Letter between BDO Val and OIT including the terms and conditions set out therein dated.

Purpose of Valuation:

- ▶ We have been appointed by OIT to undertake equity valuation of BDHPL as on June 30, 2022.

Particulars	NH/SH	Tollable Length (km)	Execution of CA	Expected Concession End Date
Biaora Dewas Project	NH 52	141.26 km	July 9, 2016	July 9, 2043

- ▶ The summarized shareholding pattern of BDHPL as on date of report is as follows:

Shareholders	Nos.	% Holding
Oriental Structural Engineers Pvt. Ltd.	50,05,100	51%
Oriental Tollways Pvt Ltd	48,08,821	49%
Total	98,13,921	100%

Valuation Approach & Methodology:

- ▶ For the current valuation, we have considered following Valuation Approach & Methodology:

Valuation Approach	Methodology
Income Approach	Discounted Cashflow (“DCF” Method)

- ▶ DCF Method: We have been provided with business projections of BDHPL by the management of the Trust from July 1, 2022, to July 9, 2043. We have applied the Free Cash Flow to Equity Method under DCF method, under the Income Approach to arrive at the equity value of BDHPL.

Valuation Summary:

- ▶ We have arrived at the Equity Value of BDHPL based on valuation approach and methodology as discussed herein as on June 30, 2022 as follows:

Particulars	Amount (INR Cr)
Equity Value at SPV level	1,283.0
Equity Value at InvIT level	1,318.4

SECTION 2

SOURCES OF INFORMATION



SOURCES OF INFORMATION

Sources of Information:

For the purpose of undertaking this valuation exercise, we have relied on the following sources of information:

- ▶ Company specific information - The following information as provided by the management of the Trust (“the Management”), verbally or in written form have been inter alia used in valuation:
 - Audited financial statements as per Indian Accounting Standard (“Ind AS”) of BDHPL for Financial Year (“FY”) FY 2020 and FY 2021;
 - Provisional financial statements as per IndAs of BDHPL for FY 2022;
 - Projected profit & loss statement, balance sheet and cash flow statement of the SPV from July 01, 2022 to the Concession end date;
 - Income Tax Return for the SPV for AY 19-20 and computation of advance tax paid for AY 21-22;
 - Details of brought forward losses and unabsorbed depreciation as on March 31, 2022;
 - Concession Agreement entered with NHAI;
 - Technical Due Diligence Reports dated August 2021 issued by independent consultants;
 - Traffic and Revenue Due Diligence Report dated April 2022 issued by independent consultants;
 - Sponsor ROFO Notice from Sponsor to OIT;
 - Financial and Tax Due Diligence Report dated August 2021 carried out by Deloitte; and
- ▶ Relevant data and information provided by the management and representatives of the Trust either in written or oral form or in form of soft copy.
- ▶ Other industry related information available in public domain and international databases.

SECTION 3

EXCLUSIONS AND LIMITATIONS



EXCLUSIONS AND LIMITATIONS

Context and Purpose:

- ▶ We have been appointed by Oriental InfraTrust (“OIT” or “the Client” or “the Trust”) to undertake equity valuation of Biaora to Dewas Highway Private Limited (“BDHPL” or “Target Business” or “the SPV”) for internal assessment purpose.
- ▶ The valuation exercise and the valuation report are solely for the purpose as mentioned above. As per the discussion held with the management of the Trust, the cut off date for present valuation exercise is June 30, 2022, based on the information and explanation made available to us.

Restricted Audience:

- ▶ This report and the information contained herein are absolutely confidential and are intended for the use of the Client and only in connection with the purpose set out in the report.
- ▶ It should not be copied, disclosed, circulated, quoted or referred to, either in whole or in part, in correspondence or in discussion with any other person except to whom it is issued without our written consent. In the event the Client or its management extend the use of the report beyond the purpose mentioned earlier in the report, with or without our consent, we will not accept any responsibility to any other party (including but not limited to the Investors and Merchant Bankers, if any) to whom this report may be shown or who may acquire a copy of the report.

Limitation Clause:

- ▶ Our report is subject to the limitations detailed hereinafter. This report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to therein.
- ▶ The scope of the assignment did not include performing audit tests for the purpose of expressing an opinion on the fairness or accuracy of any financial or analytical information that was used during the course of the work. Further, conducting a financial or technical feasibility study was also not covered.
- ▶ During the course of our work, we have relied upon assumptions and projections related to the SPV made by the management of the sponsors/Trust. These assumptions require exercise of judgment and are subject to uncertainties. Also, we have relied on the technical due diligence and traffic due diligence report referred in ‘Sources of Information’ in Section II of the Report.
- ▶ Further, this valuation report is based on the extant regulatory environment and the financial, economic, monetary and business/market conditions, and the information made available to us or used by us up to, the date hereof, which are dynamic in nature and may change in future, thereby impacting the valuation of the SPV. Subsequent developments in the aforementioned conditions may affect this report and the assumptions made in preparing this report and we shall not be obliged to update, review or reaffirm this report if the information provided to us changes. The information presented in this valuation report does not reflect the outcome of any due diligence procedures, which may change the information contained herein and, therefore, the valuation report materially
- ▶ Valuation is not a precise science and the conclusions arrived at in many cases will of necessity be subjective and dependent on the exercise of individual judgment. There is therefore no indisputable single value. While we have provided an assessment of the value based on an analysis of information available to us and within the scope of our engagement, others may place a different value on the SPV.

