STERLITE INVESTMENT MANAGERS LIMITED
Regd. Office: Maker Maxity, 5 North Avenue, Level 5, Bandra
Kurla Complex, Bandra East, Mumbai. Maharashtra- 400051, India
CIN: U28113MH2010PLC30885

Date: May 03, 2019

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

Security Code- 540565

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

Symbol- INDIGRID

Subject: **Submission of Full Valuation Report of Assets of India Grid Trust as on March 31, 2019**

Dear Sir/ Madam,

Pursuant to Regulation 21 and other applicable provisions of Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014 read with all the Schedules and Circulars issued thereunder and as amended from time to time, please find attached the Full Valuation Report for assets of India Grid Trust for the financial year ended on March 31, 2019.

You are requested to take the same on record.

Thanking you,

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

Swapnil Patil
Company Secretary & Compliance Officer
ACS-24861

Copy to:
Axis Trustee Services Limited
The Ruby, 2nd Floor, SW,29, Senapati Bapat Marg,
Dadar West, Mumbai- 400 028, Maharashtra, India

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: 31st March 2019

Strictly Private and Confidential

HARIBHAKTI & CO. LLP
Chartered Accountants

Date: 24th April 2019
CFAS/2019-20/7

Sterlite Investment Managers Limited
Maker Maxity, 5th 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 29th 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 30th 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 31st 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, 5th 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.

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

Contents

Definition, abbreviation & glossary of terms

Abbreviations	Meaning
BDTCL 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 31st 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	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 21st 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 6th 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 31st 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 31st 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 31st March 2019 ("Valuation Date") The attached Report is drawn up by reference to accounting and financial information as on 31st March 2019. We are not aware of any other events having occurred since 31st 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 31st 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 31st 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 31st March 2019. The Investment Manager has represented that the business activities of BDTCL have been carried out in normal and ordinary course between 31st March 2019 and the Report Date and that no material changes have occurred in the operations and financial position between 31st 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 31st March 2017 and 31st March 2018;

3.2. Provisional Profit & Loss Account and Balance Sheet for the period ended 31st March 2019;

3.3. Projected Profit & Loss Account and Working Capital requirements of BDTCL from 1st April 2019 to 30th March 2049;

3.4. Details of brought forward losses (as per Income Tax Act) as at 31st March 2019;

3.5. Details of Written Down Value (as per Income Tax Act) of assets as at 31st March 2019;

3.6. Details of projected Repairs and Capital Expenditure ("Capex") as represented by the Investment Manager.

3.7. As on 31st 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 31st 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 28th October 2011 and 25th June 2018.

3.9. Management Representation Letter by Investment Manager dated 23rd 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 21st 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 6th June 2017.

5.2. The Trust had acquired two revenue generating projects, BDTCL and Jabalpur Transmission Company Limited ("JTCL") from its Sponsor on 30th May 2017. On 15th 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 19th 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)						
	30-Sep-18	31-Mar-18	30-Sep-17	31-Mar-17	31-Mar-16	31-Mar-15	Acquisition Value
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 31st March 2016, however the same was subsequently reduced to 9.8903% of non escalable charges during the valuation exercise of 31st March 2017 as per the CERC order dated 8th 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	31st 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 31st 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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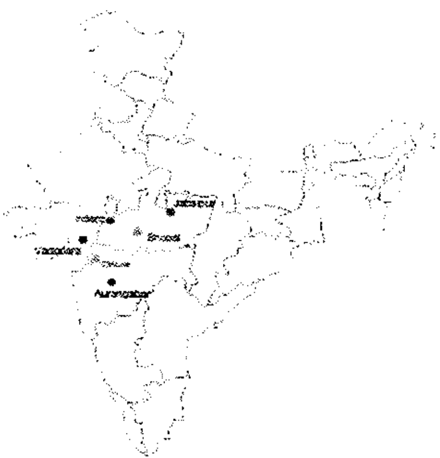
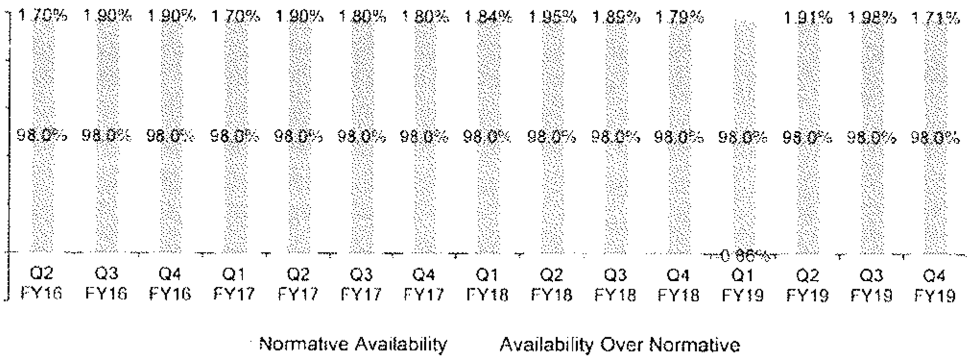
5.9. The project consists of the following transmission lines and is being implemented on contract basis:

Transmission line / Sub-Station	Location	Route length (ckms)	Specifications	Commission date	Contribution to total tariff
Jabalpur – Bhopal	Madhya Pradesh	260	765 kV S/C	9th June 2015	22%
Bhopal – Indore	Madhya Pradesh	176	765 kV S/C	19th November 2014	12%
Bhopal - Bhopal (MPPTCL)	Madhya Pradesh	17	400 kV D/C	12th August 2014	2%
Aurangabad - Dhule (IPTC)	Maharashtra	192	765 kV S/C	5th December 2014	10%
Dhule (IPTC) – Vadodara	Maharashtra, Gujarat	263	765 kV S/C	13th June 2015	16%
Dhule (IPTC) - Dhule (MSETCL)	Maharashtra	36	400 kV D/C	6th December 2014	4%
Bhopal Sub-station	Madhya Pradesh	-	2 x 1,500 MVA 765/400 kV	30th September 2014	17%
Dhule Sub-station	Maharashtra	-	2 x 1,500 MVA 765/400 kV	6th December 2014	17%

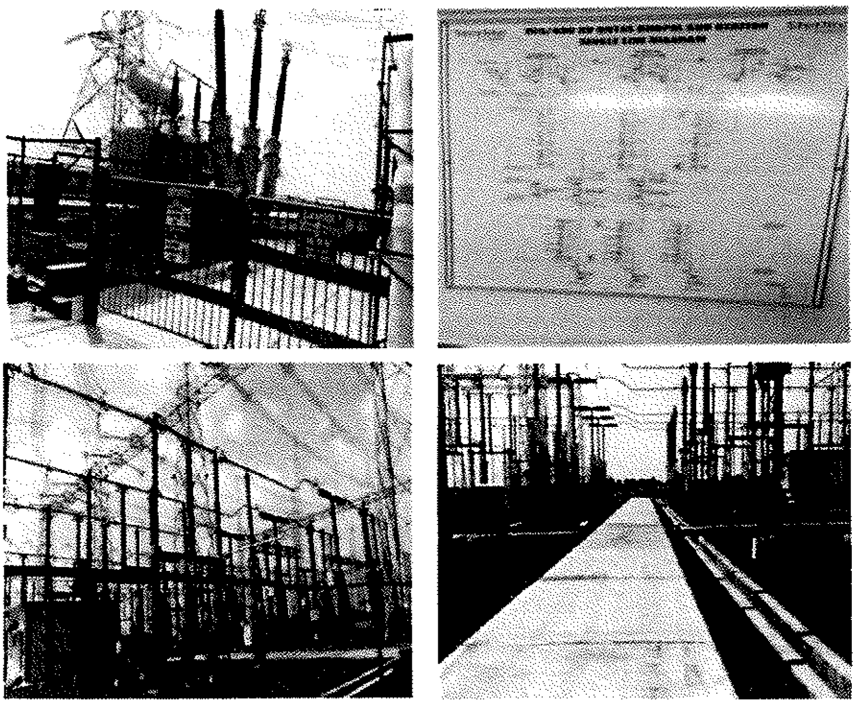
5.10. **Following is the map showing area covered by BDTCL(not drawn to scale**



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)*.

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 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.

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 31st 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 28th October 2011 and 25th June 2018 respectively, and

Part B: Incremental Revenue Case

This refers to incremental transmission revenue based on the consequential petition with CERC on 26th 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 28th 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 28th 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 25th 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 28th 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.

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 31st 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. **<u>Key Assumption under Part B: Incremental Revenue Case</u>**

- **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 25th June 2018, CERC granted relief for INR 195.9 Mn. However, the SPV has filed Consequential Petition with CERC on 26th 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.

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) = Rf + (Rp* Beta) + CSRP

Wherein:

K(e) = cost of equity

Rf = risk free rate

Rp = 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 12.44%.

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 29th 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:

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 8.5.2.

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 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 0.66.

8.5.5. **Cost of Debt:**

The calculation of Cost of Debt post-tax can be defined as follows:

K(d) = K(d) 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:

WACC = [K(d) * Debt /(Debt + Equity)] +[K(e) * (1 - Debt /(Debt + 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 1st April 2019 to 30th 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)

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) = Rf + (Rp* Beta) + 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 1st April 2019 to 30th 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
BDTCL	**19,470**

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
Total EV	20,442	19,470	18,599
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.

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. <u>List of one-time sanctions/approvals which are obtained or pending:</u>

As informed by the Investment Manager, there have been no additional sanctions/ approvals obtained by BDTCL between the period 1st April 2018 to 31st 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 31st March 2019 is provided in Appendix III.

B. <u>List of up to date/ overdue periodic clearances:</u>

We have included the periodic clearances obtained by BDTCL in the Appendix III.

