

**Date: October 26, 2017**

**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: Outcome of the Board Meeting held on October 26, 2017**

Dear Sir/ Madam,

This is further to our letter dated October 23, 2017, intimating the date of the Board Meeting for consideration of unaudited financial results for the quarter ended September 30, 2017.

This is to inform you that a Meeting of the Board of Directors of Sterlite Investment Managers Limited ("SIML") acting in the capacity of Investment Manager of India Grid Trust (IndiGrid) was held today, October 26, 2017 wherein the Board interalia considered and approved the following:

1. Approved Un-audited Consolidated Financial Results of IndiGrid for the quarter ended September 30, 2017.

We are attaching herewith the Un-audited Consolidated Financial results and limited review report of Statutory Auditors for the quarter ended September 30, 2017.

2. The Board declared a distribution of Rs. 2.75 per unit for the second quarter of financial year 2018.

The record date for this distribution will be November 7, 2017.

3. The Board adopted the valuation report prepared by Haribhakti & Co, LLP (Valuer) as on September 30, 2017 of IndiGrid assets in accordance with the relevant provisions of the Securities and Exchange Board of India (Infrastructure Investment Trust) Regulations, 2014.

We are attaching valuation report of IndiGrid assets as on September 30, 2017 issued by Valuer.

4. Further to letter and press release dated July 25, 2017 intimating the notice received from the Project Manager thereby requesting IndiGrid for allotment of units worth Rs.135.9 Crores to Project Manager as per the disclosure in the section entitled, "Overview of IndiGrid – Allotment of Units to the Project Manager after completion of the Issue" on pages 21 - 24 of the final offer document dated May 31, 2017 issued by IndiGrid in relation to the initial public offer of its units.

Accordingly, the Board of Directors of Investment Manager has issued 1,35,99,200 units to Project Manager and approved October 26, 2017 as Relevant Date for allotment of units.



5. Pursuant to Regulation 10 of SEBI InvIT Regulations, the following Net Asset Value was approved after considering the valuation report issued by Valuer

<b>Statement of Net Assets at Fair Value as at September 30, 2017</b>	
	<b>(Rs in Million)</b>
A. Assets	38,807
B. Liabilities	10,205
C. Net Assets	28,602
<b>* Outstanding Units</b>	<b>283.80</b>
<b>NAV at Fair Value</b>	<b>100.78</b>
* includes 13.60 million units which will be issued to Sponsor pursuant to the Project Implementation and Management Agreement and CERC Order dated May 08, 2017 approving additional tariff to JTCL for additional expenditure incurred on project due to change in laws.	

6. Please refer Press Release for more details attached with this letter.

The meeting Commenced at 12.30 p.m. and concluded at 4.45 p.m.

You are requested to take the same on record.

Thanking you,

**For and on behalf of the Sterlite Investment Managers Limited**  
 (Formerly known as Sterlite Infraventures Limited)  
 Representing India Grid Trust as its Investment Manager



**Swapnil Patil**  
 Company Secretary & Compliance Officer

For Immediate Release

## IndiGrid delivers robust quarterly performance

### Key Highlights

- **Q2 Distribution Per Unit (DPU) of INR 2.75**
- **H1 DPU of INR 3.67, beating guidance of INR 3.6**
- **Reaffirms FY18 DPU guidance of INR 9.2, annualized INR 11.0**

**Mumbai, Thursday, 26 October 2017:** IndiGrid, India's first Infrastructure Investment Trust (InvIT) in the power sector, announced its first full quarter results. Consolidated revenue stood at INR 1,323 million on the back of high asset availability. Consolidated EBITDA for the quarter was INR 1,223 million resulting in Net Distributable Cash flow (NDCF) of INR 1,014 million.

The Board of Sterlite Investment Managers Limited acting as the Investment Manager of IndiGrid approved a Distribution per Unit (DPU) of INR 2.75 per unit for Q2 FY18. On a H1 FY18 basis, this has resulted in total DPU of INR 3.67 per unit. IndiGrid is on track to achieve the DPU guidance of INR 9.2 per unit for FY18.

Commenting on the quarterly results, Mr. Pratik Agarwal, Chief Executive Officer, IndiGrid, said "We have performed well in the first full quarter and delivered ahead of our guidance. We envisage accretion through recently-announced acquisitions which is in line with our stated strategy."

IndiGrid is on schedule to complete the announced acquisition of three sponsor assets – RAPP Transmission Company Limited, Purulia and Kharagpur Transmission Company Limited and Maheshwaram Transmission Limited, subject to unitholders' approval. These acquisitions will be consummated by Q4 FY18 and will result in an annual DPU growth of 4%.

**About IndiGrid:**

IndiGrid [BSE: 540565 | NSE: INDIGRID] is the first Infrastructure Investment Trust (“InvIT”) established to own inter-state power transmission assets in India. IndiGrid owns 10 independent revenue-generating elements, including 8 transmission lines of 1,936 ckms and 2 substations of 6,000 MVA capacity. InvITs are investment vehicles that own predominantly operating infrastructure assets in India and are akin to Real Estate Investment Trusts (“REIT”), Yieldcos and master limited partnerships (“MLP”).

For more details, please visit [www.indigrid.co.in](http://www.indigrid.co.in)

Contacts:

**Media:** [corpcomm@indigrid.co.in](mailto:corpcomm@indigrid.co.in)

**Investor Relations:** [Investor.relations@indigrid.co.in](mailto:Investor.relations@indigrid.co.in)

**INDIA GRID TRUST**  
**SEBI Registration Number: IN/InvIT/16-17/0005**  
**UNAUDITED STANDALONE INTERIM FINANCIAL INFORMATION FOR THE HALF YEAR ENDED SEPTEMBER 30, 2017**  
(All amounts in Rs. Million unless otherwise stated)

Particulars	April 01, 2017 to	October 21, 2016 to
	September 30, 2017	March 31, 2017
	Unaudited	Unaudited
Interest income from subsidiaries (refer note 5)	1,122.17	-
<b>Total income (I)</b>	<b>1,122.17</b>	<b>-</b>
Legal and professional fees	4.00	-
Trustee Fee	0.20	-
<b>Total expenses (II)</b>	<b>4.20</b>	<b>-</b>
<b>Earning before interest, tax, depreciation and amortisation (EBITDA) (I) - (II)</b>	<b>1,117.97</b>	<b>-</b>
Depreciation on property, plant and equipment	-	-
Finance costs	-	-
Finance income	(0.02)	-
<b>Profit before tax</b>	<b>1,117.99</b>	<b>-</b>
<b>Tax expense:</b>		
Current tax	-	-
Deferred tax	-	-
	-	-
<b>Profit for the period</b>	<b>1,117.99</b>	<b>-</b>
<b>Other comprehensive income</b>		
(i) Items that will not be reclassified to profit and loss	-	-
(ii) Items that will be reclassified to profit and loss	-	-
<b>Total comprehensive income</b>	<b>1,117.99</b>	<b>-</b>
<b>Earnings per unit (basic and diluted) (Rs. per unit) (refer note A under Additional Disclosures)</b>	<b>3.94</b>	<b>-</b>

**NOTES:**

- 1) The above unaudited standalone interim financial information for the half year ended September 30, 2017 has been reviewed and approved by the Board of Directors of Sterlite Investment Managers Limited ('Investment Manager') at its meeting held on October 26, 2017.
- 2) The unaudited standalone interim financial information comprises of the standalone Statement of Profit and Loss, explanatory notes thereto and the additional disclosures as required in paragraph 6 of Annexure A to the SEBI Circular No. CIR/IMD/DF/127/2016 dated November 29, 2016 ("SEBI Circular") of India Grid Trust ("IndiGrid") for the half year ended September 30, 2017 ("standalone interim financial information"). The standalone interim financial information has been prepared in accordance with the recognition and measurement principles laid down in Indian Accounting Standard 34, Interim Financial Reporting (Ind AS 34) read with Rule 2(1)(a) of Companies (Indian Accounting Standards) Rules, 2015 ("Ind AS") and the SEBI Circular.
- 3) IndiGrid was registered as an irrevocable trust under the Indian Trusts Act, 1882 on October 21, 2016 and as an Infrastructure Investment Trust under the Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014 on November 28, 2016. Therefore, standalone Statement of Profit and Loss for the corresponding period of six months ended September 30, 2016 is not applicable and hence not provided.
- 4) IndiGrid acquired the entire equity share capital of Sterlite Grid 1 Limited (SGL1), which is the holding company of Bhopal Dhule Transmission Company Limited (BDTCL) and Jabalpur Transmission Company Limited (JTCL) from Sterlite Power Grid Ventures Limited on May 30, 2017. Accordingly SGL1, BDTCL and JTCL became wholly owned subsidiaries of IndiGrid with effect from May 30, 2017.
- 5) Interest Income from subsidiaries includes an amount of Rs. 184.71 millions, being the interest on 0.01% Non Convertible Debentures (NCD's) which is the difference between market rate of interest and rate of interest on the NCD's.
- 6) The Board of Directors of Investment Manager at its meeting held on October 7, 2017 has approved the acquisition of three power transmission assets from Sterlite Power Grid Ventures Limited (Sponsor of IndiGrid) at a value of Rs. 14.9 billion subject to requisite regulatory and unitholders' approvals.

**ADDITIONAL DISCLOSURES AS REQUIRED BY PARAGRAPH 6 OF ANNEXURE A TO THE SEBI CIRCULAR NO. CIR/IMD/DF/127/2016**

**A) Statement of Earnings per unit:**

(Rs in Million)

Particulars	April 01, 2017 to September 30, 2017	October 21, 2016 to March 31, 2017
Profit for the period (Rs. Millions)	1,117.99	-
Number of units outstanding for computation of basic and diluted earning per unit (in millions)*	283.80	-
<b>Earnings per unit (basic and diluted) (Rupees per unit)</b>	<b>3.94</b>	<b>-</b>

\* includes 13.60 million units which will be issued to Sponsor pursuant to the Project Implementation and Management Agreement and CERC Order dated May 08, 2017 approving additional tariff to JTCL for additional expenditure incurred on project due to change in laws.

**B) Statement of Related Party Transactions:**

**I. List of related parties as per Regulation 2(1)(zv) of the Regulations**

**(i) Subsidiaries**

Sterlite Grid 1 Limited  
Bhopal Dhule Transmission Company Limited  
Jabalpur Transmission Company Limited

**(ii) Parties to IndiGrid**

Sterlite Power Grid Ventures Limited (SPGVL) - Sponsor and Project Manager of IndiGrid  
Sterlite Investment Managers Limited (SIML) - Investment Manager of IndiGrid  
Axis Trustee Services Limited (ATSL) - Trustee of IndiGrid

**(iii) Promoters of the parties to IndiGrid specified in (ii) above**

Sterlite Power Transmission Limited - Promoter of SPGVL and SIML  
Axis Bank Limited - Promoter of ATSL

**(iv) Directors of the parties to IndiGrid specified in (ii) above**

**Directors of SPGVL:**

Pravin Agarwal  
Pratik Agarwal  
Anand Agarwal  
A. R. Narayanaswamy  
Udai Dhawan  
Avaantika Kakkar

**Directors of SIML:**

Pratik Agarwal  
Kuldip Kumar Kaura  
Tarun Kataria  
Shashikant Bhojani

**Directors of ATSL:**

Srinivasan Varadarajan  
Ram Bharoseylal Vaish  
Sidharth Rath  
Rajaraman Viswanathan  
Raghuraman Mahalingam

## II. Transactions with related parties

(Rs in Millions)

Sr. No.	Particulars	Relation	April 01, 2017 to September 30, 2017	October 21, 2016 to March 31, 2017
	<b>Transactions during the period</b>			
<b>1</b>	<b>Unsecured loans given to subsidiaries</b>			
	Jabalpur Transmission Company Limited	Subsidiary	13,767.85	-
	Bhopal Dhule Transmission Company Limited	Subsidiary	8,731.79	-
<b>2</b>	<b>Interest income from subsidiaries</b>			
	Jabalpur Transmission Company Limited	Subsidiary	573.60	-
	Bhopal Dhule Transmission Company Limited	Subsidiary	363.86	-
<b>3</b>	<b>Repayment of loan from subsidiaries</b>			
	Jabalpur Transmission Company Limited	Subsidiary	197.16	-
	Bhopal Dhule Transmission Company Limited	Subsidiary	14.02	-
<b>4</b>	<b>Purchase of non convertible debentures of subsidiary</b>			
	Sterlite Power Grid Ventures Limited	Sponsor and Project Manager	6,658.24	-
<b>5</b>	<b>Purchase of equity shares of subsidiary</b>			
	Sterlite Power Grid Ventures Limited	Sponsor and Project Manager	573.86	-
<b>6</b>	<b>Repayment of dues paid/payable</b>			
	Sterlite Investment Managers Limited	Investment Manager	4.00	-
<b>7</b>	<b>Issue of unit capital*</b>			
	Sterlite Power Grid Ventures Limited	Sponsor	4,520.36	-
	Pravin Agarwal	Director of Sponsor	91.34	-
<b>8</b>	<b>Trustee Fee</b>			
	Axis Trustee Services Limited (ATSL)	Trustee	0.20	-

\*does not include 13.60 million units of face value of Rs 100 each amounting to Rs 1,359.92 million which will be issued to the Sponsor pursuant to the Project Implementation and Management Agreement and CERC order dated May 08, 2017 approving additional tariff to JTCL for additional expenditure incurred on project due to change in laws.

### Note:

All the related party transactions disclosed above have been shown at their nominal values without giving effect to the impact of reclassification into equity and liability and adjustments arising on account of effective interest rate method under Ind AS.

## III. Outstanding balances

(Rs in Millions)

Sr. No.	Particulars	Relation	As at September 30, 2017	As at March 31, 2017
	<b>Related party balances as at period end</b>			
<b>1</b>	<b>Unsecured loan receivable</b>			
	Jabalpur Transmission Company Limited	Subsidiary	13,570.69	-
	Bhopal Dhule Transmission Company Limited	Subsidiary	8,717.77	-
<b>2</b>	<b>Repayment of dues payable</b>			
	Sterlite Investment Managers Limited	Investment Manager	4.00	-
<b>3</b>	<b>Non-Convertible Debentures of subsidiary</b>			
	Sterlite Grid 1 Limited	Subsidiary	6,658.24	-
<b>4</b>	<b>Equity investment in subsidiary</b>			
	Sterlite Grid 1 Limited	Subsidiary	573.86	-
<b>5</b>	<b>Trustee Fee</b>			
	Axis Trustee Services Limited (ATSL)	Trustee	0.20	-

During the half year ended September 30, 2017, IndiGrid acquired two projects viz. BDTCL and JTCL from SPGVL pursuant to the Share purchase agreement. Summary of the valuation report dated April 23, 2017 issued by the independent valuer appointed under the InvIT Regulations is as follows:

(Rs in Million)

Particulars	BDTCL	JTCL
Enterprise value as of March 31, 2017		
- Base case (based on tariff as per TSA)	20,406	14,949
- Incremental revenue (based on additional tariff claimed under petition with CERC)	1,135	1,176
<b>Total Enterprise value</b>	<b>21,541</b>	<b>16,125</b>
Method of valuation	Discounted Cash Flow	Discounted Cash Flow
Discounting rate (WACC):		
- Base case (based on tariff as per TSA)	8.19%	8.14%
- Incremental revenue (based on additional tariff claimed under petition with CERC)	8.69%	8.64%

Pursuant to the Project Implementation and Management Agreement dated November 10, 2016 as amended on April 25, 2017 ("PIMA") executed among SIML, ATSL, SPGVL, SGLI, BDTCL and JTCL, IndiGrid will issue additional units to SPGVL in the event CERC approves additional tariff for BDTCL and/or JTCL in respect of cost escalations in those projects for which petitions are pending with CERC. The units to be issued to SPGVL shall be equivalent to 80% of the Cost Escalation for each of BDTCL and JTCL as approved by CERC.

SPGVL will be entitled to additional units only if the cost escalation and the resultant revision in levelised transmission charges is received during the period commencing from the date of the PIMA and until the date which is 18 months of listing of units of IndiGrid (being the date of receipt of final listing and trading approvals for the units).

CERC vide Order dated May 8, 2017 has approved cost escalation of Rs. 1,699.90 million for JTCL. Accordingly, IndiGrid will issue additional units of Rs. 1,359.92 million (being 80% of the cost escalation approved by CERC) to SPGVL. The petition for cost escalation for BDTCL is currently pending with CERC.