EXCLUSIONS AND LIMITATIONS

- ▶ The recommendation rendered in the Report only represent our recommendation based upon information furnished by the Trust (or its executives/representatives) and other sources.
- ▶ Valuation is based on estimates of future financial performance or opinions that represent reasonable expectations at a particular point in time, but such information, estimates or opinions are not offered as or as assurances that a particular level of income or profit will be achieved, that events will occur, or that a particular price will be offered or accepted. Actual results achieved during the period covered by the prospective financial analysis will vary from these estimates, and the variations may be material.
- ▶ The realization of these projections is dependent on the continuing validity of the assumptions on which they are based. Since the projections relate to the future, actual results are likely to be different from the projected results in case of events and circumstances not occurring as projected and the differences may be material. Our work did not constitute a validation of the financial projections of the SPV under consideration and accordingly, we do not express any opinion on the same. We have not commented on the appropriateness of or independently verified the assumptions or information provided to us, for arriving at the financial projections. Further, while we have discussed the assumptions and projections with the management of the Trust/Sponsors, our reliance on them for the purpose of valuation should not be construed as an assurance about the accuracy of the assumptions or the achievability of the financial projections.
- ▶ This Report is based on information received from sources mentioned herein and discussions with the management of the Trust/Sponsors. This information has not been independently verified by us. We have assumed that the Trust/Sponsors has furnished to us all information, which it is aware of concerning the financial statements and respective liabilities, which may have an impact on our Report.
- ▶ We have not made any independent verification with respect to the Sponsor's claim to title of assets or property for the purpose of this valuation. With respect to claim to title of assets or property, we have solely relied on representations, whether verbal or otherwise, made by the Management to us for the purpose of this Report.
- ▶ For the present valuation exercise, we have also relied upon information available in the public domain; however, the accuracy and timeliness of the same has not been independently verified by us.
- ▶ Whilst, all reasonable care has been taken to ensure that facts stated in the report are accurate and opinions given are fair and reasonable, neither us, nor any of our Partners or Employees shall in any way be responsible for the contents stated herein. Accordingly, we make no representation or warranty, express or implied, in respect of the completeness, authenticity or accuracy of such statements. We expressly disclaim any and all liabilities, which may arise based upon the information used in this Report. In no event shall we be liable for any loss, damages, cost or expenses arising in any way from fraudulent acts, misrepresentations or willful default on the part of the Company, its directors, employees or agents.
- ▶ In the particular circumstances of this case, we shall be liable only to the Sponsors, the Trust and the Investment Manager. We shall have no liability (in contract or under statute or otherwise) to any other party for any economic loss or damage arising out of or in connection with this engagement, however the loss or damage is caused other than in cases of fraud, gross negligence or willful misconduct, shall be limited to the amount of fees actually received by us as laid out in the engagement letter, for such valuation work.
- ▶ This Report does not look into the business / commercial reasons behind the transaction nor the likely benefits arising out of the same. Similarly, it does not address the relative merits of investing in the SPV as compared with any other alternative business transaction, or other alternatives, or whether or not such alternatives, or whether or not such alternatives could be achieved or are available. The assessment of commercial and investment merits of the SPV are sole responsibility of the investors of the Trust and we do not express our opinion on the suitability or otherwise of entering into any financial or other transactions with the SPV, Investment Manager, the Trust or the Sponsors.

EXCLUSIONS AND LIMITATIONS

- ▶ We are not advisor with respect to legal, tax and regulatory matters for the Offering. No investigation of the SPV's claim to title or 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 disclosed in the accounts. Therefore, no responsibility is assumed for matters of a legal nature.
- ▶ The valuation analysis in this Report should not be construed as investment advice; specifically, and we do not express any opinion on the suitability or otherwise of entering into any financial or other transactions with the Investment Manager, the Trust or the SPV.
- ▶ The estimate of value contained herein are not intended to represent value of the BDHPL at any time other than the dates specifically mentioned for each valuation result, as per the agreed scope of engagement.
- ▶ A draft of this report was shared with the Client, prior to finalization of report, for confirmation of facts, key assumptions and other representations.

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SECTION 4

BRIEF BACKGROUND



BRIEF BACKGROUND OF BIAORA TO DEWAS HIGHWAY PRIVATE LIMITED (“BDHPL”)

Background:

- ▶ Biaora To Dewas Highway Private Limited is a subsidiary of Oriental Structural Engineers Private Limited, a Delhi - based infrastructure firm.
- ▶ The company is a special purpose vehicle that was set up for improvement, operation and maintenance, rehabilitation and strengthening of the existing 2-lane and widening it to 4-lane divided highway of Bioara to Dewas Section of NH 52 on design, build, finance, operate and transfer (DBFOT) basis from Kms 426.100 to kms 566.450 in the state of Madhya Pradesh.
- ▶ The Biaora-Dewas Project was awarded by the NHAI for a Concession Period of 27 years starting from Appointed Date on July 9, 2016.
- ▶ The shareholding pattern of BDHPL as on June 30, 2022 is as follows:

Shareholders	Nos.	% Holding
Oriental Structural Engineers Pvt.	50,05,100	51%
Oriental Tollways Pvt Ltd	48,08,821	49%
Total	98,13,921	100%



Source: Management of the Trust

BRIEF BACKGROUND OF BIAORA TO DEWAS HIGHWAY PRIVATE LIMITED (“BDHPL”)

Key Details of the Project:

- ▶ The toll collection commenced from the commercial operation date i.e. July 9, 2016. The first and the second Provisional Completion certificates were received on April 30, 2019 and December 30, 2019 respectively. The final COD was received in July 2020,
- ▶ The key details of Biaora-Dewas Project are as follows:

Particulars	Biaora To Dewas Highway Private Limited
State	Madhya Pradesh
NH/SH	NH 52 (Old NH 3)
Project lane	4 lane
PPP mode	DBFOT
Appointed date	July 9, 2016
Provisional Commercial Operation Date	First PCOD (107.750 km) : April 30, 2019 Second PCOD (133.865 km) : December 30, 2019 Final COD : July 22, 2020
Commercial Operation Date	July 22, 2020
Concession period	27 years
Scheduled Concession End Date	July 9, 2043
Grant ⁽¹⁾	INR 252.89 Cr
Tollable Length (km)	Km 141.260
Toll Plaza	2 Nos. TP-1: km 60.06 - Chappra TP-2: km 81.21 - Rojwas
Design Capacity	60,000 PCUs
Target Traffic Date	April 1, 2025
Target Traffic	21,711 PCU

- ▶ Grant of INR 252.89 Cr was payable to BDHPL as per CA, out of which grant of INR 251.1 Cr was received till December 2021. As per draft ROFO agreement with the Sponsors, the balance grant will be given to the Sponsors as and when received from NHAI.

