STERLITE INVESTMENT MANAGERS LIMITED
(Formerly Sterlite Infraventures Limited)
Regd. Office: Maker Maxity, 5 North Avenue, Level 5, Bandra Kurla Complex, Bandra East, Mumbai. Maharashtra- 400051, India
CIN: U28113MH2010PLC308857
Phone: +91-11- 49962200
Fax: +91-11-49962288

Date: June 27, 2018

B S E Limited	**National Stock Exchange of India Ltd**
Phiroze Jeejeebhoy Towers	Exchange Plaza, C/1, Block G,
Dalal Street,	Bandra-Kurla Complex, Bandra (East),
Mumbai — 400 001	Mumbai — 400 051
Scrip Code- 540565	Symbol- INDIGRID

Dear Sir/ Madam,

Sub – Intimation of Annual General Meeting along with Annual Report of India Grid Trust.

Pursuant to Regulation 9 and 10 of SEBI (Infrastructure Investment Trusts) Regulations, 2014, the Sterlite Investment Manager Limited (the *"Investment Manager"* to India Grid Trust) is convening an annual general meeting of unitholders of India Grid Trust on July 26, 2018.

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

Further, pursuant to Regulation 23 of ibid read with Schedule IV, please find attached the Annual Report of India Grid Trust for the period ended on March 31, 2018.

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

Sterlite IndiGrid

INDIA GRID TRUST ("IndiGrid")

(An Infrastructure Investment Trust registered with Securities & Exchange Board of India
vide registration no. IN/InvIT/16-17/0005)
Principal Place of Business: F-1, The Mira Corporate Suites, 1 & 2, Ishwar Nagar, Mathura Road, New Delhi 110065
Tel: +91 11 4996 2200; Fax: +91 11 4996 2288;
Compliance Officer: Swapnil Patil; E-mail: complianceofficer@indigrid.co.in; Website: www.indigrid.co.in

Notice of Annual General Meeting

NOTICE IS HERE BY GIVEN that the **1st ANNUAL GENERAL MEETING ("AGM")** of the unitholders (the **"Unitholders"**) of India Grid Trust (**"IndiGrid"**) will be held on Thursday, July 26, 2018 at 10.30 a.m. at Sofitel Hotel, C-57, G Block, Bandra Kurla Complex, Bandra East, Bandra Kurla, Mumbai- 400 051, Maharashtra, India, to transact the following business:

ORDINARY BUSINESS:

ITEM NO. 1: TO ADOPT FINANCIAL STATEMENTS AS ON MARCH 31, 2018

To consider and adopt annual audited standalone and consolidated financial statements of IndiGrid for the period ended March 31, 2018 and the report of the auditors thereon, by way of simple majority (i.e. where the votes cast in favour of a resolution are required to be more than the votes cast against the resolution) in terms of Regulation 22 of the Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014, as amended (the "InvIT Regulations").

ITEM NO. 2: TO ADOPT VALUATION REPORTS AS ON MARCH 31, 2018

To consider and adopt the Valuation Report of the assets of IndiGrid for the financial year ended on March 31, 2018 by way of simple majority (i.e. where the votes cast in favour of the resolution are required to be more than the votes cast against the resolution) in terms of Regulation 22 of the InvIT Regulations.

"RESOLVED THAT pursuant to Regulation 13, 21, 22 and Schedule V of Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014, as amended from time to time, read with circular issued thereunder and other applicable provisions, if any, (including any statutory modification or re-enactment thereof for the time being in force), the valuation report of all power transmission assets under IndiGrid as prepared by Haribhakti & Co. LLP, Valuer and approved by the Board of Directors of Sterlite Investment Managers Limited and placed in the IndiGrid annual report for the period ended on March 31, 2018, be and is hereby considered and approved."

ITEM NO. 3: TO APPOINT THE STATUTORY AUDITOR

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

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

RESOLVED FURTHER THAT the Board of Directors and Company Secretary of Investment Manager be and are hereby authorized on behalf of IndiGrid to inform all concerned in such form and manner as may be required or necessary and also to execute such agreements, letter and other writings as required in this regard and to do all acts, deeds, things, and matters as may be required or necessary to give effect to this resolution or as otherwise considered by the Board of Directors to be in the best interest of IndiGrid, as it may deem fit."

ITEM NO. 4: TO APPOINT THE VALUER

To consider and appoint M/s Haribhakti & Co. LLP as a valuer for the financial year 2018-2019 by way of simple majority (i.e. where the votes cast in favour of the resolution are required to be more than the votes cast against the resolution)in terms of Regulation 22 of the InvIT Regulations.

"RESOLVED THAT pursuant to Regulations 10(6) and 22 of Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014, as amended from time to time, read with circular issued thereunder and other applicable provisions, if any, (including any statutory modification or re-enactment thereof for the time being in force), M/s Haribhakti & Co. LLP, Chartered Accountants, bearing firm registration number 103523W / W100048be and are hereby appointed as the valuer of IndiGrid and all its power transmission assets for the financial year 2018-2019 on such terms and conditions, including fees, as decided by the Board of directors of Sterlite Investment Managers Limited ("Investment Manager").

RESOLVED FURTHER THAT the Board of Directors and Company Secretary of Investment Manager be and are hereby authorized on behalf of IndiGrid to inform all concerned in such form and manner as may be required or necessary and also to execute such agreements, letter and other writings as required in this regard and to do all acts, deeds, things, and matters as may be required or necessary to give effect to this resolution or as otherwise considered by the Board of Directors to be in the best interest of IndiGrid, as it may deem fit."

ITEM NO. 5: TO FIX REMUNERATION PAYABLE TO DIRECTORS

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

"RESOLVED THAT pursuant to the applicable provisions of Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulations,2014 and Companies Act, 2013 as amended from time to time and other applicable provisions, if any, (including any statutory modification or re-enactment thereof for the time being in force), the provisions of the investment management agreement dated November 10, 2016, as amended through amendment agreement dated December 1, 2016 and February 14, 2018 (the "IMA") and the final offer document dated May 31, 2017, the consent of the Unitholders, be and is hereby accorded for the payment of performance remuneration of upto 0.4% of the difference between revenue from operations and operating expenses (other than fees of the Investment Manager) of each power transmission asset of IndiGrid to the Independent Directors of the Investment Manager based on evaluation of the Independent Directors by the Board of Directors of the Investment Manager in accordance with the Investment Management Agreement.

RESOLVED FURTHER THAT the Board of Directors of Investment Manager be and are hereby authorized on behalf of IndiGrid to inform all concerned of the aforesaid remuneration, and to present/file necessary intimation, application, notice, papers, forms, or any other document/deeds etc. before the Competent Authorities, if required, in such form and manner as may be required or necessary and also to do all acts, deeds, things, and matters as may be required or necessary to give effect to this resolution or as otherwise considered by the Board of Directors to be in the best interest of IndiGrid, as it may deem fit.

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

SPECIAL BUSINESS

Item No, 6: TO GRANT OMNIBUS APPROVAL FOR CAPITAL RAISING

To consider and grant omnibus approval for capital raising by way of special majority (i.e. where the votes cast in favour of the resolution are not less than one and a half times than the votes cast against the resolution) in terms of Regulation 22 of the InvIT Regulations.

"RESOLVED THAT pursuant to the provisions of Regulation 14(2), Regulation 22 and other applicable provisions, if any, of the Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014, and the circulars and guidelines issued thereunder (including, but not limited to, the Guidelines for issuance of debt securities by Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs) dated April 13, 2018 and the Guidelines for Preferential Issue of Units by Infrastructure Investment Trusts (InvITs) dated June 5, 2018), including any amendments thereto, for the time being in force (the "InvIT Regulations"), the Foreign Exchange Management Act, 2000 (the "FEMA"), as amended, including the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2017, as amended, the Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008, as amended ("Debt Listing Regulations"), the current

Consolidated FDI Policy issued by the Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India and in accordance with the rules, regulations, guidelines, notifications, circulars and clarifications issued thereon from time to time by Government of India ("GoI"), the Reserve Bank of India (the "RBI"), the Securities and Exchange Board of India (the "SEBI"), the stock exchanges on which the units of India Grid Trust ("IndiGrid") are listed, namely, BSE Limited and the National Stock Exchange of India Limited (the "Stock Exchanges"), and/or any other competent authorities, whether in India or abroad, and including the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the enabling provisions of the Trust Deed of India Grid Trust ("IndiGrid") and the Investment Management Agreement dated November 10, 2016 as amended, the listing agreements entered into by IndiGrid with the Stock Exchanges (the "Listing Agreements") and subject to necessary approvals, permissions, consents and sanctions as may be necessary from SEBI, Stock Exchanges, RBI, GoI or of concerned statutory and any other authorities as may be required in this regard and further subject to such terms and conditions or modifications as may be prescribed or imposed by any of them while granting any such approvals, permissions, consents and sanctions and which may be agreed to by the Board of Directors of the Investment Manager (hereinafter referred to as the "Board" and shall mean and include any duly authorized committee of the Board), the consent, authority and approval of the unitholders of IndiGrid be and is hereby accorded to the Investment Manager to create, offer, issue and allot, with or without a green shoe option, such number of units of IndiGrid ("Units"),debt securities or such other securities as may be permitted under applicable law (all of which are hereinafter collectively referred to as "Securities") or any combination of Securities, in one or more tranches, whether Rupee denominated or denominated in foreign currency, in the course of international and/or domestic offering(s) in one or more foreign markets and/or domestic market, by way of one or more public and/ or private offerings, qualified institutions placement and/or on preferential issue and allotment basis or any combination thereof, through issue of prospectus and /or placement document/memorandum or other permissible/requisite offer document to such class of investors as may be permitted under the InvIT Regulations and in accordance with the InvIT Regulations, whether they be holders of unitholders of IndiGrid or not (the "Unitholders") as may be decided by the Board in its discretion and permitted under applicable laws and regulations, of an aggregate amount of Securities not exceeding Rs. 3,000 Crores (Rupees Three Thousand Crores only) or equivalent thereof, in one or more tranches, at such price or prices, at a discount or premium to market price or prices as may be permitted under applicable laws in such manner and on such terms and conditions including security, rate of interest etc. and any other matters incidental thereto as may be deemed appropriate by the Board at its absolute discretion including the discretion to determine the categories of Unitholders to whom the offer, issue and allotment shall be made to the exclusion of other categories of Unitholders at the time of such offer, issue and allotment considering the prevailing market conditions and other relevant factors and wherever necessary in consultation with lead manager(s)and/or underwriter(s) and/or other advisor(s), in foreign currency and/ or equivalent Indian Rupees as may be determined by the Board, as the Board at its absolute discretion may deem fit and appropriate (the "Issue").

"**RESOLVED FURTHER THAT** in accordance with the InvIT Regulations, the Units shall not be eligible to be sold for a period of one year from the date of allotment, except on a recognized stock exchange, or except as may be permitted from time to time under the InvIT Regulations and other applicable laws."

"**RESOLVED FURTHER THAT** if any issue of Securities is made by way of a preferential issue in terms of InvIT Regulations, the allotment of such Securities, or any combination of Securities as may be decided by the Board, shall be completed within twelve months from the date of this resolution, or such other time as may be required or allowed under the InvIT Regulations from time to time."

"**RESOLVED FURTHER THAT** any issue of Units are proposed to be issued to Institutional Investors by way of a preferential issue in terms of the InvIT Regulations shall be at such price which is not less than the price determined in accordance with the pricing formula provided under the InvIT Regulations (the "Floor Price")."

"**RESOLVED FURTHER THAT** in the event the Units proposed to be issued to Institutional Investors by way of a preferential issue in terms of the InvIT Regulations, the relevant date for the purpose of pricing of the Units shall be the date of the meeting in which the Board decides to open the proposed issue of such Units."

"**RESOLVED FURTHER THAT** for the purpose of giving effect to any offer, issue or allotment of Units and/ or Securities or instruments representing the same, as described above, the Board be and is hereby authorised on behalf of IndiGrid to seek listing of any or all of such Securities on one or more Stock Exchanges in India or outside India."

"RESOLVED FURTHER THAT without prejudice to the generality of the above, subject to applicable laws and subject to approval, consents, permissions, if any of any governmental body, authority or regulatory or supervisory institution including any conditions as may be prescribed in granting such approval or permissions by such governmental authority or regulatory institution, the aforesaid Securities may have such features and attributes or any terms or combination of terms that provide for the tradability and free transferability thereof in accordance with the prevailing practices in the capital markets including but not limited to the terms and conditions for issue of additional Securities and the Board subject to applicable laws, regulations and guidelines be and is hereby authorized in its absolute discretion in such manner as it may deem fit, to dispose of such Securities that are not subscribed."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to appoint lead manager(s), underwriters, depositories, custodians, registrars, bankers, lawyers, advisors and all such agencies as are or may be required to be appointed, involved or concerned in the Issue and to remunerate them by way of commission, brokerage, fees or the like and also to reimburse them out of pocket expenses incurred by them and also to enter into and execute all such arrangements, agreements, memoranda, documents, etc., with such agencies."

"RESOLVED FURTHER THAT for the purpose of giving effect to the above, the Board be and is hereby authorized on behalf of IndiGrid to take all actions and do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary, desirable or expedient for the Issue and to resolve and settle all questions, difficulties or doubts that may arise in regard to such Issue, including the finalization and approval of the draft as well as final offer document(s) or placement memoranda or documents and any amendments, addenda or corrigenda thereof, determining the form and manner of the Issue, finalization of the timing of the Issue, identification of the investors to whom the Securities are to be offered, determining the issue price at such price or prices, at a discount or premium to market price or prices as may be permitted under applicable laws, rate of interest, execution of various transaction documents, signing of declarations, creation of mortgage/ charge or any security interest, utilization of the issue proceeds, without being required to seek any further consent or approval of the Unitholders or otherwise to the end and intent that the unitholders shall be deemed to have given their approval thereto expressly by the authority of this resolution."

"RESOLVED FURTHER THAT the Board be and is hereby authorized to issue and allot such number of Units or other Securities as may be required to be issued and allotted as may be necessary in accordance with the terms of the offering, all such Units ranking paripassu with the existing Units of IndiGrid in all respects and being subject to the provisions of the Trust Deed and the Investment Management Agreement."

"RESOLVED FURTHER THAT the Board be and is hereby authorized to constitute or form a committee or delegate all or any of its powers to any Director(s) or Committee of Directors / Company Secretary / Chief Financial Officer or other persons authorized or to be authorized by the Board for obtaining approvals, statutory, contractual or otherwise, in relation to the above and to settle all matters arising out of and incidental thereto, and to execute all deeds, applications, documents and writings that may be required, on behalf of IndiGrid and generally to do all acts, deeds, matters and things that may be necessary, proper, expedient or incidental for the purpose of giving effect to this resolution and accept any alterations or modification(s) as they may deem fit and proper and give such directions as may be necessary to settle any question or difficulty that may arise in regard to issue and allotment of the Securities."

"RESOLVED FURTHER THAT the Trustee or any of its directors or officers be and is hereby authorized for obtaining approvals, statutory, contractual or otherwise, in relation to the above and to settle all matters arising out of and incidental thereto, and to execute all deeds, applications, documents and writings that may be required, on behalf of IndiGrid and generally to do all acts, deeds, matters and things that may be necessary, proper, expedient or incidental for the purpose of giving effect to this resolution and accept any alterations or modification(s) as they may deem fit and proper and give such directions as may be necessary to settle any question or difficulty that may arise in regard to issue and allotment of the Securities."

