

**STERLITE INVESTMENT MANAGERS LIMITED**

Regd. Office: Maker Maxity, 5 North Avenue, Level 5, Bandra  
Kurla Complex, Bandra East, Mumbai. Maharashtra- 400051, India  
CIN: U28113MH2010PLC308857

**Date:** June 27, 2019

**B S E Limited**  
Phiroze Jeejeebhoy Towers  
Dalal Street,  
Mumbai — 400 001

**National Stock Exchange of India Ltd**  
Exchange Plaza, C/1, Block G,  
Bandra-Kurla Complex, Bandra (East),  
Mumbai — 400 051

Scrip Code- 540565

Symbol- INDIGRID

Dear Sir/ Madam,

**Sub – Intimation of 2<sup>nd</sup> Annual General Meeting along with Annual Report of India Grid Trust.**

Pursuant to Regulation 9 and 10 of SEBI (Infrastructure Investment Trusts) Regulations, 2014, the Sterlite Investment Manager Limited (the “*Investment Manager*” to India Grid Trust) is convening an annual general meeting of unitholders of India Grid Trust on July 26, 2019.

We are enclosing herewith the Notice of Annual General Meeting for your records and disseminating on your website.

Further, pursuant to Regulation 23 of ibid read with Schedule IV, please find attached the Annual Report along with annexures of India Grid Trust for the period ended on March 31, 2019.

You are requested to please take the same on your records.

**Yours sincerely,**  
**For and on behalf of the Sterlite Investment Managers Limited**  
Representing India Grid Trust as its Investment Manager

SWAPNIL  
PRAKASH  
H PATIL

Digitally signed by SWAPNIL  
PRAKASH PATIL  
DN: c=IN, o=Personal,  
postalCode=411016,  
st=MAHARASHTRA,  
serialNumber=50ca1ef66a7d88a  
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cn=SWAPNIL PRAKASH PATIL  
Date: 2019.06.27 19:18:10 +05'30'

**Swapnil Patil**  
Company Secretary & Compliance Officer  
ACS-24861

**Encl:** As above

**Copy to:**

**Axis Trustee Services Limited**  
The Ruby, 2nd Floor, SW  
29 Senapati Bapat Marg,  
Dadar West, Mumbai- 400 028

## INDIA GRID TRUST (“IndiGrid”)

(An Infrastructure Investment Trust registered with Securities & Exchange Board of India vide registration no. IN/InvIT/16-17/0005)

**Principal Place of Business:** F-1, The Mira Corporate Suites, 1 & 2, Ishwar Nagar, Mathura Road, New Delhi 110065  
Tel: +91 11 4996 2200; Fax: +91 11 4996 2288;

**Compliance Officer:** Swapnil Patil; E-mail: [complianceofficer@indigrid.co.in](mailto:complianceofficer@indigrid.co.in); Website: [www.indigrid.co.in](http://www.indigrid.co.in)

### Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the **2nd ANNUAL GENERAL MEETING (“AGM”)** of the unitholders (the “Unitholders”) of India Grid Trust (“IndiGrid”) will be held on Friday, July 26, 2019 at 10.30 a.m. at Sofitel Hotel, C-57, G Block, Bandra Kurla Complex, Bandra East, Bandra Kurla, Mumbai- 400 051, Maharashtra, India, to transact the following business:

#### ORDINARY BUSINESS:

##### **ITEM NO. 1: TO ADOPT FINANCIAL STATEMENTS AS ON MARCH 31, 2019**

To consider and adopt annual audited standalone and consolidated financial statements of IndiGrid for the period ended March 31, 2019 and the report of the auditors thereon, by way of simple majority (i.e. where the votes cast in favor of a resolution are required to be more than the votes cast against the resolution) in terms of Regulation 22 of the Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014, as amended (the “InvIT Regulations”).

“**RESOLVED THAT** the audited standalone and consolidated financial statement of the India Grid Trust for the financial year ended March 31, 2019 and the reports of the Auditors thereon laid before this meeting, be and are hereby considered and adopted”

##### **ITEM NO. 2: TO ADOPT VALUATION REPORTS AS ON MARCH 31, 2019**

To consider and adopt the Valuation Report of all power transmission assets of IndiGrid for the financial year ended on March 31, 2019 by way of simple majority (i.e. where the votes cast in favour of the resolution are required to be more than the votes cast against the resolution) in terms of Regulation 22 of the InvIT Regulations.

“**RESOLVED THAT** pursuant to Regulation 13, 21, 22 and Schedule V of the Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014, as amended from time to time, read with circulars and guidelines issued thereunder and other applicable provisions, if any, (including any statutory modification or re-enactment thereof for the time being in force), the valuation report of all power transmission assets of IndiGrid as prepared by Haribhakti & Co. LLP, Valuer and approved by the Board of Directors of Sterlite Investment Managers Limited and disclosed in the Annual Report of

IndiGrid for the financial year ended on March 31, 2019, be and is hereby considered and approved.”

##### **ITEM NO. 3: TO APPOINT THE STATUTORY AUDITOR**

To approve the appointment of M/s. S R B C & Co LLP, Chartered Accountants (Firm Registration No. – 324982E/ E300003) as the Statutory Auditors’ of IndiGrid, from the conclusion of this Annual General Meeting till the next Annual General Meeting by way of simple majority (i.e. where the votes cast in favour of the resolution are required to be more than the votes cast against the resolution) in terms of Regulation 22 of the InvIT Regulations.

“**RESOLVED THAT** pursuant to Regulations 13, 22 and other applicable provisions of Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014 as amended from time to time, read with circulars and guidelines issued thereunder, (including any statutory modification or re-enactment thereof for the time being in force), the appointment of M/s. S R B C & Co LLP, Chartered Accountants (Firm Registration No. – 324982E/ E300003), C - 401, 4th Floor, Panchshil Tech Park, Yerwada (Near Don Bosco School), Pune, Maharashtra - 411006, as the Statutory Auditors’ of the IndiGrid from the conclusion of forthcoming Annual General Meeting till the conclusion of the next Annual General Meeting of the IndiGrid at such remuneration as may be mutually agreed by and between Board of directors of the Investment Manager and the auditors of IndiGrid, be and is hereby considered and approved.”

**RESOLVED FURTHER THAT** the Board of Directors and Company Secretary of Sterlite Investment Managers Limited (“SIML” or “Investment Manager”), be and are hereby authorized on behalf of IndiGrid to inform all regulatory, statutory and governmental authorities, as may be required under applicable law, and in such form and manner as may be required or necessary and also to execute such agreements, letter and other writings and to do all acts, deeds, things, and matters as may be required or necessary to give effect to this resolution or as otherwise considered by the Board of Directors to be in the best interest of IndiGrid, as it may deem fit.”

##### **ITEM NO. 4: TO APPOINT THE VALUERS**

To consider and appoint valuers for the financial year 2019-2020 by way of simple majority (i.e. where the

votes cast in favour of the resolution are required to be more than the votes cast against the resolution) in terms of Regulation 22 of the InvIT Regulations.

**“RESOLVED THAT** pursuant to Regulations 10(6) and 22 of Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014, as amended from time to time, read with circulars and guidelines issued thereunder and other applicable provisions, if any, (including any statutory modification or re-enactment thereof for the time being in force), the appointment of M/s Haribhakti & Co. LLP, Chartered Accountants, bearing firm registration number 103523W / W100048 and Mr. S. Sundararaman, Chartered Accountant, bearing IBB registration number IBBI/RV/06/2018/10238 as the valuers of IndiGrid and all its power transmission assets for the financial year 2019-2020 on such terms and conditions, including fees, as decided by the Board of directors of Sterlite Investment Managers Limited (**“SIML”** or **“Investment Manager”**), be and is hereby considered and approved.

**RESOLVED FURTHER THAT** the Board of Directors and Company Secretary of SIML be and are hereby authorized on behalf of IndiGrid to inform all regulatory, statutory and governmental authorities, as may be required under applicable law, and in such form and manner and also to execute such agreements, letter and other writings as required in this regard and to do all acts, deeds, things, and matters as may be required or necessary to give effect to this resolution or as otherwise considered by the Board of Directors to be in the best interest of IndiGrid, as it may deem fit.”

#### **ITEM NO. 5: TO FIX REMUNERATION PAYABLE TO DIRECTORS**

To consider and approve the overall limit for payment of performance remuneration to the Independent Directors by way of simple majority (i.e. where the votes cast in favour of the resolution are required to be more than the votes cast against the resolution) in terms of Regulation 22 of the InvIT Regulations.

**“RESOLVED THAT** pursuant to the applicable provisions of Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014 and Companies Act, 2013 as amended from time to time and other applicable provisions, if any, (including any statutory modification or re-enactment thereof for the time being in force), the provisions of the investment management agreement dated November 10, 2016 (the **“Original Investment Management Agreement”**), as amended from time to time (collectively, the **“IMA”**), the annual payment of performance remuneration, for a period not exceeding five years, in addition to the fees for attending the meetings of the Board and its Committees, up to 0.4% of the difference between revenue from operations and operating expenses (other than fees of the Investment Manager) of each special purpose vehicle of IndiGrid to the Independent Directors of the Investment Manager

based on evaluation of the Independent Directors by the Board of Directors of the SIML in accordance with the IMA, be and is hereby considered and approved.

**RESOLVED FURTHER THAT** the Board of Directors of Investment Manager be and are hereby authorized on behalf of IndiGrid to inform all regulatory, statutory and governmental authorities, as may be required under applicable law, and in such form and manner as may be required or necessary and also to do all acts, deeds, things, and matters as may be required or necessary to give effect to this resolution or as otherwise considered by the Board of Directors to be in the best interest of IndiGrid, as it may deem fit.

**RESOLVED FURTHER THAT** the Board of Directors of Investment Manager be and are hereby authorized to delegate its power to any of the committees or officials to for exercising any of the deeds, things, and matters as may be required or necessary to give effect to this resolution or as otherwise considered by the Board of Directors and to provide certified true copy of the foregoing resolution to any of the partie(s).”

#### **SPECIAL BUSINESS**

#### **ITEM NO. 6: AUTHORITY TO BORROW AND CREATE CHARGE ON ASSETS AND MATTERS RELATED THERETO**

To consider and, if thought fit, to pass with or without modifications(s), the following resolution by way of special majority (i.e. where the votes cast in favour of the resolution are required to be Seventy five percent of the unit holders in value) in terms of Regulation 22 of the InvIT Regulations read with SEBI InvIT (Amendment) Regulations 2019:

**“RESOLVED THAT** in accordance with Regulation 20, 22 and all applicable provisions of Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014 (**“InvIT Regulations”**), Securities and Exchange Board of India (Infrastructure Investment Trusts) (Amendment) Regulations, 2019 (**“InvIT Amendment Regulations”**) and the circulars and guidelines issued thereunder, and other applicable laws, including any statutory modifications, amendments or re-enactments to each of the foregoing, and applicable notifications, clarifications, circulars, rules and regulations issued by any competent authority in India from time to time (to the extent applicable), the requisite approvals (if any) from Securities and Exchange Board of India, the stock exchanges, any relevant governmental, statutory or regulatory authorities including any bank or financial institutions and subject to such terms and conditions as may be prescribed by any such authority while granting such approvals as may be necessary, and subject to the Trust Deed of IndiGrid and in continuation to all earlier resolution passed the consent of the Unitholders, be and is hereby granted to India Grid Trust (**“IndiGrid”**) and/or Holding Company/ HoldCo and/or Special Purpose

Vehicle/ SPV as defined under SEBI InvIT Regulations (“**the IndiGrid Assets**”) to borrow from time to time, any sum or sums of money not exceeding such amounts that, the aggregate consolidated borrowing and deferred payments of IndiGrid and IndiGrid Assets net of cash and cash equivalent, do not exceed 70% of the aggregate value of IndiGrid’s Assets from time to time, in whatever form including but not limited to issuance of debentures, term loans, advances, deposits, bonds etc., on such terms and conditions as the Axis Trustee Services Limited (the “**Trustee**”) and/or Sterlite Investment Managers Limited (“**Investment Manager**”) may deem fit in the best interest of IndiGrid and the Unitholders, and on such security, including by way of mortgage, hypothecation, pledge, lien and/or charge, in addition to the mortgage, hypothecation, pledge and/or charge already created, in such form, manner and ranking and on such terms as the Trustee and/or Investment Manager may deem fit in the best interest of IndiGrid and the Unitholders, on all or any of the movable and/or immovable properties of IndiGrid and/or IndiGrid Assets, both present and future and/ or any other assets or properties, either tangible or intangible, of IndiGrid and/or IndiGrid Assets, for securing the borrowings availed or to be availed by IndiGrid and/or IndiGrid Assets, including providing any undertakings and/or guarantees as may be required in connection therewith, and to do all such acts, deeds and things and to execute all such documents, instruments and writings, and register all charges as may be required in this regard.

**RESOLVED FURTHER THAT** in relation to the aforesaid transactions, the Trustee and/or Investment Manager be and are hereby severally authorised to do all such acts, deeds, matters and things and execute, modify or amend all such deeds, agreements or other documents, as may be necessary from time to time for giving effect to the above resolution on such terms and conditions as the Trustee and/or Investment Manager may deem fit in the best interest of IndiGrid and the Unitholders, and to settle any questions, difficulty or doubt that may arise with regard to giving effect to the above resolution, as it may deem necessary in its discretion.

**RESOLVED FURTHER THAT** the Board of Directors of the Investment Manager and/or Trustee be and is hereby authorised to delegate all or any of the powers herein conferred upon the Investment Manager and/or Trustee, to any validly constituted committee of its directors, Chief Executive Officer, Company Secretary and Compliance Officer or any other person authorized by Investment Manager and/or Trustee so as to give effect to the aforesaid resolution.”

On **behalf of India Grid Trust**  
**Sterlite Investment Managers Limited**  
(as the Investment Manager to India Grid Trust)

**Swapnil Patil**  
Company Secretary & Compliance Officer  
Mumbai, June 26, 2019



## NOTES

1. **A UNITHOLDER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING (THE “AGM”) IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE IN THE AGM, AND SUCH PROXY NEED NOT BE A UNITHOLDER OF INDIGRID.**
2. The instrument appointing the proxy must be deposited at the principal place of business of IndiGrid not less than 48 hours before the commencement of the AGM.
3. An Explanatory Statement setting out material facts and reasons for the proposed resolutions as mentioned above, is appended herein below for perusal.
4. Route map of the venue of the AGM is annexed hereto.
5. Relevant documents referred to in the accompanying Notice, if any, are open for inspection by the Unitholders at the principal place of business of IndiGrid on all working days (i.e. all days except Saturdays, Sundays and public holidays) between 11.00 a.m. and 5.00 p.m. up to the date of the AGM. The aforesaid documents will also be available for inspection by Unitholders at the AGM.
6. The Investment Manager, on behalf of the Trust, is providing a facility to the Unitholders as on the cut-off date, being Friday, July 19, 2019, (“**the Cut-Off Date**”) to exercise their right to vote by electronic voting systems from a place other than venue of the AGM (“**Remote e-Voting**”) on any or all of the businesses specified in the accompanying Notice. Details of the process and manner of Remote e-Voting along with the User ID and Password is provided under **Annexure A**. Any person who acquires Units of IndiGrid and becomes a Unitholder of IndiGrid after the dispatch of the Notice, and holds Units as on the Cut-Off Date, may obtain the User ID and Password by sending a request at [evoting@karvy.com](mailto:evoting@karvy.com) or contact M/s. Karvy Fintech Private Limited (“**Karvy**”) at toll free number **1800 345 4001**. Voting by electronic mode is a convenient means of exercising voting rights and may help to increase the Unitholders’ participation in the decision-making process. It may be noted that the Remote e-Voting facility is optional. The Investment Manager, on behalf of IndiGrid, has signed an agreement with and engaged the services of Karvy for the purpose of providing Remote e-Voting facility to the Unitholders.
7. Unitholders (such as companies or body corporates) intending to send their authorized representative(s) to attend the AGM are requested to send to the principal place of business of IndiGrid, a certified true copy of the relevant Board Resolution/Power of Attorney, together with the specimen signature(s) of the representatives authorized under the said Board Resolution/Power of Attorney to attend and vote on their behalf at the AGM.
8. In case of joint holders attending the AGM, only such joint holder who is higher in the order of names will be entitled to vote at the AGM.
9. Unitholders are requested to address all correspondence, including distribution matters, to the Registrar, Karvy Fintech Private Limited (Unit: India Grid Trust), Karvy Selenium Tower B, Plot No. 31-32, Gachibowli, Financial District, Nanakramguda, Hyderabad - 500 032, India.
10. Unitholders are requested to send their queries, if any, to the Investment Manager at least 10 days prior to the AGM to enable the Investment Manager to provide the required information.
11. The Securities and Exchange Board of India (the “**SEBI**”) has mandated the submission of Permanent Account Number (“**PAN**”) by every participant in the securities market. Unitholders are therefore requested to submit their PAN to their Depository Participants with whom they are maintaining their demat accounts.
12. IndiGrid is also making arrangement for voting by the Unit holders by physical ballot at the venue of the AGM. However, Unit holders who have cast their vote by Remote e-Voting prior to the AGM shall not be entitled to cast their vote again but may attend the AGM. Unitholders can opt for only one mode of voting, i.e. physical ballot or Remote e-Voting. If a Unitholder opts for Remote e-Voting, then he/she shall not vote by physical ballot and vice versa. In case a Unitholder casts his/her vote, both by physical ballot and Remote e-Voting mode, then the voting done by Remote e-Voting shall prevail and the voting by physical ballot shall be treated as invalid.
13. The Results declared along with Scrutinizer’s Report(s) will be available on the website of IndiGrid ([www.indigrid.co.in](http://www.indigrid.co.in)), and on Karvy’s website (<https://evoting.karvy.com>) within two days of passing of the resolutions and communication of the same to the BSE Limited and the National Stock Exchange of India Limited.
14. Unitholders who have not registered their e-mail addresses so far are requested to register their e-mail address for receiving all communication including annual reports, notices, circulars etc. from the Investment Manager, on behalf of IndiGrid, electronically.

## EXPLANATORY STATEMENT

### ITEM NO.4:

Pursuant to Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014, as amended, read with the guidelines and circulars issued thereunder (the **“SEBI InvIT Regulations”**), IndiGrid is required to ensure that the valuation of all assets held by IndiGrid is carried out by a “valuer” in terms of Regulation 2(1)(zzf) of the SEBI InvIT Regulations. Regulation 2(1)(zzf) of the SEBI InvIT Regulations provides that the term “valuer” refers to any person who is a “registered valuer” in terms of Section 247 of the Companies Act, 2013. With the effect from December 15, 2017, the Companies (Registered Valuer and Valuation) Rules, 2017 (“Valuer Rules”) were notified by Ministry of Corporate Affairs.

In terms of the Valuer Rules read with Section 458 of the Companies Act, 2013 and the Insolvency and Bankruptcy Code, 2016, Insolvency and Bankruptcy Board of India (IBBI) was established as the authority with respect to registration, recognition and other ancillary matters with respect to valuers. The Valuer Rules, inter alia, provide for conditions such as professional qualifications and experience, passing of examination and training for a person to be considered as a “Registered Valuer”. Accordingly, all the valuers who intend to render valuation services under Valuer Rules shall compulsorily obtain certificate of registration from IBBI which will make concerned individual or firm eligible to act as a Registered Valuer.

The Valuer Rules provides for a transitional arrangement, pursuant to which a person who may be rendering valuation services under the Companies Act, 2013 as on the date of commencement of the Valuer Rules, may continue to render such services without a certificate of registration under the Valuer Rules up to January 31, 2019. However, any company which may have appointed a valuer before January 31, 2019 and if any part of the valuation has not been completed before January 31, 2019, the valuer shall complete such valuation within three months thereafter, being April 30, 2019. Accordingly, with effect from May 1, 2019, all valuation assignments are proposed to be undertaken by “Registered Valuers”.

The existing valuer of IndiGrid, Haribhakti & Co. is in the process obtaining necessary certificate of registration from IBBI to act as a “Registered Valuer”. In the meantime, it is proposed to appoint Mr. S Sundararaman, Partner for Haribhakti & Co. LLP as a Registered Valuer of IndiGrid in his individual capacity. It is proposed that Mr. S Sundararaman will undertake all valuation related assignments which are required to be conducted by a Registered Valuer and Haribhakti & Co. LLP will render similar services in a professional capacity. Mr. Sundararaman has been associated with IndiGrid as a Valuer and acted as a signing partner for all the valuation reports of IndiGrid assets as on March 31, 2019.

#### **Brief Profile of Mr. S Sundararaman:**

S. Sundararaman is a fellow member from the Institute of Chartered Accountants of India, Graduate member of the Institute of Cost and Works Accountants of

India, Information Systems Auditor (DISA of ICAI) and has completed the Post Qualification Certification courses of ICAI on IFRS, Valuation. He is a registered Insolvency Professional and a Registered Valuer for Securities or Financial Assets, having been enrolled with the Insolvency and Bankruptcy Board of India (IBBI) after passing the requisite examinations. He possesses more than 29 years of experience in servicing large and medium sized clients in the areas of corporate advisory including strategic restructuring, governance, acquisitions and related valuations and tax implications apart from audit and assurance services.

His areas of specialization include preparation of and compliance with the statutory and regulatory compliance strategies for companies at various stages of development and handling of the entire process of a company’s growth strategy culminating in its listing at bourses. His areas of specialisation are banks, NBFCs, textiles, pharmaceuticals, trading and manufacturing sectors. S. Sundararaman has made regular contributions to professional magazines including the ‘Chartered Accountant’ published by the ICAI.

### ITEM NO.5:

Pursuant to the original investment management agreement dated November 10, 2016 (the **“Original IMA”**), as amended from time to time, IndiGrid would pay performance linked remuneration (the **“Performance Remuneration”**) to the independent directors of the investment manager of IndiGrid (being, Sterlite Investment Managers Limited), subject to annual approval of the board of directors of Sterlite Investment Managers Limited (**“SIML”**) and Unitholders of IndiGrid. In accordance with the IMA, the aggregate amount of Performance Remuneration payable to all independent directors for a particular financial year shall not exceed 0.4% of, difference between revenue from operations and operating expenses (other than fees of the investment manager) of each SPV of IndiGrid, per annum, for that particular financial year (the **“Overall Limit”**). For this purpose, operating expenses would not include depreciation, interest on borrowings and income tax expense. The evaluation of performance of the independent directors for the purposes of the Performance Remuneration shall be undertaken by the board of directors of the Investment Manager in accordance with the parameters set out in the IMA, with the relevant independent director being recused from such evaluation. Upon completion of the evaluation exercise, the board of directors (excluding independent directors) of the Investment Manager shall approve the Performance Remuneration payable to each independent director through a unanimous resolution and make a recommendation to the Trustee for the payment of Performance Remuneration, including the amount payable to each independent director within the Overall Limit approved by the Unitholders of IndiGrid. Further, amount of fee payable to the Investment Manager in accordance with the IMA (being 1.75% of the difference between revenue from operations and operating expenses of each SPV of IndiGrid) shall stand reduced to the extent of Performance Remuneration paid to the independent directors.

Except Independent Directors, none of the Director(s) and Key Managerial Personnel of the Company or their respective relatives are concerned or interested in the Resolution mentioned at Item No. 5 of the Notice.

The Board recommends the resolution set forth in Item No. 5 for the approval of the Unitholders by way of simple majority.

#### **ITEM NO.6:**

India Grid Trust (“IndiGrid”) is an infrastructure investment trust (“InvIT”) registered under the Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014, as amended. (“SEBI InvIT Regulations”). The fund-raising pattern and capital structure of all InvITs are regulated as per the provisions of the InvIT Regulations. Each InvIT needs to distribute 90% of its net distributable cash flows to its unit holders which restricts the ability of the InvIT to create reserves for the further acquisitions of assets. Acquisition of eligible infrastructure project as per the InvIT regulations is essential for growth of every InvIT and having efficient financing arrangements in place within the prescribed statutory borrowing limit (earlier 49% of total InvIT asset) is a prerequisite to support such acquisitions which requires InvITs to repeatedly raise capital.

The unit holders of India Grid Trust (“IndiGrid”) in its general meeting held on November 20, 2017 conferred authority upon IndiGrid to borrow funds up to 49% of the aggregate value of IndiGrid assets and offer security against the same. Substantial part of the aforesaid borrowing limit was utilized in various financing arrangements which were a part of acquisition of following power transmission assets by IndiGrid

1. Purulia & Kharagpur Transmission Company Limited (“PKTCL”)
2. RAPP Transmission Company Limited (“RTCL”)
3. Maheshwaram Transmission Limited (“MTL”)
4. Patran Transmission Company Limited (“PTCL”)
5. NRSS XXIX Transmission Company Limited (“NRSS”)

The unit holders of IndiGrid in general meetings held on November 20, 2017 and May 30, 2019 approved acquisition of PKTCL, RTCL, MTL and NRSS after considering notice of the meetings including explanatory statement and valuation reports of the respective assets which were shared with all the investors as per the SEBI InvIT Regulations. The IndiGrid also published various press releases, investors presentations, offer document, placement document and intimations (“IndiGrid Publications”) to stock exchanges regarding all the acquisitions made, capital raised and financial facilities availed from time to time. All the IndiGrid publications are available on the website of stock exchanges viz. <https://www.bseindia.com> and <https://www.nseindia.com/> and also on the website of IndiGrid viz. [www.indigrid.co.in](http://www.indigrid.co.in)

- The SEBI vide its notification dated April 22, 2019 amended SEBI InvIT Regulations (“SEBI InvIT Amendment Regulations”) and approved increase in borrowing limit up to 70% of InvITs asset under management (“AUM”) with the following conditions for any borrowing taken beyond 49% of the InvIT

AUM:

- The consolidated debt of the InvIT and the project debt, have a credit rating of AAA or equivalent from a rating agency registered with the SEBI.
  - The utilization of borrowed funds should be only for acquisition or development of infrastructure project.
  - The InvIT has a minimum track record of 6 distributions on a continuous basis, post listing, in the years just preceding to the financial year in which the enhanced borrowings are proposed to be made.
  - InvIT shall seek approval of 75% of the unitholders (excluding related parties to the transaction) for increase in leverage.
  - Stricter norms on disclosure frequency such as quarterly financial results, quarterly valuation reports and additional details like asset cover ratios as prescribed under SEBI InvIT Amendment Regulations.
- The Board of Directors of Sterlite Investment Managers Limited (“SIML” or “Investment Managers”) (acting on behalf, and in its capacity as the Investment Manager of IndiGrid) on April 30, 2019 approved
    - execution of definitive agreements to acquire NRSS XXIX Transmission Limited (“NRSS”) and Odisha Generation Phase - II Transmission Limited (“OGPTL”), from Sterlite Power Grid Ventures Limited (“SPGVL” or “Sponsor”) having total enterprise value of INR 5,039 Cr.
    - execution of framework agreement between Investment Manager, Sponsor and Axis Trustee Services Limited (acting on behalf of, and in its capacity as the trustee to IndiGrid) to acquire three power transmission assets from Sponsor having total enterprise value of INR 6,500 Cr (“Framework Assets”) namely Gurgaon-Palwal Transmission Limited (“GPTL”); Khargone Transmission Limited (“KTL”) and NER II Transmission Limited (“NTL”).

The actual acquisition of aforesaid assets will be subject to unitholders and other statutory, governmental, regulatory and corporate approvals, from time to time. Pursuant to the Framework Agreement, IndiGrid has agreed to purchase 100% of the issued and paid-up capital of the GPTL, KTL and NTL (“Identified SPVs”). The consideration payable by IndiGrid for the acquisition will be mutually agreed upon in the respective share purchase agreements on the basis of the enterprise value of the Identified SPV as mentioned above. Such enterprise value is subject to certain adjustments such as adjustments based on the findings in the due diligence of such assets, its operations conducted by the Investment Manager and/or its advisors on behalf of the Trust and cost of debt obtained by IndiGrid at the time of the share purchase agreement.

At present, IndiGrid has utilized approximately 47% of its borrowing limit and it would be prudent to make use of

further borrowing limit up to 70% as permitted by SEBI InvIT Amendment Regulation. The increased borrowing limit will be utilized for acquisition or development of infrastructure project as per SEBI InvIT Regulations which will also include acquisition of framework assets.

In view of the above, it is proposed by the board of directors of the Investment Manager to enable the India Grid Trust ("IndiGrid") and/or Holding Company/ HoldCo and/or Special Purpose Vehicle/ SPV as defined under SEBI InvIT Regulations ("the IndiGrid Assets") to borrow from time to time, any sum or sums of money not exceeding such amounts that, the aggregate consolidated borrowing and deferred payments of IndiGrid and IndiGrid Assets net of cash and cash equivalent, do not exceed 70% of the aggregate value of IndiGrid's Assets from time to time, in whatever form including but not limited to issuance of debentures, term loans, advances, deposits, bonds, etc., on such terms and conditions as the Axis Trustee Services Limited (the "Trustee") and/or Sterlite Investment Managers Limited ("Investment Manager") may deem fit in the best interest of IndiGrid and the Unitholders, and on such security, including by way of mortgage, hypothecation, pledge, lien and/or charge, in addition to the mortgage, hypothecation, pledge and/or charge already created, in such form, manner and ranking and on such terms as the Trustee and/or Investment Manager may deem fit in the best interest of IndiGrid and the Unitholders, on all or any of the movable and/or immovable properties of IndiGrid and/or IndiGrid Assets, both present and future and/ or any other assets or properties, either tangible or intangible, of IndiGrid and/or IndiGrid Assets, for securing the borrowings availed or to be availed by IndiGrid and/or IndiGrid Assets, including providing any undertakings and/or guarantees as may be required in connection therewith, and to do all such acts, deeds and things and to execute all such documents, instruments and writings, and register all charges as may be required in this regard.

The Investment Manager recommends the resolution as set out in the Notice for your approval by way of special majority (i.e. where the votes cast in favour of the resolution are required to be Seventy five percent of the unit holders in value).

## **ANNEXURE A**

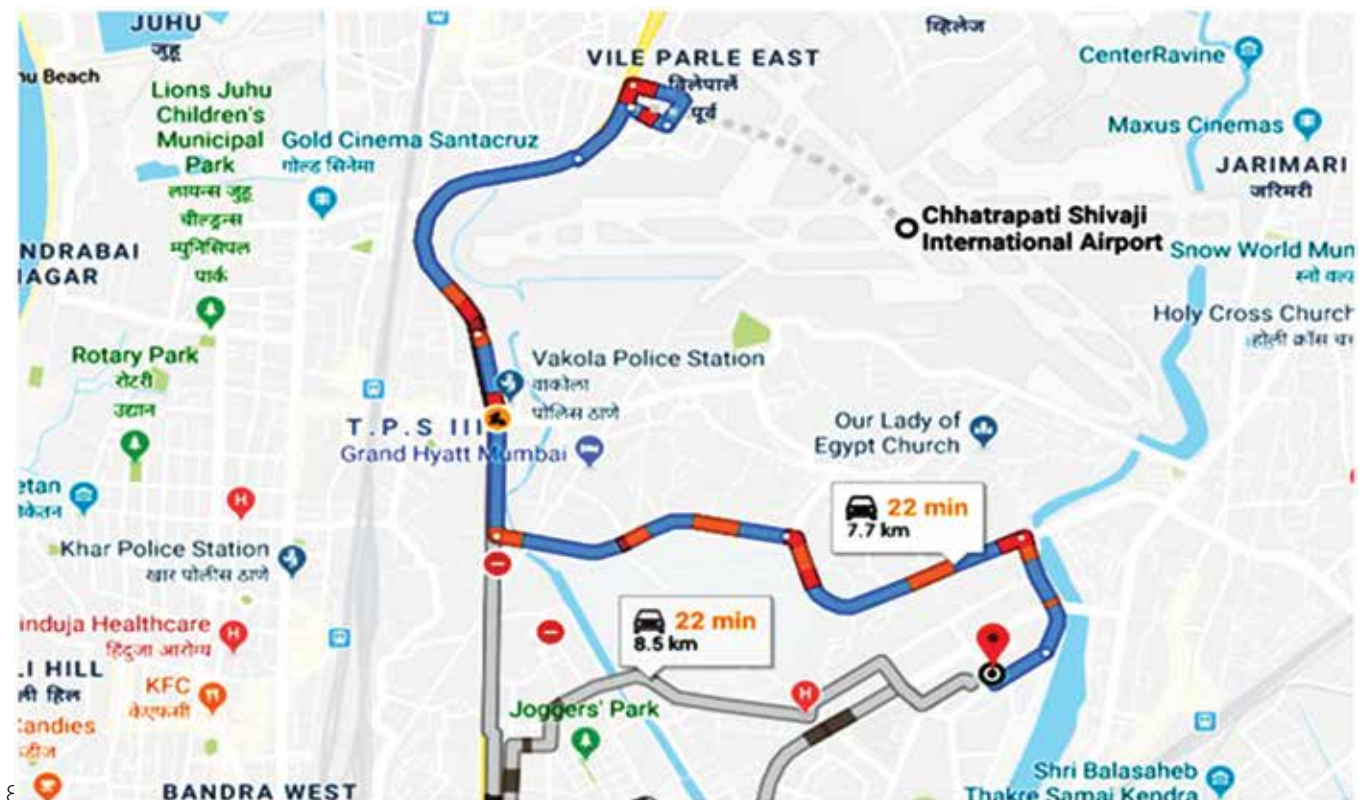
The instruction for e-voting are as under:

- A. In case a Unitholder receives an email from Karvy [for Unitholders whose email IDs are registered with the Trust/ Depository Participants (s)]:
  - i. Launch internet browser by typing the URL: <http://evoting.karvy.com>.
  - ii. Enter the login credentials (i.e., EVENT No., User ID and password mentioned on Attendance Slip). EVENT No. followed by Folio No. / DP ID-Client ID will be your User ID. However, if you are already registered with Karvy for remote e-voting, you can use your existing User ID and password for casting your vote.
  - iii. After entering these details appropriately, click on "LOGIN".
- iv. You will now reach password change Menu wherein you are required to mandatorily change your password. The new password shall comprise of minimum 8 characters with at least one upper case (A- Z), one lower case (a-z), one numeric value (0-9) and a special character (@, #, \$, etc.,). The system will prompt you to change your password and update your contact details like mobile number, email ID etc. on first login. You may also enter a secret question and answer of your choice to retrieve your password in case you forget it. It is strongly recommend that you do not share your password with any other person and that you take utmost care to keep your password confidential.
- v. You need to login again with the new credentials.
- vi. On successful login, the system will prompt you to select the "EVENT" i.e., [IndiGrid].
- vii. On the voting page, enter the number of Units (which represents the number of votes) as on the Cut off Date under "FOR/AGAINST" or alternatively, you may partially enter any number in "FOR" and partially "AGAINST" but the total number in "FOR/AGAINST" taken together not exceed your total Unitholding as mentioned herein above. You may also choose the option ABSTAIN. If the Unitholder does not indicate either "FOR" or "AGAINST" it will be treated as "ABSTAIN" and the Units held will not be counted under either head.
- viii. Unitholders holding multiple folios/ demat accounts shall choose the voting process separately for each folio/ demat accounts.
- ix. Voting has to be done for each item of the notice separately. In case you do not desire to cast your vote on any specific item it will be treated as abstained.
- x. You may then cast your vote by selecting an appropriate option and click on "Submit".
- xi. A confirmation box will be displayed. Click "OK" to confirm else "CANCEL" to modify. Once you have voted on the resolution, you will not be allowed to modify your vote. During the voting period, Unitholders can login any numbers of times till they have voted on the Resolution(s).
- xii. Corporate/ Institutional Unitholders (i.e. other than Individuals, HUF, NRI etc.,) are also required to send scanned certified true copy (PDF Format) of the Board Resolution/ Authority Letter etc., together with attested specimen signature(s) of the duly authorised representative(s), to the Scrutinizer at e-mail [bn@karvy.com](mailto:bn@karvy.com) with a copy marked to [evoting@karvy.com](mailto:evoting@karvy.com). Please note that, the mail id of Scrutinizer will be used only for e-voting related matters. For any other queries, investors are requested to contact Karvy on the contact details mentioned in this notice. The scanned image of the above mentioned documents should be in the naming format "IndiGrid, Annual General Meeting".



- xiii. In case a person has become the Unitholder of the Trust after dispatch of AGM Notice but on or before the cut- off date i.e. July 19, 2019, may write to Karvy on the email Id: [evoting@karvy.com](mailto:evoting@karvy.com) or toll free No. 1800 345 4001 or to Karvy Fintech Private Limited [Unit: IndiGrid], Karvy Selenium Tower B, Plot No. 31-32, Gachibowli, Financial District, Nanakramguda, Hyderabad - 500 032, requesting for the User ID and Password. After receipt of the above credentials, please follow all the steps from Sr. No.(i) to (xii) as mentioned in (A) above, to cast the vote.
- B. In case a Unitholder receives physical copy of the Notice of AGM[for Unitholders whose email IDs are not registered with the Trust/Depository Participants (s) or requesting physical copy].
- User ID and initial Password as provided on the enclosed slip.
  - Please follow necessary steps mentioned above, to cast vote.
- C. In case of any queries relating to e-voting please visit Help & FAQ section of <https://evoting.karvy.com> (Karvy Website).
- D. You can also update your mobile number and e-mail id in the user profile details of the folio which may be used for sending future communication(s).
- E. The e-voting period commences on July 23, 2019 (10.00 AM) and ends on July 25, 2019 (5.00 PM). During this period Unitholders of the Trust, holding Units in dematerialized form, as on the cut-off date being July 19, 2019, may cast their vote electronically in the manner and process set out herein above. The e-voting module shall be disabled for voting thereafter. Once the vote on a resolution is cast by the Unitholder, the Unitholder shall not be allowed to change it subsequently. Further the Unitholders who have casted their vote electronically shall not vote by way of poll, if held at the meeting.
- The voting rights of Unitholders shall be in proportion to their Units of the Unit capital of the Trust as on the cut-off date being July 19, 2019.
  - The Board of Directors of Investment Manager has appointed Mr. B Narasimhan failing him, Mr. C Venkataraman Practicing Company Secretaries ,as the Scrutinizer(s) to scrutinize the e-voting process in a fair and transparent manner.
  - The Scrutinizer shall immediately after the conclusion of the voting at AGM, first count the votes cast at the meeting, thereafter unblock the votes in the presence of at least two (2) witnesses not in the employment of the Trust and make a Scrutinizer's Report of the votes cast in favour or against, if any, forth with to the Chairman of the Investment Manager.
  - The Results shall be declared on or after the AGM of the Trust and the resolution will be deemed to be passed on the AGM date subject to receipt of the requisite number of votes in favour of the Resolution(s).
  - The results declared along with the Scrutinizer's report shall be placed on the Trust's website [www.indigrid.co.in](http://www.indigrid.co.in) and on the website of the service provider (<https://evoting.karvy.com>) within two (2) days of passing of the resolutions at the AGM of the Trust and communicated to BSE Limited and National Stock Exchange of India Limited.

#### ROUTE MAP



Attendance Slip



INDIA GRID TRUST

Principal Place of Business: F-1, The Mira Corporate Suites, 1&2, Ishwar Nagar,  
Mathura Road, New Delhi-110065 India.

SEBI Registration Number: IN/InvIT/16-17/0005  
2nd Annual General Meeting, Friday, July 26, 2019

Registered Folio No./ DP ID No. / Client ID No.

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Number of units held

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

I certify that I am a Unitholder / proxy for the Unitholder of the Trust.

I hereby record my presence at the 2nd ANNUAL GENERAL MEETING of IndiGrid on July 26, 2019 at 10.30 a.m. at Sofitel Hotel, C-57, G Block, Bandra Kurla Complex, Bandra East, Bandra Kurla, Mumbai- 400 051, Maharashtra, India

.....  
Name of the Unitholder / proxy  
(in BLOCK letters)

.....  
Signature of the Unitholder / proxy

**Note - PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL**





PROXY FORM



(An irrevocable trust set up under the Indian Trusts Act, 1882, and registered as an infrastructure investment trust with the Securities and Exchange Board of India)

**Principal Place of Business:** F-1, The Mira Corporate Suites, 1&2, Ishwar Nagar, Mathura Road, New Delhi-110065 India.  
**SEBI Registration Number:** IN/InvIT/16-17/0005

Name of the Unitholder (s) :
Registered address :
E-mail Id :
Folio No./Client Id : DP ID :

I/We, being the Unitholder(s) of ..... Units of India Grid Trust, hereby appoint

1. .... of ..... having e-mail Id : ....., or failing him
2. .... of ..... having e-mail Id : ....., or failing him
3. .... of ..... having e-mail Id : .....

and whose signature(s) are appended below as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 2nd Annual General Meeting of the Trust, to be held on Friday, July 26, 2019 at 10.30 a.m. at Sofitel Hotel, C-57, G Block, Bandra Kurla Complex, Bandra East, Bandra Kurla, Mumbai- 400 051, Maharashtra, India and at any adjournment thereof in respect of such resolutions as are indicated below:

\*\* I wish my above Proxy to vote in the manner as indicated in the box below:

Resolutions	For	Against
1. TO ADOPT FINANCIAL STATEMENTS AS ON MARCH 31, 2019		
2. TO ADOPT VALUATION REPORTS AS ON MARCH 31, 2019		
3. TO APPOINT THE STATUTORY AUDITOR		
4. TO APPOINT THE VALUERS		
5. TO FIX REMUNERATION PAYABLE TO DIRECTORS		
6. AUTHORITY TO BORROW AND CREATE CHARGE ON ASSETS AND MATTERS RELATED THERETO		

Signed this ..... day of ..... 2019

Signature of Unitholder

Signature of First Proxy holder

Signature of Second Proxy holder

Signature of Third Proxy holder

Notes:

- (1) This form of proxy in order to be effective should be duly completed and deposited at the Principal Place of Business of the Trust not less than 48 hours before the commencement of the meeting.
- (2) A Proxy need not be a Unitholder of the Trust.
- \*\* (3) This is only optional. Please put a 'X' in the appropriate column against the resolutions indicated in the Box. If you leave the 'For' or 'Against' column blank against any or all the resolutions, your Proxy will be entitled to vote in the manner as he/she thinks appropriate.
- (4) Appointing a proxy does not prevent a Unitholder from attending the meeting in person if he so wishes.
- (5) In the case of jointholders, the signature of any one holder will be sufficient, but names of all the jointholders should be stated.



# Powering Ahead



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# POWERING AHEAD

**India is undergoing a massive energy shift. From the goal of being a surplus power country, the spotlight is now entirely on green energy and power for all. This entails heavy investment in the renewable energy and power transmission sectors across the nation. IndiGrid, with its unique business model, is well positioned to grow its portfolio with the incremental investments in this sector.**

**Our continuous endeavour is concentrated on ...**

## **Democratising Power ...**

The new phase of growth requires new solutions to energy delivery. In the capital-intensive power sector, innovative models for funding along with increased transparency are the need of the hour. We, at IndiGrid, believe that we are at the right place at the right time. IndiGrid was formed in 2016 as an Infrastructure Investment Trust (InvIT) with one key goal in mind - "Democratization of power" in India. Imbibing the spirit of the world's largest democracy, we strive to provide an inclusive ownership of the nation's power resources to a much larger investor base across the country, while ensuring a strong and robust corporate governance as the foundation framework for this unique platform.

## **Enabling growth ...**

IndiGrid, with Assets Under Management (AUM) of INR 94 Billion, is on course to achieve its mission of INR 300 Billion AUM by 2022, with a strong pipeline visibility upto 11 assets and an AUM of INR 170 Billion over the next two years. With a very strong growth pipeline and track record of performance, we offer a unique investment proposition in a sector that has traditionally witnessed a great degree of volatility and lack of attractive investment opportunities. With focus on total returns comprising stable cash yield and growth, we provide investors with a credible and transparent investment opportunity in the Indian power sector.

## **Realising potential ...**

Investment potential of over INR 4.2 Trillion is envisaged over the next five

years in the Indian power transmission sector alone. Transmission network connected to renewable projects is estimated to present around INR 420 Billion standalone opportunity in the next couple of years. This will require fresh capital investment as well as recycling of invested capital for development of greenfield projects. Needless to say, IndiGrid is likely to be at the forefront of enabling this development and be a key catalyst for fast-tracking nation's infrastructure and power development while growing its portfolio.

## **Powering ahead ...**

Leveraging these opportunities, we are well placed to achieve our vision of becoming Asia's most admired yield vehicle. We remain sensitive to the nation's immense demand for energy and remain committed to realize the potential of its power sector. With strong governance as its backbone, stable yield its mission, and growth as its focus, IndiGrid is Powering Ahead!





## FROM THE CEO'S DESK

### POWERING AHEAD



**Since our listing in June 2017, maintaining stable growth amidst volatility has been our key focus. Till date, we have distributed a total of ~INR 6,107 Million to our unitholders.**

#### Dear Unitholders,

As I present to you India Grid Trust's Annual Report for FY 2018-19, I am humbled by the drive, commitment, and passion of all our stakeholders who have contributed to our record performance on this journey to create, nurture, and grow. As India's first infrastructure investment trust in the power sector, we truly appreciate the confidence our unitholders have shown in us. We remain driven by our vision to become the most admired yield vehicle in Asia and committed to our aim of achieving INR 300 Billion AUM by 2022.

Since our listing in June 2017, maintaining stable growth amidst volatility has been our key focus. Since IPO, we have acquired five more operational transmission assets, growing from an AUM of INR 38 Billion previously to INR 94 Billion currently. Our endeavour to ensure stable growth has been well appreciated by global investors. IndiGrid's preferential issue worth INR 25.14 Billion, launched in May 2019, was highly successful with participation of several global marquee investors including KKR and GIC. Primary investment of this size by marquee global investors is a testimony to IndiGrid's credibility as a stable yield and growth platform. KKR has not only expressed interest to become a Sponsor but also invested in the Investment Manager. I am confident that with its global expertise in fund management and outreach, IndiGrid and its unitholders will benefit immensely. I extend a warm welcome to the members of KKR joining our Board of Directors.

In June 2019, we successfully completed acquisition of NTL asset from Sterlite Power. We also signed framework agreement with Sterlite Power for other assets which enables IndiGrid to grow its AUM further to INR 170 Billion over the next two years.

### **IndiGrid – The power to transform**

InvITs are inherently highly regulated, low-risk products that adhere to robust corporate governance norms prescribed by the Securities and Exchange Board of India (SEBI), even higher than those for listed corporates. By the virtue of their structure, they offer superior risk adjusted returns and eliminate volatility through visibility on the cash flows of underlying assets. These factors make them a very safe bet and a compelling investment alternative in today's uncertain times beset with high volatility.

We at IndiGrid, pride ourselves on our robust corporate governance practices and high degree of transparency. With KKR bringing in global investment management expertise as an Investment Manager and Sterlite Power bringing in technical and operating expertise as a Project Manager, it is a win-win scenario for our unitholders.

Further, there have been significant regulatory developments aimed at proliferation of InvITs in the country. With a very pragmatic approach, SEBI has approved increasing the leverage limit for InvITs to 70% from the earlier cap of 49% in the current financial year. We believe this will enable IndiGrid to be competitive and provide better returns to investors. SEBI has also approved trading lot size reduction from INR 0.5 Million to INR 0.1 Million, aimed to enhance broader investor participation and increase liquidity for our unitholders. These policy changes are transformative and will go a long way in establishing InvITs as credible sources of infrastructure financing. It will create the necessary market depth for this yield instrument.

With the recent regulatory developments, our outlook for the coming financial year remains positive. However, we will need to further engage with various stakeholders to constructively address certain policy-related challenges. With SEBI's continued promulgation of key regulation in this space, we seek support and alignment from other regulators to drive requisite policy changes. At our end, we will continue to ensure robust risk management mechanisms and high standards of performance delivery, which have accounted for our success so far.

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**We at IndiGrid,  
pride ourselves  
on our robust  
corporate  
governance  
practices and  
high degree of  
transparency.**

---

### Performance is power

IndiGrid, through its seven operating projects consisting of 20 revenue-generating elements, encompassing ~4,200 circuit kilometers, and transformation capacity of 7,735 MVA, offers investors the remarkable opportunity to own infrastructure assets in the power transmission sector hitherto inaccessible in terms of direct reach and participation.

For the year ended March 31, 2019, our consolidated revenue and EBITDA stood at INR 6,656 Million and INR 6,036 Million, respectively. In line with our FY 2018-19 distribution guidance, we have distributed a total Distribution Per Unit (DPU) of INR 12.00 to our unitholders. Since listing, IndiGrid has successfully distributed eight straight quarters of distribution, aggregating to a total of INR 21.56 per unit or INR 6,107 Million in total, to its unitholders.

Since IPO, our distribution has increased from INR 11.00 per unit annually to INR 12.00 per unit currently. With the acquisition of NTL and other planned acquisitions in the next two years, IndiGrid is confident of maintaining and growing its distribution in future. This growth is further backed by AAA cash flows from our underlying portfolio, attractive total return and ensuring stable cash flow stream to our unitholders.

### Transforming power sector in India - Engine for growth

India's power sector is undergoing a significant transformation and its robust economic growth continues to drive electricity demand nation-wide. The government's push to attain 'Power for All' led to a plethora of favourable policies and schemes such as the flagship Pradhan Mantri Sahaj Bijli Har Ghar Yojana-Saubhagya, Deen Dayal Upadhyaya Gram Jyoti Yojana, Integrated Power Development Scheme, Ujwal DISCOM Assurance Yojana, tariff based bidding, Unnat Jeevan by Affordable LEDs and Appliances for All, National Smart Grid Mission and other digital programs.

The country's total installed generation capacity more than doubled over the past decade (from 154.7 GW in 2006-07 to 356.1 GW in 2018-19), making India the world's third largest producer of electricity, after China and the US. Investments in the country's power sector have grown at a record 12% to touch around USD 85 Billion between 2015 and 2018, the highest growth in the world as per the 4th Annual World Energy Investment report by the International Energy Agency (IEA).

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**IndiGrid offers retail investors a remarkable opportunity to own infrastructure assets in the power transmission sector hitherto inaccessible in terms of direct reach and participation.**

---

Yet, the opportunity exists, and we have only just started to scale up. While India is poised to become a power surplus country in the current fiscal, the nation still has a long way to go to ensure a reliable power supply. The IEA's projections hint a demand escalation of 3x between 2018 and 2040, driven by growing population and rapid urbanisation. We believe that such growth in investments will result in substantial investment in the sector which in turn will offer substantial acquisition opportunities.

### **Powering ahead**

IndiGrid is well positioned to leverage this opportunity and create sustainable long-term value for its unitholders and achieve its vision of becoming Asia's most admired yield vehicle. We see tremendous headroom for growth and are preparing ourselves for a bigger leap by further solidifying our performance. Our capable team will continue to drive our strategy and execution for stable growth.

As India's first ever InvIT of its kind, we are democratising our peoples' access to key Indian infrastructure assets in the power sector enabling the country's development. This is a continuous source of motivation for us. We will continue to power ahead with this transformation by enabling Indian capital to find its way towards Indian infrastructure.

Regards,

**Harsh Shah,**  
Chief Executive Officer

---

**IndiGrid is well positioned to create sustainable long-term value for its unitholders and achieve its vision of becoming Asia's most admired yield vehicle.**

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# INDIGRID AT A GLANCE

## Our Vision

To become the most admired yield vehicle in Asia.

## Our Mission

- INR 300 Billion by 2022.
- Predictable DPU and growth.
- Best-in-class corporate governance.

Total assets under management (AUM)

**~INR 94**  
Billion AUM\*

Total Transformation Capacity

**7,735 MVA**

Presence across total states in India

**10**

Sponsor assets for future acquisition (including Framework Agreement<sup>\$</sup>)

**4**

Total network length

**~4,200**  
Circuit KM

**AAA<sup>#</sup> rated**  
perpetual ownership

Total lines and substations

**16 Lines,**  
**4 Substations**

Total residual years of contract life

**~33 Years**

Note:

All data points include NTL asset which was acquired by IndiGrid on June 4, 2019. (AUM = ~INR 42 Billion).

\* Based on independent valuation reports as on March 31, 2019. Includes NTL.

# Rated by CRISIL, ICRA and India Ratings.

\$ IndiGrid has signed a framework agreement with Sterlite Power for future acquisition of under construction assets - GPTL, KTL, NER. ENICL continues to be a part of the ROFO agreement.



## THE INDIGRID ADVANTAGE

**Strong  
Industry  
Fundamentals**

**Predictable  
DPU Growth**

**Perpetual  
Ownership**

**Experienced  
Sponsor**

**Maximum  
Possible  
Availability**

**Negligible  
Counter  
Party Risk**

**No Construction  
Risk**

**No Price or  
Volume Risk**

**Robust Asset  
Pipeline**

**Optimal Capital  
Structure**

**Sustainable  
Distribution**

**Best-In-Class  
Corporate  
Governance**



# EVOLUTION OF INDIGRID

## June 2017

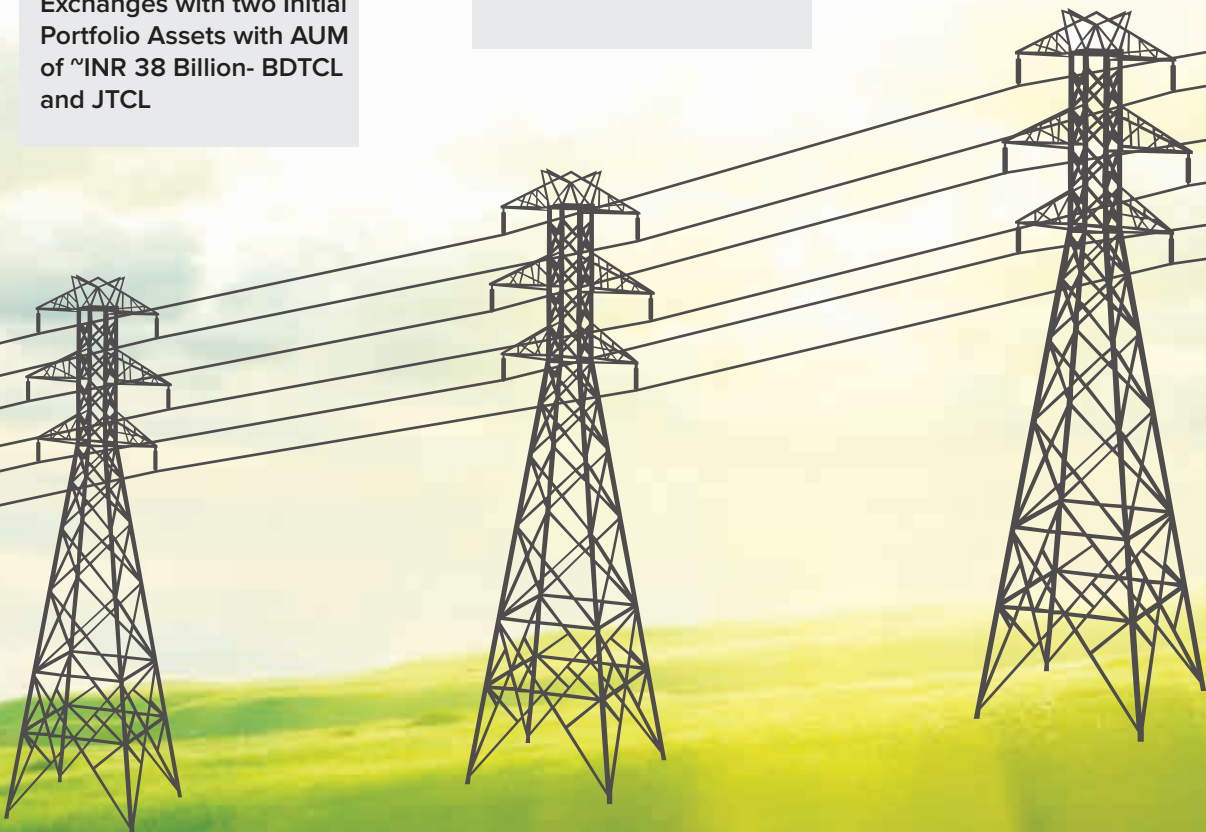
Listed on Stock Exchanges with two Initial Portfolio Assets with AUM of ~INR 38 Billion- BDTCL and JTCL

## February 2018

Completed acquisition of first ROFO assets with AUM of ~INR 14 Billion - MTL, RTCL and PKTCL

## August 2018

- Completed acquisition of first third party asset with AUM of ~INR 2,250 Million - PTCL
- Successfully issued AAA rated Non-Convertible Debentures of ~INR 2,500 Million - First AAA rated debentures by an InvIT



### April 2019

- Amended InvIT regulations by SEBI increasing maximum leverage limit at InvIT from 49% to 70%
- Approved trading lot size reduction from ~INR 0.5 Million to ~INR 0.1 Million by SEBI

### May 2019

- Raised INR 25.1 Billion of primary capital through Preferential Issue allotment to KKR, GIC and other capital market investors
- Received unitholder approval for induction of KKR\* as an additional sponsor in IndiGrid and change in control of IM

### June 2019

Completed acquisition of sponsor asset with AUM of ~INR 42 Billion - NTL

\* KKR affiliate Esoteric II Pte. Ltd. to be inducted as additional sponsor

# ROBUST PERFORMANCE TRACK RECORD

## Delivering Firmly on our Commitments

### Operations

Availability above norms with maximised incentives



### Equity fund raise

First ever follow-on equity fund raise by an InVIT<sup>#</sup>



### Acquisitions

Completed first third-party acquisition in FY 2018-19 and one sponsor asset in June 2019



### Distribution

INR 21.56/unit amounting to ~INR 6,107 Million distributed since listing



### DPU Growth

FY 2018-19 DPU of INR 12.00, an increase of 4.6% over annualised FY 2017-18 DPU



### Portfolio IRR

Portfolio IRR to reach 12% from planned acquisition for IPO investor



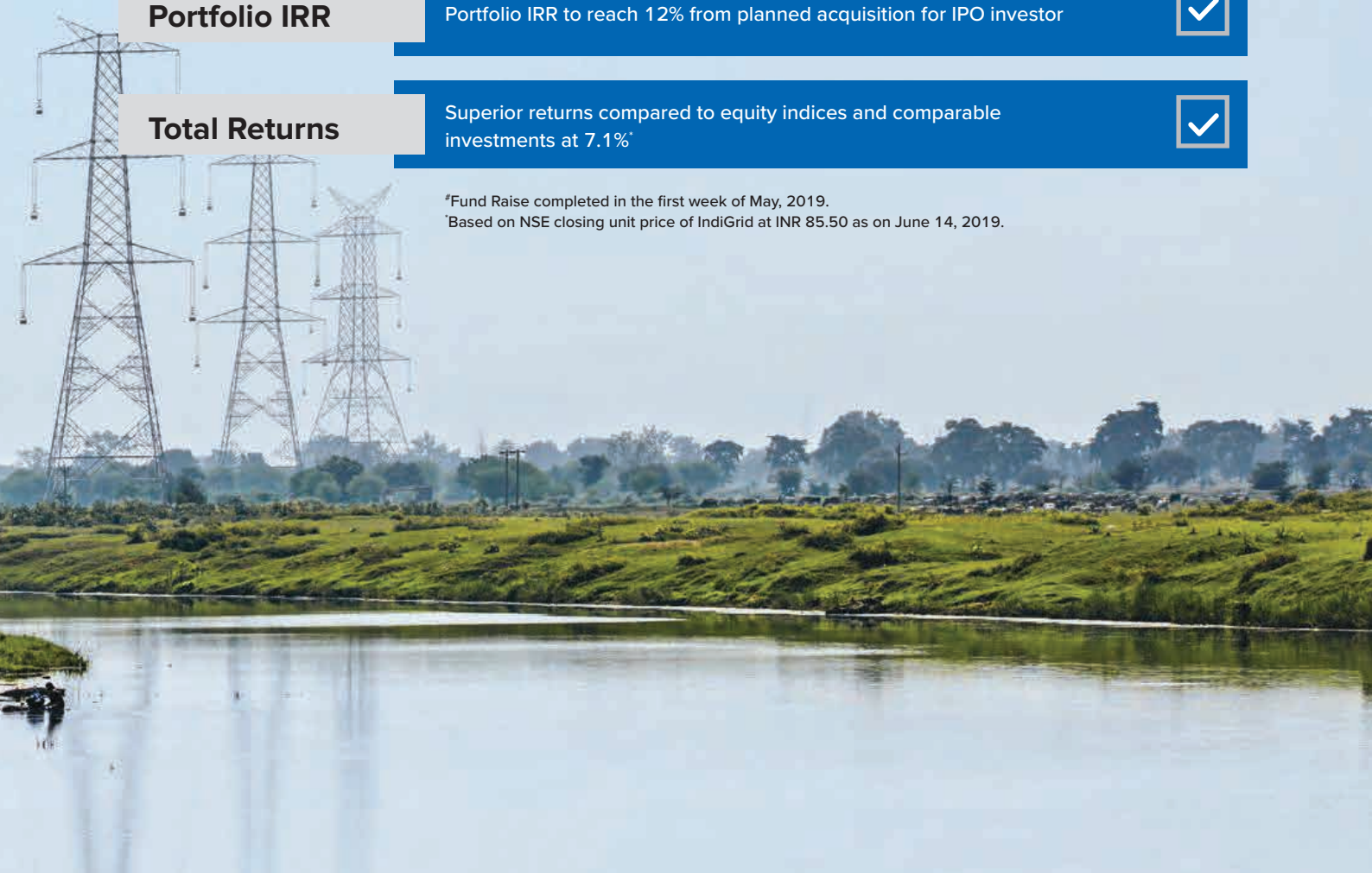
### Total Returns

Superior returns compared to equity indices and comparable investments at 7.1%<sup>\*</sup>



<sup>#</sup>Fund Raise completed in the first week of May, 2019.

<sup>\*</sup>Based on NSE closing unit price of IndiGrid at INR 85.50 as on June 14, 2019.



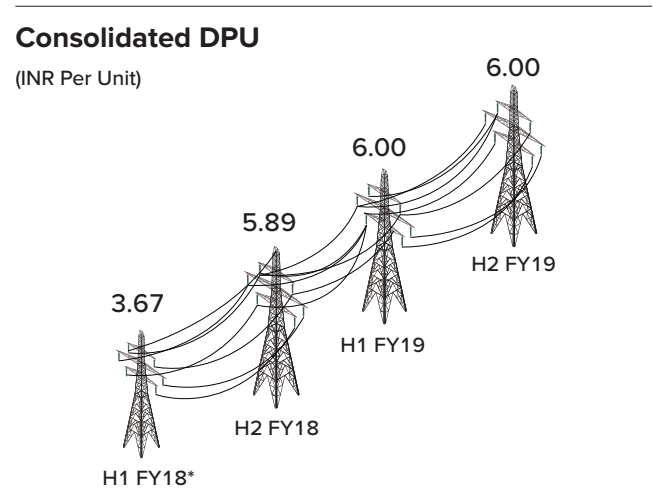
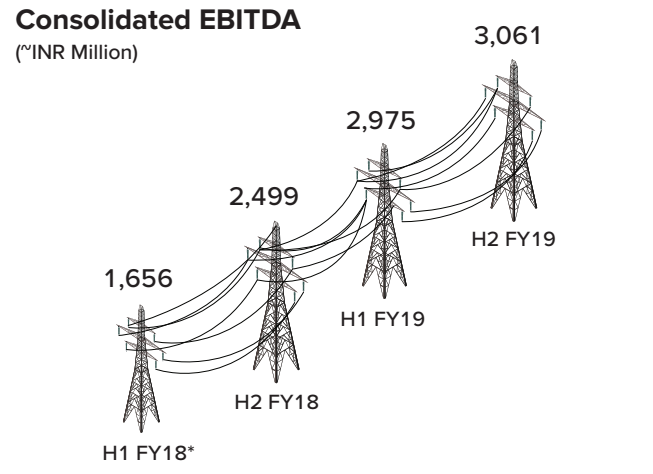
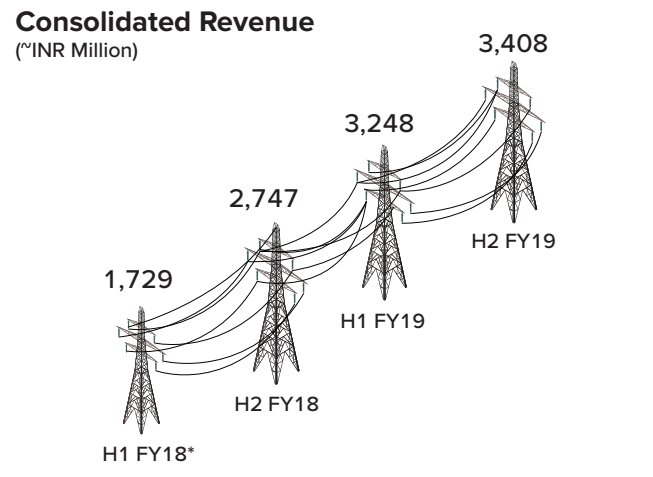
**Key Performance Highlights**

**>99.75%**  
Average Availability of Portfolio Assets

**Gearing <40%**  
Net Debt to Total Assets Ratio  
(Post acquisition of NTL in June 2019)

**First Third Party acquisition completed**

**INR 21.56**  
Per Unit Total DPU Till Date

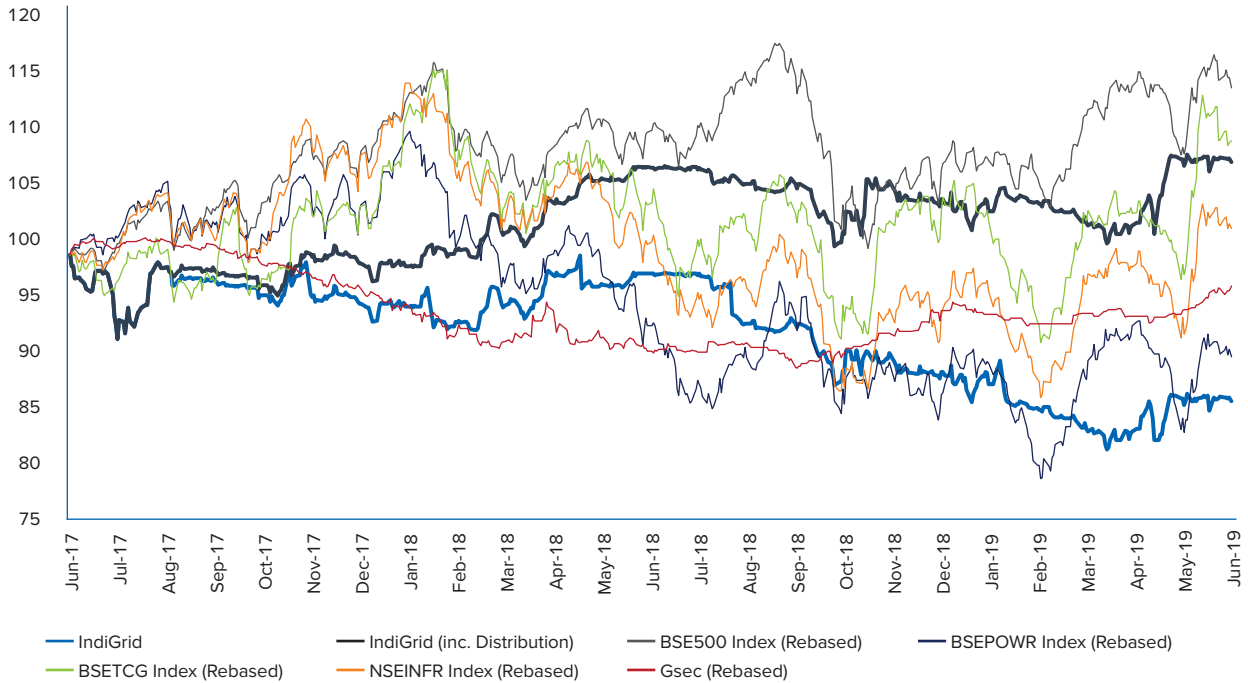


\* 4 month period from June to September 2017



# SUPERIOR RISK-ADJUSTED RETURNS

Predictable distribution, low volatility, stable performance



# Rebased to IndiGrid price

<b>BETA as compared to NSE 500</b>	<b>IndiGrid</b>	<b>BSE 500</b>	<b>BSE Power</b>	<b>BSE Capital Goods</b>	<b>NSE Infra</b>	<b>G-Sec Bond</b>
	<b>0.14</b>	<b>0.99</b>	<b>0.95</b>	<b>1.16</b>	<b>1.06</b>	<b>0.05</b>

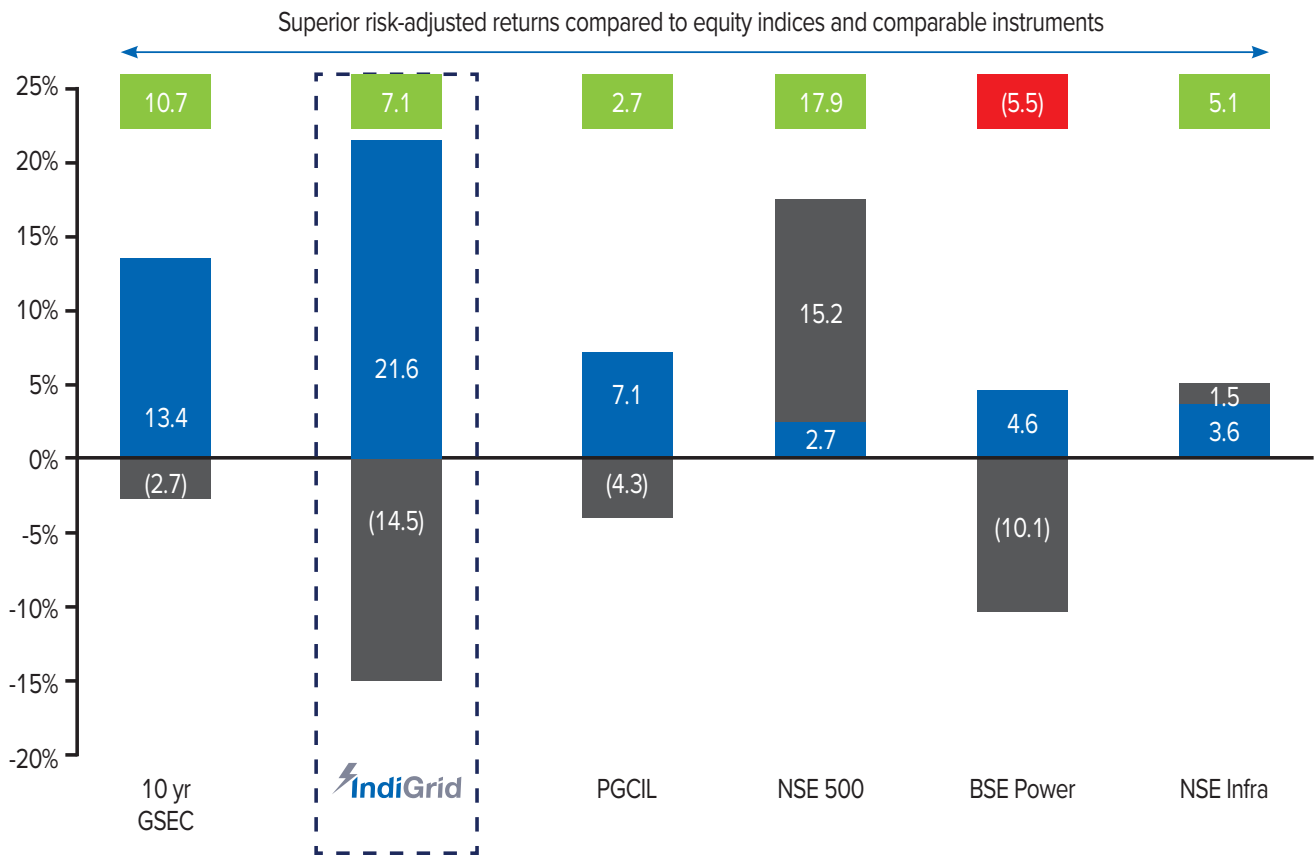
Beta has been calculated since IG listing date June 6, 2017 to June 14, 2019 on weekly basis.

Source: Bloomberg

**LOWER VOLATILITY**  
 LOWER BETA COMPARED TO MARKET

**QUARTERLY DISTRIBUTION AMIDST MARKET VOLATILITY**

### Total returns since IPO (%)



Source: Bloomberg

Notes:

Distribution and price change has been calculated since June 6, 2017 to June 14, 2019.  
Higher total returns of G-Sec due to payout of annual interest payment in May 2019.

■ Dividend / Distribution  
■ Price Change

**TOTAL RETURN**  
SUPERIOR RETURNS COMPARED  
TO EQUITY INDICES AND  
COMPARABLE INVESTMENTS

**DPU YIELD OF 13.1% ON VWAP**  
**TRADING PRICE OF INR 91.34 PER UNIT**  
**DURING FY 2018-19**



# READY FOR THE FUTURE

## INR 25.1 Billion Fund Raise

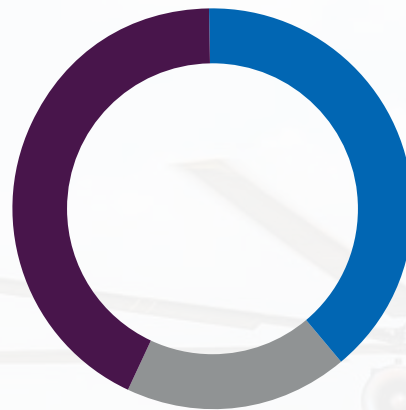
Raised INR 25.1 Billion in May 2019 through Preferential Issue of which KKR & GIC subscribed INR 20.6 Billion

Signed definitive agreements to acquire INR 115 Billion worth transmission assets from Sterlite Power

KKR (affiliate Esoteric II Pte. Ltd.) to be inducted as a Sponsor of IndiGrid alongside Sterlite Power

KKR (affiliate Electron IM Pte. Ltd.) and Sterlite Power will co-own the Investment Manager of IndiGrid. KKR to acquire controlling interest going forward

KKR GIC



Capital Market Investors

### SALIENT FEATURES:

- A milestone deal in the history of Indian Infrastructure - Transaction marks KKR's first infrastructure investment in Asia Pacific
- Participation by marquee investors in the preference issue – a testimony to the credibility of the InvIT platform
- Capitalised the platform adequately for the next two years for growth via acquisitions amounting to INR 170 Billion
- Widespread participation: from FII long only investors, global endowment funds, domestic institutions and alternative asset managers
- Top two investors contributed 82% of the allotment
- Benefit from investment and asset management expertise from KKR and Sterlite Power

### USE OF THE TOTAL PROCEEDS:

With the capital infusion provided by the new unit issuance, IndiGrid will purchase five power transmission assets worth INR 115 Billion (USD 1.7 Billion) from Sterlite Power

### ACQUISITION OF NTL & OGPTL

- SPA signed for acquisition of NTL<sup>1</sup> & OGPTL<sup>1</sup> (INR 50,390 Million)  
NTL: INR 38,290 Million<sup>2</sup>, acquired in June 2019  
OGPTL: INR 12,100 Million<sup>2</sup>
- ISTS power transmission assets under PoC
- Operational and revenue generating

### FRAMEWORK AGREEMENT

- Provides visibility for acquisition of under construction assets with acquisition price already locked in
- Acquisition of three assets (INR 65,000 Million):  
GPTL<sup>3</sup>: INR 10,250 Million<sup>2</sup>  
KTL<sup>3</sup>: INR 13,750 Million<sup>2</sup>  
NER<sup>3</sup>: INR 41,000 Million<sup>2</sup>
- Assets to be acquired within 13 months from COD<sup>4</sup>

Note:

1. NTL = NRSS XXIX Transmission Limited, OGPTL = Odisha Generation Phase II Transmission Limited.
2. Subject to adjustments on account of interest rate, cash and cash equivalents, liabilities and other adjustments on the closing date.
3. NER = NER II Transmission Limited, GPTL = Gurgaon Palwal Transmission Limited, KTL = Khargone Transmission Limited.
4. COD: Commercial Operations Date.



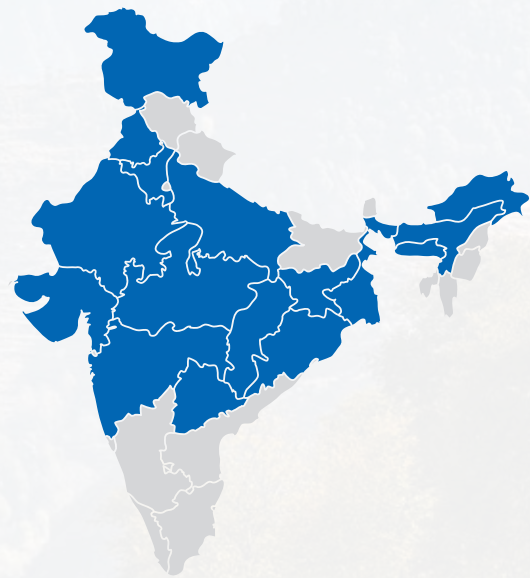
## Significant Portfolio Expansion

### Pre Transaction



- 6 No. of Assets
- 13 lines – 3,361 ckm
- 3 sub-stations – 7,000 MVA
- 9 States
- INR 52 Billion AUM
- 47% Net Debt / AUM

### Post Transaction\*



- 11 No. of Assets
- 32 lines – 6,600 ckm
- 10 sub-stations – 14,995 MVA
- 16 States
- INR 170 Billion AUM
- ~67% Net Debt / AUM

Note: \*Includes Portfolio Assets, NTL, OGPTL, and Framework Agreement Assets







# Corporate Overview

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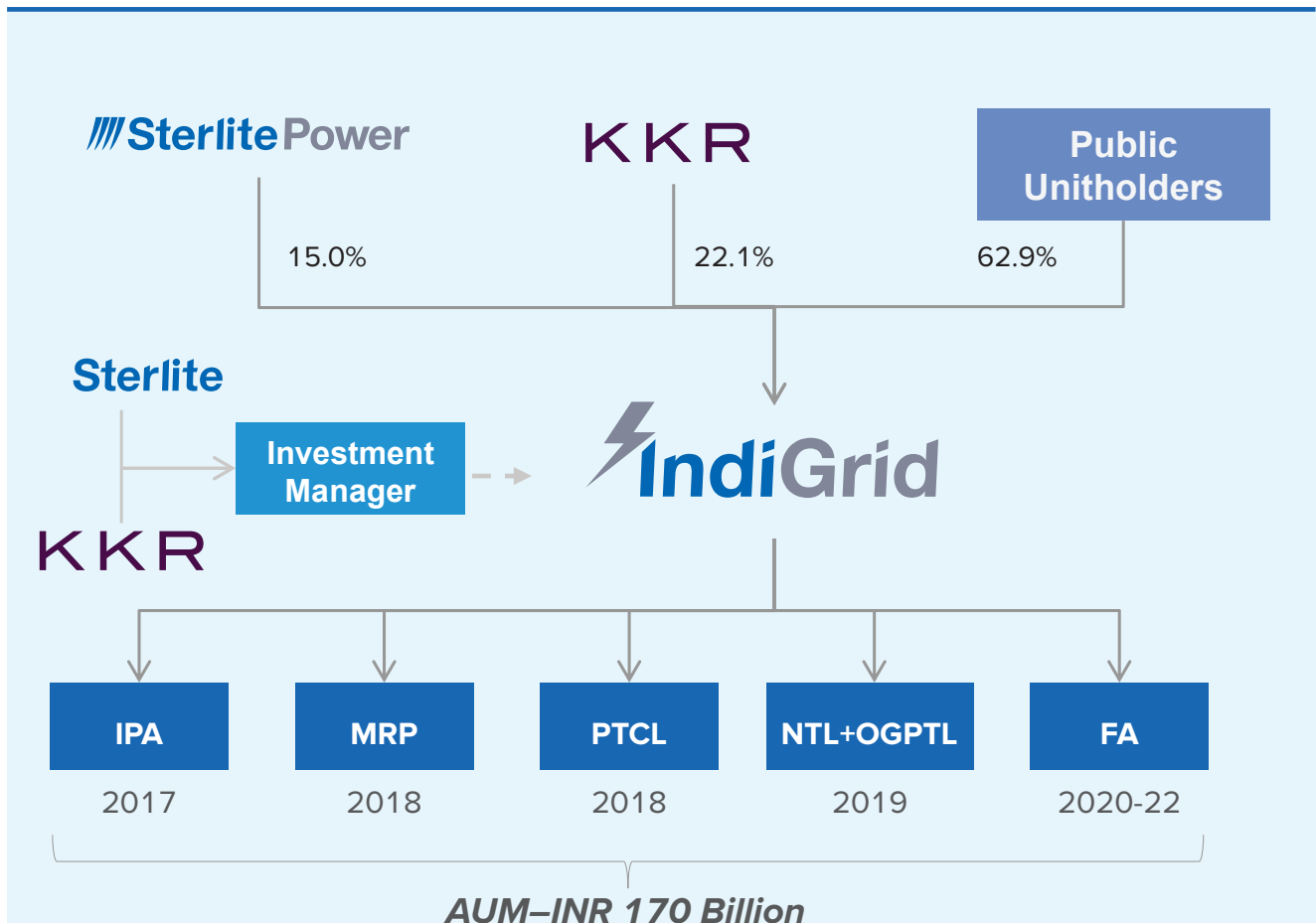
## ABOUT INDIGRID

IndiGrid is India's first power sector Investment Trust, sponsored by Sterlite Power Grid Ventures Limited (SPGVL), one of the leading independent power sector developers in India and Brazil.

It has been established with an objective of providing stable and predictable returns to the unitholders by owning operational power transmission assets in India. It currently owns 7 operational inter-state power transmission projects spanning across 10 states with INR 94 Billion assets under management.

Post the recent fund raise and the planned acquisition of OGPTL and the framework assets in the future, IndiGrid is set to increase the AUM to INR 170 Billion in next two years, comprising of 11 inter-state transmission assets across 16 states in India.

### Our Key Stakeholders



- Unitholder approval obtained in May 2019 for induction of KKR affiliates as additional sponsor in IndiGrid and majority stake owner in IM, pending for SEBI approval
- KKR includes KKR and its affiliates
- KKR to acquire stake in Investment Manager (IM) in 3 tranches (a) ~20% at the time of preferential allotment. (b) ~40% based on regulator and unitholder approval (total ~60%); (c) ~14% after two years from unitholder approval (total ~74%).
- Sterlite Power intends to transfer 15% to KKR - an additional sponsor (subject to unitholder and regulatory approvals).
- MRP is MTL, RTCL and PKTCL. FA is Framework Agreement Assets - GPTL, KTL and NER.
- NTL acquired in June 2019 and OGPTL to be acquired in the current financial year.



# ABOUT THE STAKEHOLDERS

## Investment Manager

Sterlite Investment Managers Limited (SIML), erstwhile Sterlite Infraventures Limited, is the Investment Manager for IndiGrid. The Investment Manager is responsible for the operations pertaining to the Trust, such as distribution of cash flows, acquisition/ divestment of assets etc.

### Board of Directors

- Mr. Tarun Kataria\*
- Mr. Shashikant H Bhojani\*
- Mr. Rahul Asthana\*
- Mr. Sanjay Nayar
- Mr. Pratik Agarwal
- Mr. Harsh Shah

\*Independent Director

SIML executed Investment Management Agreement with IndiGrid on November 10, 2016. As per the provisions of the Investment Management Agreement, SIML is empowered to:

- Take all decisions in relation to the management and administration of IndiGrid's assets and the investments of IndiGrid.

- Oversee the activities of the Project Manager in terms of the InvIT Regulations and Applicable Law.
- Issue and allot Units, accept subscriptions to Units of IndiGrid and issue transfer and allot units to Unitholders or such other persons and undertake all related activities.
- Focussed teams engaged in asset management, M&A, capital raising, compliance, engineering and finance & accounting.

As on May 30, 2019, unitholders have approved KKR to co-own the Investment Manager of IndiGrid. Going forward KKR intends to acquire controlling interest, upto 74%, in the Investment Manager in tranches, subject to SEBI approval.

## KKR: Leading Global Investment Firm

KKR<sup>1</sup> is a leading global investment firm with over 43 years of experience and a strong track record of performance

- ~USD 195 Billion of AUM
- Offices in 21 cities in 16 countries across 4 continents
- Manages multiple asset classes including private equity ("PE"), credit, real estate, energy, and infrastructure, with strategic partners that manage hedge funds
- Infrastructure is a core focus for KKR with ~30 investments and ~USD12.6 Billion of assets under management
- In 2018, established the Asia Pacific Infrastructure team to address the significant and growing infrastructure investment needs across the region

### Favorable Long-Term Outlook

- India offers a positive long-term economic outlook given its favourable demographic trends, stable macro-economic indicators and ongoing structural reforms

### One of KKR's Core Markets

- Invested USD 2.6 Billion in PE deals in India since 2010 across 13 investments - 8 active portfolio companies today
- Extended over USD 5 Billion of financing to Indian companies

### Attractive Infrastructure Investment Destination

- Believes India's infrastructure need over the next 25 years will remain significant
- Demand for infrastructure coincides with an increasingly robust and liberalised regulatory regime, positioning India as a prime investment destination

## KKR Asia Pacific Infrastructure Strategy

### Play to KKR's Competitive Advantage

- Extensive Asia Pacific platform that has delivered strong and consistent investment performance
- Leading global infrastructure platform with deep expertise and a strong track record across several geographies and sub-sectors
- Access to a dedicated team of professionals focused on value-creation and operational enhancements

### Differentiated Investment Approach

- Track record of leveraging deep local relationships to generate proprietary deal flow
- 60% of Asia Pacific investments to date have been proprietary
- Strong alignment of interest with our investors

### Capital Protection with Participation in Growth

- Strategy targets existing enterprises and corporate build-up strategy
- Brownfield and platform investments
- Contracted / regulated assets and well-positioned growth-oriented assets
- Yielding assets and reinvesting for growth
- Modest leverage profiles

Note:

<sup>1</sup> KKR refers to Kohlberg Kravis Roberts & Co LP together with its affiliates

## KKR: By the Numbers

### **USD 195 Billion**

Assets under management globally, as of December 31, 2018

### **21**

Cities in 16 countries and across 4 continents

### **105**

Portfolio companies in private equity funds

### **~80%**

Of private equity investments were secured on a limited process or proprietary basis

### **Over 40**

Investment funds raised since inception, including 21 private equity funds

### **50 Billion**

Retirees and pensioners with exposure to KKR's investments

### **25.6%**

The cumulative gross IRR generated since 1976 (net IRR of 18.8%) by KKR's private equity funds with at least 24 months of activity prior to December 31, 2018, compared to just 11.6% achieved by the S&P 500 index over the same period

### **USD 16.7 Billion**

Invested in or committed to own funds and portfolio companies alongside clients as of December 31, 2018

### **2.3**

### **Million metric tons**

The estimated metric tons of greenhouse gas emissions avoided by companies in the KKR Green Portfolio Program between 2008 and 2014

## Trustee

Axis Trustee Services Limited, registered as an intermediary with SEBI under the Securities and Exchange Board of India (Debtenture Trustees) Regulations, 1993, serves as the trustee for IndiGrid.

### Board of Directors

- Mr. Rajesh Kumar Dahiya
- Mr. Ganesh Sankaran
- Mr. Ram Bharosey Lal Vaish

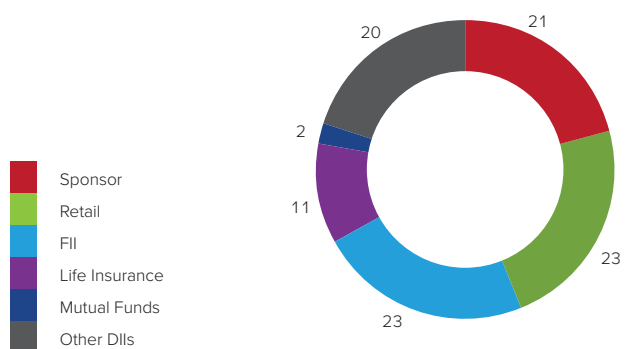
The Trustee, independent of Sponsor and Investment Manager, is entrusted with the custody of the assets ensuring highest standards of corporate governance. The Trustee has signed a Trust Deed with IndiGrid on October 21, 2016. As per the provisions, the trustee is supposed to:

- Approve distribution to Unitholders.
- Ensure compliance of rights attached to the units.
- Oversee voting of Unitholders.
- Appoint an Investment Manager and Project Manager and delegate its responsibilities to them in writing.
- Enter into various agreements, including the Investment Management Agreement, Project Implementation and Management Agreement and other documents.
- Ensure that the Investment Manager takes investment decisions in the best interest of the unitholders.
- Ensure the Investment Manager performs its obligations in accordance with the InvIT Regulations, oversees activities of the Project Manager and ensures receipt of relevant records and information from the Project Manager.
- Employ and pay at the expense of IndiGrid, any agent in any jurisdiction whether attorneys, solicitors, brokers, banks, trust companies or other agents.
- Please refer to the IndiGrid IPO Offer Document for detailed information on the rights and duties of the Trustee.

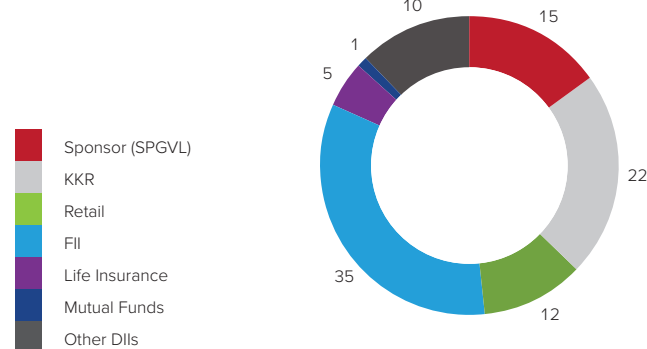
## Unitholders

SPGVL, the sponsor of IndiGrid, held 21.2% stake in IndiGrid as on March 31, 2019, as against the statutory requirement of minimum holding by sponsor of 15% stake for a period of three years post listing. Post the recent Preferential Issue, SPGVL continues to hold 15% stake in IndiGrid and KKR holds 22.1% stake.

**Unitholding pattern as on March 31, 2019**  
(%)



**Unitholding pattern as on June 14, 2019**  
(%)



## Sponsor

SPGVL, IndiGrid's sponsor, is a leading global developer of power transmission infrastructure with extensive experience in developing projects spanning across India and Brazil. SPGVL has successfully developed 8 power transmission projects with a project cost of over INR 100 Billion and has 4 projects with a project cost of over INR 60 Billion under construction in India. Of the 8 power transmission projects executed by Sterlite Power, 6 have been already acquired by IndiGrid till date. SPGVL also has 10 transmission assets with a project cost of over INR 50 Billion under various stages of development in Brazil.

With its dedicated teams to ensure best-in-class designing, construction and maintenance of power transmission assets, coupled with the deployment of latest technologies, SPGVL has been able to improve efficiency and minimise the impact on the environment during the project construction period. Further, its strong relationships with contractors and suppliers helps it complete and deliver projects ahead of schedule consistently.

## Business at glance

**16<sup>2</sup>**

Power transmission projects

**INR 24 Billion<sup>3</sup>**

Aggregate annual tariff

**3**

Operational assets<sup>4</sup>

**~40**

Substations/ Bay extensions

**~16,500 MVA**

Transformation capacity

**47**

Extra High Voltage (EHV) lines

**~8,200 ckms**

Power transmission lines

**99.75%**

Availability<sup>5</sup>

**31.5%<sup>6</sup>**

Market share

Note:

- 1 Data points for India as well as Brazil business for the Sponsor (does not include assets sold to IndiGrid).
- 2 Won under PPP (6 in India under TBCB with 2 commissioned and 4 under development; 10 in Brazil with 1 commissioned and 9 under development); Of these, SPAs for OGPTL have been executed and will be acquired by IndiGrid subject to approvals. GPTL, KTL and NER are part of the framework agreement.
- 3 Aggregate annual tariff of Sponsor assets including India (6 assets) and Brazil (10 assets).
- 4 1,740 ckms of transmission lines and 1 substation.
- 5 Achieved across commissioned assets for 2017-18.
- 6 By tariff of all inter-state projects awarded under TBCB in India.

## Board of Directors

- Mr. Pravin Agarwal
- Mr. Pratik Agarwal
- Mr. A R Narayanaswamy
- Ms. Avaantika Kakkar
- Mr. Ved Mani Tiwari

Mr. Pratik Agarwal serves as the Group CEO of the parent of the Sponsor, Sterlite Power Transmission Limited and Mr. Ved Mani Tiwari serves as the CEO of the Sponsor and infrastructure business of Sterlite Power Transmission Limited.

Post the Preferential Issue, KKR is proposed to be inducted as the

additional sponsor in IndiGrid along with Sterlite Power as the additional sponsor of IndiGrid. KKR brings with it a strong asset management expertise with over USD 195 Billion of assets under management across 16 countries globally. Mr. Sanjay Nayar serves as the CEO of KKR India.



## Project Manager

Sterlite Power Grid Ventures Limited (SPGVL) also serves as the Project Manager for IndiGrid. SPGVL entered into the Project Implementation and Management Agreement with IndiGrid on November 10, 2016, to:

- Operate, maintain and manage IndiGrid's assets as per the terms and conditions of the O&M agreements, either directly or through the appointment and supervision of appropriate agents.

- Provide additional services to IndiGrid's assets on the terms and conditions set out in the Project Implementation and Management Agreement, including in relation to accounting, billing and collections, administrative functions, procurement, legal support, regulatory support and engineering.

SPGVL has a strong development and project management experience in the power transmission sector globally.

## Guiding philosophy of project management

### Technology and Talent

Leverage new technology in both planning and execution to deliver on commitments ahead of schedule.

Team of talented professionals from across sectors and expertise, leading operations across geographies.

### Innovation as a Mindset

Committed to solving the toughest challenges through an innovative approach to all aspects of operations.

Pioneers in deploying cutting edge planning, surveying, executing and financing techniques.

### Strategic Partnerships

Working with the best and most innovative partners in the industry, forging long term symbiotic relationships.

Value all partners equally, be it the smallest vendors or execution contractors.

### Project Management Expertise

Expertise working across multiple geographies and government stakeholders - reflected in 'first time right approach'. In depth understanding of contract frameworks and infrastructure business models enables robust monitoring and effective delivery.

### Safety

Safety comes first. Sterlite Power has instituted world class processes and practices to ensure safety for all its workers, contractors, employees and community at large. They aim to engage, educate, train and track people across the organisation to keep them up to date and in compliance with processes.

## BOARD OF DIRECTORS



**Mr. Tarun Kataria**  
*Independent Director*

Mr. Kataria has over 30 years of rich experience in banking and capital markets, working across New York, Singapore, Hong Kong and Mumbai. He is an Independent Non-Executive Director of Mapletree Logistics Trust Management (Manager of Mapletree Logistics Trust) and Chairperson of the Audit Committee of HSBC Bank (Singapore) Ltd. Previously, he was CEO of Religare Capital Markets Limited, Managing Director and Head of Global Banking and Markets at HSBC India and Vice Chairman of HSBC Securities and Capital Markets Private Limited.

He has a Master's degree in Business Administration in Finance from the Wharton School of the University of Pennsylvania. He is also a Chartered Accountant.



**Mr. Shashikant H Bhojani**  
*Independent Director*

Mr. Bhojani has over 28 years of experience with ICICI Limited (which is now ICICI Bank Limited). He is also a former partner at Cyril Amarchand Mangaldas. Mr. Bhojani was recognised as a senior statesman and notable practitioner in banking and finance by Chambers Asia Pacific (2017 and 2016) and rated as a 'leading lawyer' for banking by IFLR1000 (2016).

He also served as an Independent Director on the Board of L&T Infrastructure Finance Company Limited and has been a member of various committees, and working groups established by the Government of India and SEBI. Mr. Bhojani started his career as a law officer and eventually rose to the position of a Board member. He is a lawyer by profession.



**Mr. Rahul Asthana**  
*Independent Director*

Mr. Asthana is a retired IAS officer from the 1978 batch. He currently serves as an Independent Director at Mahindra Vehicles Manufacturing Limited, Aegis Logistics, NBS International, Vadivarhe Speciality Chemicals Ltd. and Mumbai Metro Rail Corporation Limited. He served as the Metropolitan Commissioner of MMRDA, Chairman of Mumbai Port Trust, Principal Secretary of the Department of Energy of the Government of Maharashtra.

He holds a Bachelor's degree in Technology (Aeronautical) from the Indian Institute of Technology, Kanpur and a Master's degree in Business Administration in International Business from the ICPE University of Ljubljana, Slovenia.



**Mr. Sanjay Nayar**  
*Non-Executive Director*

Mr. Nayar has about 34 years of experience and joined KKR in 2009 as a Member and CEO. Prior to joining KKR, he was CEO of Citigroup's Indian and South Asian operations and a member of Citigroup's Management Committee and Asia Executive Operating Committee.

Mr. Nayar has a Bachelor's degree in Mechanical Engineering from Delhi University and is an MBA in Finance from the Indian Institute of Management, Ahmedabad.



**Mr. Pratik Agarwal**  
*Non-Executive Director*

Mr. Agarwal has extensive experience in building core infrastructure businesses in ports, power transmission and broadband. He has been instrumental in transforming the way infrastructure projects – especially power transmission – are built by deploying global technologies such as the LiDAR survey, heli-stringing and heli-crane construction.

He is also the Chairman of the Transmission Task Force constituted by FICCI. He holds a Bachelor's degree from the Wharton Business School and a Master's degree in Business Administration from the London Business School.



**Mr. Harsh Shah**  
*Chief Executive Officer & Whole-time Director*

Mr. Shah has extensive experience in private equity financing, mergers and acquisitions, infrastructure financing, regulatory and macroeconomic policy issues with a focus on the infrastructure sector. Prior to joining IndiGrid, he was the Chief Financial Officer of Sterlite Power. He also worked with Sterlite Power, Larsen & Toubro Limited, L&T Infrastructure Finance Company Limited and Procter & Gamble International Operations Pte. Limited.

He holds a Bachelor's degree in Electrical Engineering from the Nirma Institute of Technology, Gujarat University and a Masters' degree in Business Administration from the National University of Singapore.

## MANAGEMENT TEAM



**Ms. Meghana Pandit**  
*Head - Capital Raising*

Ms. Pandit has over 15 years of experience in Investment Banking and Corporate Finance with specialisation across products including Private Equity, Equity Capital Markets and M&A. She has worked across the roads, airports, ports, power, renewable energy sectors at IDFC's investment banking division, raising capital through both private and public routes. Prior to IDFC, she worked with Deloitte and Essar Steel Limited in financial advisory practice and corporate finance teams, respectively.

She holds an MBA degree from the Welingkar Institute of Management (Mumbai University) and has cleared all three levels of the CFA charter exam from CFA Institute USA .



**Ms. Divya Bedi Verma**  
*Head - Finance and Compliance*

Ms. Verma has over 20 years of experience in managing finance and operations reporting, strategic planning, managing compliances and change management. She has diverse experience across the manufacturing, publishing, real estate and infrastructure sectors and has worked with Sterlite Power, ATS Infrastructure, Elsevier India and Imae India Dover Group in her previous roles.

She holds a Bachelor's degree in commerce from Delhi University and is a qualified Chartered Accountant.



**Mr. Satish Talmale**  
*Chief Asset Officer*

Mr. Satish Talmale has over 20 years of diversified experience across business transformation, portfolio risk management, project management, operations & maintenance services, with expertise in situational leadership and continuous improvements. Passionate about mentoring teams, he has previously worked as Services Director – SAARC, and Services Operations Leader – MEIA in Ingersoll Rand Compressor Technology business, as well as GE and L&T.

He holds a Bachelor's degree in Mechanical Engineering from Govt. College of Engg, Amravati (MH), and has completed an Executive Program in Business Management from Indian Institute of Management – Calcutta.





**Mr. Bigyan Parija**  
*Chief Design Officer*

Mr. Parija has more than two decades of experience in the field of Design & Engineering, Project Management and Business Acquisition in the power transmission sector. Prior to joining IndiGrid, he was the Sr. Vice President - Design & Engineering of Sterlite Power. He also worked with Sterlite Power, KEC International Ltd., ICOMM Tele Ltd., Aster Tele Ltd. and Utkal Galvanizers Ltd.

He holds a Bachelor's degree in Mechanical Engineering from Utkal University.



**Mr. Swapnil Patil**  
*Company Secretary and  
Compliance Officer*

Mr. Patil has over 8 years of experience in corporate legal and secretarial functions involving mergers and acquisitions, private equity, corporate restructuring, governance, corporate codes and policies, and compliance management.

He is a member of the Institute of Company Secretaries of India. He holds a bachelor's degree in Commerce and a master's degree in Law from University of Pune.

# INDIGRID STRATEGY

IndiGrid's key strategies have been developed around few core pillars underpinning all the aspects of its business and intended to build a resilient and innovative organisation. IndiGrid's main objective is to continue to ensure a positive impact on India's power connectivity and infrastructure development while delivering superior risk-adjusted total returns to its unitholders.

IndiGrid's resilient business model has enabled it to grow and provide superior risk-adjusted returns to unitholders. The Company is enabling this by investing in long-term stable cash-generating power transmission assets.

IndiGrid's strategy is to achieve the stated objectives with strategic pillars and ensure it is on a course of long-term, profitable and responsible growth.

## Focussed Business Model

### Long-term AAA rated cash flows

- Owns and operates commissioned power transmission assets with long-term contracts.
- Pre-contracted availability-based tariffs, independent of the quantum of power transmitted through the lines.
- Typical contractual life of 35 years; actual technical life of more than 50 years. The counterparty risk is minimal due to the inherent tariff payment security mechanism, resulting in AAA-rated cash flows for IndiGrid and its unitholders.

### Low risk annuity returns

- Currently operates transmission assets under low risk PoC mechanism.
- Subject to unitholder approval, acquire annuity generating, low risk, AAA rated long-term cash flow assets.
- Underlying objective to retain the risk profile of the existing portfolio while expanding our asset base, enhance unitholder returns while diversifying counterparty risks.

## Value Accretive Growth

### Stabilising DPU

- With planned acquisition pipeline, well positioned to deliver INR 12 DPU for at least next 10 years
- Look for value-accretive acquisitions aimed to stabilise and grow DPU

### Maximising Total Returns

- Superior risk-adjusted total returns
- Planned acquisition of framework assets along with third party acquisitions to enable incremental growth in DPU yield

## Optimal Capital Structure

### Compliance with InvIT regulations

- Consolidated borrowings and deferred payments net of cash and cash equivalents below the SEBI norms of 70% leverage prescribed for InvITs.

### Maximise distribution to its investors

- Maintain prudent capital structure of revenue generating SPVs to ensure optimal cash upstreaming to IndiGrid and to unitholders.
- Maintain balanced capital structure and consolidated leverage to maximise stable and predictable cash flows to unitholders.

### Lower cost of capital by ensuring AAA credit rating for its borrowings

- Evaluate both private and public markets for debt and equity capital.
- Appropriate risk policies to manage foreign exchange and market risks.

IndiGrid issued the first AAA-rated NCDs by an InvIT in August 2018 for refinancing PTCL. As of March 31, 2019, IndiGrid continues to enjoy lower cost of debt at 8.45% on average with an average maturity profile of 8 years.

## Best-in-Class Corporate Governance

### Eligibility and Lock In

- At least 80% of InvIT's assets have to be revenue-generating for 1 year prior to the acquisition, ensuring operational stability. Not more than 10% assets of InvITs can be under-construction or liquid assets.
- Sponsor to remain invested and hold at least 15% of units of InvIT for 3 years after the initial offer of units, ensuring alignment of interest between Sponsor and Unitholders.

### Independence

- Valuation of assets along with physical inspection to be undertaken by valuer periodically – quarterly in case of leverage beyond 49%.
- Investment Committee to comprise of majority Independent Directors.
- 50% of the Board of Investment Manager to be independent.

### Distribution

- 90% of net distributable cash flows to be distributed to unitholders, at least every 6 months.
- IndiGrid is following quarterly distribution policy with annual distribution guidelines

### Unitholder rights

- Ability to appoint and remove Investment Manager.
- Vote on increase in leverage over 25%.
- Vote on acquisition or divestment of assets.
- Vote on material related party transaction.