BRIEF BACKGROUND OF BIAORA TO DEWAS HIGHWAY PRIVATE LIMITED (“BDHPL”)

Traffic and Revenue Analysis:

Particulars	Toll Plaza 1		Toll Plaza 2		Total Revenue (INR Cr)
	Chappra	Rojwas	Chappra	Rojwas	
	Traffic (PCUs)		Revenue (INR Cr)		
FY20 A	18,976.3	21,286.7	48.1	59.9	108.0
FY21 A	21,709.6	24,390.1	71.7	105.0	176.7
FY22 A	23,151.5	26,713.2	81.5	122.2	203.6
FY23	25,264.8	29,229.8	98.4	148.5	246.9
FY24	25,657.9	30,086.5	106.4	162.8	269.2
FY25	24,698.2	29,474.3	104.7	162.5	267.2
FY26	24,210.9	29,361.3	106.8	167.8	274.5
FY27	25,292.1	30,811.1	116.6	184.4	301.0
FY28	26,353.3	32,250.7	127.2	201.7	328.9
FY29	27,596.2	33,877.9	139.2	221.7	360.9
FY30	28,850.9	35,528.7	152.2	242.8	395.0
FY31	30,333.9	37,413.7	167.5	267.6	435.0
FY32	31,846.6	39,339.0	185.7	295.9	481.6

Particulars	Toll Plaza 1		Toll Plaza 2		Total Revenue (INR Cr)
	Chappra	Rojwas	Chappra	Rojwas	
	Traffic (PCUs)		Revenue (INR Cr)		
FY33	33,373.9	41,285.4	203.6	325.1	528.7
FY34	34,892.8	43,223.2	223.5	357.2	580.6
FY35	36,406.7	45,156.6	244.4	391.1	635.5
FY36	37,933.5	47,108.1	268.1	429.0	697.2
FY37	39,483.1	49,089.8	292.6	468.5	761.1
FY38	41,069.7	51,119.9	319.3	510.8	830.1
FY39	42,698.0	53,204.1	347.6	557.5	905.1
FY40	44,371.2	55,348.5	380.0	609.8	989.8
FY41	46,085.6	57,548.0	412.0	662.8	1,074.7
FY42	47,845.8	59,808.6	448.5	720.6	1,169.1
FY43	49,655.5	62,135.2	487.8	784.3	1,272.1
FY44	51,514.0	64,527.0	531.9	854.9	1,386.8

- ▶ Traffic is projected to grow at CAGR of 3.45% and 3.84% at TP 1 - Chappra and TP 2 - Rojwas respectively from FY23 to FY44.
- ▶ Revenue is estimated to grow at CAGR of 8.4% and 8.7% at TP 1 - Chappra and TP 2 - Rojwas respectively. The revenue earned was INR 108.0 Cr, INR 176.7 Cr and INR 203.6 Cr for FY20 (from May 2019 to March 2020), FY21(from April 2020 to March 2021) and FY22 respectively.

SECTION 5

VALUATION APPROACH



VALUATION APPROACH

The present valuation exercise is being undertaken in order to determine the fair value of the SPV.

There are three generally accepted approaches to valuation:

- ▶ “Cost” Approach
- ▶ “Market ” Approach
- ▶ “Income” Approach

Within these three basic approaches, several methods may be used to estimate the value. An overview of these approaches is as follows:

a) Cost Approach:

- ▶ The cost approach values the underlying assets of the business to determine the business value. This valuation method carries more weight with respect to holding companies than operating companies. Also, asset value approaches are more relevant to the extent that a significant portion of the assets are of a nature that could be liquidated readily if so desired.

Net Asset Value Method

- ▶ The Net Asset Value (“NAV”) method under cost approach, consider the assets and liabilities, including intangible assets and contingent liabilities. The net assets, after reducing the dues to the preference shareholders, if any, represent the value of the company.
- ▶ NAV method is appropriate in a case where the major strength of the business is its asset base rather than its capacity or potential to earn profits.

- ▶ This valuation approach is mainly used in cases where the asset base dominates earnings capability.
- ▶ As an indicator of the total value of the entity, the net asset value method has the disadvantage of only considering the status of the business at one point in time.
- ▶ Additionally, net asset value does not properly take into account the earning capacity of the business or any intangible assets that have no historical cost. In many respects, net asset value represents the minimum benchmark value of an operating business.

Summation Method

- ▶ ‘Summation Method or Underlying Assets Method’ is typically used for valuing investment companies or other type of assets or entities for which value is primarily a factor of the values of their holdings.
- ▶ The following key steps for valuing an entity under Summation Method -
 - value each of the component assets that are part of the subject asset using the appropriate valuation approaches and methods, and
 - add the value of the component assets together to reach the value of the subject asset.

VALUATION APPROACH

b) Market Approach:

Market Price Method

- ▶ Under this approach, the market price of an equity share as quoted on a recognized stock exchange is normally considered as the fair value of the equity shares of that company where such quotations are arising from the shares being regularly and freely traded. The market value generally reflects the investors' perception about the true worth of the company.

Comparable Companies Multiple Method

- ▶ Under the Comparable Companies Multiple ("CCM") method, the value is determined on the basis of multiples derived from valuations of comparable companies, as manifest through stock market valuations of listed companies. This valuation is based on the principle that market valuations, taking place between informed buyers and informed sellers, incorporate all factors relevant to valuation. Relevant multiples need to be chosen carefully and adjusted for differences between the circumstances.
- ▶ To the value of the business so arrived, adjustments need to be made for the value of contingent assets/liabilities, surplus Asset and dues payable to Preference Shareholders, if any, in order to arrive at the value for equity shareholders.

Comparable Transactions Multiple Method

- ▶ Under the Comparable Transactions Multiple ("CTM"), the value of a company can be estimated by analyzing the prices paid by purchasers of similar companies under similar circumstances. This is a valuation method where one will be comparing recent market transactions in order to gauge current valuation of target company.

