STERLITE INVESTMENT MANAGERS LIMITED
(Formerly Sterlite Infraventures Limited)
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Date: February 22, 2018

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

Scrip Code- 540565

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

Symbol- INDIGRID

Dear Sir/ Madam,

Sub – Valuation Report of Patran Transmission Company Limited

Further to our intimation dated February 19, 2018 in relation to the investment in power transmission asset of Techno Electric & Engineering Company Limited, please find attached the valuation report of Patran Transmission Company Limited issued by the valuer i.e. Haribhakti & Co. LLP (Chartered Accountants).

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

Yours sincerely,
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

Encl: As above

Copy to:

Axis Trustee Services Limited
Axis House, 2nd Floor, Bombay Dyeing
Mills Compound, Pandurang Budhkar
Marg, Worli, Mumbai, Maharashtra- 400025

Strictly Private and Confidential

HARIBHAKTI & CO. LLP
Chartered Accountants

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

Valuation Date: 30th June 2017

Strictly Private and Confidential

HARIBHAKTI & CO. LLP
Chartered Accountants

Date: 05th October 2017
CFAS-2/R-013/1005/B

Sterlite Investment Managers Limited
F-1, Mira Corporate Suits,
1&2, Mathura Road, Ishwar Nagar,
New Delhi – 110065

Sub: Valuation of Patran Transmission Company Limited ("PTCL") as per the Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014, as amended ("the SEBI InvIT Regulations")

Dear Directors' of Investment Manager,

We, Haribhakti & Co. LLP, Chartered Accountants ("H&Co."), Firm Registration No. 103523W / W100048 have been appointed vide letter dated 31st July 2017, as an independent financial valuer, required as per the extant provisions of the SEBI InvIT Regulations, by Sterlite Investment Managers Limited ("SIML" or "the Investment Manager"), acting as the investment manager for India Grid Trust ("the Trust"), registered under the SEBI InvIT Regulations, for the purpose of fair valuation of a special purpose vehicle- Patran Transmission Company Limited ("PTCL" or "the SPV") owned by Techno Electric and Engineering Company Limited ("TEECL"). The SPV to be valued is proposed to be transferred to the Trust, SIML is acting as the Investment Manager and Sterlite Power Grid Ventures Limited ("SPGVL") as the sponsor to the Trust within the meaning 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 TEECL, the Sponsor, 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") is not contingent upon the values reported herein. Our valuation analysis should not be construed as investment advice; specifically, we do not express any opinion on the suitability or otherwise of entering into any financial or other transaction with the Trust.

We enclose our Report providing our opinion on the fair Enterprise Value ("EV") of the SPV on a going concern basis as at 30th June 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.

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. Valuation exercise 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 the conclusion of this exercise are included herein. Our Report complies with the SEBI InvIT Regulations and guidelines, circular and notification issued by the Securities and Exchange Board of India ("SEBI") there under.

Please note that all comments in our Report must be read in conjunction with the caveats to the Report, which are contained in Section 2 of this Report. This letter, the Report and the summary of valuation included herein can be provided to SIML's advisors and may be made available for the inspection to the public, and filed with SEBI, the stock exchanges and any other regulatory and supervisory authority, as may be required.

We draw your attention to the limitation of liability clause 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

HARIBHAKTI & CO. LLP ★ MUMBAI ★ CHARTERED ACCOUNTANTS

Mr. Manoj Daga

Partner

Membership No. 048523

Place: Mumbai

Encl: As above

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Definition, abbreviation & glossary of terms

Abbreviations	Meaning
SIML or the Investment Manager	Sterlite Investment Managers Limited
SPGVL or the Sponsor	Sterlite Power Grid Ventures Limited
the Trust	India Grid Trust
H&Co.	Haribhakti & Co. LLP, Chartered Accountants
the Trustee	Axis Trustee Services Limited
SEBI	Securities and Exchange Board of India
PTCL or the SPV	Patran Transmission Company Limited
SEBI InvIT Regulations	SEBI (Infrastructure Investment Trusts) Regulations, 2014, as amended
STL	Sterlite Technologies Limited
TEECL	Techno Electric and Engineering Company Limited
SPTL	Sterlite Power Transmission Limited
LTTC	Long Term Transmission Customer
COD	Commercial Operation Date
TSP	Transmission Service Provider
BOOM	Build-Own-Operate-Maintain
TSA	Transmission Service Agreement
INR	Indian Rupees
Mn	Million
FY	Financial Year Ended 31st March
NAV	Net Asset Value Method
WOS	Wholly Owned Subsidiary
Capex	Capital Expenditure
NCA	Net Current Assets Excluding Cash and Bank Balances
EBIT	Earnings Before Interest and Taxes
EV	Enterprise Value
CCIL	Clearing Corporation of India Limited
SPV	Special Purpose Vehicle
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
T/L	Transmission Line
NOC	No Objection Certificate