## OPPORTUNITY LANDSCAPE

### Total Transmission Network in India<sup>\$</sup>

**4,14,858 ckms**  
Transmission Line length

**9,08,408 MVA**  
Transformation capacity

<sup>\$</sup> As per CEA progress report till May 2019 (only commissioned) - 220 kV and above

### Key Players and Transmission Portfolio

#### India Grid Trust

Transmission Line length  
**~4,200 ckms**

Transformation capacity  
**~7,735 MVA**

#### Sterlite Power India Business

Transmission Line length  
**~3,800 ckms**

Transformation capacity  
**~8,400 MVA**

#### Brazil business

Transmission Line length  
**~4,400 ckms**

Transformation capacity  
**~8,100 MVA**

Source: Company information

#### PGCIL\*\*

Transmission Line length  
**~1,49,308 ckms**

Transformation capacity  
**~3,44,790 MVA**

\*\* As per PGCIL Q2 FY 2018-19 presentation

#### Adani Transmission#

Transmission Line length  
**~13,484 ckms**

Transformation capacity  
**~20,280 MVA**

# As per ATL April 2019 presentation



## Other Key Transmission Projects in India

Project SPV	Stakeholders	Length / Capacity	Project Cost (in INR Million)
Raichur Sholapur Transmission Company Limited	Patel Engineering Limited, Simplex Infrastructures Limited & BS TransComm Limited (33.3% each)	210 ckms	3,000
Kudgi Transmission Limited	L&T Infrastructure Development Projects Limited	960 ckms	15,000
Darbhanga - Motihari Transmission Co. Ltd.	Sekura Energy Limited	~280 ckms; 1,400 MVA	15,500
NRSS XXXI (B) Transmission Limited	Sekura Energy Limited	~580 ckms	
Warora Kurnool Transmission Limited	Essel Infraprojects*	~1,890 ckms; 3,000 MVA	44,500
NRSS XXXVI Transmission Limited	Essel Infraprojects*	~340 ckms	
DGEN Transmission Co. Ltd.	Instalaciones Inabensa, S.A. Spain	260 ckms	NA
Alipurduar Transmission Limited	Kalpataru Power Transmission Limited	440 ckms	
Kohima-Mairani Transmission Limited	Kalpataru Power Transmission Limited, Techno Electric & Engineering Company Limited	~500 ckms; 1,200 MVA	
Jhajjar KT Transco Pvt Ltd.	Kalpataru Power Transmission Limited (51%); Techno Electric (49%)	200 ckms	31,500
Kalpataru Satpura Transco Pvt Ltd.	Kalpataru Power Transmission Limited (51%); Techno Electric (49%)	480 ckms	
Western UP Power Transmission Company Limited	Megha Engineering	820 ckms; 6,340 MVA	70,000
Shekhawati Transmission Service Company Limited	EMCO	60 ckms	NA
Bikaner Sikar Transmission Private Ltd.	KEC International	340 ckms	2,300
Pink City Transmission Service Co. Ltd.	EMCO	260 ckms	NA
Lake City Transmission Service Co. Ltd.	NA	490 ckms	NA
South East UP Power Transmission Company Limited	Isolux Concessions	2,090 ckms; 5000 MVA	80,000
Powerlinks Transmission Limited	PGCIL (49%), Tata Power Ltd. (51%)	2,300 ckms	7,500
Torrent POWERGRID Limited	PGCIL(26%), Torrent Power Limited (74%)	710 ckms	3,500
Jaypee POWERGRID Limited	PGCIL (26%), Jaiprakash Power Ventures Limited (74%)	440 ckms	10,000
North-East Transmission Company Limited	PGCIL (26%), ONGC Tripura Power Company Limited (26%), Govt. of Tripura (10%), Govt. of Assam (13%), Govt. of Mizoram (10%), Govt. of Manipur (6%), Govt. of Meghalaya (5%) & Govt. of Nagaland (4%)	1,320 ckms	22,000
Parbati-Koldam Transmission Company Limited	PGCIL (26%), Reliance Infrastructures Limited (74%)	460 ckms	10,000
Teesta Valley Power Transmission Limited	PGCIL (26%), Teesta Urja Limited (74%)	410 ckms	7,680
Cross Border Power Transmission Company Ltd.	PGCIL (26%), IL&FS Energy Development Company Ltd. (38%), Satluj Jal Vidyut Nigam Ltd. (26%) and NEA (10%)	170 ckms	2,500
Power Transmission Company Nepal Limited	NEA: 50%, PGCIL: 26%, Hydroelectricity Investment and Development Company Limited (HIDCL):14% and IL&FS Energy: 10%	80 ckms	1,000
Bihar Grid Company Limited	PGCIL (50%), Bihar Power (Holding) Company Limited (50%)	800 ckms; 2,990 MVA	16,900
Kalinga Bidyut Prasaran Nigam Private Limited	PGCIL (50%), Odisha Power Transmission Corporation Limited (50%)	NA	NA
Jaigad Power Transco Ltd.	JSW (74%), MSETCL (24%)	330 ckms	4,000
Amravati Power Transmission Company Ltd.	Rattan India (100%)	215 ckms	2,500
Sinnar Power Transmission Company Ltd.	Rattan India 100%	110 ckms	1,500
Essar Power Transmission Company Limited	Essar Power Limited (100%)	905 ckms	25,000
<b>Total</b>		<b>18,450 ckms; 19,930 MVA</b>	<b>3,75,880</b>

\* Sakura Energy Limited has signed agreements, but not yet acquired.

## ASSET PORTFOLIO

The asset portfolio comprises of seven power transmission projects located across 10 states in India. These projects comprise 16 extra high voltage (EHV) overhead power transmission lines, comprising six 765 kV transmission lines and ten 400 kV transmission lines.

The current portfolio has a total circuit length of approximately 4,200 ckms, and four substations with 7,735 MVA of transformation capacity across 10 states in India.

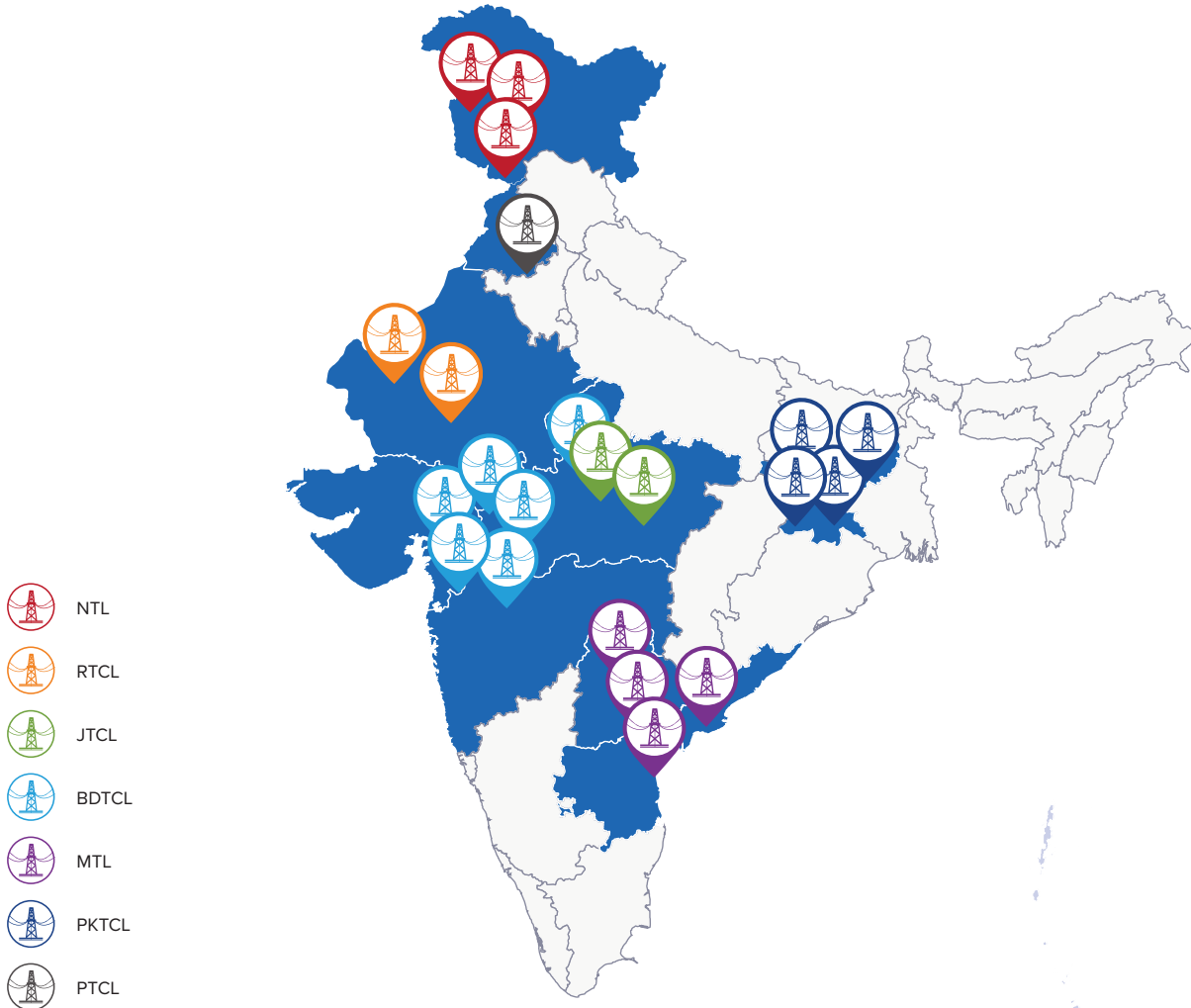
Each of the portfolio assets has in place long-term TSAs of 35 years from the scheduled commercial operation date of the relevant Portfolio Asset, after which we can apply to CERC for extension if not unilaterally extended by CERC.

The Portfolio Assets, except for PTCL, are owned by us indirectly through our wholly owned subsidiary, Sterlite

Grid 1 Limited (SGL1) and Sterlite Grid 2 Limited (SGL2). SGL1 owns 100% of the outstanding shares of JTCL, BDTCL and PKTCL, and 74% of the outstanding shares of RTCL and 49% of the outstanding shares of MTL. SGL2 owns 100% outstanding shares of NTL.

IndiGrid directly own 74% of the outstanding shares of PTCL and pursuant to the terms of the share purchase agreement dated February 19, 2018, we have agreed to purchase the remaining outstanding shares of PTCL from TEECL and TPGCL.

The following map shows the locations of the Portfolio Assets:



## Bhopal Dhule Transmission Company Limited (BDTCL)



BDTCL was incorporated on September 8, 2009. BDTCL entered into a TSA on December 7, 2010 with LTTCs. The BDTCL project was awarded to SGL1 by the Ministry of Power on January 31, 2011 for a 35-year period from the scheduled commercial operation date, on a Build, Own, Operate and Maintain (BOOM) basis. We acquired BDTCL from our Sponsor on May 30, 2017.

BDTCL facilitates the transfer of electricity from coal-fired power plants from Odisha and Chhattisgarh to power load centres in India's western and northern regions. Our largest power transmission project, BDTCL operates six EHV overhead transmission lines of approximately 945 ckms comprising four 765 kV single circuit lines of 891 ckms and two 400 kV double circuit lines of 53 ckms.

### Details of BDTCL's transmission lines and substations:

Transmission Line / Substation	Location	Route Length (ckms)	Specifications	Commission Date	Expiry term of TSA	Contribution to Total Tariff
Bhopal—Jabalpur	Madhya Pradesh	260	765 kV S/C	June 9, 2015	March 31, 2049	22%
Bhopal—Indore	Madhya Pradesh	176	765 kV S/C	November 19, 2014	March 31, 2049	12%
Bhopal—Bhopal (MPPTCL)	Madhya Pradesh	17	400 kV D/C	August 12, 2014	March 31, 2049	2%
Aurangabad—Dhule (IPTC)	Maharashtra	192	765 kV S/C	December 5, 2014	March 31, 2049	10%
Dhule (IPTC)—Vadodara	Maharashtra, Gujarat	263	765 kV S/C	June 13, 2015	March 31, 2049	16%
Dhule (IPTC)—Dhule (MSETCL)	Maharashtra	36	400 kV D/C	December 6, 2014	March 31, 2049	4%
Bhopal Substation	Madhya Pradesh	—	2 x 1,500 MVA 765/400 kV	September 30, 2014	March 31, 2049	17%
Dhule Substation	Maharashtra	—	2 x 1,500 MVA 765/400 kV	December 6, 2014	March 31, 2049	17%

### Current status

As of March 31, 2019, the BDTCL TSA had a remaining TSA term of over 30 years.

## Jabalpur Transmission Company Limited (JTCL)



JTCL was incorporated on September 8, 2009. JTCL entered into a TSA with LTTCs on December 1, 2010 and a TSA on November 12,

2013 with PGCIL (together JTCL TSAs). The JTCL project was awarded to SGL1 by the Ministry of Power on January 19, 2011 for a 35-year period from the scheduled commercial operation date, on a BOOM basis. We acquired JTCL from our Sponsor on May 30, 2017.

JTCL alleviates transmission capacity bottlenecks and expands the reliability and stability of the power grid in western and northern India by providing open access to transmit power from independent power projects in the eastern region of

India. The corridors thus created are crucial links, on the basis of which the CTU has entered into long-term open-access agreements with several generation companies in the eastern region.

JTCL operates two EHV overhead transmission lines of 992 ckms in Chhattisgarh and Madhya Pradesh comprising one 765 kV double circuit line of 757 ckms from Jabalpur (Madhya Pradesh) to Dharamjaigarh (Chhattisgarh) and one 765 kV single circuit line of 235 ckms from Jabalpur to Bina in Madhya Pradesh.

### Details of JTCL's transmission lines:

Transmission Line	Location	Route Length (ckms)	Specifications	Commission Date	Expiry term of TSA term	Contribution to Total Tariff
Jabalpur-Dharamjaigarh	Chhattisgarh, Madhya Pradesh	757	765 kV D/C	September 14, 2015	March 31, 2049	72%
Jabalpur-Bina	Madhya Pradesh	235	765 kV S/C	July 1, 2015	March 31, 2049	28%

### Current status

As of March 31, 2019, the JTCL TSA had a remaining term of 30 years.

## Purulia & Kharagpur Transmission Company Limited (PKTCL)



PKTCL was incorporated on December 15, 2012. PKTCL entered into a TSA (the PKTCL TSA) with LTTCs

on August 6, 2013. The PKTCL project was awarded by the Ministry of Power on September 17, 2013 for a 35-year period from the scheduled commercial operation date on a BOOM basis. We acquired PKTCL from our Sponsor on February 14, 2018.

PKTCL supports the interconnection of the West Bengal state grid and the ISTS and facilitates the exchange of additional power between them. PKTCL was established to strengthen the transmission system in West Bengal and Jharkhand.

PKTCL operates two EHV overhead transmission lines with a total circuit length of 545 ckms in West Bengal and Jharkhand, comprising one 400 kV D/C line of 322 ckms from Kharagpur (West Bengal) to Chaibasa (Jharkhand) and one 400 kV D/C line of 223 ckms from Purulia (West Bengal) to Ranchi (Jharkhand). The Kharagpur-Chaibasa 400 kV D/C transmission line was commissioned in June 2016, while the Purulia–Ranchi 400 kV D/C transmission line was commissioned in January 2017.

### Details of PKTCL's transmission lines:

Transmission Line	Location	Route Length (ckms)	Specifications	Commission Date	Expiry of term of TSA	Contribution to Total Tariff
Kharagpur (WBSETCL)—Chaibasa (PG)	West Bengal, Jharkhand	322	400 kV D/C	June 18, 2016	April 19, 2051	54%
Purulia PSP (WB)—Ranchi PG	West Bengal, Jharkhand	223	400 kV D/C	January 7, 2017	April 19, 2051	46%

### Current status

As of March 31, 2019, the PKTCL TSA had a remaining term of over 32 years.

## RAPP Transmission Company Limited (RTCL)



RTCL was incorporated on December 20, 2012. RTCL entered a TSA (the RTCL TSA) with LTTCs on July 24, 2013. The RTCL project was awarded by the Ministry of Power on September 17, 2013 for a 35-year period from the scheduled commercial operation date on a BOOM basis. We acquired RTCL from our Sponsor on February 14, 2018.

RTCL strengthens the transmission capability between the northern and western sectors of India's power

grid by evacuating electricity from an atomic power plant near Kota in Rajasthan to central Madhya Pradesh. The project was undertaken in conjunction with the Rajasthan Atomic Power Project established by the Nuclear Power Corporation of India.

RTCL operates one EHV overhead transmission line of 403 ckms in Rajasthan and Madhya Pradesh, comprising one 400 kV D/C line from Rajasthan to Madhya Pradesh.

### Details of RTCL's transmission line:

Transmission Line	Location	Route Length (ckms)	Specifications	Commission Date	Expiry of term of TSA	Contribution to Total Tariff
RAPP—Shujalpur	Rajasthan, Madhya Pradesh	403	400 kV D/C	March 1, 2016	February 2051	100%

### Current status

As of March 31, 2019, the RTCL TSA had a remaining term of over 32 years.



## Maheshwaram Transmission Limited (MTL)



MTL was incorporated on August 14, 2014. MTL entered into a TSA (the MTL TSA) with LTTCs on June 10, 2015. The MTL project was awarded by the Ministry of Power on July 21, 2015 for a 35-year period from the scheduled commercial operation date on a BOOM basis. We acquired MTL from our Sponsor on February 14, 2018.

MTL constitutes a key component in enabling the southern region of India to draw more power from the rest of the grid and seeks to address the issue of power stability in Telangana. This improved grid connectivity is expected to facilitate power procurement from the ISTS network to meet electricity demand in south India.

### Details of MTL's transmission lines and line bays:

Transmission Line	Route Length (ckms)	Location	Specifications	Commission Date	Expiry of TSA Term	Contribution to Total Tariff
Maheshwaram (PG)—Mehboobnagar	197	Telangana	400 kV D/C	December 14, 2017	December 14, 2053	
2 Nos. of 400 kV line bays at Mehboob Nagar S/S of TSTRANSCO	-		-	-		35%
Nizamabad—Yeddumailaram (Shankarpalli)	279	Telangana	400 kV D/C	October 14, 2017	October 14, 2053	
2 Nos. of 400kV line bays at Yeddumailaram (Shankarpalli) S/S of TSTRANSCO	-		-	-		65%

### Current status

As of March 31, 2019, the MTL TSA had a remaining term of over 33 years.

## Patran Transmission Company Limited (PTCL)



PTCL was incorporated on December 19, 2012. PTCL entered a TSA (the PTCL TSA) with LTTCs on May 12, 2014. The PTCL project was awarded by the Ministry of Power to TEECL and TPGCL through a letter of intent dated September 8, 2013 for a 35-year period from the scheduled commercial operation date on a BOOM basis.

On August 31, 2018, we completed the acquisition of 74% of equity shares

of PTCL from TEECL and TPGCL. As a result, we now own PTCL's one substation with 1,000 MVA of transformation capacity.

PTCL plays a key role in strengthening the power transmission system in Punjab. PTCL operates one 400 kV D/C line from Patiala to Kaithal and has a 1000 MVA, 400/220 kV substation at Patran and 14 kV line bays. The Patiala—Kaithal 400 kV D/C transmission line was commissioned in June 2016.

### Details of PTCL's transmission line:

Transmission Line / Substations	Location	Route Length (ckms)	Specifications	Commission Date	Expiry of term of the TSA	Contribution to Total Tariff
Patiala—Kaithal	Punjab	-	400 kV D/C	November 12, 2016	November 12, 2051	-
Patran substation	Punjab	-	2*500MVA, 400/220kV Substation at Patran with; i. 6 nos 400kV Bays ii. 8 nos 220kV Bays	November 12, 2016	November 12, 2051	100%

### Current status

As of March 31, 2019, the PTCL TSA had a remaining term of over 32 years.

## NRSS XXIX Transmission Limited (NTL)



NRSS XXIX Transmission Limited (NTL) was incorporated on July 29, 2013. NTL entered into a TSA on January 2, 2014 with LTTCS. The NTL project is held by SGL-2 and was awarded by the Ministry of Power on a perpetual ownership basis with a TSA term of 35 years from the scheduled commercial operation date. The NTL project is expected to deliver over 2,000 MW of electricity from Punjab to the Kashmir Valley by strengthening the transmission system in Jammu & Kashmir and Punjab. The Jalandhar-Samba 400 kV D/C transmission line was commissioned in June 2016. NTL was fully commissioned in August 2018, ahead of its scheduled commissioning in October 2018.

In view of the aforesaid acquisitions, the Investment Management Agreement executed between ATSL, SIML, SGL-1, BDTCL, JTCL on November 10, 2016 and amended on December 1, 2016, was amended further on February 14, 2018, to include MTL, PKTCL and RTCL as parties to the agreement and on August 31, 2018 to include PTCL as party to the agreement which was further amended on June 04, 2019 to include NTL and SGL2 as parties to the agreement.

Further, the Project Implementation and Management Agreement executed between ATSL, SPGVL, SIML, SGL-1, BDTCL, JTCL on November 10, 2016 and amended on April 25, 2017, was amended further on February 14, 2018, to include MTL, PKTCL and RTCL as parties to the agreement and subsequently to include PTCL as party to the agreement which was further amended on June 04, 2019 to include NTL and SGL2 as parties to the agreement.

### Elements in NTL

Transmission Line/ Substation	Location	CKMS	Specifications	Commission Date	Expiry of TSA Term
Samba - Amargargh	Jammu & Kashmir	546	400 kV D/C	September 2, 2018	September 2053
Uri – Wagoora	Jammu & Kashmir	14	400 kV D/C	September 2, 2018	September 2053
Jalandhar – Samba	Punjab, Jammu & Kashmir	270	400 kV D/C	June 24, 2016	June 2051
Amargarh Substation	Jammu & Kashmir	-	400/200 kV D/C GIS Substation with 735 MVA of transformation capacity	September 2, 2018	September 2053

### Current status

As of March 31, 2019, the NTL TSA had a remaining term of more than 33 years.

## GROWTH PIPELINE: SPONSOR ASSETS

The Sponsor has a strong pipeline of 6 inter-state transmission assets, which are in strategically important areas. Of the 6 Sponsor assets, 2 have been fully commissioned, 1 is partially operational, and the remaining 3 are under various stages of development.

### Odisha Generation Phase II Transmission Limited (OGPTL)



Odisha Generation Phase II Transmission Limited (OGPTL) was incorporated on April 17, 2015 with LTTCs. OGPTL entered into a TSA on November 20, 2015 with LTTCs. The OGPTL project was awarded to SGL-3 by the Ministry of Power on a perpetual ownership basis with a TSA term of 35 years from the scheduled commercial operation date. The project has been fully commissioned. The OPGC-J line was commissioned in August 2017 and JR line was commissioned in April 2019 respectively.

#### Elements in OGPTL:

Transmission Line/ Substation	Location	CKMS	Specifications	Scheduled/ Actual Commission Date	Expiry of TSA Term
Jharsuguda-Raipur	Odisha, Chattisgarh	608	765 kV D/C	August 6, 2019	April 2054
OPGC- Jharsuguda	Odisha	103	400 kV D/C	August 30, 2017	July 2052

#### Current status

As of April 30, 2019, the OGPTL TSA had a remaining term of more than 33 years.

### Gurgaon-Palwal Transmission Limited (GPTL)



Gurgaon-Palwal Transmission Limited (GPTL) was incorporated on October 26, 2015. GPTL entered into a TSA on March 4, 2016 with LTTCs. The GPTL project was awarded to SGL-4 by the Ministry of Power on a perpetual ownership basis with a TSA term of 35 years from the scheduled commercial operation date. The project is under development and is expected to be fully commissioned and operational by September 2019.

#### Elements in GPTL:

Transmission Line/ Substation	Location	CKMS	Specifications	Scheduled/ Actual Commission Date	Expiry of TSA Term
Aligarh-Prithala	Uttar Pradesh, Haryana	99	400 kV D/C HTLS Line	May 14, 2019	July 2054
Prithala-Kadarpur	Haryana	55	400 kV D/C HTLS Line	May 14, 2019	July 2054
Kadarpur-Sohna Road	Haryana	22	400 kV D/C HTLS Line	September 14, 2019	July 2054
LILO of Gurgaon Manesar	Haryana	2	400 kV D/C Quad Line	September 14, 2019	July 2054
Neemrana-Dhonanda	Rajasthan	93	400 kV D/C HTLS Line	May 14, 2019	July 2054
Kadarpur Substation	Haryana	-	400/220 kV, 2x500 MVA	May 14, 2019	July 2054
Sohna Substation	Haryana	-	400/220 kV, 2x500 MVA	September 14, 2019	July 2054
Prithala Substation	Haryana	-	400/220 kV, 2x500 MVA	May 14, 2019	July 2054
Dhonanda Substation	Rajasthan	-	2x400 kV line bays	May 14, 2019	July 2054



## Khargone Transmission Limited (KTL)



Khargone Transmission Limited (KTL) was incorporated on November 28, 2015. KTL entered into a TSA on March 14, 2016 with LTTCS. The KTL project was awarded to SGL-4 by the Ministry of Power on a perpetual ownership basis with a TSA term of 35 years from the scheduled commercial operation date. The project is under development and is expected to be fully commissioned and operational by July 2019.

### Elements in KTL:

Transmission Line/ Substation	Location	CKMS	Specifications	Scheduled/ Actual Commission Date	Expiry of TSA Term
LILO of Khandwa- Rajgarh	Madhya Pradesh, Chattisgarh	14	400 kV D/C Line	February 2018*	July 2054
Khargone TPP Switchyard-Khandwa Pool	Madhya Pradesh	49	400 kV D/C Line	July 2019	July 2054
Khandwa Pool-Indore	Madhya Pradesh	179	765 kV D/C Line	July 2019	July 2054
Khandwa Pool-Dhule	Madhya Pradesh	378	765 kV D/C Line	July 2019	July 2054
Khandwa Pooling Station	Madhya Pradesh	-	3000 MVA transformation capacity	July 2019	July 2054
2 Nos. of 765 kV line bays & 7x80 MVAR Switchable line reactors (1 unit as spare) along with 800 $\Omega$ and its auxiliaries for Khandwa Pool – Dhule 765 kV D/C at Dhule 765/400 kV Substation	Madhya Pradesh	-	400/220 kV, 2x500 MVA	May 14, 2019	July 2054

\*Commissioned as per schedule

## NER-II Transmission Limited (NER)



NER-II Transmission Limited (NER) was incorporated on April 21, 2015. NER entered into a TSA on December 27, 2016 with LTTCS. The NER-II project was awarded to SGL-4 by the Ministry of Power on a perpetual ownership basis with a TSA term of 35 years from the scheduled commercial operation date. The project is under development and is expected to be fully commissioned and operational by November 2020.

SGL-4 is a wholly owned subsidiary of the Sponsor.

### Elements in NER:

Transmission Line/ Substation	Location	CKMS	Specifications	Scheduled/ Actual Commission Date	Expiry of TSA Term
Biswanath Chariyali – Itanagar Line	Assam	131.04	132 kV D/C	March 2020	November 2055
2 bay lines at Itanagar for terminating the Biswanath Chariyali – Itanagar Line	Assam	-	132 kV	March 2020	November 2055
LILO line between the Biswanath Chariyali	Assam	16.46	132 kV D/C	March 2020	November 2055
Silchar – Misa Line	Assam	421.20	400 kV D/C	November 2020	November 2055
400/132 kV, 2*315 MVA Single phase sub-station at Surajmaninagar	Assam	-	400/132 kV	July 2020	November 2055
400/132 kV, 2*315 MVA sub-station at P.K. Bari	Tripura	-	400 kV 132 D/C	July 2020	November 2055
2 bay lines at Palatana switchyard for terminating the Palatana – Surajmaninagar line	Tripura	-	400 kV D/C	July 2020	November 2055
AGTPP – P.K. Bari line	Tripura	188.87	132 kV D/C	March 2020	November 2055
2 bay lines at AGTPP for terminating the AGTPP P.K. Bari line	Tripura	-	132 kV D/C	March 2020	November 2055
2 bay lines at P.K. Bari for terminating the AGTPP P.K. Bari line	Tripura	-	132 kV D/C	March 2020	November 2055
Surajmaninagar – P.K. Bari line	Tripura	208.26	400 kV D/C	July 2020	November 2055

## East North Interconnection Company Limited (ENICL)



East North Interconnection Company Limited (ENICL) was incorporated on February 1, 2007. ENICL entered into a TSA on August 6, 2009 with LTTCs. The ENICL project was awarded to STL by the Ministry of Power on a perpetual ownership basis with a TSA term of 25 years from the date of issue of the license by CERC. ENICL operates two EHV overhead transmission lines of 909 ckms in Assam, Bihar and West Bengal. The project was fully commissioned in November 2014.

### Elements in ENICL:

Transmission Line/ Substation	Location	CKMS	Specifications	Commission Date	Expiry of TSA Term
Bongaigaon-Siliguri	Assam, Bihar	443	400 kV D/C	November 12, 2014	April 2035
Purnia-Biharsharif	West Bengal	466	400 kV D/C	September 16, 2013	April 2035

## Goa Tamnar Transmission Project Limited (GTTPL)



Goa Tamnar Transmission Project Limited (GTTPL) was incorporated on January 16, 2017. GTTPL entered into a TSA on June 28, 2017 with LTTCs. The GTTPL project was awarded to SGL-5 by the Ministry of Power on a perpetual ownership basis with a TSA term of 35 years from the scheduled commercial operation date. The project is under development and is expected to be fully commissioned and operational by November 2021.

SGL-5 is a wholly owned subsidiary of the Sponsor. The GTTPL project is not a ROFO Asset.

### Elements in GTTPL:

Transmission Line/ Substation	Location	CKMS	Specifications	Scheduled/ Actual Commission Date	Expiry of TSA Term
Xeldom – Xeldom Line	Goa	42	220 kV D/C	November 2021	November 2056
Xeldom - Narendra	Goa, Karnataka	187	400 kV D/C	November 2021	November 2056
Xeldom - Mapusa	Goa	109	400 kV D/C	May 2021	November 2056
Xeldom - Raigarh	Goa, Chattisgarh	141	765 kV D/C	May 2021	November 2056
Xeldom Sub station	Goa	-	132 kV D/C	May 2021	November 2056







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# MANAGEMENT DISCUSSION & ANALYSIS

## Industry Overview

### Global Economy:

The global economy slowed down especially in the second half of 2018, following a period of cyclical upswing in 2017, on the back of lingering US-China trade tensions giving rise to increased threat of protectionism and credit tightening in China, the economic turmoil in Argentina and Turkey, and the uncertainty over Brexit (UK). The International Monetary Fund (IMF) expects the global economic growth to slow down further in 2019 before stabilising at 3.5% in 2020, aided by improved growth prospects in India and China.

### Indian Economy:

India remained the fastest-growing major economy in the world, as the structural reforms carried out by the government in the past three years started to bear fruit. Inflation was maintained within the RBI's comfort zone of 4% for the most part of FY 2018-19, with prudent fiscal policies containing the fiscal deficit at 3.4% (slightly above the target of 3.3%) even during an election year. India is likely to grow at above 7% in FY 2019-20 driven by the government's continued thrust on infrastructure, an accommodative monetary policy stance due to downward adjustments in inflation expectations, and an expected uptick in private sector investments.

## The Indian Power Sector

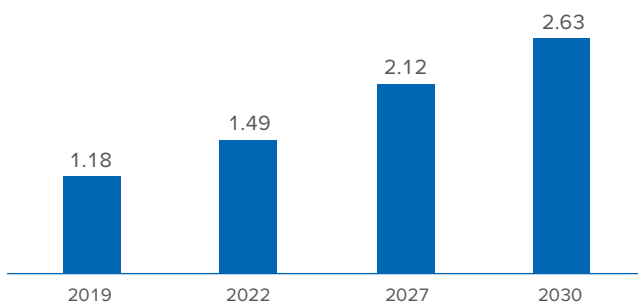
### Overview

India is the world's third-largest producer of electricity after China and the US with an installed generating capacity of 356.1 GW as of March 2019. India is also the fourth largest consumer of electricity. However, India's per capita electricity consumption (1,181 kWh in FY 2018-19) is about only a third of the world average and the lowest among BRIC countries .

The Government has designated the power sector as a key sector of focus and has rolled out several initiatives towards achieving "Power for All", such as the flagship Pradhan Mantri Sahaj Bijli Har Ghar Yojana-Saubhagya, the Deen Dayal Upadhyaya Gram Jyoti Yojana (DDUGJY), the Integrated Power Development Scheme (IPDS), UDAY, tariff-based bidding, UJALA, and the National Smart Grid

### India Per Capita Consumption

(MWh/capita)



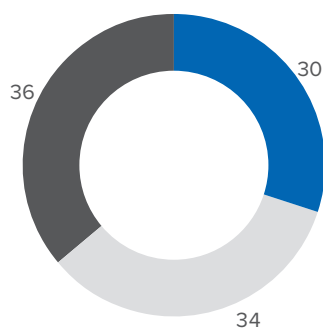
Source: IBEF

### Investment in Power sector (2019-23)

(%)

Investment share in transmission sector is expected to increase over the next five years to 36%, as compared to 20% in the last five years

- Generation
- Distribution
- Transmission



Source: CEA, CRISIL

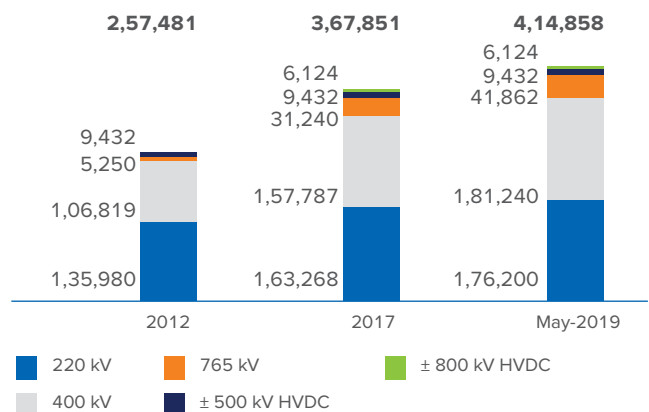
## Power transmission sector of India

### Overview

Over the years, there has been strong growth in the power transmission system at higher voltage levels and sub-station capacities. The government's focus on providing electricity to rural areas has led to the Transmission & Distribution systems being extended to remote villages. The total length of '220 kV and above' transmission lines in India increased from 257,481 ckm in FY 2011-12 to 414,858 ckm in May 2019.

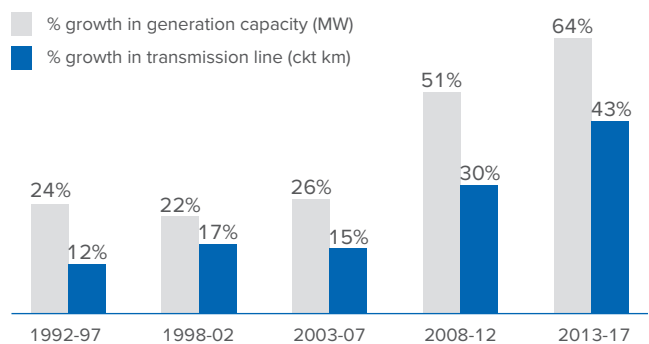
### Strong growth in length of high voltage transmission lines (above 220 kV)

(Ckt Km)



Source: CEA, CRISIL Research

### Transmission line growth lags generation capacity

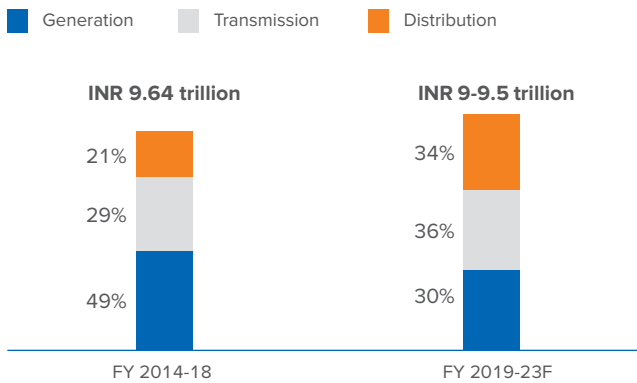


Source: CEA, CRISIL Research

However, despite the strong growth, the transmission sector has historically witnessed significant under-investments compared to the generation sector, leading to a significant lag between growth in generation capacity and that in transmission lines. This has resulted in severe grid congestion. With electricity demand expected to rise significantly, the pressure on the grid network is likely to increase manifold. That said, the government's continued thrust on enhancing transmission capacities to decongest the grid is likely to attract investments to the tune of INR 3.3-3.4 Trillion, accounting for 36% (up from 29% over FY 2017-18) of the total power sector investments over FY 2022-23.



### Share of transmission segment in total power sector investments to sharply rise

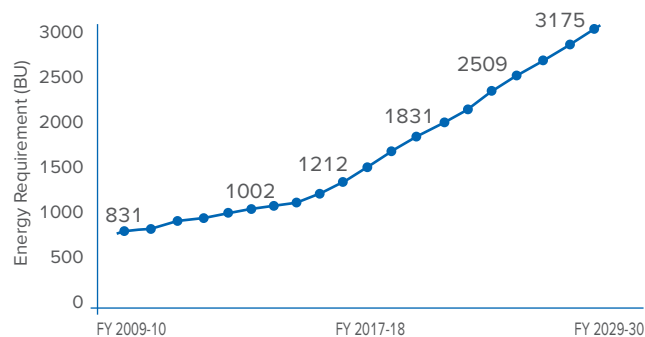


Source: CRISIL Research

### Key growth drivers for power transmission:

**a. Rise in the demand for power implies need for better transmission:** Electricity demand in India is projected to increase from 1,212 BU in FY 2017-18 to 1,691 BU in FY 2021-22 and further to 2,509 BU in FY 2026-27, at a CAGR of 8.4%. This is likely to result in more demand in transmission network across the country.

### All India Electricity Demand Scenario

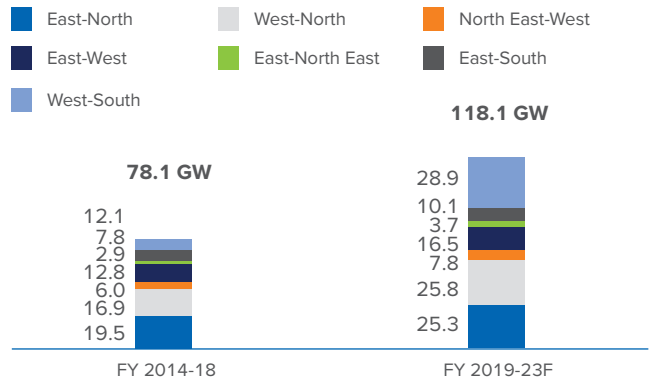


Source: Report on 'Transitions in India Electricity Sector 2017-2030' by TERI

### b. Widening gap between inter-regional power demand-supply to drive transmission capacity additions:

India's power generation capacity (including renewables) is likely to rise to 442 GW in March 2023 from 356 GW in March 2019. The capacity additions will not be uniformly spread across India – the western and southern regions will mostly witness renewable capacity additions while thermal capacities will largely come up near the coal mines of the eastern region. Power Grid Corporation of India Limited expects total inter-regional capacity addition during the 13th plan period (FY 2017-18 to FY 2021-22) to be 40,000 MW, taking the total interregional capacity from 78,050 MW in November 2017 to about 118,050 MW by FY 2021-22. To implement "One Grid, One Nation, One Price", these interregional power demand supply gap needs to be bridged in the next 3-5 years.

### Inter-regional transmission capacity increase over 13th five-year plan



### c. Strong government support to drive investments

**into the transmission sector:** Policy measures such as increase in the concession period for transmission assets, relaxation of norms to speed up project construction and the UDAY scheme to boost power demand will push transmission requirements to grow.

While the "Power for All" has been successful in ensuring electricity connection for every household in India, reliable and continuous power is likely to be a focus of government policy going forward.

### d. Conventional power generation capacity additions to necessitate concomitant transmission capacity:

As of March 2018, there were approximately 50 GW of capacity under construction, of which approximately 32 GW are likely to come onstream over FY 2018-23.

### e. Short-term open access availability limited; to drive further transmission capacity additions:

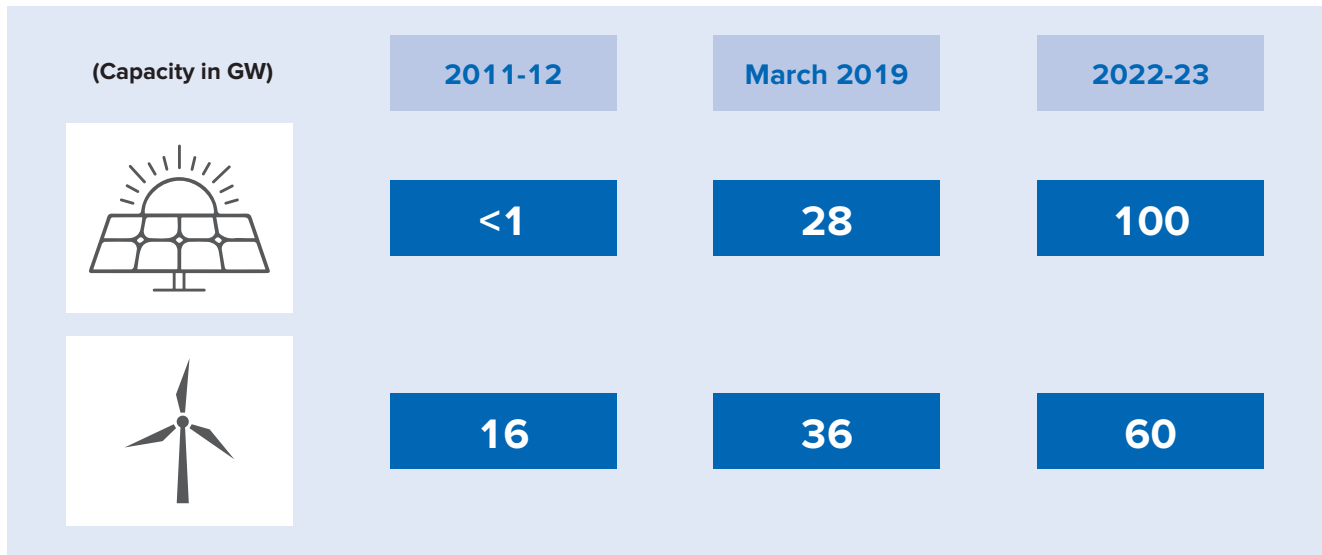
India added ~20% (69 GW) of its total power capacity in the past three years (between FY 2015-16 and FY 2017-18), of which a significant portion is not tied to long-term power purchase agreements (PPAs). Meanwhile, there are under-utilised capacities on one side and power deficits on the other. Thus, improved and enhanced transmission corridors to evacuate power from the surplus regions to the deficit ones through power trading will not only bridge the gap but also improve plant load factors (PLFs). In addition, there exist significant transmission constraints for availing short-term open access between two regions. Although overall inter-regional transmission capacity increased 1.6 times to ~75 GW in 2017 from 2015, short-term open access remained range bound to 10-20% during the period.

### f. Changing flow of electricity in India due to significant shift towards renewable power generation:

The renewables sector has seen a staggering growth over the past decade, with the installed capacity of renewable energy sources increasing from 7.8 GW in FY 2006-07 to 77 GW in FY 2018-19 (of which solar and wind alone contribute 64 GW). Further, the government has planned to achieve a total renewable capacity of 175 GW by FY22 which primarily includes wind and solar capacities. Share of renewables (in terms of installed capacity) is likely to increase from approximately 12% in FY12 to approximately 30% in FY23.

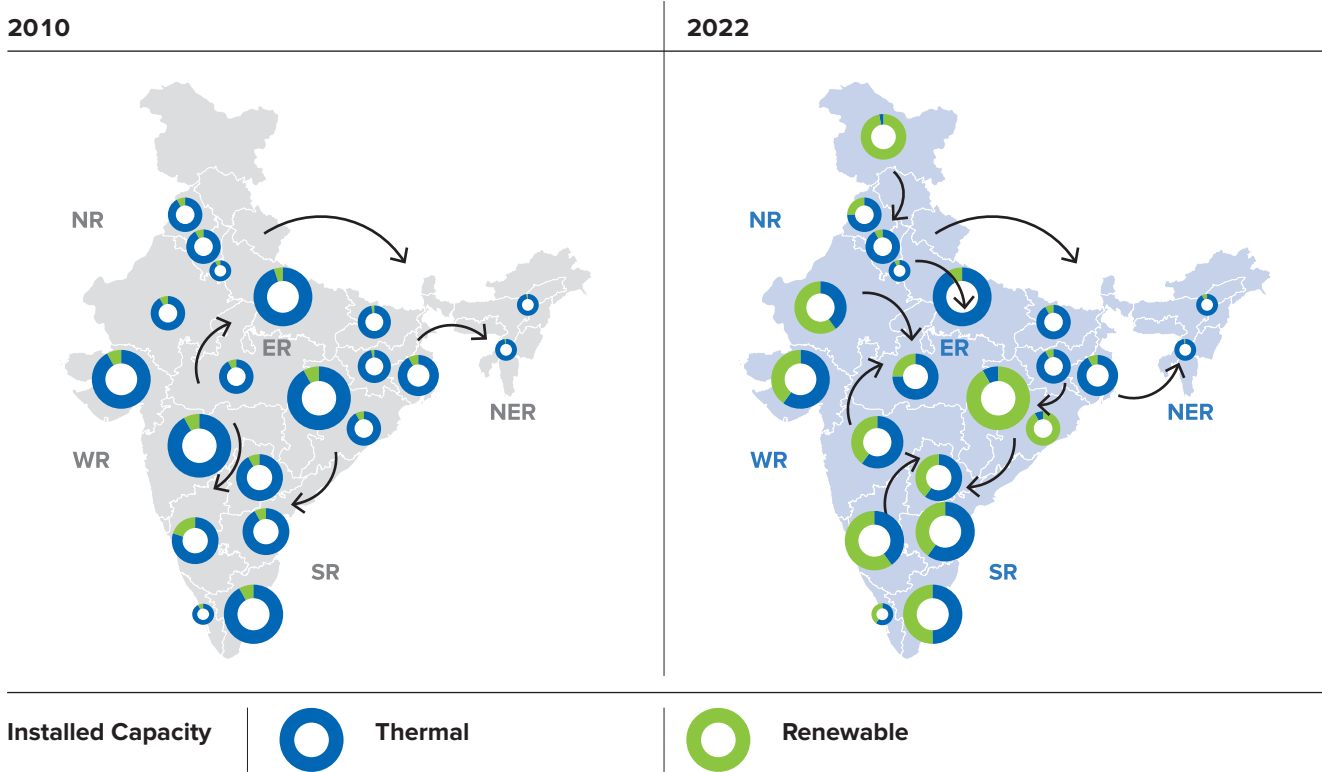


In the past, due to reliance on thermal power generation, electricity was flowing from the East (coal belt) to other parts of India. In the future, the contribution of renewables in power generation will increase significantly, thereby leading to a change in the electricity flow (from the West and South to the rest of the country) which will require investment in the grid. Further, renewable capacity additions would require speedy execution of transmission lines as renewable assets require much shorter time frame compared to thermal assets. Interestingly, the growth of renewables & transmission sector in India is synchronous. The government has already announced plans to increase renewable capacity to 175 GW by 2022. Such expansion requires



large-scale development in the transmission sector. This is mainly because large solar and wind power plants are usually located in the far-flung areas with limited infrastructure to support generation and transmission. Renewable energy is not well distributed across states and is infirm in nature. The government has already implemented measures towards developing the transmission capacities to support renewable capacity additions in India. New tenders for renewable generation hold developers accountable for establishing grid connected solar and wind farms, e.g., recent interstate transmission system (ISTS) tenders issued by Solar Energy Corporation of India (SECI). Such initiatives include the setting up of solar pooling stations and integrating solar and wind projects into the National Grid under the ‘Green Energy Corridors’.

From an investor/developer perspective, both renewable and transmission sectors offer superior de-risked returns. Competitive bidding, annuity cash flows, long duration contracts and low-risk operating environment ensure a level playing field for developers and investors alike. The symbiotic nature of the businesses, geographical alignment, and the interdependency of future pipelines will require investment in integrated generation and transmission platform going forward.



## Power Transmission vis-à-vis other Infrastructure Assets

The transmission sector is also extremely attractive for private sector investments owing to the shift from public sector participation to private sector participation through the Tariff-Based Competitive Bidding regime. India is one of the few countries in the world where the entire power transmission space is open to private sector participation, allowing entities such as IndiGrid to own and operate transmission lines.

In the Infrastructure Investability Index prepared by ratings agency CRISIL, the power transmission sector ranks at the top, followed by roads and highways, and renewable energy. The staggering growth potential and a favourable regulatory framework aside, there are several factors driving investments in power transmission vis-à-vis other infrastructure assets.

### Factors driving investments in Power Transmission:

#### a. Operational Risk

In the project construction phase, transmission assets face execution risks including right of way, forest and environment clearances, and increase in raw material prices. However, post commissioning, with the implementation of Point-of-Connection (PoC) mechanism, there is limited offtake and no price risk. Thus, operational transmission projects have annuity such as cash flows and steady project returns.

#### b. Availability-based Regime




































As per TSA under the TBCB regime, revenue from a transmission line is independent of actual amount of power flow and is derived only on the basis of availability of the system. In comparison, revenue for other asset class such as roads and highways are dependent on volume of traffic, which increases revenue variability.

#### c. Diversified Counter-Party Risk

Given the pan-India aggregation of revenue among all Transmission Service Providers (TSPs) and not asset-specific billing, the counter-party risk is diversified. As load growth increases, the pool of beneficiaries as well as transmission providers is likely to go up resulting in further diversification.

#### d. Robust Payment Security

Transmission Service Agreement (TSA) includes an arrangement for payment security, which reduces under-recovery of revenue. Payment security is available in terms of a revolving letter of credit of required amount that can be utilized to meet the revenue requirement in case of a shortfall. Further, in the event of default by distribution companies (DISCOMs), the impacted generation company can sell the regulated volumes of power to third-party buyers and the proceeds from such a transaction are paid to the transferring company on a pro-rata basis, after adjustment of energy charges and incidental expenses by the generating company.

	 INTER STATE POWER TRANSMISSION	 RENEWABLES	 POWER GENERATION	 ROADS	 PORTS
<b>Certainty of Cash Flows</b>	 Driven by long-term agreements	 Driven by long-term agreements	 Offtake and cost of fuel a key risk	 Traffic risk in BOT projects	 End-user industry risk
<b>Counter Party Risk</b>	 Exposure limited to systemic risk	 Exposure to state counter parties	 Direct exposure to debt-laden SEBs	 O&M impact collection	 Exposure to multiple end-users
<b>Operational Risk</b>	 Limited O&M requirements	 Slightly higher O&M, especially wind	 Substantial maintenance need	 High O&M required	 Limited O&M requirements
<b>Future Growth Potential</b>	 Staggering owing to deficit	 Staggering owing to RE demand	 High potential given deficit	 High growth potential	 Good potential, limited by location
<b>Competitive Environment</b>	 Few credible private players	 Highly competitive (multiple players)	 Highly competitive (multiple players)	 Highly competitive (multiple players)	 Few private players
<b>Summary</b>	 	 	 	 	 

 Most attractive  Least attractive

# Operational Review

## Overview of Operation & Maintenance

Operation and Maintenance (O&M) plays a crucial role in delivering on asset management objectives of maximising performance and minimising risk with sustainable operational excellence. The distributed nature of power transmission assets is more prone to various operation and maintenance risks which, if not managed, could lead to huge asset lifecycle risk.

A prudent risk management programme is required in O&M strategy to maximise asset life, prevent outages and manageable unplanned disturbances, optimise maintenance effectiveness and efficiency. This ultimately results in delivering assured returns to investors. Our Project Manager brings strong domain expertise in managing lifecycle of assets in accordance with the Project Implementation and Management Agreement signed between ATSL, SPGVL, SIML, SGL-1, SGL-2 and individual IndiGrid project SPVs.





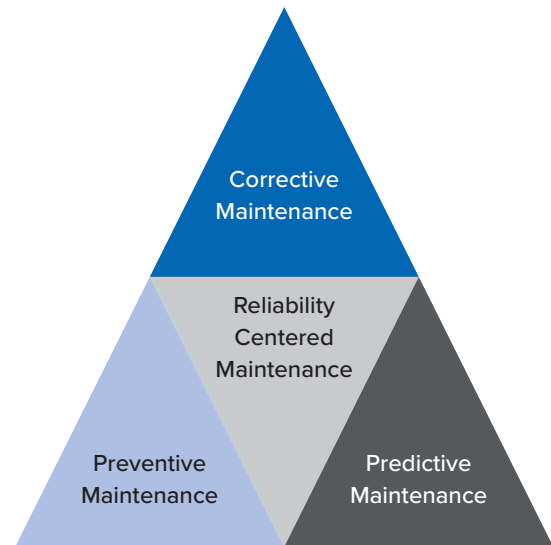
All planned and unplanned/emergency activities are conducted in line with O&M standard operating procedures (SOP), which have been developed on the basis of domain expertise offered by field teams as well as industry best practices brought in by global consulting advisors. As a responsible organisation, every measure is taken to attain the highest Quality, Health, Safety, Environment (QHSE) standards to deliver asset management objectives. This not only helps us in keeping up our operational performance, but also in building a safe and sound environment to work. We endeavour to maintain the highest standards and the safest practices in O&M. The performance in terms of availability of assets is in itself a testimony to the best-in-class operation and maintenance for IndiGrid assets.

## Approach to Operations and Maintenance

### Preventative maintenance

Preventative maintenance activities are conducted on a regular basis to identify and repair any deficiencies. Care is taken to ensure that there is no damage to the vegetation or the soil, including ensuring not to adversely impact sensitive resources including known federal and state listed species of plants and animals, and water and cultural resources. Personnel are generally present in any one area for less than a day. The following are the examples of preventive maintenance activities:

- Routine ground patrols to inspect structural and conductor components. Such inspections generally require either an all-terrain vehicle (ATV) or pickup and possibly additional support vehicles traveling on access and service roads and may rely on either direct line-of-sight or binoculars. In some cases, the inspector may walk the Right of Way (ROW). Follow-up maintenance is scheduled depending on the severity of a problem either as soon as possible or as part of routine scheduled maintenance.
- Climbing surveys may be necessary to inspect hardware or make repairs. Personnel generally access these structures by pickup, ATV (all-terrain vehicle), or on foot.
- Structure or conductor maintenance typically happens manually. The maintenance vehicle may be located on or off a road, and no-to-minimal grading is necessary to create a safe work area.
- Cathodic protection surveys to check the integrity and functionality of the anodes and ground beds. These surveys typically require personnel to use an ATV or pickup and make brief stops.
- Cyclical vegetation clearing to trim or remove tall shrubs and trees to ensure adequate ground-to conductor clearances. Vegetation clearing cycles vary from 3 to 5 years or as needed (dependent upon the vegetation present). Personnel generally access the area by pickup, ATV, or on foot; use chainsaws to clear the vegetation; and typically spend less than half a day in any one specific area. In some cases, vegetation is cleared using mechanical means.



- Removal of individual trees or snags (hazard trees) that pose a risk of falling into conductors or structures and causing outages or fires. Personnel generally access hazard trees by truck, ATV, or by foot from an access or service road, and cut them with a chainsaw or similar tool. Any felled trees or snags are left in place as sources of large woody debris or as previously directed by the land management agency. Felled green trees are limbed to reduce fire hazard.

### Corrective maintenance

Corrective maintenance activities are relatively large-scale efforts that occur infrequently, may result in more extensive vegetation clearing or earth movement, and may include rehabilitation seeding and associated activities. Personnel are generally present in any one location or area for a prolonged time, generally more than one day. The following are examples of corrective maintenance:

- Non-cyclical vegetation clearing to remove saplings or larger trees in the ROW.
- Structure or conductor maintenance in which earth must be moved, such as the creation of a landing pad for construction or maintenance equipment.
- Structure (e.g., cross-arm, insulator, structure) replacement.
- Follow-up restoration activities, such as seeding, noxious weed control, and erosion control.
- Conductor repair or replacement, which requires the use of several types of trucks and equipment and grading to create a safe work area to hang and pull the conductor into place.

### Predictive maintenance

The state of art SCADA system enables IoT analytics to meet objectives of Predictive maintenance philosophy. Predictive maintenance combined with condition

monitoring equipment enables early prediction of failures both at component and system level. It also helps to build robust preventive maintenance strategy basis the recommendations from predictive analytics resulting in enhancing reliable operation and avoiding unplanned operating or capital expenses during life cycle.

We have a state-of-the-art SCADA system installed at Bhopal Substation. Its 24x7 asset monitoring and diagnostics enable field teams to act proactively to perform predictive and condition-based maintenance. Field O&M teams have demonstrated strong capabilities in predictive and preventive maintenance practices for transmission lines and substations. In case of unplanned or emergency events, the emergency preparedness planning and the ability to respond and resolve such situations prevent imminent damage to assets and ancillary facilities.

### Emergency situations

Emergency situations are those conditions that may result in imminent or direct threats to public safety or threaten' ability to provide reliable transmission service to its customers. Emergency situations may include:

- Failure of conductor splices.
- Damage to structures or conductors from wildfire, high winds, ice, or other weather-related conditions.
- Line or system outages or fire hazards caused by trees falling into conductors.
- Breaking or imminent failure of cross-arms or insulators, which could, or does, cause conductor failure.
- Damage to structures or conductors from vandalism In the case of an emergency where life or substantial property is at risk or there is a potential or actual interruption in service, the Companies will promptly respond to the emergency and conduct any and all activities, including emergency repair requiring heavy equipment access to the structures or other ancillary facilities, needed to remedy the emergency and will implement feasible and practicable Environmental Protection Measures (EPMs).



### Use of technology

During the course of O&M, various activities are taken up to improve the reliability and longevity of the assets and to minimize the risk of emergency situations or in the event of an emergency situation, reducing the turnaround time for the transmission network. Some of these activities / initiatives in progress are:

- To explore possibilities to use ICT's Tertiary as the utility power source for better reliability and cost optimization.
- Establishment of the control of the Dhule station from Bhopal
- Use of separate IT based tool for O&M, to computerize all the formats, including store for easy access and for centralization of the information.



- Explore back up internet connectivity at site using Vodafone tower.
- Planning plantation of trees inside substation premises to reduce pollution levels.
- Tie up with engineering colleges to provide site visits to students contributing to social cause.
- To promote knowledge sharing within the team.
- SOP is in place; all the O&M related document is already placed in central document repository.
- SOP for emergency handling and equipment failure in place.
- We have snow scooters for snow bound terrain, specialized mountaineering gangs, satellite phones, helicopter services for O&M.

Thus, with the help of innovation and technology, we are creating improved and automated ways of working.

### Focus on maximising 'availability'

IndiGrid operates its power transmission assets under an availability-based tariff regime, which incentivises to provide the highest possible system reliability, measured



as “availability”. Availability is defined as the time in hours during a given period for which the transmission system is capable of transmitting electricity at its rated voltage, expressed as a percentage of total hours in the period. This implies that revenue for a power transmission asset is independent of actual power flow through the asset.

The Central Electricity Regulatory Commission (CERC) Tariff Regulations provide specific guidance on the calculation of availability and take into account the elements in the transmission system (including transmission lines, transformers and substations) as well as the reason for any outages, with force majeure outages being excluded from the calculation. All power transmission assets of IndiGrid are fully constructed and commissioned.

For each asset, IndiGrid is required to maintain system availability of 98% in order to receive 100% of the transmission charge (comprising escalable and non-escalable charges). Incentive payments are received if the availability exceeds 98%, up to a maximum of 99.75% availability. The incentive is calculated as per a pre-defined formula such that for every 1% increase in availability above 98%, the incentive on total revenue is 2%. For instance, if availability is 98.75%, then the incentive is 2 times 0.75% or 1.5% of transmission revenue for the corresponding period.

On the other hand, if the average availability rate for a power transmission asset falls below 95%, penalties might be imposed under the Transmission Service Agreement (TSA), unless any force majeure event occurs. All the assets are eligible for maximum incentives. In addition, a strong deemed availability clause in the TSA ensures that revenue of assets is not impacted by any force majeure event.

#### Key Highlights in FY 2018-19

Following are key factors which enabled consistent delivery of best-in-class performance for IndiGrid assets.

#### IMS Certification:

IndiGrid was honoured to bag the Integrated Management System Certification in December 2017, accredited by Bureau Veritas. An integrated management system is an

effective organizational approach to simplify work, avoid conflicts, reduce duplication, and leads to cost savings as well. With this accreditation, the team demonstrated their efficient and quality driven processes, which not only proves control over internal processes, but also deepens confidence of the external stakeholders. In FY 2018-19, IMS was successfully re-certified for all IndiGrid Assets.

#### EHS Training

Strong policies and strict adherence have ensured incident-free operations. Measures like conducting monthly EHS meetings, providing adequate EHS training to workers and conducting frequent workplace inspections have ensured 1.4 Million safe (100%) manhours with ‘zero’ accident and severity rate.

#### Our Performance in FY 2018-19:

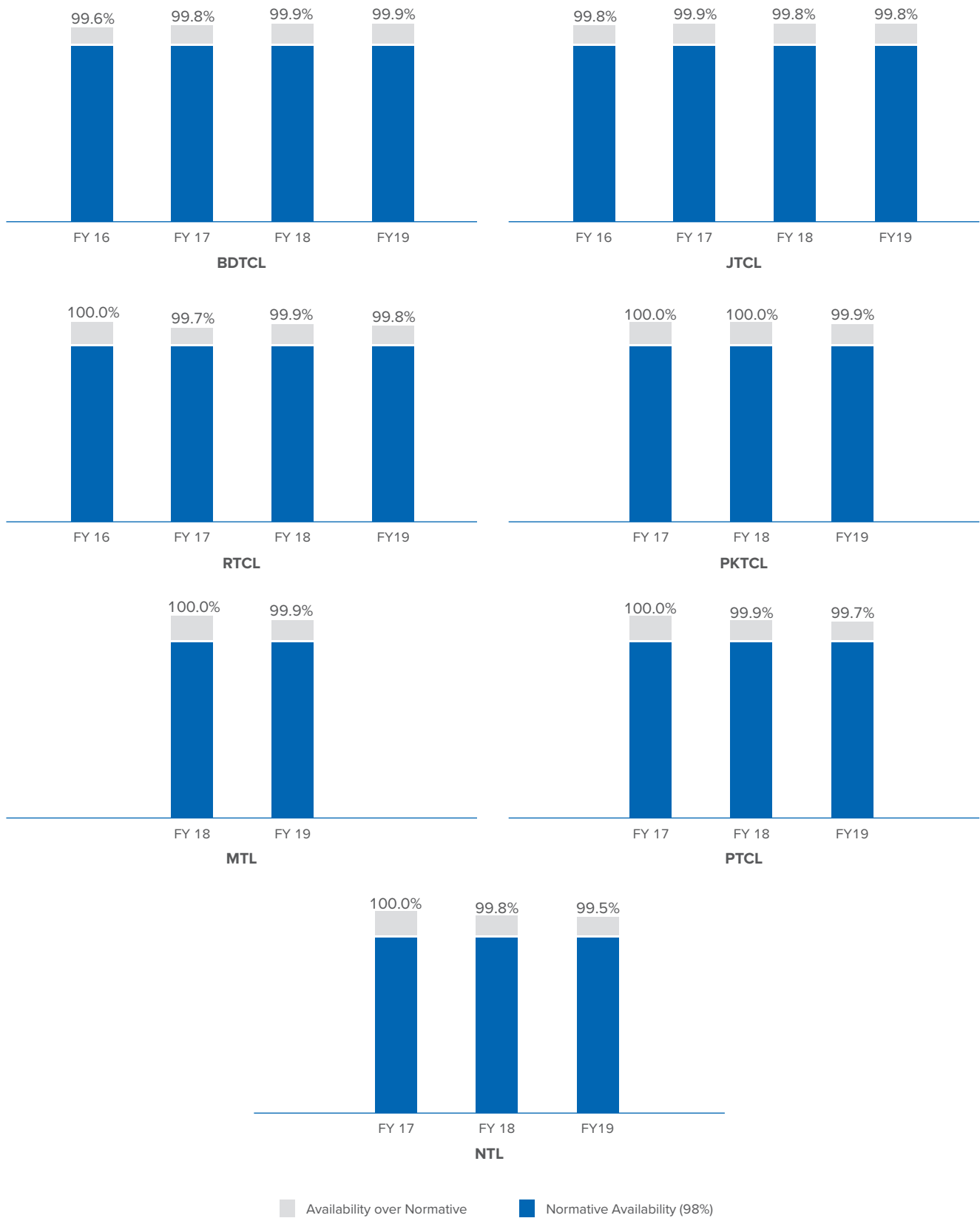
The following chart illustrates the demonstrated availability of IndiGrid assets’ performance, which has consistently set benchmarks in the power transmission industry, beating pre-contracted availability-based tariffs – either under the transmission services contract or the CERC tariff guidelines.

IndiGrid has consistently maintained availability at over 98% for its assets since inception, including availability in excess of 99.75% for all assets in FY 2018-19.

No major incidents took place in relation to O&M of assets during the review period. A minor incident took place on the Bhopal-Jabalpur (BJ) line of BDTCL on May 18, 2018, when exceptionally high wind and storm in the area damaged two towers, which were restored within the regulatory timelines. Similarly, availability for Patran was low in September 2018 at 99.03% because of tripping due to DC failure at the substation on September 18, 2018.

Overall, FY 2018-19 was a good year for IndiGrid assets in terms of performance and in setting a benchmark in the power transmission industry on operational excellence.

Maximum availability across asset portfolio





# Financial Review

## Consolidated Financials - IndiGrid

INR in Million

	<b>FY19 Twelve months Operations</b>	<b>FY18 Ten months Operations</b>
Revenue from operations	6,656	4,476
EBITDA	6,036	4,155
EBITDA Margin	91%	92%
NDCF	3,352	2,793
DPU (INR/Unit)	12.00	9.56*
PAT	1,539	2,104
Net Debt/AUM	47%	45%
NAV (as per independent valuer), (INR/Unit)	96.55	101.87

\* 10 months of operations-11.47 per unit annualised DPU



## Revenue, EBITDA and PAT

Revenue, EBITDA, and PAT for a transmission asset in India has three components that are pre-contracted - escalable, non-escalable and incentives earned for availability of the asset above the normative availability of 98%. Revenue is independent of actual power flow through the lines and is based on availability of the asset

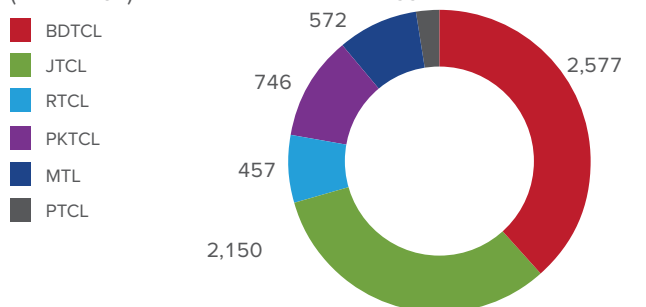
Revenue grew by 49% in FY 2018-19 from a year earlier on account of two reasons: - (i) Full-year operations of BDTCL, JTCL, RTCL, PKTCL, MTL and the Patran acquisition in Q2 FY 2018-19 and (ii) Upward curve of Tariff in RAPP and PKTCL.

The EBITDA margin was around 91% for power transmission assets with key cost components being insurance and manpower. The EBDITA margin was slightly low in comparison to FY 2017-18 on account of one-time expenses for the recently executed preferential issue of IndiGrid.

In FY 2018-19, PAT came in lower from FY 2017-18 level on account of higher weighted average cost of capital (WACC) for valuing the projects leading to higher impairment. Impairment, however, is a non-cash item hence would not impact NDCF. The WACC used for valuing the assets was higher on account of higher risk-free rate and increased interest rate on incremental debt raised by IndiGrid.

### Revenue Break-up by Asset FY 2018-19

(INR Million)



Note: Revenue of INR 12 Million accruing as other income to IndiGrid

## NDCF and DPU

Net Distributable Cash Flows (NDCF) is free cash flow generated from underlying operations. Cash flows received by IndiGrid are typically in the form of interest income and principal repayment. IndiGrid is required to distribute 90% of the cash flows received to its unitholders.

DPU is cash flows distributed on a per unit basis to the unitholders. DPU for FY 2018-19 was INR 12.00/ unit,

which comprise INR 3.00/unit for each quarter. IGT met its guidance for DPU of INR 12.00/unit for FY 2018-19.

## Distribution Yield

During the review period, average VWAP was INR 91.34/ Unit, implying a distribution yield of 13.1%. Post the planned acquisition of NTL and OGPTL, IndiGrid will be able to distribute a minimum of INR 12.00 DPU every year for the next 10 years.

## Assets Under Management

Haribhakti & Co. LLP, a member firm of Baker Tilly International, carried out a half-yearly valuation as an independent valuer and valued IndiGrid assets at INR 52.20 Billion as of March 31, 2019. On June 4, 2019 NTL asset was added to the IndiGrid portfolio valued at INR 41.63 Billion as of March 31, 2019.

Particulars	INR in Billion
	AUM as on March 31, 2019
BDTCL	19.47
JTCL	14.61
MTL	5.27
RAPP	4.04
PKTCL	6.39
PTCL	2.42
NTL	41.63
<b>Total</b>	<b>93.83</b>

## Borrowings

SEBI vide circular no. EBI/HO/DDHS/DDHS/CIR/P/2018/71 dated April 13, 2018 issued Guidelines for issuance of debt securities by Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs). This circular pertains to Issue and listing of debt securities. IndiGrid in February 2019 and August 2018 had issued NCDs amounting to INR 4,350 Million and 2,500 Million, respectively, and listed them on the Bombay Stock Exchange. On account of the NCD issuance, consolidated borrowings as on March 31, 2019 stood at INR 26,118 Million, up from INR 22,279 Million as of March 31, 2018. Post NTL acquisition, our consolidated debt stands at INR 40,118 Million as of June 15, 2019.

IndiGrid enjoys a AAA corporate credit rating; its debt facilities at the asset level are also rated AAA. This is on account of low operating risk resulting in stable cash flows.

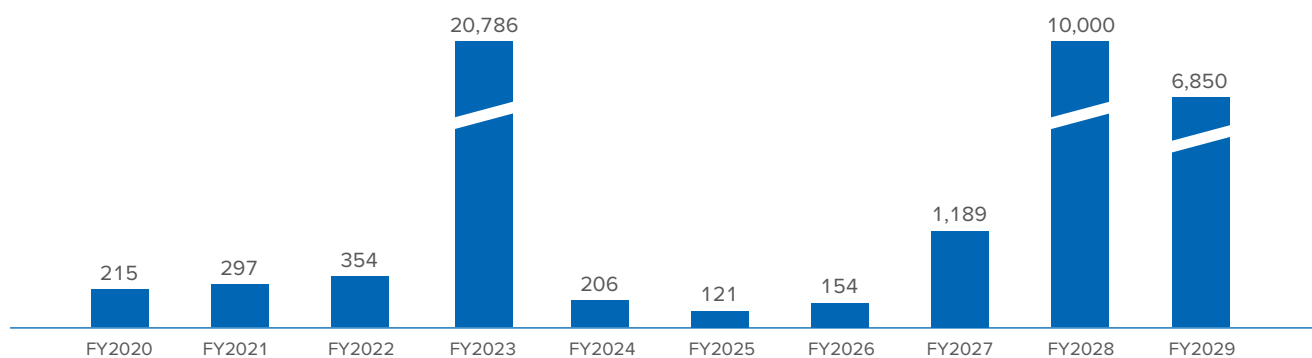


## Credit Rating

Rating Agency	Rating For	Rating	Date	Rating Rationale
<b>CRISIL</b>	IndiGrid	CCR AAA/Stable	May 29, 2019	<ul style="list-style-type: none"> <li>- Stable revenue of the operational SPVs</li> <li>- Cash Flow stability under PoC mechanism</li> <li>- Strong financial risk profile</li> </ul>
<b>India Ratings</b>	IndiGrid	IND AAA/Stable	June 6, 2019	<ul style="list-style-type: none"> <li>- Stable Operating Performance</li> <li>- High-Quality Underlying Assets</li> <li>- Comfortable Liquidity and Robust Finances</li> <li>- Proven Sponsor and Operator Experience</li> <li>- Refinancing Poses Limited Risk</li> </ul>
<b>ICRA</b>	IndiGrid	ICRA AAA/Stable	May 7, 2019	<ul style="list-style-type: none"> <li>- Shortfall undertaking from the InvIT for external debt</li> <li>- Structural features like presence of Debt Service Reserve, cash trap triggers and payment mechanism</li> <li>- Strong underlying assets housed under the InvIT</li> <li>- Assured offtake under long-term TSA</li> <li>- Strong payment security</li> </ul>
<b>ICRA</b>	BDTCL	ICRA AAA/Stable	May 7, 2019	<ul style="list-style-type: none"> <li>- Shortfall undertaking from the InvIT for external debt</li> <li>- Structural features like presence of Debt Service Reserve, cash trap triggers and payment mechanism</li> <li>- Strong underlying assets housed under the InvIT</li> <li>- Assured offtake under long-term TSA</li> <li>- Strong payment security</li> </ul>
<b>CRISIL</b>	BDTCL	CRISIL AAA/Stable	May 4, 2019	<ul style="list-style-type: none"> <li>- Low offtake risks as per contractual terms of TSA</li> <li>- Benefits of stable cash flows under PoC pool mechanism</li> <li>- Strong financial risk profile as part of IndiGrid</li> </ul>
<b>India Ratings</b>	BDTCL	IND AAA/Stable	December 31, 2018	<ul style="list-style-type: none"> <li>- Stable Operations</li> <li>- Price Risk Mitigated</li> <li>- Low Operating Risks and maintenance complexity</li> <li>- Comfortable Liquidity and Comfortable Debt Structure</li> </ul>

## Repayment Schedule post NTL Acquisition

(in Million)



## Debt Maturity Profile

Post the acquisition of NTL in June 2019, IndiGrid's debt maturity profile consists of INR 20,786 Million, INR 10,000 Million, and INR 6,850 Million maturing in FY23, FY28 and FY29 respectively and would be refinanced to elongate average maturity. NCDs worth INR 2,500 Million were issued in August 2018, INR 4,350 Million in February 2019 and thereafter NCDs worth INR 14,000 Million were issued in June 2019. IndiGrid endeavours to take competitive long tenure debt available in the financial markets.

Note: There will be difference in consolidated borrowing & repayment schedule to the extent of INR 54.6 Million on account of Ind AS adjustment of upfront fees paid.

## Risk Management and Mitigation

IndiGrid is aware of the risks associated with its business. These risks are constantly monitored, and adequate steps are taken to mitigate these risks. There are robust internal control mechanisms to identify and manage these risks in a timely manner.

### a. Delay in collection

A delay in payment by customers to the CTU under PoC mechanism might affect the timing of cash flows.

### b. Inability to offset cost increases

The tariff structure under TSA is largely fixed. Increase in O&M and interest costs because of the reasons beyond control might adversely impact profitability.

### c. Unforeseen changes in regulatory environment

Any adverse regulatory development can impact cash flows to the unitholders.

### d. Force majeure

Any force majeure event that is not covered by insurance or TSA can adversely impact the business and the timing of cash flows to the unitholders.

## Internal Control Systems

IndiGrid has a strong internal control system to manage its operations, financial reporting, and compliance requirements. The Investment Manager has clearly defined roles and responsibilities for all managerial positions. All the business parameters are regularly monitored and effective steps are taken to control them. Regular internal audits are undertaken to ensure that responsibilities are executed effectively. The Audit Committee of the Board of Directors periodically reviews the adequacy and effectiveness of internal control systems and suggests improvements to further strengthen them.

## Insurance Policies

All transmission assets are insured by best-in-class insurance cover against standard risks like fire, storm, flood, tempest, machinery breakdown and related risks including loss of profit. The policy is subject to standard

exclusions. The coverage under policy has been extended for reinstatement of value, escalation, cost of architect, surveyors, consulting engineers, etc., removal of debris and other clauses. The most comprehensive cover available, i.e., Industrial All Risks (as against Standard Fire and Special Peril Insurance) is taken, which provides a wider cover against perils such as fire and allied perils, burglary, accidental damage, asset breakdown as well as business interruption. Apart from the industrial risk cover, all transmission assets are covered against any loss due to terrorism by obtaining standalone Terrorism cover.

## Outlook

The Indian power sector has been more dynamic in the recent past than it has been in the past couple of years. With focused debt resolution for power generation assets, financial prudence is likely to be exercised across the power delivery value chain. This, in our opinion, will bring new developers and players along with fresh investments in the power sector in general. Another interesting development has been a marked increase in transactions in the transmission space in the recent past. This has paved the way for financial investors to invest in the power transmission sector, leaving greater churn of capital by the developers into new projects. We see this as a wider monetization of assets in the transmission space and a larger opportunity for asset acquisition by IndiGrid.

While growth will continue to be our underlying theme in the future, IndiGrid remains committed to its mandate of making recurring distribution to unitholders. In Q4 FY 2017-18, IndiGrid had provided a DPU guidance of INR 12 for FY 2018-19, much ahead of its earlier guidance of 3-5% DPU growth on a DPU guidance of INR 11 at the time of IPO. This was primarily on account of feedback from our unitholders who prefer growth while maintaining stability of cash flows. We are proud to have met our stated guidance for FY 2018-19. We remain focused and committed to deliver on their expectations. While we have a strong growth pipeline of Sponsor assets, we continue to look out for low risk yet accretive investments in third-party assets.

## Cautionary Statement

This document contains statements about expected future events, financial and operating results of IndiGrid, which are forward-looking. By their nature, forward looking statements require the Company to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that the assumptions, predictions and other forward-looking statements will not prove to be accurate. Readers are cautioned not to place undue reliance on forward looking statements as a number of factors could cause assumptions, actual future results and events to differ materially from those expressed in the forward-looking statements. Accordingly, this document is subject to the disclaimer and qualified in its entirety by the assumptions, qualifications and risk factors referred to in the management's discussion and analysis of IndiGrid's Annual Report, 2018-19.

## YEAR IN REVIEW

**APRIL**  
2018

**Outcome of Board Meeting (April 24, 2018)**

Approved audited standalone and consolidated financial results for the quarter and financial year ended March 31, 2018  
Declared a distribution of INR 3 per unit for Q4 FY18 (Record Date May 02, 2018)

**JUNE**  
2018

**Called First Annual General Meeting of Unitholders (June 20, 2018)**

**Published Annual Report of IndiGrid for FY 2017-18 (June 27, 2018)**

**JULY**  
2018

**E-voting period for Annual General Meeting commenced — (July 23, 2018)**

**Outcome of Board Meeting — (July 25, 2018)**

Approved unaudited consolidated financial results for Q1 FY 2018-19  
Declared a distribution of INR 3 per unit for Q1 FY 2018-19 (Record Date August 02, 2018)  
Appointment of Mr. Harsh Shah as the Chief Executive Officer  
Change in designation of Mr. Pratik Agarwal from Chief Executive Officer and Whole-time director to Non-Executive director.

**Outcome of the First Annual General Meeting of IndiGrid held in Mumbai, India — (July 26, 2018)**

Adopted audited annual financial statements for FY 2017-18  
Adopted valuation report for FY 2017-18  
Appointment of Statutory Auditor for FY 2018-19  
Appointment of Valuer for FY 2018-19  
Fixed remuneration payable to directors  
Granted omnibus approval for capital raising

**SEPTEMBER**  
2018

**Non-Convertible Debentures (INR 2.5 Billion) listed on BSE allotted to Reliance MF— (September 10, 2018)**

**OCTOBER**  
2018

**Outcome of Board Meeting — (October 18, 2018)**

Approved unaudited consolidated financial results for Q2 FY 2018-19  
Declared a distribution of INR 3 per unit for Q2 FY 2018-19 (Record date October 26, 2018)

**NOVEMBER**  
2018

**Published Half-yearly Valuation Report for FY 2018-19 - (November 01, 2018)**

**Published its Half-yearly Report for FY 2018-19 (November 14, 2018)**

**JANUARY**  
2019

**Outcome of the Board Meeting (January 15, 2019)**

Approved unaudited consolidated financial results for Q3 FY2018-19  
Declared distribution of INR 3 per unit for Q3 FY 2018-19 (Record Date January 22, 2019)

## FEBRUARY 2019

**Raised INR 4.35 Billion through allotment of AAA rated Non-Convertible Debentures to Reliance Mutual Fund (February 14, 2019)**

## MARCH 2019

**Non-Convertible Debentures (INR 4.35 Billion) listed on BSE allotted to Reliance MF – (March 01, 2019)**

## POST CUT-OFF DATE UPDATE

### **Outcome of Board Meeting (April 24, 2019)**

Approved audited standalone and consolidated financial results for the quarter and year ended March 31, 2019

Declared a distribution of INR 3 per unit in the form interest for Q4 FY 2018-19 (Record Date April 30, 2019)

Intimated that a Board Meeting on April 30, 2019 is scheduled

### **Outcome of Board Meeting (April 30, 2019)**

Approved the opening of the preferential issue of up to INR 25,600 Million.

Authorising execution of definitive agreements to acquire NRSS XXIX Transmission Limited and Odisha Generation Phase-II Transmission Limited and Framework Agreement

Considered and approved designating Esoteric as a sponsor of IndiGrid

Authorizing execution of definitive agreement with Electron IM Pte. Ltd. for Investment by Electron in the Investment Manager and the consequent change in control of the Investment Manager

Trading window closure notice

### **Published Valuation Report for FY18-19 (May 03, 2019)**

### **Credit Rating AAA from CRISIL re-affirmed (May 03, 2019)**

### **Called an Extra-ordinary General Meeting of unitholders (May 06, 2019)**

### **Raised 25,140.48 Million. and allotted units thereof (May 07, 2019)**

### **E-voting period for EGM commenced – (May 27, 2019)**

### **Outcome of the EGM of IndiGrid held in Mumbai, India – (May 30, 2019)**

Approved the proposed acquisition NTL & OGPTL at an Enterprise Value of INR 50,390 Million. from Sponsor and matters related thereto

Approved the induction of Esoteric II Pte. Ltd. as a Sponsor of IndiGrid (along with Sterlite Power Grid Ventures Limited)

Approved the acquisition of the Issued, Subscribed, and Paid-Up capital of the Investment Manager by Electron IM Pte. Ltd. and the consequent change of control

Approved the amendment of the ROFO Deed

### **Raised INR 14 Billion through allotment of AAA rated Non-Convertible Debentures to ICICI Prudential MF, Franklin MF, Axis MF, Aditya Birla MF and Azim Premji Trust (June 04, 2019)**

### **Acquisition of NRSS XXIX Transmission Limited from the Sponsor (June 04, 2019)**

### **Outcome of the Board Meeting (June 07, 2019)**

Allotment of 19.99% shares of Investment Manager to Electron IM Pte. Ltd.

Appointment of Mr. Sanjay Nayar as the Non-Executive Director and Resignation of Mr. Kuldip Kaura as the Non-Executive Director

Approved Constitution and Reconstitution of the committees on the Board of Investment Manager

### **Non-Convertible Debentures (INR 14 Billion) listed on BSE— (June 17, 2019)**



# CORPORATE GOVERNANCE REPORT



Corporate Governance is a continuous process, which incorporates every sphere of management, from internal set of controls and action plans to performance evaluation and disclosures. It is vital for any organisation to have a disciplined approach to Corporate Governance and we at India Grid Trust (IndiGrid) have imbibed this philosophy. In harmony with SEBI (Infrastructure Investment Trust) Regulations, 2014 (SEBI InvIT Regulations) the Report on Corporate Governance reverberates the ideology of Corporate Governance Systems at IndiGrid.

IndiGrid's Philosophy on Code of Governance Corporate Governance represents the value, ethical and moral framework under which business decisions are taken.

The investors want to be sure that not only is their capital handled effectively and adds to the creation of wealth, but the business decisions are also taken in a manner which is not illegal or involving moral hazard. IndiGrid perceives best in class corporate governance practices as a key to sustainable corporate growth and long-term unitholder value creation. The primary objective is to develop and adhere to a corporate culture of harmonious and transparent functioning and enhancing unitholders' wealth by developing capabilities and identifying opportunities that best serve the goal of value creation. All actions and strategic plans are directed towards delivering value to all stakeholders, as well as adhere to the highest standards of corporate behavior.

## IndiGrid has a three-tier governance structure:

Statutory supervision	Axis trustee services limited is the trustee of IndiGrid. Trustee is responsible for ensuring that all the business activities and investment policies comply with the provisions of the code, policies, material contracts and the invit regulating as well as monitoring the activities of the Investment Manager under the Investment Management Agreement and the project manager under the project implementation and management agreement.
Strategic management	Sterlite Investment Managers Limited is the Investment Manager of IndiGrid. The Investment Manager has overall responsibility for setting the strategic direction of IndiGrid and deciding on the acquisition, divestment or enhancement of assets of IndiGrid in accordance with its stated investment strategy. The Board lays down strategic goals and exercises control to ensure that IndiGrid is progressing to fulfill unitholders' aspirations.
Executive management	The executive management is composed of the IndiGrid's key personnel and operates upon the directions of the Board of Directors of Investment Manager.

## Board of Directors

In order to maintain independence of the Investment Manager, Sterlite Investment Managers Limited (the Company or Investment Manager) has a judicious combination of Executive Director, Non-Executive and Independent Directors (the Board). At present, the Board comprises six (6) directors including one (1) Whole-Time Director, two (2) Non-Executive Director and three (3) Independent Directors. The Investment Manager has a Chief Executive Officer. The Chief Executive Officer takes a lead role in managing the Board and facilitating effective communication among Directors. The Chief Executive Officer is responsible for corporate strategy and all management matters. The Board composition is in conformity with the provisions of the SEBI InvIT Regulations and Companies Act, 2013. All Directors are astute professionals coming from varied backgrounds possessing rich experience and expertise. All the Independent and Executive Directors attended majority of board and committee meetings held during a period under review. The detailed profile of all Directors can be viewed in this report and also on the Company's website at <http://www.indigrid.co.in/director.html>.

### Composition of the Board of Directors of Investment Manager

In addition to the applicable provisions of SEBI InvIT regulations, the board of directors of the Investment Manager adhere to the following:

- Not less than 50% of the board of directors of the Investment Manager comprise independent directors and not directors or members of the governing board of another infrastructure investment trust registered under the InvIT Regulations. The independence of directors is determined in accordance with the Companies Act, 2013.
- Collective experience of directors of the Investment Manager covers a broad range of commercial experience, particularly, experience in infrastructure sector, investment management or advisory and financial matters.

The board of directors do not include any nominees of the Sponsor.

### Board Committees

IndiGrid has various committees to ensure independent board representation in line with InvIT regulations. IndiGrid has an experienced Board of Directors; which ensures strong representation on Board Committees.

## Investment Committee

### Composition and Meetings

The Investment Committee comprises of the board of directors of the Investment Manager. Majority members, including the chairperson of the Investment Committee are independent directors. The company secretary of the Investment Manager act as the secretary to the Investment Committee. The quorum shall be at least 50% of the number of members of the Investment Committee and subject to a minimum of two members.

The composition of the Investment Committee is as follows:

Name of Committee Members	Category
Mr. Tarun Kataria (Chairperson)	Independent Director
Mr. S H Bhojani	Independent Director
Mr. Rahul Asthana	Independent Director
Mr. Sanjay Nayar	Non-Executive Director
Mr. Pratik Agarwal	Non-Executive Director

### Terms of reference of the Investment Committee

The terms of reference of the Investment Committee include the following:

Reviewing investment decisions with respect to the underlying assets or projects of IndiGrid from the Sponsor including any further investments or divestments to ensure protection of the interest of unitholders including, investment decisions, which are related party transactions;

Approving any proposal in relation to acquisition of assets, further issue of units including in relation to acquisition or assets; and

Formulating any policy for the Investment Manager as necessary, in relation to its functions, as specified above.

## Audit Committee

### Composition and Meetings

The Audit Committee comprises board of directors of the Investment Manager. The chairperson of the Audit Committee is independent director. All members of the Audit Committee are financially literate, and Chairman of the Committee have accounting and related financial management expertise. The company secretary of the Investment Manager shall act as the secretary to the Audit Committee. The quorum shall be at least 50% of the directors, of which at least 50% of the directors present, shall be independent directors and subject to a minimum of two members being present in person.

The composition of the Audit Committee is as follows:

Name of Committee Members	Category
Mr. Tarun Kataria (Chairperson)	Independent Director
Mr. S H Bhojani	Independent Director
Mr. Rahul Asthana	Independent Director
Mr. Sanjay Nayar	Non-Executive Director
Mr. Pratik Agarwal	Non-Executive Director

### Terms of reference of the Audit Committee

The terms of reference of the Audit Committee include the following:

1. Provide recommendations to the board of directors regarding any proposed distributions;
2. Overseeing IndiGrid's financial reporting process and disclosure of its financial information to ensure that its financial statements are correct, sufficient and credible;

3. Giving recommendations to the board of directors regarding appointment, re-appointment and replacement, remuneration and terms of appointment of the statutory auditor of IndiGrid and the audit fee, subject to the approval of the unitholders;
4. Reviewing and monitoring the independence and performance of the statutory auditor of IndiGrid, and effectiveness of audit process;
5. Approving payments to statutory auditors of IndiGrid for any other services rendered by such statutory auditors;
6. Reviewing the annual financial statements and auditor's report thereon of IndiGrid, before submission to the board of directors for approval, with particular reference to:
  - changes, if any, in accounting policies and practices and reasons for such change;
  - major accounting entries involving estimates based on the exercise of judgment by management;
  - significant adjustments made in the financial statements arising out of audit findings;
  - compliance with listing and other legal requirements relating to financial statements;
  - disclosure of any related party transactions; and
  - qualifications in the draft audit report;
7. Reviewing, with the management, all periodic financial statements, including but not limited to half-yearly and annual financial statements of IndiGrid before submission to the board of directors for approval;
8. Reviewing, with the management, the statement of uses/ application of funds raised through an issue of units by IndiGrid (public issue, rights issue, preferential issue, etc.) and the statement of funds utilised for purposes other than those stated in the offer documents/ notice, and making appropriate recommendations to the board of directors for follow- up action;
9. Approval or any subsequent modifications of transactions of IndiGrid with related parties including, reviewing agreements or transactions in this regard;
10. Scrutinizing loans and investments of IndiGrid;
11. Reviewing all valuation reports required to be prepared under applicable law, periodically, and as required, under applicable law;
12. Evaluating financial controls and risk management systems of IndiGrid;
13. Reviewing, with the management, the performance of statutory auditors of IndiGrid, and adequacy of the internal control systems, as necessary;
14. Reviewing the adequacy of internal audit function if any of IndiGrid, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
15. Reviewing the findings of any internal investigations in relation to IndiGrid, into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board of directors;
16. Reviewing the procedures put in place by the Investment Manager for managing any conflict that may arise between the interests of the unitholders, the parties to IndiGrid and the interests of the Investment Manager, including related party transactions, the indemnification of expenses or liabilities incurred by the Investment Manager, and the setting of fee or charges payable out of IndiGrid's assets;
17. Discussing with statutory auditors and valuers prior to commencement of the audit or valuation, respectively, about the nature and scope, as well as post-audit/ valuation discussion to ascertain any area of concern;
18. Reviewing and monitoring the independence and performance of the valuer of IndiGrid;
19. Giving recommendations to the board of directors regarding appointment, re-appointment and replacement, remuneration and terms of appointment of the valuer of IndiGrid;
20. Evaluating any defaults or delay in payment of distributions to the unitholders or dividends by the SPVs to IndiGrid and payments to any creditors of IndiGrid or the SPVs, and recommending remedial measures;
21. Management's discussion and analysis of financial condition and results of operations;
22. Reviewing the statement of significant related party transactions, submitted by the management;
23. Reviewing the management letters/letters of internal control weaknesses issued by the statutory auditors; and
24. Formulating any policy for the Investment Manager as necessary, in relation to its functions, as specified above.

### **Stakeholders' Relationship Committee Composition and Meetings**

The Stakeholders' Relationship Committee comprises of board of directors of the Investment Manager. The Chairperson of the Committee is Independent Director. The company secretary of the Investment Manager act as the secretary to the Nomination and Remuneration Committee. The quorum shall be at least 50% of the number

of members of the Stakeholders' Relationship Committee and subject to a minimum of two members.

The composition of the Stakeholders' Relationship Committee is as follows:

Name of Committee Members	Category
Mr. S H Bhojani (Chairperson)	Independent Director
Mr. Rahul Asthana	Independent Director
Mr. Sanjay Nayar	Non-Executive Director
Mr. Pratik Agarwal	Non-Executive Director

#### Terms of reference of the Stakeholders' Relationship Committee

The terms of reference of the Stakeholders' Relationship Committee is as follows:

- (i) Considering and resolving grievances of the unitholders, including complaints related to the transfer of units, non-receipt of annual report and non-receipt of declared distributions;
- (ii) Reviewing of any litigation related to unitholders' grievances;
- (iii) Undertaking all functions in relation to protection of Unitholders' interests and resolution of any conflicts, including reviewing agreements or transactions in this regard;

(iv) Updating unitholders on acquisition / sale of assets by IndiGrid and any change in the capital structure of the SPVs;

(v) Reporting specific material litigation related to unitholders' grievances to the board of directors; and

(vi) Approving report on investor grievances to be submitted to the Trustee.

#### Nomination and Remuneration Committee Composition and Meetings

The Nomination and Remuneration Committee comprises of board of directors of the Investment Manager. The committee comprises of the Board of Directors of the Investment Manager and the chairperson of the committee is an Independent Director. The company secretary of the Investment Manager act as the secretary to the Committee. The quorum shall be at least 50% of the number of members of the Committee and subject to a minimum of two members.

The composition of the Nomination and Remuneration Committee is as follows

Name of Committee Members	Category
Mr. S H Bhojani (Chairperson)	Independent Director
Mr. Tarun Kataria	Independent Director
Mr. Sanjay Nayar	Non-Executive Director
Mr. Pratik Agarwal	Non-Executive Director





### Terms of reference of the Nomination and Remuneration Committee

The terms of reference of the Nomination and Remuneration Committee is as follows:

- (i) Formulation of the criteria for determining qualifications, positive attributes and independence of a director and recommend to the board of directors of the Investment Manager a policy relating to, the remuneration of the directors, key managerial personnel and other employees;
- (ii) Formulation of criteria for evaluation of performance of independent directors and the board of directors;
- (iii) Devising a policy on board diversity;
- (iv) Identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down and recommend to the board of directors their appointment and removal and evaluation of director's performance;
- (v) Determining whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors;
- (vi) Carrying out any other function as prescribed under applicable law;
- (vii) Endeavour to appoint new key employee to replace any resigning key employee within six months from the date of receipt of notice of resignation and recommend such appointment to the Board, if necessary; and
- (viii) Performing such other activities as may be delegated by the board of directors of the Investment Manager and/or are statutorily prescribed under any law to be attended to by the Nomination and Remuneration Committee.

### Allotment Committee

#### Composition and Meetings

The Allotment Committee comprises of board of directors of the Investment Manager. The company secretary of the Investment Manager act as the secretary to the Committee. The quorum of the meeting shall be at least 2 members.

Name of Committee Members	Category
Mr. Rahul Asthana (Chairperson)	Independent Director
Mr. S H Bhojani	Independent Director
Mr. Sanjay Nayar	Non-Executive Director
Mr. Pratik Agarwal	Non-Executive Director
Mr. Harsh Shah	Whole-time Director

#### Terms of reference of the Allotment Committee

The terms of reference of the Allotment Committee is as follows:

1. To approve the terms of units, debentures and all types of permitted securities through preferential issue, private placement, rights issue, qualifies institutional placements;
2. To approve issue, subscription, allotment of units, debentures and all types of permitted securities to eligible investors and/or identified investors;
3. To approve opening of issue, terms of issue, floor price, issue price, application form, offer document/ placement document including its addendum/ corrigendum and all the matters related thereto;
4. To authorize officers, agents, consultants, banks, advisors or any related person to submit, file, re-submit, modify, sign, execute, process all types of documents and information including but not limited to application, letters, clarifications, undertaking, certification, declaration to obtain all the necessary approvals, consents, permits, license, registration from government, regulatory, semi-government, statutory and private authorities, institutions, bodies, organizations including but not limited to RBI, SEBI, Stock Exchange, depositories;
5. To authorize officers, agents, consultants, banks, advisors or any related person to do all such acts, deeds and matters as may be incidental or considered necessary for giving effect to the aforesaid resolution.

### Risk Management Committee

#### Composition and Meetings

The Risk Management Committee comprises of board of directors of the Investment Manager. The company secretary of the Investment Manager act as the secretary to the Committee. The quorum of the meeting shall be at least 2 members out of which 50% shall be Independent Directors.

Name of Committee Members	Category
Mr. Rahul Asthana (Chairperson)	Independent Director
Mr. Tarun Kataria	Independent Director
Mr. Sanjay Nayar	Non-Executive Director
Mr. Pratik Agarwal	Non-Executive Director

#### Terms of reference of the Risk Management Committee

The terms of reference of the Risk Management Committee is as follows:

1. To identify, assess, mitigate and monitor the existing as well as potential risks to the Trust (including risks associated with cyber security and financial risk), to recommend the strategies to the Board to overcome them and review key leading indicators in this regard;
2. To periodically review and approve the Risk Management framework including the risk management processes and practices of the Trust;

3. To evaluate significant risk exposures of the Trust and assess management's actions to mitigate the exposures in a timely manner;
4. To develop and implement action plans to mitigate the risks;
5. To coordinate its activities with the Audit Committee in instances where there is any overlap with audit activities
6. To oversee at such intervals as may be necessary, the adequacy of Trust's resources to perform its risk management responsibilities and achieve its objectives;
7. To review and periodically assess the Trust's performance against the identified risks of the Company;

### Attendance FY 2018-19

S. No.	Name of Director	BM liable to attend	BM Attended	ACM liable to attend	ACM Attended	NRC Meeting liable to attend	NRC Meeting Attended	ICM liable to attend	ICM Attended	ALM liable to attend	ALM Attended	SRC liable to attend	SRC Attended
1	Mr. Tarun Kataria	6	6	6	6	3	3	3	3	0	0	0	0
2	Mr. Pratik Agarwal	6	5	6	5	0	0	0	0	2	1	2	1
3	Mr. Rahul Asthana	6	6	6	6	3	3	3	3	0	0	2	2
4	Mr. Kuldip Kaura	6	6	0	0	3	3	0	0	0	0	2	2
5	Mr. SH Bhojani	6	6	6	6	3	3	3	3	2	2	2	2
6	Mr. Harsh Shah	6	6	0	0	3	3	0	0	2	2	0	0

Note: For the purpose of attendance tele-presence is also considered.

### Information Supplied to the Board

Information is provided to the Board members on continuous basis for their review, inputs and approvals from time to time. The Board critically evaluates IndiGrid's strategic direction, management policies and their effectiveness. Additionally, specific cases of acquisitions, important managerial decisions, material positive/ negative developments and statutory matters are presented to the committees of the Board and later with recommendations of the committees to the Board.

### Investor Complaints

The status of complaints is reported to the Board on a quarterly basis. During FY 2018-19, the investor complaints received by the Company were general in nature, which were resolved to the satisfaction of the unitholders. Details of unitholders' complaints on quarterly basis are also submitted to stock exchanges and published on IndiGrid's website.

### Policies of the Board of Directors of the Investment Manager in relation to IndiGrid

In order to adhere the good governance practices in India Grid Trust, the Investment Manager has adopted the following policies in relation to IndiGrid:

#### 1. Borrowing Policy

The Investment Manager shall ensure that all funds borrowed in relation to IndiGrid are in compliance with the InvIT Regulations. Accordingly, the Investment Manager has formulated this Borrowing Policy to outline the process for borrowing monies in relation to IndiGrid.

#### 2. Policy in relation to Related Party Transactions and Conflict of Interests

To ensure proper approval, supervision and reporting of the transactions between IndiGrid and its Related Parties, the board of directors of the Investment Manager

(e.g. internal or external audit issue relating to risk management policy or practice);

has adopted the Policy in relation to Related Party Transactions and Conflict of Interests, to regulate the transactions between IndiGrid and its Related Parties.

#### 3. Distribution Policy

The Investment Manager has adopted the Distribution Policy to ensure proper, accurate and timely distribution for IndiGrid. The Distributable Income of IndiGrid is calculated in accordance with the Distribution Policy, InvIT Regulations and any circular, notification or guidance issued thereunder.

#### 4. Policy on Appointment of Auditor and Valuer

The Investment Manager has adopted the Policy on Appointment of Auditor and Valuer to govern the appointment and operations of Auditor and Valuer which plays very crucial role at IndiGrid.

#### 5. Policy on unpublished price-sensitive information and dealing in units by the parties to IndiGrid (the "UPSI Policy")

The Investment Manager has adopted the UPSI Policy to ensure that IndiGrid complies with applicable law, including the InvIT Regulations or such other laws, regulations, rules or guidelines prohibiting insider trading and governing disclosure of material, unpublished price sensitive information.

#### 6. Policy for Determining Materiality of Information for Periodic Disclosures (the "Materiality of Information Policy")

The Investment Manager has adopted the Materiality of Information Policy with an intention to outline process and procedures for determining materiality of information in relation to periodic disclosures on IndiGrid's website, to the stock exchanges and to all stakeholders at large, in relation to IndiGrid.

## 7. Document Archival Policy

The Investment Manager has adopted the Document Archival Policy to provide a comprehensive policy on the preservation and conservation of the records and documents of IndiGrid. The Document Archival Policy aims at identifying, classifying, storing, securing, retrieving, tracking and destroying or permanently preserving records.

## 8. Nomination and Remuneration Policy

The Investment Manager has adopted the Nomination and Remuneration Policy with an intention to provide the underlying principles and guidelines governing the activities of the Nomination and Remuneration Committee.

Except as stated otherwise in this report and in Final Offer Document dated May 31, 2017, during the period under review, there are no changes in the clauses

of trust deed, Investment Management Agreement or any other agreement pertaining to activities of India Grid Trust

## General Unitholder Information

### 1) Financial Year

The IndiGrid follows April-March as the financial year.

To consider and approve the quarterly financial results for FY 2018-19, the meetings of the Board were held on the following dates/ months:

First Quarter Ended Results: July 25, 2018

Second Quarter and Half Year Ended Results: October 18, 2018

Third Quarter: January 15, 2019.

Fourth Quarter and Full Year Ended Results: April 24, 2019.

### 2) Distribution

The details of Distribution declared by IndiGrid during FY 2018-19 are as follows:

Date of Board Meeting	Type of Distribution	Distribution (In INR)	Record Date	Payment Date
April 24, 2018	Interest payment	INR 3.00	May 02, 2018	May 08, 2018
July 25, 2018	Interest payment	INR 3.00	August 02, 2018	August 09, 2018
October 18, 2018	Interest and Capital repayment	INR 3.00	October 26, 2018	November 02, 2018
January 15, 2019	Interest payment	INR 3.00	January 22, 2019	January 30, 2019
April 24, 2019	Interest payment	INR 3.00	April 30, 2019	May 09, 2019

### 3) Listing Details

Name and Address of the Stock Exchange	Security Type	Scrip Code	ISIN code
BSE Limited (BSE) Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001	Units	540565	INE219X23014
	NCD	958219	INE219X07017
	NCD	958599	INE219X07025
	NCD	958827	INE219X07033
National Stock Exchange of India Limited (NSE) Exchange Plaza, Plot No. C/1, G-Block, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051	Units	INDIGRID	INE219X23014

### 4) Address for Correspondence including Investors Grievances

#### Registered Office and Contact Details of the Trust:

Company Secretary & Compliance Officer:  
Mr. Swapnil Patil  
F-1, The Mira Corporate Suites, 1&2, Ishwar Nagar,  
Mathura Road, New Delhi – 110065, Delhi.  
Tel: +91 22 4996 2200 | Fax: +91 22 4996 2288  
E-mail: [complianceofficer@indigrid.co.in](mailto:complianceofficer@indigrid.co.in)  
Website: <http://www.indigrid.co.in>

#### Registered Office and Contact Details of the Investment Manager:

**Company's Registered Office Address**  
CIN: U28113MH2010PLC308857  
Maker Maxity, 5 North Avenue, Level 5,  
Bandra Kurla Complex,  
Bandra East Mumbai, Maharashtra- 400051 India  
Tel: +91 22 4996 2200 | Fax: +91 22 4996 2288  
Email: [complianceofficer@indigrid.co.in](mailto:complianceofficer@indigrid.co.in)  
Contact Person: Mr. Swapnil Patil

#### Registered Office and Contact Details of the RTA

**KARVY Fintech Private Limited**  
Kary Selenium Tower B, Plot No. 31-32, Gachibowli,  
Financial District, Nanakramguda, Hyderabad - 500 032  
Tel: +91 40 3321 5205, E-mail: [support.indiagrid@karvy.com](mailto:support.indiagrid@karvy.com)

#### Investors Relations

Ms. Meghana Pandit  
Tel: +91 22 4880 8518  
E-mail: [investor.relations@indigrid.co.in](mailto:investor.relations@indigrid.co.in)

## SUMMARY OF INDEPENDENT VALUATION

As per Securities and Exchange Board of India (Infrastructure Investment Trust), Regulations, 2014 (InvIT Regulations), IndiGrid is supposed to carry out independent valuation for its assets. Haribhakti & Co. LLP, Chartered Accountants, has carried out yearly financial valuation of BDTCL, JTCL, MTL, RTCL, PKTCL and PTCL at the enterprise level. Enterprise value is described as the total value of the equity in a business plus the value of its debt and debt related liabilities, minus any cash or cash equivalents to meet those liabilities.

### Valuation Approach

All assets are TBCB projects allotted under Build Own Operate and Maintain (BOOM) Model and operate under PoC mechanism. The independent valuation of BDTCL, JTCL, MTL, RTCL, PKTCL and PTCL has been determined by the independent valuer using the discounted cash flow approach on the free cash flows of the assets.