**C) Statement of Net Distributable Cash Flows (NDCFs) of India Grid Trust**

(Rs in Millions)

Description	April 01, 2017 to September 30, 2017	October 21, 2016 to March 31, 2017
Cash flows received from the Portfolio Assets in the form of interest	937.46	-
Cash flows received from the Portfolio Assets in the form of dividend	-	-
Any other income accruing at IndiGrid level and not captured above, including but not limited to interest/return on surplus cash invested by IndiGrid	-	-
Cash flows received from the Portfolio Assets towards the repayment of the debt issued to the Portfolio Assets by IndiGrid	211.18	-
Proceeds from the Portfolio Assets for a capital reduction by way of a buy back or any other means as permitted, subject to applicable law	-	-
Proceeds from sale of assets of the Portfolio Asset not distributed pursuant to an earlier plan to re-invest, or if such proceeds are not intended to be invested subsequently	-	-
<b>Total cash inflow at the IndiGrid level (A)</b>	<b>1,148.64</b>	<b>-</b>
Less: Any payment of fees, interest and expense incurred at IndiGrid level, including but not limited to the fees of the Investment Manager and Trustee	(4.20)	-
Less: Costs/retention associated with sale of assets of the Portfolio Assets:		
-related debts settled or due to be settled from sale proceeds of Portfolio Assets;	-	-
-transaction costs paid on sale of the assets of the Portfolio Assets; and	-	-
-capital gains taxes on sale of assets/ shares in Portfolio Assets/ other investments.	-	-
Less: Proceeds reinvested or planned to be reinvested in accordance with Regulation 18(7)(a) of the InvIT Re	-	-
Less: Repayment of external debt at the IndiGrid level and at the level of any of the underlying portfolio assets/special purpose vehicles (Excluding refinancing)	-	-
Less: Income tax (if applicable) at the standalone IndiGrid level	-	-
Less: Amount invested in any of the Portfolio Assets for service of debt or interest	-	-
Less: Repair work in relation to the projects undertaken by any of the Portfolio Assets	-	-
<b>Total cash outflows / retention at IndiGrid level (B)</b>	<b>(4.20)</b>	<b>-</b>
<b>Net Distributable Cash Flows (C) = (A+B)</b>	<b>1,144.44</b>	<b>-</b>

Note: Out of above Net Distributable Cash Flows, an amount of Rs. 248.58 million has been distributed as interim dividend for the quarter ended June 30, 2017.

Place: Mumbai  
Date: October 26, 2017



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

Pratik Agarwal  
CEO & Managing Director  
DIN: 03040062

*Handwritten signature*



**Limited Review Report on Half Yearly Standalone Financial Information**

To  
The Board of Directors  
Sterlite Investment Managers Limited  
(as Investment Manager of India Grid Trust)  
F-1, The Mira Corporate Suites 1&2  
Ishwar Nagar, Mathura Road  
New Delhi 110 065

1. We have reviewed the accompanying statement of unaudited standalone financial information of India Grid Trust (the 'Trust'), consisting of the Statement of profit and loss, explanatory notes thereto and the additional disclosures as required in paragraph 6 of Annexure A to the SEBI Circular No. CIR/IMD/DF/127/2016 dated November 29, 2016 ("SEBI Circular") for the half year ended September 30, 2017 (the 'Statement') attached herewith, being submitted by Sterlite Investment Managers Limited (the 'Investment Manager') pursuant to the requirements of Regulation 23 of the Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014 as amended, read with the SEBI Circular.
2. The preparation of the Statement in accordance with the recognition and measurement principles laid down in Indian Accounting Standard 34, Interim Financial Reporting (Ind AS 34) read with Rule 2(1)(a) of Companies (Indian Accounting Standards) Rules, 2015 and the SEBI Circular, is the responsibility of the Investment Manager and has been approved by the Board of Directors of the Investment Manager. Our responsibility is to issue a conclusion on the Statement based on our review.
3. We conducted our review in accordance with the Standard on Review Engagements (SRE) 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the Statement is free of material misstatement. A review is limited primarily to inquiries of Investment Manager personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.



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

Chartered Accountants

4. Based on our review conducted as above, nothing has come to our attention that causes us to believe that the accompanying Statement, prepared in accordance with the recognition and measurement principles laid down in the applicable Indian Accounting Standards ('Ind AS') as defined in Rule 2(1)(a) of the Companies (Indian Accounting Standards) Rules, 2015 and other recognized accounting practices and policies has not disclosed the information required to be disclosed in terms of Regulation 23 of the SEBI (Infrastructure Investment Trusts) Regulations, 2014 as amended, read with the SEBI Circular, including the manner in which it is to be disclosed, or that it contains any material misstatement.

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

Chartered Accountants

ICAI Firm registration number: 324982E/E300003



**per Paul Agares**

Partner

Membership No.: 105754

Place: Mumbai

Date: October 26, 2017



**INDIA GRID TRUST**  
**SEBI Registration Number: IN/InvIT/16-17/0005**  
**UNAUDITED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE HALF YEAR ENDED SEPTEMBER 30, 2017**  
 (All amounts in Rs. Million unless otherwise stated)

Particulars	April 01, 2017 to September 30, 2017	October 21, 2016 to March 31, 2017
	Unaudited	Unaudited
Revenue from operations (refer note 3, 4, 5 and 9)	1,728.97	-
<b>Total income (I)</b>	<b>1,728.97</b>	<b>-</b>
Repairs and maintenance of transmission infrastructure	43.41	-
Investment management fees (including fees paid to investment manager)	33.77	-
Project management fees (including fees paid to project manager)	10.30	-
Insurance	26.43	-
Legal and professional fees	5.53	-
Rates and taxes	3.31	-
Power and fuel	2.96	-
Travelling and conveyance	2.96	-
Audit fees	0.45	-
Rent	0.42	-
Trustee fees	0.20	-
Directors' sitting fees	0.10	-
Security expenses	2.05	-
Miscellaneous expenses	4.84	-
<b>Total expenses (II)</b>	<b>136.72</b>	<b>-</b>
<b>Earning before interest, tax, depreciation and amortisation (EBITDA) (I) - (II)</b>	<b>1,592.25</b>	<b>-</b>
Depreciation on property, plant and equipment	446.28	-
Finance costs	500.32	-
Finance income (refer note 6)	(82.57)	-
<b>Profit before tax</b>	<b>728.22</b>	<b>-</b>
<b>Tax expense:</b>		
Current tax	8.21	-
Deferred tax	(1.00)	-
	<b>7.21</b>	<b>-</b>
<b>Profit for the period</b>	<b>721.01</b>	<b>-</b>
<b>Other Comprehensive Income</b>		
(i) Items that will not be reclassified to profit and loss	-	-
(ii) Items that will be reclassified to profit and loss	-	-
<b>Total Comprehensive Income</b>	<b>721.01</b>	<b>-</b>
<b>Earnings per unit (basic and diluted) (Rs. per unit)</b> (refer note D under Additional Disclosures)	<b>2.54</b>	<b>-</b>

#### NOTES:

- 1) The above unaudited consolidated interim financial information for the half year ended September 30, 2017 has been reviewed and approved by the Board of Directors of Sterlite Investment Managers Limited ('Investment Manager') at its meeting held on October 26, 2017.
- 2) The unaudited consolidated interim financial information comprises the Consolidated Statement of Profit and Loss, explanatory notes thereto and the additional disclosures as required in paragraph 6 of Annexure A to the SEBI Circular No. CIR/IMD/DF/127/2016 dated November 29, 2016 ("SEBI Circular") for the half year ended September 30, 2017 of India Grid Trust ("IndiGrid") and its subsidiaries (together, 'the Group') ("Consolidated Interim Financial Information"). The Consolidated Interim Financial Information has been prepared in accordance with the recognition and measurement principles laid down in Ind AS 34 - Interim Financial Reporting read with Rule 2(d)(a) of Companies (Indian Accounting Standards) Rules, 2015 and the SEBI Circular.
- 3) India Grid Trust was registered as an irrevocable trust under the Indian Trusts Act, 1882 on October 21, 2016 and as an infrastructure investment trust under the Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014 on November 28, 2016. Therefore, Consolidated Statement of Profit and Loss for the corresponding period of six months ended September 30, 2016 is not applicable and hence not given.
- 4) IndiGrid acquired the entire equity share capital of Sterlite Grid I Limited (SGLI), which is the holding company of Bhopal Dhule Transmission Limited ('BDTCL') and Jabalpur Transmission Company Limited ('JTCL') from Sterlite Power Grid Ventures Limited on May 30, 2017. Accordingly SGLI, BDTCL and JTCL became wholly owned subsidiaries of IndiGrid with effect from May 30, 2017. Hence the revenue and corresponding expenses of SGLI, BDTCL and JTCL included in the consolidated interim financial information pertain to the period from May 30, 2017 to September 30, 2017.
- 5) Central Electricity Regulatory Commission ('CERC') vide its order dated May 8, 2017 approved an increase in non-escalable transmission charges of 9.89% per annum on the quoted non-escalable tariff of JTCL from the commercial operation dates of the respective transmission lines on account of changes in laws. JTCL, on a conservative basis, has recognised the additional revenue pursuant to the increase in the non-escalable charges as above aggregating Rs 184.85 million on realisation and this forms part of the Revenue from Operations for the period from April 1, 2017 to September 30, 2017.
- 6) The Finance income includes Rs 67.54 million towards reversal during the current half year ended September 30, 2017, of provision made in the books of BDTCL and JTCL in the previous financial year for prepayment charges payable on long term borrowings which are now no longer payable.
- 7) Pursuant to the Project Implementation and Management Agreement dated November 10, 2016 as amended, Project Manager is entitled to fees @ 10% of gross expenditure incurred by each SPV in relation to operation and maintenance costs, per annum. Consolidated Statement of Profit and Loss for the period ended September 30, 2017 includes amount of Rs 10.30 million towards Project Manager fees. There are no changes in the methodology of computation of fees paid to Project Manager.
- 8) Pursuant to the Investment Management Agreement dated November 10, 2016 as amended, Investment Manager is entitled to fees @ 1.75% of difference between revenue from operations and operating expenses (other than fees of the Investment Manager) of each SPV, per annum. For this purpose, operating expenses would not include depreciation, finance costs and income tax expense. Consolidated statement of Profit and Loss for the period ended September 30, 2017 includes amount of Rs 33.77 million towards Investment Manager Fees. There are no changes in the methodology of computation of fees paid to Investment Manager.
- 9) Revenue from operations does not include incentive on transmission charges which is calculated based on the annual availability of transmission infrastructure. Such incentive is recognised at year end based on actual annual availability figures for each SPV and the provisions of the respective Transmission Services Agreements of the SPVs.

**ADDITIONAL DISCLOSURES AS REQUIRED BY PARAGRAPH 6 OF ANNEXURE A TO THE SEBI CIRCULAR NO. CIR/IMD/DF/127/2016**

**A) Statement of Net Distributable Cash Flows (NDCFs) of India Grid Trust**

(Rs in Millions)

Description	April 01, 2017 to September 30, 2017	October 21, 2016 to March 31, 2017
Cash flows received from the Portfolio Assets in the form of interest	937.46	-
Cash flows received from the Portfolio Assets in the form of dividend	-	-
Any other income accruing at IndiGrid level and not captured above, including but not limited to interest return on surplus cash invested by IndiGrid	-	-
Cash flows received from the Portfolio Assets towards the repayment of the debt issued to the Portfolio Assets by IndiGrid	211.18	-
Proceeds from the Portfolio Assets for a capital reduction by way of a buy back or any other means as permitted, subject to applicable law	-	-
Proceeds from sale of assets of the Portfolio Asset not distributed pursuant to an earlier plan to re-invest, or if such proceeds are not intended to be invested subsequently	-	-
<b>Total cash inflow at the IndiGrid level (A)</b>	<b>1,148.64</b>	<b>-</b>
Less: Any payment of fees, interest and expense incurred at IndiGrid level, including but not limited to the fees of the Investment Manager and Trustee	(4.20)	-
Less: Costs retention associated with sale of assets of the Portfolio Assets:		
-related debts settled or due to be settled from sale proceeds of Portfolio Assets;	-	-
-transaction costs paid on sale of the assets of the Portfolio Assets; and	-	-
-capital gains taxes on sale of assets' shares in Portfolio Assets' other investments.	-	-
Less: Proceeds reinvested or planned to be reinvested in accordance with Regulation 18(7)(a) of the InvIT Regulations	-	-
Less: Repayment of external debt at the IndiGrid level and at the level of any of the underlying portfolio assets/special purpose vehicles (Excluding refinancing)	-	-
Less: Income tax (if applicable) at the standalone IndiGrid level	-	-
Less: Amount invested in any of the Portfolio Assets for service of debt or interest	-	-
Less: Repair work in relation to the projects undertaken by any of the Portfolio Assets	-	-
<b>Total cash outflows / retention at IndiGrid level (B)</b>	<b>(4.20)</b>	<b>-</b>
<b>Net Distributable Cash Flows (C) = (A+B)</b>	<b>1,144.44</b>	<b>-</b>

Note: Out of above Net Distributable Cash Flows, an amount of Rs. 248.58 million has been distributed as interim dividend for the quarter ended June 30, 2017

**B) Statement of Net Distributable Cash Flows (NDCFs) of underlying Holdcos and SPVs**

**(i) Sterlite Grid I Limited (SGLI) (Holdco)**

(Rs in Millions)

Description	April 01, 2017 to September 30, 2017	October 21, 2016 to March 31, 2017
<b>Profit/(loss) after tax as per profit and loss account (A)</b>	<b>(129.56)</b>	<b>-</b>
Add: Depreciation, impairment and amortisation	2.96	-
Add/Less: Decrease/(increase) in working capital	-	-
Add: Interest accrued on loan/non-convertible debentures issued to IndiGrid or SGLI	-	-
Add/Less: Loss/gain on sale of infrastructure assets	-	-
Add: Proceeds from sale of infrastructure assets adjusted for the following:		
-related debts settled or due to be settled from sale proceeds;	-	-
-directly attributable transaction costs;	-	-
-directly attributable transaction costs;	-	-
-proceeds reinvested or planned to be reinvested as per Regulation 18(7)(a) of the InvIT Regulations	-	-
Add: Proceeds from sale of infrastructure assets not distributed pursuant to an earlier plan to re-invest, if such proceeds are not intended to be invested subsequently, net of any profit / (loss) recognised in profit and loss account	-	-
Less: Capital expenditure, if any	-	-
Add/Less: Any other item of non-cash expense / non cash income (net of actual cash flows for these items)	126.36	-
Less: Repayment of external debt (principal) / redeemable preference shares / debentures, etc. (Excluding refinancing) / net cash set aside to comply with DSRA requirement under loan agreements	-	-
<b>Total Adjustments (B)</b>	<b>129.32</b>	<b>-</b>
<b>Net Distributable Cash Flows (C)=(A+B)</b>	<b>(0.24)</b>	<b>-</b>

## (ii) Bhopal Dhule Transmission Company Limited (BDTCL) (SPV)

Description	(Rs in Millions)	
	April 01, 2017 to September 30, 2017	October 21, 2016 to March 31, 2017
<b>Profit/(loss) after tax as per profit and loss account (A)</b>	<b>(233.62)</b>	<b>-</b>
Add: Depreciation, impairment and amortisation	235.63	-
Add/Less: Decrease/(increase) in working capital	31.29	-
Add: Interest accrued on loan/non-convertible debentures issued to IndiGrid or SGLI	363.86	-
Add/Less: Loss/gain on sale of infrastructure assets	-	-
Add: Proceeds from sale of infrastructure assets adjusted for the following:	-	-
-related debts settled or due to be settled from sale proceeds;	-	-
-directly attributable transaction costs;	-	-
-directly attributable transaction costs;	-	-
-proceeds reinvested or planned to be reinvested as per Regulation 18(7)(a) of the InvIT Regulations	-	-
Add: Proceeds from sale of infrastructure assets not distributed pursuant to an earlier plan to re-invest, if such proceeds are not intended to be invested subsequently, net of any profit / (loss) recognised in profit and loss account	-	-
Less: Capital expenditure, if any	(0.56)	-
Add/Less: Any other item of non-cash expense / non cash income (net of actual cash flows for these items).	96.40	-
Less: Repayment of external debt (principal) / redeemable preference shares / debentures, etc. (Excluding refinancing) / net cash set aside to comply with DSRA requirement under loan agreements	(73.14)	-
<b>Total Adjustments (B)</b>	<b>653.48</b>	<b>-</b>
<b>Net Distributable Cash Flows (C)=(A+B)</b>	<b>419.86</b>	<b>-</b>