Purpose of Valuation

1.1. SPGVL is primarily engaged into installation and operation of electricity transmission projects.

1.2. SPGVL is the sponsor for the Trust, an infrastructure investment trust under the SEBI InvIT Regulations. SIML has been appointed as the investment manager to the Trust by the Axis Trustee Services Limited ("the Trustee") and will be responsible to carry out the duties of such person as mentioned under the SEBI InvIT Regulations

1.3. PTCL is engaged the business of installation and operation of transmission lines in India. It is a wholly owned subsidiary of TEECL.

1.4. We understand that the Trust intends to acquire 100% equity stake in PTCL from TEECL. ("Proposed Transaction")

1.5. As per regulation 21(8)(a) of SEBI InvIT Regulations, for any transaction of purchase or sale of infrastructure projects whether directly or through SPVs, for publicly offered infrastructure investment trusts, a full valuation of the specific project shall be undertaken

1.6. In this regard, the Investment Manager intends to appoint H&Co. to undertake an independent valuation of PTCL as per the extant provisions of the SEBI InvIT Regulations issued by SEBI.

1.7. In this regard, the Investment Manager has appointed us, H&Co. to undertake the fair valuation of PTCL at the enterprise level (including debt) as per the SEBI InvIT Regulations as at 30th June 2017.

1.8. In terms of Regulation 2(1)(zv) of the SEBI InvIT Regulations, related party is as defined under the Companies Act, 2013 or under the applicable accounting standards and shall also include: (i) Parties to India Grid Trust; and (ii) promoters, directors, and partners of the Parties to India Grid Trust. Further, related parties also include such persons and entities as defined in terms of the applicable accounting standards, being IndAS 24 on "Related Party Disclosures".

As per Regulation 2(1)(zk), "parties to the InvIT" shall include the sponsor(s), investment manager, project manager(s) and the trustee;

Accordingly, the Proposed Transaction between the Trust and the TEECL is not a related party transaction.

1.9. H&Co. declares that:

1.9.1. It is competent to undertake the financial valuation in terms of the SEBI InvIT Regulations;

1.9.2. It is independent and has prepared the Report on a fair and unbiased basis;

1.9.3. It has valued the SPV based on the valuation standards as specified under sub-regulation 10 of regulation 21 of SEBI InvIT Regulations.

1.10. This Report covers all the disclosures required as per the SEBI InvIT Regulations and the valuation of PTCL is impartial, true and fair and is in compliance with the SEBI InvIT Regulations.

Scope of Valuation

1.11. We have undertaken the fair valuation of PTCL at the enterprise level (including debt).

1.12. The Valuation Date considered for this fair enterprise valuation of the asset is 30th June 2017. Valuation analysis and results are specific to the date of this Report. A valuation of this nature involves consideration of various macro-economic and enterprise level 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.

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1.13. We have been mandated by the Investment Manager to determine only the EV of the PTCL.

2. Exclusions and Limitations

2.1. Our Report is subject to the limitations detailed hereinafter. This Report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to therein.

2.2. 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 its 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 the 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. 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.

2.6. This Report and the information contained herein is 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 transaction proposed in para 1.3. of this report and 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.

2.7. 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.

2.8. 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.

2.9. 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 or output of our Report.

2.10. 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

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2.11. 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 may vary from these estimates and the variations may be material.

2.12. 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.

2.13. We have arrived at an indicative value based on our analysis. Any transaction price may, however, be significantly different as the value shall be decided by TEECL and the Investment Manager.

2.14. Our conclusion assumes that the assets and liabilities of the SPV, reflected in its latest balance sheet remain intact as of the Report date.

2.15. Whilst all reasonable care has been taken to ensure that the factual statements in the Report are accurate, neither us, 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.

2.16. 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.

2.17. For the present valuation exercise, we have also relied on information available in public domain; however, the accuracy and timeliness of the same has not been independently verified by us.

2.18. 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 is 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.

2.19. In rendering this Report, we have not provided any legal, regulatory, tax and accounting or actuarial advice and accordingly we do not assume any responsibility or liability in respect thereof.