### Valuation Summary

IndiGrid has acquired three revenue generating projects from its sponsor in February 2018, namely MTL, RTCL and PKTCL. Furthermore, IndiGrid acquired PTCL, a revenue generating project, via third-party M&A in August 2018. The independent valuation of the assets as of March 31, 2019 and as of September 30, 2018 is summarized below:

	March 31, 2019		September 30, 2018	
	Enterprise Value (INR Billion)	WACC (%)	Enterprise Value (INR Billion)	WACC (%)
BDTCL	19.47	8.24% (base case) **	19.69	8.32% (base case) *
JTCL	14.61	8.30%	14.94	8.32%
MTL	5.27	8.12%	5.42	8.13%
RTCL	4.04	8.30%	4.08	8.34%
PKTCL	6.39	8.32%	6.48	8.34%
PTCL	2.42	8.32%	2.40	8.33%
<b>Total</b>	<b>52.20</b>		<b>53.02</b>	

\*WACC for incremental revenue is 8.54%

\*\*WACC for incremental revenue is 8.40%

#### Note

Valuation of BDTCL was divided into two parts. Part A comprises of valuation as per the revenues quoted in the TSA. Part B comprises of revenues under the incremental revenue case (increased tariff receivable due to project cost escalation yet to be approved by CERC).

Valuation report of IndiGrid assets as on March 31, 2019 issued by Valuer are annexed to this report as Annexure A and forms part of this report only. The valuation report can also be viewed on the Company's website and can be accessed via the link <http://www.indigrid.co.in/download-investor.html>



## UNIT PRICE PERFORMANCE

Units of IndiGrid were listed on June 06, 2017 on BSE and NSE. Unit price remained range bound for the most part of the period of FY 2018-19, with total volume of trade at approximately 46 Million Units. This translated to an average daily traded volume of approximately 0.20 Million units during the period.

IndiGrid distributed INR 3.00/unit for Q1 FY 2018-19. Thereafter, IndiGrid distributed INR 3.00/unit for every quarter in Q2 FY 2018-19, Q3 FY 2018-19 and Q4 FY 2017-18 leading to a total DPU of INR 12.00/unit for FY 2018-19.

### Summary of Price and Volume

Particulars	BSE	NSE
<b>Price Information</b>		
Unit Price at the beginning of the period (Close price of April 02, 2018)	95.20	94.90
Unit Price at the close of the period (Close price of March 29, 2019)	81.75	82.00
Highest Unit Price (April 26, 2018)	98.63	98.63
Lowest Unit Price (March 27, 2019)	80.85	81.14
<b>Volume Information</b>		
Average Daily Volume Traded during the period (in Thousands)	52	144
Total Average Daily Volume Traded (on both BSE and NSE) (in Thousands)	196	

### Summary of DPU

Period	NSE
Q1 FY 2017-18	0.92
Q2 FY 2017-18	2.75
Q3 FY 2017-18	2.89
Q4 FY 2017-18	3.00
FY 2017-18*	9.56
<b>FY 2017-18 (Annualised)</b>	<b>11.47</b>
Q1 FY 2018-19	3.00
Q2 FY 2018-19	3.00
Q3 FY 2018-19	3.00
Q4 FY 2018-19	3.00
<b>FY 2018-19</b>	<b>12.00</b>

\* For an operational period of 10 months

## GENERAL DISCLOSURES

1. Regulatory - During the period under review, there were no regulatory changes that has impacted or may impact cash flows of the underlying projects.
2. Material Contracts - Except otherwise specified, during the period under review, there were no changes in material contracts or any new risk in performance of any contract pertaining to the India Grid Trust.
3. Legal Proceedings - Except otherwise specified, during the period under review, there were no legal proceedings which may have significant bearing on the activities or revenues or cash flows of the India Grid Trust.
4. Material Information and Events - Except otherwise specified, during the period under review, there were no material changes, events or material and price sensitive information to be disclosed for India Grid Trust.
5. Material Litigation - Except as stated in this report including its annexures, there are no material litigation and actions by regulatory authorities, in each case against IndiGrid, the Sponsor, the Investment Manager, the Project Manager, or any of their Associates and the Trustee that are currently pending. For the India Grid Trust and for the Sponsor or Project Manager, the total consolidated revenue of FY 2018-19 for respective entities was INR 6,655.70 Million and INR 12,639.00 Million respectively. Accordingly, all outstanding cases and/or regulatory action which involve an amount exceeding INR 332.78 Million and INR 631.95 Million (being 5% of the total consolidated revenue) have been considered material, respectively for the review period.
6. Merger of SPGVL and SPTL - The amalgamation of Sterlite Power Grid Ventures Limited (SPGVL), the sponsor and project manager of IndiGrid, is proposed with Sterlite Power Transmission Limited (SPTL), the holding company of SPGVL. We have been informed by SPGVL that, a scheme of amalgamation has been filed before the National Company Law Tribunal, Mumbai Bench (NCLT) on July 17, 2018, which had been admitted by NCLT on September 12, 2018. Subject to necessary regulatory and corporate approvals as applicable, upon completion of the amalgamation, SPGVL will cease to exist and all its assets and liabilities will be transferred to SPTL. Accordingly, upon completion of the amalgamation SPTL will act as the sponsor and project manager to IndiGrid.
7. Issue and Buyback of Units – IndiGrid has issued units through preferential issue as per SEBI (InvIT) Regulations read with Guidelines issued by SEBI. Brief detail of the issue is mentioned herein below:
  - Issue Opening Date - April 30, 2019
  - Relevant Date - April 30, 2019
  - Issue Closure Date - May 04, 2019
  - Floor Price - INR 83.89 per unit
  - Subscribed amount - INR 25,140 Million
  - Issue Price - INR 83.89 per unit
  - Allotment Date - May 07, 2019
  - Total number of units allotted - 29,96,83,881
  - Listing and trading approval on May 14, 2019

Further, this is to confirm that, during the period under review, there was no buy back of any securities by IndiGrid.
8. The financial information of Investment Manager is not disclosed because there is no material erosion in the net worth as compared to the net worth as per the last audited financial statements.





# Financial Statements



# INDEPENDENT AUDITOR'S REPORT

## To the Unitholders' of India Grid Trust

### Report on the Audit of the Standalone Ind AS Financial Statements

#### Opinion

We have audited the accompanying standalone Ind AS financial statements of India Grid Trust ("the InvIT") comprising of the Balance Sheet as at March 31, 2019, the Statement of Profit and Loss including other comprehensive income, the Statement of Changes in Unitholders' Equity and the Statement of Cash Flow for the year then ended and the Statement of Net Assets at fair value as at March 31, 2019, the Statement of Total Returns at fair value and the Statement of Net Distributable Cash Flows ('NDCFs') of the InvIT for the year then ended, and a summary of significant accounting policies and other explanatory information ("the standalone Ind AS financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone Ind AS financial statements give the information required by the Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014 as amended including any guidelines and circulars issued thereunder (the "InvIT Regulations") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the InvIT as at March 31, 2019, its profit including other comprehensive income, its cash movements and its movement of the Unitholders' funds for the year ended March 31, 2019, its net assets as at March 31, 2019, its total returns and the net distributable cash flows of the InvIT for the year ended March 31, 2019.

#### Basis for Opinion

We conducted our audit of the standalone Ind AS financial statements in accordance with the Standards on Auditing (SAs), issued by the Institute of Chartered Accountants of

India. Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the Standalone Ind AS Financial Statements' section of our report. We are independent of the InvIT in accordance with the 'Code of Ethics' issued by the Institute of Chartered Accountants of India and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone Ind AS financial statements.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the standalone Ind AS financial statements for the financial year ended March 31, 2019. These matters were addressed in the context of our audit of the standalone Ind AS financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have determined the matters described below to be the key audit matters to be communicated in our report. We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the standalone Ind AS financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the standalone Ind AS financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying standalone Ind AS financial statements.

Key audit matters	How our audit addressed the key audit matter
<p><b>Impairment of investments in /loans to subsidiaries</b> (as described in note 16 of the standalone Ind AS financial statements)</p> <p>During the current year, impairment indicators were identified by the management on the investments in/loans given of ₹ 46,577.64 Million (before impairment provision) to its subsidiaries which own and operate transmission assets. As a result, an impairment assessment was required to be performed by the management by comparing the carrying value of these investments to their recoverable amount to determine whether an impairment needs to be recognised.</p> <p>For the purpose of the above impairment testing, value in use has been determined by forecasting and discounting future cash flows. Furthermore, the value in use is highly sensitive to changes in some of the inputs used e.g. the discounting rate (WACC), inflation rates, tax rates, etc.</p> <p>Further, the determination of the recoverable amounts involved judgement due to inherent uncertainty in the assumptions supporting the recoverable amounts.</p> <p>Accordingly, the impairment assessment of investments in/loans to subsidiaries was determined to be a key audit matter in our audit of the standalone Ind AS financial statements.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>Assessed the management's valuation methodology applied in determining the recoverable amounts. In making this assessment, we also evaluated the objectivity and independence of InvIT's independent valuer involved in the process.</li> <li>Together with valuation specialists, we assessed the valuation reports issued by the independent valuer engaged by management.</li> <li>We tested that the tariff revenues considered in the respective valuation models are in agreement with TSAs / tariff orders;</li> <li>We assessed the assumptions around the key drivers of the cash flow forecasts, discount rates and residual values;</li> <li>We also assessed the recoverable value headroom by performing sensitivity testing of key assumptions used;</li> <li>We discussed changes in key drivers as compared to previous year / actual performance with management in order to evaluate whether the inputs and assumptions used in the valuation models were appropriate;</li> <li>We tested the arithmetical accuracy of the models.</li> </ul> <p>We read/assessed the disclosures in the standalone Ind AS financial statements for compliance with the relevant accounting standards requirements.</p>

#### Classification of Unitholders' funds as equity

(as described in note 16 of the standalone Ind AS financial statements)

<p>The InvIT is required to distribute to Unitholders not less than ninety percent of its net distributable cash flows for each financial year. Accordingly, a portion of the unitholders' funds contains a contractual obligation of the Trust to pay to its Unitholders cash distributions. The Unitholders' funds could therefore have been classified as compound financial instrument which contains both equity and liability components in accordance with Ind AS 32 - Financial Instruments: Presentation. However, in accordance with SEBI Circulars No. CIR/IMD/DF/114/2016 dated 20-Oct-2016 and No. CIR/IMD/DF/127/2016 dated 29-Nov-2016 ("SEBI Circulars") issued under the InvIT Regulations, the unitholders' funds have been classified as equity in order to comply with the mandatory requirements of Section H of Annexure A to the SEBI Circular dated 20-Oct-2016 dealing with the minimum disclosures for key financial statements.</p> <p>Based on the above, the classification of Unitholders' funds as equity involved considerable management judgement. Accordingly, it is considered as a key audit matter.</p>	<p>Our audit procedures included evaluating the requirements for classification of financial liability and equity under Ind AS 32 and evaluating the provisions of SEBI Circulars for classification/presentation of Unitholders' funds in the financial statements of an Infrastructure Investment Trust.</p> <p>We assessed the disclosures in the standalone Ind AS financial statements for compliance with the relevant requirements of InvIT regulations.</p>
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**Disclosures relating to Statement of Net Assets at Fair Value and Statement of Total Returns at Fair Value as per InvIT regulations**  
(as described in note 16 of the standalone Ind AS financial statements)

Pursuant to SEBI Circular No. CIR/IMD/DF/114/2016 dated 20-Oct-2016 and No. CIR/IMD/DF/127/2016 dated 29-Nov-2016 issued under the InvIT Regulations, India Grid Trust is required to disclose Statement of Net Assets at Fair Value and Statement of Total Returns at Fair Value which requires fair valuation of the assets. Such fair valuation has been carried out by the independent valuer appointed by the InvIT.

For the purpose of the above, fair value is determined by forecasting and discounting future cash flows. The determination of fair value involves judgement due to inherent uncertainty in the underlying assumptions and it is highly sensitive to changes in some of the inputs used e.g. the discounting rate (WACC), inflation rates, tax rates, etc.

The determination of the fair values involved judgement due to inherent uncertainty in the assumptions supporting the fair values.

Accordingly, the disclosure of fair values as per InvIT regulations was determined to be a key audit matter in our audit of the standalone Ind AS financial statements

Our audit procedures included the following:

- Read the requirements of InvIT regulations for disclosures relating to Statement of Net Assets at Fair Value and Statement of Total Returns at Fair Value.
- Assessed the appropriateness of the management's valuation methodology in determining the fair values. In making this assessment, we also evaluated the objectivity and independence of InvIT's independent valuer involved in the process.
- Tested controls implemented by the management to determine inputs for fair valuation as well as assumptions used in the fair valuation.
- Together with valuation specialists, we reviewed the valuation reports issued by the independent valuer engaged by the management.
- Tested that the tariff revenues considered in the respective valuation models are in agreement with TSAs/tariff orders;
- Assessed the assumptions around the key drivers of the cash flow forecasts, discount rates and residual values;
- Also assessed the headroom by performing sensitivity testing of key assumptions used;
- Discussed changes in key drivers as compared to previous year/actual performance with management in order to evaluate whether the inputs and assumptions used in the valuation models were appropriate;
- Tested the arithmetical accuracy of the models;
- Read/assessed the disclosures in the standalone Ind AS financial statements for compliance with the relevant requirements of InvIT regulations.

### Other Information

Management of Sterlite Investment Managers Limited ("Investment Manager") is responsible for the other information. The other information comprises the information included in the Annual report, but does not include the standalone Ind AS financial statements and our auditor's report thereon.

Our opinion on the standalone Ind AS financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the standalone Ind AS financial statements, our responsibility is to read the other information and, in doing so, consider whether such other information is materially inconsistent with the standalone Ind AS financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of Management for the Standalone Ind AS Financial Statements

The Management of the Investment Manager is responsible for the preparation of these standalone Ind AS financial

statements that give a true and fair view of the financial position as at March 31, 2019, financial performance including other comprehensive income, cash movements and the movement of the Unitholders' funds for the year ended March 31, 2019, the net assets as at March 31, 2019, the total returns of the InvIT and the net distributable cash flows of the InvIT in conformity with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) and/or any addendum thereto as defined in Rule 2(1)(a) of the Companies (Indian Accounting Standards) Rules, 2015, as amended read with the InvIT Regulations. This responsibility includes the design, implementation and maintenance of adequate controls for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone Ind AS financial statements, Management is responsible for assessing the ability of the InvIT to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the InvIT or to cease operations, or has no realistic alternative but to do so.

Management of the Investment Manager is also responsible for overseeing the financial reporting process of the InvIT.

### **Auditor's Responsibilities for the Audit of the Standalone Ind AS Financial Statements**

Our objectives are to obtain reasonable assurance about whether the standalone Ind AS financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone Ind AS financial statements.

As part of an audit in accordance with SAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the standalone Ind AS financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the InvIT to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone Ind AS financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the InvIT to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone Ind AS financial statements, including the disclosures, and whether the standalone Ind AS financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Management with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Management, we determine those matters that were of most significance in the audit of the standalone Ind AS financial statements for the financial year ended March 31, 2019 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on Other Legal and Regulatory Requirements**

#### **Based on our audit, we report that:**

- (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- (b) The Balance Sheet and the Statement of Profit and Loss are in agreement with the books of account;
- (c) In our opinion, the aforesaid standalone Ind AS financial statements comply with the Accounting Standards (Ind AS) and/or any addendum thereto as defined in Rule 2(1)(a) of the Companies (Indian Accounting Standards) Rules, 2015, as amended.

#### **For S R B C & CO. LLP**

Chartered Accountants

ICAI Firm Registration Number: 324982E/E300003

#### **per Aryn Jassani**

Partner

Membership Number: 046447

Place: Mumbai

Date: April 24, 2019



# Standalone Balance Sheet

as at March 31, 2019

(All amounts in INR Million unless otherwise stated)

	Note	March 31, 2019	March 31, 2018
<b>Assets</b>			
<b>Non-current assets</b>			
Investment in subsidiaries	3	735.53	1,628.53
Financial assets			
(i) Investments	4	5,338.62	5,811.09
(ii) Loans	6	37,064.04	31,046.35
		<b>43,138.19</b>	<b>38,485.97</b>
<b>Current assets</b>			
Financial assets			
(i) Cash and cash equivalents	5	1,290.23	1,184.25
(ii) Other financial assets	7	462.06	12.69
Other current assets		-	0.02
		<b>1,752.29</b>	<b>1,196.96</b>
<b>Total assets</b>		<b>44,890.48</b>	<b>39,682.93</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Unit capital	8	28,380.00	28,380.00
Other equity			
Retained earnings/(Accumulated deficit)		(519.17)	774.00
<b>Total Unitholders' Equity</b>		<b>27,860.83</b>	<b>29,154.00</b>
<b>Non-Current liabilities</b>			
Financial liabilities			
(i) Borrowings	9	16,795.46	9,941.47
(ii) Other financial liability	10	156.72	579.50
		<b>16,952.18</b>	<b>10,520.97</b>
<b>Current liabilities</b>			
Financial liabilities			
Others	10	74.96	5.61
Other current liabilities	11	2.44	2.35
Provisions	12	0.07	-
		<b>77.47</b>	<b>7.96</b>
<b>Total equity and liabilities</b>		<b>44,890.48</b>	<b>39,682.93</b>
Summary of significant accounting policies	2.2		

The accompanying notes are an integral part of the financial statements.

As per our report of even date

For **S R B C & Co. LLP**

Chartered Accountants

Firm Registration No. 324982E/E300003

per **Amyr Jassani**

Partner

Membership Number: 046447

For and on behalf of the Board of Directors of Sterlite Investment  
Managers Limited

(as Investment Manager of India Grid Trust)

**Pratik Agarwal**

Director

DIN: 03040062

**Harsh Shah**

CEO & Whole Time Director

DIN: 02496122

**Swapnil Patil**

Company Secretary

Place : Mumbai

Dated : April 24, 2019

Place : Mumbai

Dated : April 24, 2019

# Standalone Statement of Profit and Loss

for the year ended March 31, 2019

(All amounts in INR Million unless otherwise stated)

	Note	March 31, 2019	March 31, 2018
<b>Income</b>			
Revenue from operations	13	5,525.07	3,239.50
Dividend income on investment in mutual funds		10.52	12.02
Interest income on investment in fixed deposits		16.72	0.52
Other Income		0.23	-
<b>Total income (I)</b>		<b>5,552.54</b>	<b>3,252.04</b>
<b>Expenses</b>			
Legal and professional fees		74.99	20.28
Annual listing fee		3.80	-
Rating fee		6.15	-
Valuation expenses		3.70	4.06
Trustee fee		2.16	2.94
Payment to auditors			
- Statutory Audit		2.36	1.42
- Other services (including certification)		3.26	-
Other expenses		5.17	0.19
Finance costs	14	1,015.45	102.18
Impairment of investment in subsidiary	16	2,316.84	496.03
<b>Total expenses (II)</b>		<b>3,433.88</b>	<b>627.10</b>
<b>Profit before tax (I-II)</b>		<b>2,118.66</b>	<b>2,624.94</b>
<b>Tax expense</b>			
- Current tax		6.08	-
- Deferred tax		-	-
- Income tax for earlier years		0.16	-
<b>Profit for the year</b>		<b>2,112.42</b>	<b>2,624.94</b>
<b>Other comprehensive income</b>			
Other comprehensive income to be reclassified to profit or loss in subsequent periods		-	-
Other comprehensive income not to be reclassified to profit or loss in subsequent periods		-	-
<b>Total comprehensive income</b>		<b>2,112.42</b>	<b>2,624.94</b>
<b>Earnings per unit (Computed on the basis of profit for the year (INR))</b>			
Basic	15	7.44	9.25
Diluted		7.30	9.05
Summary of significant accounting policies	2.2		

The accompanying notes are an integral part of the financial statements.

As per our report of even date

For **SRBC & Co. LLP**  
Chartered Accountants  
ICAI Firm Registration No. 324982E/E300003

**per Aryn Jassani**  
Partner  
Membership Number: 046447

Place : Mumbai  
Dated : April 24, 2019

For and on behalf of the Board of Directors of Sterlite Investment  
Managers Limited  
(as Investment Manager of India Grid Trust)

**Pratik Agarwal**  
Director  
DIN: 03040062

**Swapnil Patil**  
Company Secretary

Place : Mumbai  
Dated : April 24, 2019

**Harsh Shah**  
CEO & Whole Time Director  
DIN: 02496122

# Statement of Changes in Unitholders' Equity

for the year ended March 31, 2019

(All amounts in INR Million unless otherwise stated)

## A. Unit capital

	Nos. in Million	INR in Million
<b>As at April 1, 2017</b>	-	-
Units issued during the year	283.80	28,380.00
<b>Balance as at March 31, 2018</b>	<b>283.80</b>	<b>28,380.00</b>
Units issued during the year	-	-
<b>Balance as at March 31, 2019</b>	<b>283.80</b>	<b>28,380.00</b>

## B. Other equity

Particulars	Retained Earnings/ (Accumulated deficit) (INR in Million)
<b>As at April 1, 2017</b>	-
Profit for the year	2,624.94
Other comprehensive income	-
Less: Distribution during the year (refer note below)	(1,850.94)
<b>As at March 31, 2018</b>	<b>774.00</b>
Profit for the year	2,112.42
Other comprehensive income	-
Less: Distribution during the year (refer note below)	(3,405.59)
<b>As at March 31, 2019</b>	<b>(519.17)</b>

### Note:

The distribution relates to the distributions made during the financial year along with the distribution related to the last quarter of FY 2017-18 and does not include the distribution relating to the last quarter of FY 2018-19 which will be paid after March 31, 2019.

The distributions made by IndiGrid to its unitholders are based on the Net Distributable Cash flows (NDCF) of IndiGrid under the InvIT Regulations and hence part of the same includes repayment of capital as well.

As per our report of even date

For **S R B C & Co. LLP**  
Chartered Accountants  
ICAI Firm Registration No. 324982E/E300003

For and on behalf of the Board of Directors of Sterlite Investment Managers Limited  
(as Investment Manager of India Grid Trust)

**per Amyr Jassani**  
Partner  
Membership Number: 046447

**Pratik Agarwal**  
Director  
DIN: 03040062

**Harsh Shah**  
CEO & Whole Time Director  
DIN: 02496122

**Swapnil Patil**  
Company Secretary

Place : Mumbai  
Dated : April 24, 2019

Place : Mumbai  
Dated : April 24, 2019

# Standalone Cash Flow Statement

for the year ended March 31, 2019

(All amounts in INR Million unless otherwise stated)

	March 31, 2019	March 31, 2018
<b>A. Cash flows from operating activities</b>		
<b>Net profit as per statement of profit and loss</b>	2,112.42	2,624.94
Adjustment for taxation	6.24	-
Profit before tax	<b>2,118.66</b>	<b>2,624.94</b>
Non-cash adjustment to reconcile profit before tax to net cash flows		
Interest income on Non-Convertible Debentures	(638.62)	(473.82)
Impairment of investment in subsidiary	2,316.84	496.03
Interest income on loans given to subsidiaries	(4,886.45)	(2,765.68)
Interest expense and other bank charges on long-term borrowings	1,015.45	102.18
Interest income on fixed deposits	(16.72)	(0.52)
Dividend income from mutual fund investments	(10.52)	(12.02)
<b>Operating loss before working capital changes</b>	<b>(101.36)</b>	<b>(28.89)</b>
Movements in working capital:		
(Increase)/decrease in other current financial assets	(7.96)	(6.03)
(Increase)/decrease in other current assets	0.02	(0.02)
Increase/(decrease) in other current financial liabilities	13.78	3.36
Increase/(decrease) in other current liabilities	0.09	2.35
<b>Change in working capital</b>	<b>5.93</b>	<b>(0.34)</b>
<b>Cash used in operations</b>	<b>(95.43)</b>	<b>(29.23)</b>
Direct taxes paid (net of refunds)	(6.17)	-
<b>Net cash flow used in operating activities (A)</b>	<b>(101.60)</b>	<b>(29.23)</b>
<b>B. Cash flows from investing activities</b>		
Purchase of optionally convertible preference shares of subsidiary	-	(1,001.96)
Purchase of equity shares of subsidiary	(735.53)	-
Loans given to subsidiaries	(6,321.06)	(32,777.63)
Loans repaid by subsidiaries	303.37	1,731.27
Interest income on loans given to subsidiaries	4,447.45	2,758.65
Interest income on fixed deposits	14.28	0.52
Dividend income from mutual fund investments	10.52	12.02
<b>Net cash flow used in investing activities (B)</b>	<b>(2,280.98)</b>	<b>(29,277.13)</b>
<b>C. Cash flows from financing activities</b>		
Proceeds from issue of unit capital	-	22,500.00
Proceeds of Long-term borrowings	6,850.00	10,000.00
Payment of upfront fees of long-term borrowings	-	(58.53)
Payment of interest and other charges on long-term borrowings	(961.57)	(99.92)
Payment of distributions to unitholders	(3,399.88)	(1,850.94)
<b>Net cash flow from financing activities (C)</b>	<b>2,488.55</b>	<b>30,490.61</b>
Net increase in cash and cash equivalents (A + B + C)	105.98	1,184.25
Cash and cash equivalents as at beginning of year	1,184.25	-
<b>Cash and cash equivalents as at year end</b>	<b>1,290.23</b>	<b>1,184.25</b>
<b>Breakup of cash and cash equivalents</b>		
<b>Balances with banks</b>		
On current accounts <sup>^</sup>	6.78	758.24
Deposit with original maturity of less than 3 months	1,084.45	-
Cheques on hand	199.00	426.01
<b>Total cash and cash equivalents (refer note 5)</b>	<b>1,290.23</b>	<b>1,184.25</b>

<sup>^</sup> Out of total amount, INR 5.75 Million (March 31, 2018: INR 0.04 Million) pertains to unclaimed dividend to unitholders.



# Standalone Cash Flow Statement

for the year ended March 31, 2019

(All amounts in INR Million unless otherwise stated)

## Reconciliation between opening and closing balances for liabilities arising from financing activities

Particulars	Long-term borrowings
<b>April 1, 2017</b>	-
<b>Cash flow</b>	
- Interest	(158.45)
- Dividend	-
- Proceeds/ (repayments)	10,000.00
Accrual for the year	102.18
<b>March 31, 2018</b>	<b>9,943.73</b>
<b>Cash Flow</b>	
- Interest	(961.57)
- Dividend	-
- Proceeds/ (repayments)	6,850.00
Accrual for the year	1,015.45
<b>March 31, 2019</b>	<b>16,847.61</b>

### Note:

The Trust issued its units in the previous year in exchange of the equity shares and Non-Convertible Debentures of SGL1. The same has not been reflected in cash flow since it was a non-cash transaction.

Summary of significant accounting policies 2.2

As per our report of even date

For **S R B C & Co. LLP**  
Chartered Accountants  
ICAI Firm Registration No. 324982E/E300003

For and on behalf of the Board of Directors of Sterlite Investment Managers Limited  
(as Investment Manager of India Grid Trust)

**per Aryn Jassani**  
Partner  
Membership Number: 046447

**Pratik Agarwal**  
Director  
DIN: 03040062

**Harsh Shah**  
CEO & Whole Time Director  
DIN: 02496122

**Swapnil Patil**  
Company Secretary

Place : Mumbai  
Dated : April 24, 2019

Place : Mumbai  
Dated : April 24, 2019

## Disclosures pursuant to SEBI Circulars

(SEBI Circular No. CIR/IMD/DF/114/2016 dated October 20, 2016 and No. CIR/IMD/DF/127/2016 dated November 29, 2016 issued under the InvIT Regulations)

### A. STATEMENT OF NET ASSETS AT FAIR VALUE AS AT MARCH 31, 2019

(INR in Million)

Particulars	March 31, 2019		March 31, 2018	
	Book value	Fair value	Book value	Fair value
A. Assets*	44,890.48	45,008.33	39,682.94	39,682.94
B. Liabilities (at book value)	17,029.65	17,029.65	10,528.92	10,528.92
C. Net Assets (A-B)	27,860.83	27,978.68	29,154.02	29,154.02
D. Number of units	283.80	283.80	283.80	283.80
E. NAV (C/D)	98.17	98.59	102.73	102.73

\* Total assets after provision for impairment on investment in subsidiary determined based on fair valuation.

### Project-wise breakup of fair value of assets as at: (refer Note 1)

(INR in Million)

Project	March 31, 2019
Sterlite Grid 1 Limited	41,259.92
Patran Transmission Company Limited*	2,442.23
<b>Sub-total</b>	<b>43,702.15</b>
Assets (in IndiGrid)	1,306.19
<b>Total assets</b>	<b>45,008.34</b>

\* During the current year, the Trust has acquired Patran Transmission Company Limited (PTCL) with effect from August 30, 2018.

### B. STATEMENT OF TOTAL RETURNS AT FAIR VALUE

(INR in Million)

Particulars	March 31, 2019	March 31, 2018
Total Comprehensive Income (As per the Statement of Profit and Loss)	2,112.42	2,624.94
Add/(less): Other Changes in Fair Value (e.g. in investment property, property, plant & equipment (if cost model is followed)) not recognized in Total Comprehensive Income	117.85	-
<b>Total Return</b>	<b>2,230.27</b>	<b>2,624.94</b>

#### Notes:

- During the year ended March 31, 2018, the Trust did not directly hold investments in the project SPVs. It held investment in SGL1 (which is the intermediate holding company) which in turn held investments in the project SPVs. Hence the break-up of fair values of the assets project wise has been given in the Consolidated Financial Statements of the Trust for March 31, 2018.
- Fair value of assets as at March 31, 2019 and as at March 31, 2018 and Other changes in fair value for the year then ended as disclosed in the above tables are based on fair valuation report issued by the independent valuer appointed under the InvIT Regulations.
- Sensitivity analysis with respect to significant unobservable inputs used in the fair value measurement has been disclosed in Note 17.

## Disclosures pursuant to SEBI Circulars

(SEBI Circular No. CIR/IMD/DF/114/2016 dated October 20, 2016 and No. CIR/IMD/DF/127/2016 dated November 29, 2016 issued under the InvIT Regulations)

### STATEMENT OF NET DISTRIBUTABLE CASH FLOWS (NDCF<sub>s</sub>)

Description	(INR in Million)	
	April 01, 2018 to March 31, 2019	April 01, 2017 to March 31, 2018
Cash flows received from the Portfolio Assets in the form of interest	4,447.45	2,758.65
Cash flows received from the Portfolio Assets in the form of dividend	-	-
Any other income accruing at IndiGrid level and not captured above, including but not limited to interest/return on surplus cash invested by IndiGrid	27.47	12.54
Cash flows received from the Portfolio Assets towards the repayment of the debt issued to the Portfolio Assets by IndiGrid (refer note 1)	303.37	335.88
Proceeds from the Portfolio Assets for a capital reduction by way of a buy back or any other means as permitted, subject to applicable law	-	-
Proceeds from sale of assets of the Portfolio Asset not distributed pursuant to an earlier plan to re-invest, or if such proceeds are not intended to be invested subsequently	-	-
<b>Total cash inflow at the IndiGrid level (A)</b>	<b>4,778.29</b>	<b>3,107.07</b>
Less: Any payment of fees, interest and expense incurred at IndiGrid level, including but not limited to the fees of the Investment Manager and Trustee (refer note 2)	(1,158.18)	(313.90)
Less: Costs/retention associated with sale of assets of the Portfolio Assets:	-	-
- related debts settled or due to be settled from sale proceeds of Portfolio Assets;	-	-
- transaction costs paid on sale of the assets of the Portfolio Assets; and	-	-
- capital gains taxes on sale of assets/ shares in Portfolio Assets/ other investments.	-	-
Less: Proceeds reinvested or planned to be reinvested in accordance with Regulation 18(7)(a) of the InvIT Regulations	-	-
Less: Repayment of external debt at the IndiGrid level and at the level of any of the underlying portfolio assets/special purpose vehicles (Excluding refinancing)	-	-
Less: Income tax (if applicable) at the standalone IndiGrid level	(6.24)	-
Less: Amount invested in any of the Portfolio Assets for service of debt or interest	(261.80)	-
Less: Repair work in relation to the projects undertaken by any of the Portfolio Assets	-	-
<b>Total cash outflows / retention at IndiGrid level (B)</b>	<b>(1,426.22)</b>	<b>(313.90)</b>
<b>Net Distributable Cash Flows (C) = (A+B)</b>	<b>3,352.07</b>	<b>2,793.17</b>

#### Notes to the Statement of Net Distributable Cash Flow:

- In FY 17-18, excludes INR 1,395.39 Million of debt repayment by JTCL to IndiGrid out of the proceeds of total external debt of INR 4,230 Million raised by JTCL during the year.
- Includes amount of INR 45.13 Million towards creation of interest service reserve account in respect of the external debt raised during the year.

# Notes to the Standalone Financial Statements

for the year ended March 31, 2019

## 1. Trust information

India Grid Trust ("the Trust" or "IndiGrid") is an irrevocable trust settled by Sterlite Power Grid Ventures Limited (the "Sponsor") on October 21, 2016 pursuant to the Trust Deed under the provisions of the Indian Trusts Act, 1882 and registered with Securities Exchange Board of India ("SEBI") under the SEBI (Infrastructure Investment Trust) Regulations, 2014 as an Infrastructure Investment Trust on November 28, 2016 having registration number IN/InvIT/16-17/0005. The Trustee of IndiGrid is Axis Trustee Services Limited (the "Trustee"). The Investment manager for IndiGrid is Sterlite Investment Managers Limited (the "Investment Manager" or the "Management").

The objectives of IndiGrid are to undertake activities as an infrastructure investment trust in accordance with the provisions of the InvIT Regulations and the Trust Deed. The principal activity of IndiGrid is to own and invest in power transmission assets in India with the objective of producing stable and sustainable distributions to unitholders.

As at March 31, 2019, IndiGrid has following project entities which are transmission infrastructure projects developed on Build, Own, Operate and Maintain ('BOOM') basis:

1. Bhopal Dhule Transmission Company Limited ('BDTCL')
2. Jabalpur Transmission Company Limited ('JTCL')
3. RAPP Transmission Company Limited ('RTCL')
4. Purulia & Kharagpur Transmission Company Limited ('PKTCL')
5. Maheshwaram Transmission Limited ('MTL')
6. Patran Transmission Company Limited ('PTCL')

These SPVs have executed Transmission Services Agreements ("TSAs") with Long-term transmission customers under which the SPVs have to maintain the transmission infrastructure for 35 years post commissioning.

The address of the registered office of the Investment Manager is Maker Maxity, 5 North Avenue, Level 5, Bandra-Kurla Complex, Bandra (East), Mumbai - 400 051, Maharashtra, India. The financial statements were authorised for issue in accordance with resolution passed by the Board of Directors of the Investment Manager on April 24, 2019.

## 2. Significant Accounting Policies

### 2.1 Basis of preparation

These financial statements are the separate financial statements of the Trust and comprise of the Balance Sheet as at March 31, 2019, the Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Statement of Cash Flow and the Statement of Changes in Unitholders' Equity for the year then ended and the Statement of Net Assets at fair value as at

March 31, 2019 and the Statement of Total Returns at fair value and the Statement of Net Distributable Cash Flows ('NDCFs') for the year then ended and a summary of significant accounting policies and other explanatory notes in accordance with Indian Accounting Standards as defined in Rule 2(1)(a) of the Companies (Indian Accounting Standards) Rules, 2015 (as amended), prescribed under Section 133 of the Companies Act, 2013 ("Ind AS") read with SEBI (Infrastructure Investment Trusts) Regulations, 2014, as amended and the circulars issued thereunder ("InvIT Regulations").

The financial statements have been prepared on a historical cost basis, except for the following assets which have been measured at fair value:

- Certain financial assets measured at fair value (refer accounting policy regarding financial instruments).

The financial statements are presented in Indian Rupees Million, except when otherwise indicated.

### 2.2 Summary of significant accounting policies

The following is the summary of significant accounting policies applied by the Trust in preparing its financial statements:

#### a) Current versus non-current classification

The Trust presents assets and liabilities in the balance sheet based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.



# Notes to the Standalone Financial Statements

for the year ended March 31, 2019

The Trust classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Operating cycle of the Trust is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents. The Trust has identified twelve months as its operating cycle.

## b) Foreign currencies

The Trust's financial statements are presented in INR, which is its functional currency. The Trust does not have any foreign operation.

### Transactions and balances

Transactions in foreign currencies are initially recorded by the Trust at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Exchange differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

## c) Fair value measurement

The Trust measures financial instruments such as mutual funds at fair value at each balance sheet date.

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 measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Trust.

The fair value of an asset or a liability is measured using the assumptions that market participants would

use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Trust uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Trust determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

In estimating the fair value of investments in subsidiaries, the Trust engages independent qualified external valuers to perform the valuation. The management works closely with the external valuers to establish the appropriate valuation techniques and inputs to the model. The management in conjunction with the external valuers also compares the change in fair value with relevant external sources to determine whether the change is reasonable. The management reports the valuation report and findings to the Board of the Investment Manager half

# Notes to the Standalone Financial Statements

for the year ended March 31, 2019

yearly to explain the cause of fluctuations in the fair value of the transmission projects.

At each reporting date, the management analyses the movement of assets and liabilities which are required to be remeasured or reassessed as per the Trust's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

For the purpose of fair value disclosures, the Trust has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

This note summarises accounting policy for fair value. Other fair value related disclosures are given in the relevant notes.

- Quantitative disclosures of fair value measurement hierarchy (Note 18)
- Disclosures for valuation methods, significant estimates and assumptions (Note 17, 16)
- Financial instruments (including those carried at amortised cost) (Note 4,5,6,7,9)

## d) Revenue Recognition

The specific recognition criteria described below must be met before revenue is recognised.

### Interest income

For all debt instruments measured at amortised cost, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset or to the amortised cost of a financial liability. When calculating the effective interest rate, the Trust estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but does not consider the expected credit losses.

### Dividends

Income from dividend on investments is accrued in the year in which it is declared, whereby the Trust's right to receive is established.

## e) Taxation

### Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current income tax relating to items recognised outside statement of profit or loss is recognised outside statement of profit or loss (either in other comprehensive income or in equity). Current tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

### Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and,

# Notes to the Standalone Financial Statements

for the year ended March 31, 2019

at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside statement of profit or loss is recognised outside statement of profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

## **Sales/value added taxes paid on acquisition of assets or on incurring expenses**

Expenses and assets are recognised net of the amount of sales/value added taxes paid, except:

- When the tax incurred on a purchase of assets or services is not recoverable from the tax authority, in which case, the tax paid is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- When receivables and payables are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the tax authority is included as part of receivables or payables in the balance sheet.

## **f) Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that the Trust incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs.

## **g) Impairment of non-financial assets**

The Trust assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Trust estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Trust bases its impairment calculations on detailed budget and forecast calculations. These budgets are prepared for the entire project life.

Impairment losses of continuing operations are recognised in the statement of profit and loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Trust estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been

# Notes to the Standalone Financial Statements

for the year ended March 31, 2019

a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit and loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

## h) Provisions

Provisions are recognised when the Trust has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Trust expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

## i) Investments in subsidiaries

The Trust accounts for its investments in subsidiaries at cost less accumulated impairment losses (if any) in its separate financial statements. Investments accounted for at cost are accounted for in accordance with Ind AS 105, Non-current Assets Held for Sale and Discontinued Operations, when they are classified as held for sale.

## j) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

### Financial assets

#### Initial recognition and measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established

by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that the Trust commits to purchase or sell the asset.

#### Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- i. Debt instruments at amortised cost
- ii. Debt instruments at fair value through other comprehensive income (FVTOCI)
- iii. Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL)
- iv. Equity instruments measured at fair value through other comprehensive income (FVTOCI)

#### Debt instruments at amortised cost

A 'debt instrument' is measured at the amortised cost if both the following conditions are met:

- a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
- b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

This category is most relevant to the Trust. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss. This category generally applies to interest receivable and loans given to subsidiaries (Refer Note 6 and 7).

#### Debt instrument at FVTOCI

A 'debt instrument' is classified as FVTOCI if both of the following criteria are met:

- a) The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and
- b) The asset's contractual cash flows represent SPPI.

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognised in the other comprehensive income (OCI). However, interest income, impairment losses and reversals and foreign exchange gain or loss are recognised in the statement of profit or loss.



# Notes to the Standalone Financial Statements

for the year ended March 31, 2019

On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from the equity to statement of profit or loss. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method. The Trust does not have financial assets which are subsequently measured at FVTOCI.

## Debt instrument at FVTPL

FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorisation as at amortised cost or as FVTOCI, is classified as at FVTPL.

In addition, the Trust may elect to designate a debt instrument, which otherwise meets amortised cost or FVTOCI criteria, as at FVTPL. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch'). The Trust has not designated any debt instrument as at FVTPL.

Debt instruments included within the FVTPL category are measured at fair value with all changes recognised in the statement of profit or loss.

## Equity investments

All equity investments in scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading and contingent consideration recognised by an acquirer in a business combination to which Ind AS 103 applies are classified as at FVTPL. For all other equity instruments, the Trust may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Trust makes such election on an instrument-by-instrument basis. The classification is made on initial recognition and is irrevocable.

If the Trust decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognised in the OCI. There is no recycling of the amounts from OCI to statement of profit or loss, even on sale of investment. However, the Trust may transfer the cumulative gain or loss within equity.

Equity instruments included within the FVTPL category are measured at fair value with all changes recognised in the statement of profit or loss.

## Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial

assets) is primarily derecognised (i.e. removed from the Trust's balance sheet) when:

- The rights to receive cash flows from the asset have expired, or
- The Trust has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Trust has transferred substantially all the risks and rewards of the asset, or (b) the Trust has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Trust has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Trust continues to recognise the transferred asset to the extent of the Trust's continuing involvement. In that case, the Trust also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Trust has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Trust could be required to repay.

## Impairment of financial assets

Majority of the financial assets of the Trust which are not reflected at fair value pertain to loans to subsidiaries and other receivables. Considering the nature of business, the Trust does not foresee any credit risk on its loans and other receivables which may cause an impairment. Majority of the other receivable pertain to receivable from subsidiary companies only. Also, the Trust does not have any history of impairment of other receivables.

For the financial assets which are reflected at fair value, no further impairment allowance is necessary as they reflect the fair value of the relevant financial asset itself.

## Financial liabilities

### Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or

# Notes to the Standalone Financial Statements

for the year ended March 31, 2019

loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Trust's financial liabilities include borrowings and related costs, trade and other payables and derivative financial instrument.

### **Subsequent measurement**

The measurement of financial liabilities depends on their classification, as described below:

#### **Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Trust that are not designated as hedging instruments in hedge relationships as defined by Ind AS 109. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. For liabilities designated as FVTPL, fair value gains/losses attributable to changes in own credit risk are recognised in OCI. These gains/losses are not subsequently transferred to P&L. However, the Trust may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the statement of profit or loss.

#### **Loans and borrowings**

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and

fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to borrowings. For more information refer Note 9.

### **Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

### **Embedded derivatives**

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract – with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss.

If the hybrid contract contains a host that is a financial asset within the scope of Ind AS 109, the Trust does not separate embedded derivatives. Rather, it applies the classification requirements contained in Ind AS 109 to the entire hybrid contract. Derivatives embedded in all other host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss, unless designated as effective hedging instruments.

# Notes to the Standalone Financial Statements

for the year ended March 31, 2019

## **Reclassification of financial assets**

The Trust determines classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made for financial assets which are equity instruments and financial liabilities. For financial assets which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. Changes to the business model are expected to be infrequent. The Trust's senior management determines change in the business model as a result of external or internal changes which are

significant to the Trust's operations. Such changes are evident to external parties. A change in the business model occurs when the Trust either begins or ceases to perform an activity that is significant to its operations. If the Trust reclassifies financial assets, it applies the reclassification prospectively from the reclassification date which is the first day of the immediately next reporting period following the change in business model. The Trust does not restate any previously recognised gains, losses (including impairment gains or losses) or interest.

The following table shows various reclassification and how they are accounted for:

Original classification	Revised Classification	Accounting Treatment
Amortised Cost	FVTPL	Fair value is measured at reclassification date. Difference between previous amortised cost and fair value is recognised in statement of profit or loss.
FVTPL	Amortised Cost	Fair value at reclassification date becomes its new gross carrying amount. EIR is calculated based on the new gross carrying amount.
Amortised cost	FVTOCI	Fair value is measured at reclassification date. Difference between previous amortised cost and fair value is recognised in OCI. No change in EIR due to reclassification.
FVTOCI	Amortised cost	Fair value at reclassification date becomes its new amortised cost carrying amount. However, cumulative gain or loss in OCI is adjusted against fair value. Consequently, the asset is measured as if it had always been measured at amortised cost.
FVTPL	FVTOCI	Fair value at reclassification date becomes its new carrying amount. No other adjustment is required.
FVTOCI	FVTPL	Assets continue to be measured at fair value. Cumulative gain or loss previously recognised in OCI is reclassified to statement of profit or loss at the reclassification date.

## **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

### **k) Cash and cash equivalents**

Cash and cash equivalents in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts (if any) as they are considered an integral part of the Trust's cash management.

### **l) Cash distribution to Unitholders'**

The Trust recognises a liability to make cash distributions to Unitholders' when the distribution is authorised and a legal obligation has been

created. As per the InvIT Regulations, a distribution is authorised when it is approved by the Board of Directors of the Investment Manager. A corresponding amount is recognised directly in equity.

### **m) Earnings per unit**

Basic earnings per unit is calculated by dividing the net profit or loss attributable to Unitholders' of the Trust (after deducting preference dividends and attributable taxes if any) by the weighted average number of units outstanding during the period. The weighted average number of units outstanding during the period is adjusted for events such as bonus issue, bonus element in a rights issue, split, and reverse split (consolidation of units) that have changed the number of units outstanding, without a corresponding change in resources.

For the purpose of calculating diluted earnings per unit, the net profit or loss for the period attributable to Unitholders' of the Trust and the weighted average number of units outstanding during the period are adjusted for the effects of all dilutive potential units.

# Notes to the Standalone Financial Statements

for the year ended March 31, 2019

## 2.3 Standards issued but not yet effective

Ind AS 116 Leases was notified on 30 March 2019 and it replaces Ind AS 17 Leases, including appendices thereto. Ind AS 116 is effective for annual periods beginning on or after 1 April 2019. Ind AS 116 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under Ind AS 17. Lessor accounting under Ind AS 116 is substantially unchanged from the current

accounting under Ind AS 17. Lessors will continue to classify all leases using the same classification principle as in Ind AS 17 and distinguish between two types of leases: operating and finance leases.

The Trust intends to adopt this standard, if applicable, when it becomes effective. As the Trust does not have any material leases, therefore the adoption of this standard is not likely to have a material impact on its Financial Statements.

## Note 3. Investments in subsidiaries

(INR in Million)

	March 31, 2019	March 31, 2018
<b>Equity investments, at cost (unquoted)</b>		
Sterlite Grid 1 Limited ("SGL1") # [17.67 Million (March 31, 2018: 17.67 Million) equity shares of INR 10 each fully paid-up]	699.82	1,122.60
Less: Provision for impairment (refer note 16)	(699.82)	(496.03)
	-	626.57
Patran Transmission Company Limited 50 Million (March 31, 2018: Nil) equity shares of INR 10 each fully paid-up	735.53	-
	<b>735.53</b>	<b>626.57</b>
<b>Preference shares, at cost (unquoted)</b>		
Sterlite Grid 1 Limited ("SGL1") [665.82 Million (March 31, 2018: 665.82 Million) 0.01% Optionally convertible redeemable non-cumulative preference shares ("OCRPS") of INR 10 each fully paid-up*]	1,001.96	1,001.96
Less: Provision for impairment (refer note 16)	(1,001.96)	-
	-	1,001.96
<b>Total</b>	<b>735.53</b>	<b>1,628.53</b>

# Includes amount of INR 525.10 Million (March 31, 2018: INR 525.10 Million) towards equity component of Non-Convertible Debentures issued by Sterlite Grid 1 Limited and INR 156.72 Million (March 31, 2018: INR 579.50 Million) towards payable to SPGVL in respect of acquisition of BDTCL. Refer note 4, 10 and 16 for details.

\* The OCRPS are either convertible into equity shares of SGL1 in the ratio of 1:1 or redeemable solely at the option of SGL1 within a period of 7 years from the date of issue.

## Details of the subsidiaries are as follows:

Name of subsidiary	Country of incorporation	Ownership interest %	
		March 31, 2019	March 31, 2018
<b>Directly held by the Trust:</b>			
Sterlite Grid 1 Limited ("SGL1")	India	100%	100%
Patran Transmission Company Limited ("PTCL")**	India	74%	-
<b>Indirectly held by the Trust (through SGL1):</b>			
Bhopal Dhule Transmission Company Limited ("BDTCL")	India	100%	100%
Jabalpur Transmission Company Limited ("JTCL")	India	100%	100%
Purulia & Kharagpur Transmission Company Limited ("PKTCL")	India	100%	100%
RAPP Transmission Company Limited ("RTCL") *	India	74%	49%
Maheshwaram Transmission Limited ("MTL") *	India	49%	49%

\* Pursuant to the share purchase agreement and shareholders' agreement dated February 14, 2018 executed for the acquisition of MTL, the Trust (through SGL1) owns voting and certain other rights in the remaining stake in these entities which effectively gives it the beneficial interest over the entire 100% stake.

\*\*\* Pursuant to Share Purchase agreement/Shareholders' Agreement ("SPA") dated February 19, 2018, the Trust acquired Patran Transmission Company Limited (PTCL) (referred as "the SPV"), from Techno Power Grid Company Limited and Techno Electric and Engineering Company Limited at a cost of INR 2,420.72 Million based on the valuation report obtained by management with effect from August 30, 2018. The Trust holds 74% equity stake in the SPV and on the remaining 26%, the Trust has beneficial interest based on the rights available to it under the SPA.



# Notes to the Standalone Financial Statements

for the year ended March 31, 2019

## Note 4. Non-Current investments

	(INR in Million)	
	March 31, 2019	March 31, 2018
<b>Non-Convertible Debentures (unquoted) (at amortised cost)</b>		
Sterlite Grid 1 Limited	6,449.71	5,811.09
(665.82 Million (March 31, 2018: 665.82 Million) 0.01% Non-Convertible Debentures of INR 10 each)#		
Less: Provision for impairment (refer note 16)	(1,111.09)	-
<b>Total</b>	<b>5,338.62</b>	<b>5,811.09</b>

# Non-Convertible Debenture (NCD) of Face value of INR10 each are issued by Sterlite Grid 1 Limited. The NCD would be redeemable at the option of the NCD holder anytime after July 22, 2019. If the NCD holders do not exercise their right of redeeming the NCDs, the NCDs shall be due for repayment at the end of July 2021. Since the interest rate for the NCD is below market rate, an amount of INR 525.10 Million has been re-classified as equity contribution in subsidiary disclosed under investment in subsidiary.

## Note 5. Cash and cash equivalents

	(INR in Million)	
	March 31, 2019	March 31, 2018
Balances with banks		
On current accounts^	6.78	758.24
Cheques on hand*	199.00	426.01
Short-term deposits#	1,084.45	-
<b>Total</b>	<b>1,290.23</b>	<b>1,184.25</b>

^ Out of total amount, INR 5.75 Million (March 31, 2018: INR 0.04 Million) pertains to unclaimed dividend to unit holders.

\* Pertains to remittances received from subsidiaries in respect of interest/principal repayments of loans for the month of March 2019/2018.

# Includes amount of INR 357.17 Million (March 31, 2018: INR 206.25 Million) is kept in Interest Service Reserve Account ('ISRA') as per borrowing agreements with lenders.

## Note 6. Non-current loans (unsecured, considered good)

	(INR in Million)	
	March 31, 2019	March 31, 2018
Loans to subsidiaries (refer note 19)	37,064.04	31,046.35
<b>Total</b>	<b>37,064.04</b>	<b>31,046.35</b>

Loans are non-derivative financial assets which are repayable by subsidiaries upon expiry of period of their respective Transmission Services Agreement. Further, the subsidiaries are entitled to prepay all or any portion of the outstanding principal with a prior notice. The loans to subsidiaries carry interest @ 15% p.a.

## Note 7. Other current financial assets

	(INR in Million)	
	March 31, 2019	March 31, 2018
Interest receivable from subsidiaries (refer note 19)	446.03	7.03
Advances receivable in cash	-	5.66
Accrued income on fixed deposit	2.43	-
Receivable from related party (refer note 19)	13.60	-
<b>Total</b>	<b>462.06</b>	<b>12.69</b>

## Note 8. Unit capital

	Number of units (in Million)	Unit Capital ( INR in Million)
<b>As at April 1, 2017</b>	-	-
Issued during the year	283.80	28,380.00
<b>As at March 31, 2018</b>	<b>283.80</b>	<b>28,380.00</b>
Issued during the year	-	-
<b>As at 31 March 20W19</b>	<b>283.80</b>	<b>28,380.00</b>

# Notes to the Standalone Financial Statements

for the year ended March 31, 2019

## Terms/rights attached to units

The Trust has only one class of units. Each Unit represents an undivided beneficial interest in the Trust. Each holder of unit is entitled to one vote per unit. The Unitholders have the right to receive at least 90% of the Net Distributable Cash Flows of the Trust at least once in every six months in each financial year in accordance with the InvIT Regulations. The Investment Manager approves dividend distributions. The distribution will be in proportion to the number of units held by the unitholders. The Trust declares and pays dividends in Indian rupees.

A Unitholder has no equitable or proprietary interest in the projects of IndiGrid and is not entitled to any share in the transfer of the projects (or any part thereof) or any interest in the projects (or any part thereof) of IndiGrid. A Unitholder's right is limited to the right to require due administration of IndiGrid in accordance with the provisions of the Trust Deed and the Investment Management Agreement.

## Note 9. Long-term borrowings

(INR in Million)

	March 31, 2019	March 31, 2018
<b>Non-current</b>		
<b>Debentures</b>		
2,500 (March 31, 2018: Nil) 8.60% Non-Convertible Debentures of INR 10,00,000 each (secured)	2,500.00	-
4,350 (March 31, 2018: Nil) 8.9922% Non-Convertible Debentures of INR 10,00,000 each (secured)	4,350.00	-
<b>Term loans</b>		
Indian rupee term loan from bank (secured)	9,945.46	9,941.47
<b>Total</b>	<b>16,795.46</b>	<b>9,941.47</b>
<b>Current maturities</b>		
Interest accrued	52.15	2.26
	<b>52.15</b>	<b>2.26</b>
Less: Amount disclosed under the head "Other current financial liabilities" (note 10)	52.15	2.26
<b>Net borrowings</b>	<b>-</b>	<b>-</b>

### 8.60% Non-Convertible Debentures

Non-Convertible Debentures (NCDs) carry interest at the rate of 8.60% p.a. payable quarterly. Entire NCD amount shall be redeemable as a bullet repayment at the end of 10 years from the deemed date of allotment. The NCDs are secured by:

- First pari passu charge on entire current assets including loans and advances, any receivables accrued/realised from those loans and advances extended by the Trust to its subsidiaries (direct or indirect) including loans to all project SPVs and future SPVs;
- First pari-passu charge on Escrow account of the Trust
- negative lien on immovable assets, movable assets, current assets and cash flows of specified project SPVs;
- Pledge over 51% of the share capital of specified SPVs The Trust is in process of creation of security charge on the above NCDs.

### 8.992% Non-Convertible Debentures

Non-Convertible Debentures ('NCD') carry interest at the rate of 8.992% p.a. payable quarterly. Entire NCD amount shall be redeemable as a bullet repayment at the end of 10 years from the deemed date of allotment. The NCD is secured by:

- first *pari passu* charge on entire current assets including loans and advances, any receivables accrued/realised from those loans and advances extended by the Trust to its subsidiaries (direct or indirect) including loans to all project SPVs and future SPVs;
- First *pari-passu* charge on Escrow account of the Trust
- negative lien on immovable assets, movable assets, current assets and cash flows of specified project SPVs;
- Pledge over 51% of the share capital of specified SPVs.

The Trust is in process of creation of security charge on the above NCDs.

### Term loan from bank

The Indian rupee term loan from bank carries interest at the rate of 8.25% p.a. payable monthly. Entire loan amount shall be repayable as a bullet repayment at the end of 10 years from the date of disbursement. The term loan is secured by (i) first *pari passu* charge on entire current assets including loans and advances, any receivables accrued/realised from those loans

# Notes to the Standalone Financial Statements

for the year ended March 31, 2019

and advances extended by the Trust to its subsidiaries (direct or indirect) including loans to all project SPVs and future SPVs; (ii) negative lien on immovable assets, movable assets, current assets and cash flows of project SPVs to be provided upfront; (iii) First *pari-passu* charge on Escrow account of the Trust.

## Financial covenants

Loans from bank, financial institution contain certain debt covenants relating to limitation on interest service coverage ratio, debt service coverage ratio, total debt gearing, maintenance of specified security margin etc. The financial covenants are reviewed on availability of audited accounts of the respective borrower annually. For the financial year ended March 31, 2019, the Group has satisfied all debt covenants prescribed in the terms of loan from bank and financial institutions, where applicable.

## Note 10. Other financial liabilities

	(INR in Million)	
	March 31, 2019	March 31, 2018
<b>Non-current</b>		
Payable towards project acquired*	156.72	579.50
<b>Total</b>	<b>156.72</b>	<b>579.50</b>
<b>Current</b>		
Dividend payable	5.75	0.04
Interest accrued but not due on borrowings	52.15	2.26
Others	17.06	3.31
<b>Total</b>	<b>74.96</b>	<b>5.61</b>

\*Bhopal Dhule Transmission Company Limited ("BDTCL"), subsidiary of the Trust, had filed petition dated October 15, 2016 with CERC for grant of incremental tariff to compensate for additional expenditure incurred on BDTCL project. Pursuant to the Project Implementation and Management Agreement dated November 10, 2016 as amended ("PIMA"), the Trust was required to issue additional units to Sterlite Power Grid Ventures Limited ("SPGVL") in case any additional tariff is approved by CERC. The units to be issued would be to the extent of 80% of the additional capital expenditure as approved by CERC in respect of the pending petition. Accordingly, the Trust had estimated and recorded an amount of INR 579.50 Million in previous year towards the units issuable to SPGVL in accordance with PIMA as payable for asset acquisition.

During the year, CERC approved a part of the claim, for additional expenditure due to change in tax rates of INR 195.91 Million which resulted in increase in non-escalable tariff revenue by 0.69%. However certain portion of the claim is still pending with CERC. The period for such one time payment to SPGVL in respect of the claim which is still pending with CERC expired on December 6, 2018 (being 18 months from the date of listing of IndiGrid). Accordingly, the Trust has reversed the liability of INR 422.77 Million with corresponding effect to investment in SGL1.

## Note 11. Other current liabilities

	(INR in Million)	
	March 31, 2019	March 31, 2018
Withholding taxes (TDS) payable	2.01	2.35
GST Payable	0.43	-
<b>Total</b>	<b>2.44</b>	<b>2.35</b>

## Note 12. Provisions

	(INR in Million)	
	March 31, 2019	March 31, 2018
Provision for income tax payable	0.07	-
<b>Total</b>	<b>0.07</b>	<b>-</b>

## Note 13. Revenue from operations

	(INR in Million)	
	March 31, 2019	March 31, 2018
Interest income on loans given to subsidiaries (refer note 19)	4,886.45	2,765.68
Finance income on Non-Convertible Debentures issued by subsidiary on EIR basis	638.62	473.82
<b>Total</b>	<b>5,525.07</b>	<b>3,239.50</b>

# Notes to the Standalone Financial Statements

for the year ended March 31, 2019

## Note 14. Finance costs

(INR in Million)

	March 31, 2019	March 31, 2018
Interest on financial liabilities measured at amortised cost	1,003.75	102.18
Other finance cost	11.70	-
<b>Total</b>	<b>1,015.45</b>	<b>102.18</b>

## Note 15. Earnings per unit (EPU)

Basic EPU amounts are calculated by dividing the profit for the year attributable to Unitholders' by the weighted average number of units outstanding during the year.

Diluted EPU amounts are calculated by dividing the profit attributable to Unitholders' by the weighted average number of units outstanding during the year plus the weighted average number of units that would be issued on conversion of all the dilutive potential units into unit capital.

The following reflects the profit and unit data used in the basic and diluted EPU computation:

	March 31, 2019	March 31, 2018
Profit after tax for calculating basic and diluted EPU	2,112.42	2,624.94
Weighted average number of units in calculating basic and diluted EPU (No. Million)	283.80	283.80
<b>Effect of dilution:</b>		
Estimated units to be issued to Sponsor/Project manager*	5.40	6.14
Weighted average number of units in calculating basic and diluted EPU (No. Million)	289.20	289.94
<b>Earnings Per Unit</b>		
Basic (INR/unit)	<b>7.44</b>	<b>9.25</b>
Diluted (INR/unit)	<b>7.30</b>	<b>9.05</b>

\* Units issuable pursuant to the Project Implementation and Management Agreement dated November 10, 2016 as amended, towards the additional transmission charges as approved by CERC for the change in tax rates which resulted in increase in non-escalable tariff revenue for BDTCL.

## Note 16. Significant accounting judgements, estimates and assumptions

The preparation of the Trust's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and the accompanying disclosures and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

### Judgements

In the process of applying the Trust's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements.

### Classification of Unitholders' funds

Under the provisions of the InvIT Regulations, IndiGrid is required to distribute to Unitholders not less than ninety percent of the net distributable cash flows of IndiGrid for

each financial year. Accordingly, a portion of the unitholders' funds contains a contractual obligation of the Trust to pay to its Unitholders cash distributions. The Unitholders' funds could therefore have been classified as compound financial instrument which contain both equity and liability components in accordance with Ind AS 32 - Financial Instruments: Presentation. However, in accordance with SEBI Circulars (No. CIR/IMD/DF/114/2016 dated 20-Oct-2016 and No. CIR/IMD/DF/127/2016 dated 29-Nov-2016) issued under the InvIT Regulations, the unitholders' funds have been classified as equity in order to comply with the mandatory requirements of Section H of Annexure A to the SEBI Circular dated 20-Oct-2016 dealing with the minimum disclosures for key financial statements. In line with the above, the dividend payable to Unitholders' is recognised as liability when the same is approved by the Investment Manager.

### Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to



# Notes to the Standalone Financial Statements

for the year ended March 31, 2019

the carrying amounts of assets and liabilities or fair value disclosures within the next financial year, are described below. The Trust based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Trust. Such changes are reflected in the assumptions when they occur.

## Fair valuation and disclosures

SEBI Circulars issued under the InvIT Regulations require disclosures relating to net assets at fair value and total returns at fair value (refer Notes 17 and 18). In estimating the fair value of investments in subsidiaries (which constitute substantial portion of the net assets), the Trust engages independent qualified external valuers to perform the valuation. The management works closely with the valuers to establish the appropriate valuation techniques and inputs to the model. The management reports the valuation report and findings to the Board of the Investment Manager half yearly to explain the cause of fluctuations in the fair value of the transmission projects. The inputs to the valuation models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as WACC, Tax rates, Inflation rates, etc. Changes in assumptions about these factors could affect the fair value. (refer Note 17 for details).

## Impairment of non-financial assets

Non-financial assets of the Trust primarily comprise of investments in subsidiaries. Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The recoverable amounts for the investments in subsidiaries are based on value in use of the underlying projects. The value in use calculation

is based on a DCF model. The cash flows are derived from the budgets/forecasts over the life of the projects.

As at March 31, 2019, an amount of INR 2,316.84 Million (March 31, 2018: INR 496.03 Million) has been provided as impairment on investments in subsidiary. The recoverable amount of the investment in subsidiary has been computed based on value in use calculation for the underlying projects. The key assumptions used to determine the recoverable amount for the underlying projects are disclosed and further explained in Note 17.

## Note 17. Fair values

The management has assessed that the financial assets and financial liabilities as at year end are reasonable approximations of their fair values.

The Trust is required to present the Statement of total assets at fair value and Statement of total returns at fair value as per SEBI Circular No. CIR/IMD/DF/114/2016 dated October 20, 2016 as a part of these financial statements - Refer Statement of Net assets at fair value and Statement of Total Returns at fair value.

The inputs to the valuation models for computation of fair value of assets for the above mentioned statements are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as WACC, Tax rates, Inflation rates, etc.

The significant unobservable inputs used in the fair value measurement required for disclosures as above categorised within Level 3 of the fair value hierarchy as above together with a quantitative sensitivity analysis as at March 31, 2019 are as shown below:

## Notes to the Standalone Financial Statements

for the year ended March 31, 2019

Description of significant unobservable inputs to valuation:

(INR in Million)

Significant unobservable inputs	Input for March 31, 2019	Input for March 31, 2018	Sensitivity of input to the fair value	Increase/(decrease) in fair value	
				March 31, 2019	March 31, 2018
WACC	8.12% to 8.40%	7.86% to 8.08%	+ 0.5%	(2,445.95)	(2,479.63)
			- 0.5%	2,726.84	2,768.61
Tax rate (normal tax and MAT)	Normal Tax - 29.12% MAT - 21.55%	Normal Tax - 29.12% MAT - 21.55%	+ 2%	(306.91)	(325.90)
			- 2%	260.35	296.36
Inflation rate	Revenue: 5.73% Expenses: 3.20% to 4.35%	Revenue: 5.95% Expenses: 3.67% to 5.24%	+ 1%	(432.64)	(444.44)
			- 1%	360.78	366.13
Additional tariff (applicable only for BDTCL)	2.39%	2.58%	+ 1%	210.48	154.00
			- 1%	(210.48)	(154.00)

### Note 18. Fair value hierarchy

The following table provides the fair value measurement hierarchy of the Trust's assets and liabilities:

Quantitative disclosures fair value measurement hierarchy for assets and liabilities as at March 31, 2019 and March 31, 2018:

Date of valuation	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Assets for Which fair values are disclosed:				
Investments in subsidiaries*	March 31, 2019	-	-	43,702.15
Assets for which fair values are disclosed:				
Investments in subsidiaries*	March 31, 2018	-	-	38,498.69

There have been no transfers between Level 1 and Level 2 during the year ended March 31, 2019 and March 31, 2018.

\* Statement of net assets at fair value and Statement of total returns at fair value require disclosures regarding fair value of assets (liabilities are considered at book values). Since the fair value of assets other than investments in subsidiaries approximate their book values, hence only investment in subsidiaries has been disclosed above.

# Notes to the Standalone Financial Statements

for the year ended March 31, 2019

## Note 19. Related Party Transactions

### I. List of related parties as per the requirements of Ind AS 24 - Related Party Disclosures

#### A. Related parties where control exists

##### Subsidiaries

Sterlite Grid 1 Limited (SGL1)  
 Bhopal Dhule Transmission Company Limited (BDTCL)  
 Jabalpur Transmission Company Limited (JTCL)  
 RAPP Transmission Company Limited (RTCL)  
 Purulia & Kharagpur Transmission Company Limited (PKTCL)  
 Maheshwaram Transmission Limited (MTL)  
 Patran Transmission Company Limited (PTCL)

#### B. Other related parties under Ind AS-24 with whom transactions have taken place during the year

##### Entity with significant influence over the Trust

Sterlite Power Grid Ventures Limited (SPGVL)

### II. List of additional related parties as per Regulation 2(1)(zv) of the InvIT Regulations

#### A. Parties to IndiGrid

Sterlite Power Grid Ventures Limited (SPGVL) - Sponsor and Project Manager of IndiGrid  
 Sterlite Investment Managers Limited (SIML) - Investment Manager of IndiGrid  
 Axis Trustee Services Limited (ATSL) - Trustee of IndiGrid

#### B. Promoters of the parties to IndiGrid specified in (A) above

Sterlite Power Transmission Limited - Promoter of SPGVL and SIML  
 Axis Bank Limited - Promoter of ATSL

#### C. Directors of the parties to IndiGrid specified in (A) above

##### (i) Directors of SPGVL:

Pravin Agarwal  
 Pratik Agarwal  
 A. R. Narayanaswamy  
 Avaantika Kakkar  
 Ved Mani Tiwari  
 Anand Agarwal (till 10.10.2017)  
 Udai Dhawan (till 22.01.2018)

##### (ii) Directors of SIML:

Pratik Agarwal  
 Kuldip Kumar Kaura  
 Tarun Kataria  
 Shashikant Bhojani  
 Rahul Asthana  
 Harsh Shah (from 15.01.2018)

##### (iii) Directors of ATSL:

Srinivasan Varadarajan (till 20.12.2018)  
 Ram Bharoseylal Vaish  
 Sidharth Rath (till 01.06.2018)  
 Rajaraman Viswanathan (till 10.10.2018)  
 Rajesh Kumar Dahiya (from 11.07.2018)  
 Raghuraman Mahalingam (till 30.09.2018)  
 Sanjay Sinha (from 10.10.2018)

# Notes to the Standalone Financial Statements

for the year ended March 31, 2019

## III. Transactions with related parties during the year

			(INR in Million)	
Sr. No.	Particulars	Relation	April 01, 2018 to March 31, 2019	April 01, 2017 to March 31, 2018
<b>1</b>	<b>Unsecured loans given to subsidiaries</b>			
	Jabalpur Transmission Company Limited	Subsidiary	4,321.37	13,767.85
	Bhopal Dhule Transmission Company Limited	Subsidiary	20.00	8,731.79
	RAPP Transmission Company Limited	Subsidiary	-	2,550.18
	Purulia & Kharagpur Transmission Company Limited	Subsidiary	-	3,987.65
	Maheshwaram Transmission Limited	Subsidiary	40.00	3,740.15
	Patran Transmission Company Limited	Subsidiary	1,686.89	-
	Sterlite Grid 1 Limited	Subsidiary	252.80	-
<b>2</b>	<b>Interest income from subsidiaries</b>			
	Jabalpur Transmission Company Limited	Subsidiary	1,905.14	1,561.34
	Bhopal Dhule Transmission Company Limited	Subsidiary	1,298.27	1,014.26
	RAPP Transmission Company Limited	Subsidiary	381.89	47.16
	Purulia & Kharagpur Transmission Company Limited	Subsidiary	598.15	73.74
	Maheshwaram Transmission Limited	Subsidiary	562.52	69.17
	Patran Transmission Company Limited	Subsidiary	139.97	-
	Sterlite Grid 1 Limited	Subsidiary	0.52	-
<b>3</b>	<b>Repayment of loan from subsidiaries</b>			
	Jabalpur Transmission Company Limited	Subsidiary	-	1,638.52
	Bhopal Dhule Transmission Company Limited	Subsidiary	-	91.81
	RAPP Transmission Company Limited	Subsidiary	201.60	0.94
	Patran Transmission Company Limited	Subsidiary	101.77	-
<b>4</b>	<b>Purchase of Non-Convertible Debentures of SGL 1</b>			
	Sterlite Power Grid Ventures Limited	Sponsor and Project Manager/Entity with significant influence	-	5,880.36
<b>5</b>	<b>Purchase of equity shares of SGL 1</b>			
	Sterlite Power Grid Ventures Limited**	Sponsor and Project Manager/Entity with significant influence	-	-
<b>6</b>	<b>Received towards indemnification of liabilities</b>			
	Sterlite Power Grid Ventures Limited ##	Sponsor and Project Manager/Entity with significant influence	53.47	-
<b>7</b>	<b>Subscription to optionally convertible redeemable preference shares</b>			
	Sterlite Grid 1 Limited	Subsidiary	-	1,001.96
<b>8</b>	<b>Amount paid against indemnification of dues</b>			
	Jabalpur Transmission Company Limited	Subsidiary	50.41	-
<b>9</b>	<b>Reimbursement of expenses paid</b>			
	Sterlite Investment Managers Limited	Investment Manager	-	15.56
	Jabalpur Transmission Company Limited	Subsidiary	0.32	-
	Bhopal Dhule Transmission Company Limited	Subsidiary	0.15	-
<b>10</b>	<b>Issue of unit capital</b>			
	Sterlite Power Grid Ventures Limited	Sponsor and Project Manager/Entity with significant influence	-	5,880.36
	Pravin Agarwal	Director of Sponsor	-	91.34
<b>11</b>	<b>Distribution to Unitholders</b>			
	Sterlite Power Grid Ventures Limited	Sponsor and Project Manager/Entity with significant influence	709.20	373.47
	Pravin Agarwal	Director of Sponsor	11.60	5.99
	Harsh Shah	Director of Investment Manager	0.06	-
	Pratik Agarwal	Director of Sponsor and Investment Manager	1.22	-



# Notes to the Standalone Financial Statements

for the year ended March 31, 2019

(INR in Million)

Sr. No.	Particulars	Relation	April 01, 2018 to March 31, 2019	April 01, 2017 to March 31, 2018
<b>12</b>	<b>Advance given</b>			
	Sterlite Grid 1 Limited	Subsidiary	9.00	4.60
<b>13</b>	<b>Trustee Fee</b>			
	Axis Trustee Services Limited (ATSL)	Trustee	2.16	2.94

## IV. Outstanding balances as at year end

(INR in Million)

Sr. No.	Particulars	Relation	As at March 31, 2019	As at March 31, 2018
<b>1</b>	<b>Unsecured loan receivable</b>			
	Jabalpur Transmission Company Limited	Subsidiary	16,450.70	12,129.32
	Bhopal Dhule Transmission Company Limited	Subsidiary	8,659.98	8,639.98
	RAPP Transmission Company Limited	Subsidiary	2,347.65	2,549.25
	Purulia & Kharagpur Transmission Company Limited	Subsidiary	3,987.65	3,987.65
	Maheshwaram Transmission Limited	Subsidiary	3,780.15	3,740.15
	Patran Transmission Company Limited	Subsidiary	1,585.12	-
	Sterlite Grid 1 Limited	Subsidiary	252.80	-
<b>2</b>	<b>Interest receivable from subsidiaries</b>			
	Jabalpur Transmission Company Limited	Subsidiary	157.14	-
	Bhopal Dhule Transmission Company Limited	Subsidiary	195.67	-
	RAPP Transmission Company Limited	Subsidiary	1.06	-
	Purulia & Kharagpur Transmission Company Limited	Subsidiary	36.46	6.80
	Maheshwaram Transmission Limited	Subsidiary	51.51	0.23
	Patran Transmission Company Limited	Subsidiary	3.66	-
	Sterlite Grid 1 Limited	Subsidiary	0.52	-
<b>3</b>	<b>Advance receivable in cash</b>			
	Sterlite Grid 1 Limited	Subsidiary	13.60	4.60
<b>4</b>	<b>Non-Convertible Debentures of subsidiary (including accrued interest on EIR)</b>			
	Sterlite Grid 1 Limited	Subsidiary	6,449.71	5,811.09
<b>5</b>	<b>Investment in equity shares of subsidiary (excluding provision for impairment)</b>			
	Sterlite Grid 1 Limited#	Subsidiary	699.82	1,122.60
<b>6</b>	<b>Optionally convertible redeemable preference shares (excluding provision for impairment)</b>			
	Sterlite Grid 1 Limited	Subsidiary	1,001.96	1,001.96
<b>7</b>	<b>Trustee fee</b>			
	ATSL	Trustee	-	0.54

\*\* IndiGrid acquired NCDs and Equity Shares of SGL1 in exchange of its units amounting to INR 5,880.36 Million. Since the nominal value of NCDs was INR 6,658.24 Million. Hence the entire consideration was allocated to NCDs.

## During the year, Sponsor has paid to IndiGrid towards deposits paid by IndiGrid's subsidiaries for tax litigations for which the Sponsor is liable.

# Includes amount of INR 525.10 Million towards equity component of Non- Convertible Debentures issued by Sterlite Grid 1 Limited and INR 597.50 Million towards payable to SPGVL in respect of acquisition of BDTCL.

**Details in respect of related party transactions involving acquisition of InvIT assets as required by Para 4.4(b)(iv) of Section A of Annexure A to SEBI Circular dated October 20, 2016 are as follows:**

**For the financial year ended March 31, 2019:** No acquisition of InvIT assets from related parties during the year

# Notes to the Standalone Financial Statements

for the year ended March 31, 2019

For the financial year ended March 31, 2018: Refer disclosures below:

## (A) Summary of the valuation reports (issued by the independent valuer appointed under the InvIT Regulations):

(INR in Million)

Particulars	BDTCL	JTCL
<b>Enterprise value</b>		
- Base case (based on tariff as per TSA)	20,406	14,949
- Incremental revenue (based on additional tariff claimed under petition with CERC)	1,135	1,176
<b>Total Enterprise value</b>	<b>21,541</b>	<b>16,125</b>
<b>Method of valuation</b>	<b>Discounted Cash Flow</b>	
Discounting rate (WACC):		
- Base case (based on tariff as per TSA)	8.19%	8.14%
- Incremental revenue (based on additional tariff claimed under petition with CERC)	8.69%	8.64%

## (B) Material conditions or obligations in relation to the transactions:

### Acquisition of BDTCL and JTCL (through acquisition of SGL1):

Pursuant to the Project Implementation and Management Agreement dated November 10, 2016 as amended on April 25, 2017 ("PIMA") executed among SIML, ATSL, SPGVL, SGL1, BDTCL and JTCL, IndiGrid would issue additional units to SPGVL in the event CERC approves additional tariff for BDTCL and/or JTCL in respect of cost escalations in those projects for which petitions were filed with CERC. The units to be issued to SPGVL shall be equivalent to 80% of the Cost Escalation for each of BDTCL and JTCL as approved by CERC.

SPGVL will be entitled to additional units only if the cost escalation and the resultant revision in levelised transmission charges is received during the period commencing from the date of the PIMA and until the date which is 18 months of listing of units of IndiGrid (being the date of receipt of final listing and trading approvals for the units).

(C) No external financing has been obtained for the acquisition of BDTCL and JTCL and no fees or commission were received/to be received by any associate of the related party in relation to the transaction.

## Note 20. Financial risk management objectives and policies

The Trust's principal financial liabilities comprise of borrowings and other financial liabilities. The main purpose of these financial liabilities is to finance the Trust's operations. The Trust's principal financial assets include investments, loans, cash and bank balances and other financial assets that derive directly from its operations.

The Trust may be exposed to market risk, credit risk and liquidity risk. The Investment Manager oversees the management of these risks. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Trust's policy that no trading in derivatives for speculative purposes may be undertaken. The management reviews and agrees policies for managing each of these risks, which are summarised below. The Risk Management policies of the Trust are established to identify and analyse the risks faced by the Trust, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Trust's activities.

Management has overall responsibility for the establishment and oversight of the Trust's risk management framework.

### (A) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk such as equity price risk. Financial instruments affected by market risk include loans and borrowings and investments.

#### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Trust's borrowings are at fixed rate, hence the Trust is not exposed to Interest rate risk.

#### Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Trust did not have any exposure in foreign currency as at March 31, 2019 and March 31, 2018.

# Notes to the Standalone Financial Statements

for the year ended March 31, 2019

## Equity price risk

The Trust's investments in equity shares of subsidiaries are susceptible to market price risk arising from uncertainties about future values of those investments. Reports on the equity portfolio are submitted to the senior management on a regular basis. The Board of Directors of the Investment Manager reviews and approves all equity investment decisions. At the reporting date, the exposure to equity investments in subsidiary at carrying value was ₹ 735.53 Million (March 31, 2018: ₹ 1,628.53). Sensitivity analyses of significant unobservable inputs used in the fair value measurement are disclosed in Note 17.

## (B) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Trust is exposed to credit risk from its investing activities including loans to subsidiaries, deposits with banks and other financial instruments. As at March 31, 2019 and March 31, 2018, the credit risk is considered low since substantial transactions of the Trust are with its subsidiaries.

## (C) Liquidity risk

Liquidity risk is the risk that the Trust may encounter difficulty in meeting its present and future obligations associated with financial liabilities that are required to be settled by delivering cash or another financial asset. The Trust's objective is to, at all times, maintain optimum levels of liquidity to meet its cash and collateral obligations. The Trust requires funds both for short-term operational needs as well as for long-term investment programmes mainly in transmission projects. The Trust closely monitors its liquidity position and deploys a robust cash management system. It aims to minimise these risks by generating sufficient cash flows from its current operations, which in addition to the available cash and cash equivalents and liquid investments will provide liquidity.

The liquidity risk is managed on the basis of expected maturity dates of the financial liabilities. The other financial liabilities are with short-term durations. The table below summarises the maturity profile of the Trust's financial liabilities based on contractual undiscounted payments:

INR in Million					
Particulars	Less than 3 months	3 months to 12 months	1 to 5 years	More than 5 years	Total
<b>March 31, 2019</b>					
Borrowings	-	-	-	16,795.46	16,795.46
Other financial liabilities*	231.68	-	-	-	231.68
<b>Total</b>	<b>231.68</b>	<b>-</b>	<b>-</b>	<b>16,795.46</b>	<b>17,027.14</b>
<b>March 31, 2018</b>					
Borrowings	-	-	-	9,941.47	9,941.47
Other financial liabilities*	-	585.11	-	-	585.11
<b>Total</b>	<b>-</b>	<b>585.11</b>	<b>-</b>	<b>9,941.47</b>	<b>10,526.58</b>

\* Includes amount of INR 156.72 Million (March 31, 2018 : INR 579.50 Million) being payable towards project acquired which will be settled by issue of units.

# Notes to the Standalone Financial Statements

for the year ended March 31, 2019

## Note 21. Capital management

For the purpose of the Trust's capital management, capital includes issued unit capital and all other reserves attributable to the Unitholders' of the Trust. The primary objective of the Trust's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise unit holder value.

The Trust manages its capital structure and makes adjustments to it in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Trust may adjust the dividend payment to unitholders (subject to the provisions of InvIT regulations which require distribution of at least 90% of the net distributable cash flows of the Trust to Unitholders'), return capital to unitholders or issue new units. The Trust monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Trust's policy is to keep the gearing ratio optimum. The Trust includes within net debt, interest bearing loans and borrowings, trade and other payables less cash and cash equivalents, other bank balances and short-term investments.

(INR in Million)

Particulars	March 31, 2019	March 31, 2018
Long-term borrowings	16,795.46	9,941.47
Other financial liabilities	231.68	585.11
Less: Cash and cash equivalents	(1,290.23)	(1,184.25)
<b>Net debt (A)</b>	<b>15,736.91</b>	<b>9,342.33</b>
Unit capital	28,380.00	28,380.00
Other equity	(519.17)	774.00
<b>Total capital (B)</b>	<b>27,860.83</b>	<b>29,154.00</b>
<b>Capital and net debt [(C) = (A) + (B)]</b>	<b>43,597.74</b>	<b>38,496.33</b>
<b>Gearing ratio (C) / (A)</b>	<b>36.10%</b>	<b>24.27%</b>

## Note 22. Subsequent event

On April 24, 2019, the Board of directors of the Investment Manager approved a dividend of INR 3 per unit for the period January 1, 2019 to March 31, 2019 to be paid on or before 15 days from the date of declaration.

## Note 23. Segment reporting

The Trust's activities comprise of owning and investing in transmission SPVs to generate cash flows for distribution to unitholders. Based on the guiding principles given in Ind AS - 108 "Operating Segments", this activity falls within a single operating segment and accordingly the disclosures of Ind AS -108 have not separately been given.

As per our report of even date

For **S R B C & Co. LLP**  
Chartered Accountants  
ICAI Firm Registration No. 324982E/E300003

**per Aryn Jassani**  
Partner  
Membership Number: 046447

For and on behalf of the Board of Directors of Sterlite Investment Managers Limited  
(as Investment Manager of India Grid Trust)

**Pratik Agarwal**  
Director  
DIN: 03040062

**Harsh Shah**  
CEO & Whole Time Director  
DIN: 02496122

**Swapnil Patil**  
Company Secretary

Place : Mumbai  
Dated : 24 April 2019

Place : Mumbai  
Dated : 24 April 2019

# INDEPENDENT AUDITOR'S REPORT

## To the Unitholders' of India Grid Trust

### Report on the Audit of the Consolidated Ind AS Financial Statements

#### Opinion

We have audited the accompanying consolidated Ind AS financial statements of India Grid Trust (hereinafter referred to as "the InvIT") and its subsidiaries (the InvIT and its subsidiaries together referred to as "the Group") comprising of the consolidated Balance Sheet as at March 31, 2019, the consolidated Statement of Profit and Loss including other comprehensive income, the consolidated Statement of Changes in Unitholders' Equity and the consolidated Statement of Cash Flow for the year then ended and the consolidated Statement of Net Assets at fair value as at March 31, 2019, the consolidated Statement of Total Returns at fair value and the Statement of Net Distributable Cash Flows ('NDCFs') of the InvIT, the underlying Holding Company ("HoldCo") and each of its subsidiaries for the year then ended, and a summary of significant accounting policies and other explanatory notes (hereinafter referred to as "the consolidated Ind AS financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated Ind AS financial statements give the information required by the Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014 as amended including any guidelines and circulars issued thereunder (together referred to as the "InvIT Regulations") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at March 31, 2019, its consolidated profit including other comprehensive income, its consolidated cash movements and its consolidated movement of the Unitholders' funds for the year ended March 31, 2019, its consolidated net assets as at March 31, 2019, its consolidated total returns and the net distributable cash flows of the InvIT, the underlying HoldCo and each of its subsidiaries for the year ended March 31, 2019.

#### Basis for Opinion

We conducted our audit of the consolidated Ind AS financial statements in accordance with the Standards on Auditing

(SAs), issued by the Institute of Chartered Accountants of India. Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the Consolidated Ind AS Financial Statements' section of our report. We are independent of the Group in accordance with the 'Code of Ethics' issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the consolidated Ind AS financial statements under the provisions of the InvIT Regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the consolidated Ind AS financial statements.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated Ind AS financial statements for the financial year ended March 31, 2019. These matters were addressed in the context of our audit of the consolidated Ind AS financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have determined the matters described below to be the key audit matters to be communicated in our report. We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated Ind AS financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated Ind AS financial statements. The results of audit procedures performed by us, including those procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated Ind AS financial statements.



Key audit matters	How our audit addressed the key audit matter
<p><b>Applicability of Appendix C of Ind AS 115 'Service Concession Arrangement'</b> (as described in note 20 of the consolidated Ind AS financial statements)</p> <p>The Group through its subsidiaries acts as a transmission licensee under the Electricity Act, 2003 holding valid licences for 25 years. The subsidiaries have entered into Transmission Services Agreements ("TSA") with Long-Term Transmission Customers ("LTTC") through a tariff-based bidding process to Build, Own, Operate and Maintain ("BOOM") the transmission infrastructure for a period of 35 years. The management of the Company is of the view that the grantor as defined under Appendix C of Ind AS 115 ("Appendix C") requires transmission licensee to obtain various approvals under the regulatory framework to conduct its operations both during the period of the licence as well as at the end of the licence period. In the view of management, the grantor's involvement and approvals are to protect public interest and are not intended to control, through ownership, beneficial entitlement or otherwise, any significant residual interest in the transmission infrastructure at the end of the term of the arrangement. Accordingly, management is of the view that Appendix C is not applicable to the Group.</p> <p>Significant management judgement is involved in determining the grantor's involvement and whether the grantor controls, through ownership, beneficial entitlement or otherwise, any significant residual interest in the transmission infrastructure at the end of the term of the arrangement. Accordingly, it is considered as a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>• Evaluating terms of the TSAs to understand roles and responsibilities of the grantor.</li> <li>• Evaluating terms of the TSAs to assess whether the grantor controls significant residual interest in the infrastructure at the end of the term of the arrangement through ownership, beneficial ownership or otherwise.</li> <li>• Discussed with management regarding the extent of grantor's involvement in the transmission assets and grantor's intention not to control the significant residual interest through ownership, beneficial entitlement or otherwise.</li> <li>• Assessed the positions taken by other entities in India with similar projects/TSAs as to the extent of involvement of the grantor and the consequent evaluation of the applicability of Appendix C for such entities.</li> <li>• Assessed the disclosures in the consolidated Ind AS financial statements for compliance with the relevant accounting standards requirements.</li> </ul>
<p><b>Impairment of property, plant and equipment</b> (as described in note 21 of the consolidated Ind AS financial statements)</p> <p>The group owns and operates power transmission assets which are constructed on Build, Own, Operate and Maintain Basis ("BOOM"). The carrying value of the power transmission assets as at March 31, 2019 is ₹ 50,284.58 Million (before impairment provision).</p> <p>During the current year, impairment indicators were identified by the management. As a result, an impairment assessment was required to be performed by the management under Ind AS 36 – Impairment of Assets by comparing the carrying value of the Property, Plant &amp; Equipment to their recoverable amount to determine whether an impairment needs to be recognised.</p> <p>For the purpose of the above impairment testing, value in use has been determined by forecasting and discounting future cash flows. Furthermore, the value in use is highly sensitive to changes in the inputs used e.g. the discounting rate (WACC), inflation rates, tax rates, etc. and involves significant judgement.</p> <p>Accordingly, the impairment assessment of the transmission assets was determined to be a key audit matter in our audit of the consolidated Ind AS financial statements.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>• Assessed the appropriateness of the management's valuation methodology applied in determining the recoverable amounts. In making this assessment, we also evaluated the objectivity and independence of the Group's independent valuer involved in the process;</li> <li>• Together with valuation specialists, we assessed the valuation reports issued by the independent valuer engaged by the management;</li> <li>• We tested that the tariff revenues considered in the respective valuation models are in agreement with TSAs/tariff orders;</li> <li>• We assessed the assumptions around the key drivers of the cash flow forecasts, discount rates and residual values;</li> <li>• We also assessed the recoverable value headroom by performing sensitivity testing of key assumptions used;</li> <li>• We discussed changes in key drivers as compared to previous year/actual performance with management in order to evaluate whether the inputs and assumptions used in the valuation models were appropriate;</li> <li>• We tested the arithmetical accuracy of the models;</li> <li>• We read/assessed the disclosures in the consolidated Ind AS financial statements for compliance with the relevant accounting standards requirements.</li> </ul>

Key audit matters	How our audit addressed the key audit matter
<p><b>Classification of Unitholders' funds as equity</b> <i>(as described in note 21 of the consolidated Ind AS financial statements)</i></p> <p>The InvIT is required to distribute to Unitholders' not less than ninety percent of its net distributable cash flows for each financial year. Accordingly, a portion of the unitholders' funds contains a contractual obligation of the Trust to pay to its Unitholders cash distributions. The Unitholders' funds could therefore have been classified as compound financial instrument which contain both equity and liability components in accordance with Ind AS 32 - Financial Instruments: Presentation. However, in accordance with SEBI Circulars No. CIR/IMD/DF/114/2016 dated 20-Oct-2016 and No. CIR/IMD/DF/127/2016 dated 29-Nov-2016 ("SEBI Circulars") issued under the InvIT Regulations, the unitholders' funds have been classified as equity in order to comply with the mandatory requirements of Section H of Annexure A to the SEBI Circular dated October 20, 2016 dealing with the minimum disclosures for key financial statements.</p> <p>Based on the above, the classification of Unitholders' funds as equity involved considerable management judgement. Accordingly, it is considered as a key audit matter.</p>	<p>Our audit procedures included evaluating the requirements for classification of financial liability and equity under Ind AS 32 and evaluating the provisions of SEBI Circulars for classification/presentation of Unitholders' funds in the financial statements of an Infrastructure Investment Trust.</p> <p>We assessed the disclosures in the consolidated Ind AS financial statements for compliance with the relevant requirements of InvIT regulations.</p>
<p><b>Acquisition of Transmission SPVs classified as asset acquisitions</b> <i>(as described in note 21 of the consolidated Ind AS financial statements)</i></p> <p>The Group acquires operational transmission SPVs from the Sponsor or from third party. The purchase consideration primarily pertains to the fair value of the transmission assets. All such assets are operational assets with fixed tariff revenues under the Transmission Services Agreements (TSAs) for 35 years. The only key activity for these SPVs is the maintenance of the transmission assets which is outsourced to third parties. There are no employees in these entities and no other significant processes are performed for earning tariff revenues.</p> <p>Based on evaluation of the above fact pattern vis-a-vis the guidance on definition of business under Ind AS and also keeping in view the relevant guidance on similar fact pattern available under accounting standards applicable in other jurisdictions, the management has classified the acquisition of transmission SPVs as asset acquisition.</p> <p>Significant management judgement is involved in determining if the operations of transmission SPVs constitute business or asset. Accordingly, it is considered as a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>• Read the relevant guidance under Ind AS on determining if the acquired SPV constitutes a business;</li> <li>• Assessed the activities of the transmission SPVs and noted that the tariff revenues for the SPVs are fixed for 35 years. We also noted that these SPVs do not have any employees and the only key process is maintenance of the transmission assets which is outsourced. Other than this, there are administrative processes which are not considered as processes for creating outputs;</li> <li>• Noted that the SPVs are not involved in any other business activity and the purchase consideration paid for acquisition of transmission assets is substantially towards the fair value of the transmission assets;</li> <li>• Assessed the disclosures in the Ind AS financial statements for compliance with the relevant accounting standards requirements.</li> </ul>

Key audit matters	How our audit addressed the key audit matter
<p><b>Disclosures relating to Statement of Net Assets at Fair Value and Statement of Total Returns at Fair Value as per InvIT regulations</b> (as described in note 21 of the consolidated Ind AS financial statements)</p>	
<p>Pursuant to SEBI Circular No. CIR/IMD/DF/114/2016 dated 20-Oct-2016 and No. CIR/IMD/DF/127/2016 dated 29-Nov-2016 issued under the InvIT Regulations, India Grid Trust is required to disclose Statement of Net Assets at Fair Value and Statement of Total Returns at Fair Value which requires fair valuation of the assets. Such fair valuation has been carried out by the independent valuer appointed by the InvIT.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>• Read the requirements of InvIT regulations for disclosure relating to Statement of Net Assets at Fair Value and Statement of Total Returns at Fair Value.</li> <li>• Assessed the appropriateness of the management's valuation methodology in determining the fair values. In making this assessment, we also evaluated the objectivity and independence of Group's independent valuer involved in the process.</li> </ul>
<p>For the purpose of the above, fair value is determined by forecasting and discounting future cash flows. The determination of fair value involves judgement due to inherent uncertainty in the underlying assumptions and it is highly sensitive to changes in some of the inputs used e.g. the discounting rate (WACC), inflation rates, tax rates, etc.</p>	<ul style="list-style-type: none"> <li>• Tested controls implemented by the management to determine inputs for fair valuation as well as assumptions used in the fair valuation.</li> <li>• Together with valuation specialists, we assessed the valuation reports issued by the independent valuer engaged by the management.</li> </ul>
<p>The determination of the fair values involved judgement due to inherent uncertainty in the assumptions supporting the fair values.</p>	<ul style="list-style-type: none"> <li>• Tested that the tariff revenues considered in the respective valuation models are in agreement with TSAs/tariff orders;</li> <li>• Assessed the assumptions around the key drivers of the cash flow forecasts, discount rates and residual values;</li> </ul>
<p>Accordingly, the disclosure of fair values as per InvIT regulations was determined to be a key audit matter in our audit of the consolidated Ind AS financial statements.</p>	<ul style="list-style-type: none"> <li>• Also assessed the headroom by performing sensitivity testing of key assumptions used;</li> <li>• Discussed changes in key drivers as compared to previous year/actual performance with management in order to evaluate whether the inputs and assumptions used in the valuation models were appropriate;</li> <li>• Tested the arithmetical accuracy of the models;</li> </ul>
	<ul style="list-style-type: none"> <li>• Read/Assessed the disclosures in the consolidated Ind AS financial statements for compliance with the relevant requirements of InvIT regulations.</li> </ul>

### Other Information

Management of Sterlite Investment Managers Limited ("Investment Manager") is responsible for the other information. The other information comprises the information included in the Annual report, but does not include the consolidated Ind AS financial statements and our auditor's report thereon.

Our opinion on the consolidated Ind AS financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated Ind AS financial statements, our responsibility is to read the other information and, in doing so, consider whether such other information is materially inconsistent with the consolidated Ind AS financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of Management for the Consolidated Ind AS Financial Statements

Management of the Investment Manager is responsible for the preparation and presentation of these consolidated Ind AS financial statements that give a true and fair view of the consolidated financial position as at March 31, 2019, consolidated financial performance including other comprehensive income, consolidated cash movements and the consolidated movement of the Unitholders' funds for the year ended March 31, 2019, the consolidated net assets as at March 31, 2019, the consolidated total returns of the InvIT and the net distributable cash flows of the InvIT, the underlying HoldCo and each of its subsidiaries in conformity with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) and/or any addendum thereto as defined in Rule 2(1)(a) of the Companies (Indian Accounting Standards) Rules, 2015, as amended read with the InvIT Regulations. This responsibility includes the design, implementation and maintenance of adequate controls for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error. The Board of Directors of the Investment Manager and the respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records for safeguarding of the assets of the Group and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate controls, for ensuring the accuracy and completeness of the accounting

records, relevant to the preparation and presentation of the consolidated Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated Ind AS financial statements by the Management of the Investment Manager, as aforesaid.

In preparing the consolidated financial statements, the Board of Directors of Sterlite Investment Managers Limited, the Investment Manager and respective Board of Directors of the companies included in the Group are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Management of the Investment Manager and respective Board of Directors of the companies included in the Group are also responsible for overseeing the financial reporting process of the Group.

### Auditor's Responsibilities for the Audit of the Consolidated Ind AS Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated Ind AS financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated Ind AS financial statements.

As part of an audit in accordance with SAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated Ind AS financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated Ind AS financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated Ind AS financial statements, including the disclosures, and whether the consolidated Ind AS financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group of which we are the independent auditors, to express an opinion on the consolidated Ind AS financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities included in the consolidated financial statements of which we are the independent auditors. We remain solely responsible for our audit opinion.

We communicate with Management of Sterlite Investment Managers Limited, the Investment Manager and the board of directors of such other entities included in the consolidated Ind AS financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Management of Sterlite Investment Managers Limited, the Investment Manager with a statement

that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Management of Sterlite Investment Managers Limited, the Investment Manager, we determine those matters that were of most significance in the audit of the consolidated Ind AS financial statements for the financial year ended March 31, 2019 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Report on Other Legal and Regulatory Requirements**

##### **Based on our audit, we report that:**

- (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- (b) The Consolidated Balance Sheet and the Consolidated Statement of Profit and Loss are in agreement with the books of account;
- (c) In our opinion, the aforesaid consolidated Ind AS financial statements comply with the Accounting Standards (Ind AS) and/or any addendum thereto as defined in Rule 2(1)(a) of the Companies (Indian Accounting Standards) Rules, 2015, as amended;

#### **For S R B C & CO. LLP**

Chartered Accountants

ICAI Firm Registration Number: 324982E/E300003

#### **per Aryn Jassani**

Partner

Membership Number: 046447

Place: Mumbai

Date: April 24, 2019



# Consolidated Balance Sheet

for the year ended March 31, 2019

(All amounts in INR Million unless otherwise stated)

	Note	March 31, 2019	March 31, 2018
<b>Assets</b>			
<b>Non-Current assets</b>			
Property, plant and equipment	3	49,827.62	50,264.53
Financial assets			
(i) Other non-current financial assets	4	3.57	12.79
Other non-current assets	5	192.25	150.21
		<b>50,023.44</b>	<b>50,427.53</b>
<b>Current assets</b>			
Financial assets			
(i) Investments	6	75.72	-
(ii) Trade receivables	7	1,140.61	1,061.89
(iii) Cash and cash equivalents	8A	1,603.66	1,672.92
(iv) Bank balances other than (iii) above	8B	19.66	10.50
(v) Other financial assets	4	553.26	498.85
Other current assets	5	45.91	115.25
		<b>3,438.82</b>	<b>3,359.41</b>
<b>Total assets</b>		<b>53,462.26</b>	<b>53,786.94</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Unit capital	9	28,380.00	28,380.00
Other equity			
Retained earnings/(Accumulated deficit)		(1,613.89)	252.56
<b>Total Unitholders' Equity</b>		<b>26,766.11</b>	<b>28,632.56</b>
<b>Non-Current liabilities</b>			
Financial liabilities			
(i) Borrowings	10	25,902.00	19,112.50
(ii) Other financial liability	12	156.72	579.50
		<b>26,058.72</b>	<b>19,692.00</b>
<b>Current liabilities</b>			
Financial liabilities			
(i) Borrowings	11	-	4,230.00
(ii) Trade payables	13	161.96	130.17
(iii) Other financial liabilities	12	462.98	1,088.51
Other current liabilities	14	12.42	13.70
Provisions	15	0.07	-
		<b>637.43</b>	<b>5,462.38</b>
<b>Total equity and liabilities</b>		<b>53,462.26</b>	<b>53,786.94</b>
Summary of significant accounting policies	2.3		

The accompanying notes are an integral part of the consolidated financial statements.

As per our report of even date

For **S R B C & Co. LLP**  
Chartered Accountants  
Firm Registration No. 324982E/E300003

**per Aryn Jassani**  
Partner  
Membership Number: 046447

For and on behalf of the Board of Directors of Sterlite Investment Managers Limited  
(as Investment Manager of India Grid Trust)

**Pratik Agarwal**  
Director  
DIN: 03040062

**Harsh Shah**  
CEO & Whole Time Director  
DIN: 02496122

**Swapnil Patil**  
Company Secretary

Place : Mumbai  
Dated : April 24, 2019

Place : Mumbai  
Dated : April 24, 2019

# Consolidated Statement of Profit and Loss

for the year ended March 31, 2019

(All amounts in INR Million unless otherwise stated)

	Note	March 31, 2019	March 31, 2018
<b>Income</b>			
Revenue from contract with customers	16	6,655.70	4,475.69
Dividend income on investment in mutual fund		48.64	49.94
Interest income on investment in fixed deposit		22.63	0.86
Other income	17	12.08	78.51
<b>Total income (I)</b>		<b>6,739.05</b>	<b>4,605.00</b>
<b>Expenses</b>			
Transmission infrastructure maintenance charges		175.57	107.58
Insurance expenses		87.00	65.92
Legal and professional fees		82.34	41.55
Rates and taxes		34.68	33.43
Investment Manager fees (refer note 33)		130.53	87.54
Project Manager fees (refer note 33)		39.54	26.44
Vehicle hire charges		7.26	5.20
Valuation expenses		3.70	4.06
Trustee Fee		2.16	2.94
Payment to auditors (including for subsidiaries)			
- Statutory Audit		4.74	3.48
- Other services (including certification)		4.78	1.21
Other expenses		59.24	19.99
Depreciation expense	3	1,809.22	1,157.41
Impairment of property, plant and equipment	21	456.96	-
Finance costs	18	2,295.83	1,012.57
<b>Total expenses (II)</b>		<b>5,193.55</b>	<b>2,569.33</b>
<b>Profit before tax (I-II)</b>		<b>1,545.50</b>	<b>2,035.68</b>
<b>Tax expense</b>			
- Current tax		6.08	-
- Deferred tax		-	-
- Income tax for earlier years	19	0.28	(67.82)
<b>Profit for the year</b>		<b>1,539.14</b>	<b>2,103.50</b>
<b>Other comprehensive income</b>			
Other comprehensive income to be reclassified to profit or loss in subsequent periods		-	-
Other comprehensive income not to be reclassified to profit or loss in subsequent periods		-	-
<b>Total comprehensive income</b>		<b>1,539.14</b>	<b>2,103.50</b>
<b>Earnings per unit (Computed on the basis of profit for the year (INR))</b>	20		
Basic		5.42	7.41
Diluted		5.32	7.25
Summary of significant accounting policies	2.3		

The accompanying notes are an integral part of the consolidated financial statements.  
As per our report of even date

For **S R B C & Co. LLP**  
Chartered Accountants  
Firm Registration No. 324982E/E300003

**per Amyn Jassani**  
Partner  
Membership Number: 046447

For and on behalf of the Board of Directors of Sterlite Investment Managers Limited  
(as Investment Manager of India Grid Trust)

**Pratik Agarwal**  
Director  
DIN: 03040062

**Swapnil Patil**  
Company Secretary

**Harsh Shah**  
CEO & Whole Time Director  
DIN: 02496122

Place : Mumbai  
Dated : April 24, 2019

Place : Mumbai  
Dated : April 24, 2019

# Consolidated Statement of Changes in Unitholders' Equity

For The Year Ended March 31, 2019

(All amounts in INR Million unless otherwise stated)

## A. Unit capital

	Nos. in Million	INR in Million
<b>As at April 1, 2017</b>	-	-
Units issued during the year	283.80	28,380.00
<b>Balance as at March 31, 2018</b>	<b>283.80</b>	<b>28,380.00</b>
Units issued during the year	-	-
<b>Balance as at March 31, 2019</b>	<b>283.80</b>	<b>28,380.00</b>

## B. Other equity

Particulars	Retained Earnings/ (Accumulated deficit) INR in million
<b>As at April 1, 2017</b>	-
Profit for the year	2,103.50
Other comprehensive income	-
Less: Distribution during the year*	(1,850.94)
<b>As at March 31, 2018</b>	<b>252.56</b>
Profit for the year	1,539.14
Other comprehensive income	-
Less: Distribution during the year*	(3,405.59)
<b>As at March 31, 2019</b>	<b>(1,613.89)</b>

Note:

\* Pertains to the distributions made during the financial year along with the distribution related to the last quarter of FY 2017-18 and does not include the distribution relating to the last quarter of FY 2018-19 which will be paid after March 31, 2019.

The distributions made by IndiGrid to its unitholders are based on the Net Distributable Cash flows (NDCF) of IndiGrid under the InvIT Regulations and hence part of the same includes repayment of capital as well.