For **India Grid Trust**
By Order of the Board
Sterlite Investment Managers Limited
(Formerly Sterlite Infraventures Limited)
(as the Investment Manager to India Grid Trust)

Swapnil Patil
Company Secretary & Compliance Officer
Mumbai, June 22, 2018

NOTES

1. **A UNIT HOLDER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING (THE "AGM") IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE IN THE AGM, AND SUCH PROXY NEED NOT BE A UNIT HOLDER OF INDIGRID.**

2. The instrument appointing the proxy must be deposited at the principal place of business of IndiGrid not less than 48 hours before the commencement of the AGM.

3. An Explanatory Statement setting out material facts and reasons for the proposed resolutions as mentioned above, is appended herein below for perusal.

4. Route map of the venue of the AGM is annexed hereto.

5. Relevant documents referred to in the accompanying Notice, if any, are open for inspection by the Unitholders at the principal place of business of IndiGrid on all working days (i.e. all days except Saturdays, Sundays and Public Holidays) between 11.00 a.m. and 5.00 p.m. up to the date of the AGM. The aforesaid documents will also be available for inspection by Unitholders at the AGM.

6. The Investment Manager, on behalf of the Trust, is providing a facility to the Unitholders as on the cut-off date, being Friday, July 13, 2018, ("the Cut-Off Date") to exercise their right to vote by electronic voting systems from a place other than venue of the AGM ("Remote e-Voting") on any or all of the businesses specified in the accompanying Notice. Details of the process and manner of Remote e-Voting along with the User ID and Password is provided under Annexure A. Any person who acquires Units of IndiGrid and becomes a Unitholder of IndiGrid after the dispatch of the Notice, and holds Units as on the Cut-Off Date, may obtain the User ID and Password by sending a request at evoting@karvy.com or contact M/s. Karvy Computershare Private Limited ("Karvy") at toll free number 1800 345 4001. Voting by electronic mode is a convenient means of exercising voting rights and may help to increase the Unitholders' participation in the decision-making process. It may be noted that the Remote e-Voting facility is optional. The Investment Manager, on behalf of IndiGrid, has signed an agreement with and engaged the services of Karvy for the purpose of providing Remote e-Voting facility to the Unitholders.

7. Unitholders (such as companies or body corporates) intending to send their authorized representative(s) to attend the AGM are requested to send to the principal place of business of IndiGrid, a certified true copy of the relevant Board Resolution/Power of Attorney, together with the specimen signature(s) of the representatives authorized under the said Board Resolution/Power of Attorney to attend and vote on their behalf at the AGM.

8. In case of joint holders attending the AGM, only such joint holder who is higher in the order of names will be entitled to vote at the AGM.

9. Unitholders are requested to address all correspondence, including distribution matters, to the Registrar, Karvy Computershare Private Limited (Unit: India Grid Trust), Karvy Selenium Tower B, Plot No. 31-32, Gachibowli, Financial District, Nanakramguda, Hyderabad - 500 032, India.

10. Unitholders are requested to send their queries, if any, to the Investment Manager at least 10 days prior to the AGM to enable the Investment Manager to provide the required information.

11. The Securities and Exchange Board of India (the "SEBI") has mandated the submission of Permanent Account Number ("PAN") by every participant in the securities market. Unitholders are therefore requested to submit their PAN to their Depository Participants with whom they are maintaining their demat accounts.

12. Unitholders who have cast their vote by Remote e-Voting prior to the AGM may also attend the AGM but shall not be entitled to cast their vote again. Unitholders can opt for only one mode of voting, i.e. physical ballot or Remote e-Voting. If a Unitholder opts for Remote e-Voting, then he/she shall not vote by physical ballot and vice versa. In case a Unitholder casts his/her vote, both by physical ballot and Remote e-Voting mode, then the voting done by Remote e-Voting shall prevail and the voting by physical ballot shall be invalid.

13. The Results declared along with Scrutinizer's Report(s) will be available on the website of IndiGrid (www. indigrid.co.in), and on Karvy's website (https://evoting.karvy. com) within two days of passing of the resolutions and communication of the same to the BSE Limited and the National Stock Exchange of India Limited.

14 Unitholders who have not registered their e-mail addresses so far are requested to register their e-mail address for receiving all communication including annual reports, notices, circulars etc. from the Investment Manager, on behalf of IndiGrid, electronically.

EXPLANATORY STATEMENT

ITEM NO.5:

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

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

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

ITEM NO.6:

The special resolution contained in the Notice under Item No. 6 relates to a resolution by the Company enabling the Board to create, issue, offer and allot such number of units of IndiGrid ("Units"),debt securities or any other security as may be permitted under applicable law (all of which are hereinafter collectively referred to as "Securities") or any combination of Securities, including by way of a preferential issue of Units in accordance with the InvIT Regulations, in one or more tranches, at such price as may be deemed appropriate by the Board at its absolute discretion including the discretion to determine the categories of Investors to whom the issue, offer, and allotment shall be made considering the prevalent market conditions and other relevant factors and wherever necessary, in consultation with lead manager(s) and other agencies that may be appointed by the Board for the purpose of the Issue.

This special resolution enables the Board to issue Securities of IndiGrid for an aggregate amount not exceeding Rs. 3,000 Crores (Rupees Three Thousand Crores only) or its equivalent in any foreign currency.

The Board shall issue Securities pursuant to this special resolution and utilize the proceeds to finance (wholly or in part) one or more, or any combination, of the following: (a) acquisition of assets or (b) repayment of debt, and (c) general corporate purposes.

The special resolution also seeks to empower the Board to issue Securities by way of preferential issue to Institutional Investors in accordance with the InvIT Regulations. The pricing of the Securities that may be issued pursuant to a preferential issue shall be freely determined subject to such price not being less than the floor price calculated in accordance with the pricing formula provided under the InvIT Regulations ("Floor Price"). The "Relevant Date" for this purpose will be the date as determined in accordance with the InvIT Regulations, being the date of the meeting in which the Board decides to open the proposed issue of such Units.

As the Issue may result in the issue of Securities of IndiGrid to investors who may or may not be Unitholders of IndiGrid, consent of the Unitholders is being sought pursuant to Regulation 14(2), Regulation 22 and other applicable provisions, if any, of the InvIT Regulations.

The Investment Manager recommend the resolution set out at Item no. 6 to be passed as a special resolution by the Unitholders.

None of the Sponsor, Investment Manager or Trustee are deemed to be concerned or interested financially or otherwise in the said resolution, except to the extent of Securities that may be subscribed to by them or by companies, firms or institutions in which they are interested.

ANNEXURE A

The instruction for e-voting are as under:

A. In case a Unitholder receives an email from Karvy [for Unitholders whose email IDs are registered with the Trust/ Depository Participants (s)]:

   i. Launch internet browser by typing the URL: http://evoting.karvy.com.

   ii. Enter the login credentials (i.e., EVENT No., User ID and password mentioned on Attendance Slip). EVENT No. followed by Folio No. / DP ID-Client ID will be your User ID. However, if you are already registered with Karvy for remote e-voting, you can use your existing User ID and password for casting your vote.

   iii. After entering these details appropriately, click on "LOGIN".

   iv. You will now reach password change Menu wherein you are required to mandatorily change your password. The new password shall comprise of minimum 8 characters with at least one upper case (A- Z), one lower case (a-z), one numeric value (0-9) and a special character (@, #, $, etc.,). The system will prompt you to change your password and update your contact details like mobile number, email ID etc. on first login. You may also enter a secret question and answer of your choice to retrieve your password in case you forget it. It is strongly recommended that you do not share your password with any other person and that you take utmost care to keep your password confidential.

   v. You need to login again with the new credentials.

   vi. On successful login, the system will prompt you to select the "EVENT" i.e., [IndiGrid].

   vii. On the voting page, enter the number of Units (which represents the number of votes) as on the Cut off Date under "FOR/AGAINST" or alternatively, you may partially enter any number in "FOR" and partially "AGAINST" but the total number in "FOR/AGAINST" taken together not exceed your total Unitholding as mentioned herein above. You may also choose the option ABSTAIN. If the Unitholder does not indicate either "FOR" or "AGAINST" it will be treated as "ABSTAIN" and the Units held will not be counted under either head.

   viii. Unitholders holding multiple folios/ demat accounts shall choose the voting process separately for each folio/ demat accounts.

   ix. Voting has to be done for each item of the notice separately. In case you do not desire to cast your vote on any specific item it will be treated as abstained.

   x. You may then cast your vote by selecting an appropriate option and click on "Submit".

   xi. A confirmation box will be displayed. Click "OK" to confirm else "CANCEL" to modify. Once you have voted on the resolution, you will not be allowed to modify your vote. During the voting period, Unitholders can login any numbers of times till they have voted on the Resolution(s).

   xii. Corporate/ Institutional Unitholders (i.e. other than Individuals, HUF, NRI etc.,) are also required to send scanned certified true copy (PDF Format) of the Board Resolution/ Authority Letter etc., together with attested specimen signature(s) of the duly authorised representative(s), to the Scrutinizer at e-mail bn@karvy.com with a copy marked to evoting@karvy.com. Please note that, the mail id of Scrutinizer will be used only for e-voting related matters. For any other queries, investors are requested to contact Karvy on the contact details mentioned in this notice. The scanned image of the above mentioned documents should be in the naming format "IndiGrid, Annual General Meeting".

   xiii. In case a person has become the Unitholder of the Trust after dispatch of AGM Notice but on or before the cut- off date i.e. July 13, 2018, may write to Karvy on the email Id: evoting@karvy.com or toll free No. 1800 345 4001 or to Karvy Computershare Private Limited [Unit: IndiGrid], Karvy Selenium Tower B, Plot No. 31-32, Gachibowli, Financial District, Nanakramguda, Hyderabad - 500 032, requesting for the User ID and Password. After receipt of the above credentials, please follow all the steps from Sr. No.(i) to (xii) as mentioned in (A) above, to cast the vote.

B. In case a Unitholder receives physical copy of the Notice of AGM[for Unitholders whose email IDs are not registered with the Trust/Depository Participants (s) or requesting physical copy].

   i. User ID and initial Password as provided on the enclosed slip.

   ii. Please follow necessary steps mentioned above, to cast vote.

C. In case of any queries relating to e-voting please visit Help & FAQ section of https://evoting.karvy.com (Karvy Website).

D. You can also update your mobile number and e-mail id in the user profile details of the folio which may be used for sending future communication(s).

E. The e-voting period commences on July 23, 2018 (10.00 AM) and ends on July 25, 2018 (5.00 PM). During this period Unitholders of the Trust, holding Units in dematerialized form, as on the cut-off date being July 13, 2018, may cast their vote electronically in the manner and process set out herein above. The e-voting module shall be disabled for voting thereafter. Once the vote on a resolution is cast by the Unitholder, the Unitholder shall not be allowed to change it subsequently. Further the Unitholders who have casted their vote electronically shall not vote by way of poll, if held at the meeting.

F. The voting rights of Unitholders shall be in proportion to their Units of the Unit capital of the Trust as on the cut-off date being July 13, 2018.

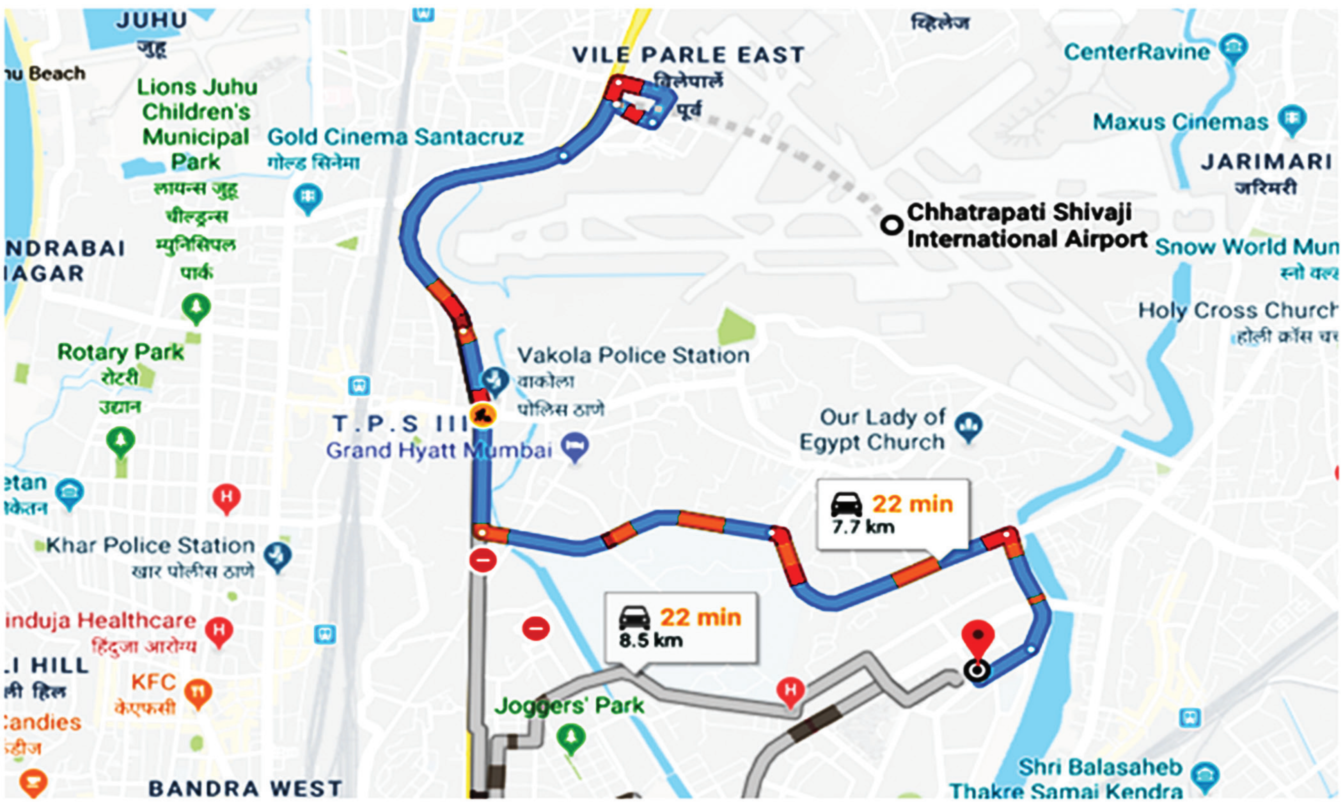
G. The Board of Directors of Investment Manager has appointed Mr. B Narasimhan failing him, Mr. Avinash Bagul Practicing Company Secretaries, as the Scrutinizer(s) to scrutinize the e-voting process in afair and transparent manner.

H. The Scrutinizer shall immediately after the conclusion of the voting at AGM, first count the votes cast at the meeting, thereafter unblock the votes in the presence of at least two (2) witnesses not in the employment of the Trust and make a Scrutinizer's Report of the votes cast in favour or against, if any, forth with to the Chairman of the Investment Manager.

I. The Results shall be declared on or after the AGM of the Trust and the resolution will be deemed to be passed on the AGM date subject to receipt of the requisite number of votes in favour of the Resolution(s).

J. The results declared along with the Scrutinizer's report shall be placed on the Trust's website www.indigrid.co.in and on the website of the service provider (https://evoting.karvy.com) within two (2) days of passing of the resolutions at the AGM of the Trust and communicated to BSE Limited and National Stock Exchange of India Limited.