## (iii) Jabalpur Transmission Company Limited (JTCL) (SPV)

Description	(Rs in Millions)	
	April 01, 2017 to September 30, 2017	October 21, 2016 to March 31, 2017
<b>Profit/(loss) after tax as per profit and loss account (A)</b>	<b>34.97</b>	<b>-</b>
Add: Depreciation, impairment and amortisation	204.81	-
Add/Less: Decrease/(increase) in working capital	56.64	-
Add: Interest accrued on loan/non-convertible debentures issued to IndiGrid or SGLI	573.60	-
Add/Less: Loss/gain on sale of infrastructure assets	-	-
Add: Proceeds from sale of infrastructure assets adjusted for the following:	-	-
-related debts settled or due to be settled from sale proceeds;	-	-
-directly attributable transaction costs;	-	-
-directly attributable transaction costs;	-	-
-proceeds reinvested or planned to be reinvested as per Regulation 18(7)(a) of the InvIT Regulations	-	-
Add: Proceeds from sale of infrastructure assets not distributed pursuant to an earlier plan to re-invest, if such proceeds are not intended to be invested subsequently, net of any profit / (loss) recognised in profit and loss account	-	-
Less: Capital expenditure, if any	(9.23)	-
Add/Less: Any other item of non-cash expense / non cash income (net of actual cash flows for these items)	(4.39)	-
Less: Repayment of external debt (principal) / redeemable preference shares / debentures, etc. (Excluding refinancing) / net cash set aside to comply with DSRA requirement under loan agreements	-	-
<b>Total Adjustments (B)</b>	<b>821.43</b>	<b>-</b>
<b>Net Distributable Cash Flows (C)=(A+B)</b>	<b>856.40</b>	<b>-</b>

## C) Statement of Contingent Liabilities

Description	(Rs in Million)	
	As at September 30, 2017	As at March 31, 2017
Entry tax demand	340.73	-
<b>Total</b>	<b>340.73</b>	<b>-</b>

Bhopal Dhule Transmission Company Limited (BDTCL):

Entry tax demand of Rs 164.13 million pertains to demands under the Entry Tax Act read with Madhya Pradesh Vat Act, 2002 for payment of entry tax upon completion of assessment by tax authorities for the year 2012-13, 2013-14 and 2014-15. The Company has preferred an appeal against the demand before High Court, Jabalpur (Madhya Pradesh). The Company has deposited Rs. 57.77 million with the tax authorities against the said demands to comply the Order of Hon'ble High court of Madhya Pradesh. The Hon'ble High court has accepted the plea of the company and has given stay on the entire demand after deposit of specified amount till the disposal of case.

Jabalpur Transmission Company Limited (JTCL):

1) Entry tax demand of Rs 125.05 million pertains to demands under the Entry Tax Act read with Madhya Pradesh Vat Act, 2002 for payment of entry tax upon completion of assessment by tax authorities for the year 2012-13, 2013-14 and 2014-15. The Company has preferred an appeal against the demand before High Court, Jabalpur (Madhya Pradesh). The Company has deposited Rs 44.29 millions 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 and has given stay on entire demand after deposit of specified amount till the disposal of case.

2) Entry tax demand of Rs 51.55 million pertains to demand under Chhattisgarh Value Added Sales Tax (Amendment) Act, 2005 for payment of entry tax upon completion of assessment by tax authorities for the year 2012-13 and 2013-14. The Company has preferred an appeal against the demand before Chairman, Commercial Tax Tribunal, Raipur. The company has deposited Rs. 12.05 millions with the tax authorities against the said demand.

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 financial statements for the tax demands raised as above. The management believes that the ultimate outcome of the proceedings will not have a material adverse effect on the financial position and results of the operations of the SPVs.

**D) Statement of Earnings per unit:**

Particulars	(Rs in Million)	
	April 01, 2017 to September 30, 2017	October 21, 2016 to March 31, 2017
Profit for the period (Rs. Million)	721.01	-
Number of units outstanding for computation of basic and diluted earning per unit (in million)*	283.80	-
<b>Earnings per unit (basic and diluted) (Rupees per unit)</b>	<b>2.54</b>	<b>-</b>

\* includes 13.60 million units which will be issued to Sponsor pursuant to the Project Implementation and Management Agreement and CERC Order dated May 08, 2017 approving additional tariff to JTCL for additional expenditure incurred on project due to change in laws.

**E) Statement of Related Party Transactions:**

**I. List of related parties as per Regulation 2(I)(zv) of the Regulations**

**(i) Parties to IndiGrid**

Sterlite Power Grid Ventures Limited (SPGVL) - Sponsor and Project Manager of IndiGrid  
Sterlite Investment Managers Limited (SIML) - Investment Manager of IndiGrid  
Axis Trustee Services Limited (ATSL) - Trustee of IndiGrid

**(ii) Promoters of the parties to IndiGrid specified in (i) above**

Sterlite Power Transmission Limited - Promoter of SPGVL and SIML  
Axis Bank Limited - Promoter of ATSL

**(iii) Directors of the parties to IndiGrid specified in (i) above**

**Directors of SPGVL:**

Pravin Agarwal  
Pratik Agarwal  
Anand Agarwal  
A. R. Narayanaswamy  
Udai Dhawan  
Avaantika Kakkar

**Directors of SIML:**

Pratik Agarwal  
Kuldip kumar Kaura  
Tarun Kataria  
Shashikant Bhojani

**Directors of ATSL:**

Srinivasan Varadarajan  
Ram Bharoseylal Vaish  
Sidharth Rath  
Rajaraman Viswanathan  
Raghuraman Mahalingam

## II. Transactions with related parties

(Rs in Million)

Sr. No.	Particulars	Relation	April 01, 2017 to September 30, 2017	October 21, 2016 to March 31, 2017
	<b>Transactions during the period</b>			
1	<b>Repayment of loan and non convertible debentures</b> Sterlite Power Grid Ventures Limited	Sponsor and Project Manager	7,121.03	-
2	<b>Issue of unit capital<sup>8</sup></b> Sterlite Power Grid Ventures Limited Pravin Agarwal	Sponsor and Project Manager Director of Sponsor	4,520.36 91.34	- -
3	<b>Purchase of non convertible debentures of subsidiary</b> Sterlite Power Grid Ventures Limited	Sponsor and Project Manager	6,658.24	-
4	<b>Purchase of equity shares of subsidiary</b> Sterlite Power Grid Ventures Limited	Sponsor and Project Manager	573.86	-
5	<b>Project Manager Fees</b> Sterlite Power Grid Ventures Limited	Sponsor and Project Manager	10.30	-
6	<b>Investment Manager Fees</b> Sterlite Investment Managers Limited	Investment Manager	33.77	-
7	<b>Repayment of dues paid/payable</b> Sterlite Power Grid Ventures Limited Sterlite Investment Managers Limited	Sponsor and Project Manager Investment Manager	101.05 4.00	- -
8	<b>Reimbursement of expenses received/receivable</b> Sterlite Power Grid Ventures Limited	Sponsor and Project Manager	17.01	-
9	<b>Trustee fee</b> Axis Trustee Services Limited (ATSL)	Trustee	0.20	-

<sup>8</sup>does not include 13.60 million units of face value of Rs 100 each amounting to Rs 1,359.92 million which will be issued to the Sponsor pursuant to the Project Implementation and Management Agreement and CERC order dated May 08, 2017 approving additional tariff to JTCL for additional expenditure incurred on project due to change in laws.

## II. Outstanding balances

(Rs in Millions)

Sr. No.	Particulars	Relation	As at September 30, 2017	As at March 31, 2017
	<b>Related party balances as at period end</b>			
1	<b>Project Manager fees payable</b> Sterlite Power Grid Ventures Limited	Sponsor and Project Manager	10.30	-
2	<b>Investment Manager fees payable</b> Sterlite Investment Managers Limited	Investment Manager	33.77	-
3	<b>Repayment of dues paid/payable</b> Sterlite Investment Managers Limited	Investment Manager	4.00	-
4	<b>Trustee fee</b> Axis Trustee Services Limited (ATSL)	Trustee	0.20	-

During the half year ended September 30, 2017, IndiGrid acquired two projects viz BDTCL and JTCL from SPGVL pursuant to the Share purchase agreement. Summary of the valuation report dated April 23, 2017 issued by the independent valuer appointed under the InvIT Regulations is as follows:

(Rs in Million)

Particulars	BDTCL	JTCL
Enterprise value as of March 31, 2017		
- Base case (based on tariff as per TSA)	20,406	14,949
- Incremental revenue (based on additional tariff claimed under petition with CERC)	1,135	1,176
<b>Total Enterprise value</b>	<b>21,541</b>	<b>16,125</b>



Method of valuation	Discounted Cash Flow	Discounted Cash Flow
Discounting rate (WACC):		
- Base case (based on tariff as per TSA)	8.19%	8.14%
- Incremental revenue (based on additional tariff claimed under petition with CERC)	8.69%	8.64%

Pursuant to the Project Implementation and Management Agreement dated November 10, 2016 as amended on April 25, 2017 ("PIMA") executed among SIML, ATSL, SPGVL, SGLI, BDTCL and JTCL, IndiGrid will issue additional units to SPGVL in the event CERC approves additional tariff for BDTCL and/or JTCL in respect of cost escalations in those projects for which petitions are pending with CERC. The units to be issued to SPGVL shall be equivalent to 80% of the Cost Escalation for each of BDTCL and JTCL as approved by CERC.

SPGVL will be entitled to additional units only if the cost escalation and the resultant revision in levelised transmission charges is received during the period commencing from the date of the PIMA and until the date which is 18 months of listing of units of IndiGrid (being the date of receipt of final listing and trading approvals for the units).

CERC vide Order dated May 8, 2017 has approved cost escalation of Rs. 1,699.90 million for JTCL. Accordingly, IndiGrid will issue additional units of Rs. 1,359.92 million (being 80% of the cost escalation approved by CERC) to SPGVL. The petition for cost escalation for BDTCL is currently pending with CERC.

Place: Mumbai  
Date: October 26, 2017



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

Pratik Agarwal  
CEO & Managing Director  
DIN: 03040062

A large, stylized handwritten signature in blue ink, appearing to be "Pratik Agarwal".

A small, handwritten signature or initials in blue ink, possibly "Rd".

## Limited Review Report on Half Yearly Consolidated Financial Information

To  
The Board of Directors  
Sterlite Investment Managers Limited  
(as Investment Manager of India Grid Trust)  
F-1, The Mira Corporate Suites 1&2  
Ishwar Nagar, Mathura Road  
New Delhi 110 065

1. We have reviewed the accompanying statement of unaudited consolidated financial information of India Grid Trust (the 'Trust'), and its subsidiaries (together referred to as the 'Group'), consisting of the Consolidated Statement of profit and loss, explanatory notes thereto and the additional disclosures as required in paragraph 6 of Annexure A to the SEBI Circular No. CIR/IMD/DF/127/2016 dated November 29, 2016 ("SEBI Circular") for the half year ended September 30, 2017 (the 'Statement') attached herewith, being submitted by Sterlite Investment Managers Limited (the 'Investment Manager') pursuant to the requirements of Regulation 23 of the Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014 as amended, read with the SEBI Circular.
2. The preparation of the Statement in accordance with the recognition and measurement principles laid down in Indian Accounting Standard 34, Interim Financial Reporting (Ind AS 34) read with Rule 2(1)(a) of Companies (Indian Accounting Standards) Rules, 2015 and the SEBI Circular, is the responsibility of the Investment Manager and has been approved by the Board of Directors of the Investment Manager. Our responsibility is to issue a conclusion on the Statement based on our review.
3. We conducted our review in accordance with the Standard on Review Engagements (SRE) 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the Statement is free of material misstatement. A review is limited primarily to inquiries of Investment Manager personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.



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

Chartered Accountants

4. Based on our review conducted as above, nothing has come to our attention that causes us to believe that the accompanying Statement, prepared in accordance with the recognition and measurement principles laid down in the applicable Indian Accounting Standards ('Ind AS') as defined in Rule 2(1)(a) of the Companies (Indian Accounting Standards) Rules, 2015 and other recognized accounting practices and policies has not disclosed the information required to be disclosed in terms of Regulation 23 of the SEBI (Infrastructure Investment Trusts) Regulations, 2014 as amended, read with the SEBI Circular, including the manner in which it is to be disclosed, or that it contains any material misstatement.

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

Chartered Accountants

ICAI Firm registration number: 324982E/E300003

**per Paul Alvares**

Partner

Membership No.: 105754

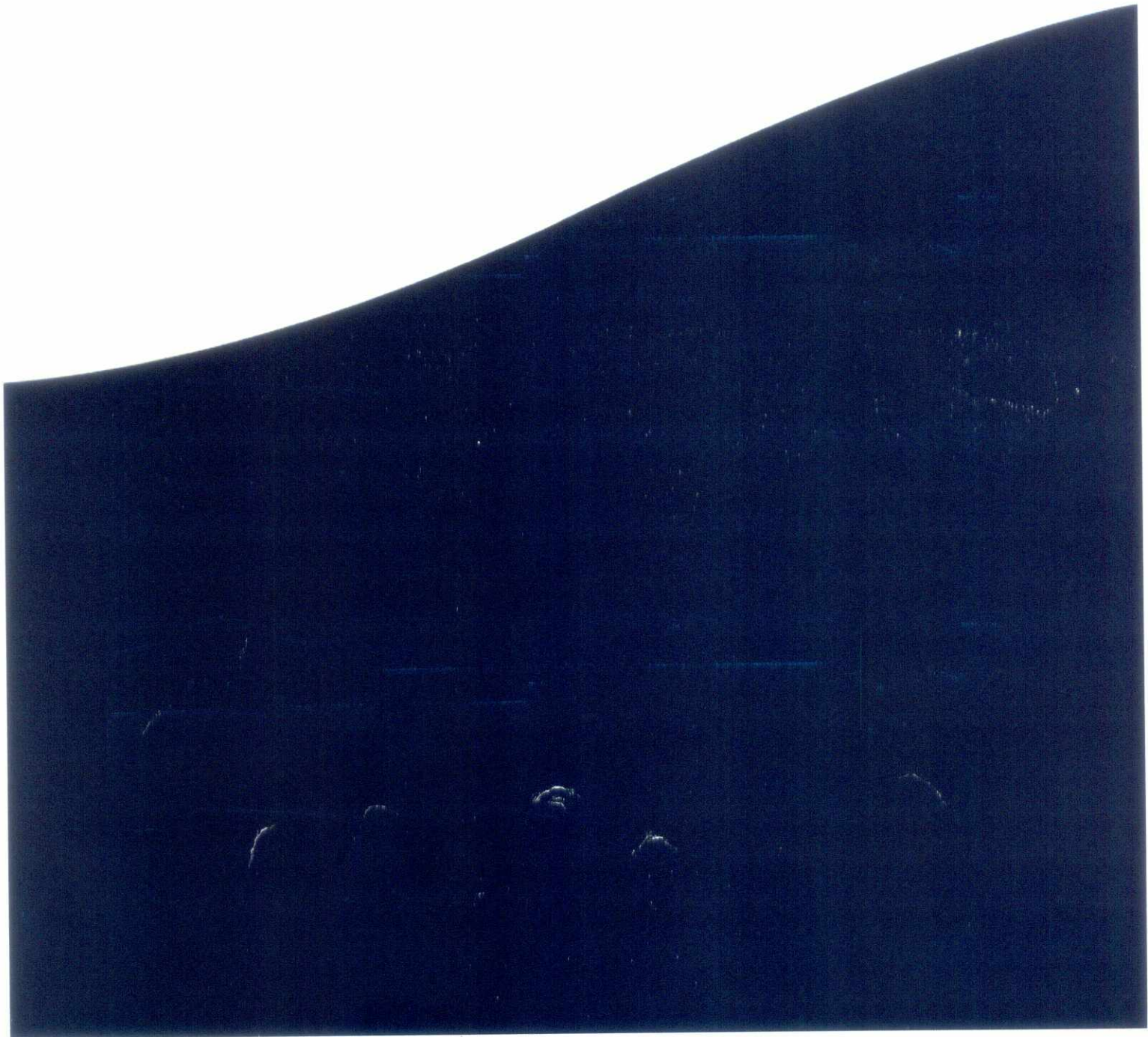
Place: Mumbai

Date: October 26, 2017



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

**Valuation Date: 30<sup>th</sup> September 2017**



**Date: 25<sup>th</sup> October 2017**

CFAS-2/R-014/1026/A

**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,

We, Haribhakti & Co. LLP, Chartered Accountants ("H&Co."), have been appointed vide letter dated 12<sup>th</sup> October 2017, 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 ("Trustee") acting on behalf of the Trust for the purpose of the financial valuation of Bhopal Dhule Transmission Company Limited ("BDTCL" or "the SPV"). The SPV was acquired by the Trust on 30<sup>th</sup> May 2017 and is to be valued as per regulation 21(5) 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 values of the SPV on a going concern basis as at 30<sup>th</sup> September 2017 ("Valuation Date"). 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, calculations and conclusion with respect to this valuation. 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 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 Securities and Exchange Board of India, 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 / W100048