2.20. This Report neither looks into the business/ commercial reasons behind the Proposed Transaction nor the likely benefits arising out of the same. Similarly, it does not address the relative merits of investing in the Trust as compared with any other alternative business transaction, or other alternatives, or whether or not such alternatives could be achieved or are available.

2.21. We are not advisors with respect to legal tax or regulatory matters for the Proposed Transaction. No investigation of the SPV's claim to the 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

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loans disclosed in the books of accounts. Therefore, no responsibility is assumed for matters of a legal nature.

2.22. We have no present or planned future interest in the SPV or any other entity mentioned in this Report 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 SPV or any other entity mentioned in this Report.

2.23. **Limitation of Liabilities**

2.23.1 It is agreed that, having regard to the H&Co.'s interest in limiting the personal liability and exposure to litigation of its personnel, the Sponsor, the Investment Manager, the Trust, TEECL or the SPV will not bring any claim in respect of any damage against any of the H&Co's personnel personally.

2.23.2 In no circumstances H&Co. shall be responsible for any consequential, special, direct, indirect, punitive or incidental loss, damages or expenses (including loss of profits, data, business, opportunity cost, goodwill or indemnification) in connection with the performance of the services whether such damages are based on breach of contract, tort, strict liability, breach of warranty, negligence, or otherwise) even if the Investment Manager had contemplated and communicated to H&Co the likelihood of such damages. Any decision to act upon the deliverables is to be made by the Investment Manager and no communication by H&Co. should be treated as an invitation or inducement to engage the Investment Manager to act upon the deliverable.

2.23.3 It is clarified that the Sponsor, the Investment Manager and the 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.

2.23.4 H&Co will not be liable if any loss arises due to the provision of false, misleading or incomplete information or documentation by the Sponsor, the Investment Manager or the Trustee.

3. Sources of Information

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

3.1. Audited financial statements of PTCL for the FY ended 31st March 2016 and 31st March 2017.

3.2. Provisional financial statement of PTCL for the three months period ended 30th June 2017;

3.3. Projected Profit & Loss Account and Working Capital requirements of PTCL from 1st July 2017 to 10th November 2051;

3.4. Details of brought forward losses (as per Income Tax Act) as at 31st March 2017.

3.5. Details of WDV (as per Income Tax Act) of assets as at 31st March 2017.

3.6. As on 30th June 2017, TEECL, Techno Powergrid Company Limted and Mr. P.P. Gupta holds 100% equity stake in PTCL. As represented to us by the Investment Manager, there are no changes in the shareholding pattern from 30th June 2017 to the date of issuance of this Report.

3.7. TSA of PTCL with Long Term Transmission Customers (LTTC) dated July, 2013.

3.8. Physical inspection of the SPV on 04th and 05th September 2017.

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3.9. Technical Report of PTCL prepared by Black and Veatch Private Limited for amongst others in relation to technical life of asset, quality of the asset and historical operational availability of assets. ("Technical Report")

3.10. The Technical Report which is a technical report specific to PTCL, have been noted and relied upon by us, and the contents of the technical report has been factored into the preparation of the valuation report. In particular, we have relied upon the technical life of each asset, quality of the asset and historical operational availability of assets set forth in the report.

3.11. Management Representation Letter dated 4th October 2017.

4. Overview of TEECL, the Trust and the SPV

TEECL

4.1. TEECL is a leading engineering, procurement and construction ("EPC") services company in India's power sector. TEECL provides EPC services to all three industry segments (generation, transmission and distribution). It was engaged in setting up (in one capacity or other) over 50% of India's thermal power generating capacity and a major portion of the national power grid.

4.2. It also possesses specific domain knowledge that enables it to serve the EPC needs of power, fertilizer, metals and petrochemicals sectors, among others.

4.3. The two major business segments of TEECL's presence comprise EPC for the power sector and power generation through non-conventional sources.

4.4. TEECL's equity shares are listed and actively traded on the Bombay Stock Exchange (BSE) and The National Stock Exchange of India Limited ("NSE").

India Grid Trust or the Trust

4.5. The Trust is registered with SEBI pursuant to the SEBI InvIT Regulations. The Trust was established on 21st October 2016 by SPGVL, the Sponsor. It is established to own inter-state power transmission assets in India. The units of the trust are listed on NSE and BSE Limited since 6th June 2017.