ROUTE MAP



Attendance Slip

INDIA GRID TRUST

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

SEBI Registration Number: IN/InvIT/16-17/0005

Annual General Meeting July 26, 2018

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

Number of units held

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

I hereby record my presence at the ANNUAL GENERAL MEETING of IndiGrid onJuly 26, 2018 at 10.30 a.m. at Sofitel Hotel, C-57, G Block, Bandra Kurla Complex, Bandra East, Bandra Kurla, Mumbai- 400 051, Maharashtra, India.

....

Name of the Unitholder / proxy
(in BLOCK letters)

....

Signature of the Unitholder / proxy

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

NOTES

PROXY FORM

India Grid Trust

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

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

SEBI Registration Number: IN/InvIT/16-17/0005

Name of the Unitholder (s) :

Registered address :

E-mail Id :

Folio No./Client Id : DP ID :

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

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

and whose signature(s) are appended below as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the Annual General Meeting of the Trust, to be held on Thursday, July 26, 2018 at 10.30 a.m. at Sofitel Hotel, C-57, G Block, Bandra Kurla Complex, Bandra East, Bandra Kurla, Mumbai- 400 051, Maharashtra, India and at any adjournment thereof in respect of such resolutions as are indicated below:

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

Resolutions	For	Against
TO ADOPT FINANCIAL STATEMENTS AS ON MARCH 31, 2018		
TO ADOPT VALUATION REPORTS AS ON MARCH 31, 2018		
TO APPOINT THE STATUTORY AUDITOR		
TO APPOINT THE VALUER		
TO FIX REMUNERATION PAYABLE TO DIRECTORS		
TO GRANT OMNIBUS APPROVAL FOR CAPITAL RAISING		

Signed this .... day of 2018

Affix Revenue Stamp

Signature of Unitholder

Signature of First Proxy holder

Signature of Second Proxy holder

Signature of Third Proxy holder

Notes:

1. This form of proxy in order to be effective should be duly completed and deposited at the Principal Place of Business of the Trust not less than 48 hours before the commencement of the meeting.
2. A Proxy need not be a Unitholder of the Trust.

** (3) This is only optional. Please put a 'X' in the appropriate column against the resolutions indicated in the Box. If you leave the 'For' or 'Against' column blank against any or all the resolutions, your Proxy will be entitled to vote in the manner as he/she thinks appropriate.

4. Appointing a proxy does not prevent a Unitholder from attending the meeting in person if he so wishes.
5. In the case of jointholders, the signature of any one holder will be sufficient, but names of all the jointholders should be stated.

IndiGrid

India Grid Trust

CREATE. NURTURE. GROW.

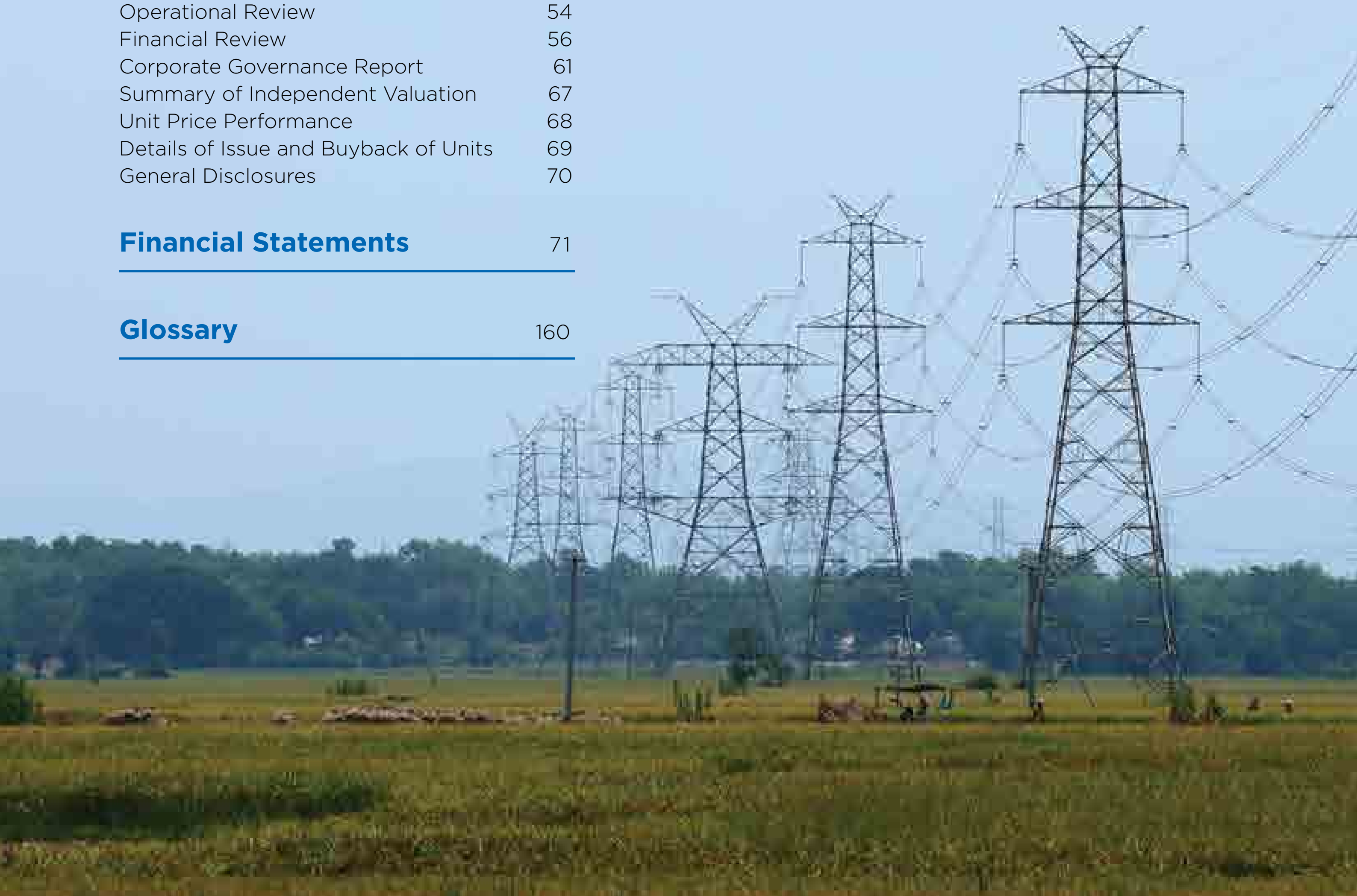
Annual Report 2017-18

CONTENTS

Introduction

Corporate Overview

Management Reports



CREATE.

India Grid Trust ("IndiGrid") is India's first infrastructure investment trust ("InvIT") in the power sector. It was ***created*** to acquire operating power transmission assets and got listed on the Indian stock exchanges on 6 June 2017. IndiGrid is built upon solid fundamentals of transparency, governance and providing superior risk-adjusted returns.

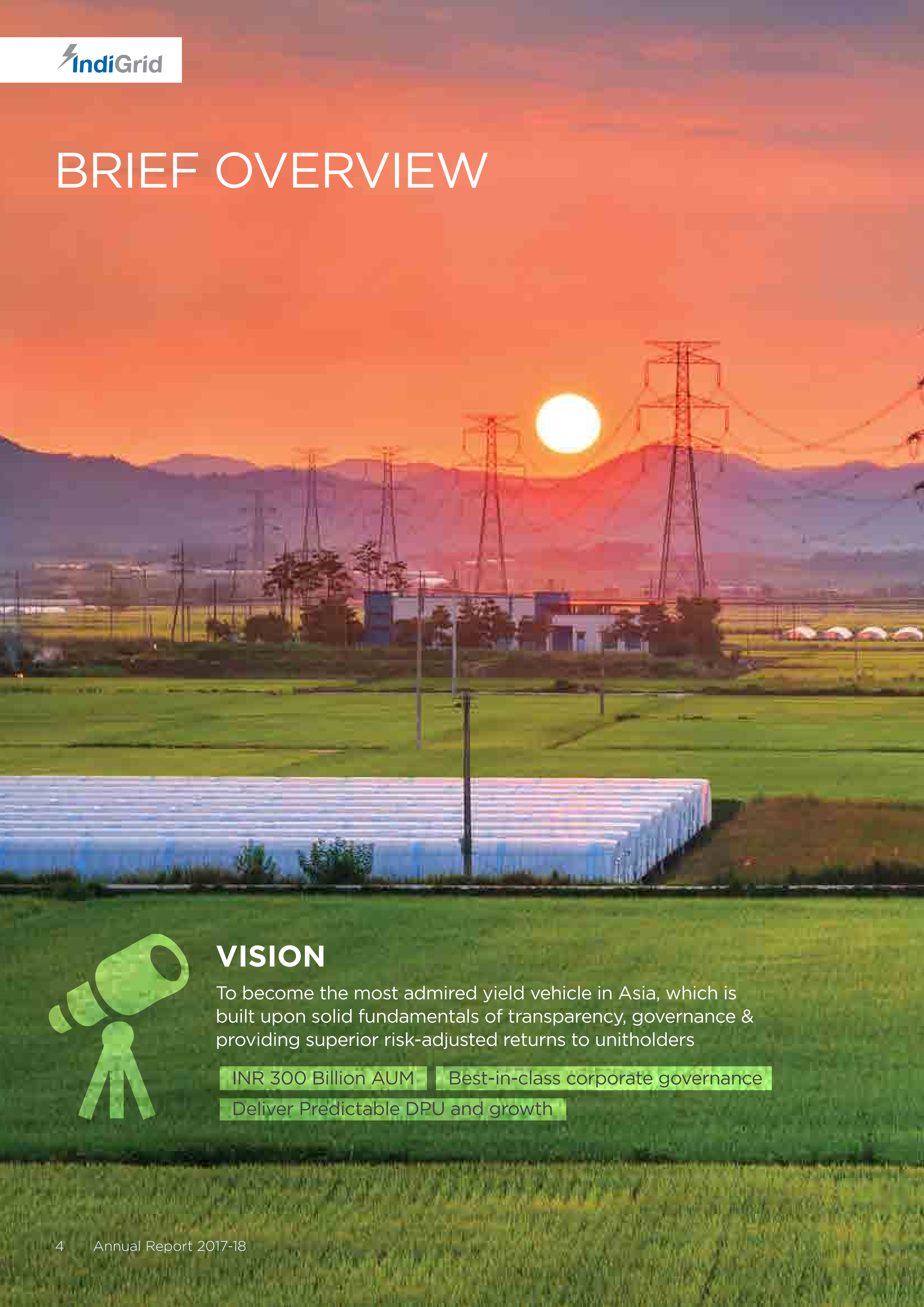
NURTURE.

IndiGrid is sponsored by Sterlite Power Grid Ventures Limited ("Sponsor"), one of India's leading private power transmission companies with proven credentials in bidding, designing, financing, constructing and maintaining assets across multiple geographies. The Sponsor has played and continues to play a critical role in ***nurturing*** IndiGrid to fulfil its aspiration of becoming the most admired yield vehicle in Asia.

GROW.

IndiGrid aims to ***grow*** into an INR 300 billion yield vehicle. It is well-positioned to participate in the potential growth of India's power sector spurred by the Government initiatives like increasing renewable generation capacity, 24x7 Power for All, adoption of electric vehicles etc. IndiGrid has already taken its first step in this direction with the completion of the acquisition of three power transmission assets from the Sponsor and is also pursuing acquisitions of third party transmission assets. With a strong growth pipeline in place, this exciting journey has just begun...

BRIEF OVERVIEW



VISION

To become the most admired yield vehicle in Asia, which is built upon solid fundamentals of transparency, governance & providing superior risk-adjusted returns to unitholders

- INR 300 Billion AUM
- Best-in-class corporate governance
- Deliver Predictable DPU and growth

India's First Power Sector Infrastructure Investment Trust

- Owns operational and revenue-generating inter-state power transmission assets
- Focused on stable and sustainable distribution per unit

INR **52 BILLION** AUM*	**3,361** CIRCUIT KM **6000** MVA	**13 LINES 2 SUBSTATIONS**
AAA RATED PERPETUAL OWNERSHIP	**~33 YEARS** OF RESIDUAL CONTRACT LIFE	**5 PROJECT** SPVs

* Based on independent valuation reports as on March 31, 2018

FY2018 PERFORMANCE

DELIVERING ON OUR COMMITMENTS

Operations	Availability above norms and maximized incentives	☑
Acquisitions	First set of three acquisitions has been completed	☑
FY18 DPU	FY18* actual DPU of INR 9.56, beating guidance by 4.0%	☑
DPU growth of 3-5%	FY19 DPU guidance implies annualised growth of 4.6%	☑
Portfolio IRR	12% portfolio IRR from sponsor assets	☑

** 10 months of operation*

AVAILABILITY

BDTCL : 99.9%
JTCL : 99.8%
RTCL : 99.9%
PKTCL : 100.0%
MTL* : 100.0%

Availability for the period between April and March' 2018

** MTL availability is from the period of October'17 - March'18*

GEARING

45%

Net Debt to total assets ratio at IndiGrid

NAV

INR **101.9/UNIT**

Net asset value of the Assets

THIRD-PARTY ASSET ACQUISITION

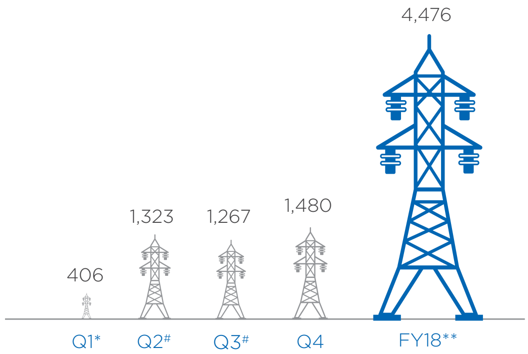
SIGNED AGREEMENTS WITH TECHNO ELECTRIC FOR THE ACQUISITION OF PATRAN TRANSMISSION

FY19 DPU GUIDANCE

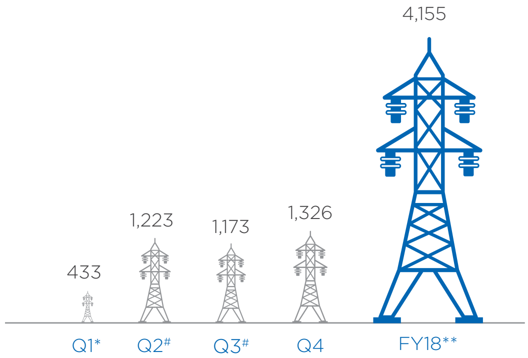
INR **12.0/UNIT**

FINANCIAL PERFORMANCE

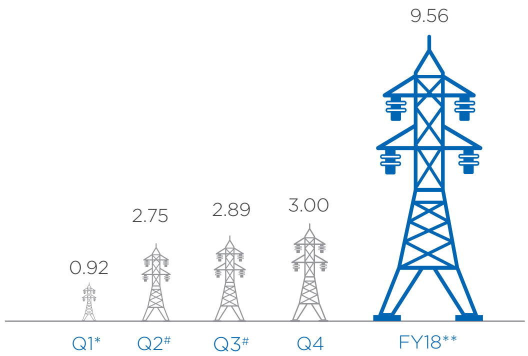
Revenue (INR Million)