As per our report of even date

For **S R B C & Co. LLP**  
Chartered Accountants  
ICAI Firm Registration No. 324982E/E300003

**per Aryn Jassani**  
Partner  
Membership Number: 046447

For and on behalf of the Board of Directors of Sterlite Investment Managers Limited  
(as Investment Manager of India Grid Trust)

**Pratik Agarwal**  
Director  
DIN: 03040062

**Harsh Shah**  
CEO & Whole Time Director  
DIN: 02496122

**Swapnil Patil**  
Company Secretary

Place : Mumbai  
Dated : 24 April, 2019

Place : Mumbai  
Dated : 24 April, 2019

# Consolidated Cash Flow Statement

for the year ended March 31, 2019

(All amounts in INR Million unless otherwise stated)

	March 31, 2019	March 31, 2018
<b>A. Cash flows from operating activities</b>		
<b>Net profit as per statement of profit and loss</b>	1,539.14	2,103.50
Adjustment for taxation	6.36	(67.82)
<b>Profit before tax</b>	<b>1,545.50</b>	<b>2,035.68</b>
Non-cash adjustment to reconcile profit before tax to net cash flows		
- Depreciation expenses	1,809.22	1,157.41
- Impairment on property, plant and equipment	456.96	-
- Reversal of prepayment charges	(2.37)	(63.85)
Finance cost	2,295.83	1,012.57
Dividend income on mutual fund investments	(48.64)	(49.94)
Interest income on investment in fixed deposit	(22.63)	(0.86)
Gain on Sale of Property, plant and equipment	(7.00)	-
<b>Operating loss before working capital changes</b>	<b>6,026.87</b>	<b>4,091.01</b>
Movements in working capital:		
- Increase/(Decrease) in trade payables	31.83	106.32
- Increase/(Decrease) in other current financial liabilities	5.10	72.99
- Increase/(Decrease) in other current liabilities	(9.41)	13.71
- Decrease/(Increase) in trade receivables	(236.38)	101.45
- Decrease/(Increase) in other non-current financial asset	9.45	(7.90)
- Decrease/(Increase) in other current financial asset	(50.54)	(49.40)
- Decrease/(Increase) in other non-current assets	6.79	-
- Decrease/(Increase) in other current assets	22.73	4.37
<b>Change in working capital</b>	<b>(220.43)</b>	<b>241.54</b>
<b>Cash generated from operations</b>	<b>5,806.44</b>	<b>4,332.55</b>
Direct taxes paid (net of refunds)	(6.29)	-
<b>Net cash flow used in operating activities (A)</b>	<b>5,800.15</b>	<b>4,332.54</b>
<b>B. Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(2,252.05)	(44,740.74)
Acquisition of other assets (net of other liabilities)	(51.69)	(1,551.21)
Acquisition of mutual fund investments	-	(7,904.77)
Purchase of mutual fund investments	(11,309.26)	(11,636.16)
Redemption of mutual fund investments	11,233.54	19,540.93
Proceeds from sale of property, plant and equipment	8.40	-
Interest income on fixed deposits	18.76	3.27
Dividend income on current investment	48.64	49.94
<b>Net cash flow used in investing activities (B)</b>	<b>(2,303.67)</b>	<b>(46,238.74)</b>

# Consolidated Cash Flow Statement

for the year ended March 31, 2019

(All amounts in INR Million unless otherwise stated)

	March 31, 2019	March 31, 2018
<b>C. Cash flows from financing activities</b>		
Proceeds from issue of unit capital	-	22,500.00
Proceeds from issue of debentures/ long-term borrowings	6,850.00	14,230.00
Acquisition of borrowings	1,675.00	42,345.56
Repayment of borrowings	(6,520.21)	(32,546.46)
Finance costs	(2,170.70)	(1,099.05)
Distribution to unit holders	(3,399.84)	(1,850.94)
<b>Net cash flow from/(used in) financing activities (C)</b>	<b>(3,565.75)</b>	<b>43,579.11</b>
Net increase/(decrease) in cash and cash equivalents (A + B + C)	(69.26)	1,672.92
Cash and cash equivalents as at beginning of year	1,672.92	-
<b>Cash and cash equivalents as at year end</b>	<b>1,603.66</b>	<b>1,672.92</b>
<b>Components of Cash and cash equivalents:</b>		
<b>Balances with banks</b>		
- On current accounts <sup>^</sup>	519.10	1,672.92
- Deposits with original maturity of less than three months	1,084.56	-
<b>Total cash and cash equivalents (refer note 8A)</b>	<b>1,603.66</b>	<b>1,672.92</b>

## Reconciliation between opening and closing balances for liabilities arising from financing activities

Particulars	Long-term borrowings	Short-term borrowings
<b>April 1, 2017</b>	-	-
<b>Cash flow</b>		
- Interest	(866.57)	(232.48)
- Proceeds/ (repayments)	19,852.94	4,230.00
Accrual for the year	780.09	232.48
<b>March 31, 2018</b>	<b>19,766.46</b>	<b>4,230.00</b>
<b>Cash Flow</b>		
- Interest	(2,043.62)	(127.07)
- Proceeds/ (repayments)	6,280.68	(4,230.00)
Accrual for the year	2,168.76	127.07
<b>March 31, 2019</b>	<b>26,172.27</b>	-

Summary of significant accounting policies

2.3

As per our report of even date

For **S R B C & Co. LLP**  
Chartered Accountants  
ICAI Firm Registration No. 324982E/E300003

For and on behalf of the Board of Directors of Sterlite Investment Managers Limited  
(as Investment Manager of India Grid Trust)

**per Aryn Jassani**  
Partner  
Membership Number: 046447

**Pratik Agarwal**  
Director  
DIN: 03040062

**Harsh Shah**  
CEO & Whole Time Director  
DIN: 02496122

**Swapnil Patil**  
Company Secretary

Place : Mumbai  
Dated : 24 April, 2019

Place : Mumbai  
Dated : 24 April, 2019



## Disclosures pursuant to SEBI Circulars

(SEBI Circular No. CIR/IMD/DF/114/2016 dated October 20, 2016 and No. CIR/IMD/DF/127/2016 dated November 29, 2016 issued under the InvIT Regulations)

### A. CONSOLIDATED STATEMENT OF NET ASSETS AT FAIR VALUE AS AT

(INR in Million)

Particulars	March 31, 2019		March 31, 2018	
	Book value	Fair value	Book value	Fair value
A. Assets	53,462.26	54,097.07	53,786.94	54,064.90
B. Liabilities (at book value)	26,696.15	26,696.15	25,154.38	25,154.38
C. Net assets (A-B)	26,766.11	27,400.92	28,632.56	28,910.52
D. Number of units	283.80	283.80	283.80	283.80
E. NAV (C/D)	94.31	96.55	100.89	101.87

#### Project-wise breakup of fair value of assets as at

(INR in Million)

Project	March 31, 2019	March 31, 2018
Bhopal Dhule Transmission Company Limited	19,621.32	20,632.61
Jabalpur Transmission Company Limited	14,811.09	15,706.90
RAPP Transmission Company Limited	4,113.56	4,285.14
Purulia & Kharagpur Transmission Company Limited	6,490.78	6,653.60
Maheshwaram Transmission Limited	5,342.48	5,578.96
Patran Transmission Company Limited	2,444.73	-
<b>Sub-total</b>	<b>52,823.96</b>	<b>52,857.20</b>
Assets (in IndiGrid and Sterlite Grid 1 Limited)	1,273.11	1,207.70
<b>Total assets</b>	<b>54,097.07</b>	<b>54,064.90</b>

### B. CONSOLIDATED STATEMENT OF TOTAL RETURNS AT FAIR VALUE FOR THE YEAR ENDED

(INR in Million)

Particulars	March 31, 2019	March 31, 2018
Total Comprehensive Income (As per the Statement of Profit and Loss)	1,539.14	2,103.50
Add/(less): Other changes in fair value (e.g. in investment property, property, plant & equipment (if cost model is followed)) not recognised in Total Comprehensive Income	356.86	277.96
<b>Total Return</b>	<b>1,896.00</b>	<b>2,381.46</b>

#### Notes:

1. Fair value of assets and other changes in fair value for the year then ended as disclosed in the above tables are derived based on the fair valuation reports issued by the independent valuer appointed under the InvIT Regulations.
2. Sensitivity analysis with respect to significant unobservable inputs used in the fair value measurement has been disclosed in Note 27.

## Disclosures pursuant to SEBI Circulars

(SEBI Circular No. CIR/IMD/DF/114/2016 dated October 20, 2016 and No. CIR/IMD/DF/127/2016 dated November 29, 2016 issued under the InvIT Regulations)

### A) STATEMENT OF NET DISTRIBUTABLE CASH FLOWS (NDCFS) OF INDIA GRID TRUST

Description	(INR in Million)	
	Year ended March 31, 2019	Year ended March 31, 2018
Cash flows received from the Portfolio Assets in the form of interest	4,447.45	2,758.65
Cash flows received from the Portfolio Assets in the form of dividend	-	-
Any other income accruing at IndiGrid level and not captured above, including but not limited to interest/return on surplus cash invested by IndiGrid	27.47	12.54
Cash flows received from the Portfolio Assets towards the repayment of the debt issued to the Portfolio Assets by IndiGrid (refer note i)	303.37	335.88
Proceeds from the Portfolio Assets for a capital reduction by way of a buy back or any other means as permitted, subject to applicable law	-	-
Proceeds from sale of assets of the Portfolio Asset not distributed pursuant to an earlier plan to re-invest, or if such proceeds are not intended to be invested subsequently	-	-
<b>Total cash inflow at the IndiGrid level (A)</b>	<b>4,778.29</b>	<b>3,107.07</b>
Less: Any payment of fees, interest and expense incurred at IndiGrid level, including but not limited to the fees of the Investment Manager and Trustee (refer note ii)	(1,158.18)	(313.90)
Less: Costs/retention associated with sale of assets of the Portfolio Assets:	-	-
- related debts settled or due to be settled from sale proceeds of Portfolio Assets;	-	-
- transaction costs paid on sale of the assets of the Portfolio Assets; and	-	-
- capital gains taxes on sale of assets/ shares in Portfolio Assets/ other investments.	-	-
Less: Proceeds reinvested or planned to be reinvested in accordance with Regulation 18(7)(a) of the InvIT Regulations	-	-
Less: Repayment of external debt at the IndiGrid level and at the level of any of the underlying portfolio assets/special purpose vehicles (Excluding refinancing)	-	-
Less: Income tax (if applicable) at the standalone IndiGrid level	(6.24)	-
Less: Amount invested in any of the Portfolio Assets for service of debt or interest	(261.80)	-
Less: Repair work in relation to the projects undertaken by any of the Portfolio Assets	-	-
<b>Total cash outflows / retention at IndiGrid level (B)</b>	<b>(1,426.22)</b>	<b>(313.90)</b>
<b>Net Distributable Cash Flows (C) = (A+B) (refer note iii)</b>	<b>3,352.07</b>	<b>2,793.17</b>

#### Notes to the Statement of Net Distributable Cash Flows of IndiGrid

i. FY 2017-18, excludes INR 1,395.39 Million of debt repayment by JTCL to IndiGrid out of the proceeds of total external debt of INR 4,230 Million raised by JTCL during financial year 17-18.

ii. Includes amount of INR 45.13 Million towards creation of interest service reserve account in respect of the external debt raised during the year.

## Disclosures pursuant to SEBI Circulars

(SEBI Circular No. CIR/IMD/DF/114/2016 dated October 20, 2016 and No. CIR/IMD/DF/127/2016 dated November 29, 2016 issued under the InvIT Regulations)

### B) STATEMENT OF NET DISTRIBUTABLE CASH FLOWS (NDCFS) OF UNDERLYING HOLDCOS AND SPVS

#### (i) Sterlite Grid 1 Limited (SGL1) (Holdco)

(INR in Million)

Description	Year ended	May 30, 2017* to
	March 31, 2019	March 31, 2018
<b>Profit/(loss) after tax as per profit and loss account (A)</b> (pertaining to period post acquisition by IndiGrid)	<b>(454.51)</b>	<b>93.99</b>
Add: Depreciation, impairment and amortisation	5.89	7.29
Add/Less: Decrease/(increase) in working capital	(155.55)	(10.10)
Add: Interest accrued on loan/non-convertible debentures issued to IndiGrid or SGL1	639.14	473.60
Add/less: Loss/gain on sale of infrastructure assets	-	-
Add: Proceeds from sale of infrastructure assets adjusted for the following:	-	-
- related debts settled or due to be settled from sale proceeds;	-	-
- directly attributable transaction costs;	-	-
- directly attributable transaction costs;	-	-
- proceeds reinvested or planned to be reinvested as per Regulation 18(7)(a) of the InvIT Regulations	-	-
Add: Proceeds from sale of infrastructure assets not distributed pursuant to an earlier plan to re-invest, if such proceeds are not intended to be invested subsequently, net of any profit/ (loss) recognised in profit and loss account	-	-
Less: Capital expenditure, if any	-	-
Add/less: Any other item of non-cash expense/ non-cash income (net of actual cash flows for these items)	-	-
- any decrease/increase in carrying amount of an asset or a liability recognised in profit and loss account on measurement of the asset or the liability at fair value;	-	-
- interest cost as per effective interest rate method (difference between accrued and actual paid);	-	-
- deferred tax;	(185.97)	(163.99)
- Unwinding of Interest cost on Non-Convertible debentures issued at interest rate lower than market rate of interest	-	0.30
- portion reserve for major maintenance which has not been accounted for in profit and loss statement;	-	-
Amortisation of Upfront fees	-	-
Loss on account of MTM of F/W & ECB	-	-
Non-Cash item - Reversal of impairment of investment in subsidiary	-	(429.22)
Non-Cash item - Provision for TDS receivable	-	21.52
- reserve for debenture/ loan redemption (Excluding any reserve required by any law or as per lender's agreement)	-	-
Less: Repayment of external debt (principal)/ redeemable preference shares/ debentures, etc. (Excluding refinancing)/ net cash set aside to comply with DSRA requirement under loan agreements	-	-
<b>Total Adjustments (B)</b>	<b>303.51</b>	<b>(100.60)</b>
<b>Net Distributable Cash Flows (C)=(A+B)</b>	<b>(151.00)</b>	<b>(6.61)</b>

\* Being the date of acquisition of SGL1 by IndiGrid.

## Disclosures pursuant to SEBI Circulars

(SEBI Circular No. CIR/IMD/DF/114/2016 dated October 20, 2016 and No. CIR/IMD/DF/127/2016 dated November 29, 2016 issued under the InvIT Regulations)

### (ii) Bhopal Dhule Transmission Company Limited (BDTCL) (SPV)

(INR in Million)

Description	Year ended	May 30, 2017* to
	March 31, 2019	March 31, 2018
<b>Profit/(loss) after tax as per profit and loss account (A)</b> (pertaining to period post acquisition by IndiGrid)	<b>(571.14)</b>	<b>(369.97)</b>
Add: Depreciation, impairment and amortisation	708.48	593.20
Add/Less: Decrease/(increase) in working capital	(9.33)	86.72
Add: Interest accrued on loan/non-convertible debentures issued to IndiGrid or SGL 1	1,298.27	1,014.26
Add/less: Loss/gain on sale of infrastructure assets	-	-
Add: Proceeds from sale of infrastructure assets adjusted for the following:	-	-
- related debts settled or due to be settled from sale proceeds;	-	-
- directly attributable transaction costs;	-	-
- directly attributable transaction costs;	-	-
- proceeds reinvested or planned to be reinvested as per Regulation 18(7)(a) of the InvIT Regulations	-	-
Add: Proceeds from sale of infrastructure assets not distributed pursuant to an earlier plan to re-invest, if such proceeds are not intended to be invested subsequently, net of any profit/ (loss) recognised in profit and loss account	-	-
Less: Capital expenditure, if any	(0.09)	(2.93)
Add/less: Any other item of non-cash expense/ non cash income (net of actual cash flows for these items),	-	-
-any decrease/ increase in carrying amount of an asset or a liability recognised in profit and loss account on measurement of the asset or the liability at fair value;	-	-
- interest cost as per effective interest rate method (difference between accrued and actual paid);	-	-
- deferred tax;	-	-
- unwinding of Interest cost on interest free loan or other debentures;	-	-
- portion reserve for major maintenance which has not been accounted for in profit and loss statement;	-	-
Amortisation of Upfront fees	4.37	-
Loss on account of MTM of F/W & ECB	113.78	51.35
Non-Cash Income - Reversal of Prepayment penalty	-	-
- reserve for debenture/ loan redemption (Excluding any reserve required by any law or as per lender's agreement)	-	-
Less: Repayment of external debt (principal)/ redeemable preference shares/ debentures, etc. (Excluding refinancing)/ net cash set aside to comply with DSRA requirement under loan agreements	(622.10)	(143.66)
<b>Total Adjustments (B)</b>	<b>1,493.38</b>	<b>1,598.94</b>
<b>Net Distributable Cash Flows (C)=(A+B)</b>	<b>922.24</b>	<b>1,228.98</b>

\* Being the date of acquisition of BDTCL by IndiGrid.

Note: During the year, an amount of INR 832.26 Million (being at least 90%) has already been distributed to IndiGrid.

## Disclosures pursuant to SEBI Circulars

(SEBI Circular No. CIR/IMD/DF/114/2016 dated October 20, 2016 and No. CIR/IMD/DF/127/2016 dated November 29, 2016 issued under the InvIT Regulations)

### (iii) Jabalpur Transmission Company Limited (JTCL) (SPV)

(INR in Million)

Description	Year ended March 31, 2019	May 30, 2017* to March 31, 2018
<b>Profit/(loss) after tax as per profit and loss account (A)</b> (pertaining to period post acquisition by IndiGrid)	<b>(1,147.58)</b>	<b>(21.60)</b>
Add: Depreciation, impairment and amortisation	899.69	473.80
Add/Less: Decrease/(increase) in working capital	(95.22)	5.05
Add: Interest accrued on loan/non-convertible debentures issued to IndiGrid or SGL 1	1,905.14	1,561.34
Add/less: Loss/gain on sale of infrastructure assets	-	-
Add: Proceeds from sale of infrastructure assets adjusted for the following:	-	-
- related debts settled or due to be settled from sale proceeds;	-	-
- directly attributable transaction costs;	-	-
- directly attributable transaction costs;	-	-
- proceeds reinvested or planned to be reinvested as per Regulation 18(7)(a) of the InvIT Regulations	-	-
Add: Proceeds from sale of infrastructure assets not distributed pursuant to an earlier plan to re-invest, if such proceeds are not intended to be invested subsequently, net of any profit/ (loss) recognised in profit and loss account	-	-
Less: Capital expenditure, if any	-	(9.23)
Add/less: Any other item of non-cash expense/ non cash income (net of actual cash flows for these items)	-	(4.39)
- any decrease/increase in carrying amount of an asset or a liability recognised in profit and loss account on measurement of the asset or the liability at fair value;	-	-
- interest cost as per effective interest rate method (difference between accrued and actual paid);	-	-
- deferred tax;	-	-
- unwinding of Interest cost on interest free loan or other debentures;	-	-
- portion reserve for major maintenance which has not been accounted for in profit and loss statement;	-	-
Amortisation of Upfront fees	-	-
Loss on account of MTM of F/W & ECB	-	-
Non-Cash Income - Reversal provision - Prepayment penalty	-	-
- reserve for debenture/ loan redemption (Excluding any reserve required by any law or as per lender's agreement)	-	-
Less: Repayment of external debt (principal)/ redeemable preference shares/ debentures, etc. (Excluding refinancing) / net cash set aside to comply with DSRA requirement under loan agreements	-	-
<b>Total Adjustments (B)</b>	<b>2,709.61</b>	<b>2,026.57</b>
<b>Net Distributable Cash Flows (C)=(A+B)</b>	<b>1,562.03</b>	<b>2,004.97</b>

\* Being the date of acquisition of JTCL by IndiGrid.

Note: During the year, an amount of INR 1,405.75 Million (being at least 90%) has already been distributed to IndiGrid.



## Disclosures pursuant to SEBI Circulars

(SEBI Circular No. CIR/IMD/DF/114/2016 dated October 20, 2016 and No. CIR/IMD/DF/127/2016 dated November 29, 2016 issued under the InvIT Regulations)

### (iv) RAPP Transmission Company Limited ('RTCL')

Description	(INR in Million)	
	Year ended March 31, 2019	February 15, 2018* to March 31, 2018
<b>Profit/(loss) after tax as per profit and loss account (A)</b> (pertaining to period post acquisition by IndiGrid)	<b>(7.29)</b>	<b>(20.96)</b>
Add: Depreciation, impairment and amortisation	85.67	10.26
Add/Less: Decrease/(increase) in working capital	184.30	16.98
Add: Interest accrued on loan/non-convertible debentures issued to IndiGrid or SGL 1	381.90	47.16
Add/less: Loss/gain on sale of infrastructure assets	-	-
Add: Proceeds from sale of infrastructure assets adjusted for the following:	-	-
- related debts settled or due to be settled from sale proceeds;	-	-
- directly attributable transaction costs;	-	-
- directly attributable transaction costs;	-	-
- proceeds reinvested or planned to be reinvested as per Regulation 18(7)(a) of the InvIT Regulations	-	-
Add: Proceeds from sale of infrastructure assets not distributed pursuant to an earlier plan to re-invest, if such proceeds are not intended to be invested subsequently, net of any profit/ (loss) recognised in profit and loss account	-	-
Less: Capital expenditure, if any	-	-
Add/less: Any other item of non-cash expense/ non cash income (net of actual cash flows for these items)	-	-
- any decrease/increase in carrying amount of an asset or a liability recognised in profit and loss account on measurement of the asset or the liability at fair value;	-	-
- interest cost as per effective interest rate method (difference between accrued and actual paid);	-	-
- deferred tax;	-	-
- unwinding of Interest cost on interest free loan or other debentures;	-	-
- portion reserve for major maintenance which has not been accounted for in profit and loss statement;	-	-
Amortisation of Upfront fees	-	-
Loss on account of MTM of F/W & ECB	-	-
Non-Cash Income - Reversal provision - Prepayment penalty	-	-
- reserve for debenture/ loan redemption (Excluding any reserve required by any law or as per lender's agreement)	-	-
Less: Repayment of external debt (principal)/ redeemable preference shares/ debentures, etc. (Excluding refinancing)/ net cash set aside to comply with DSRA requirement under loan agreements	-	-
<b>Total Adjustments (B)</b>	<b>651.87</b>	<b>74.40</b>
<b>Net Distributable Cash Flows (C)=(A+B)</b>	<b>644.58</b>	<b>53.44</b>

\* Being the date of acquisition of RTCL by IndiGrid.

Note: During the year, an amount of INR 580.23 Million (being at least 90%) has already been distributed to IndiGrid.

## Disclosures pursuant to SEBI Circulars

(SEBI Circular No. CIR/IMD/DF/114/2016 dated October 20, 2016 and No. CIR/IMD/DF/127/2016 dated November 29, 2016 issued under the InvIT Regulations)

### (v) Purulia & Kharagpur Transmission Company Limited (PKTCL)(SPV)

(INR in Million)

Description	Year ended March 31, 2019	February 15, 2018* to March 31, 2018
<b>Profit/(loss) after tax as per profit and loss account (A)</b> (pertaining to period post acquisition by IndiGrid)	<b>(36.47)</b>	<b>(34.28)</b>
Add: Depreciation, impairment and amortisation	142.91	17.11
Add/Less: Decrease/(increase) in working capital	(72.02)	36.84
Add: Interest accrued on loan/non-convertible debentures issued to IndiGrid or SGL 1	598.15	73.74
Add/less: Loss/gain on sale of infrastructure assets	-	-
Add: Proceeds from sale of infrastructure assets adjusted for the following:	-	-
- related debts settled or due to be settled from sale proceeds;	-	-
- directly attributable transaction costs;	-	-
- directly attributable transaction costs;	-	-
- proceeds reinvested or planned to be reinvested as per Regulation 18(7)(a) of the InvIT Regulations	-	-
Add: Proceeds from sale of infrastructure assets not distributed pursuant to an earlier plan to re-invest, if such proceeds are not intended to be invested subsequently, net of any profit/ (loss) recognised in profit and loss account	-	-
Less: Capital expenditure, if any	-	-
Add/less: Any other item of non-cash expense/ non cash income (net of actual cash flows for these items)	-	-
- any decrease/increase in carrying amount of an asset or a liability recognised in profit and loss account on measurement of the asset or the liability at fair value;	-	-
- interest cost as per effective interest rate method (difference between accrued and actual paid);	-	-
- deferred tax;	-	-
- unwinding of Interest cost on interest free loan or other debentures;	-	-
- portion reserve for major maintenance which has not been accounted for in profit and loss statement;	-	-
Amortisation of Upfront fees	-	-
Loss on account of MTM of F/W & ECB	-	-
Non-Cash Income - Reversal provision - Prepayment penalty	-	-
- reserve for debenture/ loan redemption (Excluding any reserve required by any law or as per lender's agreement)	-	-
Less: Repayment of external debt (principal)/ redeemable preference shares/ debentures, etc. (Excluding refinancing)/ net cash set aside to comply with DSRA requirement under loan agreements	-	(19.00)
<b>Total Adjustments (B)</b>	<b>669.04</b>	<b>108.69</b>
<b>Net Distributable Cash Flows (C)=(A+B)</b>	<b>632.57</b>	<b>74.42</b>

\* Being the date of acquisition of PKTCL by IndiGrid.

Note: During the year, an amount of INR 569.31 Million (being at least 90%) has already been distributed to IndiGrid.

## Disclosures pursuant to SEBI Circulars

(SEBI Circular No. CIR/IMD/DF/114/2016 dated October 20, 2016 and No. CIR/IMD/DF/127/2016 dated November 29, 2016 issued under the InvIT Regulations)

### (vi) Maheshwaram Transmission Limited (MTL)(SPV)

Description	(INR in Million)	
	Year ended March 31, 2019	February 15, 2018* to March 31, 2018
<b>Profit/(loss) after tax as per profit and loss account (A)</b> (pertaining to period post acquisition by IndiGrid)	<b>(155.22)</b>	<b>(19.28)</b>
Add: Depreciation, impairment and amortisation	121.78	15.00
Add/Less: Decrease/(increase) in working capital	(15.12)	11.71
Add: Interest accrued on loan/non-convertible debentures issued to IndiGrid or SGL 1	562.52	69.17
Add/less: Loss/gain on sale of infrastructure assets	-	-
Add: Proceeds from sale of infrastructure assets adjusted for the following:	-	-
- related debts settled or due to be settled from sale proceeds;	-	-
- directly attributable transaction costs;	-	-
- directly attributable transaction costs;	-	-
- proceeds reinvested or planned to be reinvested as per Regulation 18(7)(a) of the InvIT Regulations	-	-
Add: Proceeds from sale of infrastructure assets not distributed pursuant to an earlier plan to re-invest, if such proceeds are not intended to be invested subsequently, net of any profit/ (loss) recognised in profit and loss account	-	-
Less: Capital expenditure, if any	-	-
Add/less: Any other item of non-cash expense/ non cash income (net of actual cash flows for these items)	-	-
- any decrease/increase in carrying amount of an asset or a liability recognised in profit and loss account on measurement of the asset or the liability at fair value;	-	-
- interest cost as per effective interest rate method (difference between accrued and actual paid);	-	-
- deferred tax;	-	-
- unwinding of Interest cost on interest free loan or other debentures;	-	-
- portion reserve for major maintenance which has not been accounted for in profit and loss statement;	-	-
Amortisation of Upfront fees	-	-
Loss on account of MTM of F/W & ECB	-	-
Non-Cash Income - Reversal provision - Prepayment penalty	-	-
- reserve for debenture/ loan redemption (Excluding any reserve required by any law or as per lender's agreement)	-	-
Less: Repayment of external debt (principal)/ redeemable preference shares/ debentures, etc. (Excluding refinancing)/ net cash set aside to comply with DSRA requirement under loan agreements	-	-
<b>Total Adjustments (B)</b>	<b>669.18</b>	<b>95.88</b>
<b>Net Distributable Cash Flows (C)=(A+B)</b>	<b>513.96</b>	<b>76.60</b>

\* Being the date of acquisition of MTL by IndiGrid.

Note: During the year, an amount of INR 462.57 Million (being at least 90%) has already been distributed to IndiGrid.

## Disclosures pursuant to SEBI Circulars

(SEBI Circular No. CIR/IMD/DF/114/2016 dated October 20, 2016 and No. CIR/IMD/DF/127/2016 dated November 29, 2016 issued under the InvIT Regulations)

### (vii) Patran Transmission Company Limited (PTCL)(SPV)

(INR in Million)

Description	Year ended March 31, 2019	August 30, 2018* to September 30, 2018
<b>Profit/(loss) after tax as per profit and loss account (A)</b> (pertaining to period post acquisition by IndiGrid)	<b>(183.29)</b>	<b>(5.91)</b>
Add: Depreciation, impairment and amortisation	184.36	3.11
Add/Less: Decrease/(increase) in working capital	5.55	6.94
Add: Interest accrued on loan/non-convertible debentures issued to IndiGrid or SGL 1	139.97	21.41
Add/less: Loss/gain on sale of infrastructure assets	-	-
Add: Proceeds from sale of infrastructure assets adjusted for the following:	-	-
- related debts settled or due to be settled from sale proceeds;	-	-
- directly attributable transaction costs;	-	-
- directly attributable transaction costs;	-	-
- proceeds reinvested or planned to be reinvested as per Regulation 18(7)(a) of the InvIT Regulations	-	-
Add: Proceeds from sale of infrastructure assets not distributed pursuant to an earlier plan to re-invest, if such proceeds are not intended to be invested subsequently, net of any profit/ (loss) recognised in profit and loss account	-	-
Less: Capital expenditure, if any	-	-
Add/less: Any other item of non-cash expense / non cash income (net of actual cash flows for these items)	-	(2.37)
- any decrease/increase in carrying amount of an asset or a liability recognised in profit and loss account on measurement of the asset or the liability at fair value;	-	-
- interest cost as per effective interest rate method (difference between accrued and actual paid);	-	-
- deferred tax;	-	-
- unwinding of Interest cost on interest free loan or other debentures;	-	-
- portion reserve for major maintenance which has not been accounted for in profit and loss statement;	-	-
Amortisation of Upfront fees	-	-
Loss on account of MTM of F/W & ECB	-	-
Non-Cash Income - Reversal provision - Prepayment penalty	-	-
- reserve for debenture/ loan redemption (Excluding any reserve required by any law or as per lender's agreement)	-	-
Less: Repayment of external debt (principal)/ redeemable preference shares/ debentures, etc. (Excluding refinancing)/ net cash set aside to comply with DSRA requirement under loan agreements	-	-
<b>Total Adjustments (B)</b>	<b>329.88</b>	<b>29.09</b>
<b>Net Distributable Cash Flows (C)=(A+B)</b>	<b>146.59</b>	<b>23.18</b>

\* Being the date of acquisition of PTCL by IndiGrid.

Note: During the year, an amount of INR. 131.93 Million (being at least 90%) has already been distributed to IndiGrid.

# Notes to the Consolidated Financial Statements

for the year ended March 31, 2019

## 1. Group information

The consolidated financial statements comprise financial statements of India Grid Trust ("the Trust" or "IndiGrid") and its subsidiaries (collectively, the Group) for the year ended March 31, 2019. IndiGrid is an irrevocable trust settled by Sterlite Power Grid Ventures Limited (the "Sponsor") on October 21, 2016 pursuant to the Trust Deed under the provisions of the Indian Trusts Act, 1882 and registered with Securities Exchange Board of India ("SEBI") under the SEBI (Infrastructure Investment Trust) Regulations, 2014 as an Infrastructure Investment Trust on November 28, 2016 having registration number IN/InvIT/16-17/0005. The Trustee of IndiGrid is Axis Trustee Services Limited (the "Trustee"). The Investment manager for IndiGrid is Sterlite Investment Managers Limited (the "Investment Manager" or the "Management").

The objectives of IndiGrid are to undertake activities as an infrastructure investment trust in accordance with the provisions of the InvIT Regulations and the Trust Deed. The principal activity of IndiGrid is to own and invest in power transmission assets in India with the objective of producing stable and sustainable distributions to unitholders.

As at March 31, 2019, IndiGrid has following project entities which are transmission infrastructure projects developed on Build, Own, Operate and Maintain ('BOOM') basis:

1. Bhopal Dhule Transmission Company Limited ('BDTCL')
2. Jabalpur Transmission Company Limited ('JTCL')
3. RAPP Transmission Company Limited ('RTCL')
4. Purulia & Kharagpur Transmission Company Limited ('PKTCL')
5. Maheshwaram Transmission Limited ('MTL')
6. Patran Transmission Company Limited ('PTCL')

These SPVs have executed Transmission Services Agreements ("TSAs") with Long-term transmission customers under which the SPVs have to maintain the transmission infrastructure for 35 years post commissioning.

The address of the registered office of the Investment Manager is Maker Maxity, 5 North Avenue, Level 5, Bandra-Kurla Complex, Bandra (East), Mumbai - 400 051, Maharashtra, India. The consolidated financial statements were authorised for issue in accordance with resolution passed by the Board of Directors of the Investment Manager on April 24, 2019.

## 2. Significant Accounting Policies

### 2.1 Basis of preparation

The consolidated financial statements comprise of the Consolidated Balance Sheet as at March 31, 2019, the Consolidated Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Consolidated Statement of Cash Flow and the Consolidated Statement of Changes in Unitholders' Equity for the year then ended and the Consolidated Statement of Net Assets at fair value as at March 31, 2019 and the Consolidated Statement of Total Returns at fair value and the Statement of Net Distributable Cash Flows ('NDCFs') of the Trust, the underlying holding company ("HoldCo") and each of its subsidiaries for the year then ended and a summary of significant accounting policies and other explanatory notes prepared in accordance with Indian Accounting Standards as defined in Rule 2(1)(a) of the Companies (Indian Accounting Standards) Rules, 2015(as amended), prescribed under Section 133 of the Companies Act, 2013 ("Ind AS") read with SEBI (Infrastructure Investment Trusts) Regulations, 2014, as amended and the circulars issued thereunder ("InvIT Regulations").

The consolidated financial statements have been prepared on a historical cost basis, except for the following assets and liabilities which have been measured at fair value

- Derivative financial instruments
- Certain financial assets measured at fair value (e.g. Liquid mutual funds)

The consolidated financial statements are presented in Indian Rupees Million, except when otherwise indicated.

### 2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Trust and its subsidiaries as at March 31, 2019. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)



# Notes to the Consolidated Financial Statements

for the year ended March 31, 2019

- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights
- The size of the Group's holding of voting rights relative to the size and dispersion of the holdings of the other voting rights holders.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. If a member of the group uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that group member's financial statements in preparing the consolidated financial statements to ensure conformity with the group's accounting policies.

The financial statements of all entities used for the purpose of consolidation are drawn up to same reporting date as that of the parent company, i.e. year ended on March 31.

## Consolidation procedure:

- (a) Combine like items of assets, liabilities, equity, income, expenses and cash flows of the parent with those of its subsidiaries. For this purpose, income and expenses of the subsidiary are based on the amounts of the assets and liabilities recognised in the consolidated financial statements at the acquisition date.
- (b) Offset (eliminate) the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary. Business combinations policy explains how to account for any related goodwill.
- (c) Eliminate in full intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the group (profits or losses resulting from intragroup transactions that are recognised in assets, such as inventory and fixed assets, are eliminated in full). Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Ind AS 12 Income Taxes applies to temporary differences that arise from the elimination of profits and losses resulting from intragroup transactions.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the unit holders of the Trust and to the non-controlling interests (if any), even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received

# Notes to the Consolidated Financial Statements

for the year ended March 31, 2019

- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

## 2.3 Summary of significant accounting policies

The following is the summary of significant accounting policies applied by the Group in preparing its consolidated financial statements:

### a) Current versus non-current classification

The Group presents assets and liabilities in the balance sheet based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

### All other assets are classified as non-current.

#### A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

The Operating cycle is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents. The Group has identified twelve months as its operating cycle.

### b) Foreign currencies

The Group's consolidated financial statements are presented in INR, which is its functional currency. The Group does not have any foreign operation.

### Transactions and balances

Transactions in foreign currencies are initially recorded by the Group at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Exchange differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

### c) Fair value measurement

The Group measures financial instruments such as mutual funds at fair value at each balance sheet date.

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 measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another

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market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

In estimating the fair value of transmission assets/projects, the Group engages independent qualified external valuers to perform the valuation. The management works closely with the external valuers to establish the appropriate valuation techniques and inputs to the model. The management in conjunction with the external valuers also compares the change in fair value with relevant external sources to determine whether the change is reasonable. The management reports the valuation report and findings to the Board of the Investment Manager half yearly to explain the cause of fluctuations in the fair value of the transmission projects.

At each reporting date, the management analyses the movement of assets and liabilities which are required to be re-measured or reassessed as per the Group's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

This note summarises accounting policy for fair value. Other fair value related disclosures are given in the relevant notes.

- Quantitative disclosures of fair value measurement hierarchy (Note 29)
- Disclosures for valuation methods, significant estimates and assumptions (Note 21, Note 29)
- Financial instruments (including those carried at amortised cost) (Note 29, Note 30)

## d) Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the customer.

### Power transmission services

Revenue from contracts with customers comprises of revenue from power transmission services rendered in India to Long-Term Transmission Customers (LTTCs) pursuant to the respective Transmission Services Agreements (TSAs) executed by the Group with LTTCs for periods of 35 years. The Group is required to ensure that the transmission assets meet the minimum availability criteria under the respective TSAs. The Group's performance obligation under the TSAs is to provide power transmission services. The performance obligation is satisfied over time as the customers receive and consume the benefits provided by the Group's performance as the Group

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performs. Accordingly, the revenue from power transmission services is recognised over time based on the transmission asset availabilities and the tariff charges approved under the respective CERC tariff orders and includes unbilled revenues accrued up to the end of the accounting period. The payment is generally due within 60 days upon receipt of monthly invoice by the customer.

## Contract balances

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due). Amounts which have been billed to the customers are disclosed as Trade receivables and amounts which are to be billed to the customers (and not conditional on the group's future performance) are disclosed under Other financial assets. Refer accounting policies for financial assets in Financial instruments – initial recognition and subsequent measurement.

## e) Interest income/Dividend income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Income from dividend on investments is accrued in the year in which it is declared, whereby the Group's right to receive is established.

## Taxation

### Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current income tax relating to items recognised outside statement of profit or loss is recognised outside statement of profit or loss (either in other comprehensive income or in equity). Current tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

### Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit

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will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside statement of profit or loss is recognised outside statement of profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

## Sales/value added taxes paid on acquisition of assets or on incurring expenses

Expenses and assets are recognised net of the amount of sales/value added taxes paid, except:

- When the tax incurred on a purchase of assets or services is not recoverable from the tax authority, in which case, the tax paid is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- When receivables and payables are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the tax authority is included as part of receivables or payables in the balance sheet.

### f) Non-Current assets held for sale

The Group classifies non-current assets and disposal groups as held for sale/ distribution to owners if their carrying amounts will be recovered principally through a sale/ distribution rather than through continuing use. Actions required to complete the sale/ distribution should indicate that it is unlikely

that significant changes to the sale/ distribution will be made or that the decision to sell/ distribute will be withdrawn. Management must be committed to the sale/ distribution expected within one year from the date of classification.

For these purposes, sale transactions include exchanges of non-current assets for other non-current assets when the exchange has commercial substance. The criteria for held for sale/distribution classification is regarded met only when the assets or disposal group is available for immediate sale/ distribution in its present condition, subject only to terms that are usual and customary for sales/ distribution of such assets (or disposal groups), its sale/ distribution is highly probable; and it will genuinely be sold, not abandoned. The group treats sale/distribution of the asset or disposal group to be highly probable when:

- The appropriate level of management is committed to a plan to sell the asset (or disposal group),
- An active programme to locate a buyer and complete the plan has been initiated (if applicable),
- The asset (or disposal group) is being actively marketed for sale at a price that is reasonable in relation to its current fair value,
- The sale is expected to qualify for recognition as a completed sale within one year from the date of classification and actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Non-Current assets held for sale/for distribution to owners and disposal groups are measured at the lower of their carrying amount and the fair value less costs to sell/ distribute. Assets and liabilities classified as held for sale/ distribution are presented separately in the balance sheet.

### g) Property, plant and equipment

Capital work-in-progress, property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of the plant and equipment are required to be replaced at intervals,



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the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in statement of profit or loss as incurred. No decommissioning liabilities are expected or be incurred on the assets of plant and equipment.

Expenditure directly relating to construction activity is capitalised. Indirect expenditure incurred during construction period is capitalised as part of the construction costs to the extent the expenditure can be attributable to construction activity or is incidental there to. Income earned during the construction period is deducted from the total of the indirect expenditure.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Asset Category	Useful Life considered	Useful life (Schedule II#)
Leasehold improvements	Lease Period*	30
Buildings (substation)	25	30
Substations	25-35	40
Transmission lines (including components)	25-35	40
Plant and machinery	2-5	15
Data Processing Equipments (Computers)	5	3-6
Furniture and Fittings	5	10
Office Equipments	5	3

# Schedule II to the Companies Act, 2013 which is applicable to the subsidiary companies.

\*Leasehold improvements are depreciated over the useful life of the asset or the lease period, whichever is lower.

The Group, based on technical assessments made by technical experts and management estimates, depreciates buildings (substation) and certain items of plant and equipment, data processing equipments, furniture and fittings, office equipments and vehicles over estimated useful lives which are different from the useful lives prescribed in Schedule II to the Companies Act, 2013 which is applicable to the subsidiary companies. The management believes that these estimated useful lives are realistic and reflect fair approximation of the period over which the assets are likely to be used.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

## h) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs.

## i) Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

### Group as lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Operating lease payments are recognised as an expense in the consolidated statement of profit and loss on a straight-line basis over the lease term.

# Notes to the Consolidated Financial Statements

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## Group as lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income from operating lease is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases are classified as finance leases when substantially all of the risks and rewards of ownership transfer from the Group to the lessee.

## j) Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculations on detailed budget and forecast calculations. These budgets are prepared for the entire project life.

Impairment losses of continuing operations are recognised in the statement of profit and loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit and loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

## k) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

## l) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

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## Financial assets

### *Initial recognition and measurement*

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

### *Subsequent measurement*

For purposes of subsequent measurement, financial assets are classified in four categories:

- i. Debt instruments at amortised cost
- ii. Debt instruments at fair value through other comprehensive income (FVTOCI)
- iii. Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL)
- iv. Equity instruments measured at fair value through other comprehensive income (FVTOCI)

### **Debt instruments at amortised cost**

A 'debt instrument' is measured at the amortised cost if both the following conditions are met:

- a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
- b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss.

### **Debt instrument at FVTOCI**

A 'debt instrument' is classified as FVTOCI if both of the following criteria are met:

- a) The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and
- b) The asset's contractual cash flows represent SPPI.

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognised in the Other Comprehensive Income (OCI). However, interest income, impairment losses and reversals and foreign exchange gain or loss are recognised in the statement of profit or loss. On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from the equity to statement of profit or loss. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method. The Group does not have any financial assets which are subsequently measured at FVTOCI.

### **Debt instrument at FVTPL**

FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorisation as at amortised cost or as FVTOCI, is classified as at FVTPL.

In addition, the Group may elect to designate a debt instrument, which otherwise meets amortised cost or FVTOCI criteria, as at FVTPL. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch'). The Group has not designated any debt instrument as at FVTPL.

Debt instruments included within the FVTPL category are measured at fair value with all changes recognised in the statement of profit or loss.

### **Equity investments**

All equity investments in scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading and contingent consideration recognised by an acquirer in a business combination to which Ind AS 103 applies are classified as at FVTPL. For all other equity instruments, the Group may make an irrevocable election to present in other

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comprehensive income subsequent changes in the fair value. The Group makes such election on an instrument-by-instrument basis. The classification is made on initial recognition and is irrevocable.

If the Group decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognised in the OCI. There is no recycling of the amounts from OCI to statement of profit or loss, even on sale of investment. However, the Group may transfer the cumulative gain or loss within equity.

Equity instruments included within the FVTPL category are measured at fair value with all changes recognised in the statement of profit or loss.

## **Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's balance sheet) when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

## **Impairment of financial assets**

Majority of the financial assets of the Group which are not reflected at fair value pertain to trade and other receivables. Considering the nature of business, the Group does not foresee any credit risk on its trade and other receivables which may cause an impairment. Also, the Group does not have any history of impairment of trade and other receivables.

For the financial assets which are reflected at fair value, no further impairment allowance is necessary as they reflect the fair value of the relevant financial asset itself.

## **Financial liabilities**

### **Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include borrowings and related costs, trade and other payables and derivative financial instruments.

### **Subsequent measurement**

The measurement of financial liabilities depends on their classification, as described below:

#### **Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by

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Ind AS 109. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. For liabilities designated as FVTPL, fair value gains/losses attributable to changes in own credit risk are recognised in OCI. These gains/losses are not subsequently transferred to P&L. However, the Group may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the statement of profit or loss.

## Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to borrowings. For more information refer Note 10.

## Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

## Embedded derivatives

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract – with the effect that some of the cash flows of the combined instrument vary in a way similar to a standalone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss.

If the hybrid contract contains a host that is a financial asset within the scope of Ind AS 109, the Group does not separate embedded derivatives. Rather, it applies the classification requirements contained in Ind AS 109 to the entire hybrid contract. Derivatives embedded in all other host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss, unless designated as effective hedging instruments.

## Reclassification of financial assets

The Group determines classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made for financial assets which are equity instruments and financial liabilities. For financial assets which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. Changes to the business model are expected to be infrequent. The Group's senior management determines change in the business model as a result of external or internal changes which are significant to the Group's operations. Such changes are evident to



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external parties. A change in the business model occurs when the Group either begins or ceases to perform an activity that is significant to its operations. If the Group reclassifies financial assets, it applies the reclassification prospectively from the reclassification date which is the first day of the immediately next reporting period following the change in business model. The Group does not restate any previously recognised gains, losses (including impairment gains or losses) or interest.

The following table shows various reclassification and how they are accounted for:

Original classification	Revised classification	Accounting Treatment
Amortised Cost	FVTPL	Fair value is measured at reclassification date. Difference between previous amortised cost and fair value is recognised in statement of profit or loss.
FVTPL	Amortised Cost	Fair value at reclassification date becomes its new gross carrying amount. EIR is calculated based on the new gross carrying amount.
Amortised cost	FVTOCI	Fair value is measured at reclassification date. Difference between previous amortised cost and fair value is recognised in OCI. No change in EIR due to reclassification.
FVTOCI	Amortised cost	Fair value at reclassification date becomes its new amortised cost carrying amount. However, cumulative gain or loss in OCI is adjusted against fair value. Consequently, the asset is measured as if it had always been measured at amortised cost.
FVTPL	FVTOCI	Fair value at reclassification date becomes its new carrying amount. No other adjustment is required.
FVTOCI	FVTPL	Assets continue to be measured at fair value. Cumulative gain or loss previously recognised in OCI is reclassified to statement of profit or loss at the reclassification date.

## Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

## m) Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps to hedge its foreign currency risks and interest rate risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Since the Group does not meet the strict criteria for hedge accounting, it has not applied hedge accounting in respect of its derivative contracts.

## n) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and on hand and short-term

deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts (if any) as they are considered an integral part of the Group's cash management.

## o) Cash distribution to unit holders

The Group recognises a liability to make cash distributions to unit holders when the distribution is authorised and a legal obligation has been created. As per the InvIT Regulations, a distribution is authorised when it is approved by the Board of Directors of the Investment Manager. A corresponding amount is recognised directly in equity.

## p) Earnings per unit

Basic earnings per unit is calculated by dividing the net profit or loss attributable to unit holders of the Trust (after deducting preference dividends and attributable taxes if any) by the weighted average number of units outstanding during the period. The weighted average number of units outstanding during the period is adjusted for events such as

# Notes to the Consolidated Financial Statements

for the year ended March 31, 2019

bonus issue, bonus element in a rights issue, split, and reverse split (consolidation of units) that have changed the number of units outstanding, without a corresponding change in resources.

For the purpose of calculating diluted earnings per unit, the net profit or loss for the period attributable to unit holders of the Trust and the weighted average number of units outstanding during the period are adjusted for the effects of all dilutive potential units.

## 2.4 Standards issued but not yet effective

Ind AS 116 Leases was notified on March 30, 2019 and it replaces Ind AS 17 Leases, including appendices thereto. Ind AS 116 is effective for annual periods beginning on or after April 1, 2019. Ind AS 116 sets out the principles for the recognition, measurement, presentation and disclosure of leases

and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under Ind AS 17. Lessor accounting under Ind AS 116 is substantially unchanged from the current accounting under Ind AS 17. Lessors will continue to classify all leases using the same classification principle as in Ind AS 17 and distinguish between two types of leases: operating and finance leases.

The Group intends to adopt this standard, if applicable, when it becomes effective. As the Group does not have any material leases, therefore the adoption of this standard is not likely to have a material impact on its Consolidated Financial Statements.

# Notes to the Consolidated Financial Statements

for the year ended March 31, 2019

## 3. Property, plant and equipment

Particulars	Freehold land	Lease hold land	Building - office (Leasehold improvements)	Building - Substations	Substations	Transmission lines	Plant and machinery	Data processing equipments	Furniture and fitting	Office equipment	Roads	Motor Vehicles	Total
<b>Gross Block</b>													
<b>At April 1, 2017</b>													
Additions on account of acquisition (refer note 21)	24.94	89.86	0.59	57.14	6,311.64	44,916.83	14.33	1.34	1.24	1.71	-	-	51,419.62
Other Additions during the year	-	-	-	-	-	9.21	2.93	0.03	-	-	-	-	12.17
Disposal	-	-	-	-	(9.85)	-	-	-	-	-	-	-	(9.85)
<b>At March 31, 2018</b>	<b>24.94</b>	<b>89.86</b>	<b>0.59</b>	<b>57.14</b>	<b>6,311.64</b>	<b>44,916.19</b>	<b>17.26</b>	<b>1.37</b>	<b>1.24</b>	<b>1.71</b>	<b>5.57</b>	<b>0.45</b>	<b>51,421.94</b>
Additions on account of acquisition (refer note 21)	87.34	-	-	62.69	2,096.00	-	-	-	-	-	-	-	2,252.05
Other Additions during the year	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjustments (refer note 12)	-	-	-	-	(422.78)	-	-	-	-	-	-	-	(422.78)
Disposal	-	-	-	-	-	(11.31)	-	-	-	-	-	-	(11.31)
<b>At March 31, 2019</b>	<b>112.28</b>	<b>89.86</b>	<b>0.59</b>	<b>119.83</b>	<b>7,984.86</b>	<b>44,916.19</b>	<b>5.95</b>	<b>1.37</b>	<b>1.24</b>	<b>1.71</b>	<b>5.57</b>	<b>0.45</b>	<b>53,239.90</b>
<b>Depreciation</b>													
<b>At April 1, 2017</b>													
Charge for the year	-	2.93	0.04	2.00	260.00	884.15	7.23	0.48	0.18	0.40	-	-	1,157.41
Impairment	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposal	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>At March 31, 2018</b>	<b>-</b>	<b>2.93</b>	<b>0.04</b>	<b>2.00</b>	<b>260.00</b>	<b>884.15</b>	<b>7.23</b>	<b>0.48</b>	<b>0.18</b>	<b>0.40</b>	<b>-</b>	<b>-</b>	<b>1,157.41</b>
Charge for the year	-	3.51	0.02	5.96	293.52	1,496.89	5.98	0.44	0.35	0.55	1.85	0.15	1,809.22
Impairment	-	-	-	-	-	456.96	-	-	-	-	-	-	456.96
Disposal	-	-	-	-	-	(11.31)	-	-	-	-	-	-	(11.31)
<b>At March 31, 2019</b>	<b>-</b>	<b>6.44</b>	<b>0.06</b>	<b>7.96</b>	<b>553.52</b>	<b>2,838.00</b>	<b>1.90</b>	<b>0.92</b>	<b>0.53</b>	<b>0.95</b>	<b>1.85</b>	<b>0.15</b>	<b>3,412.28</b>
<b>Net Block</b>													
<b>At March 31, 2018</b>	<b>24.94</b>	<b>86.94</b>	<b>0.55</b>	<b>55.14</b>	<b>6,051.64</b>	<b>44,032.04</b>	<b>10.03</b>	<b>0.89</b>	<b>1.06</b>	<b>1.32</b>	<b>-</b>	<b>-</b>	<b>50,264.53</b>
<b>At March 31, 2019</b>	<b>112.28</b>	<b>83.42</b>	<b>0.53</b>	<b>111.87</b>	<b>7,431.34</b>	<b>42,078.19</b>	<b>4.05</b>	<b>0.45</b>	<b>0.71</b>	<b>0.76</b>	<b>3.72</b>	<b>0.30</b>	<b>49,827.62</b>

# Notes to the Consolidated Financial Statements

for the year ended March 31, 2019

## Note 4. Other financial assets

(INR in Million)

	March 31, 2019	March 31, 2018
<b>Non-Current</b>		
Security deposits	3.45	3.46
Other bank balances (refer note 8B)	0.12	9.33
<b>Total</b>	<b>3.57</b>	<b>12.79</b>
<b>Current</b>		
Unbilled revenue*	548.84	497.26
Interest accrued on deposits	4.41	0.53
Security deposits	0.01	-
Advances receivable in cash	-	1.06
<b>Total</b>	<b>553.26</b>	<b>498.85</b>

\* Unbilled revenue is the transmission charges for the month of March 2019 amounting to INR 548.84 Million (March 31, 2018 - INR 497.26 Million) billed to transmission customers in the month of April 2019.

## Note 5. Other assets

(INR in Million)

	March 31, 2019	March 31, 2018
<b>Non-Current</b>		
Deposits paid under dispute (refer note 25)	143.14	150.21
Advance income tax, including TDS (net of provisions)	48.84	-
Others	0.27	-
<b>Total</b>	<b>192.25</b>	<b>150.21</b>
<b>Current</b>		
Advance income tax, including TDS (net of provisions)	-	48.74
Prepaid expenses	38.54	47.44
Others	7.37	6.28
Custom deposit	12.79	12.79
Less: Provision for non recovery of deposit	(12.79)	-
<b>Total</b>	<b>45.91</b>	<b>115.25</b>

## Note 6. Current investments

(INR in Million)

	March 31, 2019	March 31, 2018
<b>Investment in mutual funds (valued at fair value through profit or loss)</b>		
<b>Quoted</b>		
75,474 units (March 31, 2018 - Nil) of SBI Liquid Fund - Direct Plan - Daily Dividend*	75.72	-
<b>Total</b>	<b>75.72</b>	<b>-</b>

\* Amount of INR 75.72 Million is kept in Debt Service Reserve Account ('DSRA') as per borrowing agreements with lenders.

## Note 7. Trade receivables

(INR in Million)

	March 31, 2019	March 31, 2018
Trade receivable (Unsecured, considered good)	1,140.61	1,061.89
<b>Total</b>	<b>1,140.61</b>	<b>1,061.89</b>

Trade receivables are non-interest bearing and are generally on terms of 60 days

See Note 31 on credit risk of trade receivables, which explains how the Group manages and measures credit quality of trade receivables that are neither past due nor impaired.

# Notes to the Consolidated Financial Statements

for the year ended March 31, 2019

## Note 8A. Cash and cash equivalents

	(INR in Million)	
	March 31, 2019	March 31, 2018
Balances with banks		
- On current accounts <sup>^</sup>	519.10	1,672.92
- Deposits with original maturity of less than three months*	1,084.56	-
<b>Total</b>	<b>1,603.66</b>	<b>1,672.92</b>

<sup>^</sup> Out of total amount, INR 5.75 Million (March 31, 2018: INR 0.04 Million) pertains to unclaimed dividend to unit holders.

\* Includes amount of INR 429.67 Million (March 31, 2018: INR 270.17 Million) is kept in Interest Service Reserve Account ('ISRA')/Debt Service Reserve Account ('DSRA') as per borrowing agreements with lender

## Note 8B. Other bank balances

	(INR in Million)	
	March 31, 2019	March 31, 2018
<b>Non-Current</b>		
Deposits with original maturity of more than 12 months	0.12	9.33
Less: Disclosed under other non-current financial assets (refer note 4)	(0.12)	(9.33)
<b>Total</b>	<b>-</b>	<b>-</b>
<b>Current</b>		
Deposit with original maturity for more than 3 months but less than 12 months	19.66*	10.50
<b>Total</b>	<b>19.66</b>	<b>10.50</b>

\* Includes amount of INR 19.32 held as lien by bank against bank guarantees.

## Note 9. Unit capital

	Number of units (in Million)	Unit Capital (INR in Million)
<b>As at April 1, 2017</b>	-	-
Issued during the year	283.80	28,380.00
<b>As at March 31, 2018</b>	<b>283.80</b>	<b>28,380.00</b>
Issued during the year	-	-
<b>As at March 31, 2019</b>	<b>283.80</b>	<b>28,380.00</b>

### Terms/rights attached to units

The Trust has only one class of units. Each Unit represents an undivided beneficial interest in the Trust. Each holder of unit is entitled to one vote per unit. The Unitholders have the right to receive at least 90% of the Net Distributable Cash Flows of the Trust at least once in every six months in each financial year in accordance with the InvIT Regulations. The Investment Manager approves dividend distributions. The distribution will be in proportion to the number of units held by the unitholders. The Trust declares and pays dividends in Indian rupees.

A Unitholder has no equitable or proprietary interest in the projects of IndiGrid and is not entitled to any share in the transfer of the projects (or any part thereof) or any interest in the projects (or any part thereof) of IndiGrid. A Unitholder's right is limited to the right to require due administration of IndiGrid in accordance with the provisions of the Trust Deed and the Investment Management Agreement.



# Notes to the Consolidated Financial Statements

for the year ended March 31, 2019

## Note 10. Long-term borrowings (secured)

(INR in Million)

	March 31, 2019	March 31, 2018
<b>Non-Current</b>		
<b>Debentures</b>		
7.85% Non-convertible debentures of INR 1,000,000 each	6,820.00	6,870.00
8.60% Non-convertible debentures of INR 1,000,000 each	2,500.00	-
8.992% Non-convertible debentures of INR 1,000,000 each	4,350.00	-
<b>Term loans</b>		
Indian rupee term loan from bank	9,945.46	9,941.47
Foreign currency loan from financial institution	2,286.54	2,301.03
<b>Total</b>	<b>25,902.00</b>	<b>19,112.50</b>
<b>Current maturities</b>		
7.85% Non-convertible debentures of INR 1,000,000 each	50.00	480.00
Foreign currency loan from financial institution	166.65	139.58
Interest accrued but not due on loans	53.62	34.38
	<b>270.27</b>	<b>653.96</b>
Less: Amount disclosed under the head "Other current financial liabilities" (note 12)	(270.27)	(653.96)
<b>Net borrowings</b>	<b>-</b>	<b>-</b>

### India Grid Trust

#### A. Non-Convertible Debentures

During the year, the India Grid Trust ('IGT') has issued 2,500 Non-Convertible Debentures ('NCDs') of INR 1,000,000/- each on private placement basis which carries an interest at the rate of 8.60%. The interest is payable quarterly. Entire amount of NCD shall be repayable as a bullet repayment at the end of 10th year from the date of disbursement. All the NCDs together with interest, additional interest, liquidated damages, premium on prepayment, cost and charges, expenses and all other monies and all other amounts stipulated and payable to the debenture holders and NCD are secured by: (i) first *pari passu* charge on entire current assets including loans and advances, any receivables accrued/realised from those loans and advances extended by the Trust to its subsidiaries (direct or indirect) including loans to all project SPVs and future SPVs; (ii) First *pari-passu* charge on Escrow account of the Trust (iii) negative lien on immovable assets, movable assets, current assets and cash flows of specified project SPVs; (iv) Pledge over 51% of the share capital of specified SPVs. The trust is in process of creation of security charge on the above debentures as at March 31, 2019.

During the year, the India Grid Trust ('IGT') has issued 4,350 Non-Convertible Debentures ('NCDs') of INR 1,000,000/- each on private placement basis which carries an interest at the rate of 8.9922%. The interest is payable

quarterly. Entire amount of NCD shall be repayable as a bullet repayment at the end of 10th year from the date of disbursement. All the NCDs together with interest, additional interest, liquidated damages, premium on prepayment, cost and charges, expenses and all other monies and all other amounts stipulated and payable to the debenture holders and NCD are secured by: (i) first *pari passu* charge on entire current assets including loans and advances, any receivables accrued/realised from those loans and advances extended by the Trust to its subsidiaries (direct or indirect) including loans to all project SPVs and future SPVs; (ii) First *pari-passu* charge on Escrow account of the Trust; (iii) negative lien on immovable assets, movable assets, current assets and cash flows of specified project SPVs; (iv) Pledge over 51% of the share capital of specified SPVs. The trust is in process of creation of security charge on the above debentures as at March 31, 2019.

#### B. Term loans from bank and financial institutions

The Indian rupee term loan from bank carries interest at the rate of 8.25% p.a. payable monthly. Entire loan amount shall be repayable as a bullet repayment at the end of 10 years from the date of disbursement. The term loan is secured by (i) first *pari passu* charge on entire current assets including loans and advances, any receivables accrued/realised from those loans and advances extended by the

# Notes to the Consolidated Financial Statements

for the year ended March 31, 2019

Trust to its subsidiaries (direct or indirect) including loans to all project SPVs and future SPVs; (ii) negative lien on immovable assets, movable assets, current assets and cash flows of specified project SPVs; (iii) First pari-passu charge on Escrow account of the India Grid Trust.

## Bhopal Dhule Transmission Company Limited

### A. Non-Convertible Debentures

Bhopal Dhule Transmission Company Limited ('BDTCL') had issued 7,350 Non-Convertible Debentures ('NCDs') of INR 1,000,000/- each on private placement basis which carries an interest at the rate of 7.85%. The interest is payable quarterly at the end of each quarter. 11% of the total debentures are redeemable in structured instalments in accordance with the redemption schedule. The balance 89% shall be repayable as a bullet repayment on 4th April 2022. All the NCDs together with interest, additional interest, liquidated damages, premium on prepayment, cost and charges, expenses and all other monies and all other amounts stipulated and payable to the debenture holders are secured by:

1. First and exclusive charge on all movable assets and immovable assets of issuers including but not limited to movable plant and machinery, spares, tools and accessories, furniture, fixtures, vehicles and all other movable assets, intangible, goodwill, uncalled capital, right of way/land, civil structures, tower and cables, office buildings. present and future if any for the project.
2. First charge by way of:
  - a) Assignment/hypothecation or creation of security interest present and future of all rights, titles, interest, benefits, claims and demands whatsoever of BDTCL in the project, documents including but not limited to transmission supply agreements, transmission licences, package/construction contracts, O&M related agreements if any, land lease agreements, service contracts etc. duly acknowledged, consented by relevant counter parties to such project documents all as amended, varied or supplemented from time to time;
  - b) All rights, title, interest, benefits, claims and demands whatsoever of the company in the permits, approvals and clearances pertaining to the projects, in the letter of credit, guarantee, performance bond, corporate guarantee, bank guarantees provided by any party to the project document;
  - c) All insurances proceeds (debenture trustee to be the loss payee in the insurance policy).
3. A First charge on letter of credit, Escrow account, debt service reserve account and other reserve and any other bank account of the issuer wherever maintained, present and future.
4. First charge on all book debts, operating cash flow, receivables, commissions, revenues of whatsoever nature and wherever arising, of BDTCL, present and future.
5. Pledge of 51% of the equity share capital of the BDTCL

### B. Term loans from bank and financial institutions

Foreign currency loan from financial institution carries interest at the rate of 6m LIBOR + 2.10% to 3.80% spread. BDTCL has taken currency and interest rate swap to hedge 6m LIBOR to fixed rate [refer note 24(b)]. Amount of USD 15.62 Million being 35% of the total loan amount shall be repayable as a bullet repayment in accordance with the repayment schedule such that average tenor of the facility shall be more than 8.51 years. Remaining amount of USD 28.99 Million is being repaid in quarterly instalments till December 2026. The foreign currency loan is secured by first charge on all the immovable assets pertaining to the project, tangible movable assets, current assets, all the accounts and intangible assets both present and future. Loans are also secured by assignment by way of security of all the right, title, interest benefits, claims and demands whatsoever of BDTCL in the project documents, duly acknowledged and consented to by the relevant counter parties to such project documents, all as amended, varied or supplemented from time to time; all rights, title, interest and benefits of BDTCL into and under all clearances pertaining to the project (including transmission licence) to the extent same are assignable; all rights, title, interest, benefits, claims and demands whatsoever of BDTCL in any letter of credit, guarantee including contract guarantees and liquidated damages, consent agreements, side letters and performance bond provided by any party to the project document; all rights, title, interest, benefits, claims and demands whatsoever of the borrower in, to and under all insurance contracts and insurance proceeds pertaining to the project. Loans are also secured by non disposable undertaking from India Grid Trust directly/indirectly to hold at least 51% of equity share capital till final settlement date. Upon occurrence of event of default the negative lien shall be converted in pledge of 51% of the equity share capital of BDTCL.

# Notes to the Consolidated Financial Statements

for the year ended March 31, 2019

## Financial covenants

Loans from bank, financial institution contain certain debt covenants relating to limitation on interest service coverage ratio, debt service coverage ratio, total debt gearing, maintenance of specified security margin etc. The financial covenants are reviewed on availability of audited accounts of the respective borrower annually. For the financial year ended March 31, 2019, the Group has satisfied all debt covenants prescribed in the terms of loan from bank and financial institutions, where applicable.

## Note 11. Short-term borrowings (secured)

(INR in Million)

	March 31, 2019	March 31, 2018
Short-term loan from bank	-	4,230.00
<b>Total</b>	<b>-</b>	<b>4,230.00</b>

## Jabalpur Transmission Company Limited (JTCL)

The Indian rupee term loan from bank carries interest at the rate of Kotak Bank MCLR + Spread, if any, as agreed between JTCL and bank, current interest rate being 8.5% p.a. payable monthly. Entire loan amount shall be repayable as a bullet repayment in 9 months from the date of disbursement. The Short-term loan is secured by first and exclusive charge on all current and future movable and immovable fixed assets and current assets of JTCL.

## Note 12. Other financial liabilities

(INR in Million)

	March 31, 2019	March 31, 2018
<b>Non-Current</b>		
Payable towards project acquired*	156.72	579.50
<b>Total</b>	<b>156.72</b>	<b>579.50</b>
<b>Current</b>		
<b>Derivative Instruments</b>		
Foreign exchange forward contracts	157.58	164.42
Cross currency interest rate swap	12.13	39.29
	<b>169.71</b>	<b>203.71</b>
<b>Other financial liabilities at amortised cost</b>		
Current maturities of long-term borrowings (refer note 10)	216.65	619.58
Dividend payable	5.75	0.04
Payable towards project acquired^	-	221.70
Interest accrued but not due on loans	53.62	34.38
Other payables to related parties (refer note 26)	0.69	-
Others	16.57	9.10
	<b>293.27</b>	<b>884.80</b>
<b>Total</b>	<b>462.98</b>	<b>1,088.51</b>

Derivative instruments reflect the change in fair value of foreign exchange forward contracts and Currency / Interest rate swaps to hedge of interest rate and foreign exchange fluctuation risks on foreign currency loan in USD. These contracts are not designated in hedge relationships and are measured at fair value through profit or loss. Refer Note 31.

Other payables are non-interest bearing and have an average term of three to six months.

\*Bhopal Dhule Transmission Company Limited (BDTCL), subsidiary of the Trust, had filed petition dated October 15, 2016 with CERC for grant of incremental tariff to compensate for additional expenditure incurred on BDTCL project.

Pursuant to the Project Implementation and Management Agreement dated November 10, 2016 as amended ("PIMA"), the Trust was required to issue additional units to Sterlite Power Grid Ventures Limited ("SPGVL") in case

## Notes to the Consolidated Financial Statements

for the year ended March 31, 2019

any additional tariff is approved by CERC. The units to be issued would be to the extent of 80% of the additional capital expenditure as approved by CERC in respect of the pending petition. Accordingly, the Trust had estimated and recorded an amount of INR 579.50 Million in previous year towards the units issuable to SPGVL in accordance with PIMA as payable for asset acquisition.

During the year, CERC approved a part of the claim, for additional expenditure due to change in tax rates of INR 195.91 Million which resulted in increase in non esacable tariff revenue by 0.69%. However certain portion of the claim is still pending with CERC. The period for such one time payment to SPGVL in respect of the claim which is still pending with CERC expired on December 6, 2018 (being 18 months from the date of listing of IndiGrid). Accordingly, the Trust has reversed the liability of INR 422.77 Million with corresponding effect to property, plant and equipment in the consolidated financial statements.

"^CERC vide its order dated September 21, 2016 ('Order') confirmed that the RAPP Transmission Company Limited

('RTCL'), subsidiary of the Trust, was eligible to receive certain transmission charges from the scheduled commercial operation date i.e. March 1, 2016 ('SCOD'). The aggrieved party filed an appeal with Appellate Tribunal for Electricity ('APTEL') against the Order. The amount of transmission charges involved is INR 221.70 Million which were recognised as receivable in the financial statement of RTCL. Under the share purchase agreement dated February 14, 2018, in case there is any recovery on account of the above receivable on disposal of the appeal, the same shall be paid as additional consideration to Sterlite Grid 2 Limited (subsidiary of SPGVL). Accordingly, the management recognised a liability of INR 221.70 Million payable in respect of the above arrangement in earlier year. During the year, the APTEL disposed the appeal in favour of the Company vide its order dated January 18, 2019.

As a result, RTCL has received an amount of INR 252.80 Million towards transmission charges as per the APTEL order dated January 18, 2019 which is paid as an additional consideration to Sterlite Grid 2 Limited pursuant to share purchase agreement dated February 14, 2018.

### Note 13. Trade payables

	(INR in Million)	
	March 31, 2019	March 31, 2018
Trade payables		
- total outstanding dues of micro enterprises and small enterprises (refer note 28)	54.10	29.65
- total outstanding dues of creditors other than micro enterprises and small enterprises	28.19	36.09
Trade payables to related party (refer note 26)	79.67	64.43
<b>Total</b>	<b>161.96</b>	<b>130.17</b>

Trade payables are non-interest bearing and are normally settled on 30-90 days terms.

For explanation on the Group's risk management policies, refer note 31.

### Note 14. Other current liabilities

	(INR in Million)	
	March 31, 2019	March 31, 2018
GST payable	0.81	2.13
Withholding taxes (TDS) payable	11.61	11.57
<b>Total</b>	<b>12.42</b>	<b>13.70</b>

# Notes to the Consolidated Financial Statements

for the year ended March 31, 2019

## Note 15. Provisions

(INR in Million)

	March 31, 2019	March 31, 2018
Provision for income tax	0.07	-
<b>Total</b>	<b>0.07</b>	<b>-</b>

## Note 16. Revenue from contracts with customers

### 16.1: Disaggregated revenue information

(INR in Million)

	March 31, 2019	March 31, 2018
<b>Type of service</b>		
Power transmission services	6,655.70	4,475.69
<b>Total</b>	<b>6,655.70</b>	<b>4,475.69</b>
<b>Project-wise break up of Revenue from contracts with Customers</b>		
Bhopal Dhule Transmission Company Limited	2,577.49	2,179.80
Jabalpur Transmission Company Limited	2,149.79	2,118.34
Maheshwaram Transmission Limited	572.33	72.06
RAPP Transmission Company Limited	456.80	40.72
Purulia & Kharagpur Transmission Company Limited	746.24	64.77
Patran Transmission Company Limited	153.05	-
<b>Total</b>	<b>6,655.70</b>	<b>4,475.69</b>

Revenue from contracts with customers comprises of revenue from power transmission services rendered in India to Long-Term Transmission Customers (LTTs) pursuant to the respective Transmission Services Agreements (TSAs) executed by the Group with LTTs. The TSAs are executed for a period of 35 years and have fixed tariff charges as approved by CERC (except some escalable portion and some incentives/penalties relating to transmission assets availabilities). Under the TSAs, the Group's performance obligation is to provide power transmission services. The Group is required to ensure that the transmission assets meet the minimum availability criteria under the respective TSAs failing which could result in certain disincentives/penalties. The performance obligation is satisfied over-time as the customers receive and consume the benefits provided by the Group's performance as the Group performs. The payment is generally due within 60 days upon receipt of monthly invoice by the customer.

The Group receives payments as per the pooling arrangements specified under the Central Electricity Regulatory Commission (Sharing of Inter State Transmission Charges and Losses) Regulations, 2010 ('Pooling Regulations'). In the Point of Connection (PoC) mechanism, the transmission charges to be recovered from the entire system are allocated between users based on their location in the grid. Under the PoC mechanism, all the charges collected by the Central Transmission Utility (i.e. Power Grid Corporation of India Limited) from LTTs are disbursed pro-rata to all Transmission Service Providers from the pool in proportion of the respective billed amount.



# Notes to the Consolidated Financial Statements

for the year ended March 31, 2019

## 16.2: Reconciliation of the amount of revenue recognised in the statement of profit and loss with the contracted price

	(INR in Million)	
	March 31, 2019	March 31, 2018
Revenue as per contracted price	6,477.26	4,315.35
<b>Adjustments:</b>		
Incentives earned for higher asset availabilities	195.92	176.01
Surcharges received for late payments	34.98	20.48
Rebates given for early payments	(52.46)	(36.14)
	<b>6,655.70</b>	<b>4,475.69</b>

## Note 17. Other income

	(INR in Million)	
	March 31, 2019	March 31, 2018
Lease rental income	2.48	14.66
Profit on sale of property, plant and equipment	7.00	-
Liabilities no longer required written back	2.37	63.85
Other Income	0.23	-
<b>Total</b>	<b>12.08</b>	<b>78.51</b>

## Note 18. Finance costs

	(INR in Million)	
	March 31, 2019	March 31, 2018
Interest on financial liabilities measured at amortised cost	2,275.25	954.24
Bank charges	20.58	58.33
<b>Total</b>	<b>2,295.83</b>	<b>1,012.57</b>

## Note 19. Deferred tax liabilities (net)

	(INR in Million)	
	March 31, 2019	March 31, 2018
<b>Deferred tax liability</b>		
Property, plant and equipment : Impact of difference between tax depreciation and depreciation for financial reporting	5,212.59	4,468.02
<b>Gross deferred tax liability (A)</b>	<b>5,212.59</b>	<b>4,468.02</b>
<b>Deferred tax assets</b>		
Tax Losses (DTA recognised only to the extent of DTL)	5,212.59	4,468.02
<b>Gross deferred tax asset (B)</b>	<b>5,212.59</b>	<b>4,468.02</b>
<b>Net deferred tax assets</b>	<b>-</b>	<b>-</b>

As at March 31, 2019, based on the expected future profitability of the SPVs, the management has recognised deferred tax assets on the unabsorbed tax depreciation carried forward only to the extent of deferred tax liability.

The Group has INR 5,149.34 Million (March 31, 2018: INR 2,853.22 Million) of tax losses carried forward on which deferred tax asset has not been recognised. If the Group was able to recognise all unrecognised deferred tax assets, profit after

## Notes to the Consolidated Financial Statements

for the year ended March 31, 2019

tax would have increased and equity would have increased by INR 1,567.63 Million (March 31, 2018: INR 987.50 Million).

Further, for the calculation of deferred tax assets/liabilities, the Group has not considered tax holiday available under the Income Tax Act for some of the project SPVs for the computation of deferred tax assets/liabilities. The management based on estimated cash flow workings for these project, believes that since there will be losses in the initial years of these project, no benefit under the Income tax Act would accrue to these projects in respect of the tax holiday. Management will re-assess this position at each balance sheet date.

### The major components of income tax expense for the years ended March 31, 2019 and March 31, 2018 are:

	March 31, 2019	March 31, 2018
- Current tax	6.08	-
- Deferred tax	-	-
- Income tax for earlier years *	0.28	(67.82)

\* In previous year, Income tax for earlier year relates to tax provisions made in the books of JTCL which was reversed post acquisition by the Trust.

### Reconciliation of tax expense and the accounting profit multiplied by India's domestic tax rate for March 31, 2019 and March 31, 2018:

	March 31, 2019	March 31, 2018
Accounting profit before income tax	1,545.50	2,035.68
At India's statutory income tax rate of 34.61%	534.90	704.55
Impact of exemption u/s 10(23FC) of the Income Tax Act, 1961 available to the Trust	(528.82)	(704.55)
Charge/(reversal) of excess provision of tax created in previous year in subsidiary	0.28	(67.82)
At effective tax rate	6.35	(67.82)
Income tax expense reported in the statement of profit and loss	6.35	(67.82)

### Note 20. Earnings per unit (EPU)

Basic EPU amounts are calculated by dividing the profit/loss for the year attributable to Unit holders by the weighted average number of units outstanding during the year.

Diluted EPU amounts are calculated by dividing the profit/loss attributable to unit holders by the weighted average number of units outstanding during the year plus the weighted average number of units that would be issued on conversion of all the dilutive potential units into unit capital.

### The following reflects the profit and unit data used in the basic and diluted EPU computation:

	March 31, 2019	March 31, 2018
Profit after tax for calculating basic and diluted EPU	1,539.14	2,103.50
Weighted average number of units in calculating basic EPU (No. Million)	283.80	283.80
<b>Effect of dilution:</b>		
Estimated units to be issued to Sponsor/Project manager*	5.40	6.14
Weighted average number of units in calculating basic and diluted EPU (No. Million)	289.20	289.94
<b>Earnings Per Unit</b>		
Basic (INR/unit)	5.42	7.41
Diluted (INR/unit)	5.32	7.25

\* units issuable pursuant to the Project Implementation and Management Agreement dated November 10, 2016 as amended, towards the additional transmission charges as approved by CERC for the change in tax rates which resulted in increase in non escalable tariff revenue for BDTCL.

# Notes to the Consolidated Financial Statements

for the year ended March 31, 2019

## Note 21. Significant accounting judgements, estimates and assumptions

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and the accompanying disclosures and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

### Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements.

#### i. Applicability of Appendix C (Service Concession Arrangements) of Ind AS 115 - Revenue from contracts with customers

The Group through its subsidiaries acts as a transmission licensee under the Electricity Act, 2003 holding valid licences for 25 years. The subsidiaries have entered into Transmission Services Agreements ("TSA") with Long-Term Transmission Customers ("LTTTC") through a tariff based bidding process to Build, Own, Operate and Maintain ("BOOM") the transmission infrastructure for a period of 35 years. The management of the Company is of the view that the grantor as defined under Appendix C of Ind AS 115 ("Appendix C") requires transmission licensee to obtain various approvals under the regulatory framework to conduct its operations both during the period of the license as well as at the end of the license period. However, in the view of management, the grantor's involvement and approvals are to protect public interest and are not intended to control, through ownership, beneficial entitlement or otherwise, any significant residual interest in the transmission infrastructure at the end of the term of the arrangement. Accordingly, management is of the view that Appendix C to Ind AS 115 is not applicable to the Group.

#### ii. Classification of Unitholders' funds

Under the provisions of the InvIT Regulations, IndiGrid is required to distribute to Unitholders not less than ninety percent of the net distributable cash flows of IndiGrid for each financial year. Accordingly, a portion of the unitholders' funds contains a contractual obligation of the Trust to pay to its Unitholders cash distributions. The Unitholders' funds could therefore have been classified as compound financial instrument which contain both equity and liability components in accordance with Ind AS 32 - Financial Instruments: Presentation. However, in accordance with SEBI Circulars (No. CIR/IMD/DF/114/2016 dated 20-Oct-2016 and No. CIR/IMD/DF/127/2016 dated 29-Nov-2016) issued under the InvIT Regulations, the unitholders' funds have been classified as equity in order to comply with the mandatory requirements of Section H of Annexure A to the SEBI Circular dated 20-Oct-2016 dealing with the minimum disclosures for key financial statements. In line with the above, the dividend payable to unit holders is recognised as liability when the same is approved by the Investment Manager.

#### iii. Acquisition of Transmission SPVs classified as asset acquisitions

The Group acquires operational transmission SPVs from the Sponsor or from third party. The purchase consideration primarily pertains to the fair value of the transmission assets. All such assets are operational assets with fixed tariff revenues under the Transmission Services Agreements (TSAs) for 35 years. The only key activity for these SPVs is the maintenance of the transmission assets which is outsourced to third parties. There are no employees in these entities and no other significant processes are performed for earning tariff revenues.

Based on evaluation of the above fact pattern vis-a-vis the guidance on definition of business under Ind AS and also keeping in view the relevant guidance on similar fact pattern available under accounting standards applicable in other jurisdictions, the management has classified the acquisition of transmission SPVs as asset acquisition.

### Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

# Notes to the Consolidated Financial Statements

for the year ended March 31, 2019

## i. Impairment of non-financial assets

Non-financial assets of the Group primarily comprise of transmission assets (property, plant and equipment). Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The recoverable amounts for the transmission assets are based on value in use of the projects. The value in use calculation is based on a DCF model. The cash flows are derived from the budgets/forecasts over the life of the projects. The key assumptions used to determine the recoverable amount for the assets are disclosed and further explained in Note 29.

## ii. Fair valuation and disclosures

SEBI Circulars issued under the InvIT Regulations require disclosures relating to net assets at fair value and total returns at fair value (refer Statement of net assets at fair value and Statement of total returns at fair value). In estimating the fair value of transmission projects (which constitutes substantial portion of the total assets), the Group engages independent qualified external valuers to perform the valuation. The management works closely with the valuers to establish the appropriate valuation techniques and inputs to the model. The management reports the valuation report and findings to the Board of the Investment Manager half yearly to explain the cause of fluctuations in the fair value of the transmission projects. The inputs to the valuation models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as WACC, Tax rates, Inflation rates, etc. Changes in assumptions about these factors could affect the fair value. (refer Note 29 for details)

## Note 22. List of subsidiaries which are included in consolidation and IndiGrid's effective holding therein are as under:

Name of the Company	Country of Incorporation	Effective Ownership as at March 31, 2019	Effective Ownership as at March 31, 2018
<b>Directly held by India Grid Trust</b>			
Sterlite Grid 1 Limited <sup>^</sup>	India	100%	100%
Patran Transmission Company Limited <sup>**</sup>	India	100%	-
<b>Indirectly held by the Trust (through SGL1):</b>			
Bhopal Dhule Transmission Company Limited <sup>^</sup>	India	100%	100%
Jabalpur Transmission Company Limited <sup>^</sup>	India	100%	100%
Purulia & Kharagpur Transmission Company Limited #	India	100%	100%
RAPP Transmission Company Limited#	India	100%*	100%*
Maheshwaram Transmission Limited#	India	100%*	100%*

<sup>^</sup> Acquired on May 30, 2017. (refer note 26)

# Acquired on February 15, 2018. (refer note 26)

\*\* Acquired on August 30 2018.

\* The Group entered into share purchase agreements and shareholders' agreements dated February 14, 2018 with Sterlite Grid 2 Limited and Sterlite Grid 3 Limited for acquisition of equity stake in RAPP Transmission Company Limited and Maheshwaram Transmission Limited. Pursuant to the Agreements, the Group acquired 49% of equity in the above SPVs and for acquisition of the remaining 51% equity stake, the Group has paid full consideration in advance on a non-refundable basis. The remaining stake will be acquired from the Selling Shareholders on expiry of the respective mandatory shareholding periods in the SPVs. Subsequent to the acquisition, the group has increased its stake in RTCL to 74%.

Further during the current year, pursuant to Share Purchase agreement/Shareholders' Agreement ('SPA') dated February 19, 2018, the group acquired Patran Transmission Company Limited (PTCL) from Techno Power Grid Company Limited and Techno Electric and Engineering Company Limited. The group holds 74% equity stake in PTCL and on the remaining 26%, the group has beneficial interest based on the rights available to it under the Share Purchase agreement/Shareholder's agreement

# Notes to the Consolidated Financial Statements

for the year ended March 31, 2019

Under the above agreements, the Group has the following rights on the above SPVs:

- Right to nominate all directors on the Board of directors of the SPVs;
- Right to direct the Selling Shareholders to vote according to its instructions in the AGM/EGM or any other meeting of shareholders of the SPVs;
- Irrevocable and unconditional call option to acquire the remaining 51% equity stake in the SPVs at later dates;
- Pledge on the remaining equity stake in the SPVs;
- Non-disposal undertaking from the Selling Shareholders for the remaining equity stake in the SPVs.

Basis the above rights and the fact that full non-refundable consideration has been paid in advance by the Group to the Selling Shareholders, the Group has consolidated the SPVs assuming 100% equity ownership and accordingly no non-controlling interest (NCI) has been recognised in the consolidated financial statements.

## Note 23. Capital and other Commitments

The Group has entered into transmission services agreement (TSA) with long term transmission customers pursuant to which the Group has to transmit power of contracted capacity and ensure minimum availability of transmission line over the period of the TSA. The TSA contains provision for disincentives and penalties in case of certain defaults.

## Note 24. Derivative instruments

The Group has entered into the following derivative instruments:

(a) The following are the outstanding Forward Exchange Contracts entered into by the Group, for hedge purpose, as on March 31, 2019:

Year ended	Currency Type	Foreign Currency (In Million)	Amount (INR Million)	Buy/Sell	Number (Quantity)
Hedge of foreign currency loan from financial institution					
March 31, 2019	US \$	35.81	2,453.19	Buy	4
March 31, 2018	US \$	37.95	2,440.62	Buy	4

(b) Cross currency interest rate swap contracts outstanding as at year end to hedge against exposure to variable interest outflow on loans/foreign currency fluctuations:

Particulars	March 31, 2019	March 31, 2018
Currency type	US \$	US \$
No. of contracts	1.00	1.00
Amount (USD 'Million)	7.28	7.28
Period of Contract	December 31, 2015 to March 31, 2021	December 31, 2015 to March 31, 2021
Floating rate	USD 6 Month Libor + 2.10% to 3.80%	USD 6 Month Libor + 2.10% to 3.80%
Fixed rate	6.71% on INR principal	6.71% on INR principal

The Group has entered into cross currency interest rate swap contract on the foreign currency loan, whereby the foreign exchange rate for principal and interest payments has been fixed at INR 65.05 / USD and the interest rate fixed at 6.71% on the loan amount converted in INR at the fixed USD rate. As a result of the contract, the Company would pay interest in INR at 6.71%



# Notes to the Consolidated Financial Statements

for the year ended March 31, 2019

on the foreign currency loan converted to INR at INR 65.05/USD and receive interest at USD 6m LIBOR + 2.10% to 3.80% on the foreign currency loan amount.

## Note 25. Contingent liabilities

(INR in Million)

	March 31, 2019	March 31, 2018
- Entry tax demand*	410.20	369.35
- VAT demand*	104.34	104.34
<b>Total</b>	<b>514.54</b>	<b>473.69</b>

\* The total contingent liability is recoverable from SPGVL as per the share purchase agreements.

Entry tax demand of INR 165.80 Million for Bhopal Dhule Transmission Company Limited (BDTCL) and INR 138.70 Million for Jabalpur Transmission Company Limited (JTCL) pertains to demands under the Entry tax act read with Madhya Pradesh Vat Act, 2002 for payment of entry tax upon completion of assessment by tax authorities for the year 2012-13, 2013-14, 2014-15 and 2015-16. BDTCL and JTCL have preferred an appeal against the demand before High Court, Jabalpur (Madhya Pradesh). Both the subsidiaries are contesting the demand and the management, including its tax advisors, believe that it's position will likely be upheld in the appellate process. No expense has been accrued in the financial statements for the tax demands raised. The management believes that the ultimate outcome of this proceeding will not have a material adverse effect on the consolidated financial position and results of the operations. BDTCL and JTCL have deposited INR 58.37 Million and INR 49.12 Million respectively with the tax authorities against the said demands to comply the order of hon'ble High court of Madhya Pradesh. The Hon'ble high court has accepted the plea of subsidiaries and has given stay on entire demand after deposit of specified amount till the disposal of case.

Entry tax demand of INR 92.04 Million for JTCL pertains to demand under Entry Tax Act read with Chhattisgarh Value Added Tax Act, 2005 for payment of entry tax upon completion of assessment by tax authorities for the year 2012-13, 2013-14 and 2014-15. JTCL has preferred an appeal against the demand before the Chairman Chhattisgarh Commercial tax Tribunal, Raipur (C.G.). The management, including its tax advisors, believe that it's position will likely be upheld in the appellate process. No expense has been accrued in the consolidated financial statements for the tax demand raised. The management believes that the ultimate outcome of this proceeding will not have a material adverse effect on consolidated financial position and results of the operations. JTCL has deposited INR 57.62 Million with the tax authorities against the said demand as per the provision of Chhattisgarh Value Added Tax Act, 2005 for filing of appeal.

Entry tax demand of INR 13.30 Million for RAPP Transmission Company Limited ('RTCL') pertains to demands under the Entry tax act read with Madhya Pradesh Vat Act, 2002 for payment of entry tax upon completion of assessment by tax authorities for the year 2014-15 and year 2015-16. RTCL has appealed against the demand before High Court, Jabalpur (Madhya Pradesh). The management, including its tax advisor, believe that it's position will likely be upheld in the appellate process. No expense has been accrued in the consolidated financial statements for the tax demands raised. The management believes that the ultimate outcome of this proceeding will not have a material adverse effect on the financial position and results of the operations of RTCL. RTCL has deposited INR 4.70 Million with the tax authorities against the said demands to comply the order of hon'ble High court of the Madhya Pradesh. The Hon'ble high court has accepted the plea of RTCL and has given stay on entire demand after deposit of specified amount till the disposal of case.

VAT demand of INR 104.34 Million for Purulia & Kharagpur Transmission Company Limited (PKTCL) pertains to demand under Jharkhand Value Added Tax (Amendment) Act, 2005 for payment of VAT for the year 2015-16. The Group has preferred an appeal against the demand before Jharkhand High Court. The management, including its tax advisors, believe that it's position will likely be upheld in the appellate process. No expense has been accrued in the financial statements for the tax demand raised. The management believes that the ultimate outcome of this proceeding will not have a material adverse effect on the Group's financial position and results of the operations. PKTCL has deposited INR 26.09 Million with the tax authorities against the said demand.

# Notes to the Consolidated Financial Statements

for the year ended March 31, 2019

## Note 26: Statement of Related Party Transactions:

### I. List of related parties as per the requirements of Ind-AS 24 - Related Party Disclosures

#### a) Entity with significant influence over the Trust

Sterlite Power Grid Ventures Limited (SPGVL)

### II. List of related parties as per Regulation 2(1)(zv) of the InvIT Regulations

#### a) Parties to IndiGrid

Sterlite Power Grid Ventures Limited (SPGVL) - Sponsor and Project Manager of IndiGrid

Sterlite Investment Managers Limited (SIML) - Investment Manager of IndiGrid

Axis Trustee Services Limited (ATSL) - Trustee of IndiGrid

#### b) Promoters of the parties to IndiGrid specified in (A) above

Sterlite Power Transmission Limited- Promoter of SPGVL and SIML

Axis Trustee Limited- Promoter of ATSL

#### c) Directors of the parties to IndiGrid specified in (A) above

##### (i) Directors of SPGVL:

Pravin Agarwal

Pratik Agarwal

A. R. Narayanaswamy

Avaantika Kakkar

Ved Mani Tiwari

Anand Agarwal (till 10.10.2017)

Udai Dhawan (till 22.01.2018)

##### (ii) Directors of SIML:

Pratik Agarwal

Kuldip Kumar Kaura

Tarun Kataria

Shashikant Bhojani

Rahul Asthana

Harsh Shah (from 15.01.2018)

##### (iii) Directors of ATSL:

Srinivasan Varadarajan (till 20.12.2018)

Ram Bharoseylal Vaish

Sidharth Rath (till 01.06.2018)

Rajaraman Viswanathan (till 10.10.2018)

Rajesh Kumar Dahiya (from 11.07.2018)

Raghuraman Mahalingam (till 30.09.2018)

Sanjay Sinha (from 10.10.2018)

# Notes to the Consolidated Financial Statements

for the year ended March 31, 2019

## III. Transactions with related parties during the period

			(INR in Million)	
Sr. No.	Particulars	Relation	April 01, 2018 to March 31, 2019	April 01, 2017 to March 31, 2018
<b>1</b>	<b>Purchase of non-convertible debentures of SGL 1</b>			
	Sterlite Power Grid Ventures Limited	Sponsor and Project Manager/ Entity with significant influence	-	5,880.36
<b>2</b>	<b>Purchase of equity shares of SGL 1</b>			
	Sterlite Power Grid Ventures Limited **	Sponsor and Project Manager/ Entity with significant influence	-	-
<b>3</b>	<b>Received towards indemnification of liabilities</b>			
	Sterlite Power Grid Ventures Limited ##	Sponsor and Project Manager/ Entity with significant influence	53.47	-
<b>4</b>	<b>Issue of unit capital</b>			
	Sterlite Power Grid Ventures Limited	Sponsor and Project Manager/ Entity with significant influence	-	5,880.36
	Pravin Agarwal	Director of Sponsor	-	91.34
<b>5</b>	<b>Purchase of equity shares of RAPP Transmission Company Limited and Purulia &amp; Kharagpur Transmission Company Limited</b>			
	Sterlite Grid 2 Limited #	Subsidiary of Sponsor	-	2,870.52
<b>6</b>	<b>Purchase of equity shares of Maheshwaram Transmission Limited</b>			
	Sterlite Grid 3 Limited #	Subsidiary of Sponsor	-	961.84
<b>7</b>	<b>Payment towards RTCL tariff charges (refer note 12)</b>			
	Sterlite Grid 2 Limited #	Subsidiary of Sponsor	252.80	-
<b>8</b>	<b>Repayment of existing NCDs / loans in the SPVs acquired</b>			
	Sterlite Power Grid Ventures Limited	Sponsor and Project Manager	-	7,121.03
	Sterlite Grid 2 Limited #	Subsidiary of Sponsor	-	732.09
	Sterlite Grid 3 Limited #	Subsidiary of Sponsor	-	849.02
<b>9</b>	<b>Project Manager Fees</b>			
	Sterlite Power Grid Ventures Limited	Sponsor and Project Manager	39.54	26.44
<b>10</b>	<b>Investment Manager Fees</b>			
	Sterlite Investment Managers Limited	Investment Manager	130.53	87.54
<b>11</b>	<b>Distribution to unit holders</b>			
	Sterlite Power Grid Ventures Limited	Sponsor and Project Manager	709.20	373.47
	Pravin Agarwal	Director of Sponsor	11.60	5.99
	Pratik Agarwal	Director of Sponsor and Investment Manager	1.22	-
	Harsh Shah	Director of Investment Manager	0.06	-
<b>12</b>	<b>Repayment of dues paid</b>			
	Sterlite Power Grid Ventures Limited	Sponsor and Project Manager	-	397.80
	Sterlite Investment Managers Limited	Investment Manager	-	15.56
	Sterlite Grid 3 Limited #	Subsidiary of Sponsor	-	18.32
<b>13</b>	<b>Reimbursement of expenses received</b>			
	Sterlite Power Grid Ventures Limited	Sponsor and Project Manager	-	17.01
<b>14</b>	<b>Purchase of project stores</b>			
	Sterlite Power Transmission Limited	Promoter of project manager and investment manager	7.91	-
<b>15</b>	<b>Sale of plant and machinery</b>			
	Sterlite Power Transmission Limited	Promoter of project manager and investment manager	9.44	-
<b>16</b>	<b>Trustee fee</b>			
	Axis Trustee Services Limited (ATSL)	Trustee	2.16	2.94

# Notes to the Consolidated Financial Statements

for the year ended March 31, 2019

## IV. Outstanding balances

			(INR in Million)	
Sr. No.	Particulars	Relation	April 01, 2018 to March 31, 2019	April 01, 2017 to March 31, 2018
<b>1</b>	<b>Project Manager fees payable</b>			
	Sterlite Power Grid Ventures Limited	Sponsor and Project Manager	18.25	14.92
<b>2</b>	<b>Investment Manager fees payable</b>			
	Sterlite Investment Managers Limited	Investment Manager	61.42	49.51
<b>3</b>	<b>Purchase of project stores</b>			
	Sterlite Power Transmission Limited	Promoter of project manager and investment manager	0.69	-
<b>4</b>	<b>Sale of plant and machinery</b>			
	Sterlite Power Transmission Limited	Promoter of project manager and investment manager	7.44	-
<b>5</b>	<b>Trustee fee</b>			
	Axis Trustee Services Limited (ATSL)	Trustee	-	0.54

\*\* During financial year 2017-18, IndiGrid had acquired NCDs and Equity Shares of SGL1 in exchange of its units amounting to INR 5,880.36 Million. Since the nominal value of NCDs was INR 6,658.24 Million. Hence the entire consideration was allocated to NCDs.

## During the year, Sponsor has paid to IndiGrid towards deposits paid by IndiGrid's subsidiaries for tax litigations for which the Sponsor is liable.

# These transactions have been disclosed, since these are with wholly owned subsidiaries of sponsor.

### Details in respect of related party transactions involving acquisition of InvIT assets as required by Para 4.4(b)(iv) of Section A of Annexure A to SEBI Circular dated October 20, 2016 are as follows:

For the financial year ended March 31, 2019: No acquisition of InvIT assets from related parties during the year

For the financial year ended March 31, 2018: Refer disclosures below:

#### (A) Summary of the valuation reports (issued by the independent valuer appointed under the InvIT Regulations):

(INR in Million)					
Particulars	BDTCL	JTCL	PKTCL	RTCL	MTL
<b>Enterprise value</b>					
- Base case (based on tariff as per TSA)	20,406	14,949	6,512	3,935	5,218
- Incremental revenue (based on additional tariff claimed under petition with CERC)	1,135	1,176	-	-	-
<b>Total Enterprise value</b>	<b>21,541</b>	<b>16,125</b>	<b>6,512</b>	<b>3,935</b>	<b>5,218</b>
<b>Method of valuation</b>	Discounted Cash Flow				
Discounting rate (WACC):					
- Base case (based on tariff as per TSA)	8.19%	8.14%	7.98%	8.05%	7.54%
- Incremental revenue (based on additional tariff claimed under petition with CERC)	8.69%	8.64%	-	-	-

#### (B) Material conditions or obligations in relation to the transactions:

Acquisition of BDTCL and JTCL (through acquisition of SGL1):

Pursuant to the Project Implementation and Management Agreement dated November 10, 2016 as amended on April 25, 2017 ("PIMA") executed among SIML, ATSL, SPGVL, SGL1, BDTCL and JTCL, IndiGrid would issue additional units to SPGVL in the event CERC approves additional tariff for BDTCL and/or JTCL in respect of cost escalations in those projects for which petitions were filed with CERC. The units to be issued to SPGVL shall be equivalent to 80% of the Cost Escalation for each of BDTCL and JTCL as approved by CERC. SPGVL will be entitled to additional units only if the cost escalation and the resultant

# Notes to the Consolidated Financial Statements

for the year ended March 31, 2019

revision in levelised transmission charges is received during the period commencing from the date of the PIMA and until the date which is 18 months of listing of units of IndiGrid (being the date of receipt of final listing and trading approvals for the units)."

No external financing has been obtained for the acquisition of BDTCL and JTCL and no fees or commission were received/to be received by any associate of the related party in relation to the transaction.

Acquisition of RTCL and MTL:

Pursuant to the share purchase agreements and shareholders' agreements dated February 14, 2018 ("the Agreements") executed with Sterlite Grid 2 Limited and Sterlite Grid 3 Limited ("the Selling shareholders") for acquisition of equity stake in RTCL, and MTL (together "the SPVs"), SGL1 acquired 49% of equity in the SPVs and for acquisition of the remaining 51% equity stake, SGL1 paid full consideration in advance on a non-refundable basis. The remaining stake will be acquired from the Selling Shareholders on expiry of the respective mandatory shareholding periods applicable for the SPVs. Under the Agreements, SGL1 has the following rights:

- a. Right to nominate all directors on the Board of directors of the SPVs;
- b. Right to direct the Selling Shareholders to vote according to its instructions in the AGM/EGM or any other meeting of shareholders of the SPVs;
- c. Irrevocable and unconditional call option to acquire the remaining 51% equity stake in the SPVs at later dates (on expiry of the respective mandatory shareholding periods);
- d. Pledge on the remaining 51% equity stake in the SPVs;
- e. Non-disposal undertaking from the Selling Shareholders for the remaining 51% equity stake in the SPVs.

The acquisition of RTCL, PKTCL and MTL was financed by long term debt raised at IndiGrid Level of INR 10,000 Million (rate of interest - 8.25%) and short term debt at JTCL level of INR 4,230 Million (rate of interest - 8.50%). No fees or commission were received/to be received by any associate of the related party in relation to the transaction.

## Note 27. Segment reporting

The Group's activities comprise of transmission of electricity in certain states in India. Based on the guiding principles given in Ind AS - 108 "Operating Segments", this activity falls within a single operating segment and accordingly the disclosures of Ind AS - 108 have not separately been given.

Under Point of Connection (PoC) mechanism, Power Grid Corporation of India Limited ('PGCIL') is designated as central transmission utility with the responsibility for billing and collecting of usage charges from Inter-State Transmission Services (ISTS) users. Hence the entire amount of trade receivables pertaining to transmission charges is receivable from PGCIL.



# Notes to the Consolidated Financial Statements

for the year ended March 31, 2019

## Note 28. Details of Dues to Micro and Small Enterprises as defined under MSMED Act, 2006

(INR in Million)

	March 31, 2019	March 31, 2018
(i) The principal amount and the interest due thereon (to be shown separately) remaining unpaid to any supplier as at the end of each accounting year.		
Principal amount due to micro and small enterprises Interest due on above	54.10	29.65
(ii) The amount of interest paid by the buyer in terms of Section 16, of the Micro Small and Medium Enterprise Development Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year.	-	-
(iii) The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under Micro Small and Medium Enterprise Development Act, 2006.	-	-
(iv) The amount of interest accrued and remaining unpaid at the end of each accounting year.	-	-
(v) The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under Section 23 of the Micro Small and Medium Enterprise Development Act, 2006	-	-

Interest payable as per Section 16 of the Micro, Small and Medium Enterprises Development Act, 2006 is Nil (31 March 2018: Nil). Dues to micro and small enterprises have been determined to the extent such parties have been identified on the basis of intimations received from the "suppliers" / information available with the Company regarding their status under the Micro, Small and Medium Enterprises Act, 2006.

## Note 29. Fair value measurements

Set out below, is a comparison by class of the carrying amounts and fair value of the Group's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

(INR in Million)

Particulars	Carrying value		Fair value	
	31 March 2019	March 31, 2018	March 31, 2019	March 31, 2018
<b>Financial assets</b>				
Investments	75.72	-	75.72	-
<b>Total</b>	<b>75.72</b>	<b>-</b>	<b>75.72</b>	<b>-</b>
<b>Financial liabilities</b>				
Derivative instruments	169.71	203.71	169.71	203.71
<b>Total</b>	<b>169.71</b>	<b>203.71</b>	<b>169.71</b>	<b>203.71</b>

The management has assessed that the financial assets and financial liabilities as at year end other than above are reasonable approximations of their fair values.

The fair values of the quoted mutual funds are based on price quotations at the reporting date.

The Group enters into derivative financial instruments with financial institutions with investment grade credit ratings. Foreign exchange forward contracts, interest rate swaps

are valued using valuation techniques, which employs the use of market observable inputs. The most frequently applied valuation techniques include forward pricing model, using present value calculations. The models incorporate various inputs including the credit quality counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spread between the respective currencies, interest rate curves etc. The changes in counterparty credit risk had no material effect on financial instruments recognised at fair value through profit and loss.

# Notes to the Consolidated Financial Statements

for the year ended March 31, 2019

The Group is required to present the Statement of total assets at fair value and Statement of total returns at fair value as per SEBI Circular No. CIR/IMD/DF/114/2016 dated October 20, 2016 as a part of these consolidated financial statements - Refer Statement of Net assets at fair value and Statement of Total Returns at fair value.

The inputs to the valuation models for computation of fair value of transmission assets for the above mentioned statements are taken from observable markets where possible, but

where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as WACC, Tax rates, Inflation rates, etc.

The significant unobservable inputs used in the fair value measurement required for disclosures as above categorised within Level 3 of the fair value hierarchy as above together with a quantitative sensitivity analysis as at March 31, 2019 are as shown below:

Significant unobservable inputs	Range for March 31, 2019	Range for March 31, 2018	Sensitivity of input to the fair value	(INR in Million)	
				Increase/ (decrease) in fair value	
				March 31, 2019	March 31, 2018
WACC	8.12% to 8.40%	7.86% to 8.08%	+ 0.5%	(2,445.95)	(2,479.63)
			- 0.5%	2,726.84	2,768.61
Tax rate (normal tax and MAT)	Normal Tax - 29.12% MAT - 21.55%"	Normal Tax - 29.12% MAT - 21.55%"	+ 2%	(306.91)	(325.90)
Inflation rate	Revenue: 5.73% Expenses: 3.20% to 4.35%	Revenue: 5.95% Expenses: 3.67% to 5.24%	- 2%	260.35	296.36
			+ 1%	(432.64)	(444.44)
Additional tariff (applicable only for BDTCL)	2.39%	2.58%	- 1%	360.78	366.13
			+ 1%	210.48	154.00
			- 1%	(210.48)	(154.00)

## Note 30. Fair value hierarchy

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities:

Quantitative disclosures fair value measurement hierarchy for assets and liabilities as at :

	Date of valuation	Fair value measurement using		
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Assets for which fair values are disclosed:</b>				
Property, plant and equipment*	March 31, 2019	-	-	50,184.48
	March 31, 2018	-	-	50,542.47
<b>Assets measured at fair value through profit and loss</b>				
Investment in mutual funds	March 31, 2019	75.72	-	-
	March 31, 2018	-	-	-
<b>Liabilities measured at fair value through profit and loss</b>				
Derivative instruments (Liability)	March 31, 2019	-	169.71	-
	March 31, 2018	-	203.71	-

There have been no transfers among Level 1, Level 2 and Level 3.