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

4.7. The financial summary of the projects is as follows:

INR Mn

Particulars	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 India Grid Trust to purchase the abovementioned SPV's

4.8. 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

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Patran Transmission Company Limited ("PTCL")

4.9. Summary of details are as follows:

Parameters	Details
Project Cost	INR 2,250 Mn
TSA Agreement Date	17th July, 2013
Scheduled COD	11th November, 2016
Expiry Date	35 years from the scheduled COD
Project COD	June 2016
TEECL's stake	100%

4.10. The PTCL project was awarded to TEECL by the Ministry of Power for a 35 year period from the scheduled commercial operation date on a BOOM basis.

PTCL Project is located in Patran Village Nihal, Punjab.

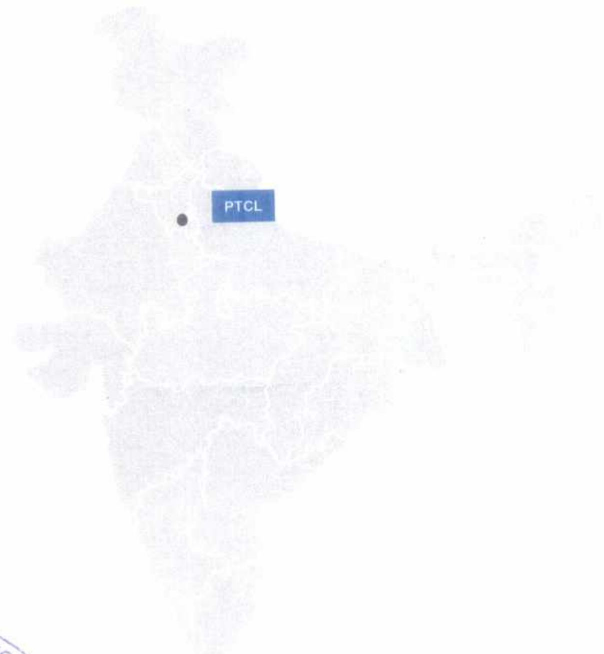
The project's need arose because of the partial grid disturbance in the Patial – Sangrur district of Punjab in July 2011.There were 5 substations of 220 kV in the vicinity and a need for 400 / 220 kV substation was felt to avoid the unbalanced loading.

The 400/220 kV S/s at Patran would be connected to the grid by LILO of Patial-Kaithal 400 kV D/C

4.11. The project is complete and all the elements of the project have been commissioned and are operational. It consists of the following transmission lines and substations implemented on multiple contracts basis:

Transmission line / Sub-Station	Location	Specifications	Commission date	Contribution to total tariff
Patiala-Kaithal	Patran, Punjab	400 kV D/C	June,2016	100%

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



4.13. Operating Efficiency history of PTCL:

4.14. **Pictures of the site**:

(This space is intentionally left blank)

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5. Overview of the Industry

5.1. Introduction:

5.1.1. The power industry forms the basis of any economy as it meets the energy requirement of several other industries. India was the third highest energy consumer after China and the US, with a global share of 5.3% in 2015. India was also the third largest producer of electricity, after Japan and Russia, in 2013, with over 5% global share in electricity generation in 2015.

5.1.2. Despite such healthy growth, the per-capita electricity consumption in India was only 1,010 kWh in 2015 (as per CEA), which is significantly lower than the world average and the lowest among the BRICS (Brazil, Russia, India, China and South Africa). This indicates the strong growth potential of the Indian power sector.

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 of ~ 302 GW in FY 16 is expected to increase to ~ 306 GW by the end of FY 17.

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. 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 39 in 2016-17 from 55 in 2015-16. 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 favorable 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 power 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 the State Governments (through state electricity departments). Most inter-state and inter-regional transmission links are owned

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and operated by Power Grid Corporation of India Limited ("PGCIL"), which facilitates the transfer of power from a surplus region to the ones with deficit.

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. However, the share of private sector in the power transmission segment has been rising. In fact, it has risen from nil in FY 2007 to almost 6% (in ckm) as on end FY 2016, but is still far behind the private sector penetration in the power generation sector which increased considerably from ~13% in FY 2007 to 40% as on March 2016. Although to encourage private-sector participation in building transmission capacity, the central government notified power-transmission schemes to be undertaken through tariff-based competitive bidding (TBCB), but still lower private player penetration in the transmission sector necessitates higher allotment of transmission lines to private players by the central transmission utilities.