C. <u>Statement of assets included:</u>

As at 31st March 2019, details of the asset of the SPV are as follows:-

INR Million

Asset Type	Gross Block	Depreciation	Net Block	% 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%
TOTAL	**21,329.8**	**3,007.9**	**18,321.9**	

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 31st 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 29th 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 + β x (Rm-Rf) + CSRP
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 = Pre tax Kd * (1-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	**8.24%**	**WACC = [Ke*(1-D/(D+E))]+[Kd*(1-t)*(D/(D+E))]**

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 29th 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 + β x (Rm-Rf) + CSRP
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 = Pre tax Kd * (1-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	**8.40%**	**WACC = [Ke*(1-D:(D+E))]+[Kd*(1-t)*(D:(D+E))]**

Appendix II – Valuation of BDTCL as on 31st 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%	-	0	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
Enterprise Value										**18,967**

** 30th March 2049*

Appendix III – Valuation of BDTCL as on 31[st] 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	30	30	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
Enterprise Value										**503**

* *30th March 2049*

Appendix IV – Summary of approval and licences (1/3)

Sr. No.	Approvals	Date of Issue	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 and Forests
	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 & Raisen Districts - Stage I	31-Dec-14	Valid	Ministry of Environment, Forests & Climate Changes
	Jabalpur-Bhopal Transmission Line in Bhopal & Raisen 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

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	31-Aug-13	Valid	PTCC, Government of India
	Jabalpur-Bhopal Transmission Line	13-Sep-13	Valid	PTCC, Government of India
	Dhule-Dhule Transmission Line	22-Jul-13	Valid	PTCC, Government of India
	Dhule- Vadodara Transmission Line	07-Mar-14	Valid	PTCC, Government of India
9	Railway Crossing			
	765 KV at KM 195/7-10 - Ratlam	13-Mar-14	Valid	Western Railway
	765 KV at KM 37/1-4 - Ratlam	09-May-13	Valid	Western Railway
	Between Diwanganj - Salamatpur at KM 865/2-4	18-Jun-13	35	West Central Railway
	KM 953/4-5 ET- JBP Section	18-Oct-13	Valid	West Central Railway
	Near Galan Railway Station at KM 359/27-28 & 360/1-2	25-Apr-14	Valid	Central Railway
	Between Ranala & Dondicha at KM 172/11 & 172/12 and tower LOC No 22/0 & 23/0	07-Aug-14	Valid	Western Railway
10	Road Crossing			
	KM 569/1 & 569/2 on Dewas City Portion on NH-3	11-Sep-13	Valid	National Highway Authority of India
	KM 333+830 on Bhopal-Bioara NH-12	06-Jul-12	Valid	Madhya Pradesh Road Development Corporation Ltd.
	NH - 86	12-Aug-13	Valid	National Highway Authority of India
	NH-26 (Sagar Narsinghpur Section and Milestone 302-303 respectively)	05-Feb-14	Valid	National Highway Authority of India
	Between KM 148-149 NH-12 Deora- Udaipura Section	21-Jan-13	Valid	Madhya Pradesh Road Development Corporation Ltd.
	Dhule- Aurangabad at KM 240-241 of NH-3	08-May-14	Valid	National Highway Authority of India
	Dhule- Aurangabad at KM 500-501 of NH-6	16-May-14	Valid	National Highway Authority of India
	Dhule-Dhule at 241-242 of NH-3	15-May-14	Valid	National Highway Authority of India

Source: Investment manager

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	03-Aug-13	Valid	Madhya Pradesh Power Transmission Co. Ltd.
	Indore Bhopal (Jaitura-Ashta Line)	10-Dec-12	Valid	Madhya Pradesh Power Transmission Co. Ltd.
	Bhopal Indore (Bairagarh- Shyampur Line, Sawania- Ashta Line, Sawania- Suajlpur Line, Bairagarh- Kurawar Line, Ashta-Polai Line, Ashta-Amiyakal Line & Ashta-Bercha Line)	15-Jan-13	Valid	Madhya Pradesh Power Transmission Co. Ltd.
	Bhopal Jabalpur line (Shahpura Line & Sukhanarsinghpur line)	05-Apr-13	Valid	Madhya Pradesh Power Transmission Co. Ltd
	Bhopal Jabalpur line (Barasia-Vidhisha line, Vidhisha-Raisen Line,Berasia-Vishisha Line, Bhopal -Bina Line & Bhopal-Vidhisha Line)	15-Jan-13	Valid	Madhya Pradesh Power Transmission Co. Ltd.
	Bhopal- Dhule Transmission Line	19-Oct-13	Valid	Maharashtra Electricity Transmission Co Ltd.
	Dhule- Dhule Transmission Line (Provisional Permission)	30-Oct-14	Valid	Public Works Department - Mumbai
	Dhule Vadodara - I	30-May-13	Valid	Gujarat Energy Transmission Corporation Ltd.
	Dhule Vadodara - II	28-Feb-13	Valid	Gujarat Energy Transmission Corporation Ltd.
	Dhule Vadodara - III	25-Jul-13	Valid	Gujarat Energy Transmission Corporation Ltd.
13	Aviation Clearance			
	NOC for Height Clearance - Bhopal	12-Feb-13	7	Airport Authority of India
	NOC for Height Clearance between Bhopal & Indore	20-Feb-13	7	Airport Authority of India
	NOC for Height Clearance between Jabalpur & Bhopal	20-Feb-13	7	Airport Authority of India
	NOC for Height Clearance between Dhule to Aurangabad	01-Feb-14	7	Airport Authority of India
	NOC for Height Clearance between Dhule to Vadodara	13-Mar-14	7	Airport Authority of India
14	Defence Clearance			
	NOC for Construction of Dhule Aurangabad Line	19-Sep-13	Valid	Ministry of Defence
	NOC for Construction of Dhule Dhule Line	19-Sep-13	Valid	Ministry of Defence
	NOC for Construction of Dhule Vododara Line	19-Sep-13	Valid	Ministry of Defence
15	Transmission Service Agreement	07-Dec-10	Valid	
16	Approval for adoption of Tariff	28-Oct-11	35	Central Electricity Regulatory Commission
17	Approval for Energisation	17-May-17	Expired	Central Electricity Authority, Chief Electrical Inspectorate Division

Source: Investment manager

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	**Background of the case:** 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 **Current Status:** The matter is currently pending.	No	Not provided	Not provided
Shikha Neekhra	BDTCL	District Judge (DJ), Raisen	**Background of the case:** Shikha Neekhra 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. **Current status:** Reply submitted by BDTCL & the issue is framed & an affidavit is submitted by applicant & 2 Witnesses/Applicants appeared & both have been cross examined by Counsel & 1 witness is left for cross examination. Case is currently pending	Yes	0.92	Not provided*
Manish Neekhra	BDTCL	District Magistrate, Narsinghpur	**Background of the case:** Manish Neekhra 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. **Current status:** Reply submitted by BDTCL & the issues are framed & an affidavit is submitted by applicant & 2 Witnesses/Applicants appeared & both has been cross examined by our Counsel & 1 witness is left for cross examination. Case is currently pending.	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.

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)
Shailendra Champaksinh Gohil Pravinsinh Jaswantsinh Gohil and Janaksinh Jaswantsinh Gohil	BDTCL	High Court of Gujarat Ahmedabad	**Background of the case:** Shailendra 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 **Current status:** BDTCL submitted the reply. The matter is currently pending	No	Not provided#	Not provided#
Pravinsinh Jaswantsinh Gohil and Janaksinh Jaswantsinh Gohil	BDTCL	High Court of Gujarat Ahmedabad	**Background of the case:** 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 . **Current status:** The matter is currently pending.	No	-	Not provided#
Bhikhan Govinda Sasundre & 5 others	BDTCL	Bombay High Court, Aurangabad	**Background of the case:** Bhikhan Govinda 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 0.64 Million within four weeks from 18 February 2016 which was subsequently deposited **Current status:** The matter is currently pending	No	Not provided*	0.64**
Pradip Ramesh Chandra Mudara	BDTCL	District Court, Dhule	**Background of the case:** Pradip Ramesh Chandra Mudara and others have filed a civil suit before the District Court, Dhule **Current Status:** 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	**Background of the case:** Aggrieved by the order passed by the District Collector allowing BDTCL to erect the transmission towers in the petitioner's land, Kusumben has filed an appeal against the same in the High Court **Current status:** The matter is currently pending.	No	Not provided	Not provided
Kusumben Arjun Mali and others	BDTCL	Sub divisional Magistrate (SDM), Dhule	**Background of the case:** Kusum Arjun Mali and others (through their power of attorney) have filed a civil application against BDTCL before the Sub - Divisional Magistrate Dhule disputing the compensation paid for their land **Current status:** The matter is currently pending	No	Not provided	Not provided
Various Complaints (32 in number)	BDTCL	District Collector (DC), Aurangabad	**Background of the case:** 32 complaints 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. **Current status:** The matter is currently pending.	No	Not provided	Not provided
Approx. 60 land owners	BDTCL	DC & DJ Aurangabad	**Background of the case:** Right of Way Compensation (ROW) Payment of land is demanded as per Maharashtra Government circular, which are pending for adjudication. On the similar lines SDM, Aurangabad has also sent some queries to BDTCL. **Current status:** 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	**Background of the case:** 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. **Current status:** 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.

Appendix V – BDTCL: Summary of Ongoing Litigations (4/6)

Matter	Against	Pending Before	Details of the Case	Documents Provided	Amount Involved (INR Million)	Amount Deposited (INR Million)
BDTCL	Bhagawan Devman Bhila	District Court Dhule	**Background of the case:** Bhagawan Devman Bhila filed a civil suit against the State of Maharashtra and BDTCL before the Joint Civil Judge (Senior Division) Dhule (the "Judge") for declaration, compensation and interim injunction in relation to a plot of land. BDTCL has filed a counter-claim and application for interim injunction. The Judge passed an order on 23 February 2016 (the "Order") allowing the application for interim injunction of Bhagawan Devman Bhila and partially allowing the application for interim injunction of BDTCL. BDTCL was restrained from evicting Bhagawan Devman Bhila and Bhagawan Devman Bhila was restrained from causing obstruction to the State of Maharashtra. Aggrieved by this Order, BDTCL filed an appeal in the court of the District Court, Dhule pleading that the order of the Judge should be stayed since it is bad in law and fact. **Current status:** The matter is currently pending	No	Not provided	Not provided
BDTCL	Dhyaneshwar Managate	Bombay High Court, Aurangabad	**Background of the case:** BDTCL filed petition against the payment of compensation required to be paid in accordance with the order passed by the District Court, Aurangabad, the High Court instructed BDTCL to deposit INR 0.64 Million within four weeks from 15 February 2016. The said amount was deposited. **Current status:** The matter is currently pending	No	Not provided	0.64**
Regulatory Matter	Petition Relief filed by BDTCL	CERC	**Background of the case:** a) BDTCL has filed an compensatory and declaratory relief under the Transmission Services Agreement 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 b) Additionally, BDTCL prayed for extension of scheduled commercial operation date and grant an increase of INR 212.3 Million per annum in levelized transmission charges payable with effect from commercial operation date of each element of the project c) CERC ("Central Electricity Regulatory Commission") by its order dated 25 June 2018, partially allowed the petition and held that delay constituted force majeure events under BDTCL TSA. However, the CERC held that on the basis of documents furnished by BDTCL, the CERC could not conclusively establish that change in law of events under BDTCL TSA has occured and accordingly, the CERC has not determined whether BDTCL is entitled to the increased levelised transmission charges. The CERC granted liberty to BDTCL to provide further documents to establish its claim in respect of increased levelised 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 & duties, especially on account of change in excise duty and service tax post the bid deadline amounting to INR 195.9 Million and also allowed transmission charges for S/C Dhule – Vadodara Transmission line (DV Line) from 9 February 2015 to 12 June 2015. Further, CERC has given the liberty to file application with relevant documents for additional expenditure towards interest during construction on loans availed during extended period of construction. **Current Status:** The matter is currently pending.	Yes	212.3**	Not provided*
Regulatory Matter	PGCIL	CERC	**Background of the case:** PGCIL filed a tariff petition before the CERC for determination of tariff due to it for the period where BDTCL's assets were not operational (the "**Interim Period**"). Through an order dated 20 September 2017 ("**First CERC Order**"), CERC directed BDTCL to pay the transmission charges to PGCIL 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. **Current Status:** This 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 (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	**Background of the case:** The Company has received assessment order for AY 16-17 dated 25 December 2018. The amount outstanding as per the screenshot provided from Income Tax website amount of INR 25.98 million and INR 1.36 million. **Current Status:** The matters are currently pending	Yes	27.34	Not provided*
Indirect Matters	Tax BDTCL	High Court of Madhya Pradesh	**Background of the case:** The matter is related to demand for payment of entry tax in Fiscals 2016, 2015, 2014 and 2013, which was allegedly incurred by BDTCL during the course of its business. The aggregate amount involved in the matters is INR 165.8 Million, of which INR 58.4 Million has been paid **Current Status:** The matters are currently pending	Yes	165.8	58.40
Indirect Matters	Tax BDTCL	VAT Act, 2002	**Background of the case:** BDTCL has received certain notices under Madhya Pradesh VAT Act, 2002 **Current Status:** 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.