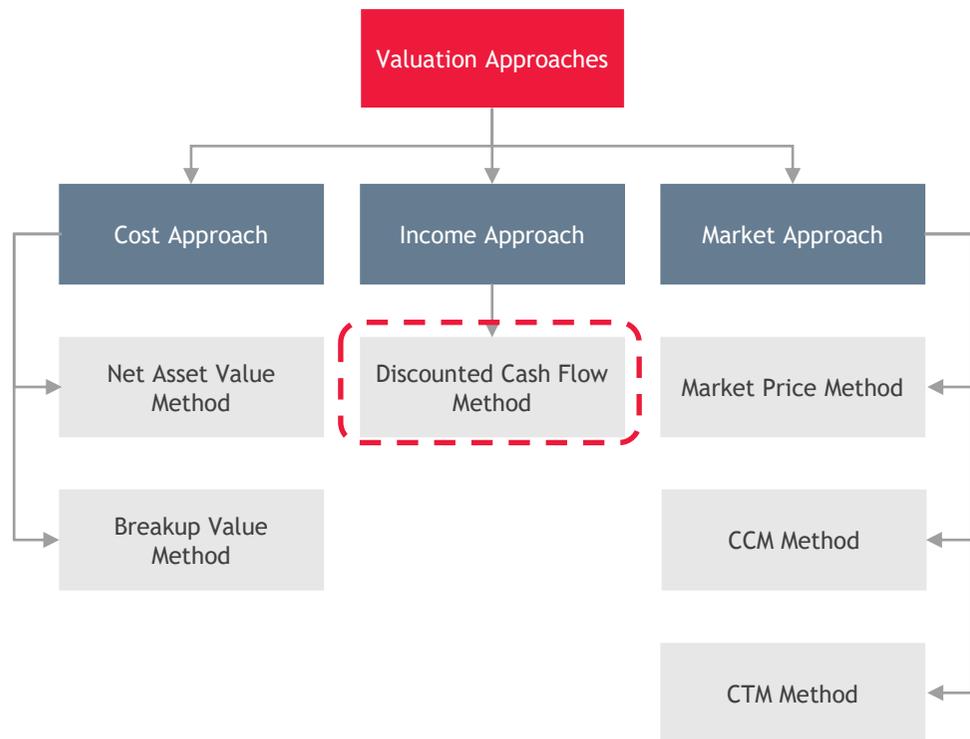
c) Income Approach:

- ▶ The Income approach focuses on the income prospects of a company.

Discounted Cash Flow Method

- ▶ Under the Discounted Cash Flow ("DCF") method, the value of the undertaking is based on expected cash flows for future, discounted at a rate, which reflects the expected returns and the risks associated with the cash flows as against its accounting profits. The value of the undertaking is determined as the present value of its future free cash flows.
- ▶ Free cash flows are discounted for the explicit forecast period and the perpetuity value thereafter. Free cash flows represent the cash available for distribution to both, the owners and creditors of the business.
- ▶ Discount rate is the Weighted Average Cost of Capital ("WACC"), based on an optimal vis-à-vis actual capital structure. It is appropriate rate of discount to calculate the present value of future cash flows as it considers equity-debt risk and also debt-equity ratio of the firm.
- ▶ The perpetuity (terminal) value is calculated based on the business's potential for further growth beyond the explicit forecast period. The "constant growth model" is applied, which implies an expected constant level of growth (for perpetuity) in the cash flows over the last year of the forecast period.
- ▶ The discounting factor (rate of discounting the future cash flows) reflects not only the time value of money, but also the risk associated with the business's future operations.
- ▶ The Business/Enterprise Value so derived, is further reduced by value of debt, if any, (net of cash and cash equivalents) to arrive at value to the owners of business. The Surplus Assets / Non Operating assets are also adjusted.

SELECTED VALUATION APPROACH



Rationale for Valuation Approaches & Methodologies :

- ▶ **Cost Approach:** This valuation approach is mainly used in cases where the asset base dominates earnings capability. Thus, cost approach has not been considered for the present valuation exercise.
- ▶ **Income Approach:** The Discounted cash flow method takes into account the specific strength of the company to be valued and represents the expected performance of the company based on its projections including the incremental working capital and capital expenditure requirement to achieve the projections. In the current case, the value of the Target Business would be reflected in its future earnings potential. Hence, the DCF Method under the income approach has been considered as an appropriate method for the valuation exercise of the Target Business.
- ▶ **Market Approach:** Since BDHPL is not listed on any recognized stock exchange, the market price method of valuation was not considered. Since current valuation is for specific SPV, CCM Method and CTM Method for the present valuation analysis exercise are not considered due to difference in concession period, ending of project, geographical differences which affect the toll income etc. with respect to the listed companies.

SECTION 6

VALUATION OF BDHPL- DCF METHOD



VALUATION OF BDHPL- DCF METHOD

Key Inputs in Projections:

The key inputs of the projections provided by the Management are as follows:

a) Modification in Concession Period

- ▶ As per the Clause 29.2.1 of the Concession Agreement between NHAI and BDHPL as provided by the Management, *“In the event Actual Average Traffic shall have fallen short of the target traffic, then for every 1% shortfall as compared to the target traffic, the Concession period shall, subject to payment of Concession Fee in accordance with this Agreement, be increased by 1.5% thereof; provided such increase in Concession period shall not in any case exceed 20% of the Concession period”*.
- ▶ The projected traffic as on the Target date is as per the traffic volumes provided by the Management supported by Revenue and Traffic Due Diligence report carried out by independent consultant dated April 2022. The projected traffic on April 01, 2025 is greater than the target traffic. The concession period on the basis of above clause shall be reduced.
- ▶ However, as per the CA, the Management has the option to retain the concession for the original concession period, by paying an additional premium of 25% to NHAI. The Management has opted to share revenue with NHAI.
- ▶ Thus, the explicit period for current valuation analysis exercise has been considered from July 01, 2022 to July 9, 2043.

Particulars	Unit	Details
Target date as per CA	Date	April 01, 2025
Target traffic as per CA	PCUs	21,711
Projected traffic as on Target date	PCUs	28,993
Comparison of average traffic at test date with target	%	34%
Original concession period	years	27
Decrease in concession period	%	10%
Change in concession period	years	2.7
Revised concession period	years	24.3
Appointed date	Date	July 09, 2016
Original concession end date	Date	June 09, 2043

b) Traffic Volume

- ▶ Traffic volumes as received from the Management supported by Revenue and Traffic Due Diligence report carried out by independent consultant dated April 2022 are considered.

c) Revenue

- ▶ Revenue forecast is as per latest draft Revenue and Traffic Due Diligence report prepared by an independent party. The revenue earned in FY21 and FY22 is INR 176.7 Cr, and INR 203.6 Cr respectively.