**Manoj Daga**

*Partner*

Membership No. 048523

Place: Mumbai

Encl: As above



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**Definition, abbreviation & glossary of terms**

<b>Abbreviations</b>	<b>Meaning</b>
<b>SIML or Investment Manager</b>	Sterlite Investment Managers Limited
<b>Trust or InvIT</b>	India Grid Trust
<b>Trustee</b>	Axis Trustee Services Limited
<b>H&amp;Co.</b>	Haribhakti & Co. LLP, Chartered Accountants
<b>BDTCL</b>	Bhopal Dhule Transmission Company Limited ("BDTCL")
<b>LTTC</b>	Long Term Transmission Customer
<b>COD</b>	Commercial Operation Date
<b>BOOM</b>	Build-Own-Operate-Maintain
<b>TSA</b>	Transmission Service Agreement
<b>INR</b>	Indian Rupees
<b>Mn</b>	Million
<b>FY</b>	Financial Year Ended 31 <sup>st</sup> March
<b>NAV</b>	Net Asset Value Method
<b>WOS</b>	Wholly Owned Subsidiary
<b>Capex</b>	Capital Expenditure
<b>NCA</b>	Net Current Assets Excluding Cash and Bank Balances
<b>EBITDA</b>	Earnings Before Interest, Taxes, Depreciation and Amortization
<b>EBIT</b>	Earnings Before Interest and Taxes
<b>WACC</b>	Weighted Average Cost of Capital
<b>EV</b>	Enterprise Value
<b>CCIL</b>	Clearing Corporation of India Limited
<b>SEBI InvIT Regulations</b>	SEBI (Infrastructure Investment Trusts) Regulations, 2014, as amended
<b>SPV</b>	Special Purpose Vehicle
<b>SGL1</b>	Sterlite Grid 1 Limited
<b>Ckms</b>	Circuit Kilometers
<b>MVA</b>	Mega Volt Ampere
<b>FYP</b>	Five year Plan
<b>EHV</b>	Extra High Voltage
<b>KV</b>	Kilo Volts
<b>MU</b>	Million Units
<b>MW</b>	Mega Watts
<b>CEA</b>	Central Electricity Authority
<b>CERC</b>	Central Electricity Regulatory Commission
<b>VDR</b>	Virtual Data Room



**1. Purpose of Valuation**

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- 1.1. The Trust is registered with SEBI pursuant to the SEBI InvIT Regulations. The Trust was established on 21<sup>st</sup> October 2016 by Sterlite Power Grid Ventures Limited ("SPGVL"), the Sponsor. 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 and BSE Limited since 6<sup>th</sup> June 2017.
- 1.2. We understand that as per chapter V and regulation 21(5) of the SEBI InvIT Regulations a half yearly valuation of the assets of the Trust shall be conducted by an Independent valuer for the half-year ending 30<sup>th</sup> September 2017 for a publicly offered InvIT for incorporating any key changes in the previous six months and such half yearly valuation report shall be prepared within one month from the date of end of such half year. In this regard, the Investment Manager intends to undertake the fair valuation of the SPV.
- 1.3. The details of the SPV to be valued is as follows:
  - 1.3.1. Bhopal Dhule Transmission Company Limited ("BDTCL") operates six EHV 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.
- 1.4. 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 (including debt) of the SPV as per the SEBI InvIT Regulations as at 30<sup>th</sup> September 2017.
- 1.5. H&Co. declares that:
  - 1.5.1. It is competent to undertake the financial valuation in terms of the SEBI InvIT Regulations;
  - 1.5.2. It is independent and has prepared the Report on a fair and unbiased basis;
  - 1.5.3. It has valued the SPVs based on the valuation standards as specified under sub-regulation 10 of regulation 21 of SEBI InvIT Regulations.
- 1.6. This Valuation Report ("Report") covers all the disclosures required as per the SEBI InvIT Regulations and the Valuation of the SPV is impartial, true and fair and in compliance with the SEBI InvIT Regulations.

**Scope of Valuation**

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- 1.7. We have undertaken the fair valuation at the enterprise level (including debt) of the SPV.
- 1.8. The Valuation Date considered for this fair enterprise valuation of the SPV is 30<sup>th</sup> September 2017. Valuation analysis and results are specific to the date of this Report. A valuation of this nature involves consideration of various factors including the financial position of the SPV as at the Valuation Date, trends in the equity stock market, government securities and other industry trends.
- 1.9. We have been mandated by the Investment Manager to arrive only at the Enterprise Value of the SPV.



- 1.10. For the amount pertaining to the operating working capital, the Investment Manager has acknowledged to consider the provisional financial statements as on 30th September 2017 to carry out the valuation of the SPV.

## **2. Exclusions and Limitations**

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- 2.1. Our Report is subject to the limitations detailed hereinafter. This Report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to therein.
- 2.2. 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.
- 2.3. 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.
- 2.4. 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.
- 2.5. 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 Proposed Transaction in accordance 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.
- 2.6. 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.
- 2.7. 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.
- 2.8. 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.
- 2.9. 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. 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.



- 2.10. 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.
- 2.11. 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.
- 2.12. We have arrived at an indicative enterprise value based on our analysis.
- 2.13. 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.
- 2.14. 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.
- 2.15. 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.
- 2.16. 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.
- 2.17. 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.
- 2.18. 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.
- 2.19. 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.
- 2.20. 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.
- 2.21. 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.



## 2.22. Limitation of Liabilities

- 2.22.1. 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.
- 2.22.2. 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.
- 2.22.3. 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

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

- 3.1.1. Audited financial statements of BDTCL for the financial year ("FY") ended 31<sup>st</sup> March 2017 and 31<sup>st</sup> March 2016;
- 3.1.2. Provisional Profit & Loss Account and Balance Sheet for the six months period ended 30<sup>th</sup> September 2017.
- 3.1.3. Projected Profit & Loss Account and Working Capital requirements of BDTCL from 1<sup>st</sup> October 2017 to 31<sup>st</sup> March 2049.
- 3.1.4. Details of brought forward losses (as per Income Tax Act) as at 31<sup>st</sup> March 2017.
- 3.1.5. Details of WDV (as per Income Tax Act) of assets as at 31<sup>st</sup> March 2016 and 31<sup>st</sup> March 2017.
- 3.1.6. As on 30<sup>th</sup> September 2017, India Grid Trust holds 100% equity stake in BDTCL (through Sterlite Grid Limited 1). As represented to us by the Investment Manager, there are no changes in the shareholding pattern from 30<sup>th</sup> September 2017 to the date of issuance of this Report.
- 3.1.7. TSA of BDTCL with Central Transmission Utility dated 12<sup>th</sup> November 2013.
- 3.1.8. Management Representation Letter dated 24<sup>th</sup> October 2017.

## 4. Overview of the InvIT and SPVs

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### The Trust

- 4.1. The Trust is registered with SEBI pursuant to the SEBI InvIT Regulations. The Trust was established on 21<sup>st</sup> October 2016 by Sterlite Power Grid Venture Limited ("SPGVL" or "the Sponsor"). 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 and BSE Limited since 6<sup>th</sup> June 2017.



Sponsor"). 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 and BSE Limited since 6<sup>th</sup> June 2017.

- 4.2. The Trust had acquired two revenue generating projects, Bhopal Dhule Transmission Company Limited ("BDTCL") and Jabalpur Transmission Company Limited ("JTCL"), from its Sponsor.
- 4.3. The Trust, pursuant to the 'Right of First Offer' Deed has a 'right of first offer' to acquire eight other projects of the Sponsor.
- 4.4. Following is the financial summary of the projects which the Trust had acquired from the Sponsor;

Particulars	INR Mn	
	BDTCL	JTCL
Valuation Date	31-Mar-17	31-Mar-17
Fair Market Value	21,541	16,125
Purchase Price	37,020	
* Consolidated Purchase Price paid by the Trust to purchase the above mentioned SPV's		

- 4.5. The valuation for past three financial years for BDTCL and JTCL is given below;

Asset Name	Enterprise Value (INR Mn)		
	31-Mar-17	31-Mar-16	31-Mar-15
BDTCL	21,541	21,812	20,113
JTCL	16,125	19,407	14,295

\* For JTCL, the Investment Manager had previously projected the incremental revenue to be at 40% of the non escalable revenue charges during the valuation exercise of 31<sup>st</sup> March 2016, however the same was subsequently reduced to 9.8903% of non escalable charges during the valuation exercise of 31<sup>st</sup> March 2017 as per the CERC order.

#### BDTCL or the SPV

- 4.6. Summary of details of the Project are as follows:

Parameters	Details
Project Cost	INR 21,634 Mn
Total Length	944 ckms
TSA Agreement Date	12 <sup>th</sup> November 2013
Scheduled COD	31 <sup>st</sup> March, 2014
Expiry Date	35 years from the scheduled COD
Project COD	9 <sup>th</sup> June, 2015
IndiGrid's stake (through SGL 1)	100%

- 4.7. The BDTCL project was awarded to SGL1 by the Ministry of Power on 31<sup>st</sup> January 2011 for a 35 year period from the scheduled commercial operation date on a BOOM basis.

4.7.1. BDTCL operates six EHV 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.

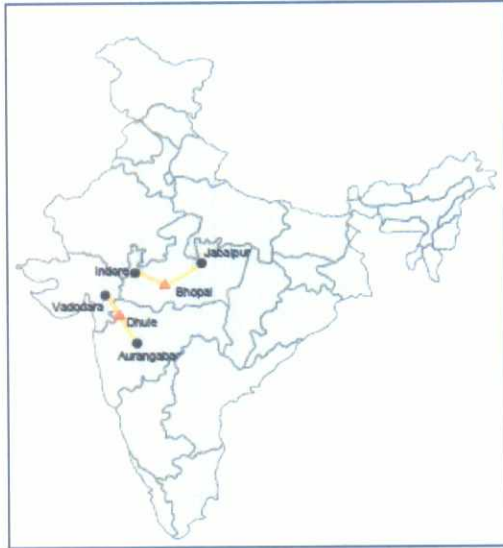
4.7.2. BDTCL facilitates the transfer of electricity from coal-fired power generation sources from the states of Odisha and Chhattisgarh to power load centres in India's western and northern regions

4.8. The project consists of the following transmission lines and is being implemented on multiple contracts basis:

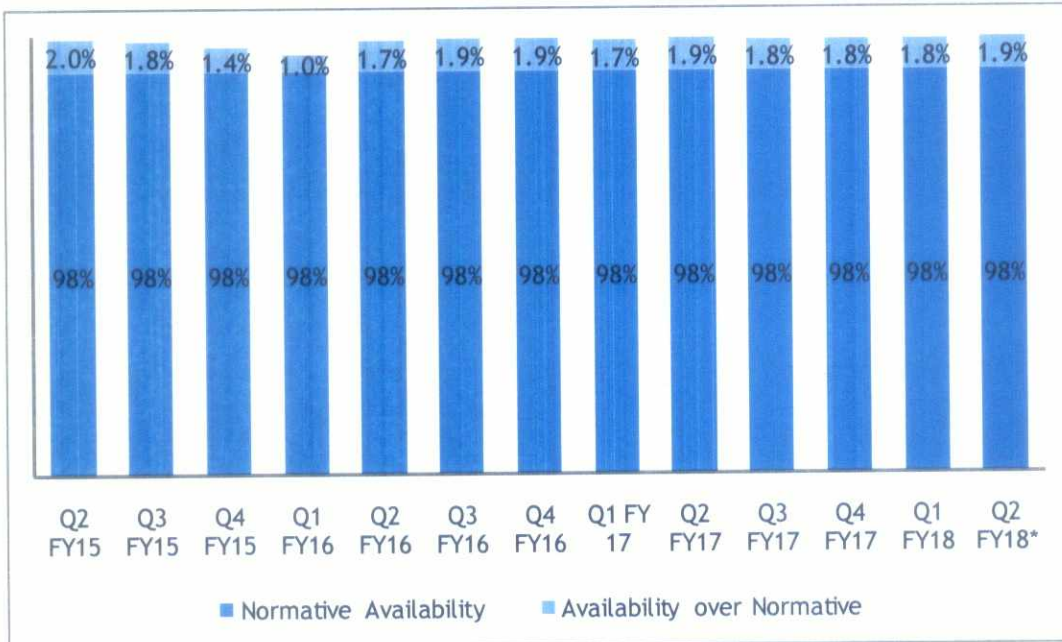
Transmission line / Sub-Station	Location	Route length (ckms)	Specifications	Commission date	Contribution to total tariff
Jabalpur – Bhopal	Madhya Pradesh	260	765 kV S/C	9 <sup>th</sup> June 2015	22%
Bhopal – Indore	Madhya Pradesh	176	765 kV S/C	19 <sup>th</sup> November 2014	12%
Bhopal - Bhopal (MPPTCL)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

4.8.1. BDTCL entered into transmission services agreement dated 12<sup>th</sup> November 2013 with Power Grid Corporation of India Limited. The expiry date of TSA shall be the date which is 35 years from the scheduled Commercial Operation Date (“COD”) of the project.

4.9. Following is the map showing area covered by BDTCL:



4.10. Operating Efficiency history of BDTCL:



\*Q2 FY18 –Data Comprises of data from availability certificate only for the months of July and August and Information from Investment Manager for September 2017 for which availability certificate is not received till 24<sup>th</sup> October 2017.

**5. Overview of the Industry**

**5.1. Introduction:**

- 5.1.1. India is the third largest producer and fourth largest consumer of electricity in the world, with the installed power capacity reaching 329.226 GW by August 2017. The country also has the fifth largest installed capacity in the world.
- 5.1.2. Per capita electricity consumption in the country grew at a CAGR of 9.63 per cent, during FY06-FY16 reaching 1075 KWh in FY16.

**5.2. Demand and Supply**

- 5.2.1. 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.
- 5.2.2. 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% from ~243 GW in FY 14 to ~ 329 GW as of 31<sup>st</sup> August 2017 (source: CEA).

**5.3. India’s economic outlook**

- 5.3.1. 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 7.6% to 7.9% until 2018. India’s growth rate is significantly higher than the world average





of around 3% and is also higher than other developing economies, such as China, Brazil, Indonesia and sub-Saharan African nations.

- 5.3.2. Power is one of the key sectors attracting FDI inflows into India
- 5.3.3. From April 2000 to June 2017, India recorded FDI of US\$ 5.85 billion in non-conventional energy sector. New and renewable energy sector witnessed maximum power generation capacity addition, since 2000.
- 5.3.4. Cumulative FDI inflows into the sector from April 2000–June 2017 were US\$ 11.77 billion.
- 5.3.5. 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 INR 2.6 trillion in 2015-16 from INR 1.3 trillion in 2012-13. Reduced macroeconomic vulnerability, coupled with improved government spending in infrastructure sectors, has enhanced India's Global Competitive Index (GCI) ranking to 55 in 2015-16 from 71 in 2014-15. Also, compared with other large emerging economies, India's purchasing-manager index for 2016, published by World Bank, has been reflecting more buoyant sentiment. In essence, India is in a sweet spot compared with other major global economies.