5.4.7. In order to strengthen the power system and ensure free flow of power, significant investments would be required in the T&D segment. Moreover, commissioning of additional generation capacity, rising penetration of renewable energy, regional demand-supply mismatches, upgradation of existing lines, rising cross border power trading would necessitate huge investments in transmission sector in India.

5.4.8. Thus, going forward, the share of power sector investments are expected to veer towards the T&D segment. Moreover, strong government focus on the T&D segment will also support investments. CRISIL Research expects the transmission segment share in total power sector investments to rise sharply to 33% over 2017-21 from only 20% over 2012-16. Thus, we expect transmission segments investments to increase 1.5 times to INR 3.1 trillion over 2017-21 as compared to the previous 5 year period.

Source: Crisil Power Transmission Report – November 2016

6. Valuation Approach

6.1. The present valuation exercise is being undertaken in order to derive EV 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

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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 a 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

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Under DCF Method value of a company can be assessed using the Free Cash Flow to Firm Method (FCFF) or Free Cash Flow to Equity Method (FCFE). Under the DCF method, the business is valued by discounting its free cash flows for the explicit forecast period and the perpetuity value thereafter. The free cash flows represent the cash available for distribution to both, the owners and creditors of the business. The free cash flows in the explicit period and those in perpetuity are discounted by the Weighted Average Cost of Capital (WACC). The WACC, based on an optimal vis-à-vis actual capital structure, is an appropriate rate of discount to calculate the present value of the future cash flows as it considers equity–debt risk by incorporating debt–equity ratio of the firm.

The perpetuity (terminal) value is calculated based on the business' potential for further growth beyond the explicit forecast period. The "constant growth model" is applied, which implies an expected constant level of growth for perpetuity in the cash flows over the last year of the forecast period.

The discounting factor (rate of discounting the future cash flows) reflects not only the time value of money, but also the risk associated with the business' future operations. The Business/EV (aggregate of the present value of explicit period and terminal period cash flows) so derived, is further reduced by the value of debt, if any, (net of cash and cash equivalents) to arrive at value to the owners of the business.

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 SPV. In addition, this valuation will fluctuate with changes in prevailing market conditions, and prospects, financial and otherwise, of the SPV, and other factors which generally influence the valuation of companies and their assets.

Accordingly, we have summarized the application of valuation method for the current valuation exercise as under:

Cost Approach

In the present case, since the SPV has entered into TSA, the revenue of the SPV is pre-determined for the life of the project. In such scenario, the true worth of the business is reflected in its future earning capacity rather than the cost of the project. Accordingly, since the 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 EV of the SPV engaged in the power transmission business for a specific tenure. Further, the tariff revenue expenses are very specific to the SPV depending on the nature of their geographical location, stage of project, terms of profitability. In the absence of any exact listed comparable company with characteristics and parameters similar to that of the SPV, we have not considered CCM method. In the absence of adequate details about the Comparable Transactions, we were unable to apply the CTM method. Currently, the equity shares of the SPV are not listed on any recognized stock exchange of India. Hence, we are unable to apply market price method.

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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 the SPV and the true worth of its business would be reflected in its future earnings potential and therefore, DCF Method under the income approach has been considered as an appropriate method for the present valuation exercise. Further, considering the present valuation exercise is to derive the fair enterprise value of the SPV, we have considered the DCF method using the Free Cash Flow to Firm ("FCFF") method as it considers cash flow available for distribution to both, the owners and the lenders of the company.

7. Valuation of the SPV

We have estimated the EV of the SPV using the DCF Method. While carrying out this engagement, we have relied extensively on the information made available to us by the Sponsor and the Investment Manager. We have considered projected financial statement of the SPV as provided by the Sponsor and the Investment Manager.

7.1. Key Assumption

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

7.1.1.1. **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 Sponsor and the Investment Manager.

7.1.1.2. **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 Sponsor and the Investment Manager. The escalation is mainly to compensate for inflation factor. CERC notifies the relevant escalation to be considered for tariff escalation.

7.1.2. **Incentives:** As provided in the respective TSA, if the annual availability exceeds 98%, the TSP shall be entitled to an annual incentive, provided no incentives shall be payable above the availability of 99.75%. The SPV is expected to provide annual availability of more than 98% for the projected period based on its past track record and the general industry trend.

7.1.3. **Penalty:** If the annual availability in a contract year falls below 95%, the SPV shall be liable for an annual penalty as provided in the TSA. Based on analysis in Para 7.1.2 it is assumed that the annual availability will not fall below 95% and thus, the penalty has not been considered in the financial projections.