\* Statement of net assets at fair value and Statement of total returns at fair value require disclosures regarding fair value of assets (liabilities are considered at book values). Since the fair value of assets other than PP&E approximate their book values, hence only PP&E has been disclosed above.

# Notes to the Consolidated Financial Statements

for the year ended March 31, 2019

## Note 31. Financial risk management objectives and policies

The Group's principal financial liabilities comprise borrowings, trade and other payables and other financial liabilities. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include trade and other receivables, cash and short-term deposits and other financial assets that derive directly from its operations.

The Group is exposed to credit risk, liquidity risk and market risk. The Investment Manager of the IndiGrid oversees the management of these risks. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Group's policy that no trading in derivatives for speculative purposes may be undertaken. The management reviews and agrees policies for managing each of these risks, which are summarised below.

The Risk Management policies of the Group are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

Management has overall responsibility for the establishment and oversight of the Group's risk management framework.

### (A) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks, foreign exchange transactions and other financial instruments.

The Group through its subsidiaries is engaged in transmission business under BOOM (Build, Own, Operate and Maintain) model and currently derive its revenue primarily from BOOM contracts with long-term transmission customers ('LTTC'). Being transmission licensee, the Group receives payments as per the pooling arrangements specified under the Central Electricity Regulatory Commission (Sharing of Inter State Transmission Charges and Losses) Regulations, 2010 ('Pooling Regulations'). In the PoC method, the transmission charges to be recovered from the entire system are

allocated between users based on their location in the grid. Under the PoC mechanism, all the charges collected by the Central Transmission Utility ('CTU') from LTTC's are disbursed pro-rata to all Transmission Service Providers ('TSPs') from the pool in proportion of the respective billed amount. Due to this, the TSPs are shielded against any potential default by a particular customer. If a particular customer delays or defaults, the delay or shortfall is prorated amongst all the TSPs. Based on past history of payments, payments due have always been paid and there have been no write-off's for due amounts. Due to the payment mechanism explained above as well as due to no history of any write-off's of payments which were due, the Group has not considered any expected credit loss on the financial assets in the nature of trade receivables. During the various periods presented, there has been no change in the credit risk of trade receivables. However, this assessment may need a review if there is any change in the Pooling Regulations

Credit risk from balances deposited/invested with banks and financial institutions as well as investments made in mutual funds, is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within limits assigned to each counterparty. Counterparty limits are reviewed by the top management on an annual basis, and may be updated throughout the year subject to approval of the Board of Directors. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments. Based on this policy, the Group does not foresee any risk on account of credit losses, either in the bank deposits which are made with AAA rated banks and also in regard to mutual funds which is primarily debt oriented funds. No loss allowances have been provided for any trade receivables, or other receivables from financing activities like cash and bank deposits, mutual funds and other similar deposits. Also, there have been no modifications in contractual cash flows on financial assets.

The Group's maximum exposure to credit risk for the components of the balance sheet as at March 31, 2019 is the carrying amounts of trade and other receivables, cash and cash equivalents and other assets as disclosed in Notes 4, 5, 6, 7 and 8 respectively. However, the credit risk is low due to reasons mentioned above.

# Notes to the Consolidated Financial Statements

for the year ended March 31, 2019

## (B) Liquidity risk

Liquidity risk is the risk that the Group may encounter difficulty in meeting its present and future obligations associated with financial liabilities that are required to be settled by delivering cash or another financial asset. The Group's objective is to, at all times maintain optimum levels of liquidity to meet its cash and collateral obligations. The Group requires funds both for short-term operational

needs as well as for long-term investment programmes mainly in projects. The Group closely monitors its liquidity position and deploys a robust cash management system. It aims to minimise these risks by generating sufficient cash flows from its current operations, which in addition to the available cash and cash equivalents, liquid investments and sufficient committed fund facilities, will provide liquidity.

The liquidity risk is managed on the basis of expected maturity dates of the financial liabilities. The average credit period taken to settle trade payables is about 30 days. The other payables are with short-term durations. The carrying amounts are assumed to be reasonable approximation of fair value. The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

(INR in Million)					
Particulars	Less than 3 months	3 months to 12 months	1 to 5 years	More than 5 years	Total
<b>March 31, 2019</b>					
Borrowings	-	-	7,651.68	18,250.32	25,902.00
Trade payables	161.96	-	-	-	161.96
Other financial liabilities (excluding derivative instruments)*	271.05	178.94	-	-	449.99
Derivatives #	209.82	126.53	831.70	1,454.84	2,622.89
<b>Total</b>	<b>642.83</b>	<b>305.47</b>	<b>8,483.38</b>	<b>19,705.16</b>	<b>29,136.84</b>
<b>March 31, 2018</b>					
Borrowings	-	4,230.00	7,742.54	11,369.96	23,342.50
Trade payables	130.17	-	-	-	130.17
Other financial liabilities (excluding derivative instruments)*	197.47	1,266.83	-	-	1,464.30
Derivatives #	-	301.82	2,622.71	-	2,924.53
<b>Total</b>	<b>327.64</b>	<b>5,798.65</b>	<b>10,365.25</b>	<b>11,369.96</b>	<b>27,861.50</b>

\* Includes amount of INR 156.73 Million (March 31, 2018: INR 579.50 Million) being payable towards project acquired which will be settled by issue of units.

# Based on gross undiscounted cash flows. The MTM as on March 31, 2019 recognised in the books of accounts is INR 169.70 Million ( March 31, 2018: INR 203.71 Million).

## (C) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises two types of risk: interest rate risk and currency risk. Financial instruments affected by market risk include borrowings, bank deposits, Investments in short-term mutual funds, and derivative financial instruments.

### Interest rate risk

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rate primarily relates to the Group's long-term debt obligations with floating interest rates. To manage this, the Group enters into interest rate swaps, in which it agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts

# Notes to the Consolidated Financial Statements

for the year ended March 31, 2019

calculated by reference to an agreed-upon notional principal amount. As at March 31, 2019, 9.39% (March 31, 2018: 10.18%) of total borrowings of the Group are at floating interest rates

## Interest rate sensitivity

The Group has taken cross currency interest rate swap to hedge its borrowings at floating interest rates. The swap contract is valid till March 31, 2021 (refer note 24 for details). Hence the disclosures regarding interest rate sensitivity have not been given.

## Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's foreign currency borrowings and payables in foreign currency (if any).

The Group hedges its exposure to fluctuations on the translation into INR of its foreign operations holding net borrowings in foreign currencies and by using foreign currency swaps and forwards.

At March 31, 2019 and March 31, 2018, the Group hedged 100% of its foreign currency borrowings. This foreign currency risk is hedged by using foreign currency forward contracts and cross currency interest rate swap.

## 32. Capital management

For the purpose of the Group's capital management, capital includes issued Unit capital and all other reserves attributable to the unit holders of the Trust. The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to unitholders, return capital to unitholders or issue new units (subject to the provisions of InvIT regulations which require distribution of at least 90% of the net distributable cash flows of the Trust to unit holders). The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio optimum. The Group includes within net debt, interest bearing loans and borrowings, trade and other payables less cash and cash equivalents, other bank balances and short-term investments.

Particulars	(INR in Million)	
	March 31, 2019	March 31, 2018
Borrowings	25,902.00	23,342.50
Trade payable	161.96	130.17
Other financial liabilities	619.70	1,668.01
Less: Cash and cash equivalents, other bank balances and short-term investments	(1,699.03)	(1,683.42)
<b>Net debt (A)</b>	<b>24,984.63</b>	<b>23,457.25</b>
Unit capital	28,380.00	28,380.00
Other equity	(1,613.89)	252.56
<b>Total capital (B)</b>	<b>26,766.11</b>	<b>28,632.56</b>
<b>Capital and Net debt [(C) = (A) + (B)]</b>	<b>51,750.75</b>	<b>52,089.81</b>
<b>Gearing ratio (C) / (A)</b>	<b>48.28%</b>	<b>45.03%</b>



# Notes to the Consolidated Financial Statements

for the year ended March 31, 2019

## Financial Covenants

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. There have been no breaches in the financial covenants of any interest-bearing loans and borrowing in the current period.

## Note 33. Details of Project Manager and Investment Manager Fees

Details of fees paid to Project Manager and Investment Manager as required pursuant to SEBI Circular No. CIR/IMD/DF/127/2016, dated November 29, 2016:

### (i) Project management fees

Pursuant to the Project Implementation and Management Agreement dated November 10, 2016 as amended, Project Manager is entitled to fees @ 10% of gross expenditure incurred by each SPV in relation to operation and maintenance costs, per annum. Consolidated Statement of Profit and Loss for the period ended March 31, 2019 includes amount of INR 39.54 Million ( March 31, 2018: INR 26.44 Million) towards Project Manager fees. There are no changes during the year in the methodology for computation of fees paid to Project Manager.

### (ii) Investment management fees

Pursuant to the Investment Management Agreement dated November 10, 2016 as amended, Investment Manager is entitled to fees @ 1.75% of difference between revenue from operations and operating expenses (other than fees of the Investment Manager) of each SPV, per annum. For this purpose, operating expenses would not include depreciation, finance costs and income tax expense. Consolidated statement of Profit and Loss for the period ended March 31, 2019 includes amount of INR 130.53 Million (March 31, 2018: INR 87.54 Million) towards Investment Manager Fees. There are no changes during the year in the methodology for computation of fees paid to Investment Manager.

## Note 34. Subsequent event

On April 24, 2019, the Board of directors of the Investment Manager approved a dividend of INR 3 per unit for the period January 1, 2019 to March 31, 2019 to be paid on or before 15 days from the date of declaration.

The accompanying notes are an integral part of the financial statements.  
As per our report of even date

For **S R B C & Co. LLP**  
Chartered Accountants  
ICAI Firm Registration No. 324982E/E300003

For and on behalf of the Board of Directors of Sterlite Investment Managers Limited  
(as Investment Manager of India Grid Trust)

**per Amyr Jassani**  
Partner  
Membership Number: 046447

**Pratik Agarwal**  
Director  
DIN: 03040062

**Harsh Shah**  
CEO & Whole Time Director  
DIN: 02496122

**Swapnil Patil**  
Company Secretary

Place : Mumbai  
Dated : April 24, 2019

Place : Mumbai  
Dated : April 24, 2019

## GLOSSARY

ACM	Audit Committee Meeting
ALM	Allotment Committee Meeting
ATSL	Axis Trustee Services Limited
ATV	All-Terrain Vehicle
AUM	Asset Under Management
Availability	The percentage amount of time for which the asset is available for power flow
BDTCL	Bhopal Dhule Transmission Company Limited
BM	Board Meeting
BOOM	Build Own Operate & Maintain
BRICS	Brazil Russia India China & South Africa
BSE	Bombay Stock Exchange
BU	Billion Units
CAGR	Compounded Annual Growth Rate
CEA	Central Electricity Authority
CEO	Chief Executive Officer
CERC	Central Electricity Regulatory Commission
CFA	Chartered Financial Analyst
C.G.	Chhattisgarh
CIA	Central Intelligence Agency
CIN	Corporate Identification Number
ckms	circuit kilometers
COD/CoD	Commercial Operation Date
CTU	Central Transmission Utility
CY	Calendar Year
D/C	Double Circuit
DDUGJY	Deen Dayal Upadhyaya Gram Jyoti Yojana
DII	Domestic Institutional Investor
DIN	Director Identification Number
Discom	Distribution Company
DPU	Distribution Per Unit
DRHP	Draft Red Herring Prospectus
DSRA	Debt Service Reserve Account
EBITDA	Earnings before interest, taxes, depreciation and amortization
ECB	External Commercial Borrowing
EGM	Extraordinary General Meeting
EHS	Environment Health & Safety
EHV	Extra High Voltage
EMDEs	Emerging Markets & Development Economies

ENICL	East North Interconnection Company Limited
EPC	Engineering Procurement & Construction
EPM	Environmental Protection Measures
FDI	Foreign Direct Investment
FICCI	Federation of Indian Chambers of Commerce & Industry
FII	Foreign Institutional Investor
F/W	Forward
FY	Financial Year
FYP	Five Year Plan
GIS	Gas Insulated Substation
GTTPPL	Goa Tamnar Transmission Project Limited
Gol	Government of India
GPTL	Gurgaon Palwal Transmission Limited
G-Sec	Government securities
GST	Goods & Services Tax
GW	Giga Watt
HVDC	High Voltage Direct Current
IAS	Indian Administrative Service
IBEF	India Brand Equity Foundation
ICDR	Issue of Capital & Disclosure Requirements
ICM	Investment Committee Meeting
ICT	Information and Communication Technologies
IDC	Interest During Construction
IMF	International Monetary Fund
IMS	Integrated Management System
IndiGrid	India Grid Trust
INR	Indian National Rupee
InvIT	Infrastructure Investment Trust
IPAs	Initial Portfolio Assets i.e. BDTCL and JTCL
IPDS	Integrated Power Development Scheme
IPO	Initial Public Offering
IPTC	Independent Private Transmission Company
IRR	Internal rate of return
ISTS	Inter State Transmission System
J-B line	Jabalpur Bina line (an element of JTCL)
J-D line	Jabalpur Dharamjaygarh line (an element of JTCL)
JTCL	Jabalpur Transmission Company Limited
KTL	Khargone Transmission Limited
kV	kilo Volt
kWh	kilo Watt hour
LiDAR	Light Detection and Ranging, a surveying method that measures distance to a target by illuminating the target with pulsed laser light

LILO	Loop-In-Loop-Out
LTTTC	Long Term Transmission Customer
MAT	Minimum Alternate Tax
MF	Mutual Fund
MMRDA	Mumbai Metropolitan Region Development Authority
Mn	Million
MP	Madhya Pradesh
MPPTCL	Madhya Pradesh Power Transmission Company Limited
MSETCL	Maharashtra State Electricity Transmission Company Limited
MTL	Maheshwaram Transmission Limited
MTM	Mark to Market
MVA	Mega Volt Ampere
MW	Mega Watt
NAV	Net Asset Value
NBFC	Non Banking Financial Company
NCDs	Non Convertible Debentures
NCLT	National Company Law Tribunal
NDCF	Net Distributable Cash flow (is the net cash flow that the trust has at its disposal for distribution to IndiGrid during a particular period in accordance with the formula defined in the Offer Document)
NER-II	North Eastern Region - II NRSS Northern Region System Strengthening
NRC	Nomination & Remuneration Committee
NSE	National Stock Exchange
NTL	NRSS XXIX Transmission Limited
O&M	Operation & Maintenance
Offer Document	Final offer document of India Grid Trust units, filed with SEBI on May 15, 2017 OFTO Offshore Transmission Owner
OGPTL	Odisha Generation Phase II Transmission Limited
PAT	Profit After Tax
PGCIL	Power Grid Corporation of India Limited
PIMA	Project Implementation and Management Agreement
PKTCL	Purulia & Kharagpur Transmission Company Limited
PoC	Point of Connection
PPA	Power Purchase Agreement
PPE	Personal Protective Equipment
QHSE	Quality, Health, Safety, Environment
RBI	Reserve Bank of India
REC	Rural Electrification Corporation
ROCE	Return on Capital Employed
ROE	Return on Equity
ROFO	Right of First Offer
ROW	Right of Way
RTA	Registrar and Share Transfer Agent

RTCL	RAPP Transmission Company Limited
S/C	Single Circuit
SCADA	Supervisory Control and Data Acquisition
SCOD/Scheduled COD	Scheduled Commercial Operation Date defined as per Schedule 3 of TSA
SEBI	Securities & Exchange Board of India
SECI	Solar Energy Corporation of India
SGL-1	Sterlite Grid 1 Limited
SGL-2	Sterlite Grid 2 Limited
SGL-3	Sterlite Grid 3 Limited
SGL-4	Sterlite Grid 4 Limited
SGL-5	Sterlite Grid 5 Limited
SIML	Sterlite Investment Managers Limited
SOP	Standard Operating Procedure
SPGVL	Sterlite Power Grid Ventures Limited
SPTL	Sterlite Power Transmission Limited
SPV	Special Purpose Vehicle
SRC	Stakeholder Relationship Committee
STL	Sterlite Technologies Limited
Tariff	Composed of non-escalable, escalable and incentive component. The incentive component is based on the availability of the asset = $2 \times (\text{Average Annual Availability} - 98\%) \times (\text{Non-Escalable and Escalable Tariff})$
T&D	Transmission & Distribution
TBCB	Tariff Based Competitive Bidding
TDS	Tax Deducted at Source
TEECL	Techno Electric & Engineering Co. Ltd.
TERI	The Energy and Resources Institute
TPGCL	Techno Power Grid Company Limited
TSA	Transmission Services Agreement
TSTRANSCO	Transmission Corporation of Telangana Limited
UAV	Unmanned Aerial Vehicle
UDAY	Ujwal DISCOM Assurance Yojana
UJALA	Unnat Jyoti by Affordable LEDs and Appliances for All
UP	Uttar Pradesh
UPSI	Unpublished Price Sensitive Information
US/USA	United States of America
US\$/USD	US Dollar
VAT	Value-Added Tax
VWAP	Volume Weighted Average Price
WACC	Weighted Average Cost of Capital
YoY	Year on Year
YTD	Year Till Date





## Disclaimer

This report is prepared and issued by Sterlite Investment Managers Limited (the "Investment Manager") on behalf of and in its capacity as the investment manager of India Grid Trust ("IndiGrid") for general information purposes only without regards to specific objectives, financial situations or needs of any particular person and should not be construed as legal, tax, investment or other advice.

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This report should not be considered as a recommendation that any person should subscribe for or purchase any securities of: (i) IndiGrid or its portfolio assets (being, Sterlite Grid 1 Limited, Sterlite Grid 2 Limited, Bhopal Dhule Transmission Company Limited, Jabalpur Transmission Company Limited, Maheshwaram Transmission Company Limited, RAPP Transmission Company Limited, Purulia & Kharagpur Transmission Company Limited, Patran Transmission Company Limited and NRSS XXIX Transmission Limited) (collectively, the "IndiGrid Group"), or (ii) its Sponsor (being Sterlite Power Grid Ventures Limited) or subsidiaries of the Sponsor (collectively, the "Sponsor Entities"), and should not be used as a basis for any investment decision.

Unless otherwise stated in this report, the information contained herein is based on management information and estimates. The information contained in this report is only current as of its date, unless specified otherwise, and has not been independently verified. Please note that, you will not be updated in the event the information in the report becomes stale. This report comprises information given in summary form and does not purport to be complete and it cannot be guaranteed that such information is true and accurate. You must make your own assessment of the relevance, accuracy and adequacy of the information contained in this report and must make such independent investigation as you may consider necessary or appropriate for such purpose. Moreover, no express or implied representation or warranty is made as to, and no reliance should be placed on, the accuracy, fairness or completeness of the information presented or contained in this report. Further, past performance is not necessarily indicative of future results. Any opinions expressed in this report or the contents of this report are subject to change without notice.

None of the IndiGrid Group or the Sponsor Entities or the Investment Manager or the Axis Trustee Company Limited or any of their respective affiliates, advisers or representatives accept any liability whatsoever for any loss howsoever arising from any information presented or contained in this report. Furthermore, no person is authorized to give any information or make any representation which is not contained in, or is inconsistent with, this report. Any such extraneous or inconsistent information or representation, if given or made, should not be relied upon as having been authorized by or on behalf of the IndiGrid Group or the Sponsor Entities.

The distribution of this report in certain jurisdictions may be restricted by law. Accordingly, any persons in possession of this report should inform themselves about and observe any such restrictions.

This report contains certain statements of future expectations and other forward-looking statements, including those relating to IndiGrid Group's general business plans and strategy, its future financial condition and growth prospects, and future developments in its sectors and its competitive and regulatory environment. In addition to statements which are forward looking by reason of context, the words 'may', 'will', 'should', 'expects', 'plans', 'intends', 'anticipates', 'believes', 'estimates', 'predicts', 'potential' or 'continue' and similar expressions identify forward-looking statements.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance including those relating to general business plans and strategy, future outlook and growth prospects, and future developments in its businesses and its competitive and regulatory environment. No representation, warranty or undertaking, express or implied, is made or assurance given that such statements, views, projections or forecasts, if any, are correct or that the any objectives specified herein will be achieved. All forward-looking statements are subject to risks, uncertainties and assumptions that could cause actual results, performances or events to differ materially from the results contemplated by the relevant forward looking statement. The factors which may affect the results contemplated by the forward-looking statements could include, among others, future changes or developments in (i) the IndiGrid Group's business, (ii) the IndiGrid Group's regulatory and competitive environment, (iii) the power transmission sector, and (iv) political, economic, legal and social conditions. Given the risks, uncertainties and other factors, viewers of this report are cautioned not to place any reliance on these forward looking statements for making any investment decisions or any other purpose.

# CORPORATE INFORMATION

## Board of Directors

**Mr. Tarun Kataria** - Independent Director  
**Mr. Shashikant H Bhojani** - Independent Director  
**Mr. Rahul Asthana** - Independent Director  
**Mr. Sanjay Nayar** - Non-Executive Director  
**Mr. Pratik Agarwal** - Non-Executive Director  
**Mr. Harsh Shah** - Chief Executive Officer & Wholetime Director

## Key Managerial Personnel (KMP)

**Mr. Harsh Shah** - Chief Executive Officer  
**Ms. Meghana Pandit** - Head - Capital Raising  
**Ms. Divya Bedi Verma** - Head - Finance and Compliance  
**Mr. Satish Talmale** - Chief Asset Officer  
**Mr. Bigyan Parija** - Chief Design Officer  
**Mr. Swapnil Patil** - Company Secretary & Compliance Officer

## Investment Committee

**Mr. Tarun Kataria** - Chairperson  
**Mr. S H Bhojani** - Member  
**Mr. Rahul Asthana** - Member  
**Mr. Sanjay Nayar** - Member  
**Mr. Pratik Agarwal** - Member

## Audit Committee

**Mr. Tarun Kataria** - Chairperson  
**Mr. S H Bhojani** - Member  
**Mr. Rahul Asthana** - Member  
**Mr. Sanjay Nayar** - Member  
**Mr. Pratik Agarwal** - Member

## Stakeholders' Relationship Committee

**Mr. S H Bhojani** - Chairperson  
**Mr. Rahul Asthana** - Member  
**Mr. Sanjay Nayar** - Member  
**Mr. Pratik Agarwal** - Member

## Nomination and Remuneration Committee

**Mr. S H Bhojani** - Chairperson  
**Mr. Tarun Kataria** - Member  
**Mr. Sanjay Nayar** - Member  
**Mr. Pratik Agarwal** - Member

## Allotment Committee

**Mr. Rahul Asthana** - Chairperson  
**Mr. S H Bhojani** - Member  
**Mr. Sanjay Nayar** - Member  
**Mr. Pratik Agarwal** - Member  
**Mr. Harsh Shah** - Member

## Risk Management Committee

**Mr. Rahul Asthana** - Chairperson  
**Mr. Tarun Kataria** - Member  
**Mr. Sanjay Nayar** - Member  
**Mr. Pratik Agarwal** - Member

## Registered Office

### Sterlite Investment Managers Limited

Maker Maxity, 5 North Avenue, Level 5, Bandra Kurla Complex, Bandra East Mumbai, Maharashtra-400051, India  
Tel: +91 22 4996 2200 | Fax: +91 22 4996 2288  
Corporate Identity Number: U28113MH2010PLC308857

## Corporate Office

### India Grid Trust

F-1, The Mira Corporate Suites, 1&2, Ishwar Nagar, Mathura Road, New Delhi – 110065, Delhi.  
Tel: +91 22 4996 2200 | Fax: +91 22 4996 2288  
E-mail: [complianceofficer@indigrid.co.in](mailto:complianceofficer@indigrid.co.in)  
Website: <http://www.indigrid.co.in>

## Registrar and Transfer Agent

### KARVY Fintech Private Limited

Karvy Selenium Tower B, Plot No. 31-32, Gachibowli, Financial District, Nanakramguda, Hyderabad - 500 032  
E-mail: [support.indiagrid@karvy.com](mailto:support.indiagrid@karvy.com)  
Tel: No.+91 40 3321 5205

## Investors Relations

### Ms. Meghana Pandit

E-mail Id: [investor.relations@indigrid.co.in](mailto:investor.relations@indigrid.co.in)

## Valuer

### HARIBHAKTI & CO. LLP

701, 7th floor, Leela Business Park, Andheri Kurla Road, Andheri (E), Mumbai 400059

## Statutory Auditor

### S R B C & Co LLP

C Wing Ground Floor Panchshil Tech Park  
(Near Don Bosco School), Pune, Maharashtra 411006, India



**India Grid Trust**

F-1, The Mira Corporate Suites, 1 & 2, Ishwar Nagar,  
Mathura Road, New Delhi-110065.

Tel: +91 22 4996 2200 | Fax: +91 22 4996 2288

Compliance Officer: Mr. Swapnil Patil

Email: [complianceofficer@indigrid.co.in](mailto:complianceofficer@indigrid.co.in)

Website: <http://www.indigrid.co.in>

Strictly Private and Confidential

HARIBHAKTI & CO. LLP  
Chartered Accountants

**Valuation as per SEBI (Infrastructure Investment  
Trusts) Regulations, 2014**

**SPV: Bhopal Dhule Transmission Company  
Limited ("BDTCL")**

Valuation Date: 31<sup>st</sup> March 2019





Strictly Private and Confidential

HARIBHAKTI & CO. LLP  
Chartered Accountants

Date: 24<sup>th</sup> April 2019  
CFAS/2019-20/7

**Sterlite Investment Managers Limited**

Maker Maxity, 5<sup>th</sup> North Avenue,  
Level 5, Bandra Kurla Complex,  
Bandra (East), Mumbai – 400051.

**India Grid Trust**

**(Axis Trustee Services Limited acting on behalf of the Trust)**

F-1, Mira Corporate Suits,  
1&2, Mathura Road, Ishwar Nagar,  
New Delhi – 110065

**Sub: Valuation as per SEBI (Infrastructure Investment Trusts) Regulations, 2014, as amended**  
**("the SEBI InvIT Regulations")**

Dear Sirs/Madams,

We, Haribhakti & Co. LLP, Chartered Accountants ("H&Co."), have been appointed vide letter dated 29<sup>th</sup> January 2019, as an independent valuer, as defined under the SEBI InvIT Regulations, by Sterlite Investment Managers Limited ("the Investment Manager" or "SIML"), acting as the investment manager for India Grid Trust ("the Trust") and Axis Trustee Services Limited ("the Trustee") acting as the trustee for the Trust mentioned above, for the purpose of the financial valuation of Bhopal Dhule Transmission Company Limited ("BDTCL" or "the SPV"). The SPV was acquired by the Trust on 30<sup>th</sup> May 2017 and is to be valued as per regulation 21(4) contained in the Chapter V of the SEBI InvIT Regulations.

We have relied on explanations and information provided by the Investment Manager. Although we have reviewed such data for consistency, we have not independently investigated or otherwise verified the data provided. We have no present or planned future interest in the Trust, the SPV or the Investment Manager except to the extent of our appointment as an independent valuer and the fee for our Valuation Report ("Report") which 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 with the Trust.

We enclose our Report providing our opinion on the fair enterprise value of the SPV on a going concern basis as at 31<sup>st</sup> March 2019 ("Valuation Date"). Enterprise Value ("EV") is described as the total value of the equity in a business plus the value of its debt and debt related liabilities, minus any cash or cash equivalents to meet those liabilities. The attached Report details the valuation methodologies used, calculations performed and the conclusion reached with respect to this valuation.

Haribhakti & Co. LLP, Chartered Accountants Regn. No. AAC- 3768, a limited liability partnership registered in India (converted on 17th June, 2014 from a firm Haribhakti & Co. FRN: 103523W)  
5B, "A" Block, 5<sup>th</sup> Floor, Mena Kampala Arcade, New #18 & 20, Thiagaraya Road, T.Nagar, Chennai - 600 017, India Tel:-91 44 2815 4192 Fax:+91 44 4213 2024  
Registered offices: 705, Leela Business Park, Andheri-Kurla Road, Andheri (E), Mumbai - 400 059, India  
Other offices: Ahmedabad, Bengaluru, Coimbatore, Hyderabad, Kolkata, Mumbai, New Delhi, Pune.

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**HARIBHAKTI & CO. LLP**  
Chartered Accountants

We believe that our 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. The preparation of a 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 and our valuation conclusion are included herein and our Report complies with the SEBI InvIT Regulations and guidelines, circular or notification issued by Securities and Exchange Board of India ("SEBI") there under.

Please note that all comments in our Report must be read in conjunction with the caveats to the Report, which are contained in Section 2 of this Report. This letter, the Report and the summary of valuation included herein can be provided to Trust's advisors and may be made available for the inspection to the public as a material document and with the SEBI, the stock exchanges and any other regulatory and supervisory authority, as may be required.

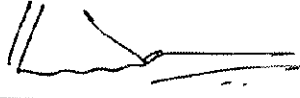
We draw your attention to the limitation of liability clauses in Section 2 of the Report.

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

Yours faithfully,

For **Haribhakti & Co. LLP,**  
*Chartered Accountants*

Firm Registration Number: 103523W



**S. Sundararaman**

*Partner*

Membership No. 028423

Place: Chennai

Encl: As above

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## Definition, abbreviation &amp; glossary of terms

Abbreviations	Meaning
BDTCI. or The SPV	Bhopal Dhule Transmission Company Limited
BOOM	Build-Own-Operate-Maintain
Capex	Capital Expenditure
CCIL	Clearing Corporation of India Limited
CERC	Central Electricity Regulatory Commission
Ckms	Circuit Kilometres
COD	Commercial Operation Date
DCF	Discounted Cash Flow
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization
EV	Enterprise Value
FCFF	Free Cash Flow to Firm
FY	Financial Year Ended 31 <sup>st</sup> March
FYP	Five year Plan
H&Co.	Haribhakti & Co. LLP, Chartered Accountants
INR	Indian Rupees
IVS	Indian Valuation Standards,2018
JTCL	Jabalpur Transmission Company Limited
kV	Kilo Volts
LTTC	Long Term Transmission Customer
Mn	Million
MTL	Maheshwaram Transmission Limited
NAV	Net Asset Value Method
NCA	Net Current Assets Excluding Cash and Bank Balances
O&M	Operation and Maintenance
PGCIL	Power Grid Corporation of India Limited
PKTCL	Purulia & Kharagpur Transmission Company Limited
PTCL	Patran Transmission Company Limited
RTCL	RAPP Transmission Company Limited
SEBI	Securities and Exchange Board of India
SEBI InvIT Regulations	SEBI (Infrastructure Investment Trusts) Regulations, 2014
SGL1	Sterlite Grid 1 Limited
SIML or Investment Manager	Sterlite Investment Managers Limited
SPGVL or the Sponsor the SPV	Sterlite Power Grid Ventures Limited
T&D	Transmission & Distribution
the Trust or InvIT	India Grid Trust
the Trustee	Axis Trustee Services Limited
TSA	Transmission Service Agreement
WACC	Weighted Average Cost of Capital

1. **Background**

**The Sponsor**

- 1.1 Sterlite Power Grid Ventures Limited ("SPGVL" or "the Sponsor") is engaged into installation and operation of electricity transmission projects.

**The Infrastructure Investment Trust**

- 1.2. SPGVL is the sponsor for the India Grid Trust ("the Trust"). The Trust was established on 21<sup>st</sup> October 2016 by SPGVL and is registered with the Securities and Exchange Board of India ("SEBI") pursuant to the SEBI (Infrastructure Investment Trusts) Regulations, 2014, as amended ("the SEBI InvIT Regulations"). It is established to own inter-state power transmission assets in India. The units of the Trust are listed on the National Stock Exchange of India Limited and BSE Limited since 6<sup>th</sup> June 2017.

**Investment Manager**

- 1.3. Sterlite Investment Managers Limited ("the Investment Manager" or "SIML") has been appointed as the investment manager to the Trust by Axis Trustee Services Limited ("the Trustee") and will be responsible to carry out the duties of such a person as mentioned under SEBI InvIT Regulations.

**Target Financial Asset to be Valued**

- 1.4. BDTCL operates six extra high voltage overhead transmission lines of 944 Ckms comprising four 765 kV single circuit lines of 891 Ckms and two 400 kV dual circuit lines of 53 Ckms. The single circuit lines comprises of a 260 Ckms line from Jabalpur to Bhopal in Madhya Pradesh, a 176 Ckms line from Bhopal to Indore in Madhya Pradesh, a 192 Ckms line from Aurangabad to Dhule in Maharashtra and a 263 Ckms line from Dhule (Maharashtra) to Vadodara (Gujarat). The double circuit lines consist of a 36 Ckms line within Dhule and a 17 Ckms line within Bhopal. In addition, the project includes 2 sub-stations of 3,000 MVA, one each in Bhopal and Dhule.

**Purpose of Valuation**

- 1.5. As per Regulation 21(4) of Chapter V of the SEBI InvIT Regulations, a yearly valuation of the assets of the Trust shall be conducted by an independent valuer for the period ended 31<sup>st</sup> March 2019 for a publicly offered InvIT. In this regard, Sterlite Investment Managers Limited ("the Investment Manager" or "SIML"), acting as the investment manager and Axis Trustee Services Limited ("the Trustee") acting as the trustee to the Trust intends to undertake the fair valuation of Bhopal Dhule Transmission Company Limited ("BDTCL" or "the SPV").
- 1.6. In this regard, the Investment Manager and the Trustee have appointed us, Haribhakti & Co. LLP, Chartered Accountants ("H&Co.") to undertake the fair valuation at the enterprise level of the SPV as per the SEBI InvIT Regulations as at 31<sup>st</sup> March 2019 ("Valuation Date"). Enterprise Value ("EV") is described as the total value of the equity in a business plus the value of its debt and debt related liabilities, minus any cash or cash equivalents to meet those liabilities.
- 1.7. H&Co. declares that:
- 1.7.1. It is competent to undertake the financial valuation in terms of the SEBI InvIT Regulations;
- 1.7.2. It is independent and has prepared the Valuation Report ("the Report") on a fair and unbiased basis;
- 1.7.3. It has valued the SPV based on the valuation standards as specified under sub-regulation 10 of regulation 21 of SEBI InvIT Regulations.



- 1.8. This Report covers all the disclosures required as per the SEBI InvIT Regulations and the valuation of the SPV is impartial, true and fair and in compliance with the SEBI InvIT Regulations.

**Scope of Valuation**

1.9. **Nature of the Asset to be Valued**

We have been mandated by the Investment Manager to arrive at the EV of the SPV. Enterprise Value ("EV") is described as the total value of the equity in a business plus the value of its debt and debt related liabilities, minus any cash or cash equivalents to meet those liabilities.

1.10. **Valuation Base**

Valuation Base means the indication of the type of value being used in an engagement. In the present case, we have determined the fair value of the SPV at the operating enterprise level. Fair Value Bases defined as under:

**Fair Value**

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.

1.11. **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 due to changes in the condition of the asset to be valued. Accordingly, valuation of an asset as at a particular date can be different from other date(s).

The Valuation Date considered for the fair operating enterprise valuation of the SPV is 31<sup>st</sup> March 2019 ("Valuation Date") The attached Report is drawn up by reference to accounting and financial information as on 31<sup>st</sup> March 2019. We are not aware of any other events having occurred since 31<sup>st</sup> March 2019 till date of this Report which we deem to be significant for our valuation analysis.

1.12. **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 operating enterprise value of the SPV on a Going Concern Value defined as under:

**Going Concern Value**

- 1.13. 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.

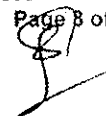
- 1.14. For the amount pertaining to the operating working capital, the Investment Manager has acknowledged to consider the provisional financial statements as on 31<sup>st</sup> March 2019 to carry out the valuation of the SPV.

**2. Exclusions and Limitations**

- 2.1. 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.
- 2.2. Valuation analysis and results are specific to the purpose of valuation and is not intended to represent value at any time other than valuation date of 31<sup>st</sup> March 2019 ("Valuation Date")

mentioned in the Report and as per agreed terms of our engagement. It may not be valid for any other purpose or as at any other date. Also, it may not be valid if done on behalf of any other entity.

- 2.3. This Report, its contents and the results are specific to (i) the purpose of valuation agreed as per the terms of our engagements; (ii) the Valuation Date and (iii) are based on the financial information of BDTCL till 31<sup>st</sup> March 2019. The Investment Manager has represented that the business activities of BDTCL have been carried out in normal and ordinary course between 31<sup>st</sup> March 2019 and the Report Date and that no material changes have occurred in the operations and financial position between 31<sup>st</sup> March 2019 and the Report date.
- 2.4. The scope of our assignment did not involve us performing audit tests for the purpose of expressing an opinion on the fairness or accuracy of any financial or analytical information that was provided and used by us during the course of our work. The assignment did not involve us to conduct the financial or technical feasibility study. We have not done any independent technical valuation or appraisal or due diligence of the assets or liabilities of the SPV or any of other entity mentioned in this Report and have considered them at the value as disclosed by the SPV in their regulatory filings or in submissions, oral or written, made to us.
- 2.5. In addition, we do not take any responsibility for any changes in the information used by us to arrive at our conclusion as set out herein which may occur subsequent to the date of our Report or by virtue of fact that the details provided to us are incorrect or inaccurate.
- 2.6. We have assumed and relied upon the truth, accuracy and completeness of the information, data and financial terms provided to us or used by us; we have assumed that the same are not misleading and do not assume or accept any liability or responsibility for any independent verification of such information or any independent technical valuation or appraisal of any of the assets, operations or liabilities of SPV or any other entity mentioned in the Report. Nothing has come to our knowledge to indicate that the material provided to us was misstated or incorrect or would not afford reasonable grounds upon which to base our Report.
- 2.7. This Report is intended for the sole use in connection with the purpose as set out above. It can however be relied upon and disclosed in connection with any statutory and regulatory filing in connection with the provision of SEBI InvIT Regulations. However, we will not accept any responsibility to any other party to whom this Report may be shown or who may acquire a copy of the Report, without our written consent.
- 2.8. It is clarified that this Report is not a fairness opinion under any of the stock exchange/ listing regulations. In case of any third party having access to this Report, please note this 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.
- 2.9. Further, this Report is necessarily based on financial, economic, monetary, market and other conditions as in effect on, and the information made available to us or used by us up to, the date hereof. 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, revise or reaffirm this Report if information provided to us changes.
- 2.10. This Report is based on the information received from the sources mentioned in para 3 and discussions with the Investment Manager. We have assumed that no information has been withheld that could have influenced the purpose of our Report.
- 2.11. Valuation is not a precise science and the conclusions arrived at in many cases may be subjective and dependent on the exercise of individual judgment. There is, therefore, no indisputable single value. We have arrived at an indicative EV based on our analysis. 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 this business.



- 2.12. Any discrepancies in any table / annexure between the total and the sums of the amounts listed are due to rounding-off.
- 2.13. Valuation is based on estimates of future financial performance or opinions, which represent reasonable expectations at a particular point of time, but such information, estimates or opinions are not offered as predictions or as assurances that a particular level of income or profit will be achieved, a particular event 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.
- 2.14. We do not carry out any validation procedures or due diligence with respect to the information provided/extracted or carry out any verification of the assets or comment on the achievability and reasonableness of the assumptions underlying the financial forecasts, save for satisfying ourselves to the extent possible that they are consistent with other information provided to us in the course of this engagement.
- 2.15. Our conclusion assumes that the assets and liabilities of the SPV, reflected in their respective latest balance sheets remain intact as of the Report date.
- 2.16. Whilst all reasonable care has been taken to ensure that the factual statements in the Report are accurate, neither ourselves, nor any of our partners, directors, officers or employees shall in any way be liable or responsible either directly or indirectly 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 factual statements. We expressly disclaim any and all liabilities, which may arise based upon the information used in this Report. We are not liable to any third party in relation to the issue of this Report.
- 2.17. The scope of our work has been limited both in terms of the areas of the business and operations which we have reviewed and the extent to which we have reviewed them. 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.
- 2.18. For the present valuation exercise, we have also relied on information available in public domain; however the accuracy and timelines of the same has not been independently verified by us.
- 2.19. 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, however the 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.
- 2.20. 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.
- 2.21. This Report does not address the relative merits of investing in InvIT as compared with any other alternative business transaction, or other alternatives, or whether or not such alternatives could be achieved or are available.
- 2.22. We are not advisors with respect to legal tax and regulatory matters for the proposed transaction. No investigation of the SPV's claim to title of assets has been made for the purpose of this Report and the SPV's claim to such rights have been assumed to be valid. No consideration has been given to liens or encumbrances against the assets, beyond the loans disclosed in the accounts. Therefore, no responsibility is assumed for matters of a legal nature.
- 2.23. We have no present or planned future interest in the Trustee, Investment Manager 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 with the Investment Manager or the SPV.

2.24. We have submitted the draft valuation report to the Trust and Investment Manager for confirmation of accuracy of factual data used in our analysis and to prevent any error or inaccuracy in the final valuation report.

**2.25. Limitation of Liabilities**

2.25.1. It is agreed that, having regard to the H&Co.'s interest in limiting the personal liability and exposure to litigation of its personnel, the Sponsor, the Investment Manager and the Trust will not bring any claim in respect of any damage against any of the H&Co's personnel personally.

2.25.2. In no circumstances H&Co. 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 H&Co. the likelihood of such damages. Any decision to act upon the deliverables is to be made by the Investment Manager and no communication by H&Co. should be treated as an invitation or inducement to engage the Investment Manager to act upon the deliverable.

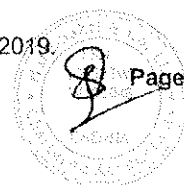
2.25.3. It is clarified that the SIML and Trustee will be solely responsible for any delays, additional costs, or other liabilities caused by or associated with any deficiencies in their responsibilities, misrepresentations, incorrect and incomplete information including information provided to determine the assumptions.

2.25.4. H&Co. will not be liable if any loss arises due to the provision of false, misleading or incomplete information or documentation by SIML or the Trustee.

**3. Sources of Information**

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

- 3.1. Audited financial statements of BDTCL for the Financial Year ("FY") ended 31<sup>st</sup> March 2017 and 31<sup>st</sup> March 2018;
- 3.2. Provisional Profit & Loss Account and Balance Sheet for the period ended 31<sup>st</sup> March 2019;
- 3.3. Projected Profit & Loss Account and Working Capital requirements of BDTCL from 1<sup>st</sup> April 2019 to 30<sup>th</sup> March 2049;
- 3.4. Details of brought forward losses (as per Income Tax Act) as at 31<sup>st</sup> March 2019;
- 3.5. Details of Written Down Value (as per Income Tax Act) of assets as at 31<sup>st</sup> March 2019;
- 3.6. Details of projected Repairs and Capital Expenditure ("Capex") as represented by the Investment Manager.
- 3.7. As on 31<sup>st</sup> March 2019, India Grid Trust holds 100% equity stake in BDTCL through Sterlite Grid Limited 1 ("SGL 1"). As represented to us by the Investment Manager, there are no changes in the shareholding pattern from 31<sup>st</sup> March 2019 to the date of issuance of this Report.
- 3.8. Transmission Service Agreement ("TSA") of BDTCL with Long Term Transmission Customers ("LTTC") and Tariff adoption order by Central Electricity Regulatory Commission ("CERC") dated 28<sup>th</sup> October 2011 and 25<sup>th</sup> June 2018.
- 3.9. Management Representation Letter by Investment Manager dated 23<sup>rd</sup> April 2019.



**4. Procedures adopted for current valuation exercise**

- 4.1. We have performed the valuation analysis, to the extent applicable, in accordance with Indian Valuation Standards, 2018 ("IVS") issued by the Institute of Chartered Accountants of India read with sub-regulation 10 of regulation 21 of SEBI InvIT Regulations.
- 4.2. In connection with this analysis, we have adopted the following procedures to carry out the valuation analysis:
- 4.2.1. Requested and received financial and qualitative information relating to the SPV;
- 4.2.2. Obtained and analyzed data available in public domain, as considered relevant by us;
- 4.2.3. Discussions with the Management on:
- Understanding of the businesses of the SPV – business and fundamental factors that affect its earning-generating capacity including strengths, weaknesses, opportunities and threats analysis and historical and expected financial performance;
- 4.2.4. Undertook industry analysis:
- Research publicly available market data including economic factors and industry trends that may impact the valuation
  - Analysis of key trends and valuation multiples of comparable companies/comparable transactions, if any, using proprietary databases subscribed by us.
- 4.2.5. Analysis of other publicly available information
- 4.2.6. Selection of valuation approach and valuation methodology/(ies), in accordance with IVS, as considered appropriate and relevant by us.
- 4.2.7. Determination of fair EV of the SPV.

**5. Overview of the InvIT and the SPV**

**The Trust**

- 5.1. The Trust is registered with SEBI pursuant to the SEBI InvIT Regulations. The Trust was established on 21<sup>st</sup> October 2016 by SPGVL to own inter-state power transmission assets in India. The units of the trust are listed on the National Stock Exchange of India Limited and BSE Limited since 6<sup>th</sup> June 2017.
- 5.2. The Trust had acquired two revenue generating projects, BDTCL and Jabalpur Transmission Company Limited ("JTCL") from its Sponsor on 30<sup>th</sup> May 2017. On 15<sup>th</sup> February 2018, the Trust acquired three additional revenue generating projects from its Sponsor, namely, Maheshwaram Transmission Limited ("MTL"), Purulia Kharagpur Transmission Company Limited ("PKTCL") and RAPP Transmission Limited ("RTCL"). Further, the Trust had acquired another revenue generating project, Patran Transmission Company Limited ("PTCL") on 19<sup>th</sup> February 2018 from Techno Electric & Engineering Company Limited.
- 5.3. The Trust, pursuant to the 'Right of First Offer' deed had a 'right of first offer' to acquire eight projects of the Sponsor out of the same three are acquired and five can still be acquired pursuant to 'Right of First Offer'.



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- 5.4. Following is the financial summary of the projects which the Trust had acquired from the sponsor namely, BDTCL, JTCL, MTL, RTCL and PKTCL and PTCL from Techno Electric & Engineering Company Limited:

Asset Name	Enterprise Value (INR Mn)						Acquisition Value
	30-Sep-18	31-Mar-18	30-Sep-17	31-Mar-17	31-Mar-16	31-Mar-15	
BDTCL	19,694	20,319	21,431	21,541	21,812	20,113	37,020*
JTCL	14,937	15,431	15,988	16,125	19,407**	14,295	
MTL	5,423	5,564	5,218		NA		4,697
RTCL	4,084	4,054	3,935		NA		3,542
PKTCL	6,481	6,618	6,512		NA		5,861
PTCL	2,401				NA		2,320

\*Consolidated Purchase Price paid by the Trust for the acquisition at the time of Initial Public Offer

\*\*For JTCL, the Investment Manager had previously projected the incremental revenue to be at 40% of the non escalable revenue charges during the valuation exercise of 31<sup>st</sup> March 2016, however the same was subsequently reduced to 9.8903% of non escalable charges during the valuation exercise of 31<sup>st</sup> March 2017 as per the CERC order dated 8<sup>th</sup> May 2017.

#### BDTCL or the SPV

- 5.5. Summary of details of the Project are as follows:

Parameters	Details
Project Cost	INR 21,634 Mn
Total Length	944 ckms
Scheduled COD	31 <sup>st</sup> March, 2014
Expiry Date	35 years from the Scheduled COD
IndiGrid's stake (through SGL 1)	100%

- 5.6. The BDTCL project was awarded to SGL 1 by the Ministry of Power on 31<sup>st</sup> January 2011 for a 35 year period from the scheduled commercial operation date on a Build-Own-Operate-Maintain ("BOOM") basis. The expiry date of TSA shall be the date which is 35 years from the scheduled Commercial Operation Date ("COD") of the project.
- 5.7. BDTCL operates six extra high voltage overhead transmission lines of 944 Ckms comprising four 765 kV single circuit lines of 891 Ckms and two 400 kV dual circuit lines of 53 Ckms. The single circuit lines comprise a 260 ckms line from Jabalpur to Bhopal in Madhya Pradesh, a 176 Ckms line from Bhopal to Indore in Madhya Pradesh, a 192 Ckms line from Aurangabad to Dhule in Maharashtra and a 263 Ckms line from Dhule (Maharashtra) to Vadodara (Gujarat). The double circuit lines consist of a 36 Ckms line within Dhule and a 17 Ckms line within Bhopal. In addition, the project includes two 3,000 MVA sub-stations, one each in Bhopal and Dhule.
- 5.8. BDTCL facilitates the transfer of electricity from coal-fired power generation sources from the states of Odisha and Chhattisgarh to power load centres in India's western and northern regions.

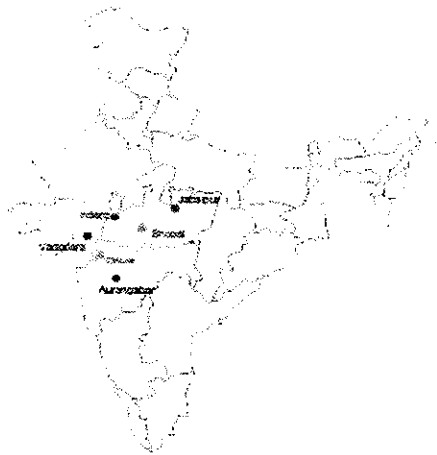
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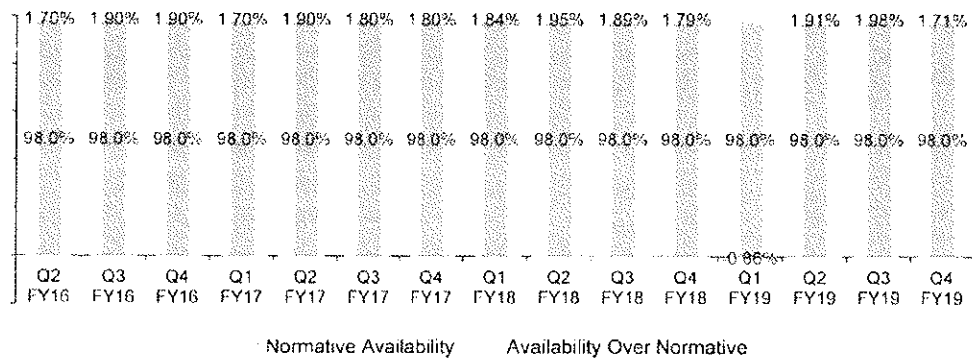
5.9. The project consists of the following transmission lines and is being implemented on contract basis:

Transmission line / Sub-Station	Location	Route length (ckms)	Specifications	Commission date	Contribution to total tariff
Jabalpur – Bhopal	Madhya Pradesh	260	765 kV S/C	9 <sup>th</sup> June 2015	22%
Bhopal – Indore	Madhya Pradesh	176	765 kV S/C	19 <sup>th</sup> November 2014	12%
Bhopal - Bhopal (MPPTCL)	Madhya Pradesh	17	400 kV D/C	12 <sup>th</sup> August 2014	2%
Aurangabad - Dhule (IPTC)	Maharashtra	192	765 kV S/C	5 <sup>th</sup> December 2014	10%
Dhule (IPTC) – Vadodara	Maharashtra, Gujarat	263	765 kV S/C	13 <sup>th</sup> June 2015	16%
Dhule (IPTC) - Dhule (MSETCL)	Maharashtra	36	400 kV D/C	6 <sup>th</sup> December 2014	4%
Bhopal Sub-station	Madhya Pradesh	-	2 x 1,500 MVA 765/400 kV	30 <sup>th</sup> September 2014	17%
Dhule Sub-station	Maharashtra	-	2 x 1,500 MVA 765/400 kV	6 <sup>th</sup> December 2014	17%

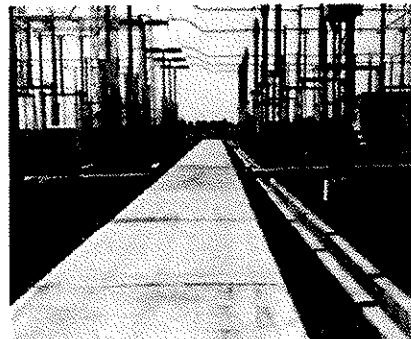
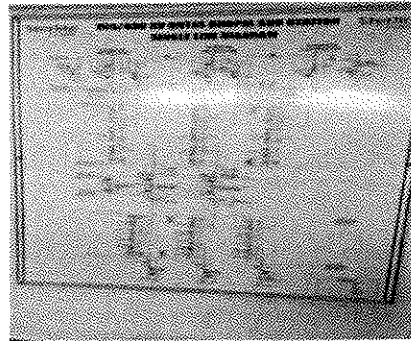
5.10. Following is the map showing area covered by BDTCL(not drawn to scale)



5.11 Operating Efficiency history of BDTCL:



5.12 **Pictures of the SPV:**



6. **Overview of the Industry**

6.1. **Introduction:**

- 6.1.1. India is the third largest producer and third largest consumer of electricity in the world, with the installed power capacity reaching 356.1 GW as of March 2019. The country also has the fifth largest installed capacity in the world.
- 6.1.2. Per capita electricity consumption in the country grew at a CAGR of 4.96 per cent, during FY11-FY18, reaching 1,149 KWh in FY18.

6.2. **Demand and Supply**

- 6.2.1. Demand: India continues to be a power deficient country even after an increasing trend in demand in the past. It is expected that energy requirement will continue to grow at healthy CAGR of 7.5% to 8% over FY 17 to FY 21. The primary growth drivers for rapid expansion in India's energy demand include investments in industrial and infrastructure development, rising per capita energy consumption levels etc.
- 6.2.2. Supply: India has seen a robust growth in the installed power generation capacity in the past four years. The installed power generation capacity has grown at a CAGR of ~9.08% from ~243 GW in FY 14 to ~ 347.22 GW as of December 2018 (Source: IBEF).

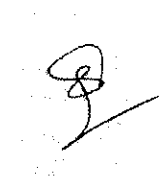
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**6.3. India's economic outlook**

- 6.3.1. According to World Bank, India has retained its position as the fastest-growing economy in the world in 2015, after overtaking China in the previous year. Based on its estimates, India will continue to occupy the top slot among major economies with a growth rate of 7.7% to 7.8% until 2019. India's growth rate is significantly higher than the world average of around 4% and is also higher than other developing economies, such as China, Brazil, Indonesia and sub-Saharan African nations.
- 6.3.2. Power is one of the key sectors attracting FDI inflows into India.
- 6.3.3. From April 2000 to June 2018, India recorded FDI of US\$ 6.8 billion in non-conventional energy sector. New and renewable energy sector witnessed maximum power generation capacity addition, since 2000.
- 6.3.4. Cumulative FDI inflows into the sector from April 2000–December 2018 were US\$ 14.22 billion.
- 6.3.5. The ongoing liberalization of India's FDI regime has also led to a surge in investments, especially after the launch of the 'Make in India' campaign in October 2014. The FDI inflow has doubled to \$ 44.8 billion in fiscal 2018 from \$ 22 billion in around 2014. Reduced macroeconomic vulnerability, coupled with improved government spending in infrastructure sectors, has enhanced India's Global Competitive Index (GCI) ranking to 58 in 2017-18 from 71 in 2014-15.

**6.4. Power transmission network in India**

- 6.4.1. The transmission segment plays a key role in transmitting power continuously from the generation plants to various distribution entities. Transmission and sub-transmission systems supply power to the distribution system, which, in turn, supplies power to end consumers. In India, the Transmission and Distribution ("T&D") system is a three-tier structure comprising distribution networks, state grids and regional grids.
- 6.4.2. The distribution networks and state grids are primarily owned and operated by the respective State Transmission utilities or state governments (through state electricity departments). Most inter-state and inter-regional transmission links are owned and operated by Power Grid Corporation of India Limited ("PGCIL"), which facilitates the transfer of power from a surplus region to the ones with deficit.
- 6.4.3. The government's focus on providing electricity to rural areas has led to the T&D system being extended to remote villages. The total length of transmission lines in the country has grown at a slow rate of 6% CAGR during FY 11 and FY 17. The total transmission network has increased from 4,07,569 Ckms in FY 11 to around 6,04,193 Ckms in FY 18.
- 6.4.4. As on January 2019 approx. 7.2% of total transmission network is owned by private players which show cases the need of more private sector participation in this space. India has been underinvested as far as transmission is concerned, however; recently government has been encouraging investments in transmission with approximately projects worth INR 30,000 Crores being awarded in last 2 years.
- 6.4.5. PGCIL has spent around INR 0.9 trillion over 2013-16.
- 6.4.6. Of the total capacity-addition projects in transmission during the 12<sup>th</sup> FYP, about 42% can be attributed to the state sector. The share of private sector in transmission line and substation additions since the beginning of 12<sup>th</sup> FYP is 14% and 7%, respectively.



as the majority of high-capacity, long-distance transmission projects were executed by PGCIL and state transmission utilities during this period.

- 6.4.7. In order to strengthen the power system and ensure free flow of power, significant investments would be required in the T&D segment. Moreover, commissioning of additional generation capacity, rising penetration of renewable energy, regional demand-supply mismatches, upgradation of existing lines, rising cross border power trading would necessitate huge investments in transmission sector in India.
- 6.4.8. Thus, going forward, the share of power sector investments are expected to veer towards the T&D segment. Moreover, strong government focus on the T&D segment will also support investments. CRISIL Research expects the transmission segment share in total power sector investments to rise sharply to 33% over 2017-21 from only 20% over 2012-16. Thus, we expect transmission segments investments to increase 1.5 times to INR 3.1 trillion over 2017-21 as compared to the previous 5 year period.

*Source: CRISIL Power Transmission Report – March 2019 and IBEF report on Power sector in India- January 2019 and Central Electricity Authority Data as mentioned in PGCIL and Adani Transmission Limited Annual Report 2017-18.*

## 7. Valuation Approach

- 7.1. The present valuation exercise is being undertaken in order to derive the fair EV of the SPV.
- 7.2. The valuation exercise involves selecting a method suitable for the purpose of valuation, by exercise of judgment by the valuers, based on the facts and circumstances as applicable to the business of the company to be valued.
- 7.3. There are three generally accepted approaches to valuation:
- (a) "Cost" approach
  - (b) "Market" approach
  - (c) "Income" approach

### 7.4. 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 ("NAV")

The NAV Method under Cost Approach considers 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 a company.

The NAV Method is appropriate in a case where the main strength of the business is its asset backing rather than its capacity or potential to earn profits. This valuation approach is also used in case where the firm is to be liquidated i.e. it does not meet the "going concern" criteria.

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, NAV 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.

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7.5. **Market Approach**

Under the Market approach, the valuation is based on the market value of the company in case of listed companies and comparable companies trading or transaction multiples for unlisted companies. The Market approach generally reflects the investors' perception about the true worth of the company.

**Comparable Companies Multiples ("CCM") Method**

The value is determined on the basis of multiples derived from valuations of comparable companies, as manifest in the 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.

**Comparable Transactions Multiples ("CTM") Method**

Under the CTM Method, the value is determined on the basis of multiples derived from valuations of similar transactions in the industry. Relevant multiples need to be chosen carefully and adjusted for differences between the circumstances. Few of such multiples are EV/Earnings before Interest, Taxes, Depreciation & Amortization ("EBITDA") multiple and EV/Revenue multiple.

**Market Price Method**

Under this method, the market price of an equity share of the company 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.

7.6. **Income Approach**

The income approach is widely used for valuation under "Going Concern" basis. It focuses on the income generated by the company in the past as well as its future earning capability. The Discounted Cash Flow Method under the income approach seeks to arrive at a valuation based on the strength of future cash flows.

**Discounted Cash Flow ("DCF") Method**

Under DCF Method value of a company can be assessed using the Free Cash Flow to Firm Method ("FCFF") or Free Cash Flow to Equity Method ("FCFE"). Under the DCF method, the business is valued by discounting its free cash flows for the explicit forecast period and the perpetuity value thereafter. The free cash flows represent the cash available for distribution to both, the owners and creditors of the business. The free cash flows in the explicit period and those in perpetuity are discounted by the Weighted Average Cost of Capital ("WACC"). The WACC, based on an optimal vis-à-vis actual capital structure, 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.

The perpetuity (terminal) value is calculated based on the business' 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' future operations. The Business/EV (aggregate of the present value of explicit period and terminal period cash flows) so derived, is further reduced by the value of debt, if any, (net of cash and cash equivalents) to arrive at value to the owners of the business.

7.7. **Conclusion on Valuation Approach**

It is pertinent to note that the valuation of any company or its assets is inherently imprecise and is subject to certain uncertainties and contingencies, all of which are difficult to predict and are beyond our control. In performing our analysis, we made numerous assumptions with respect to industry performance and general business and economic conditions, many of which are beyond the control of the SPV. In addition, this valuation will fluctuate with changes in prevailing market conditions, and prospects, financial and otherwise, of the SPV, and other factors which generally influence the valuation of companies and their assets.

Accordingly, we have summarized the application of valuation method for the current valuation exercise as under:

**Cost Approach**

The existing book value of EV of the SPV comprising of its Net fixed assets and working capital is INR 18,944 Mn as at 31<sup>st</sup> March 2019.

In the present case, since the SPV has entered into TSA, the revenue of SPV is pre-determined for the life of the project. In such scenario, the true worth of the business is reflected in its future earning capacity rather than the cost of the project. Accordingly, since the NAV does not capture the future earning potential of the businesses, we have not considered the cost approach for the current valuation exercise.

**Market Approach**

The present valuation exercise is to undertake a fair EV of the SPV engaged in the power transmission business for a specific tenure. Further, the tariff revenue expenses are very specific to the SPV depending on the nature of their geographical location, stage of project, terms of profitability. In the absence of any exactly comparable listed companies with characteristics and parameters similar to that of the SPV, we have not considered CCM method in the present case. In the absence of adequate details about the Comparable Transactions, we were unable to apply the CTM method. Currently, the equity shares of SPV are not listed on any recognized stock exchange of India. Hence, we are unable to apply market price method.

**Income Approach**

The SPV is operating as BOOM model based project. The cash inflows of the projects are defined for 35 years under the TSA. Hence, the growth potential of the SPV and the true worth of its business would be reflected in its future earnings potential and therefore DCF Method under the income approach has been considered as an appropriate method for the present valuation exercise.





**8. Valuation of the SPV**

We have estimated the EV of the SPV using the Discounted Cash Flow Method. While carrying out this engagement, we have relied extensively on the information made available to us by the Investment Manager. We have considered projected financial statement of the SPV as provided by the Investment Manager.

**Valuation**

- 8.1. The key assumptions of the projections provided to us by the Investment Manager can be divided into two parts:

**Part A: Base Case**

This refers to the revenue estimated for the SPV as per the existing provisions of TSA read with CERC Tariff Adoption Order dated 28<sup>th</sup> October 2011 and 25<sup>th</sup> June 2018 respectively, and

**Part B: Incremental Revenue Case**

This refers to incremental transmission revenue based on the consequential petition with CERC on 26<sup>th</sup> September 2018 by the SPV, whereby it has claimed an increase in non escalable revenue for the concession period. As represented by the Investment Manager, we have considered incremental revenue of 2.39% of non escalable revenue for the concession period to arrive at the EV of the SPV.

- 8.2. **Key Assumption under Part A: Base Case**

8.2.1. **Transmission Revenue:** The transmission revenue of the SPV comprises of non escalable transmission revenue and escalable transmission revenue as provided in the TSA read with Tariff Adoption Order dated 28<sup>th</sup> October 2011 for the life of the project.

- **Non Escalable Transmission Revenue:** The Non Escalable Transmission revenue remains fixed for the entire life of the project. We have corroborated the revenue considered in the financial projections with the respective TSA read with Tariff adoption order dated 28<sup>th</sup> October 2011 and documents provided to us by the Investment Manager. The non escalable charges also include the incremental revenue to be received by the SPV as per CERC order dated 25<sup>th</sup> June 2018 for additional expenditure towards taxes and duties amounting to INR 195.9 Mn at the rate of 0.70% of non escalable charges as mentioned in the TSA.
- **Escalable Transmission Revenue:** Escalable Transmission revenue is the revenue component where the revenue is duly escalated based on the rationale as provided in the respective TSA read with Tariff adoption order dated 28<sup>th</sup> October 2011 and documents provided to us by the Investment Manager. The escalation is to mainly compensate for inflation.

8.2.2. **Incentives:** As provided in the respective TSA, if the annual availability exceeds 98%, the SPV shall be entitled to an annual incentive as provided in TSA. Provided no incentives shall be payable above the availability of 99.75%. Based on the past track record of the SPV and the general industry standard, the annual availability shall be above 98% where the SPV shall be entitled to the incentives as provided in the TSA.

8.2.3. **Penalty:** If the annual availability in a contract year falls below 95%, the SPV shall be liable for an annual penalty as provided in the TSA. Based on our analysis in Para 8.2.2 in the present case it is assumed that the annual availability will not fall below 95% and hence penalty is not considered in the financial projections.



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- 8.2.4. **Expenses:** Expenses are estimated by the Investment Manager for the projected period based on the escalation rate as determined for the SPV. We have relied on the projections provided.
- **Operations & Maintenance ("O&M"):** O&M expenditure is estimated by the Investment Manager for the projected period based on the escalation rate as determined for the SPV. The Investment Manager has projected expenses to be incurred for the O&M of the SPV including, but not limited to, transmission line maintenance expenses, rates and taxes, legal and professional fees and other general and administration expenses. We have relied on the projections provided by Investment Manager on the operating and maintenance expenses for the projected period.
  - **Insurance Expenses:** We understand from the Investment Manager that the insurance expenses of the SPV will not escalate for the projected period. We have relied on the projections provided by the Investment Manager on the insurance expenses for the projected period.
- 8.2.5. **Depreciation:** The book depreciation has been provided by the Investment Manager. For Capex as mentioned in para 8.2.6, we have assumed life of 5 years and depreciated using straight line method over the life of the project. For calculating depreciation as per Income Tax Act for the projected period, we have considered depreciation rate as specified in the Income Tax Act and WDV as provided by the Investment Manager.
- 8.2.6. **Capex:** As represented by the Investment Manager, the SPV is expected to incur INR 5 Mn every five year till the expiry date from financial year ended 31<sup>st</sup> March 2020 in the projected period. The life of Capex is taken at 5 years.
- 8.2.7. **Tax Incentive:** The SPV is eligible for tax holiday under section 80IA of the Income Tax Act. Such tax holiday shall be available for any 10 consecutive years out of 15 years beginning from the date of COD.
- 8.2.8. **Working Capital:** The Investment Manager has envisaged the working capital requirement of the SPV for the projected period. The working capital assumptions for the projections as provided by the Investment Manager comprises of trade receivables and trade payables.

8.3. **Key Assumption under Part B: Incremental Revenue Case**

- **Incremental Transmission Revenue:** As provided in the TSA, "every party shall be entitled to claim relief for a Force Majeure event affecting its performance in relation to its obligation under this agreement". In the present case, BDTCL had claimed relief by filing petition with the CERC for the force majeure seeking an increase in transmission revenue to offset the additional cost incurred. In its verdict dated 25<sup>th</sup> June 2018, CERC granted relief for INR 195.9 Mn. However, the SPV has filed Consequential Petition with CERC on 26<sup>th</sup> September 2018 claiming further relief of INR 840.16 Mn for incurring additional interest during construction due to certain force majeure events.
  - As represented by the Investment Manager, we have considered incremental revenue of 2.39% of non escalable revenue for the concession period to arrive at the EV of the SPV.
- 8.3.1. **O&M:** No O&M expenditure needs to be considered for Incremental Revenue.
- 8.3.2. **Depreciation:** No depreciation needs to be considered for incremental revenue. Further, the SPV is not expected to incur any capital expenditure in the projected period.



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8.3.3. **Working Capital:** The Investment Manager has envisaged the working capital requirement of the SPV for the projected period. The working capital assumptions for the projections as provided by the management comprises of trade receivables only.

**8.4. Impact of Ongoing Material Litigation on Valuation**

As represented by Investment Manager, there are no ongoing litigations that will affect the valuation exercise.

**Valuation of SPV under Part A: Base Case**

**8.5. Calculation of Weighted Average Cost of Capital for the SPV under Part A: Base Case**

**8.5.1. Cost of Equity:**

Cost of Equity (CoE) is a discounting factor to calculate the returns expected by the equity holders depending on the perceived level of risk associated with the business and the industry in which the business operates.

For this purpose, we have used the Capital Asset Pricing Model (CAPM), which is a commonly used model to determine the appropriate cost of equity for the SPV.

$$K(e) = R_f + (R_p \times \text{Beta}) + \text{CSR P}$$

Wherein:

K(e) = cost of equity

R<sub>f</sub> = risk free rate

R<sub>p</sub> = risk premium i.e. market risk premium over and above risk free rate

Beta = a measure of the sensitivity of assets to returns of the overall market

CSR P = Company Specific Risk Premium (In general, an additional company-specific risk premium will be added to the cost of equity calculated pursuant to CAPM).

For valuation exercise, we have arrived at adjusted cost of equity of 12.44%.

**8.5.2. Risk Free Rate:**

We have applied a risk free rate of return of 7.43% on the basis of the relevant zero coupon yield curve as on 29<sup>th</sup> March 2019 for government securities having a maturity period of 10 years, as quoted on the website of Clearing Corporation of India Limited ("CCIL").

**8.5.3. Risk Premium:**

Risk premium is a measure of premium that investors require for investing in equity markets rather than bond or debt markets. A risk premium is calculated as follows:

$$\text{Risk premium} = \text{Equity market return} - \text{Risk free rate}$$

Wherein:

Equity market return = the average historical market return is estimated at 15.00%.

Risk free rate = 7.43% as explained in para 8.5.2.

Hence, risk premium is derived as 7.57%.

**8.5.4. Beta:**

Beta is a measure of the sensitivity of a company's stock price to the movements of the overall market index. Normally, we would take a relevant number from a quoted stock



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and the market on which it trades. In the present case, we find it appropriate to consider the beta of companies in similar business/ industry to that of the SPV.

We have further unlevered that beta based on debt-equity of the respective company using the following formula:

$$\text{Unlevered Beta} = \text{Levered Beta} / \{1 + (\text{Debt} / \text{Equity}) * (1-T)\}$$

Further we have re-levered it based on debt-equity of the industry standard using the following formula:

$$\text{Re-levered Beta} = \text{Unlevered Beta} * \{1 + (\text{Debt} / \text{Equity}) * (1-T)\}$$

For our valuation exercise, re-levered beta has been taken as 0.66.

**8.5.5. Cost of Debt:**

The calculation of Cost of Debt post-tax can be defined as follows:

$$K(d) = K(d) \text{ pre tax} * (1 - T)$$

Wherein:

K(d) = Cost of debt

T = tax rate as applicable

In present valuation exercise, we have considered debt:equity at 70:30 based on industry standard.

For valuation exercise, pre-tax cost of debt has been considered as 8.45%.

**8.5.6. Weighted Average Cost of Capital (WACC):**

The discount rate, or the WACC, is the weighted average of the expected return on equity and the cost of debt. The weight of each factor is determined based on the company's optimal capital structure.

Formula for calculation of WACC:

$$\text{WACC} = \{K(d) * \text{Debt} / (\text{Debt} + \text{Equity})\} + \{K(e) * (1 - \text{Debt} / (\text{Debt} + \text{Equity}))\}$$

8.5.7. Accordingly, as per above, we have arrived the WACC of 8.24% for BDTCL for valuation under Base Case (Refer Appendix I).

8.6. We understand from the representation of the Investment Manager that the SPV will generate cash flow even after the expiry of concession period of 35 years as the project is on BOOM model and the ownership will remain with the SPV even after the expiry of 35 years. Accordingly we have considered Terminal Value after the expiry of 35 years.

**8.7. Valuation of BDTCL**

8.7.1. We have relied on the projected financials of BDTCL as provided by the Investment Manager for the period from 1<sup>st</sup> April 2019 to 30<sup>th</sup> March 2049.

8.7.2. WACC arrived at for the purpose of valuation is 8.24% for cash flows as per the Base Case. (Refer Appendix I).

8.7.3. For the terminal period, we have considered 0% constant growth rate for FCFF.

8.7.4. As on Valuation Date, we have discounted the free cash flows of BDTCL using the WACC of 8.24% to arrive at the Enterprise Value by aggregating the present value of cash flows for explicit period and terminal period at INR 18,967 Mn (Refer Appendix II)

**Valuation of SPV under Part B: Incremental Revenue Case**

8.8. **Calculation of WACC for SPV under Part B: Incremental Revenue Case**

- 8.8.1. The Risk free rate, risk premium and beta component for Cost of Equity applied for incremental revenue are same as described under Part A: Base Case.
- 8.8.2. The calculation of CoE as per CAPM can be defined as follows:  
$$K(e) = R_f + (R_p \times \text{Beta}) + \text{CSRP}$$
  
CSRP = Company Specific Risk Premium (In general, an additional company-specific risk premium will be added to the cost of equity calculated pursuant to CAPM).
- 8.8.3. We have considered 2% company specific risk premium to the cost of equity for discounting the incremental free cash flows arrived after considering the risk associated with incremental transmission revenue as mentioned in para 8.3 (Refer Appendix I).
- 8.8.4. Pre-tax cost of debt remains same as under Part A: Base Case
- 8.8.5. Accordingly, as per above, we have arrived the WACC of 8.40% for BDTCL for valuation under Incremental Revenue Case (Refer Appendix I)

8.9. **Valuation of SPV under Part B: Incremental Revenue Case**

8.9.1. **Valuation of BDTCL**

- We have relied on the projected financials of BDTCL as provided by its management and representatives for the period from 1<sup>st</sup> April 2019 to 30<sup>th</sup> March 2049.
- WACC arrived at for the purpose of valuation is 8.40% for incremental free cash flows arrived after considering incremental revenue (Refer Appendix I).
- We have not considered valuation for the terminal period.
- As on Valuation Date, we have discounted the free cash flows after considering incremental transmission revenue of BDTCL using the WACC of 8.40% to arrive at the Enterprise Value by aggregating the present value of cash flows for explicit period and terminal period at INR 503 Mn (Refer Appendix III).

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9. **Valuation Conclusion**

- 9.1. The current valuation has been carried out based on the discussed 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.
- 9.2. We have been represented by the Investment Manager that there is no potential devolvement on account of the contingent liability as of valuation date; hence no impact has been factored in to arrive at EV of the SPV.
- 9.3. Based on the above analysis the EV as on the Valuation Date of the SPV is:

Particulars	EV (INR Mn)
Part A: Base Case	18,967
Part B: Incremental Revenue Case	503
<b>BDTCL</b>	<b>19,470</b>

- 9.4. The fair Enterprise Value of the SPV is estimated using DCF method. The valuation requires Investment Manager to make certain assumptions about the model inputs including forecast cash flows, discount rate, and credit risk.
- 9.5. Valuation is based on estimates of future financial performance or opinions, which represent reasonable expectations at a particular point of time, but such information, estimates or opinions are not offered as predictions or as assurances that a particular level of income or profit will be achieved, a particular event 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.
- 9.6. Accordingly, we have conducted sensitivity analysis for the Base Case on the following model inputs:

WACC	Decrease by 0.50%	Fair Value	Increase by 0.50%
Implied WACC	7.74%	8.24%	8.74%
EV Base Case (in INR Mn)	19,924	18,967	18,111
Implied WACC	7.90%	8.40%	8.90%
EV Incremental Case (in INR Mn)	518	503	489
<b>Total EV</b>	<b>20,442</b>	<b>19,470</b>	<b>18,599</b>
Total Expenses*	Decrease by 20%	Fair Value	Increase by 20%
EV Base Case (in INR Mn)	19,615	18,967	18,320

\* Increase in total expenses will not have any impact on Incremental Revenue Case

10. **Additional Procedures to be complied with in accordance with InvIT regulations**

**Scope of Work**

- 10.1. The Schedule V of the SEBI InvIT Regulations prescribes the minimum set of mandatory disclosures to be made in the valuation report. In this reference, the minimum disclosures in valuation report may include following information as well, so as to provide the investors with the adequate information about the valuation and other aspects of the underlying assets of the InvIT.



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The additional set of disclosures, as prescribed under Schedule V of InvIT Regulations, to be made in the valuation report of Bhopal Dhule Transmission Company Limited ("BDTCL") are as follows:

- List of one-time sanctions/ approvals which are obtained or pending;
- List of up to date/overdue periodic clearances;
- Statement of assets included;
- Estimates of already carried as well as proposed major repairs and improvements along with estimated time of completion;
- Revenue pendencies including local authority taxes associated with InvIT asset and compounding charges, if any;
- On-going and closed material litigations including tax disputes in relation to the assets, if any;
- Vulnerability to natural or induced hazards that may not have been covered in town planning/ building control.

#### Limitations

- 10.2. This Report is based on the information provided by the representatives of the Investment Manager. The exercise has been restricted and kept limited to and based entirely on the documents, records, files, registers and information provided to us. We have not verified the information independently with any other external source.
- 10.3. 1.3We have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as original, and the conformity of the copies or extracts submitted to us with that of the original documents.
- 10.4. 1.4We have assumed that the documents submitted to us by the representatives of Investment Manager in connection with any particular issue are the only documents related to such issue.
- 10.5. We have reviewed the documents and records from the limited perspective of examining issues noted in the scope of work and we do not express any opinion as to the legal or technical implications of the same.
- 10.6. Analysis of Additional Set of Disclosures for BDTCL

A. List of one-time sanctions/approvals which are obtained or pending;

As informed by the Investment Manager, there have been no additional sanctions/ approvals obtained by BDTCL between the period 1<sup>st</sup> April 2018 to 31<sup>st</sup> March 2019. Further, we were informed that there were no applications for which approval is pending. The list of sanctions/ approvals obtained by the Company as on 31<sup>st</sup> March 2019 is provided in Appendix III.

B. List of up to date/ overdue periodic clearances;

We have included the periodic clearances obtained by BDTCL in the Appendix III.

C. Statement of assets included;

As at 31st March 2019, details of the asset of the SPV are as follows:-



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Asset Type	Gross Block	Depreciation	Net Block	INR Million
				% of asset depreciated
Transmission Lines	14,473.6	1,930.2	12,543.4	13%
Sub-station	6,662.4	1,039.9	5,622.6	16%
Leasehold Land	105.4	22.0	83.4	21%
Other Assets	74.3	15.9	58.4	21%
Freehold Land	14.1	-	14.1	0%
<b>TOTAL</b>	<b>21,329.8</b>	<b>3,007.9</b>	<b>18,321.9</b>	

Source: Provisional Financials of 31st March 2019

- D. Estimates of already carried as well as proposed major repairs and improvements along with estimated time of completion;

We noted in the financial statements that BDTCL has incurred INR 85.46 Million during the period ended 31<sup>st</sup> March 2019 for the maintenance charges of Transmission Lines. Based on confirmation provided by the Investment Manager we expect the increase of c.3.91% per annum in the cost of operation and maintenance expenses incurred.

Investment Manager has informed us that there are no maintenance charges which has been deferred to the upcoming year as the maintenance activities are carried out regularly. We have been informed that overhaul maintenance are regularly carried out by BDTCL in order to maintain the working condition of the assets.

- E. Revenue pendencies including local authority taxes associated with InvIT asset and compounding charges, if any;

Investment Manager has informed us that there are no dues including local authority taxes pending to be payable to the government authorities with respect to InvIT assets.

- F. On-going and closed material litigations including tax disputes in relation to the assets, if any;

As informed by the Investment Manager, the status of ongoing litigations is updated in Appendix IV. Investment Manager has informed us that it expects majority of the cases to be settled in favour of BDTCL and accordingly no outflow is expected against the litigations.

- G. Vulnerability to natural or induced hazards that may not have been covered in town planning/ building control.

Investment Manager has confirmed to us that there are no such natural or induced hazards which have not been considered in town planning/ building control.

- H. On-going and closed material litigations including tax disputes in relation to the assets, if any;

As informed by the Investment Manager, the status of ongoing litigations is updated in Appendix IV. Investment Manager has informed us that it expects majority of the cases to be settled in favour of BDTCL and accordingly no outflow is expected against the litigations.

- I. Vulnerability to natural or induced hazards that may not have been covered in town planning/ building control.

Investment Manager has confirmed to us that there are no such natural or induced hazards which have not been considered in town planning/ building control.

## Appendix I – Weighted Average Cost of Capital of the SPV

## A: Base Case

Particulars	%	Remarks
Market Return	15.00%	Market Return has been considered based on the long term
Risk Free Rate	7.43%	Risk Free Rate has been considered based on zero coupon yield curve as at 29 <sup>th</sup> March 2019 of Government Securities having maturity period of 10 years, as quoted on CCIL's website.
Market Risk Premium	7.57%	Market Premium = Market Return – Risk Free Rate
Beta (relevered)	0.66	Beta has been considered based on the beta of companies operating in the similar kind of business in India.
Cost of Equity	12.44%	$Ke = Rf + \beta \times (Rm - Rf) + CSR$
Pre-tax Cost of Debt	8.45%	As represented by the Investment Manager
Effective tax rate of SPV	23.87%	Average tax rate for the life of the project has been considered
Post-tax Cost of Debt	6.43%	Effective cost of debt. $Kd = \text{Pre tax } Kd \times (1 - \text{Effective Tax Rate})$
Debt/(Debt+Equity)	70.00%	The debt – equity ratio computed as $[D/(D+E)]$ is considered as 70% as per industry standard.
<b>WACC</b>	<b>8.24%</b>	<b><math>WACC = [Ke \times (1 - D/(D+E))] + [Kd \times (1 - t) \times (D/(D+E))]</math></b>

## B: Incremental Case

Particulars	%	Remarks
Market Return	15.00%	Market Return has been considered based on the long term average returns earned by an equity investor in India.
Risk Free Rate	7.43%	Risk Free Rate has been considered based on zero coupon yield curve as at 29 <sup>th</sup> March 2019 of Government Securities having maturity period of 10 years, as quoted on CCIL's website.
Market Risk Premium	7.57%	Market Premium = Market Return – Risk Free Rate
Beta (relevered)	0.63	Beta has been considered based on the beta of companies operating in the similar kind of business in India.
Risk Premium	2.00%	Company Specific Risk Premium
Cost of Equity	14.19%	$Ke = Rf + \beta \times (Rm - Rf) + CSR$
Pre-tax Cost of Debt	8.45%	As represented by the Investment Manager
Effective tax rate of SPV	20.00%	Average tax rate for the life of the project has been considered
Post-tax Cost of Debt	5.93%	Effective cost of debt. $Kd = \text{Pre tax } Kd \times (1 - \text{Effective Tax Rate})$
Debt/(Debt+Equity)	70.00%	The debt – equity ratio computed as $[D/(D+E)]$ is considered as 70% as per industry standard.
<b>WACC</b>	<b>8.40%</b>	<b><math>WACC = [Ke \times (1 - D/(D+E))] + [Kd \times (1 - t) \times (D/(D+E))]</math></b>

Appendix II – Valuation of BDTCL as on 31<sup>st</sup> March 2019 – Part A: Base Case

WACC 8.24%										INR Mn
Year	Revenue	EBITDA	EBITDA Margin	Capex	Changes in WC	Taxation	FCFF	Cash Accrual Factor	Discounting Factor	PV of Cash Flows
FY20	2,677	2,469	92%	5	78	380	2,006	0.50	0.96	1,929
FY21	2,604	2,389	92%	-	-76	363	2,102	1.50	0.89	1,867
FY22	2,607	2,383	91%	-	-0	362	2,022	2.50	0.82	1,659
FY23	2,610	2,377	91%	-	-	360	2,017	3.50	0.76	1,529
FY24	1,852	1,611	87%	-	-189	195	1,604	4.50	0.70	1,124
FY25	1,856	1,605	86%	5	1	194	1,405	5.50	0.65	909
FY26	1,860	1,599	86%	-	0	193	1,406	6.50	0.60	840
FY27	1,863	1,592	85%	-	0	191	1,401	7.50	0.55	774
FY28	1,868	1,586	85%	-	-1	190	1,397	8.50	0.51	713
FY29	1,872	1,580	84%	-	1	189	1,390	9.50	0.47	655
FY30	1,877	1,573	84%	5	0	188	1,379	10.50	0.44	601
FY31	1,882	1,566	83%	-	0	188	1,378	11.50	0.40	554
FY32	1,888	1,560	83%	-	-1	187	1,374	12.50	0.37	511
FY33	1,894	1,553	82%	-	2	185	1,366	13.50	0.34	469
FY34	1,900	1,546	81%	-	0	184	1,362	14.50	0.32	432
FY35	1,907	1,539	81%	5	1	182	1,351	15.50	0.29	396
FY36	1,915	1,532	80%	-	-1	181	1,352	16.50	0.27	366
FY37	1,923	1,525	79%	-	2	179	1,344	17.50	0.25	336
FY38	1,931	1,518	79%	-	1	178	1,339	18.50	0.23	310
FY39	1,940	1,511	78%	-	1	176	1,333	19.50	0.21	285
FY40	1,950	1,503	77%	5	-0	333	1,166	20.50	0.20	230
FY41	1,960	1,496	76%	-	2	420	1,074	21.50	0.18	196
FY42	1,971	1,489	76%	-	1	421	1,067	22.50	0.17	180
FY43	1,983	1,482	75%	-	1	420	1,060	23.50	0.16	165
FY44	1,995	1,475	74%	-	0	420	1,055	24.50	0.14	152
FY45	2,008	1,468	73%	5	3	419	1,041	25.50	0.13	138
FY46	2,023	1,461	72%	-	2	418	1,041	26.50	0.12	128
FY47	2,038	1,454	71%	-	2	418	1,035	27.50	0.11	117
FY48	2,054	1,448	70%	-	1	417	1,030	28.50	0.10	108
FY49*	2,063	1,434	70%	-	3	413	1,018	29.50	0.10	99
TV	2,068	1,438	70%	1	-	418	1,019	29.50	0.10	99
Present Value of Explicit Period Cash Flows										17,770
Present Value of Terminal Year Cash Flow										1,197
<b>Enterprise Value</b>										<b>18,967</b>

\* 30th March 2049

Appendix III – Valuation of BDTCL as on 31<sup>st</sup> March 2019 – Part B: Incremental Case

WACC 8.40%											INR Mn
Year	Revenue	EBITDA	EBITDA Margin	Capex	Changes in WC	Taxation	FCFF	Cash Accrual Factor	Discounting Factor	PV of Cash Flows	
FY20	317	317	100%	-	76	111	131	0.50	0.96	126	
FY21	60	60	100%	-	(61)	21	100	1.50	0.89	89	
FY22	59	59	100%	-	(0)	21	39	2.50	0.82	32	
FY23	59	59	100%	-	(0)	21	39	3.50	0.75	29	
FY24	41	41	100%	-	(4)	12	34	4.50	0.70	23	
FY25	41	41	100%	-	0	12	29	5.50	0.64	19	
FY26	41	41	100%	-	(0)	12	29	6.50	0.59	17	
FY27	41	41	100%	-	(0)	12	29	7.50	0.55	16	
FY28	41	41	100%	-	(0)	12	29	8.50	0.50	15	
FY29	41	41	100%	-	0	12	29	9.50	0.46	13	
FY30	41	41	100%	-	(0)	12	29	10.50	0.43	12	
FY31	41	41	100%	-	(0)	12	29	11.50	0.40	11	
FY32	40	40	100%	-	(0)	12	29	12.50	0.36	10	
FY33	40	40	100%	-	(0)	12	29	13.50	0.34	10	
FY34	40	40	100%	-	(0)	12	29	14.50	0.31	9	
FY35	40	40	100%	-	(0)	12	28	15.50	0.29	8	
FY36	40	40	100%	-	(0)	12	28	16.50	0.26	7	
FY37	40	40	100%	-	(0)	12	28	17.50	0.24	7	
FY38	40	40	100%	-	(0)	12	28	18.50	0.22	6	
FY39	40	40	100%	-	(0)	12	28	19.50	0.21	6	
FY40	39	39	100%	-	(0)	11	28	20.50	0.19	5	
FY41	39	39	100%	-	(0)	11	28	21.50	0.18	5	
FY42	39	39	100%	-	(0)	11	28	22.50	0.16	5	
FY43	39	39	100%	-	(0)	11	28	23.50	0.15	4	
FY44	39	39	100%	-	(0)	11	28	24.50	0.14	4	
FY45	39	39	100%	-	(0)	11	27	25.50	0.13	3	
FY46	38	38	100%	-	(0)	11	27	26.50	0.12	3	
FY47	38	38	100%	-	(0)	11	27	27.50	0.11	3	
FY48	38	38	100%	-	(0)	11	27	28.50	0.10	3	
FY49*	38	38	100%	-	(0)	11	27	29.50	0.09	2	
Present Value of Explicit Period Cash Flows										503	
<b>Enterprise Value</b>										<b>503</b>	

\* 30th March 2049

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Appendix IV – Summary of approval and licences (1/3)

Sr. No.	Approvals	Date of Issue (in years)	Validity (in years)	Issuing Authority
1	Company Registration	08-Sep-09	Valid	Ministry of Corporate Affairs
2	Transmission License	12-Oct-11	25	Central Electricity Regulatory Commission
3	Forest Clearance			
	Dhule-Dhule Transmission Line in District of Dhule District - Stage I	15-May-14	Valid	Ministry of Environment and Forests
	Dhule-Dhule Transmission Line in District of Dhule District - Stage II	25-Jan-17	Valid	Ministry of Environment and Forests
	Dhule-Aurangabad Transmission Line in Aurangabad District - Stage I	30-May-14	Valid	Ministry of Environment and Forests
	Dhule-Aurangabad Transmission Line in Aurangabad District - Stage II	25-Jan-17	Valid	Ministry of Environment and Forests
	Bhopal-Indore Transmission Line in Bhopal District - Stage I	24-Jun-14	Valid	Ministry of Environment, Forests & Climate Changes
	Bhopal-Indore Transmission Line in Bhopal District - Stage II	21-Sep-15	Valid	Ministry of Environment, Forests & Climate Changes
	Bhopal-Bhopal Transmission Line in Bhopal District - Stage I	20-Jun-14	Valid	Ministry of Environment and Forests
	Bhopal-Bhopal Transmission Line in Bhopal District - Stage II	16-Sep-15	Valid	Ministry of Environment, Forests & Climate Changes
	Dhule - Vadodara Transmission Line in Bharuch & Vadodara Districts (General Manager) - Stage I	27-Aug-14	Valid	Ministry of Environment, Forests & Climate Changes
	Dhule - Vadodara Transmission Line in Bharuch & Vadodara Districts (Assistant General Manager) - Stage I	27-Aug-14	Valid	Ministry of Environment, Forests & Climate Changes
	Dhule - Vadodara Transmission Line in Bharuch & Vadodara Districts - Stage II	04-Mar-15	Valid	Ministry of Environment, Forests & Climate Changes
	Dhule - Vadodara Transmission Line in Dhule District - Stage II	19-Nov-15	Valid	Ministry of Environment, Forests & Climate Changes
	Jabalpur-Bhopal Transmission Line in Bhopal & Raipur Districts - Stage I	31-Dec-14	Valid	Ministry of Environment, Forests & Climate Changes
	Jabalpur-Bhopal Transmission Line in Bhopal & Raipur Districts - Stage II	25-Mar-15	Valid	Ministry of Environment, Forests & Climate Changes
4	Approval under section 68 of Electricity Act, 2003	25-Nov-10	Valid	Ministry of Power
5	Approval from GOI under section 164 of Electricity Act 2003- Under Gazette of India	29-Jan-13	25	Ministry of Power
6	Approval from CERC under section 17(3)	06-Apr-16	Valid	
7	Environmental Clearance	Not Applicable		

Source: Investment manager





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**Appendix IV – Summary of approval and licences (2/3)**

Sr. No.	Approvals	Date of Issue	Validity (in years)	Issuing Authority
8	Power & Telecommunication Coordination Committee ("PTCC") Clearance Bhopal- Bhopal Transmission Line Jabalpur-Bhopal Transmission Line Dhule-Dhule Transmission Line Dhule- Vadodara Transmission Line Railway Crossing 765 KV at KM 195/7-10 - Ratlam 765 KV at KM 37/1-4 - Ratlam Between Dwangarij - Salamatpur at KM 865/2-4 KM 953/4-5 ET- JBP Section Near Galan Railway Station at KM 359/27-28 & 360/1-2 Between Ramala & Dondicha at KM 172/11 & 172/12 and tower LCC No. 22/0 & 23/0	31-Aug-13 Valid 13-Sep-13 Valid 22-Jul-13 Valid 07-Mar-14 Valid 13-Mar-14 Valid 09-May-13 Valid 18-Jun-13 35 18-Oct-13 Valid 25-Apr-14 Valid 07-Aug-14 Valid	PTCC, Government of India PTCC, Government of India PTCC, Government of India PTCC, Government of India Western Railway Western Railway West Central Railway West Central Railway Central Railway Western Railway	
10	Road Crossing KM 569/1 & 569/2 on Dewas City Portion on NH-3 KM 333-830 on Bhopal-Bhoara NH-12 NH - 86 NH-26 (Sagar Narsinghpur Section and Milestone 302-303 respectively) Between KM 148-149 NH-12 Deora- Udaipura Section Dhule- Aurangabad at KM 240-241 of NH-3 Dhule- Aurangabad at KM 500-501 of NH-6 Dhule-Dhule at 241-242 of NH-3	11-Sep-13 Valid 06-Jul-12 Valid 12-Aug-13 Valid 05-Feb-14 Valid 21-Jan-13 Valid 08-May-14 Valid 16-May-14 Valid 15-May-14 Valid	National Highway Authority of India Madhya Pradesh Road Development Corporation Ltd. National Highway Authority of India National Highway Authority of India Madhya Pradesh Road Development Corporation Ltd. National Highway Authority of India National Highway Authority of India National Highway Authority of India	

Source: Investment manager

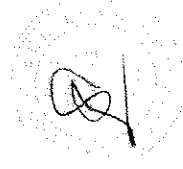


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**Appendix IV – Summary of approval and licences (3/3)**

Sr. No.	Approvals	Date of issue	Validity (in years)	Issuing Authority
11	River Crossing	No River Crossing		
12	Power Line Crossing Bhopal - Bhopal Indore Bhopal (Jatira-Ashta Line) Bhopal Indore (Bairagarh- Shyampr Line, Sawania- Ashta Line, Sawania- Suajpur Line, Bairagarh- Kurwar Line, Ashta-Polai Line, Ashta-Amyakal Line & Ashta-Bercha Line) Bhopal Jabalpur line (Shampura Line & Sukhanarsingpur line) Bhopal Jabalpur line (Barasia-Vidhisha line, Vidhisha-Raisen Line, Berasia-Vidhisha Line, Bhopal -Bina Line & Bhopal-Vidhisha Line) Bhopal- Dhule Transmission Line Dhule- Dhule Transmission Line (Provisional Permission) Dhule Vadodara - i Dhule Vadodara - ii Dhule Vadodara - iii Aviation Clearance NOC for Height Clearance - Bhopal NOC for Height Clearance between Bhopal & Indore NOC for Height Clearance between Jabalpur & Bhopal NOC for Height Clearance between Dhule to Aurangabad NOC for Height Clearance between Dhule to Vadodara Defence Clearance NOC for Construction of Dhule Aurangabad Line NOC for Construction of Dhule Dhule Line NOC for Construction of Dhule Vadodara Line Transmission Service Agreement Approval for adoption of Tariff Approval for Energisation	03-Aug-13 Valid 10-Dec-12 Valid 15-Jan-13 Valid 05-Apr-13 Valid 15-Jan-13 Valid 19-Oct-13 Valid 30-Oct-14 Valid 30-May-13 Valid 28-Feb-13 Valid 25-Jul-13 Valid 12-Feb-13 7 20-Feb-13 7 20-Feb-13 7 01-Feb-14 7 13-Mar-14 7 19-Sep-13 Valid 19-Sep-13 Valid 19-Sep-13 Valid 07-Dec-10 Valid 28-Oct-11 35 17-May-17 Expired	Madhya Pradesh Power Transmission Co. Ltd. Madhya Pradesh Power Transmission Co. Ltd. Madhya Pradesh Power Transmission Co. Ltd. Madhya Pradesh Power Transmission Co. Ltd. Madhya Pradesh Power Transmission Co. Ltd. Maharashtra Electricity Transmission Co. Ltd. Public Works Department - Mumbai Gujarat Energy Transmission Corporation Ltd. Gujarat Energy Transmission Corporation Ltd. Gujarat Energy Transmission Corporation Ltd. Airport Authority of India Airport Authority of India Airport Authority of India Airport Authority of India Airport Authority of India Ministry of Defence Ministry of Defence Ministry of Defence Central Electricity Regulatory Commission Central Electricity Regulatory Commission	
13				
14				
15				
16				
17				

Source: Investment manager



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Appendix V – BDTCL: Summary of Ongoing Litigations (1/6)

Matter	Against	Pending Before	Details of the Case	Documents Provided	Amount Involved (INR Million)	Amount Deposited (INR Million)
Other Matter	BDTCL	Labour Commissioner Indore	<p><b>Background of the case:</b> Deputy Director of Industrial Health and Safety, Dewas seek the directions for initiating criminal proceedings against BDTCL due to the fatal accident leading to the death of one labourer. BDTCL has filed its reply, reply and the matter has been referred to the Labour Commissioner, Indore by the Deputy Director seeking directions for initiating criminal proceedings against BDTCL.</p> <p><b>Current Status:</b> The matter is currently pending.</p>	No	Not provided	Not provided
Shikha Neehra	BDTCL	District Judge (LJ), Raesan	<p><b>Background of the case:</b> Shikha Neehra filed petition against the decision of collector for granting compensation against the loss of destruction of mango tree and tube well on land and alleging that the insufficient compensation of INR 0.05 Million had been granted and demanded compensation of INR 0.92 Million towards loss caused to her along with interest at 9% on such amount from the date of damage. The case is still pending and the court has decided the points on which adjudication will be done.</p> <p><b>Current status:</b> Reply submitted by BDTCL &amp; the issue is framed &amp; an affidavit is submitted by applicant &amp; 2 Witnesses/Applicants appeared &amp; both have been cross examined by Counsel &amp; 1 witness is left for cross examination. Case is currently pending.</p>	Yes	0.92	Not provided
Manish Neehra	BDTCL	District Magistrate, Manshapur	<p><b>Background of the case:</b> Manish Neehra filed petition against the decision of collector for granting compensation against the loss of destruction of crops and damage to the boundary wall of pond and alleging that the insufficient compensation of INR 0.5 Million had been granted and demanded compensation of INR 2.63 Million towards loss caused along with interest at 9% on such amount from the date of damage. The case is still pending and the court has decided the points on which adjudication will be done.</p> <p><b>Current status:</b> Reply submitted by BDTCL &amp; the issues are framed &amp; an affidavit is submitted by applicant &amp; 2 Witnesses/Applicants appeared &amp; both has been cross examined by our Counsel &amp; 1 witness is left for cross examination. Case is currently pending.</p>	Yes	2.63	Not provided

Source: Investment Manager

\* We were unable to quantify the amount of liability involved from the set of documents provided.

\*\* We were provided with the amount however the relevant supporting documents has not been provided to us hence we were unable to corroborate the same.

# We were provided only with the screenshot from High Court website in respect of the status of the related cases. However, we were not provided with the related litigation documents.

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**Appendix V – BDTCL: Summary of Ongoing Litigations (2/6)**

Matter	Against	Pending Before	Details of the Case	Documents Provided	Amount Involved (INR Million)	Amount Deposited (INR Million)
Shalendra Champaksinh Gohil, Pravinsinh Jaswantsinh Gohil and Janaksinh Gohil	BDTCL	High Court of Gujarat, Ahmedabad	<b>Background of the case:</b> Shalendra Champaksinh Gohil & others ("Petitioners") filed three special civil applications against BDTCL & others ("Respondents") before the High Court of Gujarat, Ahmedabad challenging the notification issued under Section 154 of the Electricity Act issued by the Director, Ministry of Power, Government of India (the "Director") dated 24 January 2013 (the "Notification") claiming that the Notification was without jurisdiction and beyond the scope of the Director for the laying of overhead transmission lines of BDTCL. <b>Current status:</b> BDTCL submitted the reply. The matter is currently pending.	No	Not provided#	Not provided#
Pravinsinh Jaswantsinh Gohil and Janaksinh Gohil	BDTCL	High Court of Gujarat, Ahmedabad	<b>Background of the case:</b> Pravinsinh Jaswantsinh Gohil and Janaksinh Jaswantsinh Gohil have separately filed two special civil applications against the Union of India, Ministry of Power, BDTCL and Office of the District Collector, Bharuch before the High Court of Gujarat, Ahmedabad (the "High Court") alleging that the name of their village Moriana was not mentioned in the notification dated 24 January 2013 (the "Notification"). BDTCL appealed against the interim order before the High Court. The appeal was allowed and High Court directed BDTCL to pay compensation of INR 0.14 Million to each petitioner. <b>Current status:</b> The matter is currently pending.	No	Not provided#	Not provided#
Bhikhan Gowinda Sasundre & 5 others	BDTCL	High Court of Bombay, Aurangabad	<b>Background of the case:</b> Bhikhan Gowinda Sasundre and others ("Petitioners") filed a writ petition before the Bombay High Court, Aurangabad bench (the "High Court") against the State of Maharashtra, BDTCL and the District Collector, Aurangabad claiming compensation for the alleged damage caused to their field by laying high tension power transmission line. Further, the Petitioners sought directions against the District Collector and BDTCL for non-compliance with the order dated 3 September 2013. The Bombay High Court directed BDTCL to deposit INR 0.04 Million within four weeks from 10 February 2016, which was subsequently deposited. <b>Current status:</b> The matter is currently pending.	No	Not provided*	0.04**
Pradip Ramnesh Chandra Mudra	BDTCL	District Court, Dhule	<b>Background of the case:</b> Pradip Ramnesh Chandra Mudra and others have filed a civil suit before the District Court, Dhule. <b>Current Status:</b> The matter is currently pending.	No	Not Provided	Not Provided

*Source: Investment Manager*

\* We were unable to quantify the amount of liability involved from the set of documents provided.

\*\* We were provided with the amount however the relevant supporting documents has not been provided to us hence we were unable to corroborate the same.

# We were provided only with the screenshot from High Court website in respect of the status of the related cases. However, we were not provided with the related litigation documents.

Appendix V – BDTCL: Summary of Ongoing Litigations (3/6)

Matter	Against	Pending Before	Details of the Case	Documents Provided	Amount Involved (INR Million)	Amount Deposited (INR Million)
Kusumben Jayantibhai Patel and others	BDTCL	High Court of Gujarat, Ahmedabad	<b>Background of the case:</b> Aggrieved by the order passed by the District Collector allowing BDTCL to erect the transmission towers in the petitioners land, Kusumben has filed an appeal against the same in the High Court. <b>Current status:</b> The matter is currently pending.	No	Not provided	Not provided
Kusumben Mali and others	BDTCL	Sub-divisional Magistrate (SDM), Dhule	<b>Background of the case:</b> Kusum Ajuji Mali and others through their power of attorney have filed a writ application against BDTCL before the Sub-Divisional Magistrate Dhule disputing the compensation paid for their land. <b>Current status:</b> The matter is currently pending.	No	Not provided	Not provided
Various Complainants (32 in number)	BDTCL	District Collector (DC), Aurangabad	<b>Background of the case:</b> 32 complainants have been filed against BDTCL before the District Collector, Aurangabad ("District Collector") demanding compensation for allegedly violating the right of way by constructing high tension power transmission lines over their agricultural land without obtaining the requisite permissions. Preliminary objections on jurisdiction have been filed before the District Collector, and are pending adjudication. <b>Current status:</b> The matter is currently pending.	No	Not provided	Not provided
Approx. 60 land owners	BDTCL	DC & DJ Aurangabad	<b>Background of the case:</b> Right of Way Compensation (ROW) Payment of land is demanded as per Maharashtra Government circular which are pending for adjudication. On the similar lines SLM, Aurangabad has also sent some queries to BDTCL. <b>Current status:</b> Preliminary objections are filed on the ground of jurisdiction and factual grounds. Matter is pending for final arguments.	No	Not provided	Not provided
Sharp Corporation Limited	BDTCL	High Court of Madhya Pradesh, Indore	<b>Background of the case:</b> Sharp Corporation Limited (the "Petitioner") filed a writ petition dated 24 March 2014 (the "Petition") before the High Court of Madhya Pradesh, Indore Bench (the "High Court") against BDTCL and others (the "Respondents") to restrain the Respondents from starting and/or continuing the construction over the Petitioner's land. <b>Current status:</b> BDTCL filed a reply to the Petition. A rejoinder has been filed by the Petitioner on 12 May 2014. The matter is currently pending.	Yes	Not provided	Not provided

Source: Investment Manager

\* We were unable to quantify the amount of liability involved from the set of documents provided.