#### 5.4. Power transmission network in India

- 5.4.1. 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.
- 5.4.2. 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 PGCIL, which facilitates the transfer of power from a surplus region to the ones with deficit.
- 5.4.3. 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 increased from 358,580 ckm in 2006-07 to around 554,774 ckm in 2015-16.
- 5.4.4. PGCIL has remained the single largest player in these additions, contributing to 45-50% of the total investment in the sector. With a planned capital expenditure outlay of INR 1.1 trillion for the 12th five year plan, PGCIL has spent around INR 0.9 trillion over 2013-16.
- 5.4.5. Of the total capacity-addition projects in transmission during the 12th five year plan, 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.
- 5.4.6. 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.
- 5.4.7. 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 – November 2016 and IBEF report on Power sector in India- September 2017

## 6. Valuation Approach

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- 6.1. The present valuation exercise is being undertaken in order to derive the Enterprise Value of the SPV.
- 6.2. 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.
- 6.3. There are three generally accepted approaches to valuation:
- (a) "Cost" approach
  - (b) "Market" approach
  - (c) "Income" approach

### 6.4. 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, net asset value does not properly take into account the earning capacity of the business or any intangible assets that have no historical cost. In many respects, net asset value represents the minimum benchmark value of an operating business.

### 6.5. 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 Enterprise Value ("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.

**6.6. 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 (DCF) 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/Enterprise Value (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.

**6.7. 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 Company. In addition, this valuation will fluctuate with changes in prevailing market conditions, and prospects, financial and otherwise, of the Company, 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**

In the present case, since all the SPVs have entered into TSA, the revenue of these SPVs 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 Net Asset value 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 enterprise value of the SPVs engaged in the power transmission business for a specific tenure. Further, the tariff revenue expenses are very specific to the SPVs 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 SPVs, 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 SPGVL are not listed on any recognized stock exchange of India. Hence, we are unable to apply market price method.

### **Income Approach**

This is a Build Own Operate and Maintain (BOOM) model based project. The cash inflows of the projects are defined for 35 years under the TSA. Hence, the growth potential of SPVs 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.

## **7. Valuation of the SPV**

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We have estimated the value of SPVs 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**

- 7.1. 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, and

#### **Part B: Incremental Revenue**

This refers to incremental transmission revenue based on the petition filed with commission as provided by the Investment Manager.

- 7.2. **Key Assumption under Part A: Base Case**

- 7.2.1. **Transmission Revenue:** The transmission revenue of the SPV comprises of non escalable transmission revenue and escalable transmission revenue as provided in the TSA for the life of the project.



- 7.2.2. **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 of the respective TSA and documents provided to us by the management of the Company.
- 7.2.3. **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 and documents provided to us by the Investment Manager. The escalation is to mainly compensate with the inflation factor.
- 7.2.4. **Incentives:** As provided in the respective TSA, if the annual availability exceeds 98%, the TSP 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.
- 7.2.5. **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. The annual availability shall not fall below 95% and thus the penalty has not been considered in the financial projections.
- 7.2.6. **Operations & Maintenance ("O&M"):** O&M expenditure 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 on the operating and maintenance expenses for the projected period.
- 7.2.7. **Depreciation:** The book depreciation has been calculated using Straight Line Method over the life of the project. For calculating depreciation for the projected period, we have considered depreciation rate as specified in the Income Tax Act and WDV as per Income Tax Return filed by the SPV. The SPV is not expected to incur any capital expenditure in the projected period.
- 7.2.8. **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.
- 7.2.9. **Working Capital:** The Investment Manager has envisaged the working capital requirement of the SPVs 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 for O&M Expenses.
- 7.3. **Key Assumption under Part B: Incremental Revenue Case**
- 7.3.1. **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 has claimed relief by filing petition with the Central Electricity Regulatory Commission for the force majeure seeking an increase in transmission revenue to offset the additional cost incurred. The final verdict of the Commission has not been received and is currently under litigation. We have considered this incremental transmission revenue as provided by the Investment Manager for arriving at the Enterprise Value of the SPV.
- 7.3.2. **Operations & Maintenance ("O&M"):** No Operations & Maintenance ("O&M") expenditure needs to be considered for Incremental Revenue.
- 7.3.3. **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.
- 7.3.4. **Tax:** We have considered full income tax @ 34.61% on the incremental revenue.



- 7.3.5. **Working Capital:** The Investment Manager has envisaged the working capital requirement of the SPVs for the projected period. The working capital assumptions for the projections as provided by the management comprises of trade receivables only.

#### **Valuation of SPVs under Part A: Base Case**

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#### **7.4. Calculation of Weighted Average Cost of Capital for the SPV under Part A: Base Case**

##### **7.4.1. Cost of Equity:**

Cost of Equity (CoE) is a discounting factor to calculate the returns expected by the equity holders depending on the perceived level of risk associated with the business and the industry in which the business operates.

For this purpose, we have used the Capital Asset Pricing Model (CAPM), which is a commonly used model to determine the appropriate cost of equity for the SPV.

$$K(e) = R_f + (RP * \text{Beta}) + \text{CSRP}$$

Wherein:

K(e) = cost of equity

R<sub>f</sub> = 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).

##### **7.4.2. Risk Free Rate:**

We have applied a risk free rate of return of 7.04% on the basis of the relevant zero coupon yield curve as on 29<sup>th</sup> September 2017 (Since 30<sup>th</sup> September 2017 was a Saturday) for government securities having a maturity period of 10 years, as quoted on the website of Clearing Corporation of India Limited.

##### **7.4.3. Risk Premium:**

Risk premium is a measure of premium that investors require for investing in equity markets rather than bond or debt markets. A risk premium is calculated as follows:

$$\text{Risk premium} = \text{Equity market return} - \text{Risk free rate}$$

Wherein:

Equity market return = the average historical market return is estimated at 15.00%.

Risk free rate = 7.04% as explained in para 7.5.2.

##### **7.4.4. 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. However, since shares of SPGVL or the SPV are not publicly quoted, we have sought to estimate the relevant Beta with respect to benchmark numbers. It is impossible to identify a company with exactly same characteristics as the SPV. Therefore we have sought to use the beta of Power Grid Corporation Limited since its business operations is similar to those of the SPVs.

We have further unlevered that beta based on debt-equity of the respective company using the following formula:

$$\text{Unlevered Beta} = \text{Levered Beta} / [1 + (\text{Debt} / \text{Equity}) * (1-T)]$$



Further we have re-levered it based on debt-equity of the industry standard using the following formula:

$$\text{Re-levered Beta} = \text{Unlevered Beta} * [1 + (\text{Debt} / \text{Equity}) * (1-T)]$$

7.4.5. **Company Specific Risk Premium:** We have not considered any company specific risk premium to the Ke for discounting the cash flows as per the TSA.

7.4.6. **Cost of Debt:**

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

$$K(d) = K(d) \text{ pre tax} * (1 - T)$$

Wherein:

K(d) = Cost of debt

T = tax rate as applicable

7.4.7. **Weighted Average Cost of Capital (WACC):**

The discount rate, or the weighted average cost of capital (WACC), is the weighted average of the expected return on equity and the cost of debt. The weight of each factor is determined based on the company's optimal capital structure.

Formula for calculation of WACC:

$$\text{WACC} = [K(d) * \text{Debt} / (\text{Debt} + \text{Equity})] + [K(e) * (1 - \text{Debt} / (\text{Debt} + \text{Equity}))]$$

7.4.8. Accordingly, as per above, we have arrived the WACC of 7.84% for BDTCL for valuation under Base Case (Refer Appendix I)

7.5. **Valuation of BDTCL**

- We have relied on the projected financials of BDTCL as provided by its management and representatives for the period from 1<sup>st</sup> October 2017 to 31<sup>st</sup> March 2049.
- WACC arrived at for the purpose of valuation is 7.84% for cash flows as per the Base Case (Refer Appendix I).
- For the terminal period, we have considered 0% constant growth rate for FCFF.
- As on Valuation Date, we have discounted the free cash flows of BDTCL using the WACC of 7.84% to arrive at the Enterprise Value ("EV") by aggregating the present value of cash flows for explicit period and terminal period at INR 20,334 Mn (Refer Appendix II)

#### **Valuation of SPV under Part B: Incremental Revenue Case**

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7.6. **Calculation of WACC for SPV under Part B: Incremental Revenue Case**

7.6.1. 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.

7.6.2. The calculation of CoE as per CAPM can be defined as follows:

$$K(e) = R_f + (RP * \text{Beta}) + \text{CSR P}$$

CSR P = Company Specific Risk Premium (In general, an additional company-specific risk premium will be added to the cost of equity calculated pursuant to CAPM).



- 7.6.3. 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 7.3.1 (Refer Appendix I).
- 7.6.4. Cost of debt remains same as under Part A: Base Case
- 7.6.5. Accordingly, as per above, we have arrived the WACC of 8.44% for BDTCL for valuation under Incremental Revenue Case (Refer Appendix I)

7.7. **Valuation of SPV under Part B: Incremental Revenue Case**

7.7.1. **Valuation of BDTCL**

- We have relied on the projected financials of BDTCL as provided by its management and representatives for the period from 1<sup>st</sup> October 2017 to 31<sup>st</sup> March 2049.
- WACC arrived at for the purpose of valuation is 8.44% 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 8.44% to arrive at the Enterprise Value ("EV") by aggregating the present value of cash flows for explicit period and terminal period at INR 1,098 Mn (Refer Appendix III).

8. **Valuation Conclusion**

- 8.1. 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 businesses, having regard to information base, management perceptions, key underlying assumptions and limitations were given due consideration.
- 8.2. Based on the above analysis the Enterprise Value as on the Valuation Date of the SPV is INR 21,431 Mn.

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 enterprise value of the SPV.

9. **Additional Procedures to be complied with in accordance with InvIT regulations**

**Scope of Work**

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 BDTCL and 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**

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.

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.

We 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.

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.

9.1. **Analysis of Additional Set of Disclosures for Bhopal Dhule Transmission Company Limited (“BDTCL”)**

A. List of one-time sanctions/approvals which are obtained or pending;

As informed by the Investment Manager, there has been only one additional approval obtained by BDTCL during the 6 months period ended 30<sup>th</sup> September 2017. Refer Appendix IV for the complete list of sanctions and approvals. Further, we were informed that no applications applied for of which the approval is pending.

B. List of up to date/ overdue periodic clearances;

We have included the periodic clearances obtained in the Appendix IV.

C. Statement of assets included;

As at 30<sup>th</sup> September 2017, BDTCL has Transmission lines gross block of INR 14,473.93 million (net block of INR 13,160.81 million), substations of INR 6,662.08 million (net block of INR 6,059.42 million), Building Substations of INR 63.25 million (net block of INR 57.14 million), Leasehold Land of INR 119.48 million (net block of INR 102.80 million), and other assets including furniture, office equipment, etc. gross block of INR 12.22 million (net block of INR 7.40 million).

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 41.59 million during the half year ended 30<sup>th</sup> September 2017 and INR 69.06 million during the year ended 31<sup>st</sup> March 2017 for the maintenance charges of Transmission Lines. Based on confirmation provided by



the management we expect the increase of 5.2% per annum in the cost of repairs and maintenance expenses incurred.

Management 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;

Management 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;

The summary of on-going and closed litigation including tax liabilities is given in Appendix V. We were informed by the Management that there has been no change in the same as provided in the previous report

- G. Vulnerability to natural or induced hazards that may not have been covered in town planning/ building control.

Management 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

Weighted Average Cost of Capital	BDTCL		Remark
	Part A	Part B	
Market Returns	15.00%	15.00%	Market Return has been considered based on the long term average returns earned by an equity investor in India.
Risk Free Rate	7.04%	7.04%	Risk Free Rate has been considered based on zero coupon yield curve as at 29th September 2017 (Since 30th September was a Saturday) of Government Securities having maturity period of 10 years, as quoted on CCIL's website.
Market Risk Premium	7.96%	7.96%	Market Premium = Market Return – Risk Free Rate
Beta	0.64	0.64	Beta has been considered based on the betas of the comparable companies operating in the similar kind of business in India.
Risk Premium	-	2.00%	On account of risk associated with the cash flows.
Cost of Equity as per CAPM	<b>12.16%</b>	<b>14.16%</b>	$Ke = Rf + \beta \times (Rm - Rf) + CSR$
Pre Tax Cost of Debt	8.00%	8.00%	As per management estimate
Effective Tax Rate	25.11%	25.11%	Average tax rate for the life of the project has been considered
Cost of Debt	<b>5.99%</b>	<b>5.99%</b>	Effective cost of debt. $Kd = \text{Pre tax } Kd \times (1 - \text{Effective Tax Rate})$
Debt/(Debt+Equity) Ratio	70.00%	70.00%	The debt – equity ratio computed as $[D/(D+E)]$ is considered as 70% as per industry standard.
<b>WACC = <math>(Ke \times (1 - D:(D+E))) + (Kd \times (1 - T) \times D:(D+E))</math></b>	<b>7.84%</b>	<b>8.44%</b>	



**Appendix II – Valuation of BDTCL as on 30<sup>th</sup> September 2017 (INR mn) – Part A: Base Case**

FY ended	Revenue	EBITDA	EBITDA Margin	Less: Capex	Less: Incremental NCA	Less: Taxation	FCFF	Cash Accrual Factor	Discounting Factor	PV of Cash flows
2018*	1,339	1,258	94%	-	44.72	182	1,032	0.25	0.98	1,012
2019	2,591	2,410	93%	-	-24.65	362	2,073	1	0.93	1,922
2020	2,595	2,404	93%	-	0.10	361	2,044	2	0.86	1,757
2021	2,598	2,398	92%	-	0.06	359	2,039	3	0.80	1,626
2022	2,602	2,392	92%	-	0.09	358	2,033	4	0.74	1,503
2023	2,606	2,385	91%	-	0.13	356	2,028	5	0.69	1,390
2024	1,854	1,621	87%	-	-186.41	193	1,614	6	0.64	1,026
2025	1,859	1,614	87%	-	0.21	192	1,422	7	0.59	838
2026	1,864	1,606	86%	-	0.26	190	1,416	8	0.55	774
2027	1,870	1,599	85%	-	0.31	189	1,410	9	0.51	715
2028	1,877	1,591	85%	-	0.48	187	1,404	10	0.47	660
2029	1,883	1,583	84%	-	0.43	185	1,397	11	0.44	609
2030	1,891	1,575	83%	-	0.50	184	1,390	12	0.40	562
2031	1,898	1,566	82%	-	0.57	182	1,384	13	0.37	519
2032	1,907	1,558	82%	-	0.80	180	1,377	14	0.35	478
2033	1,917	1,548	81%	-	0.74	178	1,370	15	0.32	441
2034	1,926	1,539	80%	-	0.84	176	1,362	16	0.30	407
2035	1,937	1,529	79%	-	0.94	174	1,355	17	0.28	375
2036	1,949	1,520	78%	-	1.24	172	1,347	18	0.26	346
2037	1,961	1,510	77%	-	1.18	170	1,339	19	0.24	319
2038	1,974	1,500	76%	-	1.31	168	1,331	20	0.22	294
2039	1,989	1,489	75%	-	1.45	165	1,322	21	0.20	271
2040	2,005	1,479	74%	-	1.85	191	1,287	22	0.19	244
2041	2,021	1,468	73%	-	1.79	491	976	23	0.18	172
2042	2,039	1,457	71%	-	1.97	489	966	24	0.16	158
2043	2,057	1,446	70%	-	2.17	488	956	25	0.15	145
2044	2,079	1,435	69%	-	2.68	486	947	26	0.14	133
2045	2,101	1,424	68%	-	2.62	484	938	27	0.13	122
2046	2,124	1,412	66%	-	2.87	481	928	28	0.12	112
2047	2,149	1,400	65%	-	3.13	478	919	29	0.11	103
2048	2,178	1,389	64%	-	3.82	475	910	30	0.10	95
2049	2,207	1,377	62%	-	3.76	472	902	31	0.10	88
<b>Present Value of Explicit Period Cash Flows (INR Mn)</b>										<b>19,217</b>
<b>Perpetuity Period Cash Flows (INR Mn)</b>										<b>1,116</b>
<b>Enterprise Value (INR Mn)</b>										<b>20,334</b>