Appendix V – BDTCL: 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)
Satya Narayan Mishra	BDTCL	District Judge, Narsinghpur	**Background of the case:** Satya Narayan Mishra filed petition for the losses which he allegedly suffered due to construction of the overhead lines by BDTCL over his land whereas BDTCL claimed that it has already provided the compensation through cheques. Currently, BDTCL has filed the reply and the witness of applicant has been cross examined by BDTCL. **Current status:** Dismissed in our favour of BDTCL.	Yes	Not provided*	Not provided*
Ram Singh	BDTCL	High Court of Madhya Pradesh	**Background of the case:** 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 recieved a notice that amount will be paid **Current Status:** The matter is closed	Yes	Not provided*	Not provided*
Navneet Manchhibhai Vasava and others	BDTCL	Civil Judge, Dediyapada	**Background of the case:** Navneet Manchhibhai Vasava and others (the "Plaintiffs") filed a civil suit against BDTCL before Civil Judge, Dediyapada alleging that laying of transmission lines violated their right of way and demanded compensation of INR 0.5 Million **Current status:** BDTCL 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

Strictly Private and Confidential

HARIBHAKTI & CO. LLP
Chartered Accountants

Valuation as per SEBI (Infrastructure Investment Trusts) Regulations, 2014

SPV: Jabalpur Transmission Company Limited ("JTCL")

Valuation Date: 31st March 2019

Strictly Private and Confidential

HARIBHAKTI & CO. LLP
Chartered Accountants

Date: 24th April 2019
CFAS/2019-20/6

Sterlite Investment Managers Limited
Maker Maxity, 5th 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 29th 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 30th 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 31st 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, 5thFloor,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.

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

Contents

Definition, abbreviation & 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 31st 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 21st 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 6th 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 Jabalpur (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 31st 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 31st 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 31st March 2019 ("Valuation Date").The attached Report is drawn up by reference to accounting and financial information as on 31st March 2019. We are not aware of any other events having occurred since 31st 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 31st 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 31st 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 31st March 2019. The Investment Manager has represented that the business activities of JTCL have been carried out in normal and ordinary course between 31st March 2019 and the Report Date and that no material changes have occurred in the operations and financial position between 31st 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 31st March 2017 and 31st March 2018;

3.2. Provisional Profit & Loss Account and Balance Sheet for the period ended 31st March 2019;

3.3. Projected Profit & Loss Account and Working Capital requirements of JTCL from 1st April 2019 to 28th February 2049;

3.4. Details of brought forward losses (as per Income Tax Act) as at 31st March 2019;

3.5. Details of Written Down Value (as per Income Tax Act) of assets as at 31st March 2019;

3.6. Details of projected Repairs and Capital Expenditure ("Capex") as represented by the Investment Manager.

3.7. As on 31st 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 31st 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 28th October 2011 and 8th May 2017.

3.9. Management Representation Letter by Investment Manager dated 23rd 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 21st 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 6th June 2017.

5.2. The Trust had acquired two revenue generating projects, Bhopal Dhule Transmission Company Limited ("BDTCL") and JTCL from its Sponsor on 30th May 2017. On 15th 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 19th 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)						
	30-Sep-18	**31-Mar-18**	**30-Sep-17**	**31-Mar-17**	**31-Mar-16**	**31-Mar-15**	**Acquisition Value**
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 31st March 2016, however the same was subsequently reduced to 9.8903% of non escalable charges during the valuation exercise of 31st March 2017 as per the CERC order dated 8th 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	1st 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 19th 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.

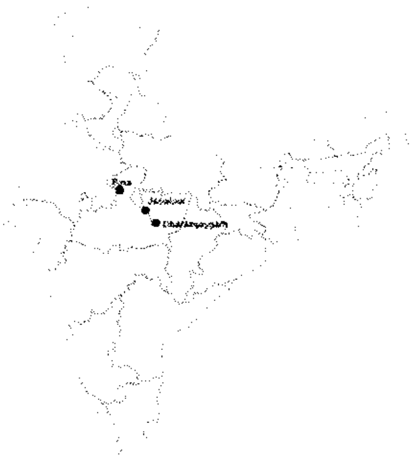
5.7. JTCL operates two extra high voltage overhead transmission lines of 992 Ckms in the states of Chhattisgarh and Madhya Pradesh comprising one 765 kV dual circuit line of 757 Ckms from Dharamjaygarh (Chhattisgarh) to Jabalpur (Madhya Pradesh) and one 765 kV single circuit Line of 235 Ckms from Jabalpur 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.

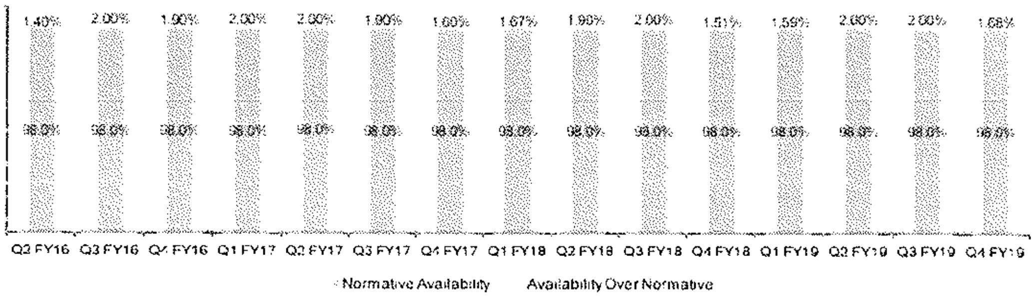
5.9. The project consists of the following transmission lines and is being implemented on contract basis:

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	14th September 2015	72%
Jabalpur-Bina	Madhya Pradesh	235	765 kV S/C	1st July 2015	28%

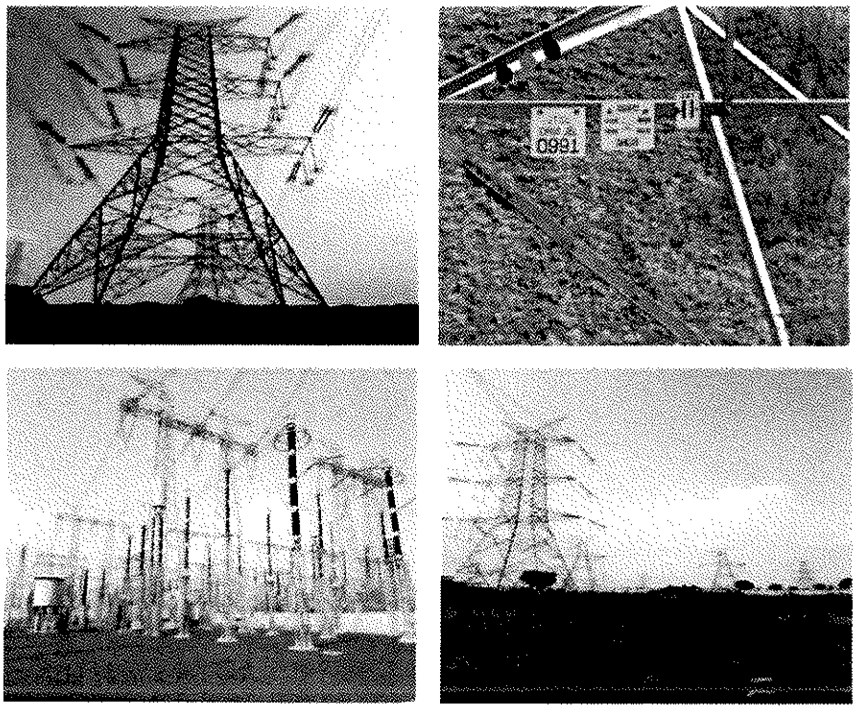
5.10. Following is the map showing area covered by JTCL (not drawn to scale):



5.11. **Operating Efficiency history of JTCL:**



5.12. **<u>Pictures of the SPV:</u>**



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,

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 31st 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 28th 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 28th 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 8th 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 28th 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 31st 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) = Rf + (Rp* Beta) + CSRP

Wherein:

K(e) = cost of equity

Rf = risk free rate

Rp = 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 29th 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:

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) 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 1st April 2019 to 28th 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.

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 1st April 2018 to 31st 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 31st 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 31st March 2019, details of the asset of the SPV are as follows:

INR Million

Asset Type	Gross Block	Depreciation	Net Block	% 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%
TOTAL	**18,874.2**	**4,965.1**	**13,909.1**	

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 JTCL has incurred INR 39.6 million during the period ended 31st 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 29th 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 + β x (Rm-Rf) + CSRP
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 = Pre tax Kd * (1-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	**8.30%**	**WACC = [Ke*(1-D/(D+E))]+[Kd*(1-t)*(D/(D+E))]**

Appendix II – Valuation of JTCL as on 31st 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	1,216	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	1,206	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
Enterprise Value										**14,608**

** 28th February 2049*

Appendix III – Summary of Approvals & Licenses (1/2)

Sr. No.	Approvals	Date of Issue	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			
	765KV Double Circuit Dharamjayagarh to Jabalpur Transmission Line- 09/DND/POW/2012-112	17-Aug-12	Valid	Forest Department
	765KV Double Circuit Dharamjayagarh to Jabalpur Transmission Line- 09/DND/POW/2012-113	17-Aug-12	Valid	Forest Department
	765KV Double Circuit Dharamjayagarh to Jabalpur Transmission Line- 09/DND/POW/2012-114	17-Aug-12	Valid	Forest Department
	Forest Registration Letter for Dharamjayagarh to Jabalpur Transmission Line	17-Jul-14	Valid	Collector, Jabalpur, Madhya Pradesh
	In Principle approval for the diversion of forest land for construction of 765 KV D/C Jabalpur Transmission Line	23-Dec-14	Valid	Ministry of Environment & Forests
	Approval for construction of 765 KV D/C Jabalpur Transmission Line in Korba District of Chhattisgarh	10-Jun-15	Valid	Ministry of Environment, Forests & Climate Change
	Dharamjayagarh to Jabalpur Transmission Line Stage I Clearance	31-Dec-14	Valid	Ministry of Environment, Forests & Climate Change
	Dharamjayagarh to Jabalpur Transmission Line Stage II Clearance	10-Mar-15	Valid	Ministry of Environment, Forests & Climate Change
	Jabalpur Bina Transmission Line Stage I	15-Jan-15	Valid	Ministry of Environment, Forests & Climate Change
	Jabalpur Bina Transmission Line Stage II	16-Mar-15	Valid	Ministry of Environment, Forests & Climate Change
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	05-Jun-13	Valid	Ministry of Power
6	Approval from CERC under section 17(3)	Not Found		
7	Environmental Clearance	Not Applicable	Valid	
8	Power & Telecommunication Coordination Committee ("PTCC") Clearance			
	PTCC - Chhattisgarh Portion	21-May-15	Valid	PTCC, GOI
	PTCC - Madhya Pradesh Portion	13-Apr-15	Valid	PTCC, GOI
9	Railway Crossing			
	Provisional Approval for Erection of power line between Urga & Saragbundia Railway Station at KM 688/C 21-23 & KM 688/C22-24	18-Sep-14	Valid	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	Valid	South East Central Railway
	Provisional Approval for Erection of power line between Guthku & Kalmitar Railway Station at KM 740/20-22 & Km 740/21N-23N	13-Jun-14	Valid	South East Central Railway
	Erection of power line between Bargi - Gowanghat Railway Station at KM 1208/4-5	27-Apr-15	Valid	South East Central Railway
10	Road Crossing			
	765 KV D/C OH NH crossing Bilaspur- Ratanpur (NH-130)	28-May-15	Valid	Chhattisgarh Road Development Corporation Ltd
	765KV Double Circuit Dharamjayagarh	09-Dec-13	Valid	Madhya Pradesh Road Development Corporation Ltd.