EBITDA (INR Million)



DPU (INR/Unit)



* *1 month of operation.*

** *10 months of operation.*

One time arrears due to increase in JTCL tariff arrears received in Q2 and Q3

YEAR IN REVIEW

JUNE

IndiGrid is listed on National Stock Exchange and Bombay Stock exchange — (June 06)

Guidance for distribution of IndiGrid for FY18 — (June 21)

- Expected DPU for FY18 INR 9.2/unit implying annualised DPU of INR 11.0/unit

JULY

Outcome of Board Meeting — (July 25)

- Approved unaudited consolidated financial results for the quarter ended Q1 FY18
- The Board decided to amend the distribution policy and adopt a quarterly distribution instead of semi-annual distribution
- Declared a distribution of INR 0.92/unit for Q1 FY18
- The Board took note of "Invitation to Offer" received from Sterlite Power Grid Ventures Limited, offering 4 assets on sale as per the provisions of ROFO Deed

AUGUST

Record date for Distribution corresponding to Q1 FY18 — (August 04)

DPU paid for Q1 FY18 — (August 10)

OCTOBER

Acquisition of 3 ROFO assets approved by the Board — (October 07)

Outcome of Board Meeting — (October 26)

- Approved unaudited consolidated financial results for Q2 FY18
- Declared a distribution of INR 2.75/unit for Q2 FY18
- Intimated allotment of units to Sponsor pertaining to JTCL arrears

EGM Notice given to unitholders — (October 07)

NOVEMBER

Record date for Distribution corresponding to Q2 FY18 — (November 07)

DPU paid for Q2 FY18 — (November 07)

First EGM of unitholders of IndiGrid held in Mumbai, India. Unitholders unanimously approved the acquisition of three sponsor assets and borrowing resolution. — (November 20)

DECEMBER

Appointment of Mr. Rahul Asthana as an Independent Director of the Company — (December 28)

JANUARY

Outcome of Board Meeting — (January 15)

- Approved unaudited consolidated financial results for Q3 FY18,
- Declared a distribution of INR 2.89/unit for Q3 FY18,
- Mr. Harsh Shah, Chief Financial Officer appointed as the Whole-time Director of the Company

Record date for Q3 Distribution corresponding to Q3 FY18 — (January 23)

DPU paid for Q3 FY18 — (January 29)

FEBRUARY

Completed acquisition of 3 Sponsor Assets — (February 14)

Signed definitive agreements for an investment in Patran Transmission Company Limited — (February 19)

MATERIAL EVENTS POST FY18

Outcome of Board Meeting — (April 24)

- Approved audited standalone and consolidated financial results for FY18,
- Declared a distribution of INR 3.00/unit for Q4 FY18,
- FY2019 Distribution guidance of INR 12/ unit

Record date for Q4 Distribution corresponding to Q4 FY18 — (May 02)

DPU paid for Q4 FY18 — (May 08)

> IndiGrid has delivered excellent performance in its very first year, quarter after quarter. We have beaten guidance and have accelerated our march towards an AUM of INR 300 billion by 2022.

FROM THE CEO'S DESK

Dear Unitholders,

I am delighted to present to you the first Annual Report of India Grid Trust, India's first power sector Infrastructure Investment Trust.

IndiGrid is focused on becoming the most admired yield vehicle in Asia built on the fundamentals of transparency, governance and providing superior risk-adjusted returns. IndiGrid has delivered excellent performance in its very first year, quarter after quarter. We have beaten guidance and have accelerated our march towards our mission of reaching an AUM of INR 300 billion by 2022.

The government has taken significant steps for accomplishing '24x7 Power for All'. The initiatives like Saubhagya, DDUGJY, UDAY, push to renewables electricity, etc., all augur well for the power transmission sector. Further demand propellants like 100% electric vehicle implementation by 2030, rising personal, industrial and agricultural consumption, steadily strengthening generation and distribution segments and improving affordability will help to increase the efficient use of electricity in India. As per TERI report on 'Transitions in Indian Electricity Sector 2017 – 2030', the country's electricity demand is expected to increase from 1,115 BU in 2015-16 to 2,509 BU in 2026-27 at a CAGR of 7.7%. All these factors put the focus on the need for adequate transmission infrastructure, pushing it among the most attractive investment opportunity, a fact also seconded by Infrastructure Investability Index by CRISIL in its Infrastructure Yearbook 2017.

Let me now delve into our performance during the 10 months of FY18. IndiGrid started with two transmission assets - BDTCL and JTCL. It completed the acquisition of 3 more assets from its Sponsor in Q4 FY18. Backed by maximum asset availability, our Consolidated Revenue and EBITDA stood at INR 4,476 million and INR 4,155 million, respectively. In line with our Distribution policy, we have declared a total DPU of INR 9.56, which is 4% higher than our guidance.

We closed the year with an asset count of 13 transmission lines and 2 substations across 8 states of India. The residual contract life across the 5 Project SPVs is over 33 years. IndiGrid is AAA rated and has an AUM of INR 52 billion. As per independent valuation report as on March 31, 2018, IndiGrid units have a NAV of INR 101.87. The high-quality existing Sponsor assets provide a captive pipeline for IndiGrid assuring 3x growth in AUM over next 3-4 years and a portfolio IRR of 12%.

As we intensify the momentum of creating, nurturing and growing IndiGrid, I acknowledge the contribution of Board of Directors in providing the direction and guidance to the leadership team. I would also like to thank our team for their dedication, perseverance and hard work. Above all, I am thankful to our unitholders for the faith which each one of you has placed in us. Together, we have delivered a formidable performance and will continue to do so with your support.

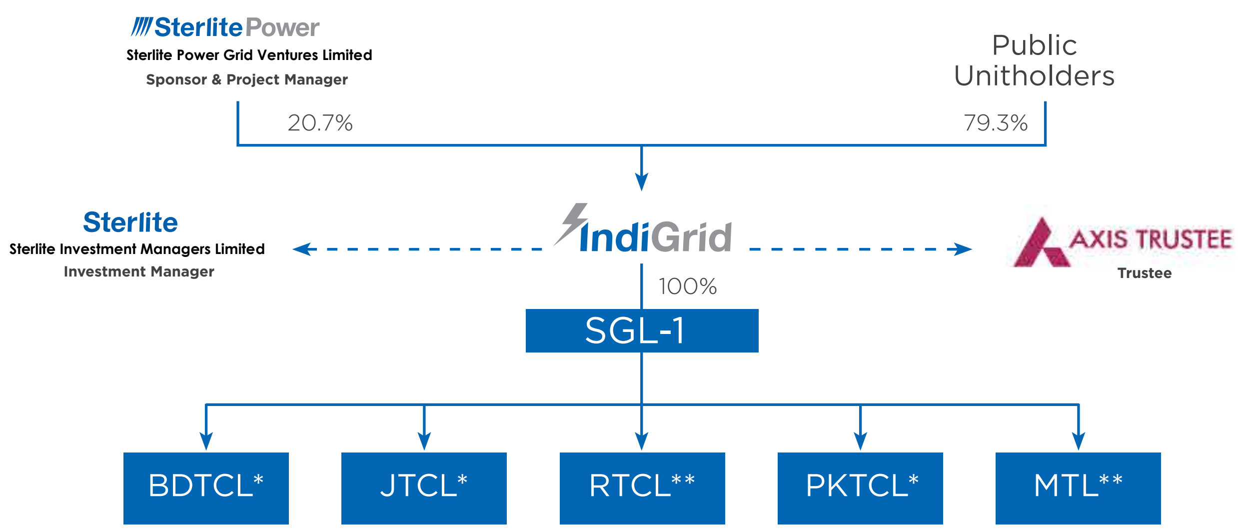
Yours Truly,
Pratik Agarwal,
CEO

THE INDIGRID ADVANTAGE

Strong Industry Fundamentals and Prospects	Perpetual Ownership
Predictable Long-Term Cash Flows	No Construction Risk
Low Operating Risk	Near 100% Availability
No Price or Volume Risk	Very Low Counter Party Risk
Conservative Capital Structure	AAA Rated
Maximize Distribution	Strong Growth Pipeline
Strong Corporate Governance	Diversified Investor Base

ABOUT INDIGRID

IndiGrid – Key Stakeholders



** 100% owned*
*** 49% owned; remaining to be acquired at the expiry of lock-in provision under respective TSA*

IndiGrid is India's First Power Sector Infrastructure Investment Trust. It is established with an objective of providing stable and predictable returns to its unitholders by owning operational power transmission assets in India. It currently owns 5 projects spanning across 8 states with an AUM of INR 52 BN. IndiGrid is sponsored by SPGVL, one of the leading independent power sector developers in India and Brazil.

Sponsor

IndiGrid's sponsor, SPGVL is a leading global developer of power transmission infrastructure. SPGVL has extensive experience in projects spanning across India and Brazil. It has dedicated teams to ensure best-in-class designing, construction and maintenance of power transmission assets. SPGVL uses the latest technologies during the construction period to improve efficiency and minimize the impact on the environment. Further, it has strong relationships with contractors and suppliers, which helps it complete projects ahead of schedule.

Sterlite Power Transmission Limited (SPTL), is the parent company of SPGVL.

Board of Directors
Mr. Pravin Agarwal
Mr. Pratik Agarwal
Mr. A R Narayanaswamy
Ms. Avaantika Kakkar
Mr. Ved Mani Tiwari

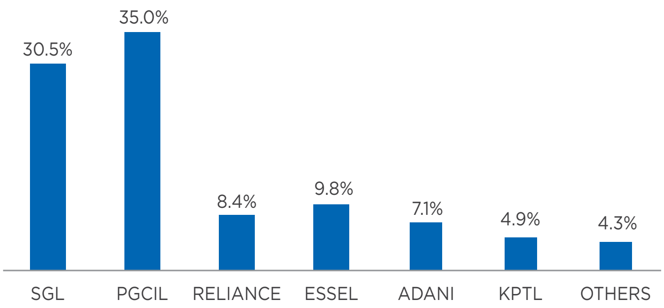
Mr. Ved Mani Tiwari serves as the CEO of Sponsor. He has over three decades of leadership experience in infrastructure sector. He was part of the leadership team that conceptualised and built the phase of Delhi Metro. He was also responsible for building of Kochi Metro as Whole-time Director on the Board of Kochi Metro Rail corporation. He also guided Chennai and Nagpur Metro managements as a Director on the Boards of Chennai and Nagpur Metro Rail Corporations. As Director in the Ministry of Railways, he led the largest railway PPP projects for setting up locomotive manufacturing units in the country.

He holds a Bachelor's degree in Electrical Engineering, Master's degree in Business Administration from the Indian School of Business, Hyderabad and has attended Executive Programs at Kellogg School of Management, Wharton Business School and Singularity University

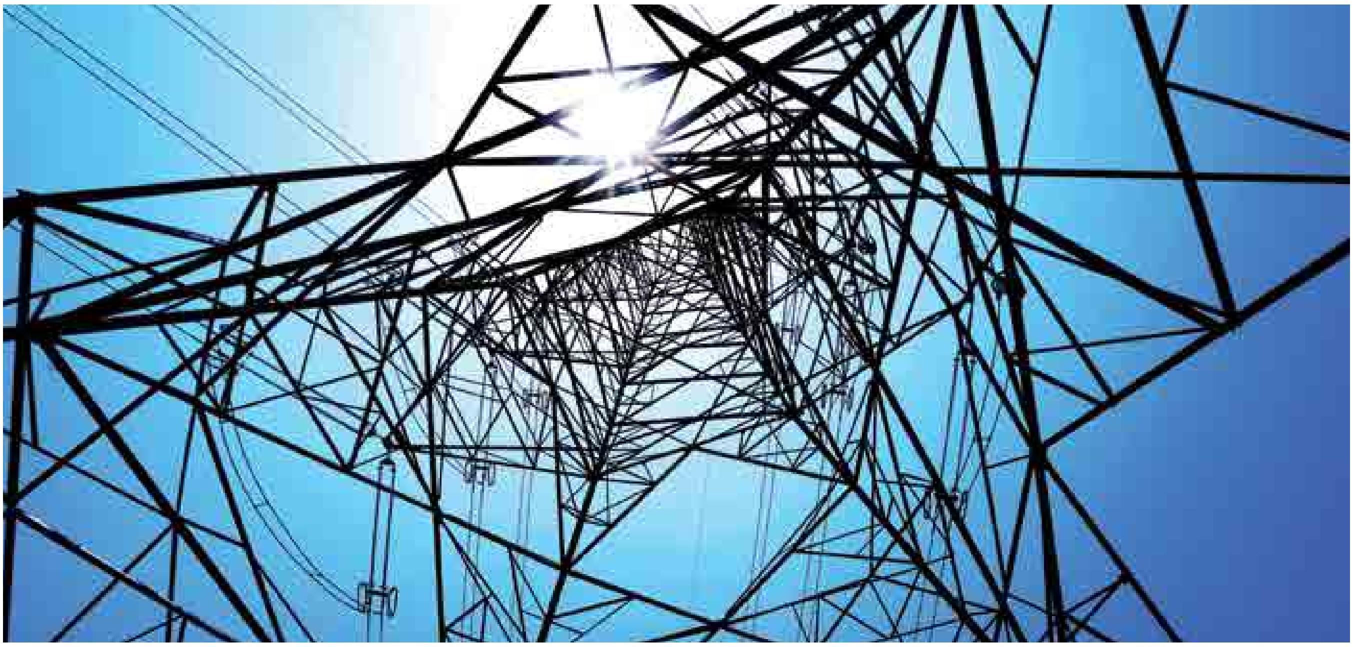
SPGVL is a developer with many firsts to its account...

- One of the leading independent power transmission companies in the private sector, with a market share of 30.5% under the TBCB system
- Issued India's first AAA (SO) rated Transmission Bonds for its subsidiary East-North Interconnection Company (ENICL) in January 2016
- Set a new benchmark by becoming the first company to commission a project under TBCB regime, RAPP Transmission Company Limited (RTCL), ahead of schedule
- First private company to commission a transmission element nearly a year ahead of schedule when it commissioned Jalandhar - Samba Transmission Line of NRSS project in June 2016
- Innovative execution: In partnership with Erickson Inc, Sterlite deployed Aircrane to install 160 transmission towers in Northern India, despite the challenging terrain. SPGVL has also partnered with 'Sharper Shape' to introduce UAV technology in India.
- Won one of the largest transmission projects worth US$800 mn in Brazil

Market Share under TBCB



Source: Monthly progress report of Transmission projects awarded through Tariff Based Competitive Bidding (TBCB) route (CEA) (as on 30.04.18)

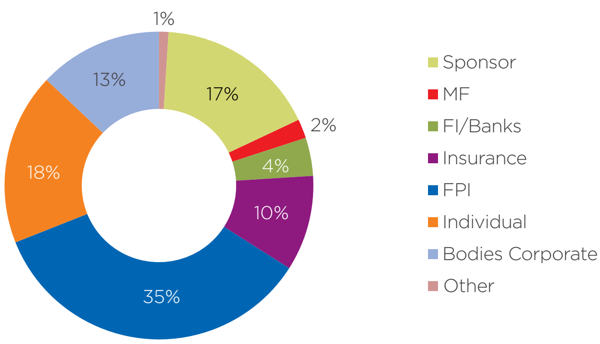


Unitholders

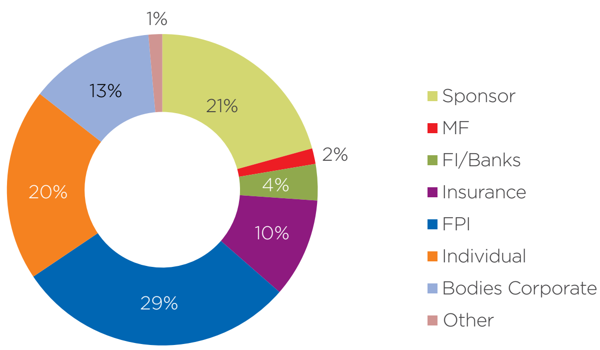
SPGVL, Sponsor of IndiGrid held 16.7% stake in IndiGrid as on September 29, 2017 wherein Sponsor needs to hold 15% stake for a period of three years and remaining for 1 year from listing.