\*\* We were provided with the amount however the relevant supporting documents has not been provided to us hence we were unable to corroborate the same

# We were provided only with the screenshot from High Court website in respect of the status of the related cases. However, we were not provided with the related litigation documents.

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Appendix V – BDTCL: Summary of Ongoing Litigations (4/6)

Matter	Agams	Pending Before	Details of the Cases	Documents Provided	Amount Invoiced (INR Million)	Amount Deposited (INR Million)
BDTCL	Shreevasth Bhubha	Chartered Engineer	<p><b>Background of the case:</b> Bhagwan Dewar, Bhubha filed a petition against the State of Maharashtra and BDTCL before the Joint Civil Judge (Senior) Dewar, Dhule (the "Judge") for declaration, compensation and interim injunction to order to a part of land BDTCL has filed a counter-claim and interim injunction to order against the Judge passed an order on 23 February 2018 (the Order) directing the parties for interim injunction of Bhagwan Dewar, Bhubha and Shreevasth Chartered Engineer against BDTCL. The Order also contained directions for the State of Maharashtra, Bhagwan Dewar, Bhubha and Shreevasth Chartered Engineer to file and deposit a bank guarantee of Rs. 100 Crores with the Judge. BDTCL filed an appeal in the court of the District Court, Dhule by the Order. BDTCL filed an appeal in the court of the District Court, Dhule seeking that the order of the Judge should be set aside and it is held in law and fact.</p> <p><b>Current status:</b> The matter is currently pending.</p> <p><b>Background of the case:</b> BDTCL filed a petition against the payment of compensation required to be paid in accordance with the Order passed by the District Court. Accordingly, the High Court directed BDTCL to deposit INR 100 Crores with four weeks from 19 February 2018. The said amount was deposited.</p> <p><b>Current status:</b> The matter is currently pending.</p>	No	Not provided	Not provided
BDTCL	Pravin Mangal	High Court Mumbai	<p><b>Background of the case:</b> BDTCL filed a petition against the payment of transmission charges for the project in relation to six transmission lines and two sub stations (collectively the "Project") since the delay in commissioning the project was due to change in law and force majeure event.</p> <p>u) Additionally, BDTCL prayed for extension of scheduled commercial operation date and grant an increase of INR 212.3 Million per annum in levied transmission charges payable with effect from commercial operation date of such extension of the project.</p> <p>c) CERC ("Central Electricity Regulatory Commission") by its order dated 25 June 2018, partly allowed the petition and held that delay constituted force majeure events under BDTCL TSA. However, the CERC held that on the basis of the facts and circumstances, BDTCL has not established that there has been a change in law of events under BDTCL TSA. BDTCL has not established that CERC has not determined whether BDTCL is entitled to the increased levied transmission charges. The CERC granted liberty to BDTCL to provide further documents to establish its claim in respect of increased levied transmission charges. Pursuant to BDTCL CERC Order, BDTCL filed a petition dated 26 September 2018 (the "CERC petition") before the CERC allowed BDTCL an extension in the scheduled date of commercial operation and allowed expenditure towards taxes &amp; duties, especially on account of change in excise duty and service tax post the bid deadline amounting to INR 105.9 Million and also allowed transmission charges for SVC Dhule - Vadodra Transmission line (DV Line) from 9 February 2015 to 17 June 2015. Further, CERC has given the liberty to the application with respect to additional expenditure towards interest on construction cost. The matter is currently pending.</p> <p><b>Current status:</b> The matter is currently pending.</p>	No	Not provided	Not provided
Regulatory Matter	Pravin Mangal	CERC	<p><b>Background of the case:</b> PCCIL filed a petition before the CERC by Shreevasth Chartered Engineer against BDTCL to order BDTCL to pay the transmission charges to PCCIL for the interim period. BDTCL subsequently filed a review petition before CERC against the First CERC Order, which was dismissed by the CERC through an order dated 23 July 2018 ("Second CERC Order"). BDTCL has filed an appeal before APTEL against the First CERC Order and Second CERC Order.</p> <p><b>Current status:</b> This matter is currently pending.</p>	Yes	212.3**	Not provided
Regulatory Matter	PCCIL	CERC	<p><b>Background of the case:</b> PCCIL filed a petition before the CERC by Shreevasth Chartered Engineer against BDTCL to order BDTCL to pay the transmission charges to PCCIL for the interim period. BDTCL subsequently filed a review petition before CERC against the First CERC Order, which was dismissed by the CERC through an order dated 23 July 2018 ("Second CERC Order"). BDTCL has filed an appeal before APTEL against the First CERC Order and Second CERC Order.</p> <p><b>Current status:</b> This matter is currently pending.</p>	Yes	Not provided	Not provided

Source: Internal Memoirs  
 \*\* Data were provided only with the accompanied from High Court website in respect of the status of the related cases. However, we were not provided with the related litigation documents.



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**Appendix V – BDTCL: Summary of Ongoing Litigations (5/6)**

Matter	Against	Pending Before	Details of the Case	Documents Provided	Amount Involved (INR Million)	Amount Deposited (INR Million)
Direct Tax Matters	BDTCL	Assessing Officer	<b>Background of the case:</b> The Company has received assessment order for AY 16-17 dated 25 December 2016. The amount outstanding as per the screenshot posted from Income Tax website amount of INR 15.98 million and INR 1.35 million.	Yes	27.34	Not provided
Indirect Tax Matters	Tax BDTCL	High Court Madhya Pradesh	<b>Current Status:</b> The matters are currently pending. <b>Background of the case:</b> The matter is related to demand for payment of entry tax in Fiscals 2013, 2014 and 2013, which was allegedly incurred by BDTCL during the course of its business. The aggregate amount involved in the matters is INR 165.5 Million of which INR 58.4 Million has been paid.	Yes	165.5	58.40
Indirect Tax Matters	Tax BDTCL	VAT Act, 2002	<b>Current Status:</b> The matters are currently pending. <b>Background of the case:</b> BDTCL has received certain notices under Madhya Pradesh VAT Act, 2002. <b>Current Status:</b> The matters are currently pending.	Yes	Not provided	0.01

Source: Investment Manager

\* We were unable to quantify the amount of liability involved from the set of documents provided

\*\* We were provided with the amount however the relevant supporting documents has not been provided to us hence we were unable to corroborate the same

# We were provided only with the screenshot from High Court website in respect of the status of the related cases. However, we were not provided with the related litigation documents.

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Appendix V – BDTC: Summary of Ongoing Litigations (6/6)

Closed Matters

Matter	Against	Pending Before	Details of the Case	Documents Provided	Amount Involved (INR Million)	Amount Deposited (INR Million)
Satyā Narayan Mishra	BDTC	District Judge, Narsinghpur	<b>Background of the case:</b> Satya Narayan Mishra filed petition for the losses which he allegedly suffered due to deactivation of the overhead lines by BDTC over his land whereas BDTC claimed that it has already provided the compensation through cheques. Currently, BDTC has filed the reply and the witness of applicant has been cross examined by BDTC. <b>Current status:</b> Dismissed in our favor of BDTC.	Yes	Not provided*	Not provided
Ram Singh	BDTC	High Court, Madhya Pradesh	<b>Background of the case:</b> Ram Singh (the 'Complainant') filed a complaint before the Madhya Pradesh Power Transmission Company Limited (MPPTCL) claiming that no compensation has been paid to him for laying of transmission tower over his land. He received a notice that amount will be paid. <b>Current Status:</b> The matter is closed	Yes	Not provided*	Not provided
Naveet Manchibhai Vasava and others	BDTC	Civ: Dedyapada	<b>Background of the case:</b> Naveet Manchibhai Vasava and others (the 'Plaintiffs') filed a civil suit against BDTC before Civil Judge, Dedyapada alleging that laying of transmission lines violated their right of way and demanded compensation of INR 0.5 Million. <b>Current status:</b> BDTC filed its reply denying all allegations. The matter is currently dismissed for default	No	0.5**	Not provided

Source: Investment Manager

\* We were unable to quantify the amount of liability involved from the set of documents provided.

\*\* We were provided with the amount however the relevant supporting documents has not been provided to us hence we were unable to corroborate the same.

# We were provided only with the screenshot from High Court website in respect of the status of the related cases. However, we were not provided with the related litigation documents

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**HARIBHAKTI & CO. LLP**  
Chartered Accountants

**Valuation as per SEBI (Infrastructure Investment  
Trusts) Regulations, 2014**

**SPV: Jabalpur Transmission Company Limited  
("JTCL")**

Valuation Date: 31<sup>st</sup> March 2019



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HARIBHAKTI & CO. LLP  
Chartered Accountants

Date: 24<sup>th</sup> April 2019  
CFAS/2019-20/6

**Sterlite Investment Managers Limited**

Maker Maxity, 5th North Avenue,  
Level 5, Bandra Kuria Complex,  
Bandra (East), Mumbai – 400051.

**India Grid Trust**

**(Axis Trustee Services Limited acting on behalf of the Trust)**

F-1, Mira Corporate Suits,  
1&2, Mathura Road, Ishwar Nagar,  
New Delhi – 110065

**Sub: Valuation as per SEBI (Infrastructure Investment Trusts) Regulations, 2014, as amended**  
**("the SEBI InvIT Regulations")**

Dear Sirs/Madams,

We, Haribhakti & Co. LLP, Chartered Accountants ("H&Co."), have been appointed vide letter dated 29<sup>th</sup> January 2019, as an independent valuer, as defined under the SEBI InvIT Regulations, by Sterlite Investment Managers Limited ("the Investment Manager" or "SIML"), acting as the investment manager for India Grid Trust ("the Trust") and Axis Trustee Services Limited ("the Trustee") acting as the trustee for the Trust mentioned above, for the purpose of the financial valuation of Jabalpur Transmission Company Limited ("JTCL" or "the SPV"). The SPV was acquired by the Trust on 30<sup>th</sup> May 2017 and is to be valued as per regulation 21(4) contained in the Chapter V of the SEBI InvIT Regulations.

We have relied on explanations and information provided by the Investment Manager. Although we have reviewed such data for consistency, we have not independently investigated or otherwise verified the data provided. We have no present or planned future interest in the Trust, the SPV or the Investment Manager except to the extent of our appointment as an independent valuer and the fee for our Valuation Report ("Report") which 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 with the Trust.

We enclose our Report providing our opinion on the fair enterprise value of the SPV on a going concern basis as at 31<sup>st</sup> March 2019 ("Valuation Date"). Enterprise Value ("EV") is described as the total value of the equity in a business plus the value of its debt and debt related liabilities, minus any cash or cash equivalents to meet those liabilities. The attached Report details the valuation methodologies used, calculations performed and the conclusion reached with respect to this valuation.

Haribhakti & Co. LLP, Chartered Accountants Regn. No. AAC- 3768, a limited liability partnership registered in India (converted on 17th June, 2014 from a firm Haribhakti & Co. FRN: 103523W)  
5B, "A" Block, 5<sup>th</sup> Floor, Mena Kampala Arcade, New #18 & 20, Thiagaraya Road, T.Nagar, Chennai - 600 017, India Tel: +91 44 2815 4192 Fax: +91 44 4213 2024  
Registered offices: 705, Leela Business Park, Andheri-Kurla Road, Andheri (E), Mumbai - 400 059, India  
Other offices: Ahmedabad, Bengaluru, Coimbatore, Hyderabad, Kolkata, Mumbai, New Delhi, Pune.

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**HARIBHAKTI & CO. LLP**  
Chartered Accountants

We believe that our 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. The preparation of a 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 and our valuation conclusion are included herein and our Report complies with the SEBI InvIT Regulations and guidelines, circular or notification issued by Securities and Exchange Board of India ("SEBI") there under.

Please note that all comments in our Report must be read in conjunction with the caveats to the Report, which are contained in Section 2 of this Report. This letter, the Report and the summary of valuation included herein can be provided to Trust's advisors and may be made available for the inspection to the public as a material document and with the SEBI, the stock exchanges and any other regulatory and supervisory authority, as may be required.

We draw your attention to the limitation of liability clauses in Section 2 of the Report.

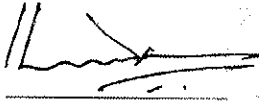
This letter should be read in conjunction with the attached Report.

Yours faithfully,

For **Haribhakti & Co. LLP,**

*Chartered Accountants*

Firm Registration Number: 103523W



**S. Sundararaman**

*Partner*

Membership No. 028423

Place: Chennai

Encl: As above

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**Definition, abbreviation & glossary of terms**

<b>Abbreviations</b>	<b>Meaning</b>
BDTCL	Bhopal Dhule Transmission Company Limited
BOOM	Build-Own-Operate-Maintain
Capex	Capital Expenditure
CCIL	Clearing Corporation of India Limited
CERC	Central Electricity Regulatory Commission
Ckms	Circuit Kilometres
COD	Commercial Operation Date
DCF	Discounted Cash Flow
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization
EV	Enterprise Value
FCFF	Free Cash Flow to the Firm
FY	Financial Year Ended 31 <sup>st</sup> March
FYP	Five year Plan
H&Co.	Haribhakti & Co. LLP, Chartered Accountants
INR	Indian Rupees
IVS	Indian Valuation Standards, 2018
JTCL or the SPV	Jabalpur Transmission Company Limited
kV	Kilo Volts
LTTC	Long Term Transmission Customer
Mn	Million
MTL	Maheshwaram Transmission Limited
NAV	Net Asset Value Method
NCA	Net Current Assets Excluding Cash and Bank Balances
O&M	Operation & Maintenance
PGCIL	Power Grid Corporation of India Limited
PKTCL	Purulia & Kharagpur Transmission Company Limited
PTCL	Patran Transmission Company Limited
RTCL	RAPP Transmission Company Limited
SEBI	Securities and Exchange Board of India
SEBI InvIT Regulations	SEBI (Infrastructure Investment Trusts) Regulations, 2014, as amended
SGL1	Sterlite Grid 1 Limited
SIML or Investment Manager	Sterlite Investment Managers Limited
SPGVL or the Sponsor	Sterlite Power Grid Ventures Limited
the SPV	Special Purpose Vehicle
T&D	Transmission & Distribution
the Trust or InvIT	India Grid Trust
the Trustee	Axis Trustee Services Limited
TSA	Transmission Service Agreement
WACC	Weighted Average Cost of Capital

1. **Background**

**The Sponsor**

- 1.1. Sterlite Power Grid Ventures Limited ("SPGVL" or "the Sponsor") is engaged into installation and operation of electricity transmission projects.

**The Infrastructure Investment Trust**

- 1.2. SPGVL is the sponsor for the India Grid Trust ("the Trust"). The Trust was established on 21<sup>st</sup> October 2016 by SPGVL and is registered with the Securities and Exchange Board of India ("SEBI") pursuant to the SEBI (Infrastructure Investment Trusts) Regulations, 2014, as amended ("the SEBI InvIT Regulations"). It is established to own inter-state power transmission assets in India. The units of the Trust are listed on the National Stock Exchange of India Limited and BSE Limited since 6<sup>th</sup> June 2017.

**Investment Manager**

- 1.3. Sterlite Investment Managers Limited ("the Investment Manager" or "SIML") has been appointed as the investment manager to the Trust by Axis Trustee Services Limited ("the Trustee") and will be responsible to carry out the duties of such a person as mentioned under SEBI InvIT Regulations.

**Target Financial Asset to be Valued**

- 1.4. JTCL operates two extra high voltage overhead transmission lines of 992 Ckms in the states of Chhattisgarh and Madhya Pradesh comprising one 765 kV dual circuit line of 757 Ckms from Dharamjaygarh (Chhattisgarh) to Jabaipur (Madhya Pradesh) and one 765 kV single circuit line of 235 Ckms from Jabalpur to Bina in Madhya Pradesh.

**Purpose of Valuation**

- 1.5. As per Regulation 21(4) of Chapter V of the SEBI InvIT Regulations, a yearly valuation of the assets of the Trust shall be conducted by an independent valuer for the period ended 31<sup>st</sup> March 2019 for a publicly offered InvIT. In this regard, Sterlite Investment Managers Limited ("the Investment Manager" or "SIML"), acting as the investment manager and Axis Trustee Services Limited ("the Trustee") acting as the trustee to the Trust intends to undertake the fair valuation of Jabalpur Transmission Company Limited ("JTCL" or "SPV").
- 1.6. In this regard, the Investment Manager and the Trustee have appointed us, Haribhakti & Co. LLP, Chartered Accountants ("H&Co.") to undertake the fair valuation at the enterprise level of the SPV as per the SEBI InvIT Regulations as at 31<sup>st</sup> March 2019 ("Valuation Date"). Enterprise Value ("EV") is described as the total value of the equity in a business plus the value of its debt and debt related liabilities, minus any cash or cash equivalents to meet those liabilities.
- 1.7. H&Co. declares that:
- 1.7.1. It is competent to undertake the financial valuation in terms of the SEBI InvIT Regulations;
- 1.7.2. It is independent and has prepared the Valuation Report ("the Report") on a fair and unbiased basis;
- 1.7.3. It has valued the SPV based on the valuation standards as specified under sub-regulation 10 of regulation 21 of SEBI InvIT Regulations.
- 1.8. This Report covers all the disclosures required as per the SEBI InvIT Regulations and the valuation of the SPV is impartial, true and fair and in compliance with the SEBI InvIT Regulations.



**Scope of Valuation**

**1.9. Nature of the Asset to be Valued**

We have been mandated by the Investment Manager to arrive at the Enterprise Value of the SPV. Enterprise Value ("EV") is described as the total value of the equity in a business plus the value of its debt and debt related liabilities, minus any cash or cash equivalents to meet those liabilities.

**1.10. Valuation Base**

Valuation Base means the indication of the type of value being used in an engagement. In the present case, we have determined the fair value of the SPV at the enterprise level. Fair Value Bases defined as under:

**Fair Value**

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.

**1.11. 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 due to changes in the condition of the asset to be valued. 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 SPV is 31<sup>st</sup> March 2019 ("Valuation Date"). The attached Report is drawn up by reference to accounting and financial information as on 31<sup>st</sup> March 2019. We are not aware of any other events having occurred since 31<sup>st</sup> March 2019 till date of this Report which we deem to be significant for our valuation analysis.

**1.12. 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 SPV on a Going Concern Value defined as under:

**Going Concern Value**

1.13. 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.

1.14. For the amount pertaining to the operating working capital, the Investment Manager has acknowledged to consider the provisional financial statements as on 31<sup>st</sup> March 2019 to carry out the valuation of the SPV.

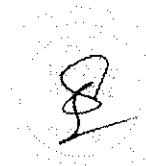
**2. Exclusions and Limitations**

2.1. 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.

2.2. Valuation analysis and results are specific to the purpose of valuation and is not intended to represent value at any time other than valuation date of 31<sup>st</sup> March 2019 ("Valuation Date") mentioned in the Report and as per agreed terms of our engagement. It may not be valid for any other purpose or as at any other date. Also, it may not be valid if done on behalf of any other entity.



- 2.3. This Report, its contents and the results are specific to (i) the purpose of valuation agreed as per the terms of our engagements; (ii) the Valuation Date and (iii) are based on the financial information of JTCL till 31<sup>st</sup> March 2019. The Investment Manager has represented that the business activities of JTCL have been carried out in normal and ordinary course between 31<sup>st</sup> March 2019 and the Report Date and that no material changes have occurred in the operations and financial position between 31<sup>st</sup> March 2019 and the Report date.
- 2.4. The scope of our assignment did not involve us performing audit tests for the purpose of expressing an opinion on the fairness or accuracy of any financial or analytical information that was provided and used by us during the course of our work. The assignment did not involve us to conduct the financial or technical feasibility study. We have not done any independent technical valuation or appraisal or due diligence of the assets or liabilities of the SPV or any of other entity mentioned in this Report and have considered them at the value as disclosed by the SPV in their regulatory filings or in submissions, oral or written, made to us.
- 2.5. In addition, we do not take any responsibility for any changes in the information used by us to arrive at our conclusion as set out herein which may occur subsequent to the date of our Report or by virtue of fact that the details provided to us are incorrect or inaccurate.
- 2.6. We have assumed and relied upon the truth, accuracy and completeness of the information, data and financial terms provided to us or used by us; we have assumed that the same are not misleading and do not assume or accept any liability or responsibility for any independent verification of such information or any independent technical valuation or appraisal of any of the assets, operations or liabilities of SPV or any other entity mentioned in the Report. Nothing has come to our knowledge to indicate that the material provided to us was misstated or incorrect or would not afford reasonable grounds upon which to base our Report.
- 2.7. This Report is intended for the sole use in connection with the purpose as set out above. It can however be relied upon and disclosed in connection with any statutory and regulatory filing in connection with the provision of SEBI InvIT Regulations. However, we will not accept any responsibility to any other party to whom this Report may be shown or who may acquire a copy of the Report, without our written consent.
- 2.8. It is clarified that this Report is not a fairness opinion under any of the stock exchange/ listing regulations. In case of any third party having access to this Report, please note this 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.
- 2.9. Further, this Report is necessarily based on financial, economic, monetary, market and other conditions as in effect on, and the information made available to us or used by us up to, the date hereof. 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, revise or reaffirm this Report if information provided to us changes.
- 2.10. This Report is based on the information received from the sources mentioned in para 3 and discussions with the Investment Manager. We have assumed that no information has been withheld that could have influenced the purpose of our Report.
- 2.11. Valuation is not a precise science and the conclusions arrived at in many cases may be subjective and dependent on the exercise of individual judgment. There is, therefore, no indisputable single value. We have arrived at an indicative EV based on our analysis. 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 this business.
- 2.12. Any discrepancies in any table / annexure between the total and the sums of the amounts listed are due to rounding-off.



- 2.13. Valuation is based on estimates of future financial performance or opinions, which represent reasonable expectations at a particular point of time, but such information, estimates or opinions are not offered as predictions or as assurances that a particular level of income or profit will be achieved, a particular event 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.
- 2.14. We do not carry out any validation procedures or due diligence with respect to the information provided/extracted or carry out any verification of the assets or comment on the achievability and reasonableness of the assumptions underlying the financial forecasts, save for satisfying ourselves to the extent possible that they are consistent with other information provided to us in the course of this engagement.
- 2.15. Our conclusion assumes that the assets and liabilities of the SPV, reflected in their respective latest balance sheets remain intact as of the Report date.
- 2.16. Whilst all reasonable care has been taken to ensure that the factual statements in the Report are accurate, neither ourselves, nor any of our partners, directors, officers or employees shall in any way be liable or responsible either directly or indirectly 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 factual statements. We expressly disclaim any and all liabilities, which may arise based upon the information used in this Report. We are not liable to any third party in relation to the issue of this Report.
- 2.17. The scope of our work has been limited both in terms of the areas of the business and operations which we have reviewed and the extent to which we have reviewed them. 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.
- 2.18. For the present valuation exercise, we have also relied on information available in public domain; however the accuracy and timelines of the same has not been independently verified by us.
- 2.19. 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, however the 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.
- 2.20. 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.
- 2.21. This Report does not address the relative merits of investing in InvIT as compared with any other alternative business transaction, or other alternatives, or whether or not such alternatives could be achieved or are available.
- 2.22. We are not advisors with respect to legal tax and regulatory matters for the proposed transaction. No investigation of the SPV's claim to title of assets has been made for the purpose of this Report and the SPV's claim to such rights have been assumed to be valid. No consideration has been given to liens or encumbrances against the assets, beyond the loans disclosed in the accounts. Therefore, no responsibility is assumed for matters of a legal nature.
- 2.23. We have no present or planned future interest in the Trustee, Investment Manager 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 with the Investment Manager or the SPV.



2.24. We have submitted the draft valuation report to the Trust and Investment Manager for confirmation of accuracy of factual data used in our analysis and to prevent any error or inaccuracy in the final valuation report.

2.25. **Limitation of Liabilities**

2.25.1. It is agreed that, having regard to the H&Co.'s interest in limiting the personal liability and exposure to litigation of its personnel, the Sponsor, the Investment Manager and the Trust will not bring any claim in respect of any damage against any of the H&Co's personnel personally

2.25.2. In no circumstances H&Co. 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 H&Co. the likelihood of such damages. Any decision to act upon the deliverables is to be made by the Investment Manager and no communication by H&Co. should be treated as an invitation or inducement to engage the Investment Manager to act upon the deliverable.

2.25.3. It is clarified that the SIML and Trustee 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.

2.25.4. H&Co. will not be liable if any loss arises due to the provision of false, misleading or incomplete information or documentation by SIML or the Trustee.

3. **Sources of Information**

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

- 3.1. Audited financial statements of JTCL for the Financial Year ("FY") ended 31<sup>st</sup> March 2017 and 31<sup>st</sup> March 2018;
- 3.2. Provisional Profit & Loss Account and Balance Sheet for the period ended 31<sup>st</sup> March 2019;
- 3.3. Projected Profit & Loss Account and Working Capital requirements of JTCL from 1<sup>st</sup> April 2019 to 28<sup>th</sup> February 2049;
- 3.4. Details of brought forward losses (as per Income Tax Act) as at 31<sup>st</sup> March 2019;
- 3.5. Details of Written Down Value (as per Income Tax Act) of assets as at 31<sup>st</sup> March 2019;
- 3.6. Details of projected Repairs and Capital Expenditure ("Capex") as represented by the Investment Manager.
- 3.7. As on 31<sup>st</sup> March 2019, India Grid Trust holds 100% equity stake in JTCL through Sterlite Grid Limited 1 ("SGL 1"). As represented to us by the Investment Manager, there are no changes in the shareholding pattern from 31<sup>st</sup> March 2019 to the date of issuance of this Report.
- 3.8. Transmission Service Agreement ("TSA") of JTCL with Long Term Transmission Customers ("LTTCs") and Tariff adoption order by Central Electricity Regulatory Commission ("CERC") dated 28<sup>th</sup> October 2011 and 8<sup>th</sup> May 2017.
- 3.9. Management Representation Letter by Investment Manager dated 23<sup>rd</sup> April 2019.





**4. Procedures adopted for current valuation exercise**

- 4.1. We have performed the valuation analysis, to the extent applicable, in accordance with Indian Valuation Standards, 2018 ("IVS") issued by the Institute of Chartered Accountants of India read with sub-regulation 10 of regulation 21 of SEBI InvIT Regulations.
- 4.2. In connection with this analysis, we have adopted the following procedures to carry out the valuation analysis:
- 4.2.1. Requested and received financial and qualitative information relating to the SPV;
- 4.2.2. Obtained and analyzed data available in public domain, as considered relevant by us;
- 4.2.3. Discussions with the Management on:
- Understanding of the businesses of the SPV – business and fundamental factors that affect its earning-generating capacity including strengths, weaknesses, opportunities and threats analysis and historical and expected financial performance;
- 4.2.4. Undertook industry analysis:
- Research publicly available market data including economic factors and industry trends that may impact the valuation
  - Analysis of key trends and valuation multiples of comparable companies/comparable transactions, if any, using proprietary databases subscribed by us.
- 4.2.5. Analysis of other publicly available information
- 4.2.6. Selection of valuation approach and valuation methodology/(ies), in accordance with IVS, as considered appropriate and relevant by us.
- 4.2.7. Determination of fair EV of the SPV.

**5. Overview of the InvIT and the SPV**

**The Trust**

- 5.1. The Trust is registered with SEBI pursuant to the SEBI InvIT Regulations. The Trust was established on 21<sup>st</sup> October 2016 by SPGVL to own inter-state power transmission assets in India. The units of the trust are listed on the National Stock Exchange of India Limited and BSE Limited since 6<sup>th</sup> June 2017.
- 5.2. The Trust had acquired two revenue generating projects, Bhopal Dhule Transmission Company Limited ("BDTCL") and JTCL from its Sponsor on 30<sup>th</sup> May 2017. On 15<sup>th</sup> February 2018, the Trust acquired three additional revenue generating projects from its Sponsor, namely, Maheshwaram Transmission Limited ("MTL"), Purulia Kharagpur Transmission Company Limited ("PKTCL") and RAPP Transmission Limited ("RTCL"). Further, the Trust had acquired another revenue generating project, namely, Patran Transmission Company Limited ("PTCL") on 19<sup>th</sup> February 2018 from Techno Electric & Engineering Company Limited.
- 5.3. The Trust, pursuant to the 'Right of First Offer' deed had a 'right of first offer' to acquire eight projects of the Sponsor out of the same three are acquired and five can still be acquired pursuant to right of first offer.



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- 5.4. Following is the financial summary of the projects which the Trust had acquired from the sponsor namely, BDTCL, JTCL, MTL, RTCL and PKTCL and PTCL from Techno Electric & Engineering Company Limited:

Asset Name	Enterprise Value (INR Mn)						Acquisition Value
	30-Sep-18	31-Mar-18	30-Sep-17	31-Mar-17	31-Mar-16	31-Mar-15	
BDTCL	19,694	20,319	21,431	21,541	21,812	20,113	37,020*
JTCL	14,937	15,431	15,988	16,125	19,407**	14,295	
MTL	5,423	5,564	5,218		NA		4,697
RTCL	4,084	4,054	3,935		NA		3,542
PKTCL	6,481	6,618	6,512		NA		5,861
PTCL	2,401				NA		2,320

\*Consolidated Purchase Price paid by the Trust for the acquisition at the time of Initial Public Offer

\*\*For JTCL, the Investment Manager had previously projected the incremental revenue to be at 40% of the non escalable revenue charges during the valuation exercise of 31<sup>st</sup> March 2016, however the same was subsequently reduced to 9.8903% of non escalable charges during the valuation exercise of 31<sup>st</sup> March 2017 as per the CERC order dated 8<sup>th</sup> May 2017.

#### JTCL or the SPV

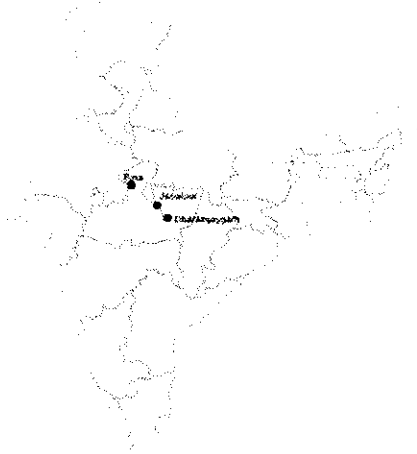
- 5.5. Summary of details of the Project are as follows:

Parameters	Details
Project Cost	INR 19,183 Mn
Total Length	992 ckms
Scheduled COD	1 <sup>st</sup> March, 2014
Expiry Date	35 years from the scheduled COD
Trust's stake (through SGL 1)	100%

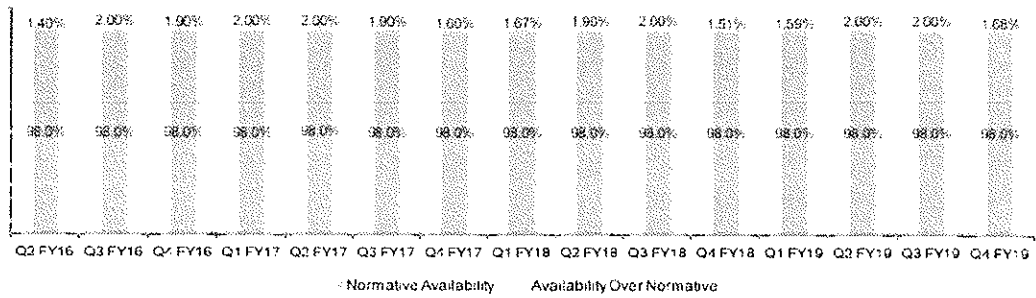
- 5.6. The JTCL project was awarded to SGL1 by the Ministry of Power on 19<sup>th</sup> January 2011 for a 35 year period from the scheduled commercial operation date on a Build-Own-Operate-Maintain ("BOOM") basis. The expiry date of TSA shall be the date which is 35 years from the scheduled Commercial Operation Date ("COD") of the project.
- 5.7. JTCL operates two extra high voltage overhead transmission lines of 992 Ckms in the states of Chhattisgarh and Madhya Pradesh comprising one 765 kV dual circuit line of 757 Ckms from Dharamjaygarh (Chhattisgarh) to Jabalpur (Madhya Pradesh) and one 765 kV single circuit Line of 235 Ckms from Jabalpur to Bina in Madhya Pradesh.
- 5.8. JTCL alleviates transmission capacity bottlenecks and expands the reliability and stability of the power grid in western and northern India by providing open access to transmit power from the independent power projects in the east of India.
- 5.9. The project consists of the following transmission lines and is being implemented on contract basis:

Transmission line / Sub-Station	Location	Route length (ckms)	Specifications	Commission date	Contribution to total tariff
Jabalpur-Dharamjaygarh	Chhattisgarh, Madhya Pradesh	757	765 kV D/C	14 <sup>th</sup> September 2015	72%
Jabalpur-Bina	Madhya Pradesh	235	765 kV S/C	1 <sup>st</sup> July 2015	28%

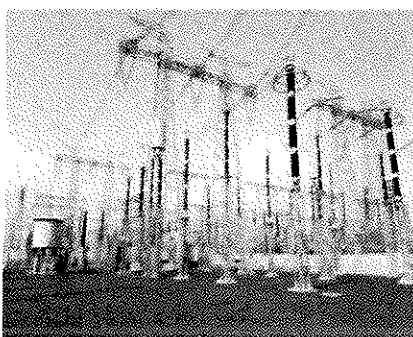
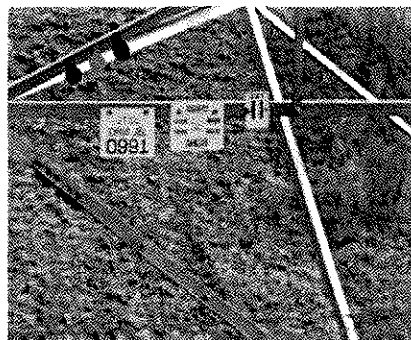
5.10. Following is the map showing area covered by JTCL (not drawn to scale):



5.11. Operating Efficiency history of JTCL:



5.12. **Pictures of the SPV:**



6. **Overview of the Industry**

6.1. **Introduction:**

- 6.1.1. India is the third largest producer and third largest consumer of electricity in the world, with the installed power capacity reaching 356.1 GW as of March 2019. The country also has the fifth largest installed capacity in the world.
- 6.1.2. Per capita electricity consumption in the country grew at a CAGR of 4.96 per cent, during FY11-FY18, reaching 1,149 KWh in FY18.

6.2. **Demand and Supply**

- 6.2.1. Demand: India continues to be a power deficient country even after an increasing trend in demand in the past. It is expected that energy requirement will continue to grow at healthy CAGR of 7.5% to 8% over FY 17 to FY 21. The primary growth drivers for rapid expansion in India's energy demand include investments in industrial and infrastructure development, rising per capita energy consumption levels etc.
- 6.2.2. Supply: India has seen a robust growth in the installed power generation capacity in the past four years. The installed power generation capacity has grown at a CAGR of ~9.08% from ~243 GW in FY 14 to ~ 347.22 GW as of December 2018 (Source: IBEF)

**6.3. India's economic outlook**

- 6.3.1. According to World Bank, India has retained its position as the fastest-growing economy in the world in 2015, after overtaking China in the previous year. Based on its estimates, India will continue to occupy the top slot among major economies with a growth rate of 7.7% to 7.8% until 2019. India's growth rate is significantly higher than the world average of around 4% and is also higher than other developing economies, such as China, Brazil, Indonesia and sub-Saharan African nations.
- 6.3.2. Power is one of the key sectors attracting FDI inflows into India.
- 6.3.3. From April 2000 to June 2018, India recorded FDI of US\$ 6.8 billion in non-conventional energy sector. New and renewable energy sector witnessed maximum power generation capacity addition, since 2000.
- 6.3.4. Cumulative FDI inflows into the sector from April 2000–December 2018 were US\$ 14.22 billion.
- 6.3.5. The ongoing liberalization of India's FDI regime has also led to a surge in investments, especially after the launch of the 'Make in India' campaign in October 2014. The FDI inflow has doubled to \$ 44.8 billion in fiscal 2018 from \$ 22 billion in around 2014. Reduced macroeconomic vulnerability, coupled with improved government spending in infrastructure sectors, has enhanced India's Global Competitive Index (GCI) ranking to 58 in 2017-18 from 71 in 2014-15.

**6.4. Power transmission network in India**

- 6.4.1. The transmission segment plays a key role in transmitting power continuously from the generation plants to various distribution entities. Transmission and sub-transmission systems supply power to the distribution system, which, in turn, supplies power to end consumers. In India, the Transmission and Distribution ("T&D") system is a three-tier structure comprising distribution networks, state grids and regional grids.
- 6.4.2. The distribution networks and state grids are primarily owned and operated by the respective State Transmission utilities or state governments (through state electricity departments). Most inter-state and inter-regional transmission links are owned and operated by Power Grid Corporation of India Limited ("PGCIL"), which facilitates the transfer of power from a surplus region to the ones with deficit.
- 6.4.3. The government's focus on providing electricity to rural areas has led to the T&D system being extended to remote villages. The total length of transmission lines in the country has grown at a slow rate of 6% CAGR during FY 11 and FY 17. The total transmission network has increased from 4,07,569 Ckms in FY 11 to around 6,04,193 Ckms in FY 18.
- 6.4.4. As on January 2019 approx. 7.2% of total transmission network is owned by private players which showcases the need of more private sector participation in this space. India has been underinvested as far as transmission is concerned, however; recently government has been encouraging investments in transmission with approximately projects worth INR 30,000 crores being awarded in last 2 years.
- 6.4.5. PGCIL has spent around INR 0.9 trillion over 2013-16.
- 6.4.6. Of the total capacity-addition projects in transmission during the 12th FYP, about 42% can be attributed to the state sector. The share of private sector in transmission line and substation additions since the beginning of 12th FYP is 14% and 7%, respectively.



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as the majority of high-capacity, long-distance transmission projects were executed by PGCIL and state transmission utilities during this period.

- 6.4.7. In order to strengthen the power system and ensure free flow of power, significant investments would be required in the T&D segment. Moreover, commissioning of additional generation capacity, rising penetration of renewable energy, regional demand-supply mismatches, upgradation of existing lines, rising cross border power trading would necessitate huge investments in transmission sector in India.
- 6.4.8. Thus, going forward, the share of power sector investments are expected to veer towards the T&D segment. Moreover, strong government focus on the T&D segment will also support investments. CRISIL Research expects the transmission segment share in total power sector investments to rise sharply to 33% over 2017-21 from only 20% over 2012-16. Thus, we expect transmission segments investments to increase 1.5 times to INR 3.1 trillion over 2017-21 as compared to the previous 5 year period.

*Source: CRISIL Power Transmission Report –March 2019 and IBEF report on Power sector in India- January 2019 and Central Electricity Authority Data as mentioned in PGCIL and Adani Transmission Limited Annual Report 2017-18..*

## 7. Valuation Approach

- 7.1. The present valuation exercise is being undertaken in order to derive the fair EV of the SPV.
- 7.2. The valuation exercise involves selecting a method suitable for the purpose of valuation, by exercise of judgment by the valuers, based on the facts and circumstances as applicable to the business of the company to be valued.
- 7.3. There are three generally accepted approaches to valuation:
- (a) "Cost" approach
  - (b) "Market" approach
  - (c) "Income" approach

### 7.4. 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 ("NAV")

The NAV Method under Cost Approach considers 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 a company.

The NAV Method is appropriate in a case where the main strength of the business is its asset backing rather than its capacity or potential to earn profits. This valuation approach is also used in case where the firm is to be liquidated i.e. it does not meet the "going concern" criteria.

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, NAV 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.





7.5. **Market Approach**

Under the Market approach, the valuation is based on the market value of the company in case of listed companies and comparable companies trading or transaction multiples for unlisted companies. The Market approach generally reflects the investors' perception about the true worth of the company.

**Comparable Companies Multiples ("CCM") Method**

The value is determined on the basis of multiples derived from valuations of comparable companies, as manifest in the 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.

**Comparable Transactions Multiples ("CTM") Method**

Under the CTM Method, the value is determined on the basis of multiples derived from valuations of similar transactions in the industry. Relevant multiples need to be chosen carefully and adjusted for differences between the circumstances. Few of such multiples are EV/Earnings before Interest, Taxes, Depreciation & Amortization ("EBITDA") multiple and EV/Revenue multiple.

**Market Price Method**

Under this method, the market price of an equity share of the company 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.

7.6. **Income Approach**

The income approach is widely used for valuation under "Going Concern" basis. It focuses on the income generated by the company in the past as well as its future earning capability. The Discounted Cash Flow Method under the income approach seeks to arrive at a valuation based on the strength of future cash flows.

**Discounted Cash Flow ("DCF") Method**

Under DCF Method value of a company can be assessed using the Free Cash Flow to Firm Method ("FCFF") or Free Cash Flow to Equity Method ("FCFE"). Under the DCF method, the business is valued by discounting its free cash flows for the explicit forecast period and the perpetuity value thereafter. The free cash flows represent the cash available for distribution to both, the owners and creditors of the business. The free cash flows in the explicit period and those in perpetuity are discounted by the Weighted Average Cost of Capital ("WACC"). The WACC, based on an optimal vis-à-vis actual capital structure, 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.

The perpetuity (terminal) value is calculated based on the business' 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' future operations. The Business/EV (aggregate of the present value of explicit period and terminal period cash flows) so derived, is further reduced by the value of debt, if any, (net of cash and cash equivalents) to arrive at value to the owners of the business.

**7.7. Conclusion on Valuation Approach**

It is pertinent to note that the valuation of any company or its assets is inherently imprecise and is subject to certain uncertainties and contingencies, all of which are difficult to predict and are beyond our control. In performing our analysis, we made numerous assumptions with respect to industry performance and general business and economic conditions, many of which are beyond the control of the SPV. In addition, this valuation will fluctuate with changes in prevailing market conditions, and prospects, financial and otherwise, of the SPV, and other factors which generally influence the valuation of companies and their assets.

Accordingly, we have summarized the application of valuation method for the current valuation exercise as under:

**Cost Approach**

The existing book value of EV of the SPV comprising of its Net fixed assets and working capital is INR 14,451 Mn as at 31<sup>st</sup> March 2019.

In the present case, since the SPV has entered into TSA, the revenue of SPV is pre-determined for the life of the project. In such scenario, the true worth of the business is reflected in its future earning capacity rather than the cost of the project. Accordingly, since the NAV does not capture the future earning potential of the businesses, we have not considered the cost approach for the current valuation exercise.

**Market Approach**

The present valuation exercise is to undertake a fair EV of the SPV engaged in the power transmission business for a specific tenure. Further, the tariff revenue expenses are very specific to the SPV depending on the nature of their geographical location, stage of project, terms of profitability. In the absence of any exactly comparable listed companies with characteristics and parameters similar to that of the SPV, we have not considered CCM method in the present case. In the absence of adequate details about the Comparable Transactions, we were unable to apply the CTM method. Currently, the equity shares of SPV are not listed on any recognized stock exchange of India. Hence, we are unable to apply market price method.

**Income Approach**

The SPV is operating as BOOM model based project. The cash inflows of the projects are defined for 35 years under the TSA. Hence, the growth potential of the SPV and the true worth of its business would be reflected in its future earnings potential and therefore DCF Method under the income approach has been considered as an appropriate method for the present valuation exercise.



8. Valuation of the SPV

We have estimated the EV of the SPV using the Discounted Cash Flow Method. While carrying out this engagement, we have relied extensively on the information made available to us by the Investment Manager. We have considered projected financial statement of the SPV as provided by the Investment Manager.

**Valuation**

8.1. The key assumptions of the projections provided to us by the Investment Manager are:

**Key Assumptions**

8.1.1. **Transmission Revenue:** The transmission revenue of the SPV comprises of non escalable transmission revenue and escalable transmission revenue as provided in the TSA read with Tariff adoption order dated 28<sup>th</sup> October 2011.

- **Non Escalable Transmission Revenue:** The Non Escalable Transmission revenue remains fixed for the entire life of the project. We have corroborated the revenue considered in the financial projections with the respective TSA read with Tariff adoption order dated 28<sup>th</sup> October 2011 and documents provided to us by the Investment Manager. Non escalable charges also include the incremental revenue to be received by the SPV as per the CERC order dated 8<sup>th</sup> May 2017 at the rate of 9.8903% of non escalable charges mentioned in the TSA.
- **Escalable Transmission Revenue:** Escalable Transmission revenue is the revenue component where the revenue is duly escalated based on the rationale as provided in the respective TSA read with Tariff adoption order dated 28<sup>th</sup> October 2011 and documents provided to us by the Investment Manager. The escalation is to mainly compensate for the inflation factor.

8.1.2. **Incentives:** As provided in the respective TSA, if the annual availability exceeds 98%, the SPV shall be entitled to an annual incentive as provided in TSA. Provided no incentives shall be payable above the availability of 99.75%. Based on the past track record of the asset and the general industry standard, the annual availability shall be above 98% where the SPV shall be entitled to the incentives as provided in the TSA.

8.1.3. **Penalty:** If the annual availability in a contract year falls below 95%, the SPV shall be liable for an annual penalty as provided in the TSA. Based on our analysis in Para 8.1.2, in the present case, it is assumed that the annual availability will not fall below 95% and hence, penalty is not considered in the financial projections.

8.1.4. **Expenses:** Expenses are estimated by the Investment Manager for the projected period based on the escalation rate as determined for the SPV. We have relied on the projections provided.

- **Operations & Maintenance ("O&M"):** O&M expenditure is estimated by the Investment Manager for the projected period based on the escalation rate as determined for the SPV. The Investment Manager has projected expenses to be incurred for the O&M of the SPV including, but not limited to, transmission line maintenance expenses, rates and taxes, legal and professional fees and other general and administration expenses. We have relied on the projections provided by Investment Manager on the operating and maintenance expenses for the projected period.
- **Insurance Expenses:** We understand from the Investment Manager that the insurance expenses of the SPV will not escalate for the projected period. We have relied on the

projections provided by the Investment Manager on the insurance expenses for the projected period.

- 8.1.5. **Depreciation:** The book depreciation has been provided by the Investment Manager till the life of the asset. For calculating depreciation as per Income Tax Act for the projected period, we have considered depreciation rate as specified in the Income Tax Act and WDV as provided by the Investment Manager.
- 8.1.6. **Capex:** As represented by the Investment Manager, the SPV is not expected to incur any Capex in the projected period.
- 8.1.7. **Tax Incentive:** The SPV is eligible for tax holiday under section 80IA of Income Tax Act. Such tax holiday shall be available for any 10 consecutive years out of 15 years beginning from the date of COD.
- 8.1.8. **Working Capital:** The Investment Manager has envisaged the working capital requirement of the SPV for the projected period. The operating working capital assumptions for the projections as provided by the Investment Manager comprises of trade receivables and trade payables.

## 8.2. **Impact of Ongoing Material Litigation on Valuation**

As on 31<sup>st</sup> March 2019, there is an ongoing tax litigation having deposits under dispute of INR 107 Mn. As represented by the Investment Manager, the SPV will receive INR 44.96 Mn pertaining to the same in the next year.

## 8.3. **Calculation of Weighted Average Cost of Capital for the SPV**

### 8.3.1. **Cost of Equity:**

Cost of Equity (CoE) is a discounting factor to calculate the returns expected by the equity holders depending on the perceived level of risk associated with the business and the industry in which the business operates.

For this purpose, we have used the Capital Asset Pricing Model (CAPM), which is a commonly used model to determine the appropriate cost of equity for the SPV.

$$K(e) = R_f + (R_p \times \text{Beta}) + \text{CSR P}$$

Wherein:

K(e) = cost of equity

R<sub>f</sub> = risk free rate

R<sub>p</sub> = risk premium i.e. market risk premium over and above risk free rate

Beta = a measure of the sensitivity of assets to returns of the overall market

CSR P = Company Specific Risk Premium (In general, an additional company-specific risk premium will be added to the cost of equity calculated pursuant to CAPM).

For valuation exercise, we have arrived at adjusted cost of equity of 12.48%

### 8.3.2. **Risk Free Rate:**

We have applied a risk free rate of return of 7.43% on the basis of the relevant zero coupon yield curve as on 29<sup>th</sup> March 2019 for government securities having a maturity period of 10 years, as quoted on the website of Clearing Corporation of India Limited ("CCIL").

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**8.3.3. Risk Premium:**

Risk premium is a measure of premium that investors require for investing in equity markets rather than bond or debt markets. A risk premium is calculated as follows:

Risk premium = Equity market return – Risk free rate

Wherein:

Equity market return = the average historical market return is estimated at 15.00%.

Risk free rate = 7.43% as explained in para 8.3.2.

Hence, risk premium is derived as 7.57%.

**8.3.4. Beta:**

Beta is a measure of the sensitivity of a company's stock price to the movements of the overall market index. Normally we would take a relevant number from a quoted stock and the market on which it trades. In the present case, we find it appropriate to consider the beta of companies in similar business/ industry to that of the SPV.

We have further unlevered that beta based on debt-equity of the respective company using the following formula:

Unlevered Beta = Levered Beta / [1 + (Debt / Equity) \*(1-T)]

Further we have re-levered it based on debt-equity of the industry standard using the following formula:

Re-levered Beta = Unlevered Beta \* [1 + (Debt / Equity) \*(1-T)]

For our valuation exercise, re-levered beta has been taken as 0.67.

**8.3.5. Cost of Debt:**

The calculation of Cost of Debt post-tax can be defined as follows:

$K(d) = K(d) \text{ pre tax} * (1 - T)$

Wherein:

K(d) = Cost of debt

T = tax rate as applicable

In present valuation exercise, we have considered debt:equity at 70:30 based on industry standard.

For valuation exercise, pre-tax cost of debt has been considered as 8.45%.

**8.3.6. Weighted Average Cost of Capital (WACC):**

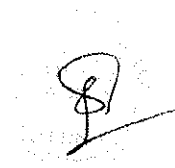
The discount rate, or the WACC, is the weighted average of the expected return on equity and the cost of debt. The weight of each factor is determined based on the company's optimal capital structure.

Formula for calculation of WACC:

$WACC = [K(d) * Debt / (Debt + Equity)] + [K(e) * (1 - Debt / (Debt + Equity))]$

8.3.7. Accordingly, as per above, we have arrived the WACC of 8.30% for JTCL. (Refer Appendix I).

8.4. We understand from the representation of the Investment Manager that the SPV will generate cash flow even after the expiry of concession period of 35 years as the project is on BOOM model and the ownership will remain with the SPV even after the expiry of 35 years. Accordingly we have considered Terminal Value after the expiry of 35 years.



8.5. **Valuation of JTCL**

- 8.5.1. We have relied on the projected financials of JTCL as provided by the Investment Manager for the period from 1<sup>st</sup> April 2019 to 28<sup>th</sup> February 2049.
- 8.5.2. WACC arrived at for the purpose of valuation is 8.30% for cash flows (Refer Appendix I).
- 8.5.3. For the terminal period, we have considered 0% constant growth rate for FCFF.
- 8.5.4. As on Valuation Date, we have discounted the free cash flows of JTCL using the WACC of 8.30% to arrive at the Enterprise Value by aggregating the present value of cash flows for explicit period and terminal period at INR 14,608 Mn (Refer Appendix II).

9. **Valuation Conclusion**

- 9.1. The current valuation has been carried out based on the discussed 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.
- 9.2. We have been represented by the Investment Manager that there is no potential devolvement on account of the contingent liability as of valuation date; hence no impact has been factored in to arrive at EV of the SPV.
- 9.3. Based on the above analysis the EV as on the Valuation Date of the SPV is INR 14,608 Mn (Refer Appendix II).
- 9.4. The fair Enterprise Value of the SPV is estimated using DCF method. The valuation requires Investment Manager to make certain assumptions about the model inputs including forecast cash flows, discount rate, and credit risk.
- 9.5. Valuation is based on estimates of future financial performance or opinions, which represent reasonable expectations at a particular point of time, but such information, estimates or opinions are not offered as predictions or as assurances that a particular level of income or profit will be achieved, a particular event 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.

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9.6. Accordingly, we have conducted sensitivity analysis on the following model inputs:

WACC	Decrease by 0.50%	Fair Value @8.30%	Increase by 0.50%
Implied WACC	7.80%	8.30%	8.80%
Enterprise Value (in INR Mn)	15,418	14,608	13,884
Total Expenses	Decrease by 20%	Fair Value	Increase by 20%
Enterprise Value (in INR Mn)	14,888	14,608	14,329

## 10. Additional Procedures to be complied with in accordance with InvIT regulations

### Scope of Work

10.1 The Schedule V of the SEBI InvIT Regulations prescribes the minimum set of mandatory disclosures to be made in the valuation report. In this reference, the minimum disclosures in valuation report may include following information as well, so as to provide the investors with the adequate information about the valuation and other aspects of the underlying assets of the InvIT. The additional set of disclosures, as prescribed under Schedule V of InvIT Regulations, to be made in the valuation report of Jabalpur Transmission Company Limited ("JTCL") are as follows:

- List of one-time sanctions/approvals which are obtained or pending;
- List of up to date/overdue periodic clearances;
- Statement of assets included;
- Estimates of already carried as well as proposed major repairs and improvements along with estimated time of completion;
- Revenue pendencies including local authority taxes associated with InvIT asset and compounding charges, if any;
- On-going and closed material litigations including tax disputes in relation to the assets, if any;
- Vulnerability to natural or induced hazards that may not have been covered in town planning/ building control.

### Limitations

- 10.2 This Report is based on the information provided by the Investment Manager. The exercise has been restricted and kept limited to and based entirely on the documents, records, files, registers and information provided to us. We have not verified the information independently with any other external source.
- 10.3 We have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as original, and the conformity of the copies or extracts submitted to us with that of the original documents.
- 10.4 We have assumed that the documents submitted to us by the Investment Manager in connection with any particular issue are the only documents related to such issue.

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10.5 We have reviewed the documents and records from the limited perspective of examining issues noted in the scope of work and we do not express any opinion as to the legal or technical implications of the same.

10.6 Analysis of Additional Set of Disclosures for JTCL

A. List of one-time sanctions/approvals which are obtained or pending:

As informed by the Investment Manager, there have been no additional sanctions/ approvals obtained by JTCL between the period 1<sup>st</sup> April 2018 to 31<sup>st</sup> March 2019. Further, we were informed that there were no applications for which approval is pending. The list of sanctions/ approvals obtained by the Company as on 31<sup>st</sup> March 2019 is provided in Appendix III.

B. List of up to date/ overdue periodic clearances:

We have included the periodic clearances obtained by JTCL in Appendix III.

C. Statement of assets included:

As at 31<sup>st</sup> March 2019, details of the asset of the SPV are as follows:

Asset Type	Gross Block	Depreciation	Net Block	INR Million	
					% of asset depreciated
Transmission Lines	18,858.4	4,959.9	13,898.5		26%
Freehold Land	10.2	-	10.2		0%
Other Assets	5.6	5.2	0.4		93%
<b>TOTAL</b>	<b>18,874.2</b>	<b>4,965.1</b>	<b>13,909.1</b>		

Source: Provisional Financials of 31<sup>st</sup> March 2019

D. Estimates of already carried as well as proposed major repairs and improvements along with estimated time of completion:

We noted in the provisional financial statements that JTCL has incurred INR 39.6 million during the period ended 31<sup>st</sup> March 2019 for the maintenance charges of Transmission Lines. Based on the confirmation provided by Investment Manager we expect an increase of c.3.52% per annum in the cost of operation and maintenance expenses to be incurred in the future period.

Investment Manager has informed us that there are no maintenance charges which has been deferred to the upcoming year as the maintenance activities are carried out regularly. We have been informed that overhaul maintenance are regularly carried out by JTCL in order to maintain the working condition of the assets.

E. Revenue pendencies including local authority taxes associated with InvIT asset and compounding charges, if any:

Investment Manager has informed us that there are no dues including local authority taxes pending to be payable to the Government authorities with respect to InvIT assets.

F. On-going and closed material litigations including tax disputes in relation to the assets, if any:

As informed by the investment Manager, the status of ongoing litigations is updated in Appendix IV. Investment Manager has informed us that it expects majority of the cases to be settled in favour of JTCL and accordingly no outflow is expected against the litigations.

G. Vulnerability to natural or induced hazards that may not have been covered in town planning/ building control:

Investment Manager has confirmed to us that there are no such natural or induced hazards which have not been considered in town planning/ building control.

**Appendix I – Weighted Average Cost of Capital of the SPV**

Particulars	%	Remarks
Market Return	15.00%	Market Return has been considered based on the long term average returns earned by an equity investor in India.
Risk Free Rate	7.43%	Risk Free Rate has been considered based on zero coupon yield curve as at 29 <sup>th</sup> March 2019 of Government Securities having maturity period of 10 years, as quoted on CCIL's website.
Market Risk Premium	7.57%	Market Premium = Market Return – Risk Free Rate
Beta (relevered)	0.67	Beta has been considered based on the beta of companies operating in the similar kind of business in India.
Cost of Equity	12.48%	$Ke = Rf + \beta \times (Rm - Rf) + CSR$
Pre-tax Cost of Debt	8.43%	As represented by the Investment Manager
Effective tax rate of SPV	22.89%	Average tax rate for the life of the project has been considered
Post-tax Cost of Debt	6.50%	Effective cost of debt. $Kd = \text{Pre tax } Kd \times (1 - \text{Effective Tax Rate})$
Debt/(Debt+Equity)	70.00%	The debt – equity ratio computed as $[D/(D+E)]$ is considered as 70% as per industry standard.
<b>WACC</b>	<b>8.30%</b>	<b><math>WACC = [Ke \times (1 - D/(D+E))] + [Kd \times (1 - t) \times (D/(D+E))]</math></b>



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Appendix II – Valuation of JTCL as on 31<sup>st</sup> March 2019

WACC	8.30%										INR Mn
Year	Revenue	EBITDA	EBITDA Margin	Capex	Changes in WC	Taxation	FCFF	Cash Accrual Factor	Discounting Factor	PV of Cash Flows	
FY20	1,517	1,419	94%	-	(205)	198	1,426	0.50	0.96	1,371	
FY21	1,518	1,416	93%	-	1	197	1,218	1.50	0.89	1,081	
FY22	1,518	1,412	93%	-	(0)	197	1,218	2.50	0.82	996	
FY23	1,518	1,409	93%	-	(0)	196	1,213	3.50	0.76	918	
FY24	1,518	1,405	93%	-	(1)	195	1,211	4.50	0.70	846	
FY25	1,518	1,401	92%	-	1	194	1,208	5.50	0.64	778	
FY26	1,518	1,397	92%	-	(0)	193	1,204	6.50	0.60	717	
FY27	1,518	1,393	92%	-	(0)	192	1,201	7.50	0.55	660	
FY28	1,518	1,389	91%	-	(1)	191	1,199	8.50	0.51	609	
FY29	1,518	1,384	91%	-	1	190	1,193	9.50	0.47	559	
FY30	1,518	1,380	91%	-	(0)	189	1,191	10.50	0.43	515	
FY31	1,518	1,375	91%	-	(0)	188	1,187	11.50	0.40	474	
FY32	1,518	1,370	90%	-	(1)	187	1,184	12.50	0.37	437	
FY33	1,518	1,365	90%	-	1	186	1,178	13.50	0.34	401	
FY34	1,519	1,359	90%	-	(0)	185	1,175	14.50	0.31	370	
FY35	1,519	1,354	89%	-	(0)	184	1,170	15.50	0.29	340	
FY36	1,519	1,348	89%	-	(1)	183	1,167	16.50	0.27	313	
FY37	1,519	1,342	88%	-	0	181	1,160	17.50	0.25	287	
FY38	1,519	1,336	88%	-	(1)	180	1,156	18.50	0.23	264	
FY39	1,519	1,329	88%	-	(1)	179	1,151	19.50	0.21	243	
FY40	1,519	1,323	87%	-	(2)	177	1,147	20.50	0.19	224	
FY41	1,518	1,316	87%	-	0	204	1,112	21.50	0.18	200	
FY42	1,518	1,308	86%	-	(1)	219	1,090	22.50	0.17	181	
FY43	1,518	1,301	86%	-	(1)	218	1,084	23.50	0.15	166	
FY44	1,518	1,293	85%	-	(2)	322	972	24.50	0.14	138	
FY45	1,518	1,285	85%	-	0	367	918	25.50	0.13	120	
FY46	1,518	1,277	84%	-	(1)	365	912	26.50	0.12	110	
FY47	1,518	1,268	84%	-	(1)	364	905	27.50	0.11	101	
FY48	1,517	1,259	83%	-	(2)	362	899	28.50	0.10	93	
FY49*	1,389	1,144	82%	-	0	329	814	29.46	0.10	78	
TV	1,518	1,250	82%	-	-	364	886	29.46	0.10	85	
Present Value of Explicit Period Cash Flows										13,590	
Present Value of Terminal Year Cash Flow										1,018	
<b>Enterprise Value</b>										<b>14,608</b>	

\* 28th February 2019

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Appendix III – Summary of Approvals & Licenses (1/2)

Sr. No.	Approvals	Date of Issue (in years)	Issuing Authority
1	Company Registration	08-Sep-09	Ministry of Corporate Affairs
2	Transmission License	12-Oct-11	Central Electricity Regulatory Commission
3	Forest Clearance	17-Aug-12	Forest Department
	765KV Double Circuit Dharamjayagari to Jabalpur Transmission Line-09/DND/POW/2012.112	17-Aug-12	Forest Department
	765KV Double Circuit Dharamjayagari to Jabalpur Transmission Line-09/DND/POW/2012.113	17-Aug-12	Forest Department
	765KV Double Circuit Dharamjayagari to Jabalpur Transmission Line-09/DND/POW/2012.114	17-Jul-14	Collector, Jabalpur, Madhya Pradesh
	Forest Registration Letter for Dharamjayagari to Jabalpur Transmission Line	23-Dec-14	Ministry of Environment, Forests & Forests
	In Principle approval for the diversion of forest land for construction of 765 KV D/C Jabalpur Transmission Line	10-Jun-15	Ministry of Environment, Forests & Climate Change
	Approval for construction of 765 KV D/C Jabalpur Transmission Line in Korba District of Chhattisgarh	31-Dec-14	Ministry of Environment, Forests & Climate Change
	Dharamjayagari to Jabalpur Transmission Line Stage I Clearance	10-Mar-15	Ministry of Environment, Forests & Climate Change
	Jabalpur Bina Transmission Line Stage I Clearance	15-Jan-15	Ministry of Environment, Forests & Climate Change
	Jabalpur Bina Transmission Line Stage II	16-Mar-15	Ministry of Environment, Forests & Climate Change
4	Approval under section 68 of Electricity Act, 2003	25-Nov-10	Ministry of Power
5	Approval from GOI under section 164 of Electricity Act, 2003	05-Jun-13	Ministry of Power
6	Approval from CERC under section 17(3)	Not Found	
7	Environmental Clearance	Not Applicable	
8	Power & Telecommunication Coordination Committee (PTCC) Clearance		
	PTCC - Chhattisgarh Portion	21-May-15	PTCC, GOI
	PTCC - Madhya Pradesh Portion	13-Apr-15	PTCC, GOI
9	Railway Crossing		
	Provisional Approval for Erection of power line between Uriga & Saragburdia Railway Station at KM 588/C 21-23 & KM 669/C22-24	16-Sep-14	South East Central Railway
	Provisional Approval for Erection of power line between Gevra Road Railway Station & NTPC Sipat at KM Stone 12 & 13	13-Jun-14	South East Central Railway
	Provisional Approval for Erection of power line between Gurluku & Kalmilar Railway Station at KM 740/20-22 & Km 740/21N-23H	13-Jun-14	South East Central Railway
10	Road Crossing		
	Erection of power line between Bargi - Gwanghat Railway Station at KM 1208/4-5	27-Apr-15	South East Central Railway
	765 KV D/C OH NH crossing Bilasur- Ratanpur (NH-130)	28-May-15	Chhattisgarh Road Development Corporation Ltd
	765KV Double Circuit Dharamjayagari	08-Dec-13	Madhya Pradesh Road Development Corporation Ltd

Source: Investment Manager

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**Appendix III – Summary of Approvals & Licenses (2/2)**

Sr. No.	Approvals	Date of Issue	Validity (in years)	Issuing Authority
11	River Crossing	No River Crossing		
12	Power Line Crossing			
	Approval order for power line crossings of tower no. 7/0 and 8/0	27-Jun-15	Valid	Chhattisgarh State Power Transmission Company Ltd
	Approval order for cover line crossings of tower no. 11/A/Q and 11/B/Q	23-Jan-15	Valid	Chhattisgarh State Power Transmission Company Ltd
	Approval for overhead crossing of existing 132 KV DCDS Korba- Champa Line of Chhattisgarh State Power Transmission Co. Ltd By 765 KV D/C Dharamjaygarh- Jabalpur Transmission Line	20-Nov-13	Valid	Chhattisgarh State Power Transmission Company Ltd
	Approval for overhead crossing of 400KV and 200KV and 132KV lines of CSTPL by 765 KV D/C Dharamjaygarh- Jabalpur Transmission Line	03-Jun-13	Valid	Chhattisgarh State Power Transmission Company Ltd.
	Approval for overhead crossing of Chhuri to S/s Mopka of CSTPL by 765 KV D/C Dharamjaygarh Jabalpur Transmission Line of JTCL	04-Dec-13	Valid	Chhattisgarh State Power Transmission Company Ltd.
	Approval for overhead crossing Korba to Mopka of CSTPL by 765 KV D/C Dharamjaygarh Jabalpur Transmission Line of JTCL	04-Dec-13	Valid	Chhattisgarh State Power Transmission Company Ltd.
	Approval for overhead crossing of LIL of one circuit of 400KV DCDS Korba Khednara line to Marwa under construction of CSPTCL by 765 KV D/C Dharamjaygarh- Jabalpur Transmission Line of M/s JTCL	05-Nov-14	Valid	Chhattisgarh State Power Transmission Company Ltd
	Approval for overhead crossing of existing 400 KV DCDS Korba (W)-Khednara line of CSPTCL by 765 KV D/C Dharamjaygarh- Jabalpur Transmission line of M/s JTCL	25-Apr-14	Valid	Chhattisgarh State Power Transmission Company Ltd.
	Approval for overhead crossing of existing 132 KV DCDS Raipahra Railway Traction line of CSPTCL by 765 KV D/C Dharamjaygarh Jabalpur Transmission Line of M/s JTCL	21-Nov-13	Valid	Chhattisgarh State Power Transmission Company Ltd.
	Joint inspection report of Powerline Crossings_ 02-04/TL/JTCL/765KV/01-03-1031	29-Mar-14	Valid	Chhattisgarh State Power Transmission Company Ltd
	Approval for overhead crossing of existing 220 KV DCDS Korba- Baran- Suhela line of CSPTCL by 765KV D/C Dharamjaygarh Jabalpur Transmission Line of M/s JTCL	01-Oct-13	Valid	Chhattisgarh State Power Transmission Company Ltd
	Approval for overhead crossing of 400 KV & 765 KV line of Power Grid by 765 KV D/C Dharamjaygarh Jabalpur T/L of M/s JTCL Tower No. 64/0 and 65/0	10-Aug-13	Valid	Chhattisgarh State Power Transmission Company Ltd
	Approval for Overhead Crossing of 400 KV S/C Korba Bhalai II T/L of Power Grid by 765KV D/C Dharamjaygarh Jabalpur T/L of M/s JTCL	07-Feb-14	Valid	Power Grid Corporation Ltd
	Approval for overhead crossing of 765KV D/C Dharamjaygarh Jabalpur Transmission Line of JTCL with upcoming 765 KV D/C Champa P/S to Korba & Bilaspur- Korba Transmission Line	02-Jan-14	Valid	Power Grid Corporation Ltd
13	Avalon Clearance -NOC for Transmission Line	27-Nov-13	7	Power Grid Corporation Ltd
14	Defence Clearance - NOC from Aviation Angle for Construction	27-May-15	Valid	Airport Authority of India
15	Transmission Service Agreement	01-Dec-10	Valid	Ministry of Defence
16	Approval for adoption of Tariff	28-Oct-11	35	Central Electricity Regulatory Commission

Source: Investment Manager

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Appendix IV – Summary of Ongoing Litigations (1/3)

Matter	Against	Pending Before	Details of the Case	Amount Involved (INR Million)	Amount Deposited (INR Million) #
Jagmohan Singh	Union of India, JTCL and Others	District Magistrate, Sagar, Madhya Pradesh, under the Telegraph Act, 1885	<b>Background of the case:</b> Jagmohan Patel (the "Applicant") filed an application against the Union of India, JTCL and others, before the District Magistrate Sagar, Madhya Pradesh, under the Telegraph Act, 1885 alleging that he suffered damage due to the construction of high voltage transmission lines by JTCL. He claimed compensation of INR 9.28 Million. The District Judge District Court, Sagar also issued a show cause notice dated 25 August 2016, requiring the Applicant to appear before it at the designated time. JTCL has filed its reply. The Applicant has filed another petition before the District Magistrate Sagar, Madhya Pradesh against the Union of India and others for payment of compensation amount of INR 0.69 Million for loss caused to the Applicant due to construction of high voltage transmission line by JTCL. <b>Current Status:</b> Matter is currently pending	9.97	
Sanjay Jain and Others	State of Madhya Pradesh and Others	High Court of Madhya Pradesh, Jabalpur Bench	<b>Background of the case:</b> Sanjay Jain and others (the "Petitioners") filed a writ petition before the High Court of Madhya Pradesh, Jabalpur Bench (the "High Court") against the State of Madhya Pradesh and others (the "Respondents") alleging that the land is being utilized for construction of transmission line towers without acquiring the land in accordance with the law. The High Court, by its order dated 31 December 2012 ordered that the status quo with respect to the property in question should be maintained till the land is not acquired by the Respondents for the construction of towers and ordered that compensation be paid to the Petitioners. The High Court, by an order dated 8 July 2014 (the "Order") disposed off the said matter along with the direction that along with the certified copy of the Order, the Petitioner may prefer a representation raising his grievances which to be adjudicated by a competent authority within a month. Till the decision by the said authority, the interim order shall remain in operation. JTCL got the stay vacated. <b>Current Status:</b> The matter is currently pending	11.83	Not Provided**

Source: Investment Manager



Appendix IV – Summary of Ongoing Litigations (2/3)

Matter	Against	Pending Before	Details of the Case	Amount Involved (INR Million)	Amount Deposited (INR Million) #
Bhujbal Patel and Others	Union of India	District Magistrate & DM, Sagar, Madhya Pradesh, under the Telegraph Act, 1885	<u>Background of the case:</u> Bhujbal Patel and others (the "Petitioners") filed a civil application against the Union of India before the District Magistrate, Sagar, Madhya Pradesh (the "District Magistrate"), under the Telegraph Act, 1885, alleging that they suffered damage due to the construction of the high voltage transmission line by JTCL. The Petitioners claimed compensation of INR 14.35 Million. They filed a writ petition before the High Court of Madhya Pradesh, Jabalpur Bench (the "High Court") alleging that JTCL was using their land without consent and thereby depriving them of their right. The High Court issued an order dated 23 June 2014 in favour of JTCL (the "Order") and directed the Petitioners to seek recourse under Section 15 of the Telegraph Act, 1885. Thereafter, the Petitioners approached the Sub - Divisional Magistrate, Sagar. The High Court stated the Petitioners suppressed material facts and dismissed the Petition. Aggrieved, the Petitioners filed a civil application against the Union of India before the District Magistrate, under the Telegraph Act, 1885, alleging that they suffered damage due to the construction of the high voltage transmission line by JTCL and claimed compensation of INR 14.35 Million. JTCL has filed its reply. The Applicant has filed another petition before the District Magistrate against the Union of India and others for payment of compensation amount of INR 6.75 Million for loss caused to the Applicant due to construction of high voltage transmission line by JTCL. <u>Current Status:</u> The matter is currently pending.	21.1	
Lalchand Agarwal:	Union of India	Supreme Court of India	<u>Background of the case:</u> Lalchand Agarwal filed a writ petition against the Union of India before the High Court of Madhya Pradesh, (the "High Court") challenging the erection of a tower on his land by JTCL, alleging that his village was not mentioned in the notification dated 12 July 2013 under which JTCL was authorized to erect towers, and further alleging that no notice was provided and no compensation was paid. The High Court rejected the claim of Lalchand Agarwal. Aggrieved, Lalchand Agarwal has filed a civil appeal before the Supreme Court of India. JTCL has filed its reply. <u>Current Status:</u> The matter is currently pending.	Not Provided*	Not Provided*

Source: Investment Manager

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Appendix IV – Summary of Ongoing Litigations (3/3)

Matter	Against	Pending Before	Details of the Case	Amount Involved	Amount Deposited
		DM & District Judge		(INR Million)	(INR Millions) <sup>**</sup>
Sanjeer Singha	JTCL		<b>Background of the case:</b> Sanjeev Singhal and others ("Applicants") filed a civil application before the District Magistrate, Damoh (the "District Magistrate") against JTCL ("Respondent") claiming compensation for felling of trees over his land. The District Magistrate by an order dated 22 May 2017 awarded compensation of INR 0.38 Million. He filed an appeal before the District Judge, Damoh challenging the amount of compensation awarded. JTCL has filed its reply. The District Judge, Damoh had directed that the said compensation amount of INR 0.38 Million be given to him. Subsequently, JTCL paid the said amount to the Applicants. <b>Current Status:</b> The matter is currently pending.	0.38	0.38
DM Mandla	JTCL	CM Hepline Matter	<b>Background of the case:</b> The District Collector, Mandla has suo moto started inquiry in the case filed by Imrat Singh and others against JTCL and has passed an order dated 3 April 2018 directing JTCL to pay a compensation amount of INR 5.95 Million to 85 land owners without considering the reply and documents submitted by JTCL. JTCL has filed in appeal before the High Court of Madhya Pradesh at Jabalpur. <b>Current Status:</b> The matter is currently pending.	5.95	
Indirect Tax Matters	JTCL	High Court, Bilaspur, Chhattisgarh	<b>Background of the case:</b> Two indirect tax matters involving JTCL are pending before the High Court of Chhattisgarh in relation to demand for payment of entry tax, which was allegedly incurred by JTCL during the course of its business. The aggregate amount involved in the matters is INR \$1.55 Million. Having heard learned counsel for the parties, the court is prima facie satisfied that the order dated 27 June 2018 rejecting to refer the questions of law raised in the reference application filed before the Tribunal suffers from irrationality and illegality. <b>Current Status:</b> The impugned order dated 27 June 2018 passed by the Commercial Tax Tribunal, Raipur is set aside. The Tax Case is allowed. The Tribunal is directed to state the case and refer the same for consideration to the High Court. The matter is currently pending.	\$1.55**	179.10**
Indirect Tax Matters	JTCL	High Court, Jabalpur, Madhya Pradesh	<b>Background of the case:</b> Four indirect tax matters involving JTCL are pending before the High Court of Madhya Pradesh in relation to demand for payment of entry tax in Fiscals 2016, 2019, 2014 and 2013, which was allegedly incurred by JTCL during the course of its business. The aggregate amount involved in the matters is INR 138.7 Million. <b>Current Status:</b> The matters are currently pending.	138.7	
Indirect Tax Matters	JTCL		<b>Background of the case:</b> Certain notices were received by JTCL under the Madhya Pradesh VAT Act, 2002. JTCL paid INR 0.01 Million in relation thereto. Further in relation to the Madhya Pradesh VAT Act, 2002, JTCL paid INR 0.01 Million for the Fiscal 2015.	0.01	0.01

Source: Investment Manager

\*\* We were unable to quantify the amount of liability involved from the set of documents

\*\* We were provided with the amount however the relevant supporting documents has not been provided to us hence we were unable to corroborate the same

# Investment Manager informed that the above amount paid under protest to the government authorities are grouped under Current Assets.



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**HARIBHAKTI & CO. LLP**  
Chartered Accountants

**Valuation as per SEBI (Infrastructure Investment  
Trusts) Regulations, 2014**

**SPV: Purulia & Kharagpur Transmission  
Company Limited ("PKTCL")**

Valuation Date: 31<sup>st</sup> March 2019



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HARIBHAKTI & CO. LLP  
Chartered Accountants

Date: 24<sup>th</sup> April 2019  
CFAS/2019-20/2

**Sterlite Investment Managers Limited**

F-1, Mira Corporate Suits,  
1&2, Mathura Road, Ishwar Nagar,  
New Delhi – 110065

**India Grid Trust**

**(Axis Trustee Services Limited acting on behalf of the Trust)**

F-1, Mira Corporate Suits,  
1&2, Mathura Road, Ishwar Nagar,  
New Delhi – 110065

**Sub: Valuation as per SEBI (Infrastructure Investment Trusts) Regulations, 2014, as amended**  
**("the SEBI InvIT Regulations")**

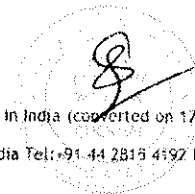
Dear Sirs/Madams,

We, Haribhakti & Co. LLP, Chartered Accountants ("H&Co."), have been appointed vide letter dated 29<sup>th</sup> January 2019, as an independent valuer, as defined under the SEBI InvIT Regulations, by Sterlite Investment Managers Limited ("the Investment Manager" or "SIML"), acting as the investment manager for India Grid Trust ("the Trust") and Axis Trustee Services Limited ("the Trustee") acting as the trustee for the Trust mentioned above, for the purpose of the financial valuation of Purulia & Kharagpur Transmission Company Limited ("PKTCL" or "the SPV"). The SPV was acquired by the Trust on 15<sup>th</sup> February 2018 and is to be valued as per regulation 21(4) contained in the Chapter V of the SEBI InvIT Regulations.

We have relied on explanations and information provided by the Investment Manager. Although we have reviewed such data for consistency, we have not independently investigated or otherwise verified the data provided. We have no present or planned future interest in the Trust, the SPV or the Investment Manager except to the extent of our appointment as an independent valuer and the fee for our Valuation Report ("Report") which 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 with the Trust.

We enclose our Report providing our opinion on the fair enterprise value of the SPV on a going concern basis as at 31<sup>st</sup> March 2019 ("Valuation Date"). Enterprise Value ("EV") is described as the total value of the equity in a business plus the value of its debt and debt related liabilities, minus any cash or cash equivalents to meet those liabilities. The attached Report details the valuation methodologies used, calculations performed and the conclusion reached with respect to this valuation.

Haribhakti & Co. LLP, Chartered Accountants Regn. No. AAC- 3768, a limited liability partnership registered in India (converted on 17<sup>th</sup> June, 2014 from a firm Haribhakti & Co. FRN: 103523W)  
5B, "A" Block, 5<sup>th</sup> Floor, Mena Kampala Arcade, New #18 & 20, Thiagaraya Road, T. Nagar, Chennai - 600 017, India Tel: +91 44 2815 4192 Fax: +91 44 4213 2024  
Registered offices: 705, Leela Business Park, Andheri-Kurla Road, Andheri (E), Mumbai - 400 059, India  
Other offices: Ahmedabad, Bengaluru, Coimbatore, Hyderabad, Kolkata, Mumbai, New Delhi, Pune.



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**HARIBHAKTI & CO. LLP**  
Chartered Accountants

We believe that our 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. The preparation of a 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 and our valuation conclusion are included herein and our Report complies with the SEBI InvIT Regulations and guidelines, circular or notification issued by Securities and Exchange Board of India ("SEBI") there under.

Please note that all comments in our Report must be read in conjunction with the caveats to the Report, which are contained in Section 2 of this Report. This letter, the Report and the summary of valuation included herein can be provided to Trust's advisors and may be made available for the inspection to the public as a material document and with the SEBI, the stock exchanges and any other regulatory and supervisory authority, as may be required.

We draw your attention to the limitation of liability clauses in Section 2 of the Report.

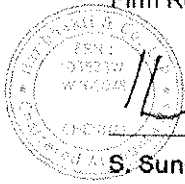
This letter should be read in conjunction with the attached Report.

Yours faithfully,

For **Haribhakti & Co. LLP,**

*Chartered Accountants*

Firm Registration Number: 103523W



**S. Sundararaman**

*Partner*

Membership No. 028423

Place: Chennai

Encl: As above

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- 1.8. This Report covers all the disclosures required as per the SEBI InvIT Regulations and the valuation of the SPV is impartial, true and fair and in compliance with the SEBI InvIT Regulations.

### **Scope of Valuation**

#### **Nature of the Asset to be Valued**

- 1.9. We have been mandated by the Investment Manager to arrive at the EV of the SPV. Enterprise Value ("EV") is described as the total value of the equity in a business plus the value of its debt and debt related liabilities, minus any cash or cash equivalents to meet those liabilities.

#### **Valuation Base**

- 1.10. Valuation Base means the indication of the type of value being used in an engagement. In the present case, we have determined the fair value of the SPV at the enterprise level. Fair Value Bases defined as under:

#### **Fair Value**

- 1.11. 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.

#### **Valuation Date**

- 1.12. 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 due to changes in the condition of the asset to be valued. 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 SPV is 31<sup>st</sup> March 2019 ("Valuation Date"). The attached Report is drawn up by reference to accounting and financial information as on 31<sup>st</sup> March 2019. We are not aware of any other events having occurred since 31<sup>st</sup> March 2019 till date of this Report which we deem to be significant for our valuation analysis.

#### **Premise of Value**

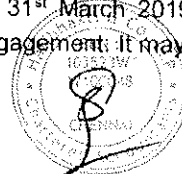
- 1.13. Premise of Value refers to the conditions and circumstances how an asset is deployed. In the present case, we have determined the fair enterprise value of the SPV on a Going Concern Value defined as under:

#### **Going Concern Value**

- 1.14. 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.
- 1.15. For the amount pertaining to the operating working capital, the Investment Manager has acknowledged to consider the provisional financial statements as on 31<sup>st</sup> March 2019 to carry out the valuation of the SPV.

## **2. Exclusions and Limitations**

- 2.1. 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.
- 2.2. Valuation analysis and results are specific to the purpose of valuation and is not intended to represent value at any time other than valuation date of 31<sup>st</sup> March 2019 ("Valuation Date") mentioned in the Report and as per agreed terms of our engagement. It may not be valid for any



- other purpose or as at any other date. Also, it may not be valid if done on behalf of any other entity.
- 2.3. This Report, its contents and the results are specific to (i) the purpose of valuation agreed as per the terms of our engagements; (ii) the Valuation Date and (iii) are based on the financial information of PKTCL till 31<sup>st</sup> March 2019. The Investment Manager has represented that the business activities of PKTCL have been carried out in normal and ordinary course between 31<sup>st</sup> March 2019 and the Report Date and that no material changes have occurred in the operations and financial position between 31<sup>st</sup> March 2019 and the Report date.
  - 2.4. The scope of our assignment did not involve us performing audit tests for the purpose of expressing an opinion on the fairness or accuracy of any financial or analytical information that was provided and used by us during the course of our work. The assignment did not involve us to conduct the financial or technical feasibility study. We have not done any independent technical valuation or appraisal or due diligence of the assets or liabilities of the SPV or any of other entity mentioned in this Report and have considered them at the value as disclosed by the SPV in their regulatory filings or in submissions, oral or written, made to us.
  - 2.5. In addition, we do not take any responsibility for any changes in the information used by us to arrive at our conclusion as set out here in which may occur subsequent to the date of our Report or by virtue of fact that the details provided to us are incorrect or inaccurate.
  - 2.6. We have assumed and relied upon the truth, accuracy and completeness of the information, data and financial terms provided to us or used by us; we have assumed that the same are not misleading and do not assume or accept any liability or responsibility for any independent verification of such information or any independent technical valuation or appraisal of any of the assets, operations or liabilities of SPV or any other entity mentioned in the Report. Nothing has come to our knowledge to indicate that the material provided to us was misstated or incorrect or would not afford reasonable grounds upon which to base our Report.
  - 2.7. This Report is intended for the sole use in connection with the purpose as set out above. It can however be relied upon and disclosed in connection with any statutory and regulatory filing in connection with the provision of SEBI InvIT Regulations. However, we will not accept any responsibility to any other party to whom this Report may be shown or who may acquire a copy of the Report, without our written consent.
  - 2.8. It is clarified that this Report is not a fairness opinion under any of the stock exchange/ listing regulations. In case of any third party having access to this Report, please note this 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.
  - 2.9. Further, this Report is necessarily based on financial, economic, monetary, market and other conditions as in effect on, and the information made available to us or used by us up to, the date hereof. 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, revise or reaffirm this Report if information provided to us changes.
  - 2.10. This Report is based on the information received from the sources mentioned in para 3 and discussions with the Investment Manager. We have assumed that no information has been withheld that could have influenced the purpose of our Report.
  - 2.11. Valuation is not a precise science and the conclusions arrived at in many cases may be subjective and dependent on the exercise of individual judgment. There is, therefore, no indisputable single value. We have arrived at an indicative EV based on our analysis. 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 this business.



- 2.12. Any discrepancy in any table / annexure between the total and the sums of the amounts listed are due to rounding-off.
- 2.13. Valuation is based on estimates of future financial performance or opinions, which represent reasonable expectations at a particular point of time, but such information, estimates or opinions are not offered as predictions or as assurances that a particular level of income or profit will be achieved, a particular event 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.
- 2.14. We do not carry out any validation procedures or due diligence with respect to the information provided/extracted or carry out any verification of the assets or comment on the achievability and reasonableness of the assumptions underlying the financial forecasts, save for satisfying ourselves to the extent possible that they are consistent with other information provided to us in the course of this engagement.
- 2.15. Our conclusion assumes that the assets and liabilities of the SPV, reflected in their respective latest balance sheets remain intact as of the Report date.
- 2.16. Whilst all reasonable care has been taken to ensure that the factual statements in the Report are accurate, neither ourselves, nor any of our partners, directors, officers or employees shall in any way be liable or responsible either directly or indirectly 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 factual statements. We expressly disclaim any and all liabilities, which may arise based upon the information used in this Report. We are not liable to any third party in relation to the issue of this Report.
- 2.17. The scope of our work has been limited both in terms of the areas of the business and operations which we have reviewed and the extent to which we have reviewed them. 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.
- 2.18. For the present valuation exercise, we have also relied on information available in public domain; however the accuracy and timelines of the same has not been independently verified by us.
- 2.19. 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, however the 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.
- 2.20. 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.
- 2.21. This Report does not address the relative merits of investing in InvIT as compared with any other alternative business transaction, or other alternatives, or whether or not such alternatives could be achieved or are available.
- 2.22. We are not advisors with respect to legal tax and regulatory matters for the proposed transaction. No investigation of the SPV's claim to title of assets has been made for the purpose of this Report and the SPV's claim to such rights have been assumed to be valid. No consideration has been given to liens or encumbrances against the assets, beyond the loans disclosed in the accounts. Therefore, no responsibility is assumed for matters of a legal nature.
- 2.23. We have no present or planned future interest in the Trustee, Investment Manager 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 with the Investment Manager or the SPV.



- 2.24. We have submitted the draft valuation report to the Trust and Investment Manager for confirmation of accuracy of factual data used in our analysis and to prevent any error or inaccuracy in the final valuation report.
- 2.25. **Limitation of Liabilities**
- 2.25.1. It is agreed that, having regard to the H&Co.'s interest in limiting the personal liability and exposure to litigation of its personnel, the Sponsor, the Investment Manager and the Trust will not bring any claim in respect of any damage against any of the H&Co's personnel personally.
- 2.25.2. In no circumstances H&Co. 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 H&Co. the likelihood of such damages. Any decision to act upon the deliverables is to be made by the Investment Manager and no communication by H&Co. should be treated as an invitation or inducement to engage the Investment Manager to act upon the deliverable.
- 2.25.3. It is clarified that the SIML and Trustee 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.
- 2.25.4. H&Co. will not be liable if any loss arises due to the provision of false, misleading or incomplete information or documentation by SIML or the Trustee.

### 3. Sources of Information

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

- 3.1. Audited financial statements of PKTCL for the Financial Year ("FY") ended 31<sup>st</sup> March 2017 and 31<sup>st</sup> March 2018;
- 3.2. Provisional Profit & Loss Account and Balance Sheet for the period ended 31<sup>st</sup> March 2019;
- 3.3. Projected Profit & Loss Account and Working Capital requirements of PKTCL from 1<sup>st</sup> April 2019 to 10<sup>th</sup> March 2051;
- 3.4. Details of brought forward losses (as per Income Tax Act) as at 31<sup>st</sup> March 2019;
- 3.5. Details of Written Down Value (as per Income Tax Act) of assets as at 31<sup>st</sup> March 2019;
- 3.6. Details of projected Repairs and Capital Expenditure ("Capex") as represented by the Investment Manager.
- 3.7. As on 31<sup>st</sup> March 2019, India Grid Trust holds 100% equity stake in PKTCL through Sterlite Grid Limited 1 ("SGL 1"). As represented to us by the Investment Manager, there are no changes in the shareholding pattern from 31<sup>st</sup> March 2019 to the date of issuance of this Report.
- 3.8. Transmission Service Agreement ("TSA") of PKTCL with Long Term Transmission Customers ("LTTCs") and Tariff adoption order by Central Electricity Regulatory Commission ("CERC") dated 20<sup>th</sup> August 2014 and 3<sup>rd</sup> April 2018.
- 3.9. Management Representation Letter by Investment Manager dated 23<sup>rd</sup> April 2019



**4. Procedures adopted for current valuation exercise**

- 4.1. We have performed the valuation analysis, to the extent applicable, in accordance with Indian Valuation Standards, 2018 ("IVS") issued by the Institute of Chartered Accountants of India read with sub-regulation 10 of regulation 21 of SEBI InvIT Regulations.
- 4.2. In connection with this analysis, we have adopted the following procedures to carry out the valuation analysis:
- 4.2.1. Requested and received financial and qualitative information relating to the SPV;
- 4.2.2. Obtained and analyzed data available in public domain, as considered relevant by us;
- 4.2.3. Discussions with the Management on:
- Understanding of the businesses of the SPV – business and fundamental factors that affect its earning-generating capacity including strengths, weaknesses, opportunities and threats analysis and historical and expected financial performance;
- 4.2.4. Undertook industry analysis:
- Research publicly available market data including economic factors and industry trends that may impact the valuation
  - Analysis of key trends and valuation multiples of comparable companies/comparable transactions, if any, using proprietary databases subscribed by us.
- 4.2.5. Analysis of other publicly available information
- 4.2.6. Selection of valuation approach and valuation methodology/(ies), in accordance with IVS, as considered appropriate and relevant by us.
- 4.2.7. Determination of fair EV of the SPV.

**5. Overview of the InvIT and the SPV**

**The Trust**

- 5.1. The Trust is registered with SEBI pursuant to the SEBI InvIT Regulations. The Trust was established on 21<sup>st</sup> October 2016 by SPGVL to own inter-state power transmission assets in India. The units of the trust are listed on the National Stock Exchange of India Limited and BSE Limited since 6<sup>th</sup> June 2017.
- 5.2. The Trust had acquired two revenue generating projects, Bhopal Dhule Transmission Company Limited ("BDTCL") and Jabalpur Transmission Company Limited ("JTCL") from its Sponsor on 30<sup>th</sup> May 2017. On 15<sup>th</sup> February 2018, the Trust acquired three additional revenue generating projects from its Sponsor, namely, Maheshwaram Transmission Limited ("MTL"), PKTCL and RAPP Transmission Limited ("RTCL"). Further, the Trust had acquired another revenue generating project, namely, Patran Transmission Company Limited ("PTCL") on 19<sup>th</sup> February 2018 from Techno Electric & Engineering Company Limited.
- 5.3. The Trust, pursuant to the 'Right of First Offer' deed had a 'right of first offer' to acquire eight projects of the Sponsor out of the same three are acquired and five can still be acquired pursuant to 'Right of First Offer'.





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- 5.4. Following is the financial summary of the projects which the Trust had acquired from the sponsor namely, BDTCL, JTCL, MTL, RTCL, PKTCL and PTCL from Techno Electric & Engineering Company Limited:

Asset Name	Enterprise Value (INR Mn)						Acquisition Value
	30-Sep-18	31-Mar-18	30-Sep-17	31-Mar-17	31-Mar-16	31-Mar-15	
BDTCL	19,694	20,319	21,431	21,541	21,812	20,113	37,020*
JTCL	14,937	15,431	15,988	16,125	19,407**	14,295	
MTL	5,423	5,564	5,218			NA	4,697
RTCL	4,084	4,054	3,935			NA	3,542
PKTCL	6,481	6,618	6,512			NA	5,861
PTCL	2,401					NA	2,320

\*Consolidated Purchase Price paid by the Trust for the acquisition at the time of Initial Public Offer

\*\*For JTCL, the Investment Manager had previously projected the incremental revenue to be at 40% of the non escalable revenue charges during the valuation exercise of 31<sup>st</sup> March 2016, however the same was subsequently reduced to 9.8903% of non escalable charges during the valuation exercise of 31<sup>st</sup> March 2017 as per the CERC order dated 8<sup>th</sup> May 2017.

#### PKTCL or the SPV

- 5.5. Summary of details of the Project are as follows:

Parameters	Details
Project Cost	INR 4,405 Mn
Total Length	545 ckms
Scheduled COD	11 <sup>th</sup> March 2016
Expiry Date	35 years from the scheduled COD
Trust's stake (through SGL 1)	100%

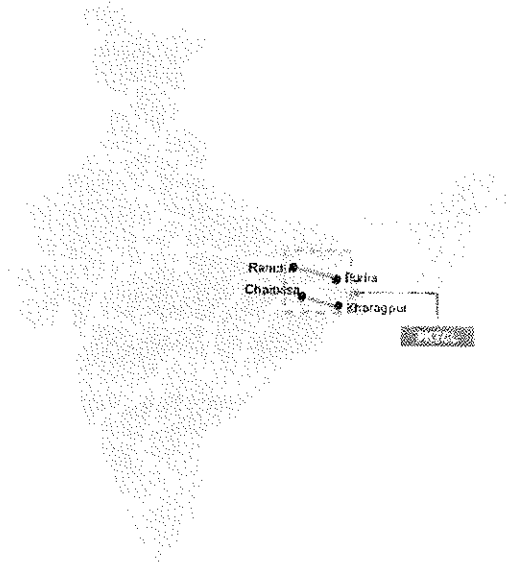
- 5.6. The PKTCL project was awarded to Sterlite Grid Limited 2 by the Ministry of Power on 6<sup>th</sup> August 2013 for a 35 year period from the scheduled commercial operation date on a Build Own Operate Maintain ("BOOM") basis. The expiry date of TSA shall be the date which is 35 years from the scheduled Commercial Operation Date ("COD") of the project. .
- 5.7. PKTCL project has been brought into existence, keeping in view the growing generation capacity in the eastern region. It was much needed to strengthen the interconnection of the state grids with regional grids to facilitate exchange of additional power between them. Its route length is 545 Ckms.
- 5.8. The project consists of the following transmission lines and is being implemented on contract basis:

Transmission line / Sub-Station	Location	Route length (ckms)	Specifications	Commission date	Contribution to total tariff
Kharagpur - Chaibasa	West Bengal, Jharkhand	322	400 kV D/C	18 <sup>th</sup> June 2016	54%
Purulia - Ranchi	West Bengal, Jharkhand	223	400 kV D/C	7 <sup>th</sup> June 2017	46%

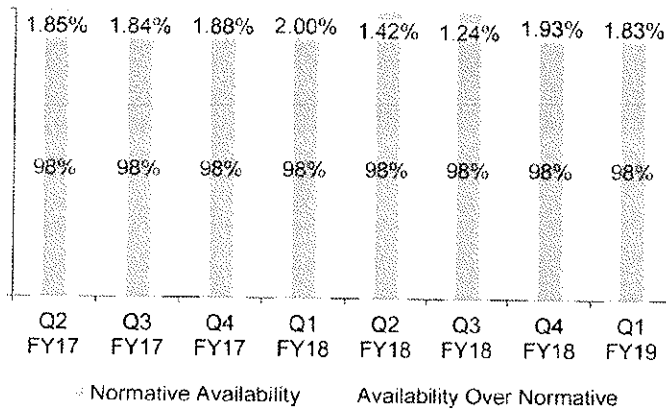
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5.9. Following is the map showing area covered by PKTCL (not drawn to scale):



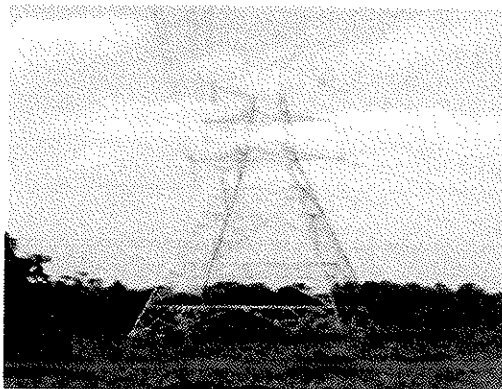
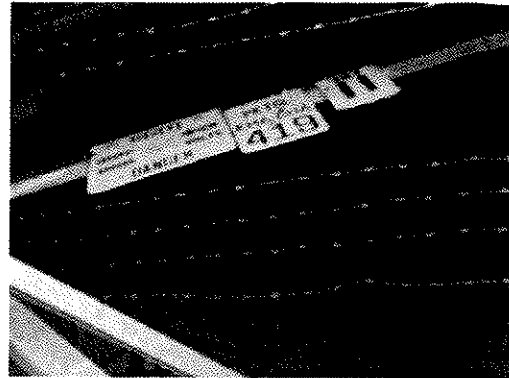
5.10. Operating Efficiency history of PKTCL: -



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5.11. Pictures of the SPV:



6. **Overview of the Industry**

6.1. **Introduction:**

- 6.1.1. India is the third largest producer and third largest consumer of electricity in the world, with the installed power capacity reaching 356.1 GW as of March 2019. The country also has the fifth largest installed capacity in the world.
- 6.1.2. Per capita electricity consumption in the country grew at a CAGR of 4.96 per cent, during FY11-FY18, reaching 1,149 KWh in FY18.

6.2. **Demand and Supply**

- 6.2.1. Demand: India continues to be a power deficient country even after an increasing trend in demand in the past. It is expected that energy requirement will continue to grow at healthy CAGR of 7.5% to 8% over FY 17 to FY 21. The primary growth drivers for rapid expansion in India's energy demand include investments in industrial and infrastructure development, rising per capita energy consumption levels etc.
- 6.2.2. Supply: India has seen a robust growth in the installed power generation capacity in the past four years. The installed power generation capacity has grown at a CAGR of ~9.08% from ~243 GW in FY 14 to ~ 347.22 GW as of December 2018 (Source: IBEF).



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**6.3. India's economic outlook**

- 6.3.1. According to World Bank, India has retained its position as the fastest-growing economy in the world in 2015, after overtaking China in the previous year. Based on its estimates, India will continue to occupy the top slot among major economies with a growth rate of 7.7% to 7.8% until 2019. India's growth rate is significantly higher than the world average of around 4% and is also higher than other developing economies, such as China, Brazil, Indonesia and sub-Saharan African nations.
- 6.3.2. Power is one of the key sectors attracting FDI inflows into India.
- 6.3.3. From April 2000 to June 2018, India recorded FDI of US\$ 6.8 billion in non-conventional energy sector. New and renewable energy sector witnessed maximum power generation capacity addition, since 2000.
- 6.3.4. Cumulative FDI inflows into the sector from April 2000–December 2018 were US\$ 14.22 billion.
- 6.3.5. The ongoing liberalization of India's FDI regime has also led to a surge in investments, especially after the launch of the 'Make in India' campaign in October 2014. The FDI inflow has doubled to \$ 44.8 billion in fiscal 2018 from \$ 22 billion in around 2014. Reduced macroeconomic vulnerability, coupled with improved government spending in infrastructure sectors, has enhanced India's Global Competitive Index (GCI) ranking to 58 in 2017-18 from 71 in 2014-15.

**6.4. Power transmission network in India**

- 6.4.1. The transmission segment plays a key role in transmitting power continuously from the generation plants to various distribution entities. Transmission and sub-transmission systems supply power to the distribution system, which, in turn, supplies power to end consumers. In India, the Transmission and Distribution ("T&D") system is a three-tier structure comprising distribution networks, state grids and regional grids.
- 6.4.2. The distribution networks and state grids are primarily owned and operated by the respective State Transmission utilities or state governments (through state electricity departments). Most inter-state and inter-regional transmission links are owned and operated by Power Grid Corporation of India Limited ("PGCIL"), which facilitates the transfer of power from a surplus region to the ones with deficit.
- 6.4.3. The government's focus on providing electricity to rural areas has led to the T&D system being extended to remote villages. The total length of transmission lines in the country has grown at a slow rate of 6% CAGR during FY 11 and FY 17. The total transmission network has increased from 4,07,569 Ckms in FY 11 to around 6,04,193 Ckms in FY 18.
- 6.4.4. As on January 2019 approx. 7.2% of total transmission network is owned by private players which showcase the need of more private sector participation in this space. India has been underinvested as far as transmission is concerned, however; recently government has been encouraging investments in transmission with approximately projects worth INR 30,000 Crores being awarded in last 2 years.
- 6.4.5. PGCIL has spent around INR 0.9 trillion over 2013-16.
- 6.4.6. Of the total capacity-addition projects in transmission during the 12<sup>th</sup> FYP, about 42% can be attributed to the state sector. The share of private sector in transmission line and substation additions since the beginning of 12<sup>th</sup> FYP is 14% and 7%, respectively, as the majority of high-capacity, long-distance transmission projects were executed by PGCIL and state transmission utilities during this period.



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- 6.4.7. In order to strengthen the power system and ensure free flow of power, significant investments would be required in the T&D segment. Moreover, commissioning of additional generation capacity, rising penetration of renewable energy, regional demand-supply mismatches, up-gradation of existing lines, rising cross border power trading would necessitate huge investments in transmission sector in India.
- 6.4.8. Thus, going forward, the share of power sector investments are expected to veer towards the T&D segment. Moreover, strong government focus on the T&D segment will also support investments. CRISIL Research expects the transmission segment share in total power sector investments to rise sharply to 33% over 2017-21 from only 20% over 2012-16. Thus, we expect transmission segments investments to increase 1.5 times to INR 3.1 trillion over 2017-21 as compared to the previous 5 year period.

*Source: CRISIL Power Transmission Report –March 2019 and IBEF report on Power sector in India- January 2019 and Central Electricity Authority Data as mentioned in PGCIL and Adani Transmission Limited Annual Report 2017-18*

## 7. Valuation Approach

- 7.1. The present valuation exercise is being undertaken in order to derive the fair EV of the SPV.
- 7.2. The valuation exercise involves selecting a method suitable for the purpose of valuation, by exercise of judgment by the valuers, based on the facts and circumstances as applicable to the business of the company to be valued.
- 7.3. There are three generally accepted approaches to valuation:
- (a) "Cost" approach
  - (b) "Market" approach
  - (c) "Income" approach

### 7.4. 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 ("NAV")

The NAV Method under Cost Approach considers 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 a company.

The NAV Method is appropriate in a case where the main strength of the business is its asset backing rather than its capacity or potential to earn profits. This valuation approach is also used in case where the firm is to be liquidated i.e. it does not meet the "going concern" criteria.

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, NAV 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.



7.5. **Market Approach**

Under the Market approach, the valuation is based on the market value of the company in case of listed companies and comparable companies trading or transaction multiples for unlisted companies. The Market approach generally reflects the investors' perception about the true worth of the company.

**Comparable Companies Multiples ("CCM") Method**

The value is determined on the basis of multiples derived from valuations of comparable companies, as manifest in the 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.

**Comparable Transactions Multiples ("CTM") Method**

Under the CTM Method, the value is determined on the basis of multiples derived from valuations of similar transactions in the industry. Relevant multiples need to be chosen carefully and adjusted for differences between the circumstances. Few of such multiples are EV/Earnings before Interest, Taxes, Depreciation & Amortization ("EBITDA") multiple and EV/Revenue multiple.

**Market Price Method**

Under this method, the market price of an equity share of the company 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.

7.6. **Income Approach**

The income approach is widely used for valuation under "Going Concern" basis. It focuses on the income generated by the company in the past as well as its future earning capability. The Discounted Cash Flow Method under the income approach seeks to arrive at a valuation based on the strength of future cash flows.

**Discounted Cash Flow ("DCF") Method**

Under DCF Method value of a company can be assessed using the Free Cash Flow to Firm Method ("FCFF") or Free Cash Flow to Equity Method ("FCFE"). Under the DCF method, the business is valued by discounting its free cash flows for the explicit forecast period and the perpetuity value thereafter. The free cash flows represent the cash available for distribution to both, the owners and creditors of the business. The free cash flows in the explicit period and those in perpetuity are discounted by the Weighted Average Cost of Capital ("WACC"). The WACC, based on an optimal vis-à-vis actual capital structure, 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.

The perpetuity (terminal) value is calculated based on the business' 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' future operations. The Business/EV (aggregate of the present value of explicit period and terminal period cash flows) so derived, is further reduced by the value of debt, if any, (net of cash and cash equivalents) to arrive at value to the owners of the business.