Source: *Investment Manager*

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 power line crossings of tower no 11A/0 and 11B/0	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 Dharmjaygarh- 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 Dharmjaygarh- Jabalpur Transmission Line	03-Jun-13	Valid	Chhattisgarh State Power Transmission Company Ltd.
	Approval for overhead crossing of Chhuri to S/s Mopka of CSTPCL by 765 KV D/C Dharmjaygarh Jabalpur Transmission Line of JTCL	04-Dec-13	Valid	Chhattisgarh State Power Transmission Company Ltd.
	Approval for overhead crossing Korba to Mopka of CSTPCL by 765 KV D/C Dharmjaygarh Jabalpur Transmission Line of JTCL	04-Dec-13	Valid	Chhattisgarh State Power Transmission Company Ltd.
	Approval for overhead crossing of LILO of one circuit of 400KV DCDS Korba Khedmara 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)- Khedamara line of CSPTCL by 765 KV D/C Dharmajaygarh-Jabalpur Transmission line of M/s JTCL	29-Apr-14	Valid	Chhattisgarh State Power Transmission Company Ltd.
	Approval for overhead crossing of existing 132 KV DCDS Belgahna Railway Traction line of CSPTCL by 765 KV D/C Dharmjaygarh 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- Banari-Suhela Line of CSPTCL by 765KV D/C Dharmajaygarh 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	Power Grid Corporation Ltd
	Approval for Overhead Crossing of 400 KV S/C Korba Bhilai II T/L of PowerGrid 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 PS to Korba & Bilaspur- Korba Transmission Line	02-Jan-14	Valid	Power Grid Corporation Ltd
13	Aviation Clearance -NOC for Transmission Line	27-Nov-13	7	Airport Authority of India
14	Defence Clearance - NOC from Aviation Angle for Construction	27-May-15	Valid	Ministry of Defence
15	Transmission Service Agreement	01-Dec-10	Valid	
16	Approval for adoption of Tariff	28-Oct-11	35	Central Electricity Regulatory Commission

Source: Investment Manager

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	**Background of the case:** 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 transmissior 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. **Current Status:** Matter is currently pending	9.97	-
Sanjay Jain and Others	State of Madhya Pradesh and Others	High Court of Madhya Pradesh, Jabalpur Bench	**Background of the case:** 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 date 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. **Current Status:** 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	Background of the case: 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 16 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. Current Status: The matter is currently pending.	21.1	-
Lalchand Agarwal	Union of India	Supreme Court of India	Background of the case: Lalchand Agrawal 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 Agrawal. Aggrieved, Lalchand Agrawal has filed a civil appeal before the Supreme Court of India. JTCL has filed its reply. Current Status: The matter is currently pending.	Not Provided*	Not Provided*

Source: Investment Manager

Appendix IV – Summary of Ongoing Litigations (3/3)

Matter	Against	Pending Before	Details of the Case	Amount Involved (INR Million)	Amount Deposited (INR Million)#
Sanjeev Singhai	JTCL	DM & District Judge	**Background of the case:** Sanjeev Singhai 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. **Current Status:** The matter is currently pending.	0.38	0.38
DM Mandla	JTCL	CM Helpline Matter	**Background of the case:** The District Collector, Mandala 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 55 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 **Current Status:** The matter is currently pending.	5.95	-
Indirect Tax Matters	JTCL	High Court, Bilaspur, Chhattisgarh	**Background of the case:** 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 51.55 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 **Current Status:** 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.	51.55**	129.10**
Indirect Tax Matters	JTCL	High Court, Jabalpur, Madhya Pradesh	**Background of the case:** 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, 2015, 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 **Current Status:** The matters are currently pending.	138.7	
Indirect Tax Matters	JTCL		**Background of the case:** 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 docume

** 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.

Strictly Private and Confidential

HARIBHAKTI & CO. LLP
Chartered Accountants

Valuation as per SEBI (Infrastructure Investment Trusts) Regulations, 2014

SPV: Purulia & Kharagpur Transmission Company Limited ("PKTCL")

Valuation Date: 31st March 2019

Strictly Private and Confidential

Date: 24th 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 29th 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 15th 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 31st 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.

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

Contents

Definition, abbreviation & 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 31st 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 & Maintenance
PGCIL	Power Grid Corporation of India Limited
PKTCL or the SPV	Purulia & Kharagpur Transmission Company Limited
PTCL	Patran 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 21st 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 6th 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. PKTCL has 400 KV substation at Kharagpur of West Bengal State Electricity Transmission Company Limited which has been commissioned with LILO of Kolaghat-Baripada line. Chaibasa substation of Powergrid is under implementation with LILO of both circuits of Jamshedpur-Rourkela line. Ranchi 400 KV substation is a sub-station in Eastern Region grid and also one of the gateways for power exchange with Western Region Grid. Its route length is 545 Ckms.

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 31st 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 Purulia & Kharagpur Transmission Company Limited("PKTCL" 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 31st 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

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 31st March 2019 ("Valuation Date").The attached Report is drawn up by reference to accounting and financial information as on 31st March 2019. We are not aware of any other events having occurred since 31st 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 31st 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 31st 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 31st March 2019. The Investment Manager has represented that the business activities of PKTCL have been carried out in normal and ordinary course between 31st March 2019 and the Report Date and that no material changes have occurred in the operations and financial position between 31st 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 31st March 2017 and 31st March 2018;

3.2. Provisional Profit & Loss Account and Balance Sheet for the period ended 31st March 2019;

3.3. Projected Profit & Loss Account and Working Capital requirements of PKTCL from 1st April 2019 to 10th March 2051;

3.4. Details of brought forward losses (as per Income Tax Act) as at 31st March 2019;

3.5. Details of Written Down Value (as per Income Tax Act) of assets as at 31st March 2019;

3.6. Details of projected Repairs and Capital Expenditure ("Capex") as represented by the Investment Manager.

3.7. As on 31st 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 31st 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 20th August 2014 and 3rd April 2018.

3.9. Management Representation Letter by Investment Manager dated 23rd 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 21st 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 6th 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 30th May 2017. On 15th 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 19th 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, PKTCL and PTCL from Techno Electric & Engineering Company Limited:

Asset Name	Enterprise Value (INR Mn)						
	30-Sep-18	31-Mar-18	30-Sep-17	31-Mar-17	31-Mar-16	31-Mar-15	Acquisition Value
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 31st March 2016, however the same was subsequently reduced to 9.8903% of non escalable charges during the valuation exercise of 31st March 2017 as per the CERC order dated 8th 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	11th 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 6th 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	18th June 2016	54%
Purulia - Ranchi	West Bengal, Jharkhand	223	400 kV D/C	7th June 2017	46%

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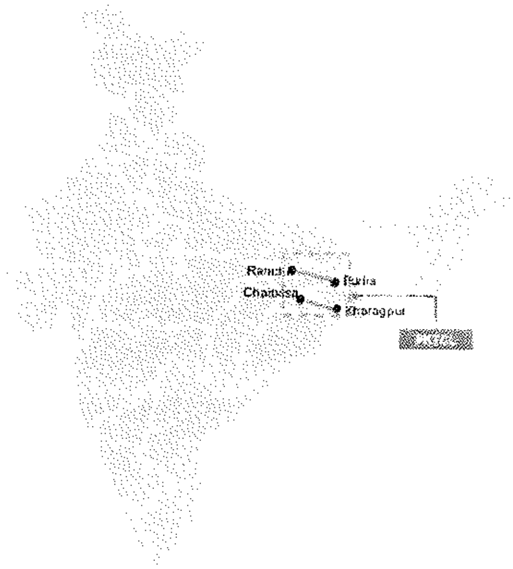
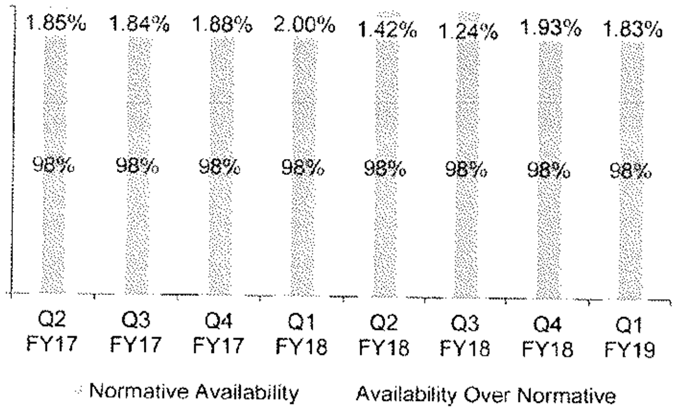
5.9. Following is the map showing area covered by PKTCL (not drawn to scale):



5.10. **Operating Efficiency history of PKTCL: -**



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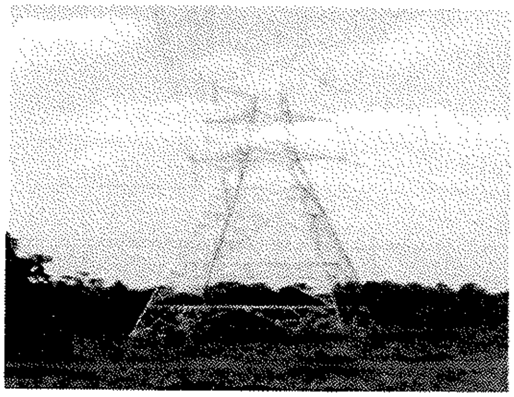
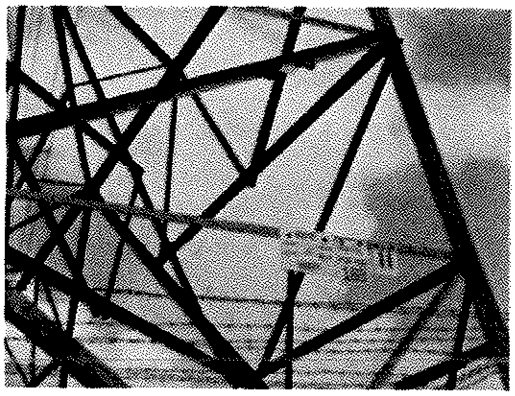
5.11. **Pictures of the SPV:**





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).*

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 eslectricity 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 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, 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 31st 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 20th 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 20th 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 20th 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) = Rf + (Rp* Beta) + CSRP

Wherein:

K(e) = cost of equity

Rf = risk free rate

Rp = 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 29th 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:

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) 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 8.32% 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. <u>**Valuation of PKTCL**</u>

1.1.1. We have relied on the projected financials of PKTCL as provided by the Investment Manager for the period from 1st April 2019 to 10th March 2051.