CERC approved project cost escalation of INR 1.7 Billion for JTCL resulting in 9.89% tariff increase in non-escalable transmission charges over the life of TSA retrospectively from CoD (along with any incentive earned on the same). According to the Project and Implementation Agreement between IndiGrid and SPGVL, the Project Manager was supposed to get 80% of the value of this tariff increase as additional units. In line with this understanding, IndiGrid issued INR 1.36 Billion worth of units (80% of INR 1.7 Billion) at an issue price of INR 100/ unit on October 26, 2017. Post the issuance of these additional units, SPGVL's stake increased from 16.7% to 20.7% in IndiGrid.

Unitholding Pattern as on September 30, 2017



Unitholding Pattern as on March 31, 2018



Trustee

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

Board of Directors
Mr. SrinivasanVaradarajan
Mr. M. Raghuraman
Mr. Ram BharoseylalVaish
Mr. RajaramanVishwanathan
Mr. Sidharth Rath

The Trustee, independent of Sponsor and Investment Manager is entrusted with the custody of the assets ensuring highest corporate governance standards.

The Trustee has signed a Trust Deed with IndiGrid on October 21, 2016. As per the provisions, the trustee is supposed to:

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

Please refer to the IndiGrid Offer Document for detailed information on the rights and duties of the Trustee

Investment Manager

Sterlite Investment Managers Limited (SIML), erstwhile Sterlite Infraventures Limited, a wholly- owned subsidiary of Sterlite Power Transmission Limited ("SPTL"), is the Investment Manager for IndiGrid. Investment Manager is responsible for the operations of the Trust and key decisions, such as distribution of cash flows, acquisition/ divestment of assets in addition to activities such as Investor Relations.

Board of Directors
Mr. Tarun Kataria*
Mr. Shashikant H Bhojani*
Mr. Rahul Asthana*
Mr. Kuldip K Kaura
Mr. Pratik Agarwal
Mr. Harsh Shah

**Independent Director*

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

- Take all decisions in relation to the management and administration of IndiGrid's assets and the investments of IndiGrid
- Oversee the activities of the Project Manager in terms of the InvIT Regulations and Applicable Law.
- Issue and allot Units, accept subscriptions to Units of IndiGrid and issue transfer and allot Units to Unitholders or such other persons and undertake all related activities

Project Manager

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

- Operate, maintain and manage IndiGrid's assets as per the terms and conditions of the O&M agreements, either directly or through the appointment and supervision of appropriate agents
- Provide additional services to IndiGrid's assets on the terms and conditions set out in the Project Implementation and Management Agreement, including in relation to accounting, billing and collections, administrative functions, procurement, legal support, regulatory support and engineering.

BOARD OF DIRECTORS
(Investment Manager)

Mr. Tarun Kataria

Mr. Shashikant H Bhojani

Mr. Rahul Asthana

Mr. Kuldip K Kaura

Mr. Pratik Agarwal

Mr. Harsh Shah

Mr. Tarun Kataria
Independent Director

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

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

Mr. Shashikant H Bhojani
Independent Director

Mr. Bhojani has over 28 years of experience with ICICI Bank Limited. He started his career as a Law Officer and eventually rose to the position of Board Member. He was ranked as a senior statesman and notable practitioner in banking and finance by Chambers Asia Pacific (2017 and 2016) and rated as a 'leading lawyer' for banking by IFLR1000 (2016).

He also served as an independent director on the board of L&T Infrastructure Finance Company Limited and has been a member of various committees, and working groups established by the Government of India and SEBI. He is a lawyer by profession and a former partner in Cyril Amarchand Mangaldas.

Mr. Rahul Asthana
Independent Director

Mr. Asthana is a retired IAS officer from the 1978 batch. He currently serves as a non-executive independent director at Mahindra Vehicles Manufacturing Limited, Aegis Logistics, NBS International, Vadivarhe Speciality Chemicals Ltd and Mumbai Metro Rail Corporation Limited. He served as the Metropolitan Commissioner of MMRDA, Chairman of Mumbai Port Trust, principal secretary of the Department of Energy of the Government of Maharashtra.

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

Mr. Kuldip K Kaura
Non-Executive Director

Mr. Kaura has rich experience in cement, natural resources and power sector. Currently, he is an interim CEO of Vedanta Limited and previously he was the CEO & MD of ACC, COO of Vedanta Resources, Managing Director of Sterlite Industries India Limited and Managing Director of ABB India Limited. He has served as a member of the National Council of Confederation of Indian Industries.

He holds a Bachelor's degree in Mechanical Engineering from the Birla Institute of Technology & Science, Pilani.

Mr. Pratik Agarwal
Chief Executive Officer & Whole-time Director

Mr. Agarwal is the CEO & MD of Sterlite Power. He has over 10 years of experience in building core infrastructure businesses in ports, power transmission and broadband. He has been instrumental in transforming the way infrastructure projects – especially power transmission are built by deploying global technologies like LiDAR survey, heli-stringing and helicrane construction. He is also the Chairman of the Transmission Task Force constituted by FICCI.

He holds a Master's degree in Business Administration from London Business School and a Bachelor's degree from Wharton Business School.

Mr. Harsh Shah
Chief Financial Officer & Whole-time Director

Mr. Shah has over 10 years of experience in private equity financing, mergers and acquisitions, infrastructure financing, regulatory and macroeconomic policy issues, with a focus on the infrastructure sector. Prior to joining Sterlite, he has worked with Larsen & Toubro Limited, L&T Infrastructure Finance Company Limited and Procter & Gamble International Operations Pte. Limited.

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

IndiGrid

EVOLUTION OF INDIGRID

2000
Incorporation of Sterlite Technologies Ltd. (STL)

2009
Sterlite enters into Power Transmission business

2010
Sterlite awarded India's First Ultra Mega Independent Power Transmission Project under TBCB - ENICL

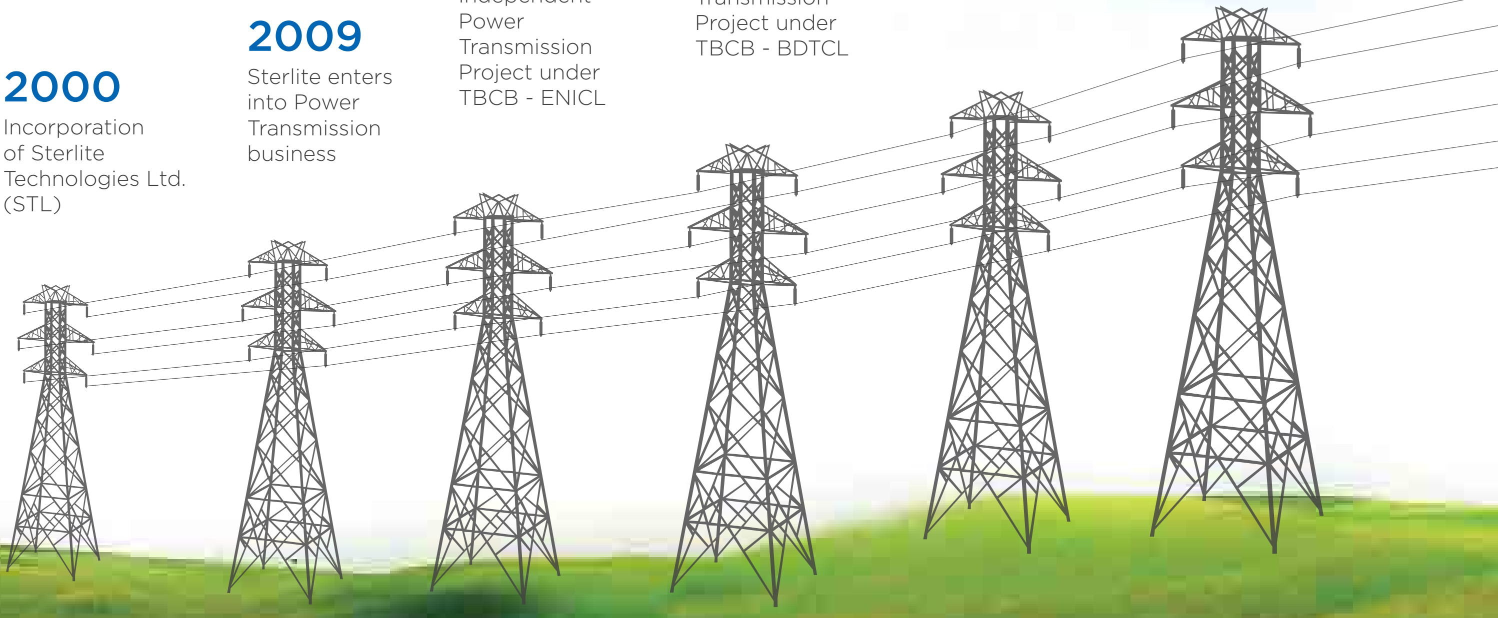
2011
Sterlite awarded India's First 765 kV Power Transmission Project under TBCB - JTCL

Sterlite awarded another Power Transmission Project under TBCB - BDTCL

2012
Sterlite achieves Financial Closure for BDTCL and JTCL

2014
Standard Chartered Private Equity invests INR 5 Billion in Sterlite's Transmission business

Sterlite commissions ENICL



2015

Sterlite commissions JTCL

Sterlite enters into a technical partnership with Burns and McDonnell.

2016

Sterlite becomes the first developer
to commission a TBCB project ahead of schedule - RTCL

Commissioned Jalandhar Samba line of NRSS XXIX project nearly a year ahead of schedule

Sterlite partners with a Finnish firm, Sharper Shape, for UAV technology

Sterlite deploys air cranes to install transmission towers in northern India, partnering with Erickson, Inc. USA

Sterlite completes demerger of power business

IndiGrid is formed as a registered trust

IndiGrid files DRHP

2017

Sterlite commissions PKTCL and MTL

SEBI approves DRHP

IndiGrid lists on Indian Stock Exchanges

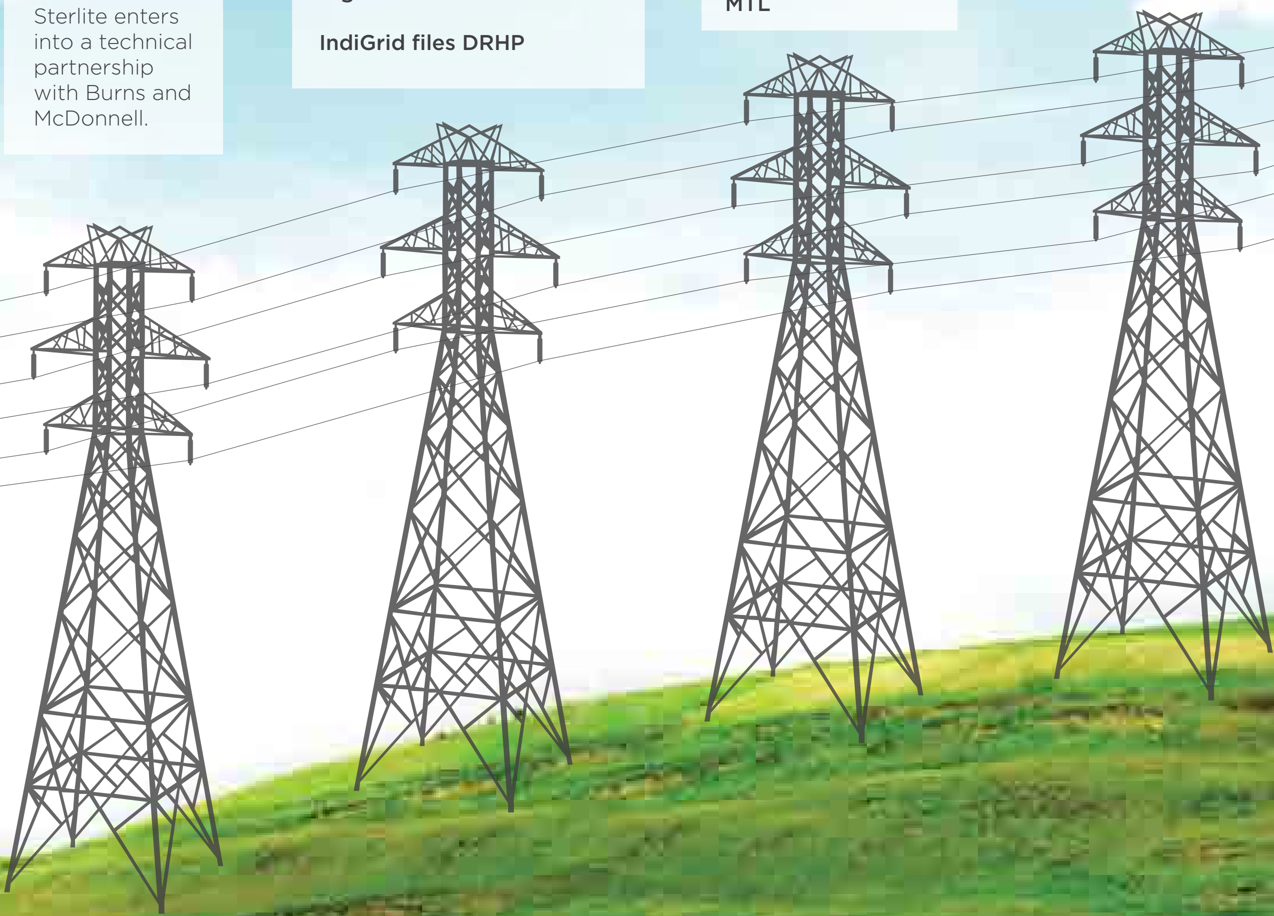
IndiGrid holds first EGM and obtains unanimous approval for acquisition of 3 sponsor assets - RTCL, PKTCL and MTL