\*2018 is only for 6 months period ending 31 March 2018



**Appendix III – Valuation of BDTCL as on 30<sup>th</sup> September 2017 (INR Mn) – Part B: Incremental Revenue Case**

FY ended	Revenue	YoY Growth	EBITDA	YoY Growth	Less: Capex	Less: Incremental NCA	Less: Taxation	FCFF	Cash Accrual Factor	Discounting Factor	PV of Cash flows
2018*	175			175		41.77	30	103	0.25	0.98	101
2019	175	0%		175	0%	-0.05	61	115	1	0.92	106
2020	175	0%		175	0%	-0.16	61	115	2	0.85	97
2021	175	0%		175	0%	0.06	60	114	3	0.78	90
2022	175	0%		175	0%	-0.05	60	114	4	0.72	83
2023	174	0%		174	0%	-0.05	60	114	5	0.67	76
2024	121	-31%		121	-31%	-12.79	42	92	6	0.61	56
2025	121	0%		121	0%	0.02	42	79	7	0.57	45
2026	120	0%		120	0%	-0.06	42	79	8	0.52	41
2027	120	0%		120	0%	-0.06	42	79	9	0.48	38
2028	120	0%		120	0%	-0.14	41	79	10	0.44	35
2029	120	0%		120	0%	0.01	41	78	11	0.41	32
2030	119	0%		119	0%	-0.07	41	78	12	0.38	30
2031	119	0%		119	0%	-0.07	41	78	13	0.35	27
2032	119	0%		119	0%	-0.15	41	78	14	0.32	25
2033	118	0%		118	0%	-0.00	41	77	15	0.30	23
2034	118	0%		118	0%	-0.08	41	77	16	0.27	21
2035	118	0%		118	0%	-0.09	41	77	17	0.25	19
2036	117	0%		117	0%	-0.17	41	77	18	0.23	18
2037	117	0%		117	0%	-0.02	40	76	19	0.21	16
2038	116	0%		116	0%	-0.10	40	76	20	0.20	15
2039	116	0%		116	0%	-0.10	40	76	21	0.18	14
2040	116	0%		116	0%	-0.18	40	76	22	0.17	13
2041	115	0%		115	0%	-0.03	40	75	23	0.16	12
2042	115	0%		115	0%	-0.11	40	75	24	0.14	11
2043	114	0%		114	0%	-0.12	40	75	25	0.13	10
2044	114	0%		114	0%	-0.20	39	75	26	0.12	9
2045	113	0%		113	0%	-0.05	39	74	27	0.11	8
2046	113	0%		113	0%	-0.13	39	74	28	0.10	8
2047	112	-1%		112	-1%	-0.14	39	73	29	0.10	7
2048	111	-1%		111	-1%	-0.22	39	73	30	0.09	6
2049	111	-1%		111	-1%	-0.08	38	73	31	0.08	6
											<b>1,098</b>
											<b>1,098</b>

Present Value of Explicit Period Cash Flows (INR Mn)

Perpetuity Period Cash Flows (INR Mn)

Enterprise Value (INR Mn)

\* 2018 is only for 6 months period ending 31 March 2018



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

Sr. No.	Approvals	Date of Issue (in years)	Validity (in years)	Issuing Authority
1	Company Registration	08-Sep-09	Valid	Ministry of Corporate Affairs
2	Transmission License	12-Oct-11	25	Central Electricity Regulatory Commission
3	Forest Clearance			
	Dhule-Dhule Transmission Line in District of Dhule District - Stage I	15-May-14	Valid	Ministry of Environment and Forests
	Dhule-Dhule Transmission Line in District of Dhule District - Stage II	25-Jan-17	Valid	Ministry of Environment and Forests
	Dhule- Aurangabad Transmission Line in Aurangabad District - Stage I	30-May-14	Valid	Ministry of Environment and Forests
	Dhule- Aurangabad Transmission Line in Aurangabad District - Stage II	25-Jan-17	Valid	Ministry of Environment and Forests
	Bhopal- Indore Transmission Line in Bhopal District - Stage I	24-Jun-14	Valid	Ministry of Environment 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
	Jabalpur-Bhopal Transmission Line in Bhopal & Raisen Districts - Stage II	25-Nov-10	Valid	Ministry of Environment, Forests & Climate Changes
4	Approval under section 68 of Electricity Act, 2003	29-Jan-13	25	Ministry of Power
5	Approval from GOI under section 164 of Electricity Act, 2003 - Under Gazette of India	06-Apr-16	Valid	Ministry of Power
6	Approval from CERC under section 17(3)			
7	Environmental Clearance			
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 Dwanganj - 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 Ramala & 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-Bhoara 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 - Udalpura 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

Information provided by Management



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**Appendix IV – Summary of approval and licences (2/2)**

Sr. No.	Approvals	Date of Issue	Validity (in years)	Issuing Authority
11	River Crossing	No River Crossing		
12	Power Line Crossing			
	Bhopal - Bhopal			
	Indore Bhopal (Jaitura-Ashta Line)	03-Aug-13	Valid	Madhya Pradesh Power Transmission Co. Ltd.
	Bhopal Indore (Bairagarh- Shyampur Line, Sawania- Ashta Line, Sawania- Suajipur Line, Bairagarh- Kurawar Line, Ashta-Polai Line, Ashta-Amiyakal Line & Ashta-Bercha Line)	10-Dec-12	Valid	Madhya Pradesh Power Transmission Co. Ltd.
	Bhopal Jabalpur line (Shahpura Line & Sukhanarsinghpur line)	15-Jan-13	Valid	Madhya Pradesh Power Transmission Co. Ltd.
	Bhopal Jabalpur line (Barasia-Vidhisha line, Vidhisha-Raisen Line, Berasia-Vishisha Line, Bhopal -Bima Line & Bhopal-Vidhisha Line)	05-Apr-13	Valid	Madhya Pradesh Power Transmission Co. Ltd.
	Bhopal-Dhule Transmission Line	15-Jan-13	Valid	Madhya Pradesh Power Transmission Co. Ltd.
	Dhule- Dhule Transmission Line (Provisional Permission)	19-Oct-13	Valid	Maharashtra Electricity Transmission Co. Ltd.
	Dhule Vadodara - I	30-Oct-14	Valid	Public Works Department - Mumbai
	Dhule Vadodara - II	30-May-13	Valid	Gujarat Energy Transmission Corporation Ltd.
	Dhule Vadodara - III	28-Feb-13	Valid	Gujarat Energy Transmission Corporation Ltd.
	Aviation Clearance	25-Jul-13	Valid	Gujarat Energy Transmission Corporation Ltd.
13	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	6 months	Central Electricity Authority, Chief Electrical Inspectorate Division

Information provided by Management

Note: Management confirmed that there are no applications applied of which approval is pending



**Appendix V – BDTCL: Summary of Ongoing Litigations (1/2)**

Matter	Against	Pending Before	Details of the Case	Amount Involved (INR Million)	Amount Deposited (INR Million)*
<b>I. OPEN MATERIAL LITIGATION</b>					
Indirect Tax Matters	BDTCL	High Court of Madhya Pradesh VAT Act, 2002	Demand for payment of Entry Tax	164	57.7
Indirect Tax Matters	BDTCL	Assistant Commissioner of Income Tax, TDS, Delhi	BDTCL has received certain notices under Madhya Pradesh VAT Act, 2002 Mismatch in the calculation of tax payable on the return.	16.5	0.01
Direct Tax Matters	BDTCL				0
Regulatory Matter	Petition Relief filed by BDTCL	CERC	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 of 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.		
Other Matter	BDTCL	Labour Commissioner, Indore	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.		
	Bhagawan Devman Bhilla	District Court, Dhule	Pleading that the order of the counter claim and application for interim injunction passed by Joint Civil Judge (Senior Division), Dhule should be stayed since it is bad in law and fact.		
Satya Narayan Mishra	BDTCL	District Judge, Narsinghpur	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.		
Shikha Neekhra	BDTCL	District Judge, Raizen	The Petitioner 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 alongwith 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	0.92	
Manish Neekhra	BDTCL	District Magistrate, Narsinghpur	The Petitioner filed petition against the decision of collector for granting compensation against the loss of destruction of crops and damage to the boundart 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 to her alongwith 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	2.63	





Strictly Private and Confidential

**Appendix V – BDTCL: Summary of Ongoing Litigations (2/2)**

Matter	Against	Pending Before	Details of the Case	Amount Involved (INR Million)	Amount Deposited (INR Million)*
Pahup Singh	BDTCL	District Magistrate, Narsinghpur	Insufficient compensation for damage to his house over the land on which a tower was constructed by BDTCL. The witness has been cross examined by BDTCL		
Shalendra Champakisinh Gohil, Pravinsinh Jaswantsinh Gohil and Janakisinh Jaswantsinh Gohil	BDTCL	High Court of Gujarat, Ahmedabad	Challenging the notification issued under section 164 of Electricity Act by the Director, Minister of Power, Government of India claiming that the notification was without jurisdiction and beyond the scope of Director for the laying of overhead transmission lines of BDTCL.		
Pravinsinh Jaswantsinh Gohil and Janakisinh Jaswantsinh Gohil	BDTCL	High Court of Gujarat, Ahmedabad	Alleging that the name of their village 'Moriana' was not mentioned in the name of the notification dated 24 January 2013. BDTCL appealed against the interim order before High Court.		0.64
Bhikhan Govinda Sasundre	BDTCL	Bombay High Court, Aurangabad	Claimed compensation for the damage caused to their field by laying high tension power transmission lines.		0.64
BDTCL	Dhyaneshwar Managate	Bombay High Court, Aurangabad	BDTCL filed petition against the payment of compensation required to be paid in accordance with the order passed by the District Court, Aurangabad.		
Navneet Manchhibhai Vasava and others	BDTCL	Civil Judge, Dedyapada	Filed petition to claim compensation against the violation of right of way on account of laying of transmission lines over the petitioner's land.		
Kusumben Jayantibhai Patel and others	BDTCL	High Court of Gujarat, Ahmedabad	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.		
Kusumben Arjun Mali and others	BDTCL	Sub divisional Magistrate, Dhule	Petitioner has filed civil application against BDTCL disputing the compensation paid for their land.		
Various Complaints (32 in number)	BDTCL	District Collector, Aurangabad	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.		
Sharp Corporation Limited	BDTCL	High Court of Madhya Pradesh, Indore	Petition filed to restrain the BDTCL from starting and continuing the construction over the Petitioner's land.		
<b>II. CLOSED MATERIAL LITIGATION</b>					
Other Matter	BDTCL	Sehore Police Station. M.P	Matter Closed as per the order of Chief Justice of Magistrate, Sehore as the main accused i.e. the sub contractor had expired. Investigation is closed. Compensation of INR 5 lacs each have been deposited by Simplex and all statutory intimation has been done by Simplex.		
Ashok Kumar Mishra	BDTCL		Filed review petition for vacating the order passed by the High Court and alleging that the employee of the BDTCL has entered into the premises and destroyed his crops. However, the District Collector ordered that the petitioner is entitled to receive compensation for the damage caused by the laying of transmission lines over his land and property. Further, we were informed by the Management that as per the Collector, Narsinghpur order, Concerned Revenue Officer was to value the damage caused and communicate to us and post that within the given time lines BDTCL were to comply the same. But till date BDTCL have not received any communication from any Revenue authority regarding this matter, as such there is nothing for BDTCL to comply with.		

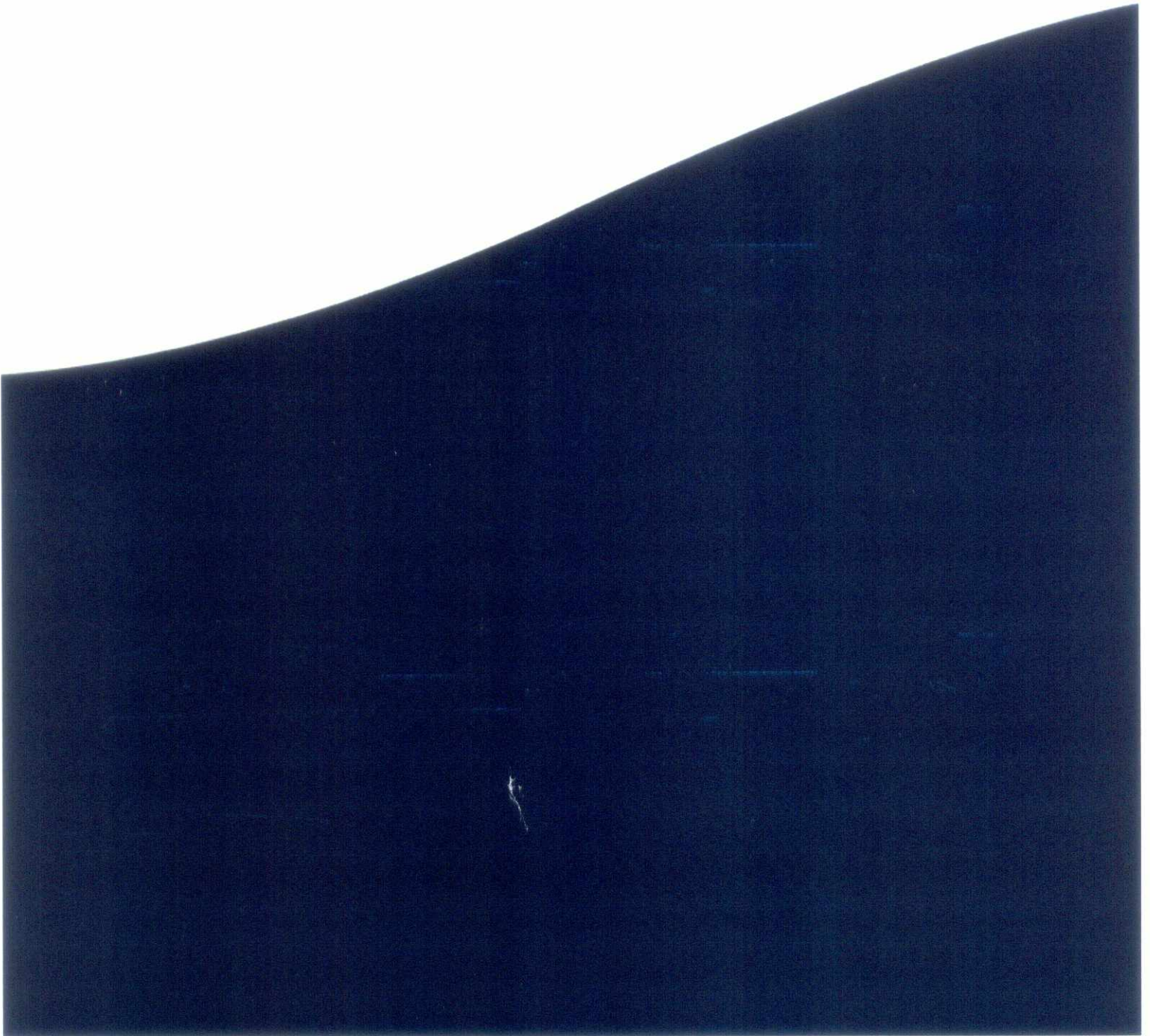
Source: Information provided by Management

\*Note: Management informed that the above amount paid under protest to the government authorities which are grouped under Current Assets. Note: Management confirmed that there are no closed material litigations including tax disputes in relation to the assets.