VALUATION OF BDHPL- DCF METHOD

d) Toll rates

- ▶ The current toll rates provided by the Management has been validated from NHAI's site on Toll Information system ([www.tis.nhai.gov.in.](http://www.tis.nhai.gov.in)) as well as toll notifications issued by NHAI shared by the Management
- ▶ The Management has considered annual revision of toll rate (user fees) which is in accordance to National Highway Fee (Determination of Rates and Collection) Rules, 2008 and amendment thereto dated December 3, 2010 whereby the base rate shall be increased without compounding by 3% p.a. and additionally, the applicable base rate shall be revised annually to reflect the increase in wholesale price index ("WPI") but such revision shall be restricted to forty percent of the increase in WPI on overall basis during the concession period.
- ▶ WPI has been projected to grow by 5% for the projected period.

e) Periodic Maintenance & Routine Maintenance Costs

- ▶ Estimates for projected Periodic Maintenance & Routine Maintenance Costs from the Management supported by Technical Due Diligence report carried out by independent consultant dated August 2021 are considered.
- f) We have been informed by the Management that MMR reserve, DSRA, surplus cash and investments of the SPV as on June 30, 2022 will belong to the Sponsors and will not be transferred to the Trust. Further, considering the nature of business and as discussed with the Management, there will not be much change in balance sheet position of the SPV as on June 30, 2022. Therefore, we have considered balance sheet as on March 31, 2022 as the opening balance sheet for the current valuation.

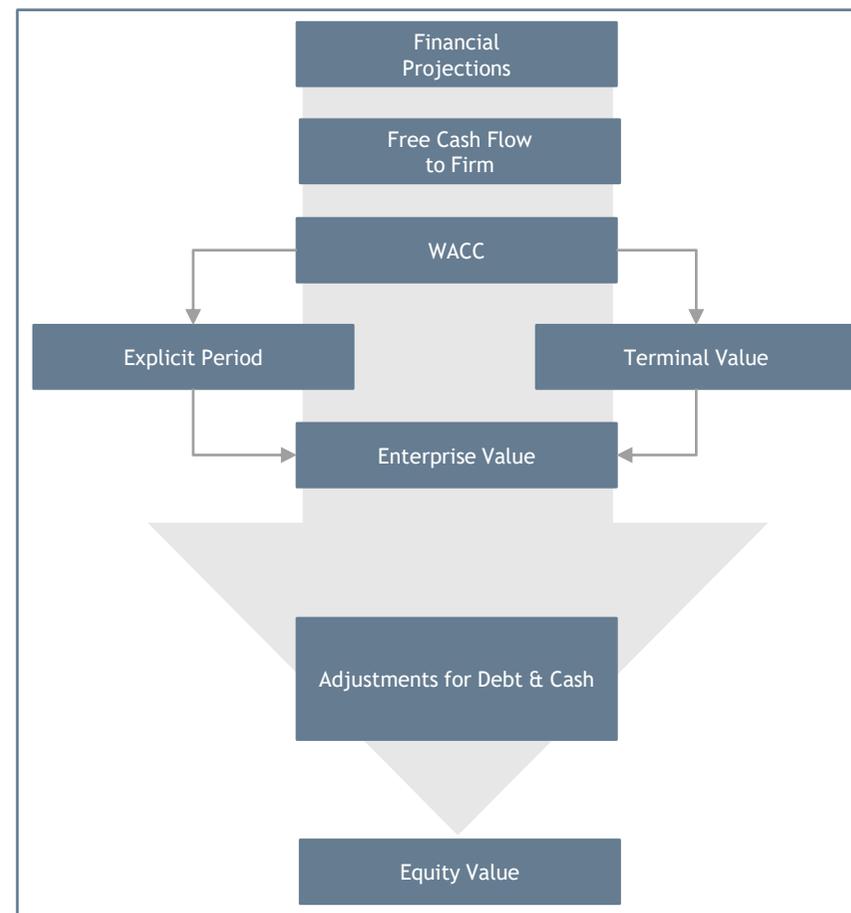
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VALUATION OF BDHPL- DCF METHOD

Valuation of BDHPL by Discounted Cash Flow Method:

- ▶ The going concern projections as provided by the Management, for the period starting from July 1, 2022 to July 9, 2043, are considered for the purpose of valuation.
- ▶ The projections provided by the Management, based on Traffic Due Diligence report and technical studies, are only the best estimates of growth and sustainability of profitability margins. The financial forecast provided by the Management were reviewed by us for arithmetical accuracy and logical consistencies and reasonableness and we have accordingly relied on them.
- ▶ We must emphasize that realizations of free cash flow forecast will be dependent on the continuing validity of the assumptions on which they are based. Our analysis, therefore, will not, and cannot be directed to providing any assurance about the achievability of the final projections. Since the financial forecasts relate to future, actual results are likely to be different from the projected results because events and circumstances do not occur as expected, and the differences may be material.
- ▶ We have used the Free Cash Flows to Equity (“FCFE”) method under DCF to calculate equity value of BDHPL.
- ▶ The explicit period has been considered from July 1, 2022 to July 09, 2043.
- ▶ The tax computation as provided by the Management has been considered and reviewed to assess that the same has been calculated as per the provisions of the Income Tax Act, 1961.
- ▶ In FCFE, the free cash flows available to the SPV are discounted by Cost of Equity of 12.6% to derive the net present value. The detailed computation of CoE is given in the next page.
- ▶ We have discounted the projected net cash flows to their present value using mid-year discounting convention. The use of mid-year convention better reflects the assumption that net cash flows will be generated throughout the year, rather than at the beginning or at the end of each year.
- ▶ We have not considered any terminal value since the project will end after the concession end date.
- ▶ The Equity Value of BDHPL is arrived at INR 1,283.0 Cr as on June 30, 2022, determined as an aggregate of the present value of explicit period cash flows. (Based on valuation annexure shared where market parameters were considered till March 31, 2022.)