2018

IndiGrid completes acquisitions of 3 sponsor assets –RTCL, PKTCL, MTL

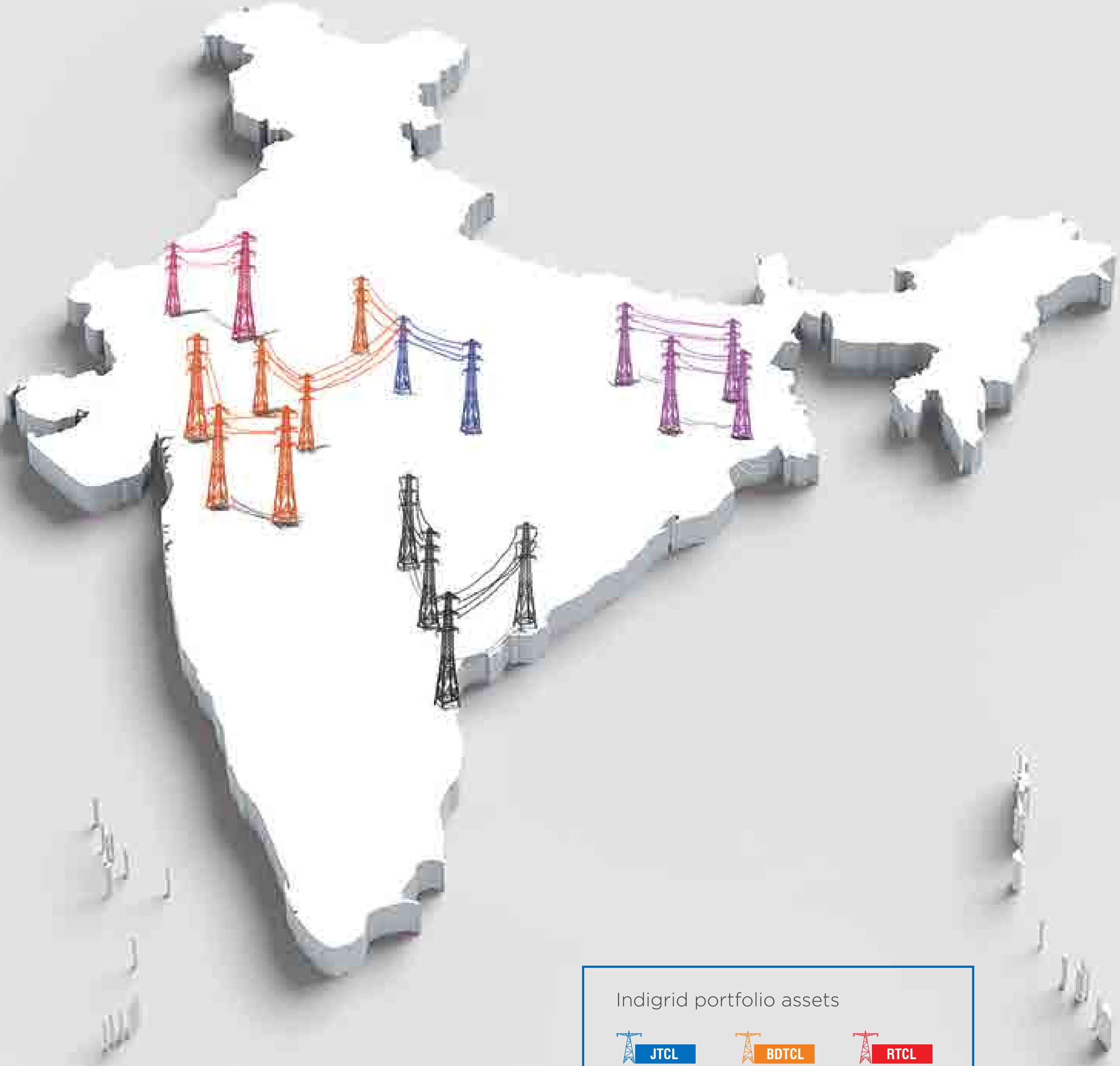
IndiGrid completes first financial year, outperformed DPU guidance by 4.0%

IndiGrid signs definitive agreements to acquire Patran Transmission Company Ltd (PTCL), a third-party power transmission asset in the state of Punjab



IndiGrid

OVERVIEW OF ASSET PORTFOLIO



IndiGrid owns 5 operational power transmission assets, Bhopal Dhule Transmission Company Limited (BDTCL), Jabalpur Transmission Company Limited (JTCL), Purulia & Kharagpur Transmission Company Ltd (PKTCL), Rapp Transmission Company Ltd (RTCL), and Maheshwaram Transmission Ltd (MTL). These assets operate on Build Own Operate and Maintain (BOOM) Model with a residual contract life of an average of 33 years and a useful life of up to 50 years.

INITIAL PORTFOLIO ASSETS

Bhopal Dhule Transmission Company Limited

Bhopal Dhule Transmission Company Limited (BDTCL) was incorporated on September 8, 2009. BDTCL entered into a TSA dated December 7, 2010, with LTTCs. The BDTCL project was awarded to SGL-1 by the Ministry of Power on perpetual ownership basis with a TSA term of 35 years from the scheduled commercial operation date of the BDTCL Project.

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. As IndiGrid's largest power transmission project, BDTCL operates six EHV overhead transmission lines of approximately 944 ckms comprising four 765 kV single circuit lines of approximately 891 ckms and two 400 kV double circuit lines of approximately 53 ckms.

EPC Sub-contractors

Bhopal region: Simplex Infrastructures Ltd

Dhule region: KEC International

Sub-station: Alstom

Details of BDTCL Transmission Lines

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

As on March 31, 2018, the BDTCL TSA has a remaining term of over 32 years. The average availability of BDTCL since commissioning is 99.8% with an availability of 99.9% for FY18.

Jabalpur Transmission Company Limited

Jabalpur Transmission Company Limited (JTCL) was incorporated on September 8, 2009. JTCL entered into a TSA dated December 1, 2010, with LTTCs. The JTCL project was awarded to SGL-1 by the Ministry of Power on perpetual ownership basis with a TSA term of 35 years from the scheduled commercial operation date of the JTCL Project.

JTCL alleviates transmission capacity bottlenecks and expands the reliability and stability of the power grid in western and northern India by providing an open access to transmit power from the independent power projects in the east of India. The corridors, thus created are crucial links, on the basis of which the CTU has entered into long-term open-access agreements with several generation companies in the eastern region of India.

EPC Sub-contractors
J-D line: Simplex Infrastructures Ltd & LANCO
J-B line: Unitech Power Transmission Ltd.

JTCL operates two EHV overhead transmission lines of approximately 992 ckms in the states of Chhattisgarh and Madhya Pradesh, comprising one 765 kV double circuit line of approximately 757 ckms from Dharamjaygarh

(Chhattisgarh) to Jabalpur (Madhya Pradesh) and one 765 kV single circuit line of approximately 235 ckms from Jabalpur to Bina in Madhya Pradesh. The Jabalpur - Bina line of JTCL is the first 765 kV transmission line developed by a private company in India.

Details of JTCL Transmission Lines

Transmission Line/ Substation	Location	CKMS	Specifications	Commission Date	Contribution to total tariff (%)
Jabalpur-Dharamjaygarh	Chhattisgarh, Madhya Pradesh	757	765 kV D/C	September 14, 2015	72%
Jabalpur-Bina	Madhya Pradesh	235	765 kV S/C	July 1, 2015	28%

As of March 30,' 2018, the JTCL TSA had a term of 32 years. The average availability of JTCL since commissioning is 99.8% with an availability of 99.8% for FY18.

ASSETS ACQUIRED FROM SPONSOR IN Q4 FY18

Purulia & Kharagpur Transmission Company Limited

Purulia & Kharagpur Transmission Company Limited (PKTCL) was incorporated on December 15, 2012. PKTCL entered into a TSA dated August 6, 2013, with LTTCs. The PKTCL project is held by SGL-2 and was awarded by the Ministry of Power on perpetual ownership basis with a TSA term of 35 years from the scheduled commercial operation date of the PKTCL Project.

PKTCL supports the growing interconnection of the West Bengal state grid and the Inter-State Transmission System and facilitates the exchange of additional power between them. PKTCL is intended to strengthen the transmission system in the states of West Bengal and Jharkhand. PKTCL operates two EHV overhead transmission lines with a total circuit length of approximately 545 cKms in the states of West Bengal and Jharkhand. The project was fully commissioned by January, 2017.

EPC Sub-contractors

KC Line : Unitech

PR Line : KEC International

Elements in PKTCL

Transmission Line/ Substation	Location	CKMS	Specifications	Commission Date	Contribution to total tariff (%)
Kharagpur-Chaibasa	West Bengal, Jharkhand	322	400 kV D/C	June 18, 2016	55%
Purulia-Ranchi	West Bengal, Jharkhand	223	400 kV D/C	January 7, 2017	45%

As on March 31, 2018, the PKTCL TSA has a remaining term of over 33 years. The average availability of PKTCL since commissioning is 100% with an availability of 100% for FY18.

RAPP Transmission Company Limited

RTCL was incorporated on December 20, 2012. RTCL entered into a TSA dated July 24, 2013, with LTTCs. The RTCL project is held by SGL-2 and was awarded by the Ministry of Power on perpetual ownership basis with a TSA term of 35 years from the scheduled commercial operation date of the RTCL Project.

RTCL is expected to strengthen power transfer capability between the northern and western sectors of India's power grid by evacuating electricity from two new nuclear reactors near RAPP (Rajasthan), known as Unit 7 and Unit 8, to the central Madhya Pradesh state grid. The project was undertaken in conjunction with the Nuclear Power Corporation of India's Rajasthan Atomic Power Project.

RTCL operates one EHV overhead transmission line of approximately 403 ckms in the states of Rajasthan and Madhya Pradesh, comprising one 400 kV D/C line from Kota to Shujalpur. The project was mechanically completed in December, 2015.

EPC Sub-contractors

Rapp – Shujalpur – L&T Ltd.

Elements in RTCL

Transmission Line/ Substation	Location	CKMS	Specifications	Commission Date	Contribution to total tariff (%)
RAPP-Shujalpur	Rajasthan, Madhya Pradesh	403	400 kV D/C	February 26, 2016	100%

As on March 31, 2018, the RTCL TSA has a remaining term of over 33 years. The average availability of RTCL since commissioning is 99.8%, with an availability of 99.9% for FY18.

Maheshwaram Transmission Limited

Maheshwaram Transmission Limited (MTL) was incorporated on August 14, 2014. MTL entered into a TSA with LTTCs dated June 10, 2015, with LTTCs. The MTL project is held by SGL-3 and was awarded by the Ministry of Power on perpetual ownership basis with a TSA term of 35 years from the scheduled commercial operation date of the MTL Project.

MTL is expected to constitute a key component in enabling the Southern region of India to draw more power from the North-East-West Grid and largely address the issue of power stability in Telangana region. This improved grid connectivity is expected to facilitate power procurement from the ISTS network to meet electricity demands in the southern regions of India. The project is operational with the Nizamabad-Yeddumailaram (Shankarapali) line, commissioned in October, 2017. The project was commissioned 6 months before the scheduled COD Details of MTL's transmission lines and line bays are set forth as follows:

EPC Sub-contractors

TL– L&T Ltd.

Bays – GE Power India Ltd.

Elements in MTL

Transmission Line/ Substation	Location	Route Length (ckms)	Specifications	Commission Date	Contribution to total tariff (%)
Maheshwaram (PG)- Mehboob Nagar	Telangana	199	400 kV D/C	December 14, 2017	35%
2 Nos. of 400 kV line bays at Mehboob Nagar S/S of TSTRANSCO	Telangana	-			
Nizamabad-Yeddumailaram (Shankarapalli	Telangana	278	400 kV D/C	October 14, 2017	65%
2 Nos. of 400 kV line bays at Yeddumailaram (Shankarapalli) S/S of TSTRANSCO	Telangana	-			

As on March 31, 2018, the MTL TSA has a remaining term of over 34.5 years. The average availability of MTL since commissioning is 100% with an availability of 100% for FY18.

In view of the aforesaid acquisitions, the Investment Management Agreement executed between ATSL, SIML, SGL-1, BDTCL, JTCL on November 10, 2016 and amended on December 1, 2016, was further amended on February 14, 2018, to include MTL, PKTCL and RTCL as parties to the agreement. Further, the Project Implementation and Management Agreement executed between ATSL, SPGVL, SIML, SGL-1, BDTCL, JTCL and amended on April 25, 2017, was further amended on February 14, 2018, to include MTL, PKTCL and RTCL as parties to the agreement.

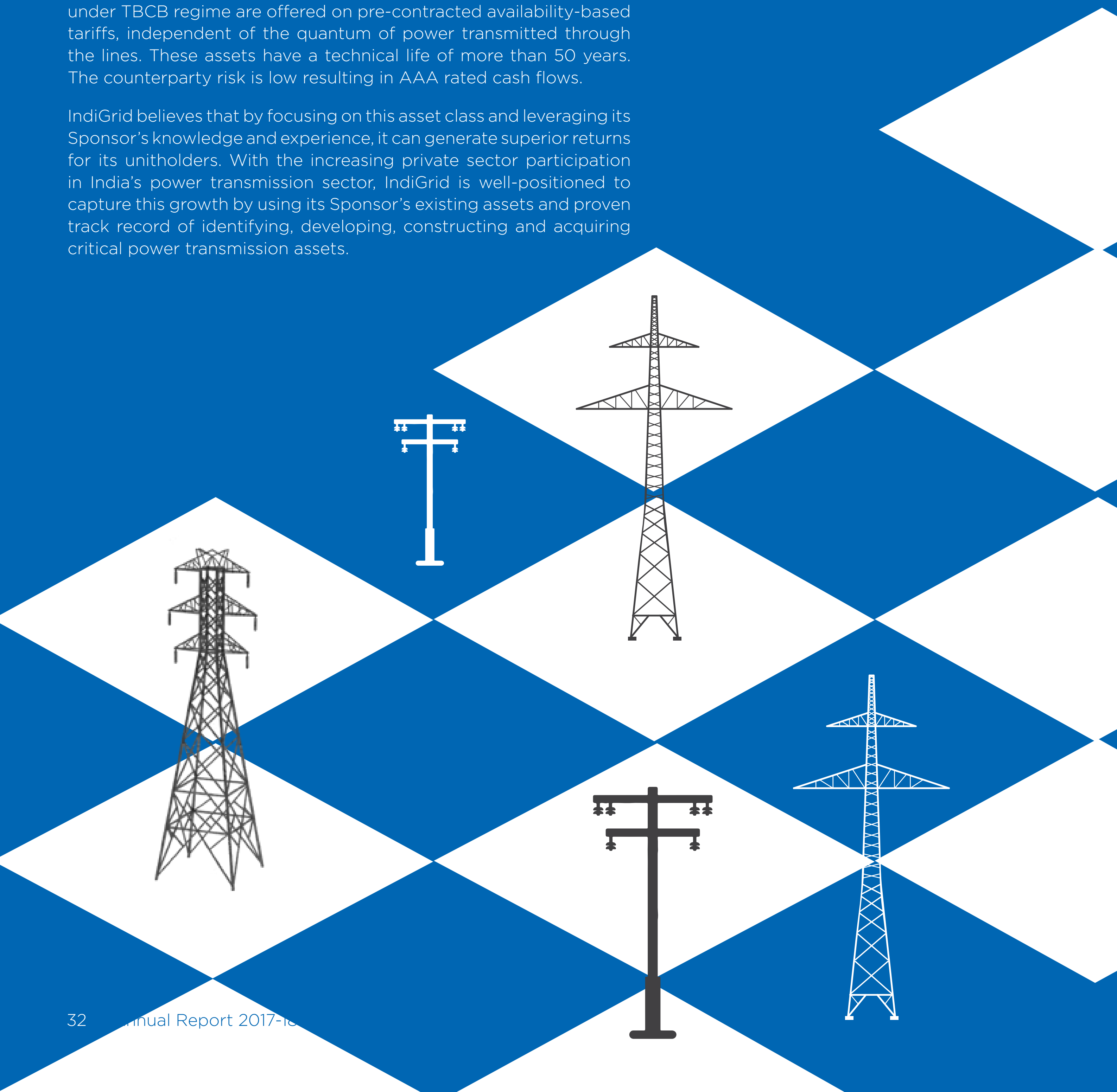
INDIGRID'S STRATEGY

IndiGrid's objective is to provide superior risk adjusted returns to its unitholders through investment in long-term stable cash-generating power transmission assets. IndiGrid's strategy to achieve its stated objectives has four important pillars :

FOCUSED BUSINESS MODEL

IndiGrid will own operating power transmission assets with long-term contracts, low operating risks and stable cash flows. These assets under TBCB regime are offered on pre-contracted availability-based tariffs, independent of the quantum of power transmitted through the lines. These assets have a technical life of more than 50 years. The counterparty risk is low resulting in AAA rated cash flows.