7.1.4. **Operations & Maintenance ("O&M"):** O&M expenditure estimated by the Investment Manager for the projected period based on the escalation rate as determined for the SPV. We have relied on the estimated O&M expenditure as provided by the Investment Manager.

7.1.5. **Depreciation:** The book depreciation has been calculated using Straight Line Method over the life of the project. For calculating depreciation as per Income Tax Act, 1961 ("ITA") for the projected period, we have considered depreciation rate as specified in the

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ITA and WDV as per the provisional depreciation working provided by the Sponsor and the Investment Manager.

7.1.6. **Capex:** As per the technical due diligence report of the SPV provided by the Investment Manager, the SPV is expected to incur maintenance Capex during the projected period of approximately 1% to 1.5% of the project cost on annual basis. Accordingly, we have considered a yearly maintenance Capex of 1.25% (average of 1% and 1.5%) of the project cost. Based on our discussion with the Investment Manager, the life of the maintenance Capex is assumed at 10 years.

7.1.7. **Tax Incentive**: The SPV is eligible for tax holiday under section 80IA of ITA. Such tax holiday shall be available for any 10 consecutive years out of 15 years beginning from the date of COD.

7.1.8. **Working Capital**: The Sponsor/ The Investment Manager have envisaged the working capital requirement of the SPV for the projected period. The operating working capital assumptions for the projections as provided by the Investment manager comprises of trade receivables and trade payables for O&M Expenses.

7.2. Calculation of Weighted Average Cost of Capital

7.2.1. Cost of Equity:

Cost of Equity ("K(e)") 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 each SPV.

K(e) = Rf + (RP* Beta) + CSRP

Wherein:

K(e) = cost of equity

Rf = risk free rate

RP = risk premium i.e. market risk premium over and above risk free rate

Beta = a measure of the sensitivity of assets to returns of the overall market

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

7.2.2. Risk Free Rate:

We have applied a risk free rate of return of 6.92% on the basis of the relevant zero coupon yield curve as on 30th June 2017 for government securities having a maturity period of 10 years, as quoted on the website of Clearing Corporation of India Limited.

7.2.3. Risk Premium:

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

Risk premium = Equity market return – Risk free rate

Wherein:

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

Risk free rate = 6.92% as explained in para 7.2.2.

7.2.4. Beta:

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Beta is a measure of the sensitivity of a company's stock price to the movements of the overall market index. Generally, the process is to take a relevant number from a quoted stock and the market on which it trades. However, since shares of the SPV are not publicly quoted, we have sought to estimate the relevant beta with respect to benchmark numbers. It is next to impossible to identify a company with exactly same characteristics as the SPV. Therefore, we have sought to use the beta of Powergrid Corporation India Limited since its business operations are similar to those of the SPV.

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

Unlevered Beta = Levered Beta / [1 + (Debt / Equity) *(1-t)]

Further, we have re-levered the based on industry average debt-equity ratio of 70:30 using the following formula:

Re-levered Beta = Unlevered Beta * [1 + (Debt / Equity) *(1-t)]

7.2.5. **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.

7.2.6. **Cost of Debt:**

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

K(d) = K(d) pre tax * (1 - t)

Wherein:

K(d) = Cost of debt

t = tax rate as applicable

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

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

Formula for calculation of WACC:

WACC = [K(d) * Debt /(Debt + Equity)] + [K(e) * (1 - Debt /(Debt + Equity))]

7.2.8. Accordingly, as per above, we have arrived the WACC of 8.00% for valuation under Base Case (Refer appendix I)

7.3. We have relied on the projected financials of PTCL as provided by the Investment Manager for the period from 1st July 2017 to 10th November 2051.

7.4. As per the financial statement provided by the Investment Manager for 30th June 2017, the SPV has an outstanding liability of INR 284 Mn towards creditors for fixed assets. As represented by the Investment Manager, this entire liability of INR 284 Mn towards creditors for fixed assets shall be borne by TEECL and it is not expected to be part of the assets and liabilities to be taken over by the Trust as a part of the Proposed Transaction. Accordingly, we have not considered the above liability of INR 284 Mn in our valuation exercise.

7.5. If one needs to calculate the equity value of the SPV, the above liability of INR 284 Mn should be treated as debt and debt related liability.

7.6. We understand from the representation of the Sponsor and the Investment Manager that the SPV will generate cash flow even after the expiry of concession period of 35 years as the project is on BOOM model and the ownership will remain with the SPV even after the expiry of 35 years.