1.1.2. WACC arrived at for the purpose of valuation is 8.32% for cash flows (Refer Appendix I).

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:

- 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 1st April 2018 to 31st 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 31st 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 31st March 2019, details of the asset of the SPV are as follows:-

INR Million

Asset Type	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%
TOTAL	**4,405.0**	**363.1**	**4,041.9**	

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 PKTCL has incurred INR 14.38 Million for the year ended 31st 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 28th 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 + β x (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 = Pre tax Kd * (1-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 = [Ke*(1-D/(D+E))]+[Kd*(1-t)*(D/(D+E))]**

Appendix II – Valuation of PKTCL as on 31st 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
Enterprise Value										**6,390**

** for the period ended 10th March 2051

Appendix III – Summary of approval and licences (1/2)

Sr. No.	Approvals	Date of Issue	Validity (in years)	Issuing Authority
1	**Aviation Clearance**			
	- No Objection Certificate for Height Clearance:			
	JAMS/EAST/P/090716/170575	22-Sep-16	7	Airports Authority of India
	JAMS/EAST/P/090716/170575/2	22-Sep-16	7	Airports Authority of India
	JAMS/EAST/P/090716/170575/3	26-Sep-16	7	Airports Authority of India
	JAMS/EAST/P/090716/170575/4	26-Sep-16	7	Airports Authority of India
	JAMS/EAST/P/090716/170575/5	26-Sep-16	7	Airports Authority of India
	JAMS/EAST/P/090716/170575/6	22-Sep-16	7	Airports Authority of India
	JAMS/EAST/P/090716/170575/7	22-Sep-16	7	Airports Authority of India
	JAMS/EAST/P/090716/170575/8	22-Sep-16	7	Airports Authority of India
	JAMS/EAST/P/090716/170575/9	22-Sep-16	7	Airports Authority of India
	JAMS/EAST/P/090716/170575/10	26-Sep-16	7	Airports Authority of India
	JAMS/EAST/P/090716/170575/11	22-Sep-16	7	Airports Authority of India
	JAMS/EAST/P/090716/170575/12	26-Sep-16	7	Airports Authority of India
2	**Energisation of Plants**			
	400 Kv Kharagpur - Chaibasa D/C transmission line of PKTCL	13-May-16	Valid	Central Electricity Authority
	400 Kv Purulia - Ranchi D/C transmission line of PKTCL	27-Dec-16	Valid	Central Electricity Authority
3	**Forest Clearance**			
	Jharkhand - Saraikela and East Singhbhum	24-Sep-15	Valid	Ministry of Environment, Forests & Climate Change
	Kharagpur to Chaibasa	17-Jul-15	Valid	Ministry of Environment, Forests & Climate Change
	Rairangpur Forest Division in Mayurbhanj district of Odisha	4-Sep-15	Valid	Ministry of Environment, Forests & Climate Change
	Ranchi & Khunti district of Jharkhand	24-Sep-15	Valid	Ministry of Environment, Forests & Climate Change
	Purulia - Ranchi	22-Sep-16	Valid	Ministry of Environment, Forests & Climate Change
4	**Road Crossing**			
	NH-6, Kharagpur to Behragora	5-Nov-15	Valid	National Highway Authority of India
	NH-23, Tengriya Village	27-Feb-16	Valid	National Highway Authority of India
	NOC for NH-75, Ranchi - Chaibasa - Jaintgarh	25-May-16	Valid	National Highway Authority of India
	Overhead crossing of 132 Kv D/C Gola Chandil transmission line	29-Jan-16	Valid	Damodar Valley Corporation Electricity Department
	Overhead crossing of 220 Kv D/C BTPS-Jamshedpur transmission line	29-Jan-16	Valid	Damodar Valley Corporation Electricity Department
	NH-33, Ranchi-Tata, near village Darbul.	9-Dec-15	Valid	National Highway Authority of India

Source: Investment Manager

Appendix III – Summary of approval and licences (2/2)

Sr. No.	Approvals	Date of Issue	Validity (In years)	Issuing Authority
5	**Power Line Crossing**			
	Kharagpur-Chaibasa line over KTPP-Kharagpur line	11-May-16	Valid	West Bengal State Electricity Transmission Company Limited
	Kharagpur-Chaibasa line over Jamshedpur-Joda line	30-Dec-15	Valid	Damodar Valley Corporation Electricity Department
	Kharagpur-Chaibasa line over RCP-Joda line	30-Dec-15	Valid	Jharkhand Urja Sancharan Nigam Limited
	Kharagpur-Chaibasa line over Jamshedpur-Baripada line	4-Dec-15	Valid	Power Grid Corporation of India Limited
	Kharagpur-Chaibasa line over Chaibasa Mini Grid Substation to our Chaliyama Steel Plant	29-Jul-15	Valid	Rungta Mines Limited
	Ranchi-Chandwa line near village-Bero	7-Mar-16	Valid	Power Grid Corporation of India Limited
	Boro-Patratu line near village-Bero	17-Mar-16	Valid	Power Grid Corporation of India Limited
	Purulia-Ranchi line over Chandil line of Power Grid Corporation of India Limited	16-Feb-16	Valid	Power Grid Corporation of India Limited
	Purulia-Ranchi line over Gola-Chandil line	29-Jan-16	Valid	Damodar Valley Corporation Electricity Department
	Purulia Ranchi line over BTPS-Jamshedpur line	29-Jan-16	Valid	Damodar Valley Corporation Electricity Department
	Purulia-Ranchi line over Hatia-Kamdara line	26-Feb-16	Valid	Jharkhand Urja Sancharan Nigam Limited
	Purulia-Ranchi line over Ranchi Bero line of Power Grid	7-Mar-16	Valid	Power Grid Corporation of India Limited
	Purulia-Ranchi line over Ranchi-Rourkela line	31-Dec-15	Valid	Power Grid Corporation of India Limited
6	**Power Telecommunication Co-ordination Committee ("PTCC") Clearance**			
	Kharagpur to Chaibasa line	10-May-16	Valid	Power Telecommunication Co-ordination Committee
	Purulia to Ranchi Line	15-Jun-16	Valid	Power Telecommunication Co-ordination Committee
7	**Railway Crossing**			
	Haludpukur - Bahalda Road Railway Station	17-Feb-16	Valid	South Eastern Railway
	Purulia-Ranchi line over Suisa-Torang stations	8-Jul-16	Valid	South Eastern Railway
	Purulia-Ranchi line over Lodhma-Baisinng stations	8-Jul-16	Valid	South Eastern Railway
8	**Transmission Licence**	15-Jun-14	25	Central Electricity Regulatory Commission
9	**Diversion of Forest Land/ Permission for felling of trees**			
	Kharagpur Division	24-Sep-15	Valid	Government of West Bengal - Directorate of Forest
	Rairangpur Division	8-Oct-15	Valid	Office of the Divisional Forest Officer - Rairangpur Division
	Saraikela and Jamshedpur Division	21-Dec-15	Valid	Government of Jharkhand - Directorate of Forest
	Baghmundi Range	28-Oct-16	Valid	Government of West Bengal - Directorate of Forest
	Ranchi and Khunti Division	6-Jan-16	Valid	Government of Jharkhand - Directorate of Forest
10	**Transmission Service Agreement**			
	Power Grid Corporation of India Ltd. - Kharagpur-Chaibasa Line	22-Dec-15	Valid	
	Long Term Transmission Customers (Various Parties)	6-Aug-13	35	
11	Approval for adoption of Tariff	20-Aug-14		Central Electricity Regulatory Commission, New Delhi
12	Company Registration	15-Dec-12	Valid	Ministry of Corporate Affairs
13	Approval from GOI under section 164 of Electricity Act, 2003- Under Gazette of India	7-May-15	25	Ministry of Power
14	Approval under section 68 of Electricity Act 2003	29-May-13	Valid	Ministry of Power
15	Approval from CERC under section 17(3)	1-Apr-15	Valid	Central Electricity Regulatory Commission
16	Defence Clearance	Application Made		
17	Trial Operation of Transmission Element (Tower 223 & 224 Chaibasa-Kharagpur)	1-Aug-16	Valid	Power System Operation Corporation Limited
18	Trial Operation of Transmission Element (New Ranchi- New Purulia CKT-I & CKT-II)	10-Feb-17	Valid	Power System Operation Corporation Limited

Source: Investment Manager

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)	**Background of the case:** PKTCL had purchased material amounting to INR 695.2 Million for captive consumption during FY16 However, the Assesing 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'able High Court of Jharkhand. As presented by the management of the Sponsor, there is no potential evolvement on account of contingent liability. **Current Status:** 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.	104.3	26.1
Regulatory Matter	Petition Relief filed by PKTCL		**Background of the case:** 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. **Current Status:** The matter is currently pending.	Not Provided*	Not Provided*

Source: Investment Managers

*We were unable to quantify the amount of liability from the documents provided to us.

Strictly Private and Confidential

HARIBHAKTI & CO. LLP
Chartered Accountants

Valuation as per SEBI (Infrastructure Investment Trusts) Regulations, 2014

SPV: RAPP Transmission Company Limited ("RTCL")

Valuation Date: 31st March 2019

Strictly Private and Confidential

HARIBHAKTI & CO. LLP
Chartered Accountants

Date: 24th 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 29th 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 15th 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 31st 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.

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

Contents

Definition, abbreviation & 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 31st 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
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
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 21st 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 6th 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 31st 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 31st 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 31st March 2019 ("Valuation Date").The attached Report is drawn up by reference to accounting and financial information as on 31st March 2019. We are not aware of any other events having occurred since 31st 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 31st 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 31st 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 31st March 2019. The Investment Manager has represented that the business activities of RTCL have been carried out in normal and ordinary course between 31st March 2019 and the Report Date and that no material changes have occurred in the operations and financial position between 31st 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 31st March 2017 and 31st March 2018;

3.2 Provisional Profit & Loss Account and Balance Sheet for the period ended 31st March 2019;

3.3. Projected Profit & Loss Account and Working Capital requirements of RTCL from 1st April 2019 to 28th February 2051;

3.4. Details of brought forward losses (as per Income Tax Act) as at 31st March 2019;

3.5. Details of Written Down Value (as per Income Tax Act) of assets as at 31st March 2019;

3.6. Details of projected Repairs and Capital Expenditure ("Capex") as represented by the Investment Manager.

3.7. As on 31st 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 31st 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 23rd July, 2014.