7.7. **Conclusion on Valuation Approach**

It is pertinent to note that the valuation of any company or its assets is inherently imprecise and is subject to certain uncertainties and contingencies, all of which are difficult to predict and are beyond our control. In performing our analysis, we made numerous assumptions with respect to industry performance and general business and economic conditions, many of which are beyond the control of the SPV. In addition, this valuation will fluctuate with changes in prevailing market conditions, and prospects, financial and otherwise, of the SPV, and other factors which generally influence the valuation of companies and their assets.

Accordingly, we have summarized the application of valuation method for the current valuation exercise as under:

**Cost Approach**

The existing book value of EV of the SPV comprising of its Net fixed assets and working capital is INR 4,241 Mn as at 31<sup>st</sup> March 2019.

In the present case, since the SPV has entered into TSA, the revenue of SPV is pre-determined for the life of the project. In such scenario, the true worth of the business is reflected in its future earning capacity rather than the cost of the project. Accordingly, since the NAV does not capture the future earning potential of the businesses, we have not considered the cost approach for the current valuation exercise.

**Market Approach**

The present valuation exercise is to undertake a fair EV of the SPV engaged in the power transmission business for a specific tenure. Further, the tariff revenue expenses are very specific to the SPV depending on the nature of their geographical location, stage of project, terms of profitability. In the absence of any exactly comparable listed companies with characteristics and parameters similar to that of the SPV, we have not considered CCM method in the present case. In the absence of adequate details about the Comparable Transactions, we were unable to apply the CTM method. Currently, the equity shares of SPV are not listed on any recognized stock exchange of India. Hence, we are unable to apply market price method.

**Income Approach**

The SPV is operating as BOOM model based project. The cash inflows of the projects are defined for 35 years under the TSA. Hence, the growth potential of the SPV and the true worth of its business would be reflected in its future earnings potential and therefore DCF Method under the income approach has been considered as an appropriate method for the present valuation exercise.





8. Valuation of the SPV

We have estimated the EV of the SPV using the Discounted Cash Flow Method. While carrying out this engagement, we have relied extensively on the information made available to us by the Investment Manager. We have considered projected financial statement of the SPV as provided by the Investment Manager.

**Valuation**

8.1. The key assumptions of the projections provided to us by the Investment Manager are:

**Key Assumptions**

- 8.1.1. **Transmission Revenue:** The transmission revenue of the SPV comprises of non escalable transmission revenue and escalable transmission revenue as provided in the TSA read with Tariff adoption order dated 20<sup>th</sup> August 2014.
- **Non Escalable Transmission Revenue:** The Non Escalable Transmission revenue remains fixed for the entire life of the project. We have corroborated the revenue considered in the financial projections with the respective TSA read with Tariff adoption order dated 20<sup>th</sup> August 2014 and documents provided to us by the Investment Manager.
  - **Escalable Transmission Revenue:** Escalable Transmission revenue is the revenue component where the revenue is duly escalated based on the rationale as provided in the respective TSA read with Tariff adoption order dated 20<sup>th</sup> August 2014 and documents provided to us by the Investment Manager. The escalation is to mainly compensate for the inflation factor
- 8.1.2. **Incentives:** As provided in the respective TSA, if the annual availability exceeds 98%, the SPV shall be entitled to an annual incentive as provided in TSA. Provided no incentives shall be payable above the availability of 99.75%. Based on the past track record of the asset and the general industry standard, the annual availability shall be above 98% where the SPV shall be entitled to the incentives as provided in the TSA.
- 8.1.3. **Penalty:** If the annual availability in a contract year falls below 95%, the SPV shall be liable for an annual penalty as provided in the TSA. Based on our analysis in Para 8.1.2, in the present case, it is assumed that the annual availability will not fall below 95% and hence, penalty is not considered in the financial projections.
- 8.1.4. **Expenses:** Expenses are estimated by the Investment Manager for the projected period based on the escalation rate as determined for the SPV. We have relied on the projections provided.
- **Operations & Maintenance ("O&M"):** O&M expenditure is estimated by the Investment Manager for the projected period based on the escalation rate as determined for the SPV. The Investment Manager has projected expenses to be incurred for the O&M of the SPV including, but not limited to, transmission line maintenance expenses, rates and taxes, legal and professional fees and other general and administration expenses. We have relied on the projections provided by Investment Manager on the operating and maintenance expenses for the projected period.
  - **Insurance Expenses:** We understand from the Investment Manager that the insurance expenses of the SPV will not escalate for the projected period. We have relied on the projections provided by the Investment Manager on the insurance expenses for the projected period.



- 8.1.5. **Depreciation:** The book depreciation has been provided by the Investment Manager till the life of the asset. For calculating depreciation as per Income Tax Act for the projected period, we have considered depreciation rate as specified in the Income Tax Act and WDV as provided by the Investment Manager.
- 8.1.6. **Capex:** As represented by the Investment Manager, the SPV is not expected to incur any Capex in the projected period.
- 8.1.7. **Tax Incentive:** The SPV is eligible for tax holiday under section 80IA of Income Tax Act. Such tax holiday shall be available for any 10 consecutive years out of 15 years beginning from the date of COD.
- 8.1.8. **Working Capital:** The Investment Manager has envisaged the working capital requirement of the SPV for the projected period. The operating working capital assumptions for the projections as provided by the Investment Manager comprises of trade receivables and trade payables.
- 8.2. **Impact of Ongoing Material Litigation on Valuation**
- 8.2.1. As represented by Investment Manager, there are no ongoing litigation that will affect the valuation exercise.
- 8.3. **Calculation of Weighted Average Cost of Capital for the SPV**
- 8.3.1. **Cost of Equity:**
- Cost of Equity (CoE) is a discounting factor to calculate the returns expected by the equity holders depending on the perceived level of risk associated with the business and the industry in which the business operates.
- For this purpose, we have used the Capital Asset Pricing Model (CAPM), which is a commonly used model to determine the appropriate cost of equity for the SPV.
- $$K(e) = R_f + (R_p * \text{Beta}) + \text{CSRP}$$
- Wherein:
- K(e) = cost of equity
- R<sub>f</sub> = risk free rate
- R<sub>p</sub> = risk premium i.e. market risk premium over and above risk free rate
- Beta = a measure of the sensitivity of assets to returns of the overall market
- CSRP = Company Specific Risk Premium (In general, an additional company-specific risk premium will be added to the cost of equity calculated pursuant to CAPM).
- For valuation exercise, we have arrived at adjusted cost of equity of 12.49%
- 8.3.2. **Risk Free Rate:**
- We have applied a risk free rate of return of 7.43% on the basis of the relevant zero coupon yield curve as on 29<sup>th</sup> March 2019 for government securities having a maturity period of 10 years, as quoted on the website of Clearing Corporation of India Limited ("CCIL").
- 8.3.3. **Risk Premium:**
- Risk premium is a measure of premium that investors require for investing in equity markets rather than bond or debt markets. A risk premium is calculated as follows:
- $$\text{Risk premium} = \text{Equity market return} - \text{Risk free rate}$$



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Wherein:

Equity market return = the average historical market return is estimated at 15.00%.

Risk free rate = 7.43% as explained in para 8.3.2.

Hence, risk premium is derived as 7.57%.

**8.3.4. Beta:**

Beta is a measure of the sensitivity of a company's stock price to the movements of the overall market index. Normally we would take a relevant number from a quoted stock and the market on which it trades. In the present case, we find it appropriate to consider the beta of companies in similar business/ industry to that of the SPV.

We have further unlevered that beta based on debt-equity of the respective company using the following formula:

$$\text{Unlevered Beta} = \text{Levered Beta} / [1 + (\text{Debt} / \text{Equity}) * (1-T)]$$

Further we have re-levered it based on debt-equity of the industry standard using the following formula:

$$\text{Re-levered Beta} = \text{Unlevered Beta} * [1 + (\text{Debt} / \text{Equity}) * (1-T)]$$

For our valuation exercise, re-levered beta has been taken as 0.67.

**8.3.5. Cost of Debt:**

The calculation of Cost of Debt post-tax can be defined as follows:

$$K(d) = K(d) \text{ pre tax} * (1 - T)$$

Wherein:

K(d) = Cost of debt

T = tax rate as applicable

In present valuation exercise, we have considered debt:equity at 70:30 based on industry standard.

For valuation exercise, pre-tax cost of debt has been considered as 8.45%.

**8.3.6. Weighted Average Cost of Capital (WACC):**

The discount rate, or the WACC, is the weighted average of the expected return on equity and the cost of debt. The weight of each factor is determined based on the company's optimal capital structure.

Formula for calculation of WACC:

$$\text{WACC} = [K(d) * \text{Debt} / (\text{Debt} + \text{Equity})] + [K(e) * (1 - \text{Debt} / (\text{Debt} + \text{Equity}))]$$

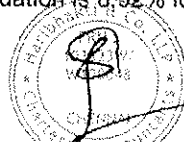
8.3.7. Accordingly, as per above, we have arrived the WACC of 8.32% for PKTCL. (Refer Appendix I)

8.4. We understand from the representation of the Investment Manager that the SPV will generate cash flow even after the expiry of concession period of 35 years as the project is on BOOM model and the ownership will remain with the SPV even after the expiry of 35 years. Accordingly we have considered Terminal Value after the expiry of 35 years.

**8.5. Valuation of PKTCL**

1.1.1. We have relied on the projected financials of PKTCL as provided by the Investment Manager for the period from 1<sup>st</sup> April 2019 to 10<sup>th</sup> March 2051.

1.1.2. WACC arrived at for the purpose of valuation is 8.32% for cash flows (Refer Appendix I).



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- 1.1.3. For the terminal period, we have considered 0% constant growth rate for FCFF.
- 1.1.4. As on Valuation Date, we have discounted the free cash flows of PKTCL using the WACC of 8.32% to arrive at the Enterprise Value by aggregating the present value of cash flows for explicit period and terminal period at INR 6,390 Mn (Refer Appendix II)

**9. Valuation Conclusion**

- 9.1. The current valuation has been carried out based on the discussed 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.
- 9.2. We have been represented by the Investment Manager that there is no potential devolvement on account of the contingent liability as of valuation date; hence no impact has been factored in to arrive at EV of the SPV.
- 9.3. Based on the above analysis the EV as on the Valuation Date of the SPV is INR 6,390 Mn. (Refer Appendix II).
- 9.4. The fair Enterprise Value of the SPV is estimated using DCF method. The valuation requires Investment Manager to make certain assumptions about the model inputs including forecast cash flows, discount rate, and credit risk.
- 9.5. Valuation is based on estimates of future financial performance or opinions, which represent reasonable expectations at a particular point of time, but such information, estimates or opinions are not offered as predictions or as assurances that a particular level of income or profit will be achieved, a particular event 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.
- 9.6. Accordingly, we have conducted sensitivity analysis on the following model inputs:

WACC	Decrease by 0.50%	Fair Value @8.32%	Increase by 0.50%
Implied WACC	7.82%	8.32%	8.82%
Enterprise Value (in INR Mn)	6,703	6,390	6,107
Total Expenses	Decrease by 20%	Fair Value	Increase by 20%
Enterprise Value (in INR Mn)	6,527	6,390	6,253

**10. Additional Procedures to be complied with in accordance with InvIT regulations**

**Scope of Work**

- 10.1. The Schedule V of the SEBI InvIT Regulations prescribes the minimum set of mandatory disclosures to be made in the valuation report. In this reference, the minimum disclosures in valuation report may include following information as well, so as to provide the investors with the adequate information about the valuation and other aspects of the underlying assets of the InvIT.

The additional set of disclosures, as prescribed under Schedule V of InvIT Regulations, to be made in the valuation report of Purulia & Kharagpur Transmission Company Limited ("PKTCL") are as follows:



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- List of one-time sanctions/approvals which are obtained or pending;
- List of up to date/overdue periodic clearances;
- Statement of assets included;
- Estimates of already carried as well as proposed major repairs and improvements along with estimated time of completion;
- Revenue pendencies including local authority taxes associated with InvIT asset and compounding charges, if any;
- On-going and closed material litigations including tax disputes in relation to the assets, if any;
- Vulnerability to natural or induced hazards that may not have been covered in town planning/ building control.

**Limitations**

- 10.2. This Report is based on the information provided by the Investment Manager. The exercise has been restricted and kept limited to and based entirely on the documents, records, files, registers and information provided to us. We have not verified the information independently with any other external source.
- 10.3. We have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as original, and the conformity of the copies or extracts submitted to us with that of the original documents.
- 10.4. We have assumed that the documents submitted to us by the Investment Manager in connection with any particular issue are the only documents related to such issue.
- 10.5. We have reviewed the documents and records from the limited perspective of examining issues noted in the scope of work and we do not express any opinion as to the legal or technical implications of the same.
- 10.6. Analysis of Additional Set of Disclosures for PKTCL

A. List of one-time sanctions/approvals which are obtained or pending;

As informed by the Investment Manager, there have been no additional sanctions/ approvals obtained by PKTCL between the period 1<sup>st</sup> April 2018 to 31<sup>st</sup> March 2019. Further, we were informed that there were no applications for which approval is pending. The list of sanctions/ approvals obtained by the Company as on 31<sup>st</sup> March 2019 is provided in Appendix III.

B. List of up to date/ overdue periodic clearances;

We have included the periodic clearances obtained by PKTCL in Appendix III.

C. Statement of assets included;

As at 31<sup>st</sup> March 2019, details of the asset of the SPV are as follows:-

Asset Type	INR Million			
	Gross Block	Depreciation	Net Block	% of asset depreciated
Transmission Lines	4,404.6	362.8	4,041.9	8%
Furniture and fittings	0.2	0.2	0.0	85%
Office and IT Equipment	0.1	0.1	0.0	88%
<b>TOTAL</b>	<b>4,405.0</b>	<b>363.1</b>	<b>4,041.9</b>	

Source: Provisional Financials of 31<sup>st</sup> March 2019



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D. Estimates of already carried as well as proposed major repairs and improvements along with estimated time of completion;

We noted in the provisional financial statements that PKTCL has incurred INR 14.38 Million for the year ended 31<sup>st</sup> March 2019 for the maintenance charges of Transmission Lines. Based on the confirmation provided by Investment Manager we expect an increase of c.3.68% per annum in the cost of repairs and maintenance expenses to be incurred in the future period.

Investment Manager has informed us that there are no maintenance charges which has been deferred to the upcoming year as the maintenance activities are carried out regularly. We have been informed that overhaul maintenance are regularly carried out by PKTCL in order to maintain the working condition of the assets.

E. Revenue pendencies including local authority taxes associated with InvIT asset and compounding charges, if any;

Investment Manager has informed us that there are no dues including local authority taxes pending to be payable to the Government authorities with respect to InvIT assets.

F. On-going and closed material litigations including tax disputes in relation to the assets, if any;

As informed by the Investment Manager, the status of ongoing litigations is updated in Appendix IV. Investment Manager has informed us that it expects majority of the cases to be settled in favour of PKTCL and accordingly no outflow is expected against the litigations.

G. Vulnerability to natural or induced hazards that may not have been covered in town planning/ building control.

Investment Manager has confirmed to us that there are no such natural or induced hazards which have not been considered in town planning/ building control.



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**Appendix I – Weighted Average Cost of Capital of the SPV**

Particulars	%	Remarks
Market Return	15.00%	Market Return has been considered based on the long term average returns earned by an equity investor in India.
Risk Free Rate	7.43%	Risk Free Rate has been considered based on zero coupon yield curve as at 28 <sup>th</sup> September 2018 of Government Securities having maturity period of 10 years, as quoted on CCIL's website.
Market Risk Premium	7.57%	Market Premium = Market Return – Risk Free Rate
Beta (relevered)	0.67	Beta has been considered based on the beta of companies operating in the similar kind of business in India.
Cost of Equity	12.49%	$Ke = Rf + \beta \times (Rm - Rf) + CSRP$
Pre-tax Cost of Debt	8.45%	As represented by the Investment Manager
Effective tax rate of SPV	22.73%	Average tax rate for the life of the project has been considered
Post-tax Cost of Debt	6.53%	Effective cost of debt. $Kd = \text{Pre tax } Kd \times (1 - \text{Effective Tax Rate})$
Debt/(Debt+Equity)	70.00%	The debt – equity ratio computed as $[D/(D+E)]$ is considered as 70% as per industry standard.
<b>WACC</b>	<b>8.32%</b>	<b><math>WACC = [Ke \times (1 - D/(D+E))] + [Kd \times (1 - t) \times (D/(D+E))]</math></b>





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Appendix II – Valuation of PKTCL as on 31<sup>st</sup> March 2019

WACC 8.32%										INR Mn
Year	Revenue	EBITDA	EBITDA Margin	Capex	Changes in WC	Taxation	FCFF	Cash Accrual Factor	Discounting Factor	PV of Cash Flows
FY20	775	730	94%	-	15	126	588	0.50	0.96	565
FY21	748	701	94%	-	(33)	120	614	1.50	0.89	544
FY22	748	699	93%	-	(0)	120	579	2.50	0.82	474
FY23	748	697	93%	-	(0)	120	578	3.50	0.76	437
FY24	748	696	93%	-	(0)	119	577	4.50	0.70	402
FY25	748	694	93%	-	(0)	119	575	5.50	0.64	371
FY26	748	692	92%	-	(0)	118	574	6.50	0.59	341
FY27	748	690	92%	-	(0)	118	572	7.50	0.55	314
FY28	748	688	92%	-	(0)	117	570	8.50	0.51	289
FY29	748	685	92%	-	(0)	117	569	9.50	0.47	266
FY30	748	683	91%	-	(0)	116	567	10.50	0.43	245
FY31	748	681	91%	-	(0)	116	565	11.50	0.40	225
FY32	748	678	91%	-	(0)	115	563	12.50	0.37	207
FY33	748	676	90%	-	(0)	115	561	13.50	0.34	191
FY34	748	673	90%	-	(0)	114	559	14.50	0.31	175
FY35	748	670	90%	-	(0)	114	557	15.50	0.29	161
FY36	623	542	87%	-	(31)	86	487	16.50	0.27	130
FY37	528	444	84%	-	(24)	65	403	17.50	0.25	99
FY38	528	441	84%	-	(0)	64	377	18.50	0.23	86
FY39	528	438	83%	-	(0)	64	374	19.50	0.21	79
FY40	528	434	82%	-	(0)	63	372	20.50	0.19	72
FY41	528	431	82%	-	(0)	62	369	21.50	0.18	66
FY42	528	427	81%	-	(0)	71	357	22.50	0.17	59
FY43	528	424	80%	-	(0)	78	346	23.50	0.15	53
FY44	528	420	80%	-	(0)	77	343	24.50	0.14	48
FY45	528	416	79%	-	(0)	76	340	25.50	0.13	44
FY46	528	412	78%	-	(0)	76	337	26.50	0.12	41
FY47	528	407	77%	-	(0)	117	290	27.50	0.11	32
FY48	528	403	76%	-	(0)	116	287	28.50	0.10	29
FY49	528	398	76%	-	(0)	115	284	29.50	0.09	27
FY50	528	394	75%	-	(0)	114	280	30.50	0.09	24
FY51**	497	366	74%	-	(0)	106	261	31.47	0.08	21
TV	527	389	74%	-	-	113	275	31.47	0.08	22
Present Value of Explicit Period Cash Flows										6,122
Present Value of Terminal Year Cash Flow										268
<b>Enterprise Value</b>										<b>6,390</b>

\*\* for the period ended 10<sup>th</sup> March 2051

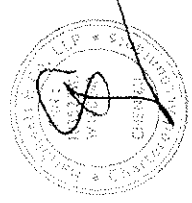


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**Appendix III – Summary of approval and licences (1/2)**

Sr. No.	Approvals	Date of Issue	Validity (in years)	Issuing Authority
1	<p><b>Aviation Clearance</b></p> <p>- No Objection Certificate for Height Clearance:            JAMS/EASTIP/090716/170575            JAMS/EASTIP/090716/170575/2            JAMS/EASTIP/090716/170575/3            JAMS/EASTIP/090716/170575/4            JAMS/EASTIP/090716/170575/5            JAMS/EASTIP/090716/170575/6            JAMS/EASTIP/090716/170575/7            JAMS/EASTIP/090716/170575/8            JAMS/EASTIP/090716/170575/9            JAMS/EASTIP/090716/170575/10            JAMS/EASTIP/090716/170575/11            JAMS/EASTIP/090716/170575/12</p>	22-Sep-16 22-Sep-16 26-Sep-16 26-Sep-16 26-Sep-16 22-Sep-16 22-Sep-16 22-Sep-16 26-Sep-16 26-Sep-16 22-Sep-16 26-Sep-16	7 7 7 7 7 7 7 7 7 7 7 7	Airports Authority of India Airports Authority of India Airports Authority of India Airports Authority of India Airports Authority of India Airports Authority of India Airports Authority of India Airports Authority of India Airports Authority of India Airports Authority of India Airports Authority of India Airports Authority of India
2	<p><b>Energyisation of Plants</b></p> <p>400 Kv Kharagpur - Chaibasa D/C transmission line of PKTCL            400 Kv Purulia - Ranchi D/C transmission line of PKTCL</p>	13-May-16 27-Dec-16	Valid Valid	Central Electricity Authority Central Electricity Authority
3	<p><b>Forest Clearance</b></p> <p>Jharkhand - Saraikela and East Singhbhum            Kharagpur to Chaibasa            Raigarh Forest Division in Mayurbhanj district of Odisha            Ranchi &amp; Khunti district of Jharkhand            Purulia - Ranchi</p>	24-Sep-15 17-Jul-15 4-Sep-15 24-Sep-15 22-Sep-16	Valid Valid Valid Valid Valid	Ministry of Environment, Forests & Climate Change Ministry of Environment, Forests & Climate Change Ministry of Environment, Forests & Climate Change Ministry of Environment, Forests & Climate Change Ministry of Environment, Forests & Climate Change
4	<p><b>Road Crossing</b></p> <p>NH-6, Kharagpur to Behragora            NH-23, Tengriya Village            NDC for NH-75, Ranchi - Chaibasa - Jainigarh            Overhead crossing of 132 Kv D/C Gola Chandli transmission line            Overhead crossing of 220 Kv D/C BTPS-Jamshedpur transmission line            NH-33, Ranchi-Tata, near village Darbui.</p>	5-Nov-15 27-Feb-16 25-May-16 29-Jan-16 29-Jan-16 9-Dec-15	Valid Valid Valid Valid Valid Valid	National Highway Authority of India National Highway Authority of India National Highway Authority of India Damodar Valley Corporation Electricity Department Damodar Valley Corporation Electricity Department National Highway Authority of India

Source: Investment Manager



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Appendix III – Summary of approval and licences (2/2)

Sr. No.	Approvals	Date of issue	Validity Issuing Authority (in years)
5	<b>Power Line Crossing</b> Kharagpur-Chaibasa line over: KTPP-Kharagpur line Kharagpur-Chaibasa line over: Jamshedpur-Joda line Kharagpur-Chaibasa line over: RCP-Joda line Kharagpur-Chaibasa line over: Jamshedpur-Bargarh line Kharagpur-Chaibasa line over: Chaibasa Mini Grid Substation to our Chaliyama Street Plant Ranchi-Chandwa line near village-Bero Bero-Patralu line near village-Bero Purulia-Ranchi line over: Chandl line of Power Grid Corporation of India Limited Purulia-Ranchi line over: Gola-Chandl line Purulia-Ranchi line over: BTPS-Jamshedpur line Purulia-Ranchi line over: Hata-Kandara line Purulia-Ranchi line over: Ranchi Bero line of Power Grid Purulia-Ranchi line over: Ranchi-Rourkela line	11-May-16 30-Dec-15 30-Dec-15 4-Dec-15 29-Jul-15 17-Mar-16 17-Mar-16 16-Feb-16 29-Jan-16 29-Jan-16 26-Feb-16 7-Mar-16 31-Dec-15	Valid West Bengal State Electricity Transmission Company Limited Valid Damodar Valley Corporation Electricity Department Valid Jharkhand Uja Sancharan Nigam Limited Valid Power Grid Corporation of India Limited Valid Rungta Mines Limited Valid Power Grid Corporation of India Limited Valid Power Grid Corporation of India Limited Valid Damodar Valley Corporation Electricity Department Valid Damodar Valley Corporation Electricity Department Valid Jharkhand Uja Sancharan Nigam Limited Valid Power Grid Corporation of India Limited Valid Power Grid Corporation of India Limited
6	<b>Power Telecommunication Co-ordination Committee &amp; PTICC Clearance</b> Kharagpur to Chaibasa line Purulia to Ranchi Line	10-May-16 15-Jun-16	Valid Power Telecommunication Co-ordination Committee Valid Power Telecommunication Co-ordination Committee
7	<b>Railway Crossing</b> Haldupukur - Bahaida Road Railway Station Purulia-Ranchi line over: Suisa-Torang stations Purulia-Ranchi line over: Lodhna-Bairamng stations	17-Feb-16 8-Jun-16 8-Jun-16 15-Jun-14	Valid South Eastern Railway Valid South Eastern Railway Valid South Eastern Railway 25 Central Electricity Regulatory Commission
8	<b>Transmission License</b>	24-Sep-15	Valid Government of West Bengal - Directorate of Forest
9	<b>Division of Forest Land, Permission for felling of trees</b> Kharagpur Division Rairangpur Division Sarakela and Jamshedpur Division Baghmundi Range Ranchi and Khunti Division	8-Oct-15 21-Dec-15 26-Oct-15 6-Jan-15	Valid Office of the Divisional Forest Officer - Rairangpur Division Valid Government of Jharkhand - Directorate of Forest Valid Government of West Bengal - Directorate of Forest Valid Government of Jharkhand - Directorate of Forest
10	<b>Transmission Service Agreement</b> Power Grid Corporation of India Ltd. - Kharagpur-Chaibasa Line Long Term Transmission Customers (Various Parties)	22-Dec-15 6-Aug-13 20-Aug-14	Valid 35 Central Electricity Regulatory Commission, New Delhi
11	Approval for adoption of Tariff	15-Dec-12	25 Ministry of Power
12	Company Registration	7-May-18	Valid Ministry of Power
13	Approval from GOI under section 164 of Electricity Act, 2003	29-May-13	Valid Central Electricity Regulatory Commission
14	Approval under section 68 of Electricity Act, 2003	1-Apr-15	Valid Central Electricity Regulatory Commission
15	Approval from CERC under section 17(3)	Application Made	
16	Defence Clearance	1-Aug-16	Valid Power System Operation Corporation Limited
17	Trial Operation of Transmission Element (Tower 223 & 224, Chaibasa-Kharagpur)	10-Feb-17	Valid Power System Operation Corporation Limited
18	Trial Operation of Transmission Element (New Ranchi, New Purulia CKT-I & CKT-II)		

Source: Investment Manager



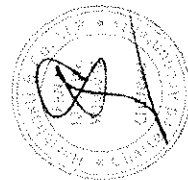
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**Appendix IV – Summary of Ongoing Litigations**

Matter	Against	Pending Before	Details of the case	Amount Involved (INR Million)	Amount Deposited (INR Million)
JHVAT	PKTCL	JH High Court-Ranchi (JHHC)	<p><b>Background of the case:</b> PKTCL had purchased material amounting to INR 695.2 Million for captive consumption during FY16. However, the Assessing Officer ("AO") treated such purchases as materials purchased for resale and raised a demand of Value Added Tax ("VAT") of INR 104.3 Million (three times the amount of tax of INR 34.8 Million). Out of the total demand, PKTCL has already paid INR 26.1 Million under protest. The case is currently pending with the Hon'ble High Court of Jharkhand. As presented by the management of the Sponsor, there is no potential involvement on account of contingent liability.</p> <p><b>Current Status:</b> PKTCL has preferred an appeal against the demand before Joint commissioner of commercial tax, Ranchi. The Investment Manager, including its tax advisors, believe that it's position will likely be upheld in the appellate process. No expense has been accrued in the financial statements for the tax demand raised. The management believes that the ultimate outcome of this proceeding will not have a material adverse effect on the PKTCL's financial position and results of the operations. The matter is currently pending before the High Court.</p>	104.3	26.1
Regulatory Matter	Petition Relief filed by PKTCL		<p><b>Background of the case:</b> PKTCL filed a petition dated 7 July 2016 before the Central Electricity Regulatory Commission ("CERC") seeking compensatory and declaratory reliefs under the PKTCL TSA on account of force majeure and change in law including the delay in application for forest diversion proposal, shifting of termination point of Purulia substation, delay in grant of forest clearance, law and order issues, which adversely affected and subsequently, delayed the construction of two transmission lines (the "Project"). CERC by its order dated 3 April 2018 granted certain reliefs to PKTCL by extending the schedule commercial operation date of the Project, allowing the payment of transmission charges for one of the construction lines to be paid by Power Grid Corporation of India Limited ("PGCIL") and further allowing the relief on account of change in law. PGCIL, one of the respondents in petition filed by PKTCL before CERC, filed a review dated 18 May 2018 before CERC challenging the CERC's order dated 3 April 2018. PGCIL has challenged its liability to pay the transmission charges for one element of the project on account of non-commissioning of bays by PGCIL and against the expenditure to be incurred by PGCIL for the interim arrangement done by PKTCL for termination of other element. The review petition has been admitted by CERC on 5 July 2018.</p> <p><b>Current Status:</b> The matter is currently pending.</p>	Not Provided*	Not Provided*

Source: Investment Managers

\*We were unable to quantify the amount of liability from the documents provided to us.





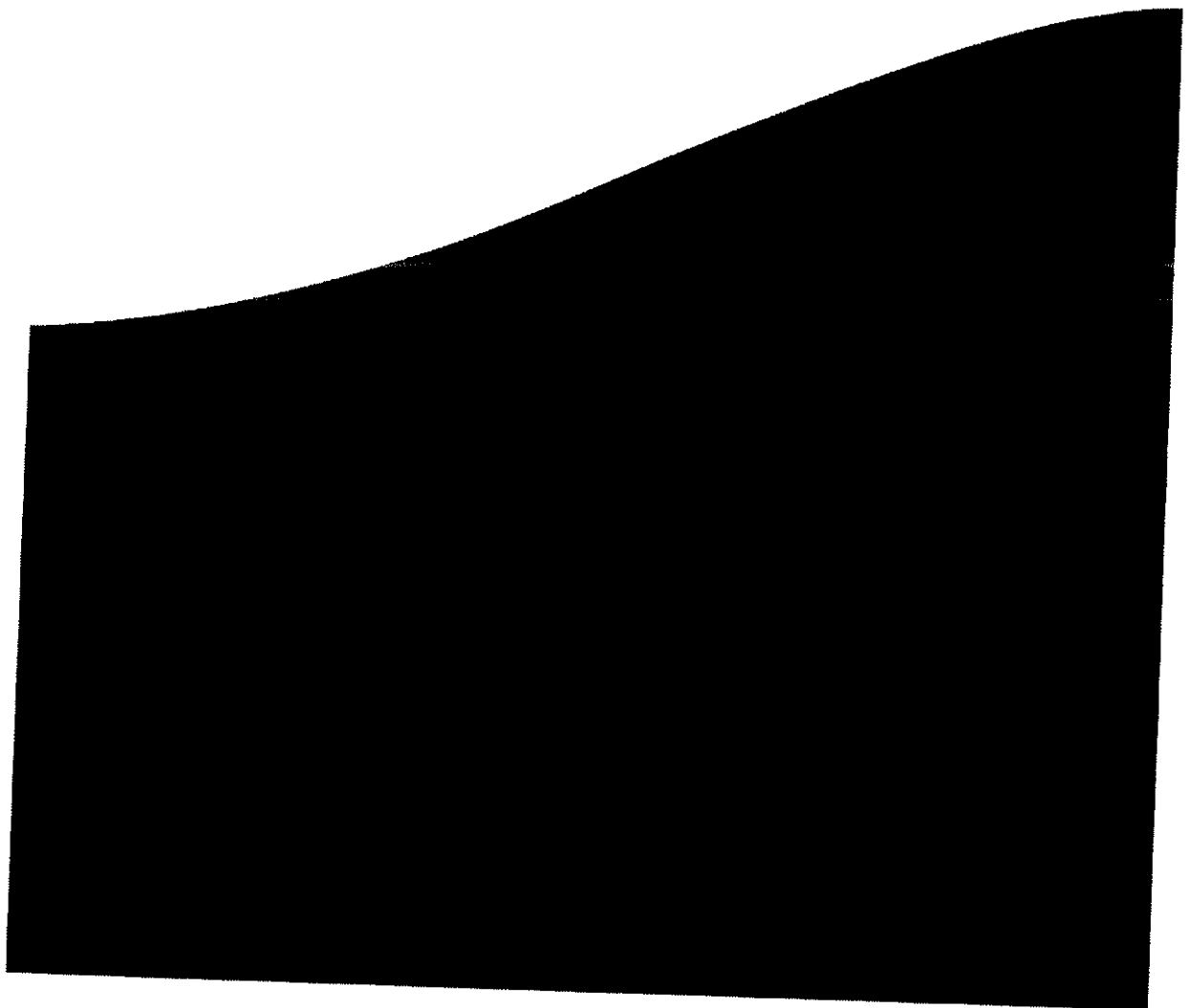
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HARIBHAKTI & CO. LLP  
Chartered Accountants

**Valuation as per SEBI (Infrastructure Investment  
Trusts) Regulations, 2014**

**SPV: RAPP Transmission Company Limited  
("RTCL")**

Valuation Date: 31<sup>st</sup> March 2019



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HARIBHAKTI & CO. LLP  
Chartered Accountants

Date: 24<sup>th</sup> April 2019  
CFAS/2019-20/4

**Sterlite Investment Managers Limited**  
F-1, Mira Corporate Suits,  
1&2, Mathura Road, Ishwar Nagar,  
New Delhi – 110065

**India Grid Trust**  
(Axis Trustee Services Limited acting on behalf of the Trust)  
F-1, Mira Corporate Suits,  
1&2, Mathura Road, Ishwar Nagar,  
New Delhi – 110065

**Sub: Valuation as per SEBI (Infrastructure Investment Trusts) Regulations, 2014, as amended**  
**("the SEBI InvIT Regulations")**

Dear Sirs/Madams,

We, Haribhakti & Co. LLP, Chartered Accountants ("H&Co"), have been appointed vide letter dated 29<sup>th</sup> January 2019, as an independent valuer, as defined under the SEBI InvIT Regulations, by Sterlite Investment Managers Limited ("the Investment Manager" or "SIML"), acting as the investment manager for India Grid Trust ("the Trust") and Axis Trustee Services Limited ("the Trustee") acting as the trustee for the Trust mentioned above, for the purpose of the financial valuation of RAPP Transmission Company Limited ("RTCL" or "the SPV"). The SPV was acquired by the Trust on 15<sup>th</sup> February 2018 and is to be valued as per regulation 21(4) contained in the Chapter V of the SEBI InvIT Regulations.

We have relied on explanations and information provided by the Investment Manager. Although we have reviewed such data for consistency, we have not independently investigated or otherwise verified the data provided. We have no present or planned future interest in the Trust, the SPV or the Investment Manager except to the extent of our appointment as an independent valuer and the fee for our Valuation Report ("Report") which 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 with the Trust.

We enclose our Report providing our opinion on the fair enterprise value of the SPV on a going concern basis as at 31<sup>st</sup> March 2019 ("Valuation Date"). Enterprise Value ("EV") is described as the total value of the equity in a business plus the value of its debt and debt related liabilities, minus any cash or cash equivalents to meet those liabilities. The attached Report details the valuation methodologies used, calculations performed and the conclusion reached with respect to this valuation.

Haribhakti & Co. LLP, Chartered Accountants Regn. No. AAC- 3768, a limited liability partnership registered in India (converted on 17th June, 2014 from a firm Haribhakti & Co. FRN: 103523W)  
5B, "A" Block, 5<sup>th</sup> Floor, Meera Kampala Arcade, New #18 & 20, Thiagaraya Road, T.Nagar, Chennai- 600 017, India Tel: +91 44 2815 4192 Fax: +91 44 4213 2024  
Registered offices: 705, Leela Business Park, Andheri-Kurla Road, Andheri (E), Mumbai - 400 059, India  
Other offices: Ahmedabad, Bengaluru, Coimbatore, Hyderabad, Kolkata, Mumbai, New Delhi, Pune.



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**HARIBHAKTI & CO. LLP**  
Chartered Accountants

We believe that our 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. The preparation of a 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 and our valuation conclusion are included herein and our Report complies with the SEBI InvIT Regulations and guidelines, circular or notification issued by Securities and Exchange Board of India ("SEBI") there under.

Please note that all comments in our Report must be read in conjunction with the caveats to the Report, which are contained in Section 2 of this Report. This letter, the Report and the summary of valuation included herein can be provided to Trust's advisors and may be made available for the inspection to the public as a material document and with the SEBI, the stock exchanges and any other regulatory and supervisory authority, as may be required.

We draw your attention to the limitation of liability clauses in Section 2 of the Report.

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

Yours faithfully,

For **Haribhakti & Co. LLP,**

*Chartered Accountants*

Firm Registration Number: 103523W



**S. Sundararaman**

*Partner*

Membership No. 028423

Place: Chennai

Encl: As above

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## Definition, abbreviation &amp; glossary of terms

Abbreviations	Meaning
BDTCL	Bhupal Dhule Transmission Company Limited
BOOM	Build-Own-Operate-Maintain
Capex	Capital Expenditure
CCIL	Clearing Corporation of India Limited
CERC	Central Electricity Regulatory Commission
Ckms	Circuit Kilometres
COD	Commercial Operation Date
DCF	Discounted Cash Flow
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization
EV	Enterprise Value
FCFF	Free Cash Flow to the Firm
FY	Financial Year Ended 31 <sup>st</sup> March
FYP	Five year Plan
H&Co.	Haribhakti & Co. LLP, Chartered Accountants
INR	Indian Rupees
IVS	Indian Valuation Standards, 2018
RTCL or the SPV	Jabalpur Transmission Company Limited
kV	Kilo Volts
LTTT	Long Term Transmission Customer
Mn	Million
MTL	Maheshwaram Transmission Limited
NAV	Net Asset Value Method
NCA	Net Current Assets Excluding Cash and Bank Balances
O&M	Operation & Maintenance
PGCIL	Power Grid Corporation of India Limited
PKTCL	Purulia & Kharagpur Transmission Company Limited
PTCL	Patran Transmission Company Limited
RTCL	RAPP Transmission Company Limited
SEBI	Securities and Exchange Board of India
SEBI InvIT Regulations	SEBI (Infrastructure Investment Trusts) Regulations, 2014, as amended
SGL1	Sterlite Grid 1 Limited
SIML or Investment Manager	Sterlite Investment Managers Limited
SPGVL or the Sponsor	Sterlite Power Grid Ventures Limited
SPV	Special Purpose Vehicle
T&D	Transmission & Distribution
the Trust or InvIT	India Grid Trust
the Trustee	Axis Trustee Services Limited
TSA	Transmission Service Agreement
WACC	Weighted Average Cost of Capital

1. **Background**

**The Sponsor**

- 1.1. Sterlite Power Grid Ventures Limited ("SPGVL" or "the Sponsor") is engaged into installation and operation of electricity transmission projects.

**The Infrastructure Investment Trust**

- 1.2. SPGVL is the sponsor for the India Grid Trust ("the Trust"). The Trust was established on 21<sup>st</sup> October 2016 by SPGVL and is registered with the Securities and Exchange Board of India ("SEBI") pursuant to the SEBI (Infrastructure Investment Trusts) Regulations, 2014, as amended ("the SEBI InvIT Regulations"). It is established to own inter-state power transmission assets in India. The units of the Trust are listed on the National Stock Exchange of India Limited and BSE Limited since 6<sup>th</sup> June 2017.

**Investment Manager**

- 1.3. Sterlite Investment Managers Limited ("the Investment Manager" or "SIML") has been appointed as the investment manager to the Trust by Axis Trustee Services Limited ("the Trustee") and will be responsible to carry out the duties of such a person as mentioned under SEBI InvIT Regulations.

**Target Financial Asset to be Valued**

- 1.4. RTCL project transfers power from the atomic power plant near Kota in Rajasthan to Shujalpur in Madhya Pradesh to provide the path for the evacuation of electricity generated at RAPP-7 and 8. Its route length is 201 Kms. The network will act as an interregional link between the Northern and the Western region.

**Purpose of Valuation**

- 1.5. As per Regulation 21(4) of Chapter V of the SEBI InvIT Regulations, a yearly valuation of the assets of the Trust shall be conducted by an independent valuer for the period ended 31<sup>st</sup> March 2019 for a publicly offered InvIT. In this regard, Sterlite Investment Managers Limited ("the Investment Manager" or "SIML"), acting as the investment manager and Axis Trustee Services Limited ("the Trustee") acting as the trustee to the Trust intends to undertake the fair valuation of RAPP Transmission Company Limited ("RTCL" or "SPV").
- 1.6. In this regard, the Investment Manager and the Trustee have appointed us, Haribhakti & Co. LLP, Chartered Accountants ("H&Co.") to undertake the fair valuation at the enterprise level of the SPV as per the SEBI InvIT Regulations as at 31<sup>st</sup> March 2019 ("Valuation Date"). Enterprise Value ("EV") is described as the total value of the equity in a business plus the value of its debt and debt related liabilities, minus any cash or cash equivalents to meet those liabilities.
- 1.7. H&Co. declares that:
- 1.7.1. It is competent to undertake the financial valuation in terms of the SEBI InvIT Regulations;
- 1.7.2. It is independent and has prepared the Valuation Report ("the Report") on a fair and unbiased basis;
- 1.7.3. It has valued the SPV based on the valuation standards as specified under sub-regulation 10 of regulation 21 of SEBI InvIT Regulations.
- 1.8. This Report covers all the disclosures required as per the SEBI InvIT Regulations and the valuation of the SPV is impartial, true and fair and in compliance with the SEBI InvIT Regulations.

**Scope of Valuation**

1.9. **Nature of the Asset to be Valued**

We have been mandated by the Investment Manager to arrive at the Enterprise Value of the SPV. Enterprise Value ("EV") is described as the total value of the equity in a business plus the value of its debt and debt related liabilities, minus any cash or cash equivalents to meet those liabilities.

1.10. **Valuation Base**

Valuation Base means the indication of the type of value being used in an engagement. In the present case, we have determined the fair value of the SPV at the enterprise level. Fair Value Bases defined as under:

**Fair Value**

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.

1.11. **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 due to changes in the condition of the asset to be valued. 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 SPV is 31<sup>st</sup> March 2019 ("Valuation Date"). The attached Report is drawn up by reference to accounting and financial information as on 31<sup>st</sup> March 2019. We are not aware of any other events having occurred since 31<sup>st</sup> March 2019 till date of this Report which we deem to be significant for our valuation analysis.

1.12. **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 SPV on a Going Concern Value defined as under:

**Going Concern Value**

1.13. 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.

1.14. This Report covers all the disclosures required as per the SEBI InvIT Regulations and the valuation of the SPV is impartial, true and fair and in compliance with the SEBI InvIT Regulations

1.15. For the amount pertaining to the operating working capital, the Investment Manager has acknowledged to consider the provisional financial statements as on 31<sup>st</sup> March 2019 to carry out the valuation of the SPV.

**2. Exclusions and Limitations**

2.1. 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.

2.2. Valuation analysis and results are specific to the purpose of valuation and is not intended to represent value at any time other than valuation date of 31<sup>st</sup> March 2019 ("Valuation Date")

- mentioned in the Report and as per agreed terms of our engagement. It may not be valid for any other purpose or as at any other date. Also, it may not be valid if done on behalf of any other entity.
- 2.3. This Report, its contents and the results are specific to (i) the purpose of valuation agreed as per the terms of our engagements; (ii) the Valuation Date and (iii) are based on the financial information of RTCL till 31<sup>st</sup> March 2019. The Investment Manager has represented that the business activities of RTCL have been carried out in normal and ordinary course between 31<sup>st</sup> March 2019 and the Report Date and that no material changes have occurred in the operations and financial position between 31<sup>st</sup> March 2019 and the Report date.
  - 2.4. The scope of our assignment did not involve us performing audit tests for the purpose of expressing an opinion on the fairness or accuracy of any financial or analytical information that was provided and used by us during the course of our work. The assignment did not involve us to conduct the financial or technical feasibility study. We have not done any independent technical valuation or appraisal or due diligence of the assets or liabilities of the SPV or any of other entity mentioned in this Report and have considered them at the value as disclosed by the SPV in their regulatory filings or in submissions, oral or written, made to us.
  - 2.5. In addition, we do not take any responsibility for any changes in the information used by us to arrive at our conclusion as set out herein which may occur subsequent to the date of our Report or by virtue of fact that the details provided to us are incorrect or inaccurate.
  - 2.6. We have assumed and relied upon the truth, accuracy and completeness of the information, data and financial terms provided to us or used by us; we have assumed that the same are not misleading and do not assume or accept any liability or responsibility for any independent verification of such information or any independent technical valuation or appraisal of any of the assets, operations or liabilities of SPV or any other entity mentioned in the Report. Nothing has come to our knowledge to indicate that the material provided to us was misstated or incorrect or would not afford reasonable grounds upon which to base our Report.
  - 2.7. This Report is intended for the sole use in connection with the purpose as set out above. It can however be relied upon and disclosed in connection with any statutory and regulatory filing in connection with the provision of SEBI InvIT Regulations. However, we will not accept any responsibility to any other party to whom this Report may be shown or who may acquire a copy of the Report, without our written consent.
  - 2.8. It is clarified that this Report is not a fairness opinion under any of the stock exchange/ listing regulations. In case of any third party having access to this Report, please note this 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.
  - 2.9. Further, this Report is necessarily based on financial, economic, monetary, market and other conditions as in effect on, and the information made available to us or used by us up to, the date hereof. 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, revise or reaffirm this Report if information provided to us changes.
  - 2.10. This Report is based on the information received from the sources mentioned in para 3 and discussions with the Investment Manager. We have assumed that no information has been withheld that could have influenced the purpose of our Report.
  - 2.11. Valuation is not a precise science and the conclusions arrived at in many cases may be subjective and dependent on the exercise of individual judgment. There is, therefore, no indisputable single value. We have arrived at an indicative EV based on our analysis. 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 this business.
- 2.12. Any discrepancy in any table / annexure between the total and the sums of the amounts listed are due to rounding-off.
  - 2.13. Valuation is based on estimates of future financial performance or opinions, which represent reasonable expectations at a particular point of time, but such information, estimates or opinions are not offered as predictions or as assurances that a particular level of income or profit will be achieved, a particular event 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.
  - 2.14. We do not carry out any validation procedures or due diligence with respect to the information provided/extracted or carry out any verification of the assets or comment on the achievability and reasonableness of the assumptions underlying the financial forecasts, save for satisfying ourselves to the extent possible that they are consistent with other information provided to us in the course of this engagement.
  - 2.15. Our conclusion assumes that the assets and liabilities of the SPV, reflected in their respective latest balance sheets remain intact as of the Report date.
  - 2.16. Whilst all reasonable care has been taken to ensure that the factual statements in the Report are accurate, neither ourselves, nor any of our partners, directors, officers or employees shall in any way be liable or responsible either directly or indirectly 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 factual statements. We expressly disclaim any and all liabilities, which may arise based upon the information used in this Report. We are not liable to any third party in relation to the issue of this Report.
  - 2.17. The scope of our work has been limited both in terms of the areas of the business and operations which we have reviewed and the extent to which we have reviewed them. 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.
  - 2.18. For the present valuation exercise, we have also relied on information available in public domain; however the accuracy and timelines of the same has not been independently verified by us.
  - 2.19. 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, however the 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.
  - 2.20. 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.
  - 2.21. This Report does not address the relative merits of investing in InvIT as compared with any other alternative business transaction, or other alternatives, or whether or not such alternatives could be achieved or are available.
  - 2.22. We are not advisors with respect to legal tax and regulatory matters for the proposed transaction. No investigation of the SPV's claim to title of assets has been made for the purpose of this Report and the SPV's claim to such rights have been assumed to be valid. No consideration has been given to liens or encumbrances against the assets, beyond the loans disclosed in the accounts. Therefore, no responsibility is assumed for matters of a legal nature.





- 2.23. We have no present or planned future interest in the Trustee, Investment Manager 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 with the Investment Manager or the SPV.
- 2.24. We have submitted the draft valuation report to the Trust and Investment Manager for confirmation of accuracy of factual data used in our analysis and to prevent any error or inaccuracy in the final valuation report.

**2.25 Limitation of Liabilities**

- 2.25.1. It is agreed that, having regard to the H&Co.'s interest in limiting the personal liability and exposure to litigation of its personnel, the Sponsor, the Investment Manager and the Trust will not bring any claim in respect of any damage against any of the H&Co's personnel personally.
- 2.25.2. In no circumstances H&Co. 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 H&Co. the likelihood of such damages. Any decision to act upon the deliverables is to be made by the Investment Manager and no communication by H&Co. should be treated as an invitation or inducement to engage the Investment Manager to act upon the deliverable.
- 2.25.3. It is clarified that the SIML and Trustee 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.
- 2.25.4. H&Co. will not be liable if any loss arises due to the provision of false, misleading or incomplete information or documentation by SIML or the Trustee.

**3. Sources of Information**

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

- 3.1. Audited financial statements of RTCL for the Financial Year ("FY") ended 31<sup>st</sup> March 2017 and 31<sup>st</sup> March 2018;
- 3.2. Provisional Profit & Loss Account and Balance Sheet for the period ended 31<sup>st</sup> March 2019;
- 3.3. Projected Profit & Loss Account and Working Capital requirements of RTCL from 1<sup>st</sup> April 2019 to 28<sup>th</sup> February 2051;
- 3.4. Details of brought forward losses (as per Income Tax Act) as at 31<sup>st</sup> March 2019;
- 3.5. Details of Written Down Value (as per Income Tax Act) of assets as at 31<sup>st</sup> March 2019;
- 3.6. Details of projected Repairs and Capital Expenditure ("Capex") as represented by the Investment Manager.
- 3.7. As on 31<sup>st</sup> March 2019, India Grid Trust holds 100% equity stake in RTCL through Sterlite Grid Limited 1 ("SGL 1"). As represented to us by the Investment Manager, there are no changes in the shareholding pattern from 31<sup>st</sup> March 2019 to the date of issuance of this Report.



- 3.8. Transmission Service Agreement ("TSA") of RTCL with Long Term Transmission Customers ("LTTCs") and Tariff adoption order by Central Electricity Regulatory Commission ("CERC") dated 23<sup>rd</sup> July, 2014.
- 3.9. Management Representation Letter by Investment Manager dated 23<sup>rd</sup> April 2019.

**4. Procedures adopted for current valuation exercise**

- 4.1. We have performed the valuation analysis, to the extent applicable, in accordance with Indian Valuation Standards, 2018 ("IVS") issued by the Institute of Chartered Accountants of India read with sub-regulation 10 of regulation 21 of SEBI InvIT Regulations.
- 4.2. In connection with this analysis, we have adopted the following procedures to carry out the valuation analysis:
  - 4.2.1. Requested and received financial and qualitative information relating to the SPV;
  - 4.2.2. Obtained and analyzed data available in public domain, as considered relevant by us;
  - 4.2.3. Discussions with the Management on:
    - Understanding of the businesses of the SPV – business and fundamental factors that affect its earning-generating capacity including strengths, weaknesses, opportunities and threats analysis and historical and expected financial performance;
  - 4.2.4. Undertook industry analysis:
    - Research publicly available market data including economic factors and industry trends that may impact the valuation
    - Analysis of key trends and valuation multiples of comparable companies/comparable transactions, if any, using proprietary databases subscribed by us.
  - 4.2.5. Analysis of other publicly available information
  - 4.2.6. Selection of valuation approach and valuation methodology/(ies), in accordance with IVS, as considered appropriate and relevant by us.
  - 4.2.7. Determination of fair EV of the SPV.

**5. Overview of the InvIT and the SPV**

**The Trust**

- 5.1. The Trust is registered with SEBI pursuant to the SEBI InvIT Regulations. The Trust was established on 21<sup>st</sup> October 2016 by SPGVL to own inter-state power transmission assets in India. The units of the trust are listed on the National Stock Exchange of India Limited and BSE Limited since 6<sup>th</sup> June 2017.
- 5.2. The Trust had acquired two revenue generating projects, Bhopal Dhule Transmission Company Limited ("BDTCL") and RTCL from its Sponsor on 30<sup>th</sup> May 2017. On 15<sup>th</sup> February 2018, the Trust acquired three additional revenue generating projects from its Sponsor, namely, Maheshwaram Transmission Limited ("MTL"), Purulia Kharagpur Transmission Company Limited ("PKTCL") and RAPP Transmission Limited ("RTCL"). Further, the Trust had acquired another revenue generating project, namely, Patran Transmission Company Limited ("PTCL") on 19<sup>th</sup> February 2018 from Techno Electric & Engineering Company Limited.

- 5.3 The Trust, pursuant to the 'Right of First Offer' deed had a 'right of first offer' to acquire eight projects of the Sponsor out of the same three are acquired and five can still be acquired pursuant to right of first offer.
- 5.4. Following is the financial summary of the projects which the Trust had acquired from the sponsor namely, BDTCL, RTCL, MTL, RTCL and PKTCL and PTCL from Techno Electric & Engineering Company Limited:

Asset Name	Enterprise Value (INR Mn)						Acquisition Value
	30-Sep-18	31-Mar-18	30-Sep-17	31-Mar-17	31-Mar-16	31-Mar-15	
BDTCL	19,694	20,319	21,431	21,541	21,812	20,113	
JTCL	14,937	15,431	15,988	16,125	19,407**	14,295	37,020*
MTL	5,423	5,564	5,218		NA		4,697
RTCL	4,084	4,054	3,935		NA		3,542
PKTCL	6,481	6,618	6,512		NA		5,861
PTCL	2,401			NA			2,320

\*Consolidated Purchase Price paid by the Trust for the acquisition at the time of initial Public Offer

\*\*For JTCL, the Investment Manager had previously projected the incremental revenue to be at 40% of the non-escalable revenue charges during the valuation exercise of 31<sup>st</sup> March 2016, however the same was subsequently reduced to 9.8903% of non-escalable charges during the valuation exercise of 31<sup>st</sup> March 2017 as per the CERC order dated 8<sup>th</sup> May 2017.

#### RTCL or the SPV

- 5.5. Summary of details of the Project are as follows:

Parameters	Details
Project Cost	INR 2,601 Mn
Total Length	400 kcms
Scheduled COD	February 2016
Expiry Date	35 years from the scheduled COD
Trust's stake (through SGL 1)	49% (100% including Beneficial Ownership)

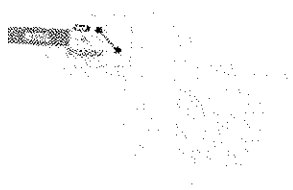
\* Pursuant to the share purchase agreements and shareholders' agreements dated February 14, 2018 executed for the acquisition of RTCL and MTL, the Trust (through SGL 1) owns beneficial interest in the remaining 51% stake in these entities which effectively gives it the voting rights over the remaining 51% stake as well.

- 5.6. The RTCL project was awarded to Sterlite Grid Limited 2 by the Ministry of Power on 24<sup>th</sup> July 2013 for a 35 year period from the scheduled commercial operation date on a BOOM basis. The expiry date of TSA shall be the date which is 35 years from the scheduled Commercial Operation Date ("COD") of the project.
- 5.7. RAPP Transmission Company Limited ("RTCL") project transfers power from the atomic power plant near Kota in Rajasthan to Shujalpur in Madhya Pradesh to provide the path for the evacuation of electricity generated at RAPP-7 and 8. Its route length is 201 Kms. The network will act as an interregional link between the northern and the western region.
- 5.8. RTCL alleviates transmission capacity bottlenecks and expands the reliability and stability of the power grid in western and northern India by providing open access to transmit power from the independent power projects in the west of India.

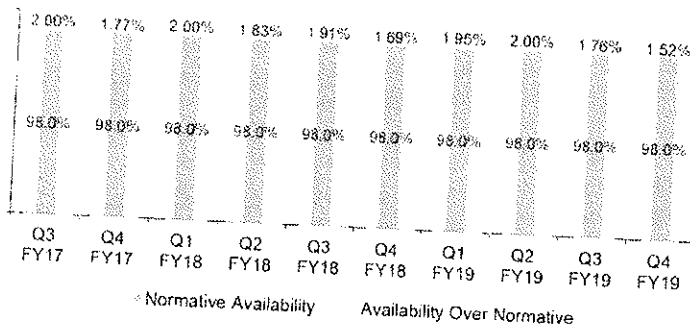
5.9 The project consists of the following transmission lines and is being implemented on contract basis:

Transmission line / Sub-Station	Location	Route length (kms)	Specifications	Commission date	Contribution to total tariff
RAPF-Shujapur	Rajasthan and Madhya Pradesh	400	400 KV DVC	15 <sup>th</sup> Dec 2016	100%

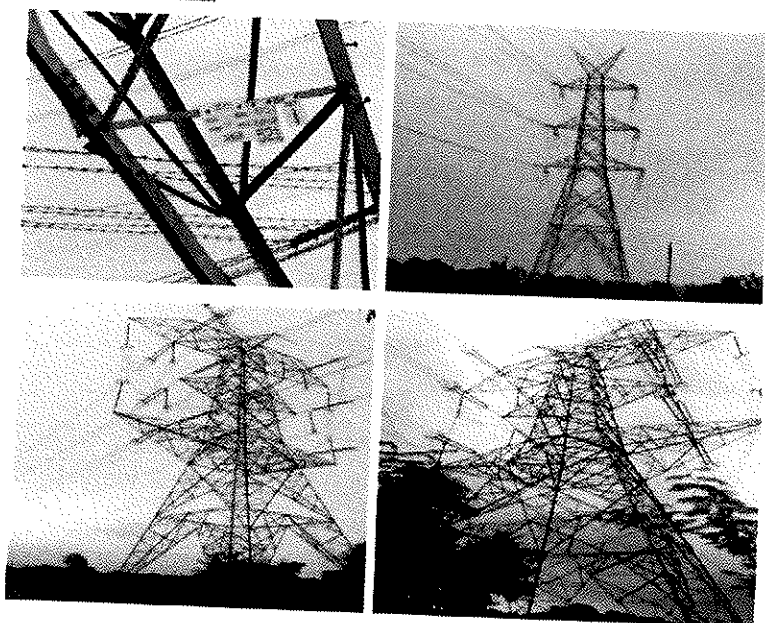
5.10. Following is the map showing area covered by RTCL (not drawn to scale):



5.11. Operating Efficiency history of RTCL:



5.12. Pictures of the SPV



6. Overview of the Industry

6.1 Introduction:

- 6.1.1. India is the third largest producer and third largest consumer of electricity in the world, with the installed power capacity reaching 356.1 GW as of March 2019. The country also has the fifth largest installed capacity in the world.
- 6.1.2. Per capita electricity consumption in the country grew at a CAGR of 4.96 per cent, during FY11-FY18, reaching 1,149 KWh in FY18.

6.2. Demand and Supply

- 6.2.1. Demand: India continues to be a power deficient country even after an increasing trend in demand in the past. It is expected that energy requirement will continue to grow at healthy CAGR of 7.5% to 8% over FY 17 to FY 21. The primary growth drivers for rapid expansion in India's energy demand include investments in industrial and infrastructure development, rising per capita energy consumption levels etc.
- 6.2.2. Supply: India has seen a robust growth in the installed power generation capacity in the past four years. The installed power generation capacity has grown at a CAGR of ~9.06% from ~243 GW in FY 14 to ~ 347.22 GW as of December 2018 (Source: IBEF).

6.3. India's economic outlook

- 6.3.1. According to World Bank, India has retained its position as the fastest-growing economy in the world in 2015, after overtaking China in the previous year. Based on its

A handwritten signature in black ink is written over a circular stamp. The stamp contains some illegible text and a central emblem.

estimates, India will continue to occupy the top slot among major economies with a growth rate of 7.7% to 7.8% until 2019. India's growth rate is significantly higher than the world average of around 4% and is also higher than other developing economies, such as China, Brazil, Indonesia and sub-Saharan African nations.

- 6.3.2. Power is one of the key sectors attracting FDI inflows into India.
- 6.3.3. From April 2000 to June 2018, India recorded FDI of US\$ 6.8 billion in non-conventional energy sector. New and renewable energy sector witnessed maximum power generation capacity addition, since 2000.
- 6.3.4. Cumulative FDI inflows into the sector from April 2000–December 2018 were US\$ 14.22 billion.
- 6.3.5. The ongoing liberalization of India's FDI regime has also led to a surge in investments, especially after the launch of the 'Make in India' campaign in October 2014. The FDI inflow has doubled to \$ 44.8 billion in fiscal 2018 from \$ 22 billion in around 2014. Reduced macroeconomic vulnerability, coupled with improved government spending in infrastructure sectors, has enhanced India's Global Competitive Index (GCI) ranking to 58 in 2017-18 from 71 in 2014-15

**6.4. Power transmission network in India**

- 6.4.1. The transmission segment plays a key role in transmitting power continuously from the generation plants to various distribution entities. Transmission and sub-transmission systems supply power to the distribution system, which, in turn, supplies power to end consumers. In India, the Transmission and Distribution ("T&D") system is a three-tier structure comprising distribution networks, state grids and regional grids.
- 6.4.2. The distribution networks and state grids are primarily owned and operated by the respective State Transmission utilities or state governments (through state electricity departments). Most inter-state and inter-regional transmission links are owned and operated by Power Grid Corporation of India Limited ("PGCIL"), which facilitates the transfer of power from a surplus region to the ones with deficit.
- 6.4.3. The government's focus on providing electricity to rural areas has led to the T&D system being extended to remote villages. The total length of transmission lines in the country has grown at a slow rate of 6% CAGR during FY 11 and FY 17. The total transmission network has increased from 4,07,569 Ckms in FY 11 to around 6,04,193 Ckms in FY 18.
- 6.4.4. As on January 2019 approx. 7.2% of total transmission network is owned by private players which showcases the need of more private sector participation in this space. India has been underinvested as far as transmission is concerned, however, recently government has been encouraging investments in transmission with approximately projects worth INR 30,000 crores being awarded in last 2 years.
- 6.4.5. PGCIL has spent around INR 0.9 trillion over 2013-16.
- 6.4.6. Of the total capacity-addition projects in transmission during the 12th FYP, about 42% can be attributed to the state sector. The share of private sector in transmission line and substation additions since the beginning of 12th FYP is 14% and 7%, respectively, as the majority of high-capacity, long-distance transmission projects were executed by PGCIL and state transmission utilities during this period.
- 6.4.7. In order to strengthen the power system and ensure free flow of power, significant investments would be required in the T&D segment. Moreover, commissioning of



additional generation capacity, rising penetration of renewable energy, regional demand-supply mismatches, upgradation of existing lines, rising cross border power trading would necessitate huge investments in transmission sector in India.

- 6.4.8. Thus, going forward, the share of power sector investments are expected to veer towards the T&D segment. Moreover, strong government focus on the T&D segment will also support investments. CRISIL Research expects the transmission segment share in total power sector investments to rise sharply to 33% over 2017-21 from only 20% over 2012-16. Thus, we expect transmission segments investments to increase 1.5 times to INR 3.1 trillion over 2017-21 as compared to the previous 5 year period.

*Source: CRISIL Power Transmission Report – March 2019 and IBEF report on Power sector in India- January 2019 and Central Electricity Authority Data as mentioned in PGCIL and Adani Transmission Limited Annual Report 2017-18.*

## 7. Valuation Approach

- 7.1. The present valuation exercise is being undertaken in order to derive the fair EV of the SPV.
- 7.2. The valuation exercise involves selecting a method suitable for the purpose of valuation, by exercise of judgment by the valuers, based on the facts and circumstances as applicable to the business of the company to be valued.
- 7.3. There are three generally accepted approaches to valuation:
- (a) "Cost" approach
  - (b) "Market" approach
  - (c) "Income" approach

### 7.4. 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 ("NAV")

The NAV Method under Cost Approach considers 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 a company.

The NAV Method is appropriate in a case where the main strength of the business is its asset backing rather than its capacity or potential to earn profits. This valuation approach is also used in case where the firm is to be liquidated i.e. it does not meet the "going concern" criteria.

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, NAV 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.

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7.5. Market Approach

Under the Market approach, the valuation is based on the market value of the company in case of listed companies and comparable companies trading or transaction multiples for unlisted companies. The Market approach generally reflects the investors' perception about the true worth of the company.

Comparable Companies Multiples ("CCM") Method

The value is determined on the basis of multiples derived from valuations of comparable companies, as manifest in the 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.

Comparable Transactions Multiples ("CTM") Method

Under the CTM Method, the value is determined on the basis of multiples derived from valuations of similar transactions in the industry. Relevant multiples need to be chosen carefully and adjusted for differences between the circumstances. Few of such multiples are EV/Earnings before Interest, Taxes, Depreciation & Amortization ("EBITDA") multiple and EV/Revenue multiple.

Market Price Method

Under this method, the market price of an equity share of the company 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.

7.6. Income Approach

The income approach is widely used for valuation under "Going Concern" basis. It focuses on the income generated by the company in the past as well as its future earning capability. The Discounted Cash Flow Method under the income approach seeks to arrive at a valuation based on the strength of future cash flows.

Discounted Cash Flow ("DCF") Method

Under DCF Method value of a company can be assessed using the Free Cash Flow to Firm Method ("FCFF") or Free Cash Flow to Equity Method ("FCFE"). Under the DCF method, the business is valued by discounting its free cash flows for the explicit forecast period and the perpetuity value thereafter. The free cash flows represent the cash available for distribution to both, the owners and creditors of the business. The free cash flows in the explicit period and those in perpetuity are discounted by the Weighted Average Cost of Capital ("WACC"). The WACC, based on an optimal vis-à-vis actual capital structure, 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.

The perpetuity (terminal) value is calculated based on the business' 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' future operations. The Business/EV (aggregate of the present value of explicit period and terminal period cash flows) so derived, is further reduced by the value of debt, if any, (net of cash and cash equivalents) to arrive at value to the owners of the business.

7.7. **Conclusion on Valuation Approach**

It is pertinent to note that the valuation of any company or its assets is inherently imprecise and is subject to certain uncertainties and contingencies, all of which are difficult to predict and are beyond our control. In performing our analysis, we made numerous assumptions with respect to industry performance and general business and economic conditions, many of which are beyond the control of the SPV. In addition, this valuation will fluctuate with changes in prevailing market conditions, and prospects, financial and otherwise, of the SPV, and other factors which generally influence the valuation of companies and their assets.

Accordingly, we have summarized the application of valuation method for the current valuation exercise as under:

**Cost Approach**

The existing book value of EV of the SPV comprising of its Net fixed assets and working capital is INR 2,430 Mn as at 31<sup>st</sup> March 2019.

In the present case, since the SPV has entered into TSA, the revenue of SPV is pre-determined for the life of the project. In such scenario, the true worth of the business is reflected in its future earning capacity rather than the cost of the project. Accordingly, since the NAV does not capture the future earning potential of the businesses, we have not considered the cost approach for the current valuation exercise.

**Market Approach**

The present valuation exercise is to undertake a fair EV of the SPV engaged in the power transmission business for a specific tenure. Further, the tariff revenue expenses are very specific to the SPV depending on the nature of their geographical location, stage of project, terms of profitability. In the absence of any exactly comparable listed companies with characteristics and parameters similar to that of the SPV, we have not considered CCM method in the present case. In the absence of adequate details about the Comparable Transactions, we were unable to apply the CTM method. Currently, the equity shares of SPV are not listed on any recognized stock exchange of India. Hence, we are unable to apply market price method.

**Income Approach**

The SPV is operating as BOOM model based project. The cash inflows of the projects are defined for 35 years under the TSA. Hence, the growth potential of the SPV and the true worth of its business would be reflected in its future earnings potential and therefore DCF Method under the income approach has been considered as an appropriate method for the present valuation exercise.

8. Valuation of the SPV

We have estimated the EV of the SPV using the Discounted Cash Flow Method. While carrying out this engagement, we have relied extensively on the information made available to us by the Investment Manager. We have considered projected financial statement of the SPV as provided by the Investment Manager.

**Valuation**

8.1. The key assumptions of the projections provided to us by the Investment Manager are:

**Key Assumptions**

- 8.1.1. **Transmission Revenue:** The transmission revenue of the SPV comprises of non escalable transmission revenue and escalable transmission revenue as provided in the TSA read with Tariff adoption order dated 23<sup>rd</sup> July 2013.
- **Non Escalable Transmission Revenue:** The Non Escalable Transmission revenue remains fixed for the entire life of the project. We have corroborated the revenue considered in the financial projections with the respective TSA read with Tariff adoption order dated 23<sup>rd</sup> July 2013 and documents provided to us by the Investment Manager.
  - **Escalable Transmission Revenue:** Escalable Transmission revenue is the revenue component where the revenue is duly escalated based on the rationale as provided in the respective TSA read with Tariff adoption order dated 23<sup>rd</sup> July 2013 and documents provided to us by the Investment Manager. The escalation is to mainly compensate for the inflation factor.
- 8.1.2. **Incentives:** As provided in the respective TSA, if the annual availability exceeds 98%, the SPV shall be entitled to an annual incentive as provided in TSA. Provided no incentives shall be payable above the availability of 99.75%. Based on the past track record of the asset and the general industry standard, the annual availability shall be above 98% where the SPV shall be entitled to the incentives as provided in the TSA.
- 8.1.3. **Penalty:** If the annual availability in a contract year falls below 95%, the SPV shall be liable for an annual penalty as provided in the TSA. Based on our analysis in Para 8.1.2, in the present case, it is assumed that the annual availability will not fall below 95% and hence, penalty is not considered in the financial projections.
- 8.1.4. **Expenses:** Expenses are estimated by the Investment Manager for the projected period based on the escalation rate as determined for the SPV. We have relied on the projections provided.
- **Operations & Maintenance ("O&M"):** O&M expenditure is estimated by the Investment Manager for the projected period based on the escalation rate as determined for the SPV. The Investment Manager has projected expenses to be incurred for the O&M of the SPV including, but not limited to, transmission line maintenance expenses, rates and taxes, legal and professional fees and other general and administration expenses. We have relied on the projections provided by Investment Manager on the operating and maintenance expenses for the projected period.
  - **Insurance Expenses:** We understand from the investment Manager that the insurance expenses of the SPV will not escalate for the projected period. We have relied on the projections provided by the Investment Manager on the insurance expenses for the projected period.
- 8.1.5. **Depreciation:** The book depreciation has been provided by the Investment Manager till the life of the asset. For calculating depreciation as per Income Tax Act for the projected

period, we have considered depreciation rate as specified in the Income Tax Act and WDV as provided by the Investment Manager.

- 8.1.6. **Capex:** As represented by the Investment Manager, the SPV is not expected to incur any Capex in the projected period.
- 8.1.7. **Tax Incentive:** The SPV is eligible for tax holiday under section 80IA of income Tax Act. Such tax holiday shall be available for any 10 consecutive years out of 15 years beginning from the date of COD.
- 8.1.8. **Working Capital:** The Investment Manager has envisaged the working capital requirement of the SPV for the projected period. The operating working capital assumptions for the projections as provided by the Investment Manager comprises of trade receivables and trade payables

8.2. **Impact of Ongoing Material Litigation on Valuation**

- 8.2.1. As represented by Investment Manager, there are no ongoing litigations that will affect the valuation exercise except as mentioned below.
- 8.2.2. The Commercial Tax Department, Government of Madhya Pradesh, has raised an Entry Tax demand of INR 4.47 Mn and penalty thereon of INR 1.79 Mn on RTCL under the provisions of Entry Tax Act 1976.
- 8.2.3. However, the Investment Manager is of the opinion that imposition of Entry Tax by the Commercial Tax Department is outside the purview of section 3 (charging section) of Entry Tax Act 1976.
- 8.2.4. As discussed with the Investment Manager and our analysis of the case, we have not considered any potential devolvement for the same in the projected period.

8.3. **Calculation of Weighted Average Cost of Capital for the SPV**

8.3.1. **Cost of Equity:**

Cost of Equity (CoE) is a discounting factor to calculate the returns expected by the equity holders depending on the perceived level of risk associated with the business and the industry in which the business operates.

For this purpose, we have used the Capital Asset Pricing Model (CAPM), which is a commonly used model to determine the appropriate cost of equity for the SPV.

$$K(e) = R_f + (R_p * \text{Beta}) + \text{CSRP}$$

Wherein:

K(e) = cost of equity

R<sub>f</sub> = risk free rate

R<sub>p</sub> = risk premium i.e. market risk premium over and above risk free rate

Beta = a measure of the sensitivity of assets to returns of the overall market

CSRP = Company Specific Risk Premium (In general, an additional company-specific risk premium will be added to the cost of equity calculated pursuant to CAPM).

For valuation exercise, we have arrived at adjusted cost of equity of 12.48%

**8.3.2. Risk Free Rate:**

We have applied a risk free rate of return of 7.43% on the basis of the relevant zero coupon yield curve as on 29<sup>th</sup> March 2019 for government securities having a maturity period of 10 years, as quoted on the website of Clearing Corporation of India Limited ("CCIL").

**8.3.3. Risk Premium:**

Risk premium is a measure of premium that investors require for investing in equity markets rather than bond or debt markets. A risk premium is calculated as follows:

$$\text{Risk premium} = \text{Equity market return} - \text{Risk free rate}$$

Wherein:

Equity market return = the average historical market return is estimated at 15.00%.

Risk free rate = 7.43% as explained in para 8.3.2.

Hence, risk premium is derived as 7.57%.

**8.3.4. Beta:**

Beta is a measure of the sensitivity of a company's stock price to the movements of the overall market index. Normally we would take a relevant number from a quoted stock and the market on which it trades. In the present case, we find it appropriate to consider the beta of companies in similar business/ industry to that of the SPV.

We have further unlevered that beta based on debt-equity of the respective company using the following formula:

$$\text{Unlevered Beta} = \text{Levered Beta} / [1 + (\text{Debt} / \text{Equity}) * (1 - T)]$$

Further we have re-levered it based on debt-equity of the industry standard using the following formula:

$$\text{Re-levered Beta} = \text{Unlevered Beta} * [1 + (\text{Debt} / \text{Equity}) * (1 - T)]$$

For our valuation exercise, re-levered beta has been taken as 0.67.

**8.3.5. Cost of Debt:**

The calculation of Cost of Debt post-tax can be defined as follows:

$$K(d) = K(d) \text{ pre tax} * (1 - T)$$

Wherein:

$K(d)$  = Cost of debt

T = tax rate as applicable

In present valuation exercise, we have considered debt:equity at 70:30 based on industry standard.

For valuation exercise, pre-tax cost of debt has been considered as 8.45%.

**8.3.6. Weighted Average Cost of Capital (WACC):**

The discount rate, or the WACC, is the weighted average of the expected return on equity and the cost of debt. The weight of each factor is determined based on the company's optimal capital structure.

Formula for calculation of WACC:

$$\text{WACC} = [K(d) * \text{Debt} / (\text{Debt} + \text{Equity})] + [K(e) * (1 - \text{Debt} / (\text{Debt} + \text{Equity}))]$$

8.3.7. Accordingly, as per above, we have arrived the WACC of 8.30% for RTCL. (Refer Appendix I)

8.4. We understand from the representation of the Investment Manager that the SPV will generate cash flow even after the expiry of concession period of 35 years as the project is on BOOM model and the ownership will remain with the SPV even after the expiry of 35 years. Accordingly we have considered Terminal Value after the expiry of 35 years

8.5. **Valuation of RTCL**

8.5.1. We have relied on the projected financials of RTCL as provided by the Investment Manager for the period from 1st April 2019 to 28th February 2051.

8.5.2. WACC arrived at for the purpose of valuation is 8.30% for cash flows (Refer Appendix I).

8.5.3. For the terminal period, we have considered 0% constant growth rate for FCFF.

8.5.4. As on Valuation Date, we have discounted the free cash flows of RTCL using the WACC of 8.30% to arrive at the Enterprise Value by aggregating the present value of cash flows for explicit period and terminal period at INR 4,035 Mn (Refer Appendix II).

9. **Valuation Conclusion**

9.1. The current valuation has been carried out based on the discussed 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.

9.2. We have been represented by the Investment Manager that there is no potential devolvement on account of the contingent liability as of valuation date; hence no impact has been factored in to arrive at EV of the SPV.

9.3. Based on the above analysis the EV as on the Valuation Date of the SPV is INR 4.035 Mn (Refer Appendix II).

9.4. The fair Enterprise Value of the SPV is estimated using DCF method. The valuation requires Investment Manager to make certain assumptions about the model inputs including forecast cash flows, discount rate, and credit risk.

9.5. Valuation is based on estimates of future financial performance or opinions, which represent reasonable expectations at a particular point of time, but such information, estimates or opinions are not offered as predictions or as assurances that a particular level of income or profit will be achieved, a particular event 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.

9.6. Accordingly, we have conducted sensitivity analysis on the following model inputs:

WACC	Decrease by 0.50%	Fair Value @8.30%	Increase by 0.50%
Implied WACC	7.80%	8.30%	8.80%
Enterprise Value (in INR Mn)	4,243	4,035	3,848
Total Expenses	Decrease by 20%	Fair Value	Increase by 15%
Enterprise Value (in INR Mn)	4,113	4,035	3,958


10. **Additional Procedures to be complied with in accordance with InvIT regulations**

**Scope of Work**

- 10.1. The Schedule V of the SEBI InvIT Regulations prescribes the minimum set of mandatory disclosures to be made in the valuation report. In this reference, the minimum disclosures in valuation report may include following information as well, so as to provide the investors with the adequate information about the valuation and other aspects of the underlying assets of the InvIT. The additional set of disclosures, as prescribed under Schedule V of InvIT Regulations, to be made in the valuation report of RAPP Transmission Company Limited ("RTCL") are as follows:
- List of one time sanctions/approvals which are obtained or pending;
  - List of up to date/overdue periodic clearances;
  - Statement of assets included;
  - Estimates of already carried as well as proposed major repairs and improvements along with estimated time of completion;
  - Revenue pendencies including local authority taxes associated with InvIT asset and compounding charges, if any;
  - On-going and closed material litigations including tax disputes in relation to the assets, if any;
  - Vulnerability to natural or induced hazards that may not have been covered in town planning/ building control.

**Limitations**

- 10.2. This Report is based on the information provided by the Investment Manager. The exercise has been restricted and kept limited to and based entirely on the documents, records, files, registers and information provided to us. We have not verified the information independently with any other external source.
- 10.3. We have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as original, and the conformity of the copies or extracts submitted to us with that of the original documents.
- 10.4. We have assumed that the documents submitted to us by the Investment Manager in connection with any particular issue are the only documents related to such issue.
- 10.5. We have reviewed the documents and records from the limited perspective of examining issues noted in the scope of work and we do not express any opinion as to the legal or technical implications of the same.
- 10.6. **Analysis of Additional Set of Disclosures for RTCL**
- A. List of one-time sanctions/approvals which are obtained or pending:  
As informed by the Investment Manager, there have been no additional sanctions/ approvals obtained by RTCL between the period 1<sup>st</sup> April 2018 to 31<sup>st</sup> March 2019. Further, we were informed that there were no applications for which approval is pending. The list of sanctions/ approvals obtained by the Company as on 31<sup>st</sup> March 2019 is provided in Appendix III.
- B. List of up to date/ overdue periodic clearances:  
We have included the periodic clearances obtained by RTCL in Appendix III.





C. Statement of assets included:

As at 31st March 2019, details of the asset of the SPV are as follows:-

Asset Type	INR Million			
	Gross Block	Depreciation	Net Block	% of asset depreciated
Transmission Lines	2,600.1	277.9	2,322.2	11%
Office Equipment & IT Equipments	0.3	0.3	0.0	88%
Furniture and fittings	0.1	0.1	0.0	86%
<b>TOTAL</b>	<b>2,600.5</b>	<b>278.2</b>	<b>2,322.3</b>	

Source: Provisional Financials of 31st March 2019

D. Estimates of already carried as well as proposed major repairs and improvements along with estimated time of completion:

We noted in the provisional financial statements that RTCL has incurred INR 10.27 Million for the year ended 31<sup>st</sup> March 2019 for the maintenance charges of Transmission Lines. Based on the confirmation provided by Investment Manager we expect an increase of c.3.2% per annum in the cost of repair and maintenance expenses to be incurred in the future period.

Investment Manager has informed us that there are no maintenance charges which has been deferred to the upcoming year as the maintenance activities are carried out regularly. We have been informed that overhaul maintenance are regularly carried out by RTCL in order to maintain the working condition of the assets.

E. Revenue pendencies including local authority taxes associated with InvIT asset and compounding charges, if any:

Investment Manager has informed us that there are no dues including local authority taxes pending to be payable to the Government authorities with respect to InvIT assets.

F. On-going and closed material litigations including tax disputes in relation to the assets, if any:

As informed by the Investment Manager, the status of ongoing litigations is updated in Appendix IV. Investment Manager has informed us that it expects majority of the cases to be settled in favour of RTCL and accordingly no outflow is expected against the litigations.

G. Vulnerability to natural or induced hazards that may not have been covered in town planning/ building control:

Investment Manager has confirmed to us that there are no such natural or induced hazards which have not been considered in town planning/ building control.

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## Appendix 1 – Weighted Average Cost of Capital of the SPV

Particulars	%	Remarks
Market Return	15.00%	Market Return has been considered based on the long term average returns earned by an equity investor in India.
Risk Free Rate	7.43%	Risk Free Rate has been considered based on zero coupon yield curve as at 29 <sup>th</sup> March 2019 of Government Securities having maturity period of 10 years, as quoted on CCL's website.
Market Risk Premium	7.57%	Market Premium = Market Return – Risk Free Rate
Beta (relevered)	0.67	Beta has been considered based on the beta of companies operating in the similar kind of business in India.
Cost of Equity	12.48%	$K_e = R_f + \beta \times (R_m - R_f) + CSRP$
Pre-tax Cost of Debt	8.45%	As represented by the Investment Manager
Effective tax rate of SPV	22.97%	Average tax rate for the life of the project has been considered
Post-tax Cost of Debt	6.51%	Effective cost of debt, $K_d = \text{Pre tax } K_d \times (1 - \text{Effective Tax Rate})$
Debt/(Debt+Equity)	70.00%	The debt – equity ratio computed as $[D/(D+E)]$ is considered as 70% as per industry standard.
<b>WACC</b>	<b>8.30%</b>	<b><math>WACC = [K_e \times (1 - D/(D+E))] + [K_d \times (1 - T) \times (D/(D+E))]</math></b>

Appendix II – Valuation of RTCL as on 31<sup>st</sup> March 2019

WACC 8.30%										
Year	Revenue	EBITDA	EBITDA Margin	Capex	Changes in NCA	Tax	FCFF	Cash Accrual Factor	Discounting Factor	PV of Cash Flows
FY20	455	427	94%	-	7	74	345	0.50	0.96	333
FY21	455	426	94%	-	-5	73	358	1.50	0.89	318
FY22	455	425	93%	-	-0	73	352	2.50	0.82	289
FY23	455	424	93%	-	-0	73	352	3.50	0.76	266
FY24	455	423	93%	-	-0	73	351	4.50	0.70	245
FY25	455	422	93%	-	-0	73	350	5.50	0.64	226
FY26	455	421	93%	-	-0	72	349	6.50	0.60	208
FY27	455	420	92%	-	-0	72	349	7.50	0.55	192
FY28	455	419	92%	-	-0	72	348	8.50	0.51	177
FY29	455	417	92%	-	-0	72	347	9.50	0.47	163
FY30	455	416	92%	-	-0	72	346	10.50	0.43	150
FY31	455	415	91%	-	-0	71	345	11.50	0.40	138
FY32	455	414	91%	-	-0	71	344	12.50	0.37	127
FY33	455	412	91%	-	-0	71	343	13.50	0.34	117
FY34	455	411	90%	-	-0	70	342	14.50	0.31	108
FY35	455	410	90%	-	-0	70	341	15.50	0.29	99
FY36	455	408	90%	-	-0	70	340	16.50	0.27	91
FY37	455	407	89%	-	-0	69	339	17.50	0.25	84
FY38	455	405	89%	-	-0	69	338	18.50	0.23	77
FY39	455	404	89%	-	-0	69	336	19.50	0.21	71
FY40	455	402	88%	-	-0	69	335	20.50	0.19	65
FY41	455	400	88%	-	-0	71	331	21.50	0.18	60
FY42	359	303	84%	-	-0	79	321	22.50	0.17	53
FY43	321	263	82%	-	-24	58	268	23.50	0.15	41
FY44	321	261	81%	-	-10	50	223	24.50	0.14	32
FY45	321	259	81%	-	-0	49	212	25.50	0.13	28
FY46	321	257	80%	-	-0	74	185	26.50	0.12	22
FY47	321	255	79%	-	-0	74	183	27.50	0.11	20
FY48	321	253	79%	-	-0	74	182	28.50	0.10	19
FY49	321	251	78%	-	-0	73	180	29.50	0.10	17
FY50	293	227	77%	-	-0	72	178	30.50	0.09	16
FY51*	321	248	77%	-	-0	66	162	31.46	0.08	13
TV						72	176	31.46	0.08	14
Present Value of Explicit Period Cash Flows										3,863
Present Value of Terminal Year Cash Flow										172
<b>Enterprise Value</b>										<b>4,035</b>

\* For the period ended 26<sup>th</sup> February 2051

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Appendix III – Summary of approval and licences (1/2)

Sr. No.	Approvals	Date of Issue	Validity (in years)	Issuing Authority
1	Company Registration	20-Dec-12	Valid	Ministry of Corporate Affairs
2	Transmission License	27-Oct-11	25	Central Electricity Regulatory Commission
3	<u>Environment (Forest) Clearance</u> ERA Certificate and District level Committee Meeting 400 KV/ D/C RAPP to Shujalpur	22-Jun-15 19-Aug-15		Valid Office of District Collector, Chittorgarh, Government of Rajasthan Valid Ministry of Environment, Forests & Climate Change Regional Office (Central Region) Valid Ministry of Power, Government of India 25 Ministry of Power, Government of India
4	Approval under section 68 of Electricity Act, 2003	16-May-13		25 Central Electricity Regulatory Commission
5	Approval from GOI under section 164 of Electricity Act, 2003- Under Gazette of India	07-Jan-15		Valid Central Electricity Regulatory Commission
6	Approval under section 14 of Electricity Act, 2003	26-Sep-13		25 Central Electricity Regulatory Commission
7	Approval under section 17 (3) of Electricity Act, 2003	01-Apr-15		Valid Central Electricity Regulatory Commission
8	<u>Power Telecommunication Coordination Committee (PTCC) Clearance</u> PTCC route approval for 400KV D/C RAPP (Rawatbhata Atomic power plant) - Shujalpur T/L (For Rajasthan Portion)	14-Dec-15		Valid PTCC, Government of India
9	<u>Railway Clearance</u> PTCC route approval for 400KV Double Circuit Transmission line from RAPP- Shujalpur (Length 101 km) (For Madhya Pradesh Portion) Nagda- Kota section railway RTA-MKC section	19-Dec-15 21-Apr-15 12-Jun-15		Valid PTCC, Government of India Valid West Central Railway 35 West Central Railway

Source: Investment Manager

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Chartered Accountants

Appendix III – Summary of approval and licences (2/2)

Sr. No.	Approvals	Date of Issue	Validity (in years)	Issuing Authority
10	<b>Power Line Clearance</b> RVPN Transmission Lines: =>132 KV D/C Kola to Gandhisagar =>220 KV D/C Kota - Barod =>132 KV S/C Morak to Bhiwanimandi =>132 KV S/C Bhiwanimandi to Kanwar 220 KV Shujalpur-Rajgarh and 132KV Sarangpur-Khitchipur Line of MP-PTCL Powergrid 400KV D/C Shujalpur- Nagda TL to RTCL 11 Application for Civil Aviation	30-Apr-15	Valid	Office of The Superintending Engineer (TCC V) Kota
12	Civil Defence Clearance for installation of 400KV D/C(TWIN) RAPP to Shujalpur	08-May-15	Valid	Office Of The Superintending Engineer Eht(Main) Circle Mp Power
13	Transmission Service Agreement between RAPP and Power Distribution companies(LTTC - Long Term Transmission Companies)	29-Jul-15	Valid	Power Grid Corporation of India Limited
14	Transmission Service Agreement between RAPP and Power Grid Corporation India Limited	29-Apr-15	Not Available	Not Airport Authority of India Limited
15	Transmission license order	08-Apr-16	5	Directorate of Operations, Air Traffic Services
16	Approval for adoption of tariff	24-Jul-13	35	
17	Energisation of 400KV D/C (Twin Moose) RAPP- Shujalpur transmission line	17-Dec-15	25	Central Electricity Regulatory Commission
18	RAPP Ravalbhatla to Shujalpur Transmission line	31-Jul-14	Valid	Central Electricity Regulatory Commission
19	Trial Operation of Transmission Element (LINE- RPTL bays and line reactor at RAPP-7&8NPCL)	23-Jul-14	Valid	Central Electricity Regulatory Commission
		18-Dec-15	Valid	Central Electricity Authority (Measures relating to safety and electric supply) Regulations, 2010
		12-May-15	Not Available	Not National Highway Crossing (Ministry of Road Transport and Highway)
		28-Dec-16	Valid	Power System Operation Corporation Limited

Source: Investment Manager

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**Appendix IV – Summary of Ongoing Litigations**

Matter	Against	Pending Before	Details of the case	Amount Involved	Amount Deposited
Unity Fin	RFCI	MP, HYP, JALSAWA ME Court	<p><b>Period from: 1 April 2014 to 31 March 2015</b></p> <p>The Commission for Enforcement of Madhya Pradesh said a notice of demand of Unity Fin on RFCI for payment of entry tax under 47, Madhya Pradesh Act 1979 for the year 2014-15 &amp; 2015-16. RFCI has disputed against the demand before High Court Jalawa. The management, including its tax advisors, believe that its position will only be upheld in the appellate proceedings before the appellate tribunal. However, the management believes that the appellate tribunal will not have a material adverse effect on the position and results of the operations of RFCI. RFCI has deposited Rs. 4.26 Crores with the tax authorities against the said demand. In contrary to the order of High Court of Madhya Pradesh, the Madhya High Court has accepted the plea of RFCI and has given stay on the demand and order dated 4 September 2015 amount to the deposit of cash.</p> <p><b>Current Status</b></p> <p>Unity has denied of MP, Jalawa. Higher Proceedings Comptroller General, Jalawa, pending to determine under the order of the High Court of Madhya Pradesh, New Delhi, 2015 for the year of entry tax, when completion of assessment under the provisions for the year 2014-15 &amp; 2015-16. RFCI has disputed against the demand before High Court Jalawa. The management, including its tax advisors, believe that its position will only be upheld in the appellate proceedings before the appellate tribunal. However, the management believes that the appellate tribunal will not have a material adverse effect on the position and results of the operations of RFCI. RFCI has deposited Rs. 4.26 Crores with the tax authorities against the said demand. In contrary to the order of High Court of Madhya Pradesh, the Madhya High Court has accepted the plea of RFCI and has given stay on the demand and order dated 4 September 2015 amount to the deposit of cash.</p>	13.10	4.26
Chennai Motors	Narayan Power Corporation	CHSC APTEL	<p><b>Background of the case:</b> RFCI had filed a motion before CHSC against Narayan Power Corporation of India to set aside the order of the CHSC dated 11/03/2015. The Commission for Enforcement of Madhya Pradesh said a notice of demand of Unity Fin on RFCI for payment of entry tax under 47, Madhya Pradesh Act 1979 for the year 2014-15 &amp; 2015-16. RFCI has disputed against the demand before High Court Jalawa. The management, including its tax advisors, believe that its position will only be upheld in the appellate proceedings before the appellate tribunal. However, the management believes that the appellate tribunal will not have a material adverse effect on the position and results of the operations of RFCI. RFCI has deposited Rs. 4.26 Crores with the tax authorities against the said demand. In contrary to the order of High Court of Madhya Pradesh, the Madhya High Court has accepted the plea of RFCI and has given stay on the demand and order dated 4 September 2015 amount to the deposit of cash.</p> <p><b>Current Status:</b> The order dated 11/03/2015 was set aside by the CHSC on 27 September 2015. The Commission for Enforcement of Madhya Pradesh said a notice of demand of Unity Fin on RFCI for payment of entry tax under 47, Madhya Pradesh Act 1979 for the year 2014-15 &amp; 2015-16. RFCI has disputed against the demand before High Court Jalawa. The management, including its tax advisors, believe that its position will only be upheld in the appellate proceedings before the appellate tribunal. However, the management believes that the appellate tribunal will not have a material adverse effect on the position and results of the operations of RFCI. RFCI has deposited Rs. 4.26 Crores with the tax authorities against the said demand. In contrary to the order of High Court of Madhya Pradesh, the Madhya High Court has accepted the plea of RFCI and has given stay on the demand and order dated 4 September 2015 amount to the deposit of cash.</p>	152.8	





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Chartered Accountants

**Valuation as per SEBI (Infrastructure Investment  
Trusts) Regulations, 2014**

**SPV: Maheshwaram Transmission Limited  
("MTL")**

Valuation Date: 31<sup>st</sup> March 2019



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**HARIBHAKTI & CO. LLP**  
Chartered Accountants

Date: 24<sup>th</sup> April 2019  
CFAS/2019-20/5

**Sterlite Investment Managers Limited**

Maker Maxity, 5<sup>th</sup> North Avenue,  
Level 5, Bandra Kurla Complex,  
Bandra (East), Mumbai – 400051.

**India Grid Trust**

**(Axis Trustee Services Limited acting on behalf of the Trust)**

F-1, Mira Corporate Suits,  
1&2, Mathura Road, Ishwar Nagar,  
New Delhi – 110065

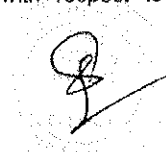
**Sub: Valuation as per SEBI (Infrastructure Investment Trusts) Regulations, 2014, as amended**  
**("the SEBI InvIT Regulations")**

Dear Sirs/Madams,

We, Haribhakti & Co. LLP, Chartered Accountants ("H&Co."), have been appointed vide letter dated 29<sup>th</sup> January 2019, as an independent valuer, as defined under the SEBI InvIT Regulations, by Sterlite Investment Managers Limited ("the Investment Manager" or "SIML"), acting as the investment manager for India Grid Trust ("the Trust") and Axis Trustee Services Limited ("the Trustee") acting as the trustee for the Trust mentioned above, for the purpose of the financial valuation of Maheshwaram Transmission Company Limited ("MTL" or "the SPV"). The SPV was acquired by the Trust on 15<sup>th</sup> February 2017 and is to be valued as per regulation 21(4) contained in the Chapter V of the SEBI InvIT Regulations.

We have relied on explanations and information provided by the Investment Manager. Although we have reviewed such data for consistency, we have not independently investigated or otherwise verified the data provided. We have no present or planned future interest in the Trust, the SPV or the Investment Manager except to the extent of our appointment as an independent valuer and the fee for our Valuation Report ("Report") which 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 with the Trust.

We enclose our Report providing our opinion on the fair enterprise value of the SPV on a going concern basis as at 31<sup>st</sup> March 2019 ("Valuation Date"). Enterprise Value ("EV") is described as the total value of the equity in a business plus the value of its debt and debt related liabilities, minus any cash or cash equivalents to meet those liabilities. The attached Report details the valuation methodologies used, calculations performed and the conclusion reached with respect to this valuation.



Haribhakti & Co. LLP, Chartered Accountants Regn. No. AAC- 3768, a limited liability partnership registered in India (converted on 17<sup>th</sup> June, 2014 from a firm Haribhakti & Co. FRN: 103523W)  
5B, "A" Block, 5<sup>th</sup> Floor, Mena Kampala Arcade, New #18 & 20, Thiagaraya Road, T. Nagar, Chennai - 600 017, India Tel: +91 44 2815 4192 Fax: +91 44 4213 2024  
Registered offices: 705, Leela Business Park, Andheri-Kurla Road, Andheri (E), Mumbai - 400 059, India  
Other offices: Ahmedabad, Bengaluru, Coimbatore, Hyderabad, Kolkata, Mumbai, New Delhi, Pune.

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Chartered Accountants

We believe that our 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. The preparation of a 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 and our valuation conclusion are included herein and our Report complies with the SEBI InvIT Regulations and guidelines, circular or notification issued by Securities and Exchange Board of India ("SEBI") there under.

Please note that all comments in our Report must be read in conjunction with the caveats to the Report, which are contained in Section 2 of this Report. This letter, the Report and the summary of valuation included herein can be provided to Trust's advisors and may be made available for the inspection to the public as a material document and with the SEBI, the stock exchanges and any other regulatory and supervisory authority, as may be required.

We draw your attention to the limitation of liability clauses in Section 2 of the Report.

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

Yours faithfully,

For **Haribhakti & Co. LLP,**

*Chartered Accountants*

Firm Registration Number: 103523W



**S. Sundararaman**

*Partner*

Membership No. 028423

Place: Chennai

Encl: As above

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**Definition, abbreviation & glossary of terms**

<b>Abbreviations</b>	<b>Meaning</b>
MTL or The SPV	Maheshwaram Transmission Company Limited
BOOM	Build-Own-Operate-Maintain
Capex	Capital Expenditure
CCIL	Clearing Corporation of India Limited
CERC	Central Electricity Regulatory Commission
Ckms	Circuit Kilometres
COD	Commercial Operation Date
DCF	Discounted Cash Flow
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization
EV	Enterprise Value
FCFF	Free Cash Flow to Firm
FY	Financial Year Ended 31 <sup>st</sup> March
FYP	Five year Plan
H&Co.	Haribhakti & Co. LLP, Chartered Accountants
INR	Indian Rupees
IVS	Indian Valuation Standards, 2018
JTCL	Jabalpur Transmission Company Limited
kV	Kilo Volts
LTTC	Long Term Transmission Customer
Mn	Million
BDTCL	Bhopal Dhule Transmission Company Limited
NAV	Net Asset Value Method
NCA	Net Current Assets Excluding Cash and Bank Balances
O&M	Operation and Maintenance
PGCIL	Power Grid Corporation of India Limited
PKTCL	Purulia & Kharagpur Transmission Company Limited
PTCL	Patran Transmission Company Limited
RTCL	RAPP Transmission Company Limited
SEBI	Securities and Exchange Board of India
SEBI InvIT Regulations	SEBI (Infrastructure Investment Trusts) Regulations, 2014
SGL1	Sterlite Grid 1 Limited
SIML or Investment Manager	Sterlite Investment Managers Limited
SPGVL or the Sponsor	Sterlite Power Grid Ventures Limited
SPV	Special Purpose Vehicle
T&D	Transmission & Distribution
the Trust or InvIT	India Grid Trust
the Trustee	Axis Trustee Services Limited
TSA	Transmission Service Agreement
WACC	Weighted Average Cost of Capital

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1. **Background**

**The Sponsor**

- 1.1. Sterlite Power Grid Ventures Limited ("SPGVL" or "the Sponsor") is engaged into installation and operation of electricity transmission projects.

**The Infrastructure Investment Trust**

- 1.2. SPGVL is the sponsor for the India Grid Trust ("the Trust"). The Trust was established on 21<sup>st</sup> October 2016 by SPGVL and is registered with the Securities and Exchange Board of India ("SEBI") pursuant to the SEBI (Infrastructure Investment Trusts) Regulations, 2014, as amended ("the SEBI InvIT Regulations"). It is established to own inter-state power transmission assets in India. The units of the Trust are listed on the National Stock Exchange of India Limited and BSE Limited since 6<sup>th</sup> June 2017.

**Investment Manager**

- 1.3. Sterlite investment Managers Limited ("the Investment Manager" or "SIML") has been appointed as the investment manager to the Trust by Axis Trustee Services Limited ("the Trustee") and will be responsible to carry out the duties of such a person as mentioned under SEBI InvIT Regulations.

**Target Financial Asset to be Valued**

- 1.4. MTL will create a key component to enable southern region to draw more power from North-East-West Grid and address the issue of power stability in Telangana region. The improved grid connectivity shall facilitate power procurement from the Inter State Transmission System ("ISTS") network to the beneficiary states Telangana, Tamil Nadu, Seemandhra and Karnataka to meet their electricity demands. The project is envisaged to provide grid connectivity for Maheshwaram 765/400 kV Pooling Substation and Nizamabad 765/400 kV Substation.

**Purpose of Valuation**

- 1.5. As per Regulation 21(4) of Chapter V of the SEBI InvIT Regulations, a yearly valuation of the assets of the Trust shall be conducted by an independent valuer for the period ended 31<sup>st</sup> March 2019 for a publicly offered InvIT. In this regard, Sterlite Investment Managers Limited ("the Investment Manager" or "SIML"), acting as the investment manager and Axis Trustee Services Limited ("the Trustee") acting as the trustee to the Trust intends to undertake the fair valuation of Maheshwaram Transmission Company Limited ("MTL" or "the SPV").
- 1.6. In this regard, the Investment Manager and the Trustee have appointed us, Haribhakti & Co. LLP, Chartered Accountants ("H&Co.") to undertake the fair valuation at the enterprise level of the SPV as per the SEBI InvIT Regulations as at 31<sup>st</sup> March 2019 ("Valuation Date"). Enterprise Value ("EV") is described as the total value of the equity in a business plus the value of its debt and debt related liabilities, minus any cash or cash equivalents to meet those liabilities.
- 1.7. H&Co. declares that:
- 1.7.1. It is competent to undertake the financial valuation in terms of the SEBI InvIT Regulations;
- 1.7.2. It is independent and has prepared the Valuation Report ("the Report") on a fair and unbiased basis;
- 1.7.3. It has valued the SPV based on the valuation standards as specified under sub-regulation 10 of regulation 21 of SEBI InvIT Regulations.



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- 1.8. This Report covers all the disclosures required as per the SEBI InvIT Regulations and the valuation of the SPV is impartial, true and fair and in compliance with the SEBI InvIT Regulations.

#### Scope of Valuation

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1.9. **Nature of the Asset to be Valued**

We have been mandated by the Investment Manager to arrive at the EV of the SPV. Enterprise Value ("EV") is described as the total value of the equity in a business plus the value of its debt and debt related liabilities, minus any cash or cash equivalents to meet those liabilities.

1.10. **Valuation Base**

Valuation Base means the indication of the type of value being used in an engagement. In the present case, we have determined the fair value of the SPV at the operating enterprise level. Fair Value Bases defined as under:

##### Fair Value

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

1.11. **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 due to changes in the condition of the asset to be valued. Accordingly, valuation of an asset as at a particular date can be different from other date(s).

The Valuation Date considered for the fair operating enterprise valuation of the SPV is 31<sup>st</sup> March 2019 ("Valuation Date"). The attached Report is drawn up by reference to accounting and financial information as on 31<sup>st</sup> March 2019. We are not aware of any other events having occurred since 31<sup>st</sup> March 2019 till date of this Report which we deem to be significant for our valuation analysis.

1.12. **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 operating enterprise value of the SPV on a Going Concern Value defined as under:

##### Going Concern Value

- 1.13. 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
- 1.14. For the amount pertaining to the operating working capital, the Investment Manager has acknowledged to consider the provisional financial statements as on 31<sup>st</sup> March 2019 to carry out the valuation of the SPV.

## 2. Exclusions and Limitations

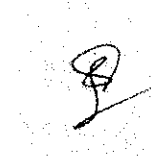
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- 2.1. Our Report is subject to the limitations detailed hereinafter. This Report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to therein.