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

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7.8. As on valuation date, we have discounted the free cash flows of PTCL using the WACC of 8.00% to derive the EV by aggregating the present value of cash flows for explicit period and terminal period at INR 2,247 Mn.

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. We have been represented by the Sponsor and 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 derive the EV of the SPV.

8.3. Based on the above analysis the EV as on the Valuation Date of PTCL is INR 2,247 Million.

8.4. 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.

9. Other Mandatory Minimum Disclosures in compliance with SEBI Invlt regulations

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 SPV.

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

We have verified the validity of various permits and clearances obtained or to be obtained as per the list provided in Technical Report and the documents provided to us by the management. Refer Appendix III for status of the same.

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

Based on the review of information provided, there are no overdue periodic clearances

9.3. Statement of assets included;

Details of the assets as on 30th June 2017 are as below;

	As at 30 June 2017 (In INR Mn)			
Fixed Assets	Gross Bloc	Depreciatio	Net Block	% Depreciated
Tangible Assets				
Land	87.34	–	87.34	0%
Plant & equipment	2,053.23	98.05	1,955.18	5%
Building(Factory)	78.28	5.93	72.35	8%
Roads	9.36	1.48	7.88	16%
Motor Vehicles	0.80	0.20	0.60	25%
TOTAL	**2,229.01**	**105.66**	**2,123.35**	**5%**

9.4. Estimates of incurred as well as proposed major repairs and improvements along with estimated time of completion;

There are no such major repairs and maintenance carried out during the period under exercise. Further, it was observed that no major repair and maintenance expenses were estimated in the projections as provided by the Investment Manager and the Sponsor.

9.5. Revenue pendencies including local authority taxes associated with the SPV and compounding charges, if any:

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Based on the information provided by the Sponsor and the Investment Manager and our review of the same, there are no dues including local authority taxes pending to be payable to the government authorities with respect to the SPV.

9.6. On-going and closed material litigations including tax disputes in relation to the assets, if any;

As per information provided and based on review of information there are no ongoing or closed material litigations including Tax liabilities.

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

There are no such natural or induced hazards which have not been considered in town planning/ building control.

Appendix I – Weighted Average Cost of Capital (WACC)

Particulars	%	Remarks
Market Return	15.00%	Market Return has been considered based on the long term average returns earned by an equity investor in India.
Risk Free Rate	6.92%	Risk Free Rate has been considered based on zero coupon yield curve as at 30th June 2017 of Government Securities having maturity period of 10 years, as quoted on CCIL's website.
Market Risk Premium	8.08%	Market Premium = Market Return – Risk Free Rate
Beta (relevered)	0.67	Beta has been considered based on the betas of the comparable companies operating in the similar kind of business in India.
Cost of Equity	12.37%	Ke = Rf + β x (Rm-Rf) + CSRP
Pre-tax Cost of Debt	8.00%	As represented by the Sponsor and Investment Manager
Effective tax rate of SPV	23.41%	Average tax rate for the life of the project has been considered
Post-tax Cost of Debt	6.13%	Effective cost of debt. Kd = Pre tax Kd * (1-Effective Tax Rate)
Debt/(Debt+Equity)	70.00%	The debt – equity ratio computed as [D/(D+E)] is considered as 70% as per industry standard.
WACC	8.00%	WACC = [Ke*(1-D:(D+E))]+[Kd*(1-t)*(D:(D+E))]

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Appendix II – Valuation of PTCL as at 30th June 2017