3.9. Management Representation Letter by Investment Manager dated 23rd 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 21st 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 6th June 2017.

5.2. The Trust had acquired two revenue generating projects, Bhopal Dhule Transmission Company Limited ("BDTCL") and RTCL from its Sponsor on 30th May 2017. On 15th 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 19th 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)						
	30-Sep-18	31-Mar-18	30-Sep-17	31-Mar-17	31-Mar-16	31-Mar-15	Acquisition Value
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 31st March 2016, however the same was subsequently reduced to 9.8903% of non escalable charges during the valuation exercise of 31st March 2017 as per the CERC order dated 8th 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	403 ckms
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 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 RTCL project was awarded to Sterlite Grid Limited 2 by the Ministry of Power on 24th 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.

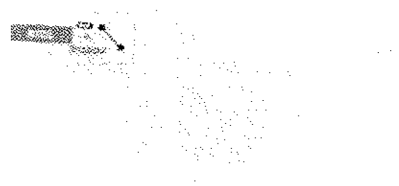
5.7. RAPP Transmission Company Limited ("RTCL") project transfers power from the atomic power plant near Kota in Rajasthan to Shujalpur in Madhya Pradesh to provide the path for the evacuation of electricity generated at RAPP-7 and 8. Its route length is 201 Kms. The network will act as an interregional 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.

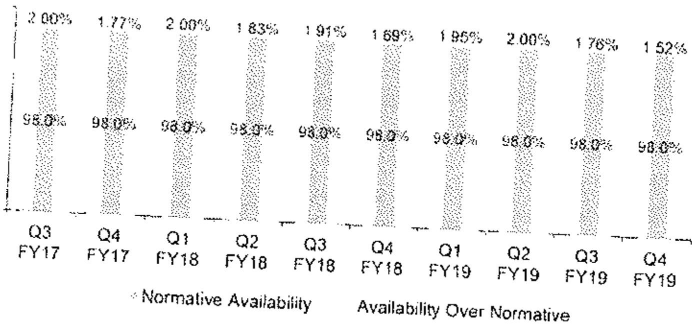
5.9 The project consists of the following transmission lines and is being implemented on contract basis:

Transmission line / Sub-Station	Location	Route length (ckms)	Specifications	Commission date	Contribution to total tariff
RAPP-Shujalpur	Rajasthan and Madhya Pradesh	400	400 kV D/C	25th Dec 2016	100%

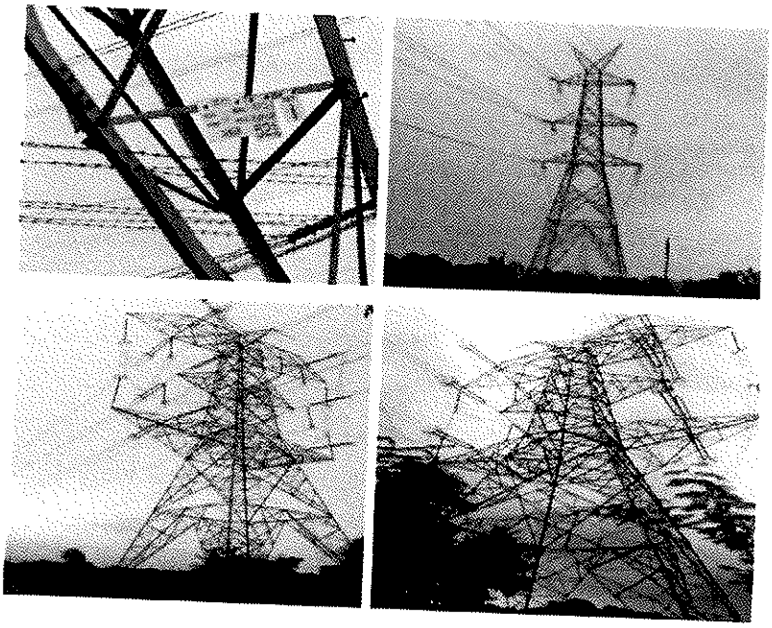
5.10. Following is the map showing area covered by RTCL (not drawn to scale):



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 ~9.08% 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, 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 31st 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 23rd 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 23rd 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 23rd 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) = Rf + (Rp* Beta) + CSRP

Wherein:

K(e) = cost of equity

Rf = risk free rate

Rp = 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 29th 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:

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) 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 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 1st April 2018 to 31st 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 31st 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:-

INR Million

Asset Type	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%
TOTAL	**2,600.5**	**278.2**	**2,322.3**	

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 31st 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 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 29th 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 + β x (Rm-Rf) + 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, Kd = Pre tax Kd * (1-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	**8.30%**	**WACC = [Ke*(1-D/(D+E))]+[Kd*(1-t)*(D/(D+E))]**

Appendix II – Valuation of RTCL as on 31st March 2019

WACC 8.30%

INR Mn

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	346	0.50	0.96	333
FY21	455	426	94%	-	-5	73	358	1.50	0.89	318
FY22	455	426	94%	-	-0	73	352	2.50	0.82	289
FY23	455	425	93%	-	-0	73	352	3.50	0.76	266
FY24	455	424	93%	-	-0	73	351	4.50	0.70	245
FY25	455	423	93%	-	-0	73	350	5.50	0.64	226
FY26	455	422	93%	-	-0	72	349	6.50	0.60	208
FY27	455	421	93%	-	-0	72	349	7.50	0.55	192
FY28	455	420	92%	-	-0	72	348	8.50	0.51	177
FY29	455	419	92%	-	-0	72	347	9.50	0.47	163
FY30	455	417	92%	-	-0	72	346	10.50	0.43	150
FY31	455	416	92%	-	-0	71	345	11.50	0.40	138
FY32	455	415	91%	-	-0	71	344	12.50	0.37	127
FY33	455	414	91%	-	-0	71	343	13.50	0.34	117
FY34	455	412	91%	-	-0	70	342	14.50	0.31	108
FY35	455	411	90%	-	-0	70	341	15.50	0.29	99
FY36	455	410	90%	-	-0	70	340	16.50	0.27	91
FY37	455	408	90%	-	-0	70	339	17.50	0.25	84
FY38	455	407	89%	-	-0	69	338	18.50	0.23	77
FY39	455	405	89%	-	-0	69	336	19.50	0.21	71
FY40	455	404	89%	-	-0	69	335	20.50	0.19	65
FY41	455	402	88%	-	-0	71	331	21.50	0.18	60
FY42	455	400	88%	-	-0	79	321	22.50	0.17	53
FY43	359	303	84%	-	-24	58	268	23.50	0.15	41
FY44	321	263	82%	-	-10	50	223	24.50	0.14	32
FY45	321	261	81%	-	-0	49	212	25.50	0.13	28
FY46	321	259	81%	-	-0	74	185	26.50	0.12	22
FY47	321	257	80%	-	-0	74	183	27.50	0.11	20
FY48	321	255	79%	-	-0	74	182	28.50	0.10	19
FY49	321	253	79%	-	-0	73	180	29.50	0.10	17
FY50	321	251	78%	-	-0	72	178	30.50	0.09	16
FY51*	293	227	77%	-	-0	66	162	31.46	0.08	13
TV	321	248	77%	-	-	72	176	31.46	0.08	14
Present Value of Explicit Period Cash Flows										3,863
Present Value of Terminal Year Cash Flow										172
Enterprise Value										**4,035**

* For the period ended 28th February 2051

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	**Environment (Forest) Clearance**			
	FRA Certificate and District level Committee Meeting	22-Jun-15	Valid	Office of District Collector, Chittorgarh, Government of Rajasthan
	400 KV/ D/C RAPP to Shujalpur	19-Aug-15	Valid	Ministry of Environment, Forests & Climate Change Regional Office (Central Region)
4	Approval under section 68 of Electricity Act, 2003	16-May-13	Valid	Ministry of Power, Government of India
5	Approval from GOI under section 164 of Electricity Act, 2003- Under Gazette of India	07-Jan-15	25	Ministry of Power, Government of India
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	**Power Telecommunication Coordination Committee ("PTCC") Clearance**			
	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
	PTCC route approval for 400KV Double Circuit Transmission line from RAPP-Shujalpur (Length 101 km) (For Madhya Pradesh Portion)	19-Dec-15	Valid	PTCC, Government of India
9	**Railway Clearance**			
	Nagda- Kota section railway	21-Apr-15	Valid	West Central Railway
	RTA-MKC section	12-Jun-15	35	West Central Railway

Source: Investment Manager

Appendix III – Summary of approval and licences (2/2)

Sr. No.	Approvals	Date of Issue	Validity (in years)	Issuing Authority
10	**Power Line Clearance**			
	RVPN Transmission Lines: =>132 KV D/C Kota to Gandhisagar =>220 KV D/C Kota - Barod =>132 KV S/C Morak to Bhiwanimandi =>132 KV S/C Bhiwanimandi to Kanwan	30-Apr-15	Valid	Office of The Superintending Engineer (TCC V) Kota
	220 KV Shujalpur-Rajgarh and 132KV Sarangpur-Khilchipur Line of MPPTCL	08-May-15	Valid	Office Of The Superintending Engineer Eht(Maint.) Circle Mp Power
	Powergrid 400KV D/C Shujalpur- Nagda TL to RTCL	29-Jul-15	Valid	Power Grid Corporation of India Limited
11	Application for Civil Aviation	29-Apr-15	Not Available	Airport Authority of India Limited
12	Civil Defence Clearance for installation of 400KV D/C(TWIN) RAAP to Shujalpur	08-Apr-16	5	Directorate of Operations. Air Traffic Services
13	Transmission Service Agreement between RAPP and Power Distribution companies(LTTC - Long Term Transmission Companies)	24-Jul-13	35	
14	Transmission Service Agreement between RAPP and Power Grid Corporation India Limited	17-Dec-15		
15	Transmission license order	31-Jul-14	25	Central Electricity Regulatory Commission
16	Approval for adoption of tariff	23-Jul-14	Valid	Central Electricity Regulatory Commission
17	Energisation of 400KV D/C (Twin Moose) RAPP- Shujalpur transmission line	18-Dec-15	Valid	Central Electricity Authority (Measures relating to safety and electric supply) Regulations, 2010
18	RAPP Rawatbhata to Shujalpur Transmission line	12-May-15	Not Available	National Highway Crossing (Ministry of Road Transport and Highway)
19	Trial Operation of Transmission Element (LINE- RPTL bays and line reactor at RAPP-7&8-NPCIL)	28-Dec-16	Valid	Power System Operation Corporation Limited