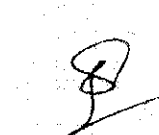
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- 2.2. Valuation analysis and results are specific to the purpose of valuation and is not intended to represent value at any time other than valuation date of 31<sup>st</sup> March 2019 ("Valuation Date") mentioned in the Report and as per agreed terms of our engagement. It may not be valid for any other purpose or as at any other date. Also, it may not be valid if done on behalf of any other entity.
- 2.3. This Report, its contents and the results are specific to (i) the purpose of valuation agreed as per the terms of our engagements; (ii) the Valuation Date and (iii) are based on the financial information of MTL till 31<sup>st</sup> March 2019. The Investment Manager has represented that the business activities of MTL have been carried out in normal and ordinary course between 31<sup>st</sup> March 2019 and the Report Date and that no material changes have occurred in the operations and financial position between 31<sup>st</sup> March 2019 and the Report date.
- 2.4. The scope of our assignment did not involve us performing audit tests for the purpose of expressing an opinion on the fairness or accuracy of any financial or analytical information that was provided and used by us during the course of our work. The assignment did not involve us to conduct the financial or technical feasibility study. We have not done any independent technical valuation or appraisal or due diligence of the assets or liabilities of the SPV or any of other entity mentioned in this Report and have considered them at the value as disclosed by the SPV in their regulatory filings or in submissions, oral or written, made to us.
- 2.5. In addition, we do not take any responsibility for any changes in the information used by us to arrive at our conclusion as set out herein which may occur subsequent to the date of our Report or by virtue of fact that the details provided to us are incorrect or inaccurate.
- 2.6. We have assumed and relied upon the truth, accuracy and completeness of the information, data and financial terms provided to us or used by us; we have assumed that the same are not misleading and do not assume or accept any liability or responsibility for any independent verification of such information or any independent technical valuation or appraisal of any of the assets, operations or liabilities of SPV or any other entity mentioned in the Report. Nothing has come to our knowledge to indicate that the material provided to us was misstated or incorrect or would not afford reasonable grounds upon which to base our Report.
- 2.7. This Report is intended for the sole use in connection with the purpose as set out above. It can however be relied upon and disclosed in connection with any statutory and regulatory filing in connection with the provision of SEBI InvIT Regulations. However, we will not accept any responsibility to any other party to whom this Report may be shown or who may acquire a copy of the Report, without our written consent.
- 2.8. It is clarified that this Report is not a fairness opinion under any of the stock exchange/ listing regulations. In case of any third party having access to this Report, please note this 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.
- 2.9. Further, this Report is necessarily based on financial, economic, monetary, market and other conditions as in effect on, and the information made available to us or used by us up to, the date hereof. 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, revise or reaffirm this Report if information provided to us changes.
- 2.10. This Report is based on the information received from the sources mentioned in para 3 and discussions with the Investment Manager. We have assumed that no information has been withheld that could have influenced the purpose of our Report.
- 2.11. Valuation is not a precise science and the conclusions arrived at in many cases may be subjective and dependent on the exercise of individual judgment. There is, therefore, no





- indisputable single value. We have arrived at an indicative EV based on our analysis. 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 this business.
- 2.12. Any discrepancy in any table / annexure between the total and the sums of the amounts listed are due to rounding-off.
  - 2.13. Valuation is based on estimates of future financial performance or opinions, which represent reasonable expectations at a particular point of time, but such information, estimates or opinions are not offered as predictions or as assurances that a particular level of income or profit will be achieved, a particular event 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.
  - 2.14. We do not carry out any validation procedures or due diligence with respect to the information provided/extracted or carry out any verification of the assets or comment on the achievability and reasonableness of the assumptions underlying the financial forecasts, save for satisfying ourselves to the extent possible that they are consistent with other information provided to us in the course of this engagement.
  - 2.15. Our conclusion assumes that the assets and liabilities of the SPV, reflected in their respective latest balance sheets remain intact as of the Report date.
  - 2.16. Whilst all reasonable care has been taken to ensure that the factual statements in the Report are accurate, neither ourselves, nor any of our partners, directors, officers or employees shall in any way be liable or responsible either directly or indirectly 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 factual statements. We expressly disclaim any and all liabilities, which may arise based upon the information used in this Report. We are not liable to any third party in relation to the issue of this Report.
  - 2.17. The scope of our work has been limited both in terms of the areas of the business and operations which we have reviewed and the extent to which we have reviewed them. 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.
  - 2.18. For the present valuation exercise, we have also relied on information available in public domain; however the accuracy and timelines of the same has not been independently verified by us.
  - 2.19. 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, however the 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.
  - 2.20. 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.
  - 2.21. This Report does not address the relative merits of investing in InvIT as compared with any other alternative business transaction, or other alternatives, or whether or not such alternatives could be achieved or are available.
  - 2.22. We are not advisors with respect to legal tax and regulatory matters for the proposed transaction. No investigation of the SPV's claim to title of assets has been made for the purpose of this Report and the SPV's claim to such rights have been assumed to be valid. No consideration has been given to liens or encumbrances against the assets, beyond the loans disclosed in the accounts. Therefore, no responsibility is assumed for matters of a legal nature.



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- 2.23. We have no present or planned future interest in the Trustee, Investment Manager 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 with the Investment Manager or the SPV.
- 2.24. We have submitted the draft valuation report to the Trust and Investment Manager for confirmation of accuracy of factual data used in our analysis and to prevent any error or inaccuracy in the final valuation report.
- 2.25. **Limitation of Liabilities**
- 2.25.1. It is agreed that, having regard to the H&Co.'s interest in limiting the personal liability and exposure to litigation of its personnel, the Sponsor, the Investment Manager and the Trust will not bring any claim in respect of any damage against any of the H&Co.'s personnel personally.
- 2.25.2. In no circumstances H&Co. 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 H&Co. the likelihood of such damages. Any decision to act upon the deliverables is to be made by the Investment Manager and no communication by H&Co. should be treated as an invitation or inducement to engage the Investment Manager to act upon the deliverable.
- 2.25.3. It is clarified that the SIML and Trustee 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.
- 2.25.4. H&Co. will not be liable if any loss arises due to the provision of false, misleading or incomplete information or documentation by SIML or the Trustee.

**3. Sources of Information**

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

- 3.1. Audited financial statements of MTL for the Financial Year ("FY") ended 31<sup>st</sup> March 2017 and 31<sup>st</sup> March 2018;
- 3.2. Provisional Profit & Loss Account and Balance Sheet for the period ended 31<sup>st</sup> March 2019;
- 3.3. Projected Profit & Loss Account and Working Capital requirements of MTL from 1<sup>st</sup> April 2019 to 13<sup>th</sup> December 2052;
- 3.4. Details of brought forward losses (as per Income Tax Act) as at 31<sup>st</sup> March 2019;
- 3.5. Details of Written Down Value (as per Income Tax Act) of assets as at 31<sup>st</sup> March 2019;
- 3.6. Details of projected Repairs and Capital Expenditure ("Capex") as represented by the Investment Manager.
- 3.7. As on 31<sup>st</sup> March 2019, India Grid Trust holds 100% equity stake in MTL through Sterlite Grid Limited 1 ("SGL 1"). As represented to us by the Investment Manager, there are no changes in the shareholding pattern from 31<sup>st</sup> March 2019 to the date of issuance of this Report.



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- 3.8. Transmission Service Agreement ("TSA") of MTL with Long Term Transmission Customers ("LTTCs") and Tariff adoption order dated 24<sup>th</sup> November 2015 issued by Central Electricity Regulatory Commission ("CERC").
- 3.9. Management Representation Letter by Investment Manager dated 23<sup>rd</sup> April 2019.

#### 4. Procedures adopted for current valuation exercise

- 4.1. We have performed the valuation analysis, to the extent applicable, in accordance with Indian Valuation Standards, 2018 ("IVS") issued by the Institute of Chartered Accountants of India read with sub-regulation 10 of regulation 21 of SEBI InvIT Regulations.
- 4.2. In connection with this analysis, we have adopted the following procedures to carry out the valuation analysis:
  - 4.2.1. Requested and received financial and qualitative information relating to the SPV;
  - 4.2.2. Obtained and analyzed data available in public domain, as considered relevant by us;
  - 4.2.3. Discussions with the Management on:
    - Understanding of the businesses of the SPV – business and fundamental factors that affect its earning-generating capacity including strengths, weaknesses, opportunities and threats analysis and historical and expected financial performance;
  - 4.2.4. Undertook industry analysis:
    - Research publicly available market data including economic factors and industry trends that may impact the valuation
    - Analysis of key trends and valuation multiples of comparable companies/comparable transactions, if any, using proprietary databases subscribed by us.
  - 4.2.5. Analysis of other publicly available information
  - 4.2.6. Selection of valuation approach and valuation methodology/(ies), in accordance with IVS, as considered appropriate and relevant by us.
  - 4.2.7. Determination of fair EV of the SPV.

#### 5. Overview of the InvIT and the SPV

##### The Trust

- 5.1. The Trust is registered with SEBI pursuant to the SEBI InvIT Regulations. The Trust was established on 21<sup>st</sup> October 2016 by SPGVL to own inter-state power transmission assets in India. The units of the trust are listed on the National Stock Exchange of India Limited and BSE Limited since 6<sup>th</sup> June 2017.
- 5.2. The Trust had acquired two revenue generating projects, Bhopal Dhule Transmission Company Limited ("MTL") and Jabalpur Transmission Company Limited ("JTCL") from its Sponsor on 30<sup>th</sup> May 2017. On 15<sup>th</sup> February 2018, the Trust acquired three additional revenue generating projects from its Sponsor, namely, Maheshwaram Transmission Limited ("MTL"), Purulia Kharagpur Transmission Company Limited ("PKTCL") and RAPP Transmission Limited ("RTCL"). Further, the Trust had acquired another revenue generating project, namely, Patran

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Transmission Company Limited ("PTCL") on 19<sup>th</sup> February 2018 from Techno Electric & Engineering Company Limited.

- 5.3. The Trust, pursuant to the 'Right of First Offer' deed had a 'right of first offer' to acquire eight projects of the sponsor out of the same three are acquired and five can still be acquired pursuant to right to first offer.
- 5.4. Following is the financial summary of the projects which the Trust had acquired from the sponsor namely, BDTCL, JTCL, MTL, RTCL and PKTCL from the Sponsor and PTCL from Techno Electric & Engineering Company Limited:

Asset Name	Enterprise Value (INR Mn)					31-Mar-15	Acquisition Value
	30-Sep-18	31-Mar-18	30-Sep-17	31-Mar-17	31-Mar-16		
BDTCL	19,694	20,319	21,431	21,541	21,812	20,113	37,020*
JTCL	14,937	15,431	15,988	16,125	19,407**	14,295	
MTL	5,423	5,564	5,218		NA		4,697
RTCL	4,084	4,054	3,935		NA		3,542
PKTCL	6,481	6,618	6,512		NA		5,861
PTCL	2,401			NA			2,320

\*Consolidated Purchase Price paid by the Trust for the acquisition at the time of initial Public Offer

\*\*For JTCL, the Investment Manager had previously projected the incremental revenue to be at 40% of the non escalable revenue charges during the valuation exercise of 31<sup>st</sup> March 2016, however the same was subsequently reduced to 9.8903% of non escalable charges during the valuation exercise of 31<sup>st</sup> March 2017 as per the CERC order dated 6<sup>th</sup> May 2017.

#### MTL or the SPV

- 5.5. Summary of details of the Project are as follows:

Parameters	Details
Project Cost	INR 3,841 Mn
Total Length	477 ckms
Scheduled COD	June, 2018
Expiry Date	35 years from the scheduled COD
Trust's stake (through SGL 1)*	49% (100% including Beneficial Ownership)

\* Pursuant to the share purchase agreements and shareholders' agreements dated 14<sup>th</sup> February 2018 executed for the acquisition of MTL, the Trust (through SGL1) owns beneficial interest in the remaining 51% stake in these entities which effectively gives it the voting rights over the remaining 51% stake as well.

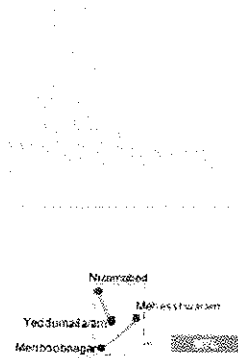
- 5.6. The MTL project was awarded to Sterlite Grid Limited 3 by the Ministry of Power on 10<sup>th</sup> June 2015 for a 35 year period from the scheduled commercial operation date on a Build Own Operating Maintain ("BOOM") basis. The expiry date of TSA shall be the date which is 35 years from the scheduled Commercial Operation Date ("COD") of the project.
- 5.7. MTL will create a key component to enable southern region to draw more power from North-East-West Grid and address the issue of power stability in Telangana region. The improved grid connectivity shall facilitate power procurement from the ISTS network to the beneficiary states Telangana, Tamil Nadu, Seemandhra and Karnataka to meet their electricity demands. The project is envisaged to provide grid connectivity for Maheshwaram 765/400 kV Pooling Substation and Nizamabad 765/400 kV Substation.

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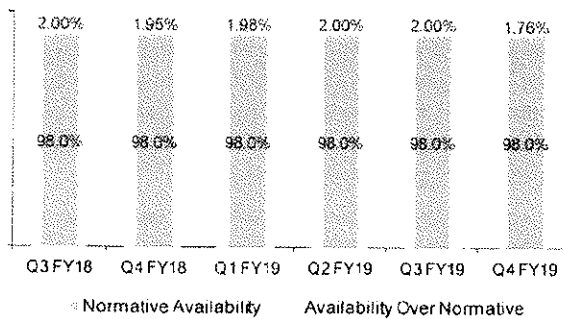
5.8. The project consists of the following transmission lines and is being implemented on contract basis:

Transmission line / Sub-Station	Location	Route length (ckms)	Specifications	Commission date	Contribution to total tariff
Maheshwaram (PG) – Mehboob Nagar	Telangana	199	400 kV D/C	14 <sup>th</sup> Dec 2017	35%
2 Nos. of 400 kV line bays at Mehboob Nagar S/S of TSTRANCO	Telangana	-		14 <sup>th</sup> Dec 2017	
Nizamabad – Yeddumailaram	Telangana	278	400 kV D/C	14 <sup>th</sup> Oct 2017	65%
2 Nos of 400 kV line bays at Yeddumailaram (Shankarapali) S/S of TSTRANCO	Telangana		400 kV D/C	14 <sup>th</sup> Oct 2017	

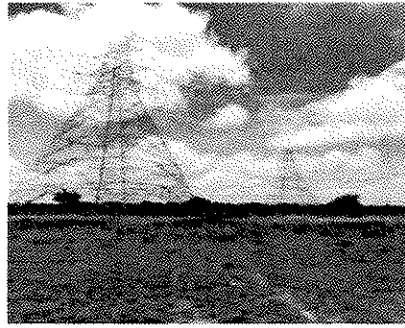
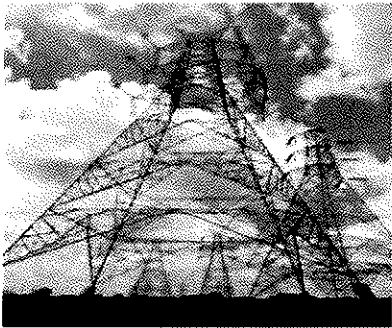
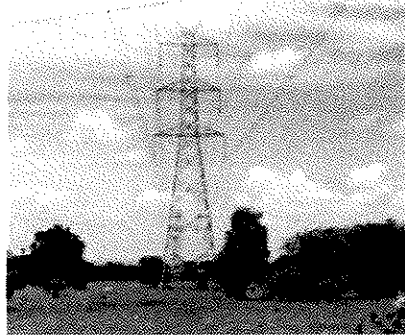
5.9. Following is the map showing area covered by MTL(not drawn to scale):



5.10. Operating Efficiency history of MTL:



5.11. Pictures of the SPV:



6. Overview of the Industry

6.1. Introduction:

- 6.1.1. India is the third largest producer and third largest consumer of electricity in the world, with the installed power capacity reaching 356.1 GW as of March 2019. The country also has the fifth largest installed capacity in the world.
- 6.1.2. Per capita electricity consumption in the country grew at a CAGR of 4.96 per cent, during FY11-FY18, reaching 1,149 KWh in FY18.

6.2. Demand and Supply

- 6.2.1. Demand: India continues to be a power deficient country even after an increasing trend in demand in the past. It is expected that energy requirement will continue to grow at healthy CAGR of 7.5% to 8% over FY 17 to FY 21. The primary growth drivers for rapid expansion in India's energy demand include investments in industrial and infrastructure development, rising per capita energy consumption levels etc.
- 6.2.2. Supply: India has seen a robust growth in the installed power generation capacity in the past four years. The installed power generation capacity has grown at a CAGR of ~9.08% from ~243 GW in FY 14 to ~ 347.22 GW as of December 2018 (Source: IBEF).

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6.3. **India's economic outlook**

- 6.3.1. According to World Bank, India has retained its position as the fastest-growing economy in the world in 2015, after overtaking China in the previous year. Based on its estimates, India will continue to occupy the top slot among major economies with a growth rate of 7.7% to 7.8% until 2019. India's growth rate is significantly higher than the world average of around 4% and is also higher than other developing economies, such as China, Brazil, Indonesia and sub-Saharan African nations.
- 6.3.2. Power is one of the key sectors attracting FDI inflows into India.
- 6.3.3. From April 2000 to June 2018, India recorded FDI of US\$ 6.8 billion in non-conventional energy sector. New and renewable energy sector witnessed maximum power generation capacity addition, since 2000.
- 6.3.4. Cumulative FDI inflows into the sector from April 2000–December 2018 were US\$ 14.22 billion.
- 6.3.5. The ongoing liberalization of India's FDI regime has also led to a surge in investments, especially after the launch of the 'Make in India' campaign in October 2014. The FDI inflow has doubled to \$ 44.8 billion in fiscal 2018 from \$ 22 billion in around 2014. Reduced macroeconomic vulnerability, coupled with improved government spending in infrastructure sectors, has enhanced India's Global Competitive Index (GCI) ranking to 58 in 2017-18 from 71 in 2014-15.

6.4. **Power transmission network in India**

- 6.4.1. The transmission segment plays a key role in transmitting power continuously from the generation plants to various distribution entities. Transmission and sub-transmission systems supply power to the distribution system, which, in turn, supplies power to end consumers. In India, the Transmission and Distribution ("T&D") system is a three-tier structure comprising distribution networks, state grids and regional grids.
- 6.4.2. The distribution networks and state grids are primarily owned and operated by the respective State Transmission utilities or state governments (through state electricity departments). Most inter-state and inter-regional transmission links are owned and operated by Power Grid Corporation of India Limited ("PGCIL"), which facilitates the transfer of power from a surplus region to the ones with deficit.
- 6.4.3. The government's focus on providing electricity to rural areas has led to the T&D system being extended to remote villages. The total length of transmission lines in the country has grown at a slow rate of 6% CAGR during FY 11 and FY 17. The total transmission network has increased from 4,07,569 Ckms in FY 11 to around 6,04,193 Ckms in FY 18.
- 6.4.4. As on January 2019 approx. 7.2% of total transmission network is owned by private players which show cases the need of more private sector participation in this space. India has been underinvested as far as transmission is concerned, however, recently government has been encouraging investments in transmission with approximately projects worth INR 30,000 crores being awarded in last 2 years.
- 6.4.5. PGCIL has spent around INR 0.9 trillion over 2013-16.
- 6.4.6. Of the total capacity-addition projects in transmission during the 12<sup>th</sup> FYP, about 42% can be attributed to the state sector. The share of private sector in transmission line and substation additions since the beginning of 12<sup>th</sup> FYP is 14% and 7%, respectively.

as the majority of high-capacity, long-distance transmission projects were executed by PGCIL and state transmission utilities during this period.

- 6.4.7 In order to strengthen the power system and ensure free flow of power, significant investments would be required in the T&D segment. Moreover, commissioning of additional generation capacity, rising penetration of renewable energy, regional demand-supply mismatches, upgradation of existing lines, rising cross border power trading would necessitate huge investments in transmission sector in India.
- 6.4.8 Thus, going forward, the share of power sector investments are expected to veer towards the T&D segment. Moreover, strong government focus on the T&D segment will also support investments. CRISIL Research expects the transmission segment share in total power sector investments to rise sharply to 33% over 2017-21 from only 20% over 2012-16. Thus, we expect transmission segments investments to increase 1.5 times to INR 3.1 trillion over 2017-21 as compared to the previous 5 year period.

*Source: CRISIL Power Transmission Report –March 2019 and IBEF report on Power sector in India- January 2019 and Central Electricity Authority Data as mentioned in PGCIL and Adani Transmission Limited Annual Report 2017-18.*

## 7. Valuation Approach

- 7.1. The present valuation exercise is being undertaken in order to derive the fair EV of the SPV.
- 7.2. The valuation exercise involves selecting a method suitable for the purpose of valuation, by exercise of judgment by the valuers, based on the facts and circumstances as applicable to the business of the company to be valued.
- 7.3. There are three generally accepted approaches to valuation:
- (a) "Cost" approach
  - (b) "Market" approach
  - (c) "Income" approach

### 7.4. 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 ("NAV")

The NAV Method under Cost Approach considers 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 a company.

The NAV Method is appropriate in a case where the main strength of the business is its asset backing rather than its capacity or potential to earn profits. This valuation approach is also used in case where the firm is to be liquidated i.e. it does not meet the "going concern" criteria.

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, NAV 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.



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7.5. **Market Approach**

Under the Market approach, the valuation is based on the market value of the company in case of listed companies and comparable companies trading or transaction multiples for unlisted companies. The Market approach generally reflects the investors' perception about the true worth of the company.

Comparable Companies Multiples ("CCM") Method

The value is determined on the basis of multiples derived from valuations of comparable companies, as manifest in the 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.

Comparable Transactions Multiples ("CTM") Method

Under the CTM Method, the value is determined on the basis of multiples derived from valuations of similar transactions in the industry. Relevant multiples need to be chosen carefully and adjusted for differences between the circumstances. Few of such multiples are EV/Earnings before Interest, Taxes, Depreciation & Amortization ("EBITDA") multiple and EV/Revenue multiple.

Market Price Method

Under this method, the market price of an equity share of the company 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.

7.6. **Income Approach**

The income approach is widely used for valuation under "Going Concern" basis. It focuses on the income generated by the company in the past as well as its future earning capability. The Discounted Cash Flow Method under the income approach seeks to arrive at a valuation based on the strength of future cash flows.

Discounted Cash Flow ("DCF") Method

Under DCF Method value of a company can be assessed using the Free Cash Flow to Firm Method ("FCFF") or Free Cash Flow to Equity Method ("FCFE"). Under the DCF method, the business is valued by discounting its free cash flows for the explicit forecast period and the perpetuity value thereafter. The free cash flows represent the cash available for distribution to both, the owners and creditors of the business. The free cash flows in the explicit period and those in perpetuity are discounted by the Weighted Average Cost of Capital ("WACC"). The WACC, based on an optimal vis-à-vis actual capital structure, 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.

The perpetuity (terminal) value is calculated based on the business' 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' future operations. The Business/EV (aggregate of the present value of explicit period and terminal period cash flows) so derived, is further reduced by the value of debt, if any, (net of cash and cash equivalents) to arrive at value to the owners of the business.

#### 7.7. Conclusion on Valuation Approach

It is pertinent to note that the valuation of any company or its assets is inherently imprecise and is subject to certain uncertainties and contingencies, all of which are difficult to predict and are beyond our control. In performing our analysis, we made numerous assumptions with respect to industry performance and general business and economic conditions, many of which are beyond the control of the SPV. In addition, this valuation will fluctuate with changes in prevailing market conditions, and prospects, financial and otherwise, of the SPV, and other factors which generally influence the valuation of companies and their assets.

Accordingly, we have summarized the application of valuation method for the current valuation exercise as under:

##### Cost Approach

The existing book value of EV of the SPV comprising of its Net fixed assets and working capital is INR 3.823 Mn as at 31<sup>st</sup> March 2019.

In the present case, since the SPV has entered into TSA, the revenue of SPV is pre-determined for the life of the project. In such scenario, the true worth of the business is reflected in its future earning capacity rather than the cost of the project. Accordingly, since the NAV does not capture the future earning potential of the businesses, we have not considered the cost approach for the current valuation exercise.

##### Market Approach

The present valuation exercise is to undertake a fair EV of the SPV engaged in the power transmission business for a specific tenure. Further, the tariff revenue expenses are very specific to the SPV depending on the nature of their geographical location, stage of project, terms of profitability. In the absence of any exactly comparable listed companies with characteristics and parameters similar to that of the SPV, we have not considered CCM method in the present case. In the absence of adequate details about the Comparable Transactions, we were unable to apply the CTM method. Currently, the equity shares of SPV are not listed on any recognized stock exchange of India. Hence, we are unable to apply market price method.

##### Income Approach

The SPV is operating as BOOM model based project. The cash inflows of the projects are defined for 35 years under the TSA. Hence, the growth potential of the SPV and the true worth of its business would be reflected in its future earnings potential and therefore DCF Method under the income approach has been considered as an appropriate method for the present valuation exercise.



8. **Valuation of the SPV**

We have estimated the EV of the SPV using the Discounted Cash Flow Method. While carrying out this engagement, we have relied extensively on the information made available to us by the Investment Manager. We have considered projected financial statement of the SPV as provided by the Investment Manager.

**Valuation**

8.1. The key assumptions of the projections provided to us by the Investment Manager are:

**Key Assumptions**

8.1.1. **Transmission Revenue:** The transmission revenue of the SPV comprises of non escalable transmission revenue and escalable transmission revenue as provided in the TSA read with Tariff Adoption Order dated 24<sup>th</sup> November 2015 for the life of the project.

- **Non Escalable Transmission Revenue:** The Non Escalable Transmission revenue remains fixed for the entire life of the project. We have corroborated the revenue considered in the financial projections with the respective TSA read with Tariff adoption order dated 24<sup>th</sup> November 2015 and documents provided to us by the Investment Manager.
- **Escalable Transmission Revenue:** Escalable Transmission revenue is the revenue component where the revenue is duly escalated based on the rationale as provided in the respective TSA read with Tariff adoption order dated 24<sup>th</sup> November 2015 and documents provided to us by the Investment Manager. The escalation is to mainly compensate for inflation.

8.1.2. **Incentives:** As provided in the respective TSA, if the annual availability exceeds 98%, the SPV shall be entitled to an annual incentive as provided in TSA. Provided no incentives shall be payable above the availability of 99.75%. Based on the past track record of the SPV and the general industry standard, the annual availability shall be above 98% where the SPV shall be entitled to the incentives as provided in the TSA.

8.1.3. **Penalty:** If the annual availability in a contract year falls below 95%, the SPV shall be liable for an annual penalty as provided in the TSA. Based on our analysis in Para 8.1.2 in the present case it is assumed that the annual availability will not fall below 95% and hence penalty is not considered in the financial projections.

8.1.4. **Expenses:** Expenses are estimated by the Investment Manager for the projected period based on the escalation rate as determined for the SPV. We have relied on the projections provided.

- **Operations & Maintenance ("O&M"):** O&M expenditure is estimated by the Investment Manager for the projected period based on the escalation rate as determined for the SPV. The Investment Manager has projected expenses to be incurred for the O&M of the SPV including, but not limited to, transmission line maintenance expenses, rates and taxes, legal and professional fees and other general and administration expenses. We have relied on the projections provided by Investment Manager on the operating and maintenance expenses for the projected period.
- **Insurance Expenses:** We understand from the Investment Manager that the insurance expenses of the SPV will not escalate for the projected period. We have relied on the projections provided by the Investment Manager on the insurance expenses for the projected period.



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- 8.1.5. **Depreciation:** The book depreciation has been provided by the Investment Manager. For calculating depreciation as per Income Tax Act for the projected period, we have considered depreciation rate as specified in the Income Tax Act and WDV as provided by the Investment Manager.
- 8.1.6. **Capex:** As represented by the Investment Manager, the SPV is not expected to incur any Capex in the projected period.
- 8.1.7. **Tax Incentive:** The SPV is eligible for tax holiday under section 80IA of the Income Tax Act. Such tax holiday shall be available for any 10 consecutive years out of 15 years beginning from the date of COD.
- 8.1.8. **Working Capital:** The Investment Manager has envisaged the working capital requirement of the SPV for the projected period. The working capital assumptions for the projections as provided by the Investment Manager comprises of trade receivables, other current assets, trade payables and other current liabilities.

## 8.2. Impact of Ongoing Material Litigation on Valuation

As represented by Investment Manager, there are no ongoing litigations that will affect the valuation exercise.

## Valuation of SPV

### 8.3. Calculation of Weighted Average Cost of Capital for the SPV

#### 8.3.1. Cost of Equity:

Cost of Equity (CoE) is a discounting factor to calculate the returns expected by the equity holders depending on the perceived level of risk associated with the business and the industry in which the business operates.

For this purpose, we have used the Capital Asset Pricing Model (CAPM), which is a commonly used model to determine the appropriate cost of equity for the SPV.

$$K(e) = R_f + (R_p \times \text{Beta}) + \text{CSRP}$$

Wherein:

K(e) = cost of equity

R<sub>f</sub> = risk free rate

R<sub>p</sub> = risk premium i.e. market risk premium over and above risk free rate

Beta = a measure of the sensitivity of assets to returns of the overall market

CSRP = Company Specific Risk Premium (In general, an additional company-specific risk premium will be added to the cost of equity calculated pursuant to CAPM).

For valuation exercise, we have arrived at adjusted cost of equity of 12.38%

#### 8.3.2. Risk Free Rate:

We have applied a risk free rate of return of 7.43% on the basis of the relevant zero coupon yield curve as on 29<sup>th</sup> March 2019 for government securities having a maturity period of 10 years, as quoted on the website of Clearing Corporation of India Limited ("CCIL").

#### 8.3.3. Risk Premium:

Risk premium is a measure of premium that investors require for investing in equity markets rather than bond or debt markets. A risk premium is calculated as follows:



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Risk premium = Equity market return – Risk free rate

Wherein:

Equity market return = the average historical market return is estimated at 15.00%.

Risk free rate = 7.43% as explained in para 8.3.2.

Hence, risk premium is derived as 7.57%.

8.3.4. **Beta:**

Beta is a measure of the sensitivity of a company's stock price to the movements of the overall market index. Normally we would take a relevant number from a quoted stock and the market on which it trades. In the present case, we find it appropriate to consider the beta of companies in similar business/industry to that of the SPV.

We have further unlevered that beta based on debt-equity of the respective company using the following formula:

Unlevered Beta = Levered Beta / [1 + (Debt / Equity) \* (1-T)]

Further we have re-levered it based on debt-equity of the industry standard using the following formula:

Re-levered Beta = Unlevered Beta \* [1 + (Debt / Equity) \* (1-T)]

For our valuation exercise, re-levered beta has been taken as 0.65.

8.3.5. **Cost of Debt:**

The calculation of Cost of Debt post-tax can be defined as follows:

$K(d) = K(d) \text{ pre tax} * (1 - T)$

Wherein:

K(d) = Cost of debt

T = tax rate as applicable

In present valuation exercise, we have considered debt:equity at 70:30 based on industry standard.

For valuation exercise, cost of debt has been considered as 8.45%.

8.3.6. **Weighted Average Cost of Capital (WACC):**

The discount rate, or the WACC, is the weighted average of the expected return on equity and the cost of debt. The weight of each factor is determined based on the company's optimal capital structure.

Formula for calculation of WACC:

$WACC = [K(d) * \text{Debt} / (\text{Debt} + \text{Equity})] + [K(e) * (1 - \text{Debt} / (\text{Debt} + \text{Equity}))]$

8.3.7. Accordingly, as per above, we have arrived the WACC of 8.12% for MTL for valuation (Refer Appendix I)

- 8.4. We understand from the representation of the Investment Manager that the SPV will generate cash flow even after the expiry of concession period of 35 years as the project is on BOOM model and the ownership will remain with the SPV even after the expiry of 35 years. Accordingly we have considered Terminal Value after the expiry of 35 years.

8.5. **Valuation of MTL**

- 8.5.1. We have relied on the projected financials of MTL as provided by the Investment Manager for the period from 1<sup>st</sup> April 2019 to 13<sup>th</sup> December 2052.



- 8.5.2. WACC arrived at for the purpose of valuation is 8.12% for cash flows as per the Base Case (Refer Appendix I).
- 8.5.3. For the terminal period, we have considered 0% constant growth rate for FCFF.
- 8.5.4. As on Valuation Date, we have discounted the free cash flows of MTL using the WACC of 8.12% to arrive at the Enterprise Value by aggregating the present value of cash flows for explicit period and terminal period at INR 5,268 Mn (Refer Appendix II)

## 9. Valuation Conclusion

- 9.1. The current valuation has been carried out based on the discussed 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.
- 9.2. We have been represented by the Investment Manager that there is no potential devolvement on account of the contingent liability as of valuation date; hence no impact has of contingent liability has been factored in to arrive at EV of the SPV.
- 9.3. Based on the above analysis the EV as on the Valuation Date of the SPV is INR 5,268 Mn (Appendix II).
- 9.4. The fair Enterprise Value of the SPV is estimated using DCF method. The valuation requires Investment Manager to make certain assumptions about the model inputs including forecast cash flows, discount rate, and credit risk.
- 9.5. Valuation is based on estimates of future financial performance or opinions, which represent reasonable expectations at a particular point of time, but such information, estimates or opinions are not offered as predictions or as assurances that a particular level of income or profit will be achieved, a particular event 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.
- 9.6. Accordingly, we have conducted sensitivity analysis on the following model inputs:

WACC	Decrease by 0.50%	Fair Value @8.12%	Increase by 0.50%
Implied WACC	7.62%	8.12%	8.62%
Enterprise Value (in INR Mn)	5,574	5,268	4,996
Total Expenses	Decrease by 20%	Fair Value	Increase by 20%
Enterprise Value (in INR Mn)	5,398	5,268	5,138

## 10. Additional Procedures to be complied with in accordance with InvIT regulations

### Scope of Work

- 10.1. The Schedule V of the SEBI InvIT Regulations prescribes the minimum set of mandatory disclosures to be made in the valuation report. In this reference, the minimum disclosures in valuation report may include following information as well, so as to provide the investors with the adequate information about the valuation and other aspects of the underlying assets of the InvIT.

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The additional set of disclosures, as prescribed under Schedule V of InvIT Regulations, to be made in the valuation report of Maheshwaram Transmission Limited ("MTL") are as follows:

- List of one-time sanctions/approvals which are obtained or pending;
- List of up to date/overdue periodic clearances;
- Statement of assets included;
- Estimates of already carried as well as proposed major repairs and improvements along with estimated time of completion;
- Revenue pendencies including local authority taxes associated with InvIT asset and compounding charges, if any.
- On-going and closed material litigations including tax disputes in relation to the assets, if any;
- Vulnerability to natural or induced hazards that may not have been covered in town planning/ building control.

#### Limitations

- 10.2. This Report is based on the information provided by the investment Manager. The exercise has been restricted and kept limited to and based entirely on the documents, records, files, registers and information provided to us. We have not verified the information independently with any other external source.
- 10.3. We have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as original, and the conformity of the copies or extracts submitted to us with that of the original documents.
- 10.4. We have assumed that the documents submitted to us by the Investment Manager in connection with any particular issue are the only documents related to such issue.
- 10.5. We have reviewed the documents and records from the limited perspective of examining issues noted in the scope of work and we do not express any opinion as to the legal or technical implications of the same.
- 10.6. Analysis of Additional Set of Disclosures for MTL
  - A. List of one-time sanctions/approvals which are obtained or pending;  
As informed by the Investment Manager, there have been no additional sanctions/ approvals obtained by MTL between the period 1<sup>st</sup> April 2018 to 31<sup>st</sup> March 2019. Further, we were informed that there were no applications for which approval is pending. The list of sanctions/ approvals obtained by the Company as on 31<sup>st</sup> March 2019 is provided in Appendix III.
  - B. List of up to date/ overdue periodic clearances;  
We have included the periodic clearances obtained by MTL in Appendix III.

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C. Statement of assets included:

As at 31<sup>st</sup> March 2019, details of the asset of the SPV are as follows.

Asset Type	Gross Block	Depreciation	Net Block	INR Million
				% of asset depreciated
Transmission Lines	3,876.1	169.7	3,706.4	4%
Freehold Land	0.6	-	0.6	0%
Other Assets	0.9	0.6	0.3	64%
<b>TOTAL</b>	<b>3,877.6</b>	<b>170.2</b>	<b>3,707.3</b>	

Source: Provisional Financials of 31st March 2019

D. Estimates of already carried as well as proposed major repairs and improvements along with estimated time of completion:

We noted in the provisional financial statements that MTL has incurred INR 20.21 million for the year ended 31<sup>st</sup> March 2019 for the maintenance charges of Transmission Lines. Based on the confirmation provided by Investment Manager we expect an increase of c.3.47% per annum in the cost of repairs and maintenance expenses to be incurred in the future period.

Investment Manager has informed us that there are no maintenance charges which has been deferred to the upcoming year as the maintenance activities are carried out regularly. We have been informed that overhaul maintenance are regularly carried out by MTL in order to maintain the working condition of the assets.

E. Revenue pendencies including local authority taxes associated with InvIT asset and compounding charges, if any:

Investment Manager has informed us that there are no dues including local authority taxes pending to be payable to the Government authorities with respect to InvIT assets.

F. On-going and closed material litigations including tax disputes in relation to the assets, if any:

As informed by the Investment Manager, the status of ongoing litigations is updated in Appendix IV. Investment Manager has informed us that it expects majority of the cases to be settled in favour of MTL and accordingly no outflow is expected against the litigations.

G. Vulnerability to natural or induced hazards that may not have been covered in town planning/ building control.

Investment Manager has confirmed to us that there are no such natural or induced hazards which have not been considered in town planning/ building control.



## Appendix I – Weighted Average Cost of Capital of the SPV

Particulars	%	Remarks
Market Return	15.00%	Market Return has been considered based on the long term average returns earned by an equity investor in India.
Risk Free Rate	7.43%	Risk Free Rate has been considered based on zero coupon yield curve as at 29 <sup>th</sup> March 2019 of Government Securities having maturity period of 10 years, as quoted on CCIL's website.
Market Risk Premium	7.57%	Market Premium = Market Return – Risk Free Rate
Beta (relevered)	0.65	Beta has been considered based on the beta of companies operating in the similar kind of business in India.
Cost of Equity	12.38%	$Ke = Rf + \beta \times (Rm - Rf) + CSR$
Pre-tax Cost of Debt	8.43%	As represented by the Investment Manager
Effective tax rate of SPV	25.37%	Average tax rate for the life of the project has been considered
Post-tax Cost of Debt	6.29%	Effective cost of debt. $Kd = \text{Pre tax } Kd \times (1 - \text{Effective Tax Rate})$
Debt/(Debt+Equity)	70.00%	The debt – equity ratio computed as $[D/(D+E)]$ is considered as 70% as per industry standard.
<b>WACC</b>	<b>8.12%</b>	<b><math>WACC = [Ke \times (1 - D/(D+E))] + [Kd \times (1 - t) \times (D/(D+E))]</math></b>

Appendix II – Valuation of MTL as on 31<sup>st</sup> March 2019

Year	Revenue	EBITDA	EBITDA Margin	Capex	Changes in WC	Taxation	FCFF	Cash Accrual Factor	Discounting Factor	PV of Cash Flows
FY20	575	530	92%	-	22	88	420	0.50	0.96	404
FY21	575	529	92%	-	(0)	88	441	1.50	0.89	392
FY22	576	528	92%	-	(0)	88	440	2.50	0.82	362
FY23	576	527	91%	-	0	87	440	3.50	0.76	334
FY24	577	526	91%	-	0	87	439	4.50	0.70	309
FY25	578	525	91%	-	0	87	438	5.50	0.65	285
FY26	578	523	91%	-	0	87	437	6.50	0.60	263
FY27	579	522	90%	-	0	86	435	7.50	0.56	243
FY28	580	521	90%	-	0	86	435	8.50	0.51	224
FY29	580	520	90%	-	0	86	434	9.50	0.48	207
FY30	581	518	89%	-	0	86	433	10.50	0.44	191
FY31	582	517	89%	-	0	85	432	11.50	0.41	176
FY32	583	516	88%	-	0	85	431	12.50	0.38	162
FY33	584	514	88%	-	0	85	430	13.50	0.35	150
FY34	585	513	88%	-	0	84	429	14.50	0.32	138
FY35	586	512	87%	-	0	84	427	15.50	0.30	127
FY36	587	510	87%	-	0	121	389	16.50	0.28	107
FY37	588	509	86%	-	0	141	368	17.50	0.25	94
FY38	590	507	86%	-	0	141	366	18.50	0.24	86
FY39	591	506	86%	-	0	142	364	19.50	0.22	79
FY40	593	504	85%	-	0	142	362	20.50	0.20	73
FY41	594	503	85%	-	0	142	360	21.50	0.19	67
FY42	596	501	84%	-	0	143	358	22.50	0.17	62
FY43	597	500	84%	-	0	143	357	23.50	0.16	57
FY44	599	498	83%	-	0	143	355	24.50	0.15	52
FY45	601	496	83%	-	0	142	354	25.50	0.14	48
FY46	603	495	82%	-	0	142	352	26.50	0.13	44
FY47	605	493	81%	-	0	142	351	27.50	0.12	41
FY48	607	491	81%	-	0	142	349	28.50	0.11	38
FY49	610	490	80%	-	0	142	348	29.50	0.10	35
FY50	612	488	80%	-	0	141	347	30.50	0.09	32
FY51	615	486	79%	-	0	141	345	31.50	0.09	29
FY52	618	485	78%	-	0	141	344	32.50	0.08	27
FY53**	437	340	78%	-	0	99	241	33.35	0.07	18
TV	621	483	78%	-	-	141	342	33.35	0.07	25
Present Value of Explicit Period Cash Flows										4,957
Present Value of Terminal Year Cash Flow										311
<b>Enterprise Value</b>										<b>5,268</b>

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Appendix III – Summary of Approvals & Licenses (1/3)

Sr. No.	Approvals	Date of Issue	Validity (in years)	Issuing Authority
1	Company Registration	14-Aug-14	Valid	Ministry of Corporate Affairs
2	<b>Aviation Clearance</b>			
	NOC for Height Clearance	9-Mar-17	7	Airport Authority Of India
	NOC for Height Clearance	9-Mar-17	7	Airport Authority Of India
	NOC for Height Clearance	9-Mar-17	7	Airport Authority Of India
	NOC for Height Clearance	16-Mar-17	7	Airport Authority Of India
	NOC for Height Clearance	9-Mar-17	7	Airport Authority Of India
	NOC for Height Clearance	21-Mar-17	7	Airport Authority Of India
	NOC for Height Clearance	9-Mar-17	7	Airport Authority Of India
	NOC for Height Clearance	21-Mar-17	7	Airport Authority Of India
	NOC for Height Clearance	9-Mar-17	7	Airport Authority Of India
	NOC for Height Clearance	21-Mar-17	7	Airport Authority Of India
	NOC for Height Clearance	9-Mar-17	7	Airport Authority Of India
	NOC for Height Clearance	21-Mar-17	7	Airport Authority Of India
	NOC for Height Clearance	9-Mar-17	7	Airport Authority Of India
	NOC for Height Clearance	21-Mar-17	7	Airport Authority Of India
3	Approval under section 6B(1) of Electricity Act, 2003	27-Jul-15	Valid	Ministry of Power
4	Approval from GOI under section 164 of Electricity Act, 2003 - Under Gazette of India	20-Sep-16	25	Ministry of Power
5	Approval from CERC under section 17(3)	4-Jun-16	Valid	Central Electricity Regulatory Commission
6	Approval under section 14 of Electricity Act, 2003	23-Nov-15	25	Central Electricity Regulatory Commission
7	Approval for Energisation under regulation 43 of CEA	15-May-17	Valid	Central Electricity Authority
8	<b>Forest Clearance</b>			
	Nizamabad- Yeddumailaram Transmission Line at Nizamabad - Stage I (in Principal Approval)	14-Oct-16	5	Ministry of Environment, Forests & Climate Change
	Nizamabad- Yeddumailaram Transmission Line at Nizamabad - Stage I (Working approval)	6-Jan-17	1	Forest Department (Government of Telangana)
	Nizamabad- Yeddumailaram Transmission Line at Nizamabad - Stage II (in Principal Approval)	12-Jan-18	Valid	Ministry of Environment, Forests & Climate Change

Source: Investment Manager

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Appendix III – Summary of Approvals & Licenses (2/3)

Sr. No.	Approvals	Date of Issue	Validity (in years)	Issuing Authority
9	<b>Power &amp; Telecommunication Coordination Committee ("PTCC")</b> <b>Clearance</b> Nizamabad- Yeddumailaram Transmission Line Maheshwaram-MahabubNagar Transmission Line	11-Apr-17 14-Jun-17	Valid Valid	PTCC, Government of India PTCC, Government of India
10	<b>Road Crossing</b> Nizamabad-Shankarpali over NH 44 between AP 8/0 and AP 9/0 Nizamabad-Shankarpali over NH 9 (Hyderabad to Mumbai) Maheshwaram-MahabubNagar Transmission Line	27-Jan-17 3-Mar-17 10-Mar-17	Valid Valid Valid	National Highway Authority of India Ministry of Road Transport & Highways National Highway Authority of India
11	<b>Defence Clearance</b> NOC from aviation angle for Construction of Maheshwaram Mahabubnagar Line. NOC from aviation angle for Construction of Nizamabad- Shankarpali	26-May-17 29-May-17	Valid Valid	Ministry of Defence Ministry of Defence
12	<b>Power Line Crossing Approval</b> Raichur Line Tower (Provisional Permission) Maheshwaram-MahabubNagar 132 KV & 220 KV Maheshwaram-MahabubNagar (Provisional Permission) Maheshwaram- Veltoor Nizamabad-Sharkarpally Transmission Line crossing 132KV Kandi) Nizamabad-Yeddumailaram Transmission Line crossing 132KV & 220 KV Nizamabad-Yeddumailaram Transmission Line crossing 132KV & 220 KV in Medak Circle Nizamabad-Sharkarpally 400KV Gajwel-Shankarpally DC line Nizamabad-Sharkarpally Transmission Line (Provisional Permission) Nizamabad-Sharkarpally 220 KV Sadasivpet- Shankarpally Line	6-Jul-16 12-Sep-16 8-Dec-16 26-May-17 3-Mar-17 9-Aug-16 10-Oct-16 19-Oct-16 23-Jan-17 4-Aug-17	Valid Valid Valid Valid Valid Valid Valid Valid Valid Valid Valid	Power Grid Corporation of India Ltd Transmission Corporation of Telangana Limited Power Grid Corporation of India Ltd Transmission Corporation of Telangana Limited Transmission Corporation of Telangana Limited Transmission Corporation of Telangana Limited Transmission Corporation of Telangana Limited Transmission Corporation of Telangana Limited Transmission Corporation of Telangana Limited Transmission Corporation of Telangana Limited Transmission Corporation of Telangana Limited

Source: Investment Manager

## Appendix III – Summary of Approvals &amp; Licenses (3/3)

Sr. Approvals No.	Date of Issue	Validity (in years)	Issuing Authority
13			
			<u>Railway Crossing</u>
			400kv D/C Nizamabad-Shankarpalli
14	13-Feb-17	Valid	South Central Railway
			<u>Transmission Service Agreement</u>
			Transmission Service Agreement between MTL & Long Term Transmission Customers
	10-Jun-15	35	
			Transmission Service Agreement between MTL & Power Grid Corporation of India Ltd
27-Apr-17		Valid	
15			<u>Approval for adoption of Tariff</u>
			Approval for adoption of Tariff
	24-Nov-15	35	
			Revised approval for adoption of Tariff
	12-Jun-17	35	
16			<u>Trial run certificate</u>
			Nizamabad - Shankarpalli lines I & II.
	20-Oct-17	Valid	Power System Operation Corporation Limited
	26-Dec-17	Valid	Power System Operation Corporation Limited

Source: Investment Manager

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Chartered Accountants

Appendix IV – Summary of Ongoing Litigations (1/2)

Matter	Pending Before	Details of the case	Amount Involved (INR Million)	Amount Deposited (INR Million)
Right of Way Compensation (ROW)	High Court	<p><b>Background of the case:</b> Anju Jagga Reddy &amp; Others ("Petitioners") vs MTL &amp; Others ("Respondents"). Petitioners has filed a writ petition before High Court of Telangana and Andhra Pradesh. The Petitioners alleged that the laying of a transmission line parallel to the existing transmission line is illegal and arbitrary. A settlement agreement dated 21 November 2017 has been entered into in this regard. The aggregate amount involved in this matter is INR 3 Million.</p> <p><b>Current Status:</b> The matter is currently pending at High Court.</p>	3	3
Right of Way Compensation (ROW)	Collector	<p><b>Background of the case:</b> Purushotham &amp; Others ("Petitioners") vs MTL &amp; Others ("Respondents"). Petitioners has filed a writ petition before High Court of Telangana and Andhra Pradesh alleging that the construction of high tension transmission lines by Respondents on their land is illegal and arbitrary and praying that the Respondents change the alignment of the poles of the transmission lines. The High Court, by its order dated 15 February 2017, directed the Petitioners to approach the District Magistrate to adjudicate upon the matter. Subsequently, the Petitioners have filed a complaint before the District Magistrate, Sangareddy.</p> <p><b>Current Status:</b> The matter is currently pending at Collector.</p>	Not provided*	Not provided*
Right of Way Compensation (ROW)	Collector	<p><b>Background of the case:</b> Samala Raju &amp; Others ("Petitioners") vs MTL &amp; Others ("Respondents"). Petitioners has filed a writ petition before the High Court of Telangana and Andhra Pradesh against the respondents for not paying compensation for erecting high tension transmission lines in the land of the petitioners as illegal. The Petitioner also praying to consider the representation with respect to fixing of compensation towards damages being caused to their land due to the erection of transmission lines. The Revenue Divisional Officer, Kamareddy issued direction to MTL to pay compensation on amount of approximately INR 0.47 Million per case to the Respondents MTL has submitted a letter dated 5 July 2017 along with proof of compensation paid before the Revenue Division Officer, Kamareddy.</p> <p><b>Current Status:</b> The matter is currently pending at Collector.</p>	Not provided*	Not provided*

Source: Investment Manager

\* We were unable to quantify the amount of liability involved from the set of documents provided

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Appendix IV – Summary of Ongoing Litigations (2/2)

Matter	Pending Before	Details of the case	Amount Involved (INR Million)	Amount Deposited (INR Million)
Right of Way Compensation (ROW)	Collector	<p><b>Background of the case:</b> G. Lingareddy and others ('Petitioners') filed a writ against the High Court of Telangana and Andhra Pradesh ('High Court') against the District Collector, Nizamabad. MTL and others ('Respondents'). The Petitioners alleged that the power transmission line was laid over their land without any prior notice and without initiating acquisition proceedings due to which they suffered heavy crop damage and losses. The High Court, by an order dated 8 March 2017, directed the District Collector, Nizamabad to dispose of the matter in accordance with law. MTL has submitted a letter dated September 27, 2017 along with proof of compensation paid before the Revenue Division Officer, Kamareddy.</p> <p><b>Current Status:</b> The matter is currently pending at Collector.</p>	Not provided*	Not provided*
Right of Way Compensation (ROW)	Collector	<p><b>Background of the case:</b> Gaddam Vinod Kumar and others ('Petitioners') filed a writ petition before the High Court of Telangana and Andhra Pradesh ('High Court') against the District Collector, Nizamabad. MTL and others ('Respondents'). The Petitioners prayed before the High Court to declare the action of the Respondents in not fixing the compensation towards the damages being caused by erecting transmission towers and drawing of high voltage transmission lines in and across the Petitioners lands, as illegal and arbitrary. The High Court by its order dated 27 April 2017 disposed of the matter directing the Respondent to dispose of the representations made by the Petitioners in accordance with law. MTL has submitted a letter along with proof of compensation paid before the Revenue Division Officer. The matter is currently pending.</p> <p><b>Current Status:</b> The matter is currently pending at Collector.</p>	Not provided*	Not provided*
Regulatory Matter	Petition filed by MTL	<p><b>Background of the case:</b> MTL has filed a petition dated 7 June 2018 before the Central Electricity Regulatory Commission ('CERC') for claiming compensation amounting to INR 156.58 Million due to changes in law on account of the promulgation of various amendments/ notifications to existing laws including land and corridor compensation payment guidelines and the levy of GST. Further, MTL has sought an adjustment in the tariff to compensate and to offset the impact on the capital cost, revenue and expenses of the project on account of the change in law.</p> <p><b>Current Status:</b> The matter is currently pending.</p>	156.58	-

Source: Investment Manager

\* We were unable to quantify the amount of liability involved from the set of documents provided.





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Chartered Accountants

**Valuation as per SEBI (Infrastructure Investment  
Trusts) Regulations, 2014**

**SPV: Patran Transmission Company Limited  
("PTCL")**

Valuation Date: 31<sup>st</sup> March 2019



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HARIBHAKTI & CO. LLP  
Chartered Accountants

Date: 24<sup>th</sup> April 2019  
CFAS/2019-20/3

**Sterlite Investment Managers Limited**

F-1, Mira Corporate Suits,  
1&2, Mathura Road, Ishwar Nagar,  
New Delhi – 110065

**India Grid Trust**

(Axis Trustee Services Limited acting on behalf of the Trust)

F-1, Mira Corporate Suits,  
1&2, Mathura Road, Ishwar Nagar,  
New Delhi – 110065

**Sub: Valuation as per SEBI (Infrastructure Investment Trusts) Regulations, 2014, as amended**  
**("the SEBI InvIT Regulations")**

Dear Sirs/Madams,

We, Haribhakti & Co. LLP, Chartered Accountants ("H&Co."), have been appointed vide letter dated 29<sup>th</sup> January 2019, as an independent valuer, as defined under the SEBI InvIT Regulations, by Sterlite Investment Managers Limited ("the Investment Manager" or "SIML"), acting as the investment manager for India Grid Trust ("the Trust") and Axis Trustee Services Limited ("the Trustee") acting as the trustee for the Trust mentioned above, for the purpose of the financial valuation of Patran Transmission Company Limited ("PTCL" or "the SPV"). The SPV was acquired by the Trust on 15<sup>th</sup> Feb 2018 and is to be valued as per regulation 21(4) contained in the Chapter V of the SEBI InvIT Regulations.

We have relied on explanations and information provided by the Investment Manager. Although we have reviewed such data for consistency, we have not independently investigated or otherwise verified the data provided. We have no present or planned future interest in the Trust, the SPV or the Investment Manager except to the extent of our appointment as an independent valuer and the fee for our Valuation Report ("Report") which 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 with the Trust.

We enclose our Report providing our opinion on the fair enterprise value of the SPV on a going concern basis as at 31<sup>st</sup> March 2019 ("Valuation Date"). Enterprise Value ("EV") is described as the total value of the equity in a business plus the value of its debt and debt related liabilities, minus any cash or cash equivalents to meet those liabilities. The attached Report details the valuation methodologies used, calculations performed and the conclusion reached with respect to this valuation.

Haribhakti & Co. LLP, Chartered Accountants Regn. No. AAC- 3768, a limited liability partnership registered in India (converted on 17th June, 2014 from a firm Haribhakti & Co. FRN: 103523W)  
5B, "A" Block, 5<sup>th</sup> Floor, Mena Kampala Arcade, New #18 & 20, Thiagaraya Road, T. Nagar, Chennai - 600 017, India Tel: +91 44 2815 4192 Fax: +91 44 4213 7024  
Registered offices: 705, Leela Business Park, Andheri-Kurla Road, Andheri (E), Mumbai - 400 059, India  
Other offices: Ahmedabad, Bengaluru, Coimbatore, Hyderabad, Kolkata, Mumbai, New Delhi, Pune.

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**HARIBHAKTI & CO. LLP**  
Chartered Accountants

We believe that our 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. The preparation of a 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 and our valuation conclusion are included herein and our Report complies with the SEBI InvIT Regulations and guidelines, circular or notification issued by Securities and Exchange Board of India ("SEBI") there under.

Please note that all comments in our Report must be read in conjunction with the caveats to the Report, which are contained in Section 2 of this Report. This letter, the Report and the summary of valuation included herein can be provided to Trust's advisors and may be made available for the inspection to the public as a material document and with the SEBI, the stock exchanges and any other regulatory and supervisory authority, as may be required.

We draw your attention to the limitation of liability clauses in Section 2 of the Report.


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

Yours faithfully,

For **Haribhakti & Co. LLP**,

*Chartered Accountants*

Firm Registration Number: 103523W



**S. Sundararaman**

*Partner*

Membership No. 028423

Place: Chennai

Encl: As above

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## Definition, abbreviation &amp; glossary of terms

Abbreviations	Meaning
BDTCL	Bhopal Dhule Transmission Company Limited
BOOM	Build-Own-Operate-Maintain
Capex	Capital Expenditure
CCIL	Clearing Corporation of India Limited
CERC	Central Electricity Regulatory Commission
Ckms	Circuit Kilometres
COD	Commercial Operation Date
DCF	Discounted Cash Flow
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization
EV	Enterprise Value
FCFF	Free Cash Flow to the Firm
FY	Financial Year Ended 31 <sup>st</sup> March
FYP	Five year Plan
H&Co.	Haribhakti & Co. LLP, Chartered Accountants
INR	Indian Rupees
IVS	Indian Valuation Standards, 2018
PTCL or the SPV	Patran Transmission Company Limited
kV	Kilo Volts
LTTC	Long Term Transmission Customer
Mn	Million
MTL	Maheshwaram Transmission Limited
NAV	Net Asset Value Method
NCA	Net Current Assets Excluding Cash and Bank Balances
O&M	Operation & Maintenance
PGCIL	Power Grid Corporation of India Limited
PKTCL	Purulia & Kharagpur Transmission Company Limited
JTCL	Jabalpur Transmission Company Limited
RTCL	RAPP Transmission Company Limited
SEBI	Securities and Exchange Board of India
SEBI InvIT Regulations	SEBI (Infrastructure Investment Trusts) Regulations, 2014, as amended
SGL1	Sterlite Grid 1 Limited
SIML or Investment Manager	Sterlite Investment Managers Limited
SPGVL or the Sponsor	Sterlite Power Grid Ventures Limited
the SPV	Special Purpose Vehicle
T&D	Transmission & Distribution
the Trust or InvIT	India Grid Trust
the Trustee	Axis Trustee Services Limited
TSA	Transmission Service Agreement
WACC	Weighted Average Cost of Capital

1. **Background**

**The Sponsor**

- 1.1. Sterlite Power Grid Ventures Limited ("SPGVL" or "the Sponsor") is engaged into installation and operation of electricity transmission projects.

**The Infrastructure Investment Trust**

- 1.2. SPGVL is the sponsor for the India Grid Trust ("the Trust"). The Trust was established on 21<sup>st</sup> October 2016 by SPGVL and is registered with the Securities and Exchange Board of India ("SEBI") pursuant to the SEBI (Infrastructure Investment Trusts) Regulations, 2014, as amended ("the SEBI InvIT Regulations"). It is established to own inter-state power transmission assets in India. The units of the Trust are listed on the National Stock Exchange of India Limited and BSE Limited since 6<sup>th</sup> June 2017.

**Investment Manager**

- 1.3. Sterlite Investment Managers Limited ("the Investment Manager" or "SIML") has been appointed as the investment manager to the Trust by Axis Trustee Services Limited ("the Trustee") and will be responsible to carry out the duties of such a person as mentioned under SEBI InvIT Regulations.

**Target Financial Asset to be Valued**

- 1.4. The project is located in Patran Village Nihal, Punjab. It was awarded to Techno Electric and Engineering Company Limited ("TEECL") by ministry of power for 35 year period from the scheduled Commercial Operation Date ("COD") and was acquired by the Trust on 19<sup>th</sup> February 2018. PTCL operates 400/220 kV S/s at Patran which is connected to the grid by LIL0 of Patiala-Kaithal 400kV D/c.

**Purpose of Valuation**

- 1.5. As per Regulation 21(4) of Chapter V of the SEBI InvIT Regulations, a yearly valuation of the assets of the Trust shall be conducted by an independent valuer for the period ended 31<sup>st</sup> March 2019 for a publicly offered InvIT. In this regard, Sterlite Investment Managers Limited ("the Investment Manager" or "SIML"), acting as the investment manager and Axis Trustee Services Limited ("the Trustee") acting as the trustee to the Trust intends to undertake the fair valuation of Patran Transmission Company Limited ("PTCL" or "SPV").
- 1.6. In this regard, the Investment Manager and the Trustee have appointed us, Haribhakti & Co. LLP, Chartered Accountants ("H&Co.") to undertake the fair valuation at the enterprise level of the SPV as per the SEBI InvIT Regulations as at 31<sup>st</sup> March 2019 ("Valuation Date"). Enterprise Value ("EV") is described as the total value of the equity in a business plus the value of its debt and debt related liabilities, minus any cash or cash equivalents to meet those liabilities.
- 1.7. H&Co. declares that:
- 1.7.1. It is competent to undertake the financial valuation in terms of the SEBI InvIT Regulations;
- 1.7.2. It is independent and has prepared the Valuation Report ("the Report") on a fair and unbiased basis;
- 1.7.3. It has valued the SPV based on the valuation standards as specified under sub-regulation 10 of regulation 21 of SEBI InvIT Regulations.

- 1.8. This Report covers all the disclosures required as per the SEBI InvIT Regulations and the valuation of the SPV is impartial, true and fair and in compliance with the SEBI InvIT Regulations.

#### Scope of Valuation

1.9. **Nature of the Asset to be Valued**

We have been mandated by the Investment Manager to arrive at the EV of the SPV. Enterprise Value ("EV") is described as the total value of the equity in a business plus the value of its debt and debt related liabilities, minus any cash or cash equivalents to meet those liabilities.

1.10. **Valuation Base**

Valuation Base means the indication of the type of value being used in an engagement. In the present case, we have determined the fair value of the SPV at the enterprise level. Fair Value Bases defined as under:

##### Fair Value

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.

1.11. **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 due to changes in the condition of the asset to be valued. 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 SPV is 31<sup>st</sup> March 2019 ("Valuation Date"). The attached Report is drawn up by reference to accounting and financial information as on 31<sup>st</sup> March 2019. We are not aware of any other events having occurred since 31<sup>st</sup> March 2019 till date of this Report which we deem to be significant for our valuation analysis.

1.12. **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 SPV on a going concern value defined as under:

##### Going Concern Value

- 1.13. 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.

- 1.14. For the amount pertaining to the operating working capital, the Investment Manager has acknowledged to consider the provisional financial statements as on 31<sup>st</sup> March 2019 to carry out the valuation of the SPV.

## 2. Exclusions and Limitations

- 2.1. 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.

- 2.2. Valuation analysis and results are specific to the purpose of valuation and is not intended to represent value at any time other than valuation date of 31<sup>st</sup> March 2019 ("Valuation Date") mentioned in the Report and as per agreed terms of our engagement. It may not be valid for any

- other purpose or as at any other date. Also, it may not be valid if done on behalf of any other entity.
- 2.3. This Report, its contents and the results are specific to (i) the purpose of valuation agreed as per the terms of our engagements; (ii) the Valuation Date and (iii) are based on the financial information of PTCL till 31<sup>st</sup> March 2019. The Investment Manager has represented that the business activities of PTCL have been carried out in normal and ordinary course between 31<sup>st</sup> March 2019 and the Report Date and that no material changes have occurred in the operations and financial position between 31<sup>st</sup> March 2019 and the Report date.
  - 2.4. The scope of our assignment did not involve us performing audit tests for the purpose of expressing an opinion on the fairness or accuracy of any financial or analytical information that was provided and used by us during the course of our work. The assignment did not involve us to conduct the financial or technical feasibility study. We have not done any independent technical valuation or appraisal or due diligence of the assets or liabilities of the SPV or any of other entity mentioned in this Report and have considered them at the value as disclosed by the SPV in their regulatory filings or in submissions, oral or written, made to us.
  - 2.5. In addition, we do not take any responsibility for any changes in the information used by us to arrive at our conclusion as set out here in which may occur subsequent to the date of our Report or by virtue of fact that the details provided to us are incorrect or inaccurate.
  - 2.6. We have assumed and relied upon the truth, accuracy and completeness of the information, data and financial terms provided to us or used by us; we have assumed that the same are not misleading and do not assume or accept any liability or responsibility for any independent verification of such information or any independent technical valuation or appraisal of any of the assets, operations or liabilities of SPV or any other entity mentioned in the Report. Nothing has come to our knowledge to indicate that the material provided to us was misstated or incorrect or would not afford reasonable grounds upon which to base our Report.
  - 2.7. This Report is intended for the sole use in connection with the purpose as set out above. It can however be relied upon and disclosed in connection with any statutory and regulatory filing in connection with the provision of SEBI InvIT Regulations. However, we will not accept any responsibility to any other party to whom this Report may be shown or who may acquire a copy of the Report, without our written consent.
  - 2.8. It is clarified that this Report is not a fairness opinion under any of the stock exchange/ listing regulations. In case of any third party having access to this Report, please note this 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.
  - 2.9. Further, this Report is necessarily based on financial, economic, monetary, market and other conditions as in effect on, and the information made available to us or used by us up to, the date hereof. 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, revise or reaffirm this Report if information provided to us changes.
  - 2.10. This Report is based on the information received from the sources mentioned in para 3 and discussions with the Investment Manager. We have assumed that no information has been withheld that could have influenced the purpose of our Report.
  - 2.11. Valuation is not a precise science and the conclusions arrived at in many cases may be subjective and dependent on the exercise of individual judgment. There is, therefore, no indisputable single value. We have arrived at an indicative EV based on our analysis. 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 this business.



- 2.12. Any discrepancy in any table / annexure between the total and the sums of the amounts listed are due to rounding-off.
- 2.13. Valuation is based on estimates of future financial performance or opinions, which represent reasonable expectations at a particular point of time, but such information, estimates or opinions are not offered as predictions or as assurances that a particular level of income or profit will be achieved, a particular event 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.
- 2.14. We do not carry out any validation procedures or due diligence with respect to the information provided/extracted or carry out any verification of the assets or comment on the achievability and reasonableness of the assumptions underlying the financial forecasts, save for satisfying ourselves to the extent possible that they are consistent with other information provided to us in the course of this engagement.
- 2.15. Our conclusion assumes that the assets and liabilities of the SPV, reflected in their respective latest balance sheets remain intact as of the Report date.
- 2.16. Whilst all reasonable care has been taken to ensure that the factual statements in the Report are accurate, neither ourselves, nor any of our partners, directors, officers or employees shall in any way be liable or responsible either directly or indirectly 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 factual statements. We expressly disclaim any and all liabilities, which may arise based upon the information used in this Report. We are not liable to any third party in relation to the issue of this Report.
- 2.17. The scope of our work has been limited both in terms of the areas of the business and operations which we have reviewed and the extent to which we have reviewed them. 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.
- 2.18. For the present valuation exercise, we have also relied on information available in public domain; however the accuracy and timeliness of the same has not been independently verified by us.
- 2.19. 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, however the 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.
- 2.20. 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.
- 2.21. This Report does not address the relative merits of investing in InviT as compared with any other alternative business transaction, or other alternatives, or whether or not such alternatives could be achieved or are available.
- 2.22. We are not advisors with respect to legal tax and regulatory matters for the proposed transaction. No investigation of the SPV's claim to title of assets has been made for the purpose of this Report and the SPV's claim to such rights have been assumed to be valid. No consideration has been given to liens or encumbrances against the assets, beyond the loans disclosed in the accounts. Therefore, no responsibility is assumed for matters of a legal nature.
- 2.23. We have no present or planned future interest in the Trustee, Investment Manager 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 with the Investment Manager or the SPV.

- 2.24. We have submitted the draft valuation report to the Trust and Investment Manager for confirmation of accuracy of factual data used in our analysis and to prevent any error or inaccuracy in the final valuation report.

**2.25. Limitation of Liabilities**

- 2.25.1. It is agreed that, having regard to the H&Co.'s interest in limiting the personal liability and exposure to litigation of its personnel, the Sponsor, the Investment Manager and the Trust will not bring any claim in respect of any damage against any of the H&Co's personnel personally.
- 2.25.2. In no circumstances H&Co. 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 H&Co. the likelihood of such damages. Any decision to act upon the deliverables is to be made by the Investment Manager and no communication by H&Co. should be treated as an invitation or inducement to engage the Investment Manager to act upon the deliverable.
- 2.25.3. It is clarified that the SIML and Trustee 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.
- 2.25.4. H&Co. will not be liable if any loss arises due to the provision of false, misleading or incomplete information or documentation by SIML or the Trustee.

**3. Sources of Information**

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

- 3.1. Audited financial statements of PTCL for the Financial Year ("FY") ended 31<sup>st</sup> March 2017 and 31<sup>st</sup> March 2018;
- 3.2. Provisional Profit & Loss Account and Balance Sheet for the period ended 31<sup>st</sup> March 2019;
- 3.3. Projected Profit & Loss Account and Working Capital requirements of PTCL from 1<sup>st</sup> April 2019 to 10<sup>th</sup> November 2051;
- 3.4. Details of brought forward losses (as per Income Tax Act) as at 31<sup>st</sup> March 2019;
- 3.5. Details of Written Down Value (as per Income Tax Act) of assets as at 31<sup>st</sup> March 2019;
- 3.6. Details of projected Repairs and Capital Expenditure ("Capex") as represented by the Investment Manager.
- 3.7. As on 31<sup>st</sup> March 2019, India Grid Trust holds 100% equity stake in PTCL including the beneficial ownership. As represented to us by the Investment Manager, there are no changes in the shareholding pattern from 31<sup>st</sup> March 2019 to the date of issuance of this Report.
- 3.8. Transmission Service Agreement ("TSA") of PTCL with Long Term Transmission Customers ("LTTCs") and Tariff adoption order by Central Electricity Regulatory Commission ("CERC") dated 17<sup>th</sup> July 2013 and 5<sup>th</sup> August 2014.
- 3.9. Management Representation Letter by Investment Manager dated 23<sup>rd</sup> April 2019.

**4. Procedures adopted for current valuation exercise**

- 4.1. We have performed the valuation analysis, to the extent applicable, in accordance with Indian Valuation Standards, 2018 ("IVS") issued by the Institute of Chartered Accountants of India read with sub-regulation 10 of regulation 21 of SEBI InvIT Regulations.
- 4.2. In connection with this analysis, we have adopted the following procedures to carry out the valuation analysis:
- 4.2.1. Requested and received financial and qualitative information relating to the SPV;
- 4.2.2. Obtained and analyzed data available in public domain, as considered relevant by us;
- 4.2.3. Discussions with the Management on:
- Understanding of the businesses of the SPV – business and fundamental factors that affect its earning-generating capacity including strengths, weaknesses, opportunities and threats analysis and historical and expected financial performance;
- 4.2.4. Undertook industry analysis:
- Research publicly available market data including economic factors and industry trends that may impact the valuation
  - Analysis of key trends and valuation multiples of comparable companies/comparable transactions, if any, using proprietary databases subscribed by us.
- 4.2.5. Analysis of other publicly available information
- 4.2.6. Selection of valuation approach and valuation methodology/(ies), in accordance with IVS, as considered appropriate and relevant by us.
- 4.2.7. Determination of fair EV of the SPV.

**5. Overview of the InvIT and the SPV**

**The Trust**

- 5.1. The Trust is registered with SEBI pursuant to the SEBI InvIT Regulations. The Trust was established on 21<sup>st</sup> October 2016 by SPGVL to own inter-state power transmission assets in India. The units of the trust are listed on the National Stock Exchange of India Limited and BSE Limited since 6<sup>th</sup> June 2017.
- 5.2. The Trust had acquired two revenue generating projects, Bhopal Dhule Transmission Company Limited ("BDTCL") and Jabalpur Transmission Company Limited ("JTCL") from its Sponsor on 30<sup>th</sup> May 2017. On 15<sup>th</sup> February 2018, the Trust acquired three additional revenue generating projects from its Sponsor, namely, Maheshwaram Transmission Limited ("MTL"), Purulia Kharagpur Transmission Company Limited ("PKTCL") and RAPP Transmission Limited ("RTCL"). Further, the Trust had acquired another revenue generating project, PTCL 19<sup>th</sup> February 2018 from Techno Electric & Engineering Company Limited.
- 5.3. The Trust, pursuant to the 'Right of First Offer' deed had a 'right of first offer' to acquire eight projects of the Sponsor out of the same three are acquired and five can still be acquired pursuant to 'Right of First Offer'.



- 5.4. Following is the financial summary of the projects which the Trust had acquired from the sponsor namely, BDTCL, JTCL, MTL, RTCL and PKTCL and PTCL from Techno Electric & Engineering Company Limited:

Asset Name	Enterprise Value (INR Mn)						Acquisition Value
	30-Sep-18	31-Mar-18	30-Sep-17	31-Mar-17	31-Mar-16	31-Mar-15	
BDTCL	19,694	20,319	21,431	21,541	21,812	20,113	37,020*
JTCL	14,937	15,431	15,988	16,125	19,407**	14,295	
MTL	5,423	5,564	5,218		NA		4,697
RTCL	4,084	4,054	3,935		NA		3,542
PKTCL	6,481	6,618	6,512		NA		5,861
PTCL	2,401			NA			2,320

\*Consolidated Purchase Price paid by the Trust for the acquisition at the time of Initial Public Offer of units of the trust.

\*\*For JTCL, the Investment Manager had previously projected the incremental revenue to be at 40% of the non escalable revenue charges during the valuation exercise of 31<sup>st</sup> March 2016, however the same was subsequently reduced to 9.8903% of non escalable charges during the valuation exercise of 31<sup>st</sup> March 2017 as per the CERC order dated 8<sup>th</sup> May 2017.

#### PTCL or the SPV

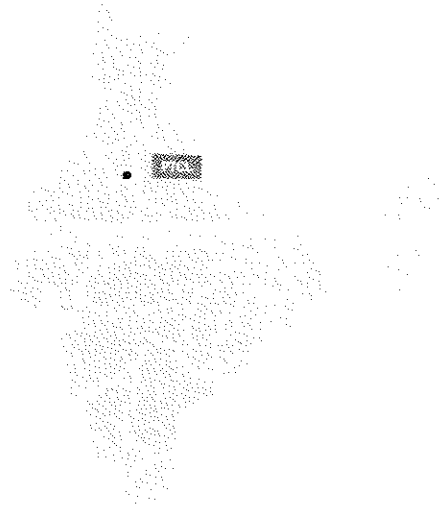
- 5.5. Summary of details of the Project are as follows:

Parameters	Details
Project Cost	INR 2,250 Mn
Total Length	0 ckms (only substation)
Scheduled COD	11 <sup>th</sup> November, 2016
Expiry Date	35 years from the scheduled COD
Trust's stake*	46%

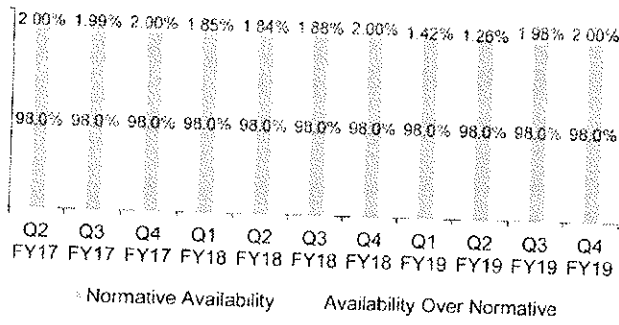
- 5.6. The PTCL project located in Patran Village Nihaal, Punjab was awarded to TEECL by the Ministry of Power for a 35 year period from the scheduled commercial operation date on a Build-Own-Operate-Maintain ("BOOM") basis. The expiry date of TSA shall be the date which is 35 years from the scheduled COD of the project.
- 5.7. The project's need arose because of the partial grid disturbance in the Patiala – Sangrur district of Punjab in July 2011. There were 5 substations of 220 kV in the vicinity and a need for 400 / 220 kV substation was felt to avoid the unbalanced loading. The 400/220 kV S/s at Patran would be connected to the grid by LILo of Patiala-Kaithal 400 kV D/C
- 5.8. The project consists of the following transmission lines and is being implemented on contract basis:

Transmission line / Sub-Station	Location	Specifications	Commission date	Contribution to total tariff
Patiala-Kaithal	Patran, Punjab	400 kV D/C	21 <sup>st</sup> June, 2016	100%

5.9. Following is the map showing area covered by PTCL (not drawn to scale):



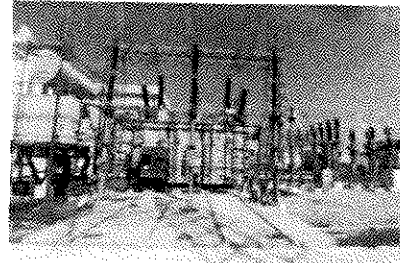
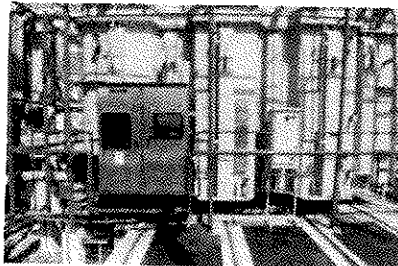
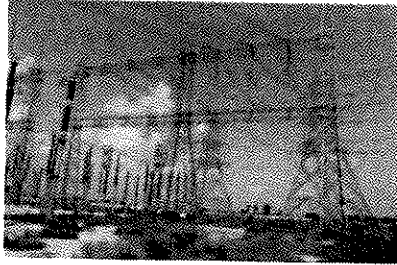
5.10. Operating Efficiency history of PTCL: -



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5.11. Pictures of the SPV:



6. Overview of the Industry

6.1. Introduction:

- 6.1.1. India is the third largest producer and third largest consumer of electricity in the world, with the installed power capacity reaching 356.1 GW as of March 2019. The country also has the fifth largest installed capacity in the world.
- 6.1.2. Per capita electricity consumption in the country grew at a CAGR of 4.96 per cent, during FY11-FY18, reaching 1,149 KWh in FY18.

6.2. Demand and Supply

- 6.2.1. Demand: India continues to be a power deficient country even after an increasing trend in demand in the past. It is expected that energy requirement will continue to grow at healthy CAGR of 7.5% to 8% over FY 17 to FY 21. The primary growth drivers for rapid expansion in India's energy demand include investments in industrial and infrastructure development, rising per capita energy consumption levels etc.
- 6.2.2. Supply: India has seen a robust growth in the installed power generation capacity in the past four years. The installed power generation capacity has grown at a CAGR of ~9.08% from ~243 GW in FY 14 to ~ 347.22 GW as of December 2018 (Source: IBEF).

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**6.3. India's economic outlook**

- 6.3.1. According to World Bank, India has retained its position as the fastest-growing economy in the world in 2015, after overtaking China in the previous year. Based on its estimates, India will continue to occupy the top slot among major economies with a growth rate of 7.7% to 7.8% until 2019. India's growth rate is significantly higher than the world average of around 4% and is also higher than other developing economies, such as China, Brazil, Indonesia and sub-Saharan African nations.
- 6.3.2. Power is one of the key sectors attracting FDI inflows into India.
- 6.3.3. From April 2000 to June 2018, India recorded FDI of US\$ 6.8 billion in non-conventional energy sector. New and renewable energy sector witnessed maximum power generation capacity addition, since 2000.
- 6.3.4. Cumulative FDI inflows into the sector from April 2000–December 2018 were US\$ 14.22 billion.
- 6.3.5. The ongoing liberalization of India's FDI regime has also led to a surge in investments, especially after the launch of the 'Make in India' campaign in October 2014. The FDI inflow has doubled to \$ 44.8 billion in fiscal 2018 from \$ 22 billion in around 2014. Reduced macroeconomic vulnerability, coupled with improved government spending in infrastructure sectors, has enhanced India's Global Competitive Index (GCI) ranking to 58 in 2017-18 from 71 in 2014-15.

**6.4. Power transmission network in India**

- 6.4.1. The transmission segment plays a key role in transmitting power continuously from the generation plants to various distribution entities. Transmission and sub-transmission systems supply power to the distribution system, which, in turn, supplies power to end consumers. In India, the Transmission and Distribution ("T&D") system is a three-tier structure comprising distribution networks, state grids and regional grids.
- 6.4.2. The distribution networks and state grids are primarily owned and operated by the respective State Transmission utilities or state governments (through state electricity departments). Most inter-state and inter-regional transmission links are owned and operated by Power Grid Corporation of India Limited ("PGCIL"), which facilitates the transfer of power from a surplus region to the ones with deficit.
- 6.4.3. The government's focus on providing electricity to rural areas has led to the T&D system being extended to remote villages. The total length of transmission lines in the country has grown at a slow rate of 6% CAGR during FY 11 and FY 17. The total transmission network has increased from 4,07,569 Ckms in FY 11 to around 6,04,193 Ckms in FY 18.
- 6.4.4. As on January 2019 approx. 7.2% of total transmission network is owned by private players which showcases the need of more private sector participation in this space. India has been underinvested as far as transmission is concerned, however, recently government has been encouraging investments in transmission with approximately projects worth INR 30,000 crores being awarded in last 2 years.
- 6.4.5. PGCIL has spent around INR 0.9 trillion over 2013-16.
- 6.4.6. Of the total capacity-addition projects in transmission during the 12<sup>th</sup> FYP, about 42% can be attributed to the state sector. The share of private sector in transmission line and substation additions since the beginning of 12<sup>th</sup> FYP is 14% and 7%, respectively,



as the majority of high-capacity, long-distance transmission projects were executed by PGCIL and state transmission utilities during this period.

6.4.7. In order to strengthen the power system and ensure free flow of power, significant investments would be required in the T&D segment. Moreover, commissioning of additional generation capacity, rising penetration of renewable energy, regional demand-supply mismatches, upgradation of existing lines, rising cross border power trading would necessitate huge investments in transmission sector in India.

6.4.8. Thus, going forward, the share of power sector investments are expected to veer towards the T&D segment. Moreover, strong government focus on the T&D segment will also support investments. CRISIL Research expects the transmission segment share in total power sector investments to rise sharply to 33% over 2017-21 from only 20% over 2012-16. Thus, we expect transmission segments investments to increase 1.5 times to INR 3.1 trillion over 2017-21 as compared to the previous 5 year period.

*Source: CRISIL Power Transmission Report –March 2019 and IBEF report on Power sector in India- January 2019 and Central Electricity Authority Data as mentioned in PGCIL and Adani Transmission Limited Annual Report 2017-18*

## 7. Valuation Approach

- 7.1. The present valuation exercise is being undertaken in order to derive the fair EV of the SPV.
- 7.2. The valuation exercise involves selecting a method suitable for the purpose of valuation, by exercise of judgment by the valuers, based on the facts and circumstances as applicable to the business of the company to be valued.
- 7.3. There are three generally accepted approaches to valuation:
- (a) "Cost" approach
  - (b) "Market" approach
  - (c) "Income" approach

### 7.4. 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 ("NAV")

The NAV Method under Cost Approach considers 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 a company.

The NAV Method is appropriate in a case where the main strength of the business is its asset backing rather than its capacity or potential to earn profits. This valuation approach is also used in case where the firm is to be liquidated i.e. it does not meet the "going concern" criteria.

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, NAV 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.



7.5. **Market Approach**

Under the Market approach, the valuation is based on the market value of the company in case of listed companies and comparable companies trading or transaction multiples for unlisted companies. The Market approach generally reflects the investors' perception about the true worth of the company.

Comparable Companies Multiples ("CCM") Method

The value is determined on the basis of multiples derived from valuations of comparable companies, as manifest in the 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.

Comparable Transactions Multiples ("CTM") Method

Under the CTM Method, the value is determined on the basis of multiples derived from valuations of similar transactions in the industry. Relevant multiples need to be chosen carefully and adjusted for differences between the circumstances. Few of such multiples are EV/Earnings before Interest, Taxes, Depreciation & Amortization ("EBITDA") multiple and EV/Revenue multiple.

Market Price Method

Under this method, the market price of an equity share of the company 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.

7.6 **Income Approach**

The income approach is widely used for valuation under "Going Concern" basis. It focuses on the income generated by the company in the past as well as its future earning capability. The Discounted Cash Flow Method under the income approach seeks to arrive at a valuation based on the strength of future cash flows.

Discounted Cash Flow ("DCF") Method

Under DCF Method value of a company can be assessed using the Free Cash Flow to Firm Method ("FCFF") or Free Cash Flow to Equity Method ("FCFE"). Under the DCF method, the business is valued by discounting its free cash flows for the explicit forecast period and the perpetuity value thereafter. The free cash flows represent the cash available for distribution to both, the owners and creditors of the business. The free cash flows in the explicit period and those in perpetuity are discounted by the Weighted Average Cost of Capital ("WACC"). The WACC, based on an optimal vis-à-vis actual capital structure, 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.

The perpetuity (terminal) value is calculated based on the business' potential for further growth beyond the explicit forecast period. The "constant growth model" is applied, which implies

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' future operations. The Business/EV (aggregate of the present value of explicit period and terminal period cash flows) so derived, is further reduced by the value of debt, if any, (net of cash and cash equivalents) to arrive at value to the owners of the business.

7.7. **Conclusion on Valuation Approach**

It is pertinent to note that the valuation of any company or its assets is inherently imprecise and is subject to certain uncertainties and contingencies, all of which are difficult to predict and are beyond our control. In performing our analysis, we made numerous assumptions with respect to industry performance and general business and economic conditions, many of which are beyond the control of the SPV. In addition, this valuation will fluctuate with changes in prevailing market conditions, and prospects, financial and otherwise, of the SPV, and other factors which generally influence the valuation of companies and their assets.

Accordingly, we have summarized the application of valuation method for the current valuation exercise as under:

**Cost Approach**

The existing book value of EV of the SPV comprising of its Net fixed assets and working capital is INR 1,866 Mn as at 31<sup>st</sup> March 2019.

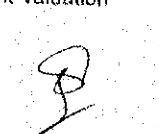
In the present case, since the SPV has entered into TSA, the revenue of SPV is pre-determined for the life of the project. In such scenario, the true worth of the business is reflected in its future earning capacity rather than the cost of the project. Accordingly, since the NAV does not capture the future earning potential of the businesses, we have not considered the cost approach for the current valuation exercise.

**Market Approach**

The present valuation exercise is to undertake a fair EV of the SPV engaged in the power transmission business for a specific tenure. Further, the tariff revenue expenses are very specific to the SPV depending on the nature of their geographical location, stage of project, terms of profitability. In the absence of any exactly comparable listed companies with characteristics and parameters similar to that of the SPV, we have not considered CCM method in the present case. In the absence of adequate details about the Comparable Transactions, we were unable to apply the CTM method. Currently, the equity shares of SPV are not listed on any recognized stock exchange of India. Hence, we are unable to apply market price method.

**Income Approach**

The SPV is operating as BOOM model based project. The cash inflows of the projects are defined for 35 years under the TSA. Hence, the growth potential of the SPV and the true worth of its business would be reflected in its future earnings potential and therefore DCF Method under the income approach has been considered as an appropriate method for the present valuation exercise.



**8. Valuation of the SPV**

We have estimated the EV of the SPV using the Discounted Cash Flow Method. While carrying out this engagement, we have relied extensively on the information made available to us by the Investment Manager. We have considered projected financial statement of the SPV as provided by the Investment Manager.

**Valuation**

8.1. The key assumptions of the projections provided to us by the Investment Manager are:

**Key Assumptions**

- 8.1.1. **Transmission Revenue:** The transmission revenue of the SPV comprises of non escalable transmission revenue and escalable transmission revenue as provided in the TSA read with Tariff adoption order dated 5<sup>th</sup> August 2014
- **Non Escalable Transmission Revenue:** The Non Escalable Transmission revenue remains fixed for the entire life of the project. We have corroborated the revenue considered in the financial projections with the respective TSA read with Tariff adoption order dated 5<sup>th</sup> August 2014 and documents provided to us by the Investment Manager.
  - **Escalable Transmission Revenue:** Escalable Transmission revenue is the revenue component where the revenue is duly escalated based on the rationale as provided in the respective TSA read with Tariff adoption order dated 5<sup>th</sup> August 2014 and documents provided to us by the Investment Manager. The escalation is to mainly compensate for the inflation factor.
- 8.1.2. **Incentives:** As provided in the respective TSA, if the annual availability exceeds 98%, the SPV shall be entitled to an annual incentive as provided in TSA. Provided no incentives shall be payable above the availability of 99.75%. Based on the past track record of the asset and the general industry standard, the annual availability shall be above 98% where the SPV shall be entitled to the incentives as provided in the TSA.
- 8.1.3. **Penalty:** If the annual availability in a contract year falls below 95%, the SPV shall be liable for an annual penalty as provided in the TSA. Based on our analysis in Para 8.1.2, in the present case, it is assumed that the annual availability will not fall below 95% and hence, penalty is not considered in the financial projections.
- 8.1.4. **Expenses:** Expenses are estimated by the Investment Manager for the projected period based on the escalation rate as determined for the SPV. We have relied on the projections provided.
- **Operations & Maintenance ("O&M"):** O&M expenditure is estimated by the Investment Manager for the projected period based on the escalation rate as determined for the SPV. The Investment Manager has projected expenses to be incurred for the O&M of the SPV including, but not limited to, transmission line maintenance expenses, rates and taxes, legal and professional fees and other general and administration expenses. We have relied on the projections provided by Investment Manager on the operating and maintenance expenses for the projected period.
  - **Insurance Expenses:** We understand from the Investment Manager that the insurance expenses of the SPV will not escalate for the projected period. We have relied on the projections provided by the Investment Manager on the insurance expenses for the projected period.

- 8.1.5. **Depreciation:** The book depreciation has been provided by the Investment Manager. For Capex as mentioned in para 8.1.6, we have assumed the same to be fully depreciable over the life of the project. For calculating depreciation as per Income Tax Act for the projected period, we have considered depreciation rate as specified in the Income Tax Act and WDV as provided by the Investment Manager.
- 8.1.6. **Capex:** As represented by the Investment Manager, the SPV is expected to incur INR 27 Mn every year till the expiry date from the financial year ended 31<sup>st</sup> March 2020 in the projected period. The book depreciation on the said Capex has been provided by the Investment Manager.
- 8.1.7. **Tax Incentive:** The SPV is eligible for tax holiday under section 80IA of Income Tax Act. Such tax holiday shall be available for any 10 consecutive years out of 15 years beginning from the date of COD.
- 8.1.8. **Working Capital:** The Investment Manager has envisaged the working capital requirement of the SPV for the projected period. The operating working capital assumptions for the projections as provided by the Investment Manager comprises of trade receivables and trade payables.

8.2. **Impact of Ongoing Material Litigation on Valuation**

As represented by Investment Manager, there are no ongoing litigations that will affect the valuation exercise.

8.3. **Calculation of Weighted Average Cost of Capital for the SPV**

8.3.1. **Cost of Equity:**

Cost of Equity (CoE) is a discounting factor to calculate the returns expected by the equity holders depending on the perceived level of risk associated with the business and the industry in which the business operates.

For this purpose, we have used the Capital Asset Pricing Model (CAPM), which is a commonly used model to determine the appropriate cost of equity for the SPV.

$$K(e) = R_f + (R_p * \text{Beta}) + \text{CSRP}$$

Wherein:

K(e) = cost of equity

R<sub>f</sub> = risk free rate

R<sub>p</sub> = risk premium i.e. market risk premium over and above risk free rate

Beta = a measure of the sensitivity of assets to returns of the overall market

CSRP = Company Specific Risk Premium (In general, an additional company-specific risk premium will be added to the cost of equity calculated pursuant to CAPM).

For valuation exercise, we have arrived at adjusted cost of equity of 12.49%

8.3.2. **Risk Free Rate:**

We have applied a risk free rate of return of 7.43% on the basis of the relevant zero coupon yield curve as on 29<sup>th</sup> March 2019 for government securities having a maturity period of 10 years, as quoted on the website of Clearing Corporation of India Limited ("CCIL").

**8.3.3. Risk Premium:**

Risk premium is a measure of premium that investors require for investing in equity markets rather than bond or debt markets. A risk premium is calculated as follows:

$$\text{Risk premium} = \text{Equity market return} - \text{Risk free rate}$$

Wherein:

Equity market return = the average historical market return is estimated at 15.00%.

Risk free rate = 7.43% as explained in para 8.3.2.

Hence, risk premium is derived as 7.57%.

**8.3.4. Beta:**

Beta is a measure of the sensitivity of a company's stock price to the movements of the overall market index. Normally we would take a relevant number from a quoted stock and the market on which it trades. In the present case, we find it appropriate to consider the beta of companies in similar business/ industry to that of the SPV.

We have further unlevered that beta based on debt-equity of the respective company using the following formula:

$$\text{Unlevered Beta} = \text{Levered Beta} / [1 + (\text{Debt} / \text{Equity}) * (1-T)]$$

Further we have re-levered it based on debt-equity of the industry standard using the following formula:

$$\text{Re-levered Beta} = \text{Unlevered Beta} * [1 + (\text{Debt} / \text{Equity}) * (1-T)]$$

For our valuation exercise, re-levered beta has been taken as 0.67.

**8.3.5. Cost of Debt:**

The calculation of Cost of Debt post-tax can be defined as follows:

$$K(d) = K(d) \text{ pre tax} * (1 - T)$$

Wherein:

K(d) = Cost of debt

T = tax rate as applicable

In present valuation exercise, we have considered debt:equity at 70:30 based on industry standard.

For valuation exercise, pre-tax cost of debt has been considered as 8.45%.

**8.3.6. Weighted Average Cost of Capital (WACC):**

The discount rate, or the WACC, is the weighted average of the expected return on equity and the cost of debt. The weight of each factor is determined based on the company's optimal capital structure.

Formula for calculation of WACC:

$$\text{WACC} = [K(d) * \text{Debt} / (\text{Debt} + \text{Equity})] + [K(e) * (1 - \text{Debt} / (\text{Debt} + \text{Equity}))]$$

8.3.7. Accordingly, as per above, we have arrived the WACC of 8.32% for PTCL. (Refer Appendix I)

8.4. We understand from the representation of the Investment Manager that the SPV will generate cash flow even after the expiry of concession period of 35 years as the project is on BOOM model and the ownership will remain with the SPV even after the expiry of 35 years. Accordingly we have considered Terminal Value after the expiry of 35 years.

8.5. **Valuation of PTCL**

- 8.5.1. We have relied on the projected financials of PTCL as provided by the Investment Manager for the period from 1st April 2019 to 10th November 2021
- 8.5.2. WACC arrived at for the purpose of valuation is 8.32% for cash flows (Refer Appendix I).
- 8.5.3. For the terminal period, we have considered 0% constant growth rate for FCFF.
- 8.5.4. As on Valuation Date, we have discounted the free cash flows of PTCL using the WACC of 8.32% to arrive at the Enterprise Value by aggregating the present value of cash flows for explicit period and terminal period at INR 2,423 Mn (Refer Appendix II)

9. **Valuation Conclusion**

- 9.1. The current valuation has been carried out based on the discussed 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.
- 9.2. We have been represented by the Investment Manager that there is no potential devolvement on account of the contingent liability as of valuation date; hence no impact has been factored in to arrive at EV of the SPV.
- 9.3. Based on the above analysis the EV as on the Valuation Date of the SPV is INR 2,423 Mn. (Refer Appendix II).
- 9.4. The fair Enterprise Value of the SPV is estimated using DCF method. The valuation requires Investment Manager to make certain assumptions about the model inputs including forecast cash flows, discount rate, and credit risk.
- 9.5. Valuation is based on estimates of future financial performance or opinions, which represent reasonable expectations at a particular point of time, but such information, estimates or opinions are not offered as predictions or as assurances that a particular level of income or profit will be achieved, a particular event 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.
- 9.6. Accordingly, we have conducted sensitivity analysis on the following model inputs:

WACC	Decrease by 0.50%	Fair Value @8.32%	Increase by 0.50%
Implied WACC	7.82%	8.32%	8.82%
Enterprise Value (in INR Mn)	2,542	2,423	2,316

Total Expenses	Decrease by 20%	Fair Value	Increase by 20%
Enterprise Value (in INR Mn)	2,517	2,423	2,330

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

**Scope of Work**

10.1. The Schedule V of the SEBI InvIT Regulations prescribes the minimum set of mandatory disclosures to be made in the valuation report. In this reference, the minimum disclosures in valuation report may include following information as well, so as to provide the investors with the adequate information about the valuation and other aspects of the underlying assets of the InvIT. The additional set of disclosures, as prescribed under Schedule V of InvIT Regulations, to be made in the valuation report of Patran Transmission Limited ("PTCL") are as follows:

- List of one-time sanctions/approvals which are obtained or pending;
- List of up to date/overdue periodic clearances;
- Statement of assets included;
- Estimates of already carried as well as proposed major repairs and improvements along with estimated time of completion;
- Revenue pendencies including local authority taxes associated with InvIT asset and compounding charges, if any;
- On-going and closed material litigations including tax disputes in relation to the assets, if any;
- Vulnerability to natural or induced hazards that may not have been covered in town planning/building control.

**Limitations**

- 10.2. This Report is based on the information provided by the Investment Manager. The exercise has been restricted and kept limited to and based entirely on the documents, records, files, registers and information provided to us. We have not verified the information independently with any other external source.
- 10.3. We have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as original, and the conformity of the copies or extracts submitted to us with that of the original documents.
- 10.4. We have assumed that the documents submitted to us by the Investment Manager in connection with any particular issue are the only documents related to such issue.
- 10.5. We have reviewed the documents and records from the limited perspective of examining issues noted in the scope of work and we do not express any opinion as to the legal or technical implications of the same.
- 10.6. Analysis of Additional Set of Disclosures for PTCL
- A. List of one-time sanctions/approvals which are obtained or pending:  
As informed by the Investment Manager, there have been no additional sanctions/ approvals obtained by PTCL between the period 1<sup>st</sup> April 2018 to 31<sup>st</sup> March 2019. Further, we were informed that there were no applications for which approval is pending. The list of sanctions/ approvals obtained by the Company as on 31<sup>st</sup> March 2019 is provided in Appendix III.
- B. List of up to date/ overdue periodic clearances:  
We have included the periodic clearances obtained by PTCL in Appendix III.



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C. Statement of assets included:

As at 31st March 2019, details of the asset of the SPV are as follows:-

Asset Type	INR Million			
	Gross Block	Depreciation	Net Block	% of asset depreciated
Property, Plant & Equipments	2,141.7	420.7	1,721.0	20%
Land	87.3	-	87.3	-
<b>TOTAL</b>	<b>2,229.0</b>	<b>420.7</b>	<b>1,808.3</b>	

Source: Provisional Financials of 31st March 2019

D. Estimates of already carried as well as proposed major repairs and improvements along with estimated time of completion:

We noted in the provisional financial statements that PTCL has incurred INR 5.65 Million for the year ended 31<sup>st</sup> March 2019 for the maintenance charges of Transmission Lines. Based on the confirmation provided by Investment Manager we expect an increase of c.4.35% per annum in the cost of repairs and maintenance expenses to be incurred in the future period.

Investment Manager has informed us that there are no maintenance charges which has been deferred to the upcoming year as the maintenance activities are carried out regularly. We have been informed that overhaul maintenance are regularly carried out by PTCL in order to maintain the working condition of the assets.

E. Revenue pendencies including local authority taxes associated with InvIT asset and compounding charges, if any:

Investment Manager has informed us that there are no dues including local authority taxes pending to be payable to the Government authorities with respect to InvIT assets.

F. On-going and closed material litigations including tax disputes in relation to the assets, if any:

As informed by the Investment Manager, the status of ongoing litigations is updated in Appendix IV. Investment Manager has informed us that it expects majority of the cases to be settled in favour of PTCL and accordingly no outflow is expected against the litigations.

G. Vulnerability to natural or induced hazards that may not have been covered in town planning/ building control:

Investment Manager has confirmed to us that there are no such natural or induced hazards which have not been considered in town planning/ building control.

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## Appendix I – Weighted Average Cost of Capital of the SPV

Particulars	%	Remarks
Market Return	15.00%	Market Return has been considered based on the long term average returns earned by an equity investor in India.
Risk Free Rate	7.43%	Risk Free Rate has been considered based on zero coupon yield curve as at 29 <sup>th</sup> March 2019 of Government Securities having maturity period of 10 years, as quoted on CCIL's website.
Market Risk Premium	7.57%	Market Premium = Market Return – Risk Free Rate
Beta (levered)	0.67	Beta has been considered based on the beta of companies operating in the similar kind of business in India.
Cost of Equity	12.49%	$K_e = R_f + \beta \times (R_m - R_f) + CSR_P$
Pre-tax Cost of Debt	8.45%	As represented by the Investment Manager
Effective tax rate of SPV	22.71%	Average tax rate for the life of the project has been considered
Post-tax Cost of Debt	6.53%	Effective cost of debt, $K_d = \text{Pre tax } K_d \times (1 - \text{Effective Tax Rate})$
Debt/(Debt+Equity)	70.00%	The debt – equity ratio computed as $[D/(D+E)]$ is considered as 70% as per industry standard.
WACC	8.32%	$WACC = [K_e \times (1-D/(D+E))] + [K_d \times (1-t) \times (D/(D+E))]$

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Appendix II – Valuation of PTCL as on 31<sup>st</sup> March 2019

WACC 8.32%										INR Mn	
Year	Revenue	EBITDA	EBITDA Margin	Capex	Changes in WC	Taxation	FCFF	Cash Accrual Factor	Discounting Factor	PV of Cash Flows	
FY20	299	271	91%	27	13	8	223	0.50	0.96	214	
FY21	317	288	91%	27	5	15	240	1.50	0.89	213	
FY22	318	287	90%	27	0	22	238	2.50	0.82	195	
FY23	318	286	90%	27	0	26	234	3.50	0.76	177	
FY24	319	285	90%	27	(0)	29	229	4.50	0.70	160	
FY25	319	284	89%	27	0	32	225	5.50	0.64	145	
FY26	320	283	89%	27	0	35	222	6.50	0.59	132	
FY27	320	282	88%	27	0	37	218	7.50	0.55	120	
FY28	321	281	88%	27	(0)	39	216	8.50	0.51	109	
FY29	321	280	87%	27	0	40	212	9.50	0.47	99	
FY30	322	279	87%	27	0	42	210	10.50	0.43	91	
FY31	323	278	86%	27	0	43	208	11.50	0.40	83	
FY32	260	213	82%	27	(16)	30	171	12.50	0.37	63	
FY33	260	211	81%	27	0	31	153	13.50	0.34	52	
FY34	260	209	80%	27	(0)	32	150	14.50	0.31	47	
FY35	260	207	80%	27	(0)	32	148	15.50	0.29	43	
FY36	281	226	80%	27	5	37	157	16.50	0.27	42	
FY37	281	223	79%	27	0	37	159	17.50	0.25	39	
FY38	282	221	79%	27	(0)	37	157	18.50	0.23	36	
FY39	282	219	78%	27	(0)	37	155	19.50	0.21	33	
FY40	282	216	77%	27	(0)	37	152	20.50	0.19	30	
FY41	283	214	76%	27	0	37	150	21.50	0.18	27	
FY42	293	221	76%	27	2	40	152	22.50	0.17	25	
FY43	294	219	74%	27	(0)	41	151	23.50	0.15	23	
FY44	294	216	73%	27	(0)	41	148	24.50	0.14	21	
FY45	294	213	72%	27	(0)	40	146	25.50	0.13	19	
FY46	295	210	71%	27	(0)	39	143	26.50	0.12	17	
FY47	295	206	70%	27	(0)	51	128	27.50	0.11	14	
FY48	296	203	69%	27	(0)	51	126	28.50	0.10	13	
FY49	296	199	67%	27	(0)	50	123	29.50	0.09	12	
FY50	296	196	66%	27	(0)	49	120	30.50	0.09	10	
FY51	297	192	65%	27	(0)	48	117	31.50	0.08	9	
FY52**	184	116	63%	17	0	25	74	32.31	0.08	6	
TV	299	189	63%	27	-	47	115	32.31	0.08	9	
Present Value of Explicit Period Cash Flows										2,318	
Present Value of Terminal Year Cash Flow										105	
<b>Enterprise Value</b>										<b>2,423</b>	

\*10<sup>th</sup> November 2015

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Appendix III – Summary of approval and licences

Sr. No.	Approvals	Date of Issue	Validity Issuing Authority (in Years)
1	Company Registration	19-Dec-12	Valid Ministry of Corporate Affairs
2	Transmission License	14-Jul-14	25 Central Electricity Regulatory Commission
3	<u>Transmission Service Agreement</u> Transmission Service Agreement between PTCL & Long Term Transmission Customers Transmission Service Agreement between PTCL & Power Grid Corporation of India Ltd	12-May-14 23-May-16	35 Valid Central Electricity Regulatory Commission
4	<u>Approval for adoption of Tariff</u> Approval for adoption of Tariff	5-Aug-14	Valid Central Electricity Regulatory Commission
5	Approval under section 68(1) of Electricity Act, 2003 Approval from GOI under section 164 of Electricity Act, 2003 - Under Gazette of India	21-Mar-16 16-May-13	Valid Ministry of Power 25 Ministry of Power
6	Approval for Energisation under regulation 43 of CEA	27-May-16	Valid Ministry of Power
7	Permission for change of Land use	31-Dec-15	Valid
8	<u>Aviation Clearance</u> NOC for Height Clearance	9-Mar-17	Valid Airport Authority Of India
9	<u>Power &amp; Telecommunication Coordination Committee ("PTCC") Clearance</u> Patiala - Kaithal Transmission Line at Patran <u>Trial run certificate</u> Patran-Kakratala, Patran-Patran I&II and Patran-Rajla	28-Apr-15 20-Oct-17	Valid PTCC, Government of India Valid Power System Operation Corporation Limited

Source: Investment Manager

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Appendix IV – Summary of Ongoing Litigations

Matter	Against	Pending Before	Details of the case	Amount Involved	Amount Deposited
Punjab State Power Corporation Limited	CERC	APTEL	<p><b>Background of the case:</b> Punjab State Power Corporation Limited ("PSPCL") had filed an appeal challenging the Order dated 4 January 2017 passed by Central Electricity Regulatory Commission ("CERC") whereby PSPCL was held liable to bear the transmission charges of the transmission assets commissioned by PTCL from Scheduled Commercial Operation Date ("SCOD") till commissioning of the downstream system. The total amount payable by PSPCL as per the Impugned Order is INR 113.6 Million and out of which amount of INR 85.22 Million is still pending. As per one of the decisions, if the downstream system of the elements in present case is not commissioned by the schedule date of commercial operation, the owner of the downstream system shall be liable to pay the transmission charges of the transmission system till the downstream system is commissioned. Accordingly, PTCL issued a "notice for regulation of power supply" dated July 6, 2017 to PSPCL for regulation of power supply unless dues are cleared by PSPCL by 13 July 2017. PSPCL filed an appeal before the Appellate Tribunal for Electricity ("Tribunal") challenging the CERC Order. The Tribunal dismissed the appeal through its order dated 27 March 2018 (the "APTEL Order"). PSPCL has subsequently filed an appeal before the Supreme Court of India against the APTEL Order.</p> <p><b>Current Status:</b> The appeal has been filed at supreme court and the matter is currently pending. It is a contingent asset for PTCL</p>	85.22	

Source: Investment Manager