IndiGrid believes that by focusing on this asset class and leveraging its Sponsor's knowledge and experience, it can generate superior returns for its unitholders. With the increasing private sector participation in India's power transmission sector, IndiGrid is well-positioned to capture this growth by using its Sponsor's existing assets and proven track record of identifying, developing, constructing and acquiring critical power transmission assets.



VALUE-ACCRETIVE GROWTH:

There are two strong guiding objectives driving IndiGrid's value accretive strategy:

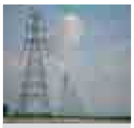
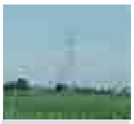
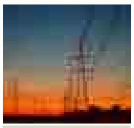
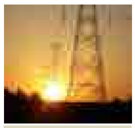
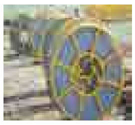
Portfolio IRR of 12%: The management is focused on achieving a healthy portfolio IRR accretion. IndiGrid will continue to look out for acquisitions of a mix of Sponsor and third party assets, aimed at boosting its portfolio IRR to 12%.

Annual DPU accretion of 3-5%: In addition to IRR growth, IndiGrid intends on increasing DPU by 3%-5% on an annual basis. In FY18, IndiGrid surpassed its annualized DPU guidance by 4.0%. The guidance for FY19 is INR 12 per unit, an annualized increase of 4.6% over FY18 annualized DPU on the back of the acquisition of three assets, PKTCL, RTCL and MTL in Q4 FY18.

IndiGrid aims to achieve its growth through the following ways:

Acquisition of Sponsor Assets: Sponsor currently has 7 assets under various stages of operation and construction. These seven assets represent a strong near and medium growth opportunity for IndiGrid. This captive pipeline offers 3x growth in AUM for IndiGrid as compared to existing AUM of INR 52 billion, resulting in 12% portfolio IRR. Further, the Sponsor is a leader in acquiring, developing and constructing transmission assets in India. It is well-positioned to win several bids in the transmission space resulting in a further growth opportunity for IndiGrid.

STRONG PIPELINE OF EXISTING SPONSOR ASSETS

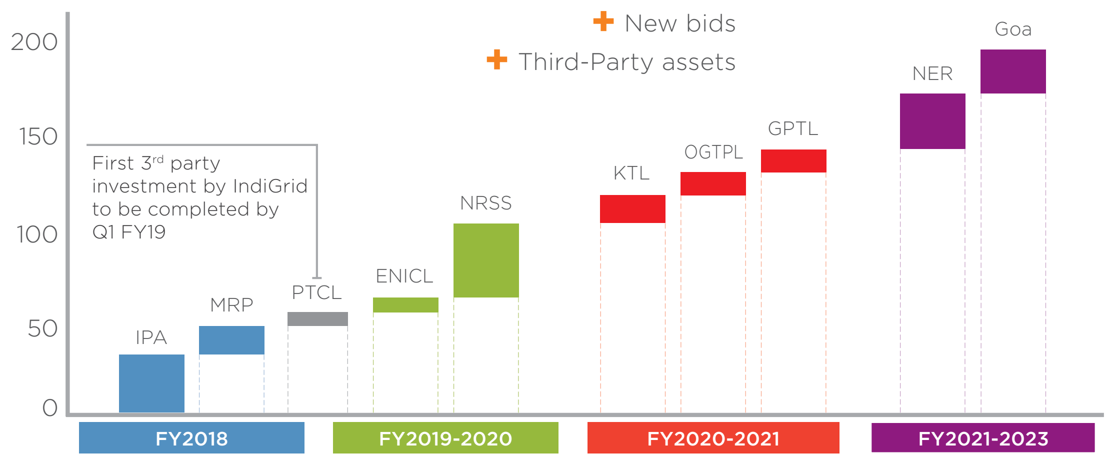
	East North Interconnection Ltd (ENICL)	NRSS XXIX Transmission Ltd (NTL)	Odisha Generation Phase Transmission Ltd (OGPTL)	Gurgaon-Palwal Transmission Ltd (GPTL)	Khargone Transmission Ltd (KTL)	NER-II Transmission Limited	Goa Tamnar Transmission Project Ltd.
							
Overview	2 x 400 kV D/C lines	3x400 kV D/C lines, 1x400/220 kV D/C GIS sub-station	1x765 kV D/C line, 1x400 kV D/C line	5x400kV D/C lines and 3x400/220 kV substations	2x765 kV D/C lines, 1x400 kV D/C line and 1x765/400 kV substation	2x400 kV D/C lines, 2x132 kV D/C lines and 2x400/132 kV substations	2x400 kV D/C quad lines, 1x765 kV D/C line, 2x500 MVA, 400/220 kV substation
Scheduled COD	Commissioned	Oct 2018	Aug 2019	Sep 2019	Jul 2019	Nov 2020	LOI Received on Nov 30, 2017
Length	909 ckms	887 ckms	715 ckms	271 ckms	624 ckms	900 ckms	~500 ckms (tentative)
Revenues (5 yr. avg.)	INR 1,420 Mn	INR 5,030 Mn	INR 1,590 Mn	INR 1,440 Mn	INR 1,860 Mn	INR 4,520 Mn	Tariff adoption order awaited

Acquisition of third-party assets: In addition to potentially acquiring assets from the Sponsor, IndiGrid will also pursue the acquisition of assets owned by other developers. During H2 FY18, IndiGrid already signed definitive agreements to acquire PTCL from Techno -Electric and Engineering Company Limited.

With the increasing private sector participation in India's power transmission sector, IndiGrid is well-positioned to capture this growth opportunity by using its Sponsor's existing and future assets .

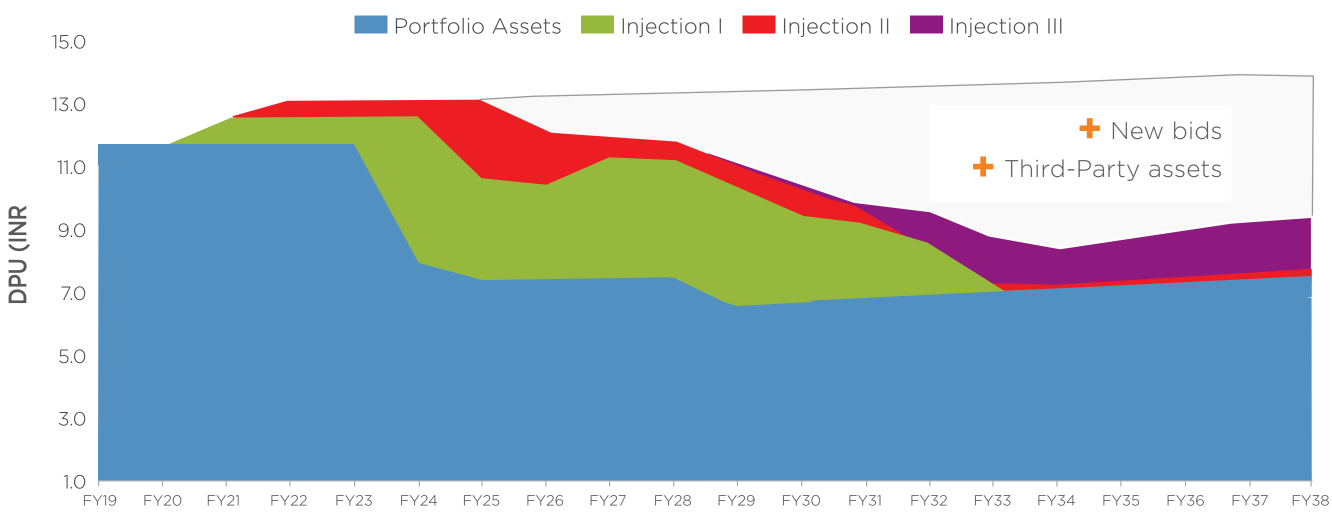
The chart below depicts the year-on-year increase in AUM from sponsor assets. IndiGrid can quadruple in size only from this pipeline over the next 3-4 years.

AUM In INR billion



This growth pipeline will result in healthy IRR and DPU accretion for IndiGrid unitholders. The chart below depicts DPU accretion post-acquisiton of existing sponsor assets.

Indicative DPU considering Sponsor assets and PTCL



BEST-IN-CLASS CORPORATE GOVERNANCE:

IndiGrid has a strong corporate governance framework with 50% Independent Directors on the Board. In addition to the regulatory framework, Investment Manager, SIML has adopted a strong cadence to achieve operational excellence for IndiGrid.

Below figure depicts the strong Governance framework at IndiGrid:

ELIGIBILITY AND LOCK-IN

At least 80% of InvIT's assets have to be revenue-generating for 1 year prior to the acquisition, ensuring operational stability.

Sponsor to remain invested and hold at least 15% of units of InvIT for three years after the initial offer of Units ensuring alignment of interest between Sponsor and Unitholders.

INDEPENDENCE

Valuation of assets along with physical inspection to be undertaken by a valuer periodically.

Investment committee comprises of only independent directors.

50% of Board of the Investment Manager to be independent.

LEVERAGE AND DISTRIBUTION

Maximum gearing of 49% permissible with credit rating and unitholders' approval required for gearing above 25%.

90% of net distributable cash flows to be distributed to the unitholders, at least every six months.

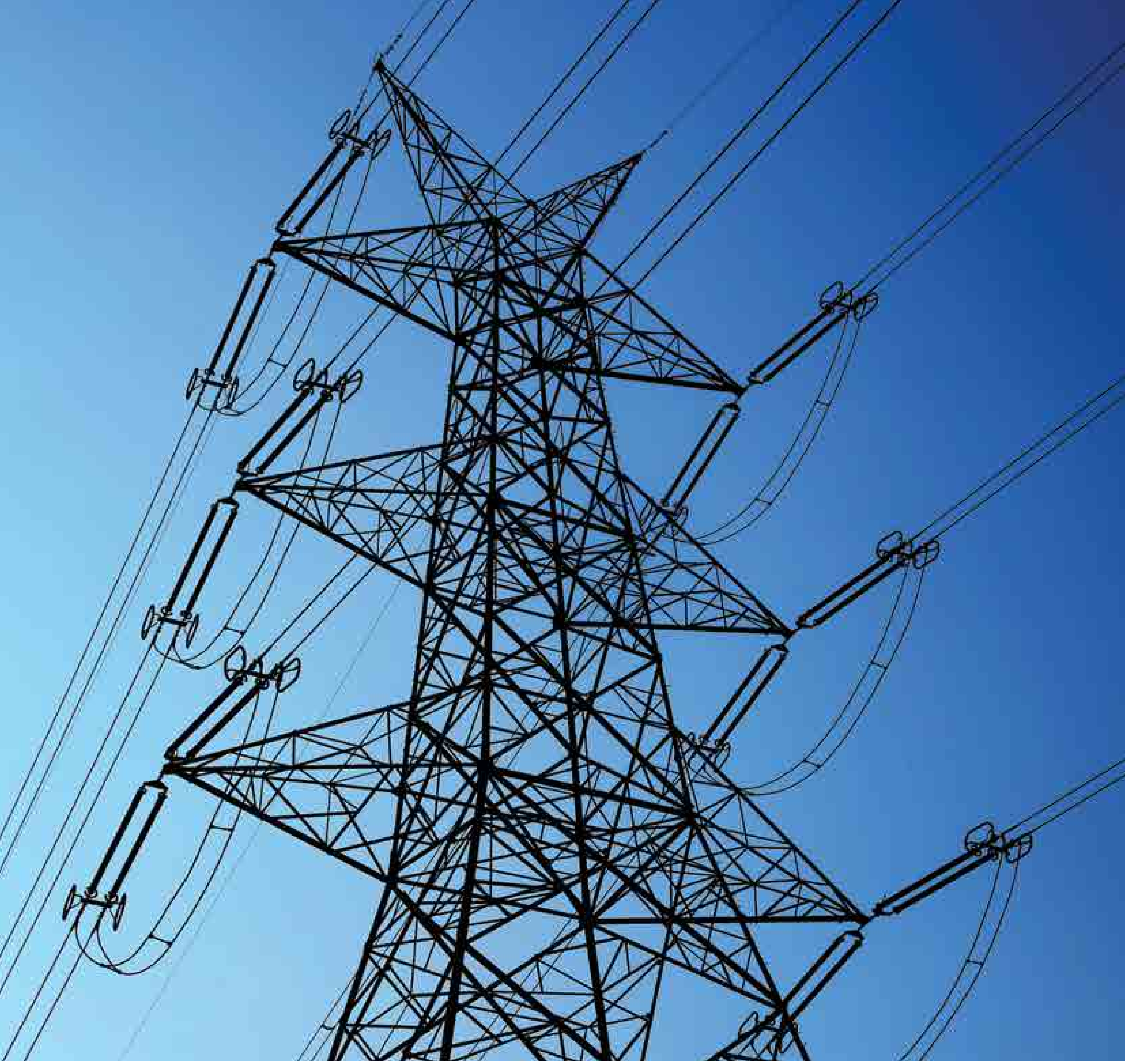
UNITHOLDER RIGHTS

Ability to appoint and remove Investment Manager.

Vote on the increase in leverage over 25%.

Vote on acquisition or divestment of assets.

Vote on Material Related Party Transaction.



OPTIMAL CAPITAL STRUCTURE:

IndiGrid intends to maintain a balanced capital structure and consolidated leverage to maximize stable and predictable cash flows to its unitholders. Currently, the consolidated borrowings and deferred payments net of cash and cash equivalents are 45% of the total value of IndiGrid's assets.

IndiGrid remains committed to maintaining optimal capital to ensure (i) compliance with the InvIT regulations (ii) maximise distribution to its investors and (iii) lower the cost of capital by ensuring AAA credit rating for its borrowings, both at SPV and Trust level.

To achieve these objectives, IndiGrid intends to consider both private and public markets for debt and equity capital to provide the most balanced and optimal capital structure to acquire additional power transmission assets. In addition, it will follow appropriate risk policies to manage foreign currency exchange and market risks.

COMPETITIVE STRENGTHS AND RISK:

IndiGrid is well-positioned to operate and grow in India's power transmission industry. It has numerous sustainable competitive strengths, which it will leverage to achieve its vision.

PREDICTABLE CASH FLOWS

Long-term contracts (up-to 35 years) with High tariff visibility low operating risks.

Quarterly distribution to unitholders.