DCF Method



VALUATION OF BDHPL- DCF METHOD

Computation of Cost of Equity

- ▶ As per the acquisition and funding policy of the Trust, the future SPV of the Sponsor must generate the equity IRR of 4% above the weighted average pre-tax cost of consolidated senior third party debt of the Trust and the project entities in case of Toll Projects.
- ▶ On the basis of above clause the equity IRR for FY22 is arrived as below:

Particulars	% Explanation
Senior third party debt on Trust Level	7.4% Based on external borrowing of the Trust as on December 31, 2021
Senior third party debt on SPV Level	8.4% Based on external borrowing of the Nagpur Betul project and Indore Khalghat project as on December 31, 2021
Weighted Average Cost of Debt	7.9%
Premium over cost of debt	4.0% As per acquisition and funding policy of the Trust
Cost of equity (CoE)	11.9%

- ▶ Cost of Equity as per CAPM (as per valuation workings shared based on market parameters as on March 31, 2022)

Particulars	% Explanation
Risk free return (Rf)	7.1% Risk free rate has been considered based on 10 years Zero coupon yield curve as at March 31, 2022 of Government Securities having maturity period of 10 years, as quoted on the website of CCIL.
Market Return (Rm)	15.0% Market Return has been considered based on the long term average returns earned by an equity investor investing in India.
Risk premium	7.9% Market Premium = Market Return - Risk Free Rate
Relevered Beta (B)	0.69 Unlevered Beta has been relevered to reflect Company's debt/equity ratio.
Cost of equity (CoE)	12.6% $Ke = Rf + B \times (Rm - Rf)$
Cost of equity (Adopted)	12.6%

- ▶ The cost of equity as per CAPM is higher than cost of equity arrived as per Trust acquisition and funding policy. Therefore, we have considered the Cost of Equity arrived as per CAPM in our valuation workings. Further, considering the CoE of 11.9%, the equity value at SPV level and at INVIT level is arrived at INR 1,379.6 Cr and 1,410.9 Cr respectively as on June 30, 2022.

VALUATION OF BDHPL- DCF METHOD

VALUATION OF SPV

Valuation as per Discounted Cash Flow Method (INR Cr)											
Cost of Equity	12.6%										
Year Ending	FY23*	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33
Revenue	185.4	269.2	267.2	274.5	301.0	328.9	360.9	395.0	435.0	481.6	528.7
Cash EBITDA	164.2	239.6	236.0	231.9	266.4	292.6	325.0	357.0	394.6	438.9	469.8
<i>EBITDA Margins</i>	88.6%	89.0%	88.3%	84.5%	88.5%	88.9%	90.0%	90.4%	90.7%	91.1%	88.9%
Less : Outflows											
Major Maintenance expenses	-	-	(20.5)	(3.1)	-	-	-	(88.0)	-	-	(4.3)
Change in MMRA	(6.8)	(14.7)	18.4	3.1	-	(29.3)	(58.7)	88.0	(1.4)	(2.9)	(6.8)
Interest on MMRA	0.1	0.6	0.5	0.1	-	0.6	2.5	1.9	0.0	0.1	0.3
Debt Repayment	(110.4)	(117.8)	(111.6)	(86.6)	(86.0)	(56.7)	(28.2)	(86.9)	(74.5)	(73.1)	(64.8)
Interest paid	(86.5)	(106.7)	(96.3)	(87.3)	(79.4)	(72.9)	(69.0)	(63.8)	(56.5)	(49.7)	(43.5)
Incremental Working Capital	0.6	-	-	-	-	-	-	-	-	-	-
CSR Expense	-	-	(0.4)	(1.0)	(1.2)	(1.5)	(1.9)	(2.7)	(3.4)	(4.2)	(5.2)
Taxation	-	-	-	-	-	-	(31.8)	(40.4)	(73.3)	(86.1)	(94.3)
Free Cash Flows (FCF)	(38.8)	1.1	26.3	57.1	99.8	132.8	137.8	165.1	185.6	223.0	251.3
Present Value Factor	1.0	0.9	0.8	0.7	0.6	0.5	0.5	0.4	0.4	0.3	0.3
Present Value of Cash Flows	(37.1)	0.9	20.1	38.9	60.3	71.4	65.8	70.0	69.9	74.7	74.7
Equity Value (EV)	1,278.0										
Other Adjustments as on Valuation Date											
Non-current tax assets (Net)	5.0										
Equity Value	1,283.0										

* Represents period from July 01, 2022 to March 31, 2023

VALUATION OF BDHPL - DCF METHOD

VALUATION AT SPV LEVEL

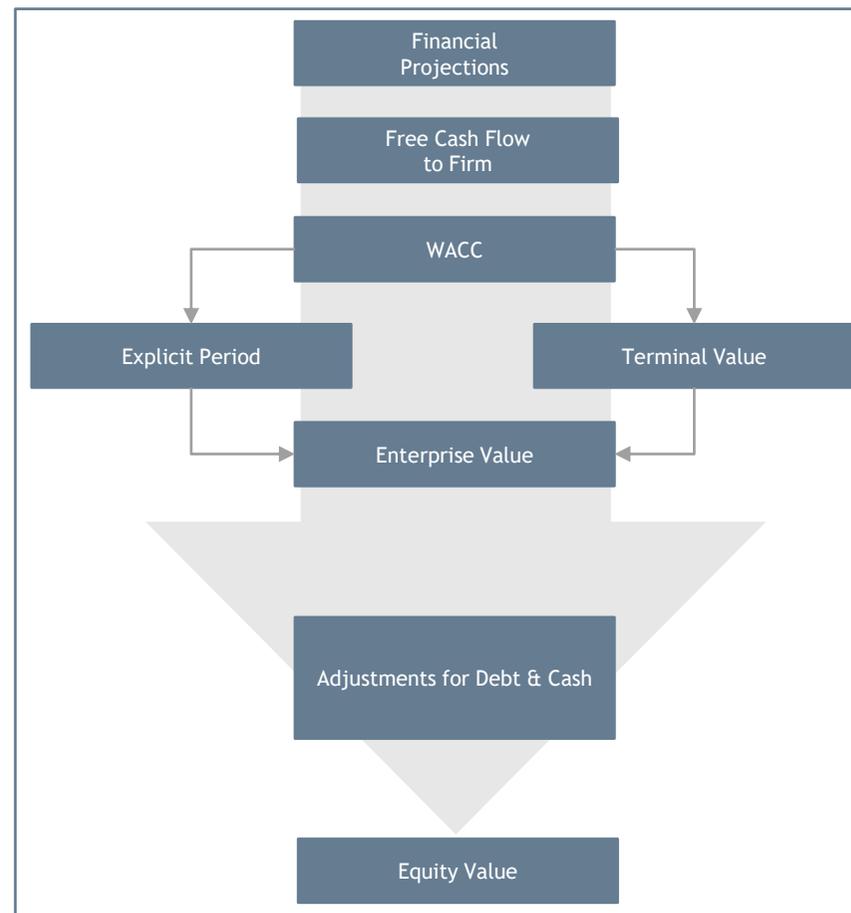
Valuation as per Discounted Cash Flow Method (INR Cr)											
Year Ending	FY34	FY35	FY36	FY37	FY38	FY39	FY40	FY41	FY42	FY43	FY44
Revenue	580.6	635.5	697.2	761.1	830.1	905.1	989.8	1,074.7	1,169.1	1,272.1	379.9
Cash EBITDA	533.0	585.3	647.5	708.5	774.1	845.8	907.7	894.0	806.9	886.0	244.0
<i>EBITDA Margins</i>	91.8%										
Less : Outflows											
Major Maintenance expenses	-	(33.3)	-	-	-	-	(149.4)	-	-	(49.3)	-
Change in MMRA	(22.2)	33.3	-	-	(49.8)	(99.6)	149.4	(16.4)	(32.8)	49.3	-
Interest on MMRA	0.9	0.7	-	-	1.1	4.2	3.2	0.3	1.4	1.0	-
Debt Repayment	(52.8)	(75.1)	(98.3)	(98.3)	(48.5)	(8.5)	(63.1)	-	0.0	(0.0)	-
Interest paid	(38.1)	(32.3)	(24.4)	(15.4)	(8.7)	(6.1)	(2.9)	(0.0)	-	-	(0.0)
Incremental Working Capital	-	-	-	-	-	-	-	-	-	-	(1.0)
CSR Expense	(6.1)	(7.1)	(8.2)	(9.4)	(10.5)	(11.8)	(13.2)	(14.5)	(15.5)	(15.5)	(15.5)
Taxation	(112.7)	(118.7)	(144.4)	(161.9)	(180.2)	(199.5)	(177.8)	(211.8)	(189.9)	(197.1)	(57.4)
Free Cash Flows (FCF)	302.1	352.8	372.2	423.6	477.4	524.5	654.0	651.7	570.1	674.5	170.1
Present Value Factor	0.3	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1
Present Value of Cash Flows	79.8	82.8	77.6	78.5	78.6	76.7	85.0	75.2	58.4	61.4	14.4