Source: Investment Manager

Appendix IV – Summary of Ongoing Litigations

Matter	Against	Pending Before	Details of the case	Amount Involved	Amount Deposited
Entry Tax	RTCL	MP - High court - Jabalpur MP	**Period from - 1 April 2014 to 31 March 2015** The Commercial Tax Department, Government of Madhya Pradesh sent a notice of demand of Entry Tax on RTCL for payment of entry tax of INR 4.47 Million and penalty of INR 1.79 Million. As per the Entry Tax Act,1976 dealer is liable to pay Entry tax during the course of business. However, RTCL is of the opinion that since the business is in construction phase entry tax is not payable. Further, RTCL filed a writ petition (2758/2017) in the Madhya Pradesh High Court in which conditional stay was granted by the court on 7 March 2017. As per the order, RTCL needs to deposit 50% of the amount. **Current Status** 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 & 2015-16. RTCL has appealed against the demand before High Court, Jabalpur (Madhya Pradesh). The management, including its tax advisors, believe that its 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.	13.30	4.70

Closed Matters

Matter	Against	Pending Before	Details of the case	Amount Involved	Amount Deposited
Nuclear Power Corporation of India Limited	CERC	APTEL	**Background of the case:** RTCL had filed a petition before CERC against Power Grid Corporation of India Ltd & Others on the basis of RTCL's Transmission Service Agreement, the Revenue sharing Agreement and the order dated 15 July 2015 issued by the Ministry of Power, Government of India "Policy for incentivizing Early Commissioning of Transmission Projects" seeking payment of monthly Transmission charges w.e.f. 26 December 2015 onwards which is the actual date of commercial operations for RTCL. CERC passed an order dated 21 September 2016 allowing the petition partly in favour of RTCL w.e.f 1 March 2016 holding that they are entitled to transmission charges till the completion of 'RAPP end bay' for termination of RAPP-Shujalpur 400kV transmission line as developed by Nuclear Power Corporation of India Limited ("NPCIL") is ready. NPCIL filed an interim application dated 4 November 2016 praying that the impugned order be stayed, since it is in violation of the principles of natural justice. Further, the liability of payment of said transmission charges was imposed on the NPCIL on the ground that there was delay on the part of the NPCIL in commissioning. Hence, the present appeal is filed by NPCIL ("Appellant") under the provision of Sec. 111 of Electricity Act, 2003 challenging the order passed by CERC. It is a contingent asset for RTCL. **Current Status:** The appeal filed by the Nuclear Power Corporation Ltd., challenging the order dated 20 September 2017 passed by the CERC was dismissed as devoid of merits. The impugned order dated 21 September 2016 passed by the Central Commission is upheld by the Supreme Court order dated 18 January 2019.	182.6	

Source: Investment Manager

Strictly Private and Confidential

HARIBHAKTI & CO. LLP
Chartered Accountants

Valuation as per SEBI (Infrastructure Investment Trusts) Regulations, 2014

SPV: Maheshwaram Transmission Limited ("MTL")

Valuation Date: 31st March 2019

Strictly Private and Confidential

HARIBHAKTI & CO. LLP
Chartered Accountants

Date: 24th April 2019
CFAS/2019-20/5

Sterlite Investment Managers Limited
Maker Maxity, 5th 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 29th 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 15th 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 31st 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.

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

Contents

Definition, abbreviation & glossary of terms

Abbreviations	Meaning
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 31st 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

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 21st 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 6th 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 31st 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 31st 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 31st March 2019 ("Valuation Date"). The attached Report is drawn up by reference to accounting and financial information as on 31st March 2019. We are not aware of any other events having occurred since 31st 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 31st 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 31st 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 31st March 2019. The Investment Manager has represented that the business activities of MTL have been carried out in normal and ordinary course between 31st March 2019 and the Report Date and that no material changes have occurred in the operations and financial position between 31st 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 MTL for the Financial Year ("FY") ended 31st March 2017 and 31st March 2018;

3.2. Provisional Profit & Loss Account and Balance Sheet for the period ended 31st March 2019;

3.3. Projected Profit & Loss Account and Working Capital requirements of MTL from 1st April 2019 to 13th December 2052;

3.4. Details of brought forward losses (as per Income Tax Act) as at 31st March 2019;

3.5. Details of Written Down Value (as per Income Tax Act) of assets as at 31st March 2019;

3.6. Details of projected Repairs and Capital Expenditure ("Capex") as represented by the Investment Manager.

3.7. As on 31st 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 31st March 2019 to the date of issuance of this Report.

3.8. Transmission Service Agreement ("TSA") of MTL with Long Term Transmission Customers ("LTTCs") and Tariff adoption order dated 24th November 2015 issued by Central Electricity Regulatory Commission ("CERC").

3.9. Management Representation Letter by Investment Manager dated 23rd 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 21st 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 6th 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 30th May 2017. On 15th 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 19th 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)						
	30-Sep-18	31-Mar-18	30-Sep-17	31-Mar-17	31-Mar-16	31-Mar-15	Acquisition Value
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 31st March 2016, however the same was subsequently reduced to 9.8903% of non escalable charges during the valuation exercise of 31st March 2017 as per the CERC order dated 8th 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 14th 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.*

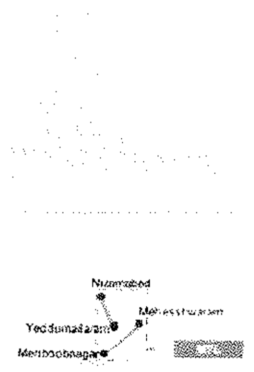
5.6. The MTL project was awarded to Sterlite Grid Limited 3 by the Ministry of Power on 10th June 2015 for a 35 year period from the scheduled commercial operation date on a Build Own Operating Maintain ("BOOM") basis. The expiry date of TSA shall be the date which is 35 years from the scheduled Commercial 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.

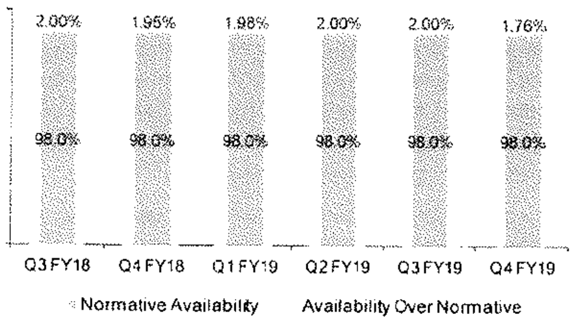
5.8. The project consists of the following transmission lines and is being implemented on contract basis:

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	14th Dec 2017	35%
2 Nos. of 400 kV line bays at Mehboob Nagar S/S of TSTRANCO	Telangana	-		14th Dec 2017	
Nizamabad – Yeddumailaram	Telangana	278	400 kV D/C	14th Oct 2017	65%
2 Nos of 400 kV line bays at Yeddumailaram (Shankarapali) S/S of TSTRANCO	Telangana		400 kV D/C	14th Oct 2017	

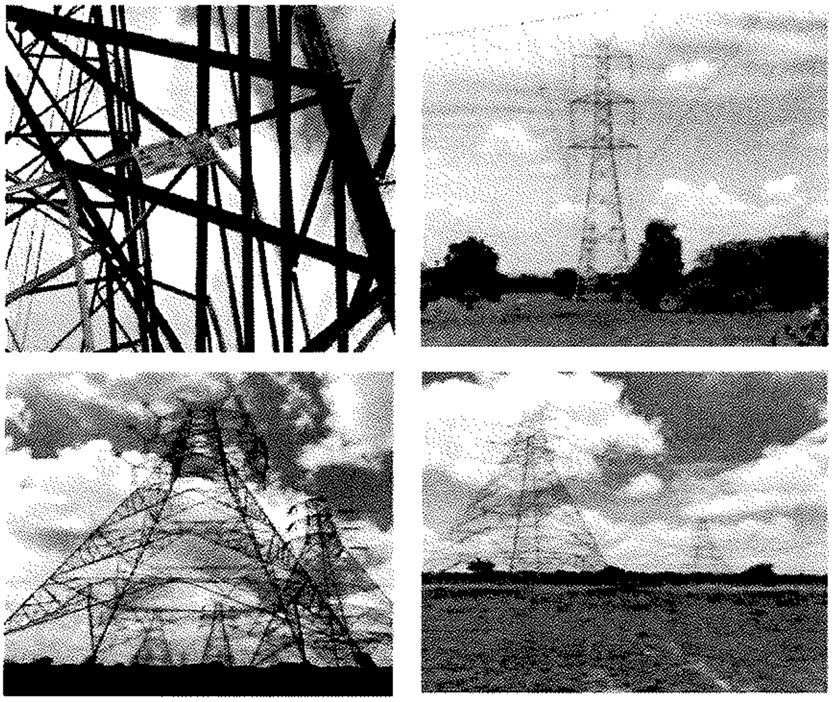
5.9. Following is the map showing area covered by MTL(not drawn to scale):



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)*.

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 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.

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 31st 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 24th 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 24th 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 24th 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.

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) = Rf + (Rp* Beta) + CSRP

Wherein:

K(e) = cost of equity

Rf = risk free rate

Rp = 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 29th 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:

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) 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) * Debt /(Debt + Equity)] +[K(e) * (1 - Debt /(Debt + 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 1st April 2019 to 13th 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.

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 1st April 2018 to 31st 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 31st 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 31st March 2019, details of the asset of the SPV are as follows.

INR Million

Asset Type	Gross Block	Depreciation	Net Block	% 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%
TOTAL	**3,877.6**	**170.2**	**3,707.3**	

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 31st 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 29th 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 + β x (Rm-Rf) + CSRP
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 = Pre tax Kd * (1-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	**8.12%**	**WACC = [Ke*(1-D/(D+E))]+[Kd*(1-t)*(D/(D+E))]**

Appendix II – Valuation of MTL as on 31st 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	436	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
Enterprise Value										**5,268**

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	**Aviation Clearance**			
	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	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	21-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	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
3	Approval under section 68(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	**Forest Clearance**			
	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

Appendix III – Summary of Approvals & Licenses (2/3)