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

Valuation Date: 30<sup>th</sup> September 2017



**Date: 25<sup>th</sup> October 2017**

CFAS-2/R-014/1026/B

**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,

We, Haribhakti & Co. LLP, Chartered Accountants ("H&Co."), have been appointed vide letter dated 12<sup>th</sup> October 2017, 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 ("Trustee") acting on behalf of the Trust for the purpose of the financial valuation of Jabalpur Transmission Company Limited ("JTCL" or "the SPV"). The SPV was acquired by the Trust on 30<sup>th</sup> May 2017 and is to be valued as per regulation 21(5) 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 values of the SPV on a going concern basis as at 30<sup>th</sup> September 2017 ("Valuation Date"). 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, calculations and conclusion with respect to this valuation. 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 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 Securities and Exchange Board of India, 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 / W100048

  
**Manoj Daga**  
*Partner*

Membership No. 048523

Place: Mumbai

Encl: As above



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**Definition, abbreviation & glossary of terms**

<b>Abbreviations</b>	<b>Meaning</b>
SIML or Investment Manager Trust or InvIT	Sterlite Investment Managers Limited India Grid Trust
Trustee	Axis Trustee Services Limited
H&Co.	Haribhakti & Co. LLP, Chartered Accountants
JTCL	Jabalpur Transmission Company Limited
LTTC	Long Term Transmission Customer
COD	Commercial Operation Date
BOOM	Build-Own-Operate-Maintain
TSA	Transmission Service Agreement
INR	Indian Rupees
Mn	Million
FY	Financial Year Ended 31 <sup>st</sup> March
NAV	Net Asset Value Method
WOS	Wholly Owned Subsidiary
Capex	Capital Expenditure
NCA	Net Current Assets Excluding Cash and Bank Balances
EBITDA	Earnings Before Interest ,Taxes , Depreciation and Amortization
EBIT	Earnings Before Interest and Taxes
EV	Enterprise Value
WACC	Weighted Average Cost of Capital
CCIL	Clearing Corporation of India Limited
SEBI InvIT Regulations	SEBI (Infrastructure Investment Trusts) Regulations, 2014, as amended
SPV	Special Purpose Vehicle
SGL1	Sterlite Grid 1 Limited
Ckms	Circuit Kilometers
MVA	Mega Volt Ampere
FYP	Five year Plan
EHV	Extra High Voltage
KV	Kilo Volts
MU	Million Units
MW	Mega Watts
CEA	Central Electricity Authority
CERC	Central Electricity Regulatory Commission
VDR	Virtual Data Room

**1. Purpose of Valuation**

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- 1.1. The Trust is registered with SEBI pursuant to the SEBI InvIT Regulations. The Trust was established on 21<sup>st</sup> October 2016 by Sterlite Power Grid Venture Limited ("SPGVL"), the Sponsor. 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 and BSE Limited since 6<sup>th</sup> June 2017.
- 1.2. We understand that as per chapter V and regulation 21(5) of the SEBI InvIT Regulations a half yearly valuation of the assets of the Trust shall be conducted by an Independent valuer for the half-year ending 30<sup>th</sup> September for a publicly offered InvIT for incorporating any key changes in the previous six months and such half yearly valuation report shall be prepared within one month from the date of end of such half year. In this regard, the Investment Manager intends to undertake the fair valuation of the SPV.
- 1.3. The details of the SPV to be valued is as follows:  
Jabalpur Transmission Company Limited ("JTCL") operates two EHV 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.
- 1.4. 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 (including debt) of the SPV as per the SEBI InvIT Regulations as at 30<sup>th</sup> September 2017.
- 1.5. H&Co. declares that:
- 1.5.1. It is competent to undertake the financial valuation in terms of the SEBI InvIT Regulations;
- 1.5.2. It is independent and has prepared the Report on a fair and unbiased basis;
- 1.5.3. It has valued the SPVs based on the valuation standards as specified under sub-regulation 10 of regulation 21 of SEBI InvIT Regulations.
- 1.6. This Valuation Report ("Report") covers all the disclosures required as per the SEBI InvIT Regulations and the Valuation of the SPV is impartial, true and fair and in compliance with the SEBI InvIT Regulations.

**Scope of Valuation**

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- 1.7. We have undertaken the fair valuation at the enterprise level (including debt) of the SPV.
- 1.8. The Valuation Date considered for this fair enterprise valuation of the SPV is 30<sup>th</sup> September 2017. Valuation analysis and results are specific to the date of this Report. A valuation of this nature involves consideration of various factors including the financial position of the SPV as at the Valuation Date, trends in the equity stock market, government securities and other industry trends.
- 1.9. We have been mandated by the Investment Manager to arrive only at the Enterprise Value of the SPVs.
- 1.10. For the amount pertaining to the operating working capital, the Investment Manager has acknowledged to consider the provisional financial statements as on 30<sup>th</sup> September 2017 to carry out the valuation of the SPV.



**2. Exclusions and Limitations**

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- 2.1. Our Report is subject to the limitations detailed hereinafter. This Report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to therein.
- 2.2. 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.
- 2.3. 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.
- 2.4. 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.
- 2.5. 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 Proposed Transaction in accordance 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.
- 2.6. 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.
- 2.7. 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.
- 2.8. 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.
- 2.9. 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. 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.
- 2.10. 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.

- 2.11. 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.
- 2.12. We have arrived at an indicative enterprise value based on our analysis.
- 2.13. 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.
- 2.14. 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.
- 2.15. 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.
- 2.16. 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.
- 2.17. 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.
- 2.18. 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.
- 2.19. 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.
- 2.20. 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.
- 2.21. 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.
- 2.22. **Limitation of Liabilities**
  - 2.22.1. 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.

- 2.22.2. 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.
- 2.22.3. 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

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

- 3.1.1. Audited financial statements of JTCL for the financial year ("FY") ended 31<sup>st</sup> March 2017 and 31<sup>st</sup> March 2016;
- 3.1.2. Provisional Profit & Loss Account and Balance Sheet for the six months period ended 30<sup>th</sup> September 2017.
- 3.1.3. Projected Profit & Loss Account and Working Capital requirements of JTCL from 1<sup>st</sup> October 2017 to 31<sup>st</sup> March 2049.
- 3.1.4. Details of carried out and projected repairs and maintenance expenses.
- 3.1.5. Details of brought forward losses (as per Income Tax Act) as at 31<sup>st</sup> March 2017.
- 3.1.6. Details of WDV (as per Income Tax Act) of assets as at 31<sup>st</sup> March 2016 and 31<sup>st</sup> March 2017.
- 3.1.7. As on 30<sup>th</sup> September 2017, India Grid Trust holds 100% equity stake in JTCL through SGL1. As represented to us by the Investment Manager, there are no changes in the shareholding pattern from 30<sup>th</sup> September 2017 to the date of issuance of this Report.
- 3.1.8. TSA of JTCL with Central Transmission Utility dated 12<sup>th</sup> November 2013.
- 3.1.9. Management Representation Letter dated 24<sup>th</sup> October 2017.

### 4. Overview of the InvIT and SPVs

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#### The Trust

- 4.1. The Trust is registered with SEBI pursuant to the SEBI InvIT Regulations. The Trust was established on 21<sup>st</sup> October 2016 by Sterlite Power Grid Venture Limited ("SPGVL" or "the Sponsor"). It is established to own inter-state and intra-state power transmission assets in India. The units of the trust are listed on the National Stock Exchange of India and BSE Limited since 6<sup>th</sup> June 2017.

The Trust had acquired two revenue generating projects, Bhopal Dhule Transmission Company Limited ("BDTCL") and Jabalpur Transmission Company Limited ("JTCL"), from its Sponsor.



- 4.3. The Trust, pursuant to the 'Right of First Offer' Deed has a 'right of first offer' to acquire eight other projects of the Sponsor.
- 4.4. Following is the financial summary of the projects which the Trust had acquired from the Sponsor;

Particulars	INR Mn	
	BDTCL	JTCL
Valuation Date	31-Mar-17	31-Mar-17
Fair Market Value	21,541	16,125
Purchase Price	37,020	
* Consolidated Purchase Price paid by the Trust to purchase theabovementioned SPV's		

- 4.5. The valuation for past three financial years for BDTCL and JTCL is given below;

Asset Name	Enterprise Value (INR Mn)		
	31-Mar-17	31-Mar-16	31-Mar-15
BDTCL	21,541	21,812	20,113
JTCL	16,125	19,407	14,295

\* For JTCL, the Investment Manager had previously projected the incremental revenue to be at 40% of the non escalable revenue charges during the valuation exercise of 31<sup>st</sup> March 2016, however the same was subsequently reduced to 9.8903% of non escalable charges during the valuation exercise of 31<sup>st</sup> March 2017 as per the CERC order.

#### JTCL or the SPV

- 4.6. Summary of details of the Project are as follows:

Parameters	Details
Project Cost	INR 19,183 Mn
Total Length	992 ckms
TSA Agreement Date	12 <sup>th</sup> November 2013
Scheduled COD	31 <sup>st</sup> March, 2014
Expiry Date	35 years from the scheduled COD
Project COD	14 <sup>th</sup> September, 2015
Trust's stake (through SGL 1)	100%

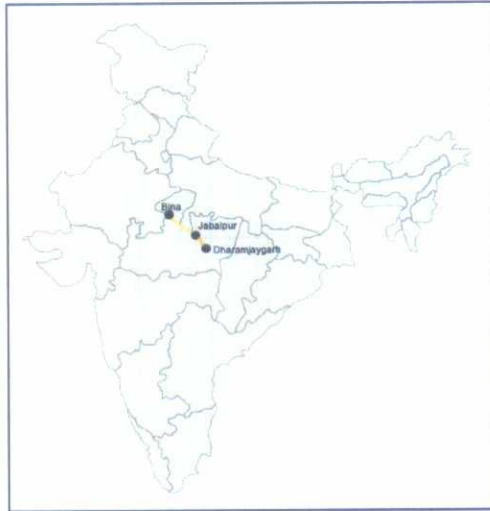
- 4.7. The JTCL project was awarded to SGL1 by the Ministry of Power on 19<sup>th</sup> January 2011 for a 35 year period from the scheduled commercial operation date on a BOOM basis.
- 4.8. JTCL operates two EHV overhead transmission lines of 992 ckms in the states of Chhattisgarh and Madhya Pradesh 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.
- 4.9. 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.
- 4.10. The project consists of the following transmission lines and is being implemented on multiple contracts basis:



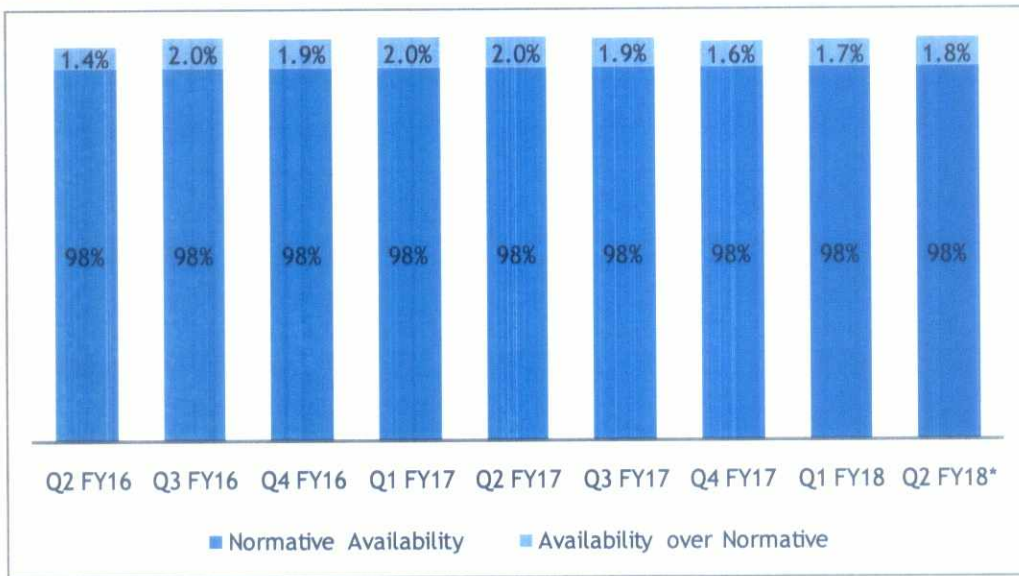
Transmission line	Location	Route length (ckms)	Specifications	Commission date	Contribution to total tariff
Jabalpur-Dharamjaygarh	Chhattisgarh, Madhya Pradesh	757	765 kV D/C	14 <sup>th</sup> September 2015	72%
Jabalpur-Bina	Madhya Pradesh	235	765 kV S/C	1 <sup>st</sup> July 2015	28%

4.11. JTCL entered into a transmission services agreement dated 12<sup>th</sup> November 2013 with Power Grid Corporation of India Limited. Expiry date of TSA shall be the date which is 35 years from the scheduled Commercial Operation Date (“COD”) of the project

4.12. Following is the map showing area covered by JTCL:



4.13. Operating Efficiency history of JTCL:



\*Q2 FY18 –Data Comprises of data from availability certificate only for the months of July and August and Information from Investment Manager for September 2017 for which availability certificate is not received till 24th October 2017.



**5. Overview of the Industry****5.1. Introduction:**

- 5.1.1. India is the third largest producer and fourth largest consumer of electricity in the world, with the installed power capacity reaching 329.226 GW in August 2017. The country also has the fifth largest installed capacity in the world.
- 5.1.2. Per capita electricity consumption in the country grew at a CAGR of 9.63 per cent, during FY06-FY16 reaching 1075 KWh in FY16.

**5.2. Demand and Supply**

- 5.2.1. 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.
- 5.2.2. 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% from ~243 GW in FY 14 to ~ 329 GW as of 31<sup>st</sup> August 2017 (source: CEA).

**5.3. India's economic outlook**

- 5.3.1. 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 7.6% to 7.9% until 2018. India's growth rate is significantly higher than the world average of around 3% and is also higher than other developing economies, such as China, Brazil, Indonesia and sub-Saharan African nations.
- 5.3.2. Power is one of the key sectors attracting FDI inflows into India
- 5.3.3. From April 2000 to June 2017, India recorded FDI of US\$ 5.85 billion in non-conventional energy sector. New and renewable energy sector witnessed maximum power generation capacity addition, since 2000.
- 5.3.4. Cumulative FDI inflows into the sector from April 2000–June 2017 were US\$ 11.77 billion.
- 5.3.5. 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 INR 2.6 trillion in 2015-16 from INR 1.3 trillion in 2012-13. Reduced macroeconomic vulnerability, coupled with improved government spending in infrastructure sectors, has enhanced India's Global Competitive Index (GCI) ranking to 55 in 2015-16 from 71 in 2014-15. Also, compared with other large emerging economies, India's purchasing-manager index for 2016, published by World Bank, has been reflecting more buoyant sentiment. In essence, India is in a sweet spot compared with other major global economies.

**5.4. Power transmission network in India**

- 5.4.1. 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.

- 5.4.2. 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 PGCIL, which facilitates the transfer of power from a surplus region to the ones with deficit.
- 5.4.3. 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 increased from 358,580 ckm in 2006-07 to around 554,774 ckm in 2015-16.
- 5.4.4. PGCIL has remained the single largest player in these additions, contributing to 45-50% of the total investment in the sector. With a planned capital expenditure outlay of INR 1.1 trillion for the 12th five year plan, PGCIL has spent around INR 0.9 trillion over 2013-16.
- 5.4.5. Of the total capacity-addition projects in transmission during the 12th five year plan, 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.
- 5.4.6. 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.
- 5.4.7. 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 – November 2016 and IBEF report on Power sector in India – September 2017*

## 6. Valuation Approach

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- 6.1. The present valuation exercise is being undertaken in order to derive the Enterprise Value of the SPV.
- 6.2. 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.
- 6.3. There are three generally accepted approaches to valuation:
  - (a) "Cost" approach
  - (b) "Market" approach
  - (c) "Income" approach

### 6.4. 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, net asset value does not properly take into account the earning capacity of the business or any intangible assets that have no historical cost. In many respects, net asset value represents the minimum benchmark value of an operating business.

#### 6.5. 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 Enterprise Value ("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.

#### 6.6. 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 (DCF) 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/Enterprise Value (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.

#### 6.7. 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 Company. In addition, this valuation will fluctuate with changes in prevailing market conditions, and prospects, financial and otherwise, of the Company, 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

In the present case, since all the SPVs have entered into TSA, the revenue of these SPVs 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 Net Asset value 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 enterprise value of the SPVs engaged in the power transmission business for a specific tenure. Further, the tariff revenue expenses are very specific to the SPVs 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 SPVs, 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 SPGVL are not listed on any recognized stock exchange of India. Hence, we are unable to apply market price method.

### Income Approach

This is a Build Own Operate and Maintain (BOOM) model based project. The cash inflows of the projects are defined for 35 years under the TSA. Hence, the growth potential of SPVs 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.

## 7. Valuation of the SPV

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We have estimated the value of SPVs 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**

- 7.1. 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, and

#### 7.2. **Key Assumption**

- 7.2.1. **Transmission Revenue:** The transmission revenue of the SPV comprises of non escalable transmission revenue and escalable transmission revenue as provided in the TSA for the life of the project.
- 7.2.2. **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 of the respective TSA 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 at the rate of 9.8903% of non escalable charges as mentioned in the TSA.
- 7.2.3. **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 and documents provided to us by the Investment Manager. The escalation is to mainly compensate with the inflation factor.
- 7.2.4. **Incentives:** As provided in the respective TSA, if the annual availability exceeds 98%, the TSP 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.
- 7.2.5. **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. The annual availability shall not fall below 95% and thus the penalty has not been considered in the financial projections.
- 7.2.6. **Operations & Maintenance ("O&M"):** O&M expenditure 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 by Investment Manager on the operating and maintenance expenses for the projected period.

- 7.2.7. **Depreciation:** The book depreciation has been calculated using Straight Line Method over the life of the project. For calculating depreciation for the projected period, we have considered depreciation rate as specified in the Income Tax Act and WDV as per Income Tax Return filed by the SPV. The SPV is not expected to incur any capital expenditure in the projected period.
- 7.2.8. **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.
- 7.2.9. **Working Capital:** The Investment Manager has envisaged the working capital requirement of the SPVs 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 for O&M Expenses.