VALUATION OF BDHPL- DCF METHOD

Valuation at Trust Level by Discounted Cash Flow Method:

- ▶ The Free Cash Flows to SPV are adjusted for the cash flows at Trust Level. The adjustments made to arrive at Free Cash Flows at Trust level are as follows:
- ▶ The external debt at SPV level will be replaced by the Trust Loan. The Trust will borrow funds to refinance the external debt at SPV level. Hence, repayment of debt and payment of interest by SPV to Trust will be cash inflow for the Trust. Further, repayment of debt and payment of interest by the Trust are the cash outflows.
- ▶ The Trust will maintain DSRA on the funds borrowed. Hence, change in DSRA will result in cash flow at Trust level. The interest income on DSRA will be considered as an income for the Trust which will be taxed as per the provision of Income Tax Act.
- ▶ The Free Cash Flows to Trust are discounted by Cost of Equity of 12.6% to derive the net present value.
- ▶ We have discounted the projected net cash flows to their present value using mid-year discounting convention. The use of mid-year convention better reflects the assumption that net cash flows will be generated throughout the year, rather than at the beginning or at the end of each year.
- ▶ We have not considered any terminal value since the project will end after the concession end date.
- ▶ The Equity Value of BDHPL at Trust level is arrived at INR 1318.4 Cr as on June 30, 2022, determined as an aggregate of the present value of explicit period cash flows. . (Based on valuation annexure shared where market parameters were considered till March 31, 2022.)

DCF Method



VALUATION OF BDHPL- DCF METHOD

VALUATION AT TRUST LEVEL

Valuation as per Discounted Cash Flow Method (INR Cr)											
Cost of Equity	12.6%										
Year Ending	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33
Revenue	185.4	269.2	267.2	274.5	301.0	328.9	360.9	395.0	435.0	481.6	528.7
Cash EBITDA	164.2	239.6	236.0	231.9	266.4	292.6	325.0	357.0	394.6	438.9	469.8
<i>EBITDA Margins</i>	<i>88.6%</i>	<i>89.0%</i>	<i>88.3%</i>	<i>84.5%</i>	<i>88.5%</i>	<i>88.9%</i>	<i>90.0%</i>	<i>90.4%</i>	<i>90.7%</i>	<i>91.1%</i>	<i>88.9%</i>
Less : Outflows											
Major Maintenance expenses	-	-	(20.5)	(3.1)	-	-	-	(88.0)	-	-	(4.3)
Change in MMRA	(6.8)	(14.7)	18.4	3.1	-	(29.3)	(58.7)	88.0	(1.4)	(2.9)	(6.8)
Interest on MMRA	0.1	0.6	0.5	0.1	-	0.6	2.5	1.9	0.0	0.1	0.3
Debt Repayment	(110.4)	(117.8)	(111.6)	(86.6)	(86.0)	(56.7)	(28.2)	(86.9)	(74.5)	(73.1)	(64.8)
Interest paid	(86.5)	(106.7)	(96.3)	(87.3)	(79.4)	(72.9)	(69.0)	(63.8)	(56.5)	(49.7)	(43.5)
Incremental Working Capital	0.6	-	-	-	-	-	-	-	-	-	-
CSR Expense	-	-	(0.4)	(1.0)	(1.2)	(1.5)	(1.9)	(2.7)	(3.4)	(4.2)	(5.2)
Taxation	-	-	-	-	-	-	(31.8)	(40.4)	(73.3)	(86.1)	(94.3)
Free Cash Flows (FCF) to SPV	(38.8)	1.1	26.3	57.1	99.8	132.8	137.8	165.1	185.6	223.0	251.3
Debt Repayment to Trust	110.4	117.8	111.6	86.6	86.0	56.7	28.2	86.9	74.5	73.1	64.8
Interest Paid to Trust	86.5	106.7	96.3	87.3	79.4	72.9	69.0	63.8	56.5	49.7	43.5
Debt Repayment by Trust	(14.4)	(22.2)	(35.9)	(48.9)	(62.6)	(81.6)	(101.8)	(118.8)	(132.8)	(132.8)	(84.8)
Interest Paid by Trust	(87.8)	(116.0)	(113.3)	(109.5)	(104.4)	(97.8)	(89.5)	(79.4)	(68.0)	(55.9)	(45.9)
Change in DSRA	(43.2)	(3.5)	(2.9)	(2.7)	(3.9)	(3.7)	(2.2)	(0.8)	3.8	18.1	2.4
Interest on DSRA	0.7	1.9	2.0	2.2	2.3	2.5	2.6	2.6	2.6	2.1	1.7
DSRA BG Facility Fee	(0.6)	-	-	-	-	-	-	-	-	-	-
Tax on DSRA interest	(0.3)	(0.8)	(0.9)	(0.9)	(1.0)	(1.1)	(1.1)	(1.1)	(1.1)	(0.9)	(0.7)
Free Cash Flows (FCF) to InvIT	12.6	85.1	83.2	71.2	95.6	80.7	43.1	118.3	121.0	176.5	232.2
Present Value Factor	1.0	0.9	0.8	0.7	0.6	0.5	0.5	0.4	0.4	0.3	0.3
Present Value of Cash Flows	12.0	73.4	63.8	48.5	57.8	43.4	20.6	50.2	45.6	59.1	69.1
Equity Value (EV)	1,313.3										
Other Adjustments as on Valuation Date											
Non-current tax assets (Net)	5.0										
Equity Value	1,318.4										