Sr. No.	Approvals	Date of Issue	Validity (in years)	Issuing Authority
9	**Power & Telecommunication Coordination Committee ("PTCC") Clearance**			
	Nizamabad- Yeddumailaram Transmission Line	11-Apr-17	Valid	PTCC, Government of India
	Maheshwaram-MahabubNagar Transmission Line	14-Jun-17	Valid	PTCC, Government of India
10	**Road Crossing**			
	Nizamabad-Shankarpali over NH 44 between AP 8/0 and AP 9/0	27-Jan-17	Valid	National Highway Authority of India
	Nizamabad-Shankarpali over NH 9 (Hyderabad to Mumbai)	3-Mar-17	Valid	Ministry of Road Transport & Highways
	Maheshwaram-MahabubNagar Transmission Line	10-Mar-17	Valid	National Highway Authority of India
11	**Defence Clearance**			
	NOC from aviation angle for Construction of Maheshwaram Mahabubnagar Line.	26-May-17	Valid	Ministry of Defence
	NOC from aviation angle for Construction of Nizamabad- Shankarpali	29-May-17	Valid	Ministry of Defence
12	**Power Line Crossing Approval**			
	Raichur Line Tower (Provisional Permission)	6-Jul-16	Valid	Power Grid Corporation of India Ltd
	Maheshwaram-MahabubNagar 132 KV & 220 KV	12-Sep-16	Valid	Transmission Corporation of Telangana Limited
	Maheshwaram-MahabubNagar (Provisional Permission)	8-Dec-16	Valid	Power Grid Corporation of India Ltd
	Maheshwaram- Veltoor	26-May-17	Valid	Transmission Corporation of Telangana Limited
	Nizamabad-Sharkarpally Transmission Line crossing 132KV Kandi)	3-Mar-17	Valid	Transmission Corporation of Telangana Limited
	Nizamabad-Yeddumaillaram Transmission Line crossing 132KV & 220 KV	9-Aug-16	Valid	Transmission Corporation of Telangana Limited
	Nizamabad-Yeddumaillaram Transmission Line crossing 132KV & 220 KV in Medak Circle	10-Oct-16	Valid	Transmission Corporation of Telangana Limited
	Nizamabad-Sharkarpally 400KV Gajwel-Shankaraplly DC line	19-Oct-16	Valid	Transmission Corporation of Telangana Limited
	Nizamabad-Sharkarpally Transmission Line (Provisional Permission)	23-Jan-17	Valid	Power Grid Corporation of India Ltd
	Nizamabad-Sharkarpally 220 KV Sadasivpet- Shankarpally Line	4-Aug-17	Valid	Transmission Corporation of Telangana Limited

Source: Investment Manager

Appendix III – Summary of Approvals & Licenses (3/3)

Sr. No.	Approvals	Date of Issue	Validity (in years)	Issuing Authority
13	**Railway Crossing**			
	400kv D/C Nizamabad-Shankarpali	13-Feb-17	Valid	South Central Railway
14	**Transmission Service Agreement**			
	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	**Approval for adoption of Tariff**			
	Approval for adoption of Tariff	24-Nov-15	35	
	Revised approval for adoption of Tariff	12-Jun-17	35	
16	**Trial run certificate**			
	Nizamabad - Shankarapally lines I & II.	20-Oct-17	Valid	Power System Operation Corporation Limited
	Maheshwaram - Mahabubnagar lines I & II.	26-Dec-17	Valid	Power System Operation Corporation Limited

Source: Investment Manager

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	**Background of the case:** Angu Jagga Reddy & Others ("Petitioners") vs MTL & 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. **Current Status:** The matter is currently pending at High Court	3	3
Right of Way Compensation (ROW)	Collector	**Background of the case:** Purushotham & Others ("Petitioners") vs MTL & 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. **Current Status:** The matter is currently pending at Collector.	Not provided*	Not provided*
Right of Way Compensation (ROW)	Collector	**Background of the case:** Samala Raju & Others ("Petitioners") vs MTL & 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 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 **Current Status:** The matter is currently pending at Collector.	Not provided*	Not provided*

Source: Investment Manager

* We were unable to quantify the amount of liability involved from the set of documents provided

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	**Background of the case:** G. Lingareddy 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 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. **Current Status:** The matter is currently pending at Collector.	Not provided*	Not provided*
Right of Way Compensation (ROW)	Collector	**Background of the case:** 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. **Current Status:** The matter is currently pending at Collector.	Not provided*	Not provided*
Regulatory Matter	Petition Relief filed by MTL	**Background of the case:** MTL has filed a petition dated 7 June 2018 before the Central Electricity Regularoty 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. **Current Status:** The matter is currently pending	156.58	-

Source: Investment Manager

* We were unable to quantify the amount of liability involved from the set of documents provided.

Strictly Private and Confidential

HARIBHAKTI & CO. LLP
Chartered Accountants

Valuation as per SEBI (Infrastructure Investment Trusts) Regulations, 2014

SPV: Patran Transmission Company Limited ("PTCL")

Valuation Date: 31st March 2019

Strictly Private and Confidential

HARIBHAKTI & CO. LLP
Chartered Accountants

Date: 24th 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 29th 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 15th 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 31st 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.

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

Contents

Definition, abbreviation & 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 31st 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 21st 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 6th 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 19th February 2018. PTCL operates 400/220 kV S/s at Patran which is connected to the grid by LILO 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 31st 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 31st 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 31st March 2019 ("Valuation Date"). The attached Report is drawn up by reference to accounting and financial information as on 31st March 2019. We are not aware of any other events having occurred since 31st 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 31st 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 31st 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 31st March 2019. The Investment Manager has represented that the business activities of PTCL have been carried out in normal and ordinary course between 31st March 2019 and the Report Date and that no material changes have occurred in the operations and financial position between 31st 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 PTCL for the Financial Year ("FY") ended 31st March 2017 and 31st March 2018;

3.2. Provisional Profit & Loss Account and Balance Sheet for the period ended 31st March 2019;

3.3. Projected Profit & Loss Account and Working Capital requirements of PTCL from 1st April 2019 to 10th November 2051;

3.4. Details of brought forward losses (as per Income Tax Act) as at 31st March 2019;

3.5. Details of Written Down Value (as per Income Tax Act) of assets as at 31st March 2019;

3.6. Details of projected Repairs and Capital Expenditure ("Capex") as represented by the Investment Manager.

3.7. As on 31st 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 31st 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 17th July 2013 and 5th August 2014.

3.9. Management Representation Letter by Investment Manager dated 23rd 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 21st 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 6th 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 30th May 2017. On 15th 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, PTCL 19th 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)						
	30-Sep-18	31-Mar-18	30-Sep-17	31-Mar-17	31-Mar-16	31-Mar-15	Acquisition Value
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 31st March 2016, however the same was subsequently reduced to 9.8903% of non escalable charges during the valuation exercise of 31st March 2017 as per the CERC order dated 8th 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	11th November, 2016
Expiry Date	35 years from the scheduled COD
Trust's stake*	46%

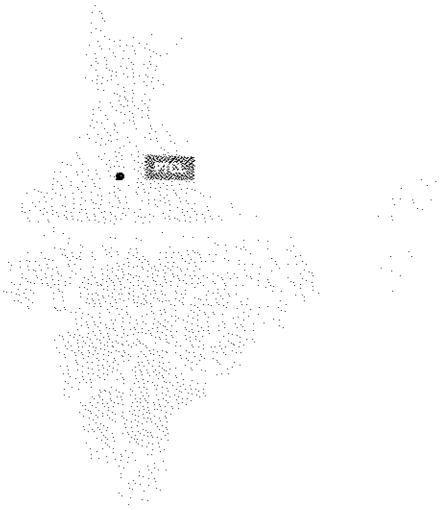
5.6. The PTCL project located in Patran Village Nihal, Punjab was awarded to TEECL by the Ministry of Power for a 35 year period from the scheduled commercial operation date on a Build-Own-Operate-Maintain ("BOOM") basis. The expiry date of TSA shall be the date which is 35 years from the scheduled COD of the project.

5.7. The project's need arose because of the partial grid disturbance in the Patial – 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 Patial-Kaithal 400 kV D/C

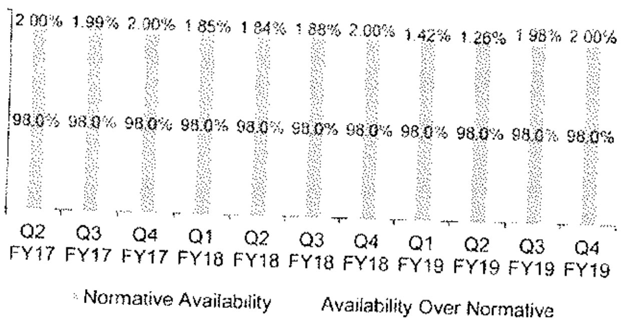
5.8. The project consists of the following transmission lines and is being implemented on contract basis:

Transmission line / Sub-Station	Location	Specifications	Commission date	Contribution to total tariff
Patiala-Kaithal	Patran, Punjab	400 kV D/C	21st 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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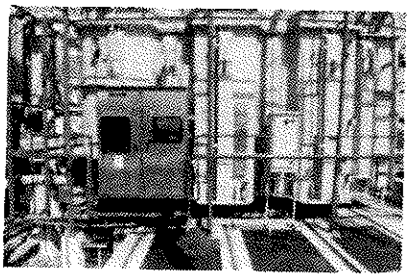
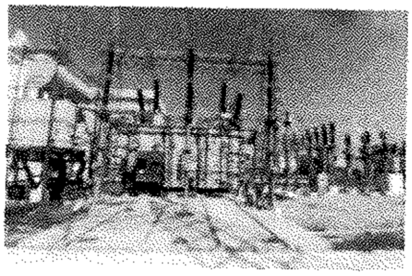
5.11. **<u>Pictures of the SPV:</u>**





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 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.

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 1,866 Mn as at 31st 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 5th 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 5th 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 5th 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 31st 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) = Rf + (Rp* Beta) + CSRP

Wherein:

K(e) = cost of equity

Rf = risk free rate

Rp = 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 29th 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:

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) 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 8.32% 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 2051

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 1st April 2018 to 31st 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 31st 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.

C. Statement of assets included:

As at 31st March 2019, details of the asset of the SPV are as follows:-

INR Million

Asset Type	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	-
TOTAL	**2,229.0**	**420.7**	**1,808.3**	

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 31st 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 29th 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	12.49%	Ke = Rf + β x (Rm-Rf) + CSRP
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. Kd = Pre tax Kd * (1-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 = [Ke*(1-D:(D+E))]+[Kd*(1-t)*(D:(D+E))]**

Appendix II – Valuation of PTCL as on 31st 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	16	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
Enterprise Value										**2,423**

*10th November 2051

Appendix III – Summary of approval and licences

Sr. No.	Approvals	Date of Issue	Validity (in years)	Issuing Authority
1	Company Registration	19-Dec-12	Valid	Ministry of Corporate Affairs
2	Transmission License	14-Jul-14	25	Central Electricity Regulatory Commission
3	**Transmission Service Agreement**			
	Transmission Service Agreement between PTCL & Long Term Transmission Customers	12-May-14	35	
	Transmission Service Agreement between PTCL & Power Grid Corporation of India Ltd	23-May-16	Valid	Central Electricity Regulatory Commission
4	**Approval for adoption of Tariff**			
	Approval for adoption of Tariff	5-Aug-14	Valid	Central Electricity Regulatory Commission
5	Approval under section 68(1) of Electricity Act, 2003	21-Mar-16	Valid	Ministry of Power
	Approval from GOI under section 164 of Electricity Act, 2003 - Under Gazette of India	16-May-13	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	**Aviation Clearance**			
	NOC for Height Clearance	9-Mar-17	Valid	Airport Authority Of India
9	**Power & Telecommunication Coordination Committee ("PTCC") Clearance**			
	Patiala - Kaithlal Transmission Line at Patran	28-Apr-15	Valid	PTCC, Government of India
	Trial run certificate			
	Patran-Kakrala, Patran-Patran I&II and Patran-Rajla	20-Oct-17	Valid	Power System Operation Corporation Limited

Source: Investment Manager

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	**Background of the case:** 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 It is a contingent asset for PTCL **Current Status:** The appeal has been filed at supreme court and the matter is currently pending.	85.22	-

Source: Investment Manager