### Valuation of SPV

#### 7.3. Calculation of Weighted Average Cost of Capital for the SPV

##### 7.3.1. Cost of Equity:

Cost of Equity (CoE) is a discounting factor to calculate the returns expected by the equity holders depending on the perceived level of risk associated with the business and the industry in which the business operates.

For this purpose, we have used the Capital Asset Pricing Model (CAPM), which is a commonly used model to determine the appropriate cost of equity for the SPV.

$$K(e) = R_f + (RP * \text{Beta}) + \text{CSR P}$$

Wherein:

K(e) = cost of equity

R<sub>f</sub> = 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

CSR P = Company Specific Risk Premium (In general, an additional company-specific risk premium will be added to the cost of equity calculated pursuant to CAPM).

##### 7.3.2. **Risk Free Rate:**

We have applied a risk free rate of return of 7.04% on the basis of the relevant zero coupon yield curve as on 29<sup>th</sup> September 2017 (Since 30<sup>th</sup> September 2017 was a Saturday) for government securities having a maturity period of 10 years, as quoted on the website of Clearing Corporation of India Limited.

##### 7.3.3. **Risk Premium:**

Risk premium is a measure of premium that investors require for investing in equity markets rather than bond or debt markets. A risk premium is calculated as follows:

$$\text{Risk premium} = \text{Equity market return} - \text{Risk free rate}$$

Wherein:

Equity market return = the average historical market return is estimated at 15.00%.

Risk free rate = 7.04% as explained in para 7.5.2.



**7.3.4. 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. However, since shares of SPGVL or the SPV are not publicly quoted, we have sought to estimate the relevant Beta with respect to benchmark numbers. It is impossible to identify a company with exactly same characteristics as the SPV. Therefore we have sought to use the beta of Power Grid Corporation Limited since its business operations is similar to those of the SPVs.

We have further unlevered that beta based on debt-equity of the respective company using the following formula:

$$\text{Unlevered Beta} = \text{Levered Beta} / [1 + (\text{Debt} / \text{Equity}) * (1-T)]$$

Further we have re-levered it based on debt-equity of the industry standard using the following formula:

$$\text{Re-levered Beta} = \text{Unlevered Beta} * [1 + (\text{Debt} / \text{Equity}) * (1-T)]$$

**7.3.5. Company Specific Risk Premium:** We have not considered any company specific risk premium to the Ke for discounting the cash flows as per the TSA.

**7.3.6. Cost of Debt:**

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

$$K(d) = K(d) \text{ pre tax} * (1 - T)$$

Wherein:

K(d) = Cost of debt

T = tax rate as applicable

**7.3.7. Weighted Average Cost of Capital (WACC):**

The discount rate, or the weighted average cost of capital (WACC), is the weighted average of the expected return on equity and the cost of debt. The weight of each factor is determined based on the company's optimal capital structure.

Formula for calculation of WACC:

$$WACC = [K(d) * \text{Debt} / (\text{Debt} + \text{Equity})] + [K(e) * (1 - \text{Debt} / (\text{Debt} + \text{Equity}))]$$

**7.3.8.** Accordingly, as per above, we have arrived the WACC of 7.86% for JTCL.(Refer appendix I)

**7.4. Valuation of JTCL**

**7.4.1.** We have relied on the projected financials of JTCL as provided by Investment Manager for the period from 1<sup>st</sup> October 2017 to 31<sup>st</sup> March 2049.

**7.4.2.** WACC arrived at for the purpose of valuation is 7.86% for cash flows as per the Base Case (Refer Appendix I).

**7.4.3.** For the terminal period, we have considered 0% constant growth rate for FCFF.

**7.4.4.** As on valuation date, we have discounted the free cash flows of JTCL using the WACC of 7.86% to arrive at the Enterprise Value ("EV") by aggregating the present value of cash flows for explicit period and terminal period at INR 15, 988 Mn (Refer Appendix II)



**8. Valuation Conclusion**

8.1. 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 businesses, having regard to information base, management perceptions, key underlying assumptions and limitations were given due consideration.

8.2. Based on the above analysis the Enterprise Value as on the Valuation Date of the SPV is INR 15,988 Mn.

We have been represented by the management 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 enterprise value of the SPV.

**9. Additional Procedures to be complied with in accordance with InvIT regulations****Scope of Work**

9.1. 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 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**

9.2. 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.

9.3. 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.

9.4. 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.



9.5. 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.

9.6. Analysis of Additional Set of Disclosures for Jabalpur Transmission Company Limited ("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 during the six months period ended 30<sup>th</sup> September 2017. Further, we were informed that there were no applications for which approval is pending. The list of sanctions/ approvals obtained by the Company as on 31<sup>st</sup> March 2017 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 30<sup>th</sup> September 2017, JTCL has Transmission Lines gross block of INR 18,858.36 million (net block of INR 15,134.32 million), Freehold land gross block of INR 10.23 million and other assets including plant and machinery, etc. gross block of INR 5.64 million (net block of INR 0.46 million)

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 21.32 million during the six months period ended 30<sup>th</sup> September 2017 for the maintenance charges of Transmission Lines. Based on the confirmation provided by investment manager we expect an increase of 4.39% 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 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;

We were informed by the Investment Manager that the status of ongoing litigations is the same as provided in our previous report. Refer Appendix IV for ongoing litigations including tax liabilities. Investment Manager has informed us that it will be difficult to forecast the result of these ongoing litigations considering the current situation.

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

Weighted Average Cost of Capital	%	Remark
Market Returns	15.00%	Market Return has been considered based on the long term average returns earned by an equity investor in India.
Risk Free Rate	7.04%	Risk Free Rate has been considered based on zero coupon yield curve as at 29th September 2017 (Since 30th September was a Saturday) of Government Securities having maturity period of 10 years, as quoted on CCIL's website.
Market Risk Premium	7.96%	Market Premium = Market Return – Risk Free Rate
Beta (Relevered) (not in % terms)	0.64	Beta has been considered based on the betas of the comparable companies operating in the similar kind of business in India.
<b>Cost of Equity as per CAPM</b>	<b>12.17%</b>	<b><math>Ke = Rf + \beta \times (Rm - Rf) + CSR</math></b>
Pre Tax Cost of Debt	8.00%	As per management estimate
Effective Tax Rate	24.84%	Average tax rate for the life of the project has been considered
Cost of Debt	<b>6.01%</b>	Effective cost of debt. $Kd = \text{Pre tax } Kd \times (1 - \text{Effective Tax Rate})$
Debt/(Debt+Equity) Ratio	70.00%	The debt – equity ratio computed as $[D/(D+E)]$ is considered as 70% as per industry standard.
<b>WACC = <math>(Ke \times (1-D:(D+E))) + (Kd \times (1-T) \times D:(D+E))</math></b>	<b>7.86%</b>	



## Appendix II – Valuation of JTCL as on 30<sup>th</sup> September 2017 (INR mn)

FY ended	Revenue	EBITDA	EBITDA Margin	Less: Capex	Less: Incremental NCA	Less: Taxation	FCFF	Cash Accrual Factor	Discounting factor	PV of Cash flows
2018*	1,244	1,203	97%	-	180.88	195	827	0.25	0.98	812
2019	2,152	2,057	96%	-	-85.42	324	1,818	1	0.93	1,686
2020	1,519	1,420	93%	-	-156.36	188	1,388	2	0.86	1,193
2021	1,520	1,416	93%	-	-0.24	188	1,229	3	0.80	979
2022	1,520	1,412	93%	-	-0.24	187	1,226	4	0.74	906
2023	1,521	1,408	93%	-	-0.25	186	1,223	5	0.68	838
2024	1,522	1,404	92%	-	-0.22	185	1,219	6	0.64	774
2025	1,522	1,400	92%	-	-0.26	184	1,216	7	0.59	716
2026	1,523	1,395	92%	-	-0.26	183	1,212	8	0.55	662
2027	1,524	1,390	91%	-	-0.27	182	1,208	9	0.51	612
2028	1,525	1,385	91%	-	-0.23	181	1,205	10	0.47	565
2029	1,526	1,380	90%	-	-0.27	180	1,201	11	0.44	522
2030	1,527	1,375	90%	-	-0.28	179	1,196	12	0.40	482
2031	1,528	1,369	90%	-	-0.28	177	1,192	13	0.37	446
2032	1,529	1,363	89%	-	-0.22	176	1,187	14	0.35	412
2033	1,531	1,357	89%	-	-0.28	175	1,183	15	0.32	380
2034	1,532	1,351	88%	-	-0.28	174	1,178	16	0.30	351
2035	1,534	1,345	88%	-	-0.29	172	1,173	17	0.28	324
2036	1,535	1,338	87%	-	-0.21	171	1,168	18	0.26	299
2037	1,537	1,332	87%	-	-0.28	169	1,162	19	0.24	276
2038	1,539	1,324	86%	-	-0.28	168	1,157	20	0.22	255
2039	1,541	1,317	85%	-	-0.27	166	1,151	21	0.20	235
2040	1,544	1,310	85%	-	-0.17	165	1,145	22	0.19	217
2041	1,546	1,302	84%	-	-0.26	163	1,139	23	0.18	200
2042	1,549	1,294	84%	-	-0.25	163	1,139	24	0.16	188
2043	1,551	1,285	83%	-	-0.24	163	1,139	25	0.15	178
2044	1,555	1,277	82%	-	-0.10	163	1,139	26	0.14	168
2045	1,558	1,268	81%	-	-0.20	163	1,139	27	0.13	159
2046	1,562	1,259	81%	-	-0.19	163	1,139	28	0.12	150
2047	1,565	1,249	80%	-	-0.17	163	1,139	29	0.11	142
2048	1,570	1,240	79%	-	0.01	163	1,139	30	0.10	134
2049	1,575	1,231	78%	-	0.01	163	1,139	31	0.10	126
Present Value of Explicit Period Cash Flows (INR Mn)										
Perpetuity Period Cash Flows (INR Mn)										
Enterprise Value (INR Mn)										
14,998										
990										
15,988										

\* 2018 is only for 6 months period ending 31 March 2018



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## Appendix III - JTCL: Summary of Approvals & Licenses (1/2)

Sr. No	Approvals	Date of Issue	Validity (in years)	Issuing Authority
1	Company Registration	8-Sep-09	Valid	Ministry of Corporate Affairs
2	Transmission License	12-Oct-11	25	Central Electricity Regulatory Commission
3	Forest Clearance			
	765KV Double Circuit Dharamjayagharh to Jabalpur Transmission Line- 09/DND/POW/2012-112	17-Aug-12	Valid	Forest Department
	765KV Double Circuit Dharamjayagharh to Jabalpur Transmission Line- 09/DND/POW/2012-113	17-Aug-12	Valid	Forest Department
	765KV Double Circuit Dharamjayagharh to Jabalpur Transmission Line- 09/DND/POW/2012-114	17-Aug-12	Valid	Forest Department
	Forest Registration Letter for Dharamjayagharh 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
	Dharamjayagharh to Jabalpur Transmission Line Stage I Clearance	31-Dec-14	Valid	Ministry of Environment, Forests & Climate Change
	Dharamjayagharh 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	5-Jun-13	Valid	Ministry of Power
6	Approval from CERC under section 17(3)	15-Jul-16	Valid	
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			
	(a) Provisional Approval for Erection of power line between Urga & Saragbundia Railway Station at KM 688/C 21-23 & KM 688/C22-24	26-Sep-14	Valid	South East Central Railway
	(b) 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
	(c) Provisional Approval for Erection of power line between Guthku & Kalmitar Railway Station at KM 740/20-22 & Km 740/21N-23	03-Jun-14	Valid	South East Central Railway
	Erection of power line between Bargi - Gowarighat 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 Dharamjayagharh	9-Dec-13	Valid	Madhya Pradesh Road Development Corporation Ltd.





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### Appendix III - JTCL: 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. Approval order for power line crossings of tower no. 11A/0 and 11B/0. 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 Approval for overhead crossing of 400KV and 200KV and 132KV lines of CSTPL by 765 KV D/C Dharmjaygarh- Jabalpur Transmission Line	Valid Valid Valid Valid	Chhattisgarh State Power Transmission Company Ltd. Chhattisgarh State Power Transmission Company Ltd. Chhattisgarh State Power Transmission Company Ltd. 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	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	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 Dharmjaygarh- Jabalpur Transmission Line of M/s JTCL.	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 Dharmjaygarh- Jabalpur Transmission line of M/s JTCL.	Valid	Chhattisgarh State Power Transmission Company Ltd.
	Approval for overhead crossing of existing 132 KV DCDS Beigahna Railway Traction line of CSPTCL by 765 KV D/C Dharmjaygarh, Jabalpur	Valid	Chhattisgarh State Power Transmission Company Ltd.
	Transmission Line of M/s JTCL.		
	Joint Inspection report of Powerline Crossings_ 02-04/TL/JTCL/765KV/01-03/1031	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 Dharmjaygarh Jabalpur	Valid	Chhattisgarh State Power Transmission Company Ltd.
	Transmission Line of M/s JTCL		
	Approval for overhead crossing of 400 KV & 765 KV line of Power Grid by 765 KV D/C Dharmjaygarh Jabalpur T/L of M/s JTCL.	Valid	Power Grid Corporation Ltd.
	Tower No. 64/0 and 65/0	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 Dharmjaygarh Jabalpur T/L of M/s JTCL.	Valid	Power Grid Corporation Ltd.
	Approval for overhead crossing of 765KV D/C Dharmjaygarh Jabalpur Transmission Line of JTCL with upcoming 765 KV D/C Champa PS to Korba & Bilaspur- Korba Transmission Line.	Valid	Power Grid Corporation Ltd.
13	Aviation Clearance -NOC for Transmission Line	7	Airport Authority of India
14	Defence Clearance - NOC from Aviation Angle for Construction	Valid	Ministry of Defence
15	Transmission Service Agreement	Valid	
16	Approval for adoption of Tariff	35	Central Electricity Regulatory Commission

Source: Approvals & Licenses

Note: Management confirmed that there are no applications applied for which approval is pending.



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### Appendix IV - Summary of Ongoing Litigations: JTCL

Matter	Against	Pending Before	Details of the Case	Amount Involved (INR Million)	Amount Deposited (INR Million)*
Indirect Tax Matters	JTCL	High Court and Chairman, Commercial Tax Tribunal, Raipur, Chhattisgarh	Payment of Entry Tax and Value Added Tax	150.00	46.80
Madhya Pradesh VAT Act, 2002 Electricity Act	JTCL JTCL	CERC	Certain notices were received by JTCL JTCL filed a petition before CERC praying for approving quantification of the increase of INR 803.70 million per annum in the levelized transmission charges and allowing commencement of transmission charges from commercial operation date of the Project.	0.01	0.01
Jagmohan Singh	Union of India, JTCL and Others	District Magistrate, Sagar, Madhya Pradesh, under the Telegraph Act,	Suffered damage due to the construction of high voltage transmission lines by JTCL.	9.28	
Sanjay Jain and Others	State of Madhya Pradesh and Others	High Court of Madhya Pradesh, Jabalpur Bench	The Land is being utilized for construction of transmission line towers without acquiring the land in accordance with the law. The High Court, by an order dated 8th 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 is 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. The matter is currently pending.		
Bhujbal Patel and Others	Union of India	District Magistrate, Sagar, Madhya Pradesh, under the Telegraph Act, 1885,	Petitioners suffered damage due to the construction of the high voltage transmission line by JTCL. High Court issued an order in favour of JTCL (dated 23rd June 2014). Petitioners approached Sub-Divisional Magistrate, Sagar. The High Court stated the Petitioners suppressed material facts and dismissed the Petition. Petitioners filed a civil application against the Union of India before the District Magistrate 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 matter is currently pending.	14.35	
Lalchand Agarwal	Union of India	Civil Appeal before Supreme Court	Appellant challenged the erection of a tower on his land by JTCL, alleging that his village was not mentioned in the notification dated 12th July 2013 under which JTCL was authorized to erect towers, and further alleging that no notice was provided and no compensation was paid.		

Source: Management Information

\*Note: Management informed that the above amount paid under protest to the government authorities are grouped under Current Assets.

Note: Management confirmed that there are no closed material litigation including tax disputes in relation to the assets.