* Represents period from July 01, 2022 to March 31, 2023

VALUATION OF BDHPL - DCF METHOD

VALUATION AT TRUST LEVEL

Valuation as per Discounted Cash Flow Method (INR Cr)											
Year Ending	FY34	FY35	FY36	FY37	FY38	FY39	FY40	FY41	FY42	FY43	FY44
Revenue	580.6	635.5	697.2	761.1	830.1	905.1	989.8	1,074.7	1,169.1	1,272.1	379.9
Cash EBITDA	533.0	585.3	647.5	708.5	774.1	845.8	907.7	894.0	806.9	886.0	244.0
<i>EBITDA Margins</i>	91.8%										
Less : Outflows											
Major Maintenance expenses	-	(33.3)	-	-	-	-	(149.4)	-	-	(49.3)	-
Change in MMRA	(22.2)	33.3	-	-	(49.8)	(99.6)	149.4	(16.4)	(32.8)	49.3	-
Interest on MMRA	0.9	0.7	-	-	1.1	4.2	3.2	0.3	1.4	1.0	-
Debt Repayment	(52.8)	(75.1)	(98.3)	(98.3)	(48.5)	(8.5)	(63.1)	-	0.0	(0.0)	-
Interest paid	(38.1)	(32.3)	(24.4)	(15.4)	(8.7)	(6.1)	(2.9)	(0.0)	-	-	(0.0)
Incremental Working Capital	-	-	-	-	-	-	-	-	-	-	(1.0)
CSR Expense	(6.1)	(7.1)	(8.2)	(9.4)	(10.5)	(11.8)	(13.2)	(14.5)	(15.5)	(15.5)	(15.5)
Taxation	(112.7)	(118.7)	(144.4)	(161.9)	(180.2)	(199.5)	(177.8)	(211.8)	(189.9)	(197.1)	(57.4)
Free Cash Flows (FCF) to SPV	302.1	352.8	372.2	423.6	477.4	524.5	654.0	651.7	570.1	674.5	170.1
Debt Repayment to Trust	52.8	75.1	98.3	98.3	48.5	8.5	63.1	-	(0.0)	0.0	-
Interest Paid to Trust	38.1	32.3	24.4	15.4	8.7	6.1	2.9	0.0	-	-	0.0
Debt Repayment by Trust	(84.8)	(91.4)	(91.4)	(97.2)	(97.1)	-	-	-	-	-	-
Interest Paid by Trust	(38.2)	(30.2)	(21.9)	(13.3)	(4.4)	-	-	-	-	-	-
Change in DSRA	0.5	2.6	0.8	2.8	31.7	-	-	-	-	-	-
Interest on DSRA	1.6	1.6	1.5	1.4	0.7	-	-	-	-	-	-
Tax on DSRA interest	(0.7)	(0.7)	(0.6)	(0.6)	(0.3)	-	-	-	-	-	-
Free Cash Flows to InvIT	271.4	342.1	383.4	430.4	465.2	539.1	719.9	651.7	570.1	674.5	170.1
Present Value Factor	0.3	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1
Present Value of Cash Flows	71.7	80.3	79.9	79.7	76.6	78.8	93.5	75.2	58.4	61.4	14.4

SECTION 7

VALUATION CONCLUSION



VALUATION CONCLUSION

- ▶ The valuation conclusions arrived at many cases are by their nature subjective and dependent on the exercise of individual judgment. There can be therefore no standard formulae to establish an indisputable value, although certain formulae are helpful in assessing reasonableness.
- ▶ The current valuation has been carried out based on the valuation methodology explained herein earlier. Further, various qualitative factors, the business dynamics and growth potential of the business, having regard to information base, management perceptions, key underlying assumptions and limitations, were given due consideration.
- ▶ Accordingly, we have arrived at the Equity Value of BDHPL as at June 30, 2022, considering DCF Method under Income Approach presented as below.

Particulars	Amount (INR Cr)
Equity Value at SPV level	1,283.0
Equity Value at InvIT level	1,318.4

- ▶ We would like to bring it to your notice that in the ultimate analysis, valuation will have to be arrived by the exercise of judicious discretion and judgment taking into account all the relevant factors. There will always be several factors, e.g., quality of the management, present and prospective competition, yield on comparable securities and market sentiment, etc. which are not evident from the face of the balance sheets, but which will strongly influence the worth of a share.
- ▶ This concept is also recognized in judicial decisions. For example, Viscount Simon Bd in Gold Coast Selection Trust Ltd. Vs. Humphrey reported in 30 TC 209 (House of Lords) and quoted with approval by the Supreme Court of India in the case reported in 176 ITR 417 as:

“If the asset takes the form of fully paid shares, the valuation will take into account not only the terms of the agreement but a number of other factors, such as prospective yield, marketability, the general outlook for the type of business of the company which has allotted the shares, the result of a contemporary prospectus offering similar shares for subscription, the capital position of the company, so forth. There may also be an element of value in the fact that the holding of the shares gives control of the company. If the asset is difficult to value, but is nonetheless of a money value, the best valuation possible must be made. Valuation is an art, not an exact science. Mathematical certainty is not demanded, nor indeed is it possible.”