FY ended	Revenue	EBITDA	EBITDA Margin	Less : Capex	Less : Incremental NCA	Less: Taxation	FCFF	Cash Accrual Factor	Discounting Factor	PV of Cash Flows
FY18*	173.28	144.76	83.54%	-	24.86	21.05	99	0.38	0.97	96
FY19	266.24	233.25	87.6%	26.77	8.21	34.40	164	1.25	0.91	149
FY20	297.81	263.37	88.4%	26.77	7.66	40.25	189	2.25	0.84	159
FY21	315.97	280.00	88.6%	26.77	4.35	43.23	206	3.25	0.78	160
FY22	316.37	278.82	88.1%	26.77	-0.03	42.41	210	4.25	0.72	151
FY23	316.79	277.58	87.6%	26.77	-0.03	41.58	209	5.25	0.67	140
FY24	317.25	276.31	87.1%	26.77	-0.03	40.73	209	6.25	0.62	129
FY25	317.73	274.98	86.5%	26.77	-0.03	39.88	208	7.25	0.57	119
FY26	318.24	273.61	86.0%	26.77	-0.03	39.01	208	8.25	0.53	110
FY27	318.79	272.18	85.4%	26.77	-0.03	38.14	207	9.25	0.49	102
FY28	319.37	270.71	84.8%	26.77	-0.03	37.25	207	10.25	0.45	94
FY29	319.99	269.18	84.1%	26.77	-0.02	36.92	206	11.25	0.42	86
FY30	320.65	267.59	83.5%	26.77	-0.02	36.59	204	12.25	0.39	80
FY31	321.35	265.95	82.8%	26.77	-0.02	36.24	203	13.25	0.36	73
FY32	258.10	200.26	77.6%	26.77	-15.80	22.22	167	14.25	0.33	56
FY33	258.32	197.92	76.6%	26.77	-0.16	21.72	150	15.25	0.31	46
FY34	258.54	195.48	75.6%	26.77	-0.16	20.25	149	16.25	0.29	43
FY35	258.79	192.94	74.6%	26.77	-0.17	19.73	147	17.25	0.27	39
FY36	279.71	210.95	75.4%	26.77	4.92	24.50	155	18.25	0.25	38
FY37	279.99	208.20	74.4%	26.77	-0.18	23.91	158	19.25	0.23	36
FY38	280.30	205.34	73.3%	26.77	-0.18	23.30	155	20.25	0.21	33
FY39	280.73	202.46	72.1%	26.77	-0.17	22.69	153	21.25	0.19	30
FY40	280.98	199.25	70.9%	26.77	-0.22	22.00	151	22.25	0.18	27
FY41	281.36	196.03	69.7%	26.77	-0.20	20.36	149	23.25	0.17	25
FY42	292.10	203.00	69.5%	26.77	2.34	22.80	151	24.25	0.15	23
FY43	292.54	199.51	68.2%	26.77	-0.21	22.06	151	25.25	0.14	22
FY44	293.01	195.87	66.8%	26.77	-0.22	20.33	149	26.25	0.13	20
FY45	293.53	192.10	65.4%	26.77	-0.22	19.56	146	27.25	0.12	18
FY46	294.07	188.17	64.0%	26.77	-0.23	18.76	143	28.25	0.11	16
FY47	294.67	184.09	62.5%	26.77	-0.24	53.60	104	29.25	0.11	11
FY48	295.30	179.84	60.9%	26.77	-0.24	52.25	101	30.25	0.10	10
FY49	295.98	175.43	59.3%	26.77	-0.25	50.83	98	31.25	0.09	9
FY50	296.72	170.84	57.6%	26.77	-0.26	49.34	95	32.25	0.08	8
FY51	297.51	166.07	55.8%	26.77	-0.26	47.77	92	33.25	0.08	7
FY52**	184.12	99.90	54.3%	16.43	0.14	27.38	56	34.06	0.07	4
TV	300.02	162.79	54.3%	26.77	-	48.21	88	34.06	0.07	6
Present Value of Explicit Period Cash Flows										2,168
Present Value of Terminal Year Cash Flow										80
Enterprise Value										2,247

* for 9 months period ended 31st March 2018

** for the period ended 10th November 2051

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Appendix III – Summary of Approval & Licenses

Sr. No.	Approvals	Date of Issue	Validity (in years)	Issuing Authority
1	Company Registration	19-Dec-12	Valid	Ministry of Corporate Affairs
2	Transmission Licence	14-Jul-14	25	Central Electricity Regulatory Commission
3	**Transmission Service Agreement**			
	Transmission Service Agreement between PTCL & Long Term Transmission Customer	12-May-14	35	
	Transmission Service Agreement between PTCL & Power Grid Corporation of India Limited	23-May-16	Valid	Central Electricity Regulatory Commission
4	Approval for adoption of Tariff	5-Aug-14		Central Electricity Regulatory Commission
5	Approval u/s 68 of Electricity Act, 2003	16-May-13	Valid	Ministry of Power
6	Approval of Energisation under regulation 43 of CEA	27-May-16	2	Ministry of Power
7	Permission for change of Land use	31-Dec-15	Valid	
8	**Aviation Clearance**			
	NOC for Height Clearance	1-Jun-16	Valid	Airport Authority of India
9	**Power & Telecommunication Coordination Committee ("PTCC") Clearance**			
	Patiala-Kaithlal Transmission Line at Patran	28-Apr-15	Valid	Central Electricity Authority

Source: Investment Manager

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