MINIMAL COLLECTION RISK

Revenue pooling under PoC mechanism minimises collection risk

EXPERIENCED SPONSOR

Leader in power transmission sector with an extensive experience

STRONG GROWTH PIPELINE

Sponsor already has 7 transmission assets and continues to participate and win additional projects

PERPETUAL ASSET OWNERSHIP

Transmission assets are under the BOOM model with perpetual ownership

ROBUST CORPORATE GOVERNANCE

Prudent regulatory regime and best-in-class governance

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

- **Delay in collection**

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

- **Inability to offset cost increases**

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

- **Unforeseen changes in regulatory environment**

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

- **Force Majeure**

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

STRONG GROWTH PIPELINE

SPONSOR ASSETS:

The Sponsor has a strong pipeline of 7 inter-state transmission assets, which are located in strategically important areas. Of the 7 sponsor assets, 1 has been fully commissioned, 2 are partially operational and remaining 4 are under various stages of development.

THIRD-PARTY ASSETS:

In addition to Sponsor Assets, IndiGrid continues to explore Third Party Assets for M&A and increase return for its unitholders. In Q4FY18, IndiGrid signed binding agreements with Techno Group for an investment into Patran Transmission Company Limited (PTCL).

Description of Sponsor assets

East North Interconnection Company Limited

East North Interconnection Company Limited (ENICL) was incorporated on February 1, 2007. ENICL entered into a TSA dated August 6, 2009 and a transmission services agreement dated with LTTCs. The ENICL project was awarded to STL by the Ministry of Power on perpetual ownership basis with a TSA term of 25 years from the date of issue of the license by CERC.

ENICL operates two EHV overhead transmission lines of approximately 909 ckms in the states of Assam, Bihar and West Bengal. The project was fully commissioned in November 2014.

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

NRSS XXIX Transmission Limited

NRSS XXIX Transmission Limited (NTL) was incorporated on July 29, 2013. NTL entered into a TSA dated January 2, 2014 with LTTCs. The NTL project is held by SGL-2 and was awarded by the Ministry of Power on perpetual ownership basis with a TSA term of 35 years from the scheduled commercial operation date of the NTL Project.

The NTL project is expected to deliver over 2,000 MW of electricity from Punjab to the Kashmir Valley by strengthening the transmission system in the states of Jammu and Kashmir and Punjab. The Jalandhar-Samba 400 kV D/C transmission line was commissioned in June, 2016. NTL is expected to commission the other two '400 kV double circuit transmission lines and one 400/220 kV GIS sub-station by October, 2018.

Elements in NTL

Transmission Line/ Substation	Location	CKMS	Specifications	Scheduled/ Actual Commission Date	Expiry of TSA Term
Samba - Amargarh	Jammu & Kashmir	546	400 kV D/C	October 4, 2018	September, 2053
Uri – Wagoora	Jammu & Kashmir	14	400 kV D/C	October 4, 2018	September, 2053
Jalandhar - Samba	Punjab, Jammu & Kashmir	270	400 kV D/C	October 4, 2018 June 24, 2016	September, 2053
Amargarh Sub-Station	Jammu & Kashmir	-	400/220 kV D/C GIS Substation with 630 MVA of transformation capacity	October 4, 2018	September, 2053

Odisha Generation Phase II Transmission Limited

Odisha Generation Phase II Transmission Limited (OGPTL) was incorporated dated April 17, 2015 with LTTCs. OGPTL entered into a TSA on November 20, 2015. The OGPTL project was awarded to SGL-3 by the Ministry of Power on perpetual ownership basis with a TSA term of 35 years from the scheduled commercial operation date of the OGPTL Project.

The project is partially operational and is expected to be fully commissioned and operational by August, 2019. Details of OGPTL's transmission lines are set forth as follows:

Elements in OGPTL

Transmission Line/ Substation	Location	CKMS	Specifications	Scheduled/ Actual Commission Date	Expiry of TSA Term
Jharsuguda-Raipur	Odisha, Chattisgarh	612	765 kV D/C	August 8, 2019	July, 2054
OPGC-Jharsuguda	Odisha	103	400 kV D/C	July, 2017 August 30, 2017	July, 2054

Gurgaon-Palwal Transmission Limited

Gurgaon-Palwal Transmission Limited (GPTL) was incorporated on October 26, 2015 . GPTL entered into a TSA dated March 4, 2016 with LTTCs. The GPTL project was awarded to SGL-4 by the Ministry of Power on perpetual ownership basis with a TSA term of 35 years from the scheduled commercial operation date of the GPTL Project.

The project is under development and is expected to be fully commissioned and operational by September, 2019. Details of GPTL's transmission lines, sub-stations and line bays are set forth as follows:

Elements In GPTL

Transmission Line/ Substation	Location	CKMS	Specifications	Scheduled Commission Date	Expiry of TSA Term
Aligarh-Prithala	Uttar Pradesh, Haryana	98	400 kV D/C HTLS Line	May 14, 2019	July, 2054
Prithala-Kadarpur	Haryana	54	400 kV D/C HTLS Line	May 14, 2019	July, 2054
Kadarpur-Sohna Road	Haryana	22	400 kV D/C HTLS Line	September 14, 2019	July, 2054
LILO of Gurgaon Manesar	Haryana	4	400 kV D/C Quad line	September 14, 2019	July, 2054
Neemrana-Dhonanda	Rajasthan,	94	400 kV D/C HTLS Line	May 14, 2019	July, 2054
Kadarpur Substation	Haryana	-	400/220 kV, 2x500 MVA	May 14, 2019	July, 2054
Sohna Substation	Haryana	-	400/220 kV, 2x500 MVA	September 14, 2019	July, 2054
Prithala Substation	Haryana	-	400/220 kV, 2x500 MVA	May 14, 2019	July, 2054
Dhonanda Substation	Rajasthan	-	Two 400 kV line bays	May 14, 2019	July, 2054

Khargone Transmission Limited

Khargone Transmission Limited (KTL) was incorporated on November 28, 2015. KTL entered into a TSA dated March 14, 2016 with LTTCs. The KTL project was awarded to SGL-4 by the Ministry of Power on perpetual ownership basis with a TSA term of 35 years from the scheduled commercial operation date of the KTL Project.

The project is under development and is expected to be fully commissioned and operational by July, 2019. Details of KTL's transmission lines and line bays are set forth as follows:

Elements in KTL

Transmission Line/ Substation	Location	CKMS	Specifications	Scheduled Commission Date	Expiry of TSA Term
LILO of Khandwa-Rajgarh line	Madhya Pradesh, Chattisgarh	14	400 kV D/C Line	February, 2018*	July, 2054
Khargone TPP Switchyard-Khandwa Pool	Madhya Pradesh	50	400 kV D/C Line	July, 2019	July, 2054
Khandwa Pool-Indore	Madhya Pradesh	180	765 kV D/C Line	July, 2019	July, 2054
Khandwa Pool-Dhule	Madhya Pradesh	380	765 kV D/C Line	July, 2019	July, 2054
Khandwa Pooling station	Madhya Pradesh	-	3000 MVA transmission capacity	July, 2019	July, 2054
2 Nos. of 765 kV line bays & 7x80 MVAR Switchable line reactors (1 unit as spare) along with 800 Ω NGR and its auxiliaries for Khandwa Pool – Dhule 765 kV D/C at Dhule 765/400 kV substation	Madhya Pradesh	-	400/220 kV, 2x500 MVA	May 14, 2019	July, 2054

* *Commissioned as per schedule*

NER-II Transmission Limited

NER-II Transmission Limited ("NER") was incorporated on April 21, 2015. NER entered into a TSA dated December 27, 2016 with LTTCs. The NER-II project was awarded to SGL-4 by the Ministry of Power on perpetual ownership basis with a TSA term of 35 years from the scheduled commercial operation date of the NER-II Project.

The project is under development and is expected to be fully commissioned and operational by November, 2020. SGL-4 is a wholly-owned subsidiary of the Sponsor. The NER-II project is not a ROFO Asset. Details of NER-II's transmission lines and line bays are set forth as follows:

Elements in NER-II

Transmission Line/ Substation	Location	CKMS	Specifications	Scheduled Commission Date	Expiry of TSA Term
Biswanath Chariyali – Itanagar Line	Assam	134	132 kV D/C	March, 2020	November, 2055
2 bay lines at Itanagar for terminating the Biswanath Chariyali– Itanagar line	Assam		132 kV	March, 2020	November, 2055
LILO line between Biswanath Chariyali.	Assam	17	132 kV D/C	March, 2020	November, 2055
Silchar– Misa line	Assam	349	400 kV D/C	November, 2020	November, 2055
400/132 kV, 2*315 MVA Single phase sub-station at Surajmaninagar	Assam	-	400/132 kV	July, 2020	November, 2055
400/132 kV, 2*315 MVA sub-station at P.K. Bari	Tripura	-	400 kV 132 D/C	July, 2020	November, 2055
2 bay lines at Palatana switchyard for terminating the Palatana - Surajmaninagar line	Tripura	-	400 kV D/C	July, 2020	November, 2055
2 bay lines at AGTPP for terminating the AGTPP - P.K. Bari line	Tripura	-	132 kV D/C	March, 2020	November, 2055
2 bay lines at PK Bari for terminating the AGTPP - P.K.Bari line	Tripura	-	132 kV D/C	March, 2020	November, 2055
Surajmaninagar –P.K. Bari Line (Multi Circuit Line) 400 KV and 132 KV both included	Tripura	404	400 kV D/C	July, 2020	November, 2055

Goa Tamnar Transmission Project Limited

Goa TTPL was incorporated on January 16, 2017. Goa TTPL entered into a TSA dated June 28, 2017 with LTTCs. Goa TTPL project was awarded to SGL-5 by the Ministry of Power on perpetual ownership basis with a TSA term of 35 years from the scheduled commercial operation date of the Goa TTPL Project.

The project is under development and is expected to be fully commissioned and operational by November, 2021. SGL-5 is a wholly-owned subsidiary of the Sponsor. The Goa TTPL project is not a ROFO Asset. Details of Goa TTPL transmission lines and line bays are set forth as follows:

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

Description of Third-Party Assets:

Patran Transmission Company Limited

Patran Transmission Company Limited ("PTCL") was incorporated on December 19, 2012. PTCL has entered into a TSA dated May 12, 2014 with the LTTCs. The PTCL project was awarded to Techno Electric & Engineering Co. Ltd. ("TEECL") by the Ministry of Power on perpetual ownership basis with a TSA term of 35 years from the scheduled commercial operation date of the PTCL project.

PTCL project meets the requirement of growing load in Patiala and Sangrur district of Punjab. The project comprises of 400/ 220 kV substation with 14 bays in Patran, Punjab and LILO of both circuits of Patiala-Kaithal 400 kV double circuit triple snow bird Line of 5 km at Patran.

Transmission System for Patran 400kV S/s
2x500MVA, 400/220kV Substation at Patran with;
i. 6 nos 400kV Bays
ii. 8 nos 220kV Bays
Space for spare Bays (6 nos. 400kV & 6 nos 220kV)
LILO of both circuits of Patiala-Kaithal 400kV D/c at Patran

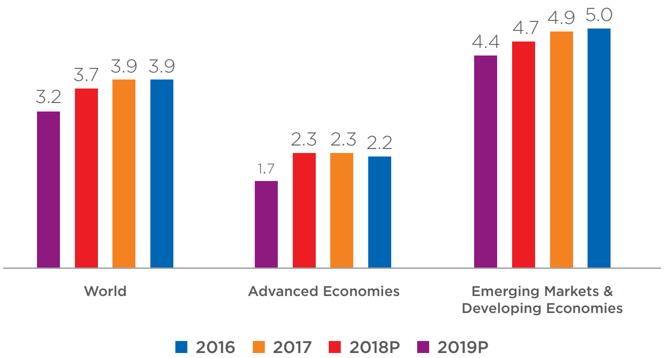
As of March 31, 2018, the PTCL TSA had a term of 33.5 years. The average availability of PTCL since commissioning is 99.9% with an availability of 99.9% for FY18.

ECONOMY AND INDUSTRY OVERVIEW

Overview of the Global and Indian Economy

According to an IMF report on World Economic Outlook, global economic activity grew 3.7% in 2017. Growth in the Advanced Economies (AEs) and Emerging Markets & Developing Economies (EMDEs) was driven by positive developments in Europe and Asia. Given the prospects of favourable global financial conditions and an increase in demand for export-focused economies, the global economy is expected to continue growing at the current rate. Factors such as higher expected external demand, prospective tax reforms, and policy changes will likely boost growth in the US. However, the global financial markets could be dampened by the correction in financial markets and restrictive policies. GDP of the US increased 2.3% during 2017. Going forward, growth of the EMDEs and AEs has been pegged at 4.9% and 2.3%, respectively in 2018 by the IMF. That said, IMF expects the global economy to grow at 3.9% in 2018.

Global GDP Growth, %



Source: IMF's World Economic Outlook Update, January 2018

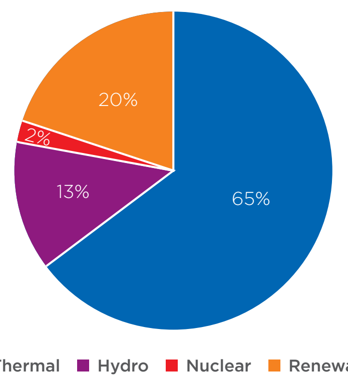
According to the IMF's World Economic Outlook (April 2018), India is expected to grow by 7.4% in CY 2018 and 7.8% in CY 2019. It remains the fastest growing major economy in the world and is also ranked the world's top investment destination by EY. Confidence in its growth story is increasing as the Government continues to drive reforms such as the implementation of Goods and Services Tax (GST) which is a major step towards simplifying the indirect tax structure. In addition, enhanced transparency, accountability, auction based forward-looking framework and liberalization of the Foreign Direct Investment (FDI) policy will help unlock India's economic potential. The Government's overall focus on infrastructure, agriculture, boosting spending power, creating jobs and improving rural income augurs well for the Power sector. Looking ahead, we expect to see continued investment in infrastructure assets.

Overview of the Power Sector

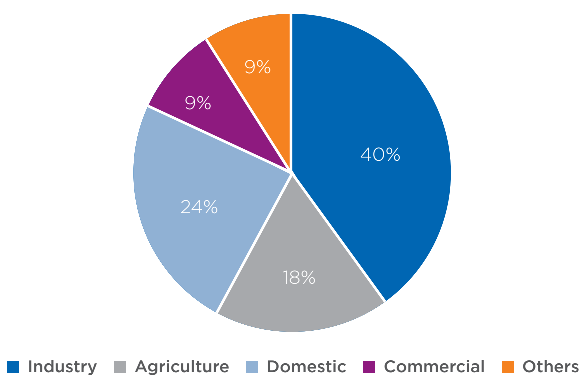
India is the world's third largest producer of electricity behind China and US and has also become the third largest consumer of electricity. With an installed power capacity of 344 GW, India is ranked fifth as on March 31, 2018. Despite the rapid growth of the Indian power industry, per capita electricity consumption in India, as of fiscal 2016-17 was only 1,122 kWh, which is a third of the world average and lowest among BRICS nations.

India's electricity sector is dominated by fossil fuels, and in particular coal, which in 2017-18 produced about two-thirds of all electricity. However, the government is pushing for an increased investment in renewable energy, The New National Electricity Plan (NEP3) calls for 57% of India's total electricity capacity to come from non-fossil fuels by 2027. Presently, the Industrial and Agriculture sector together constitutes 58% of the Indian electricity demand. We expect overall Indian electricity demand to grow at CAGR of 8.4% CAGR till 2026-27. (Source: Report on 'Transitions in Indian Electricity Sector 2017-2030' by TERI)

Power Generation (As on 31.3.18)



Power Consumption by Sector (During 2016-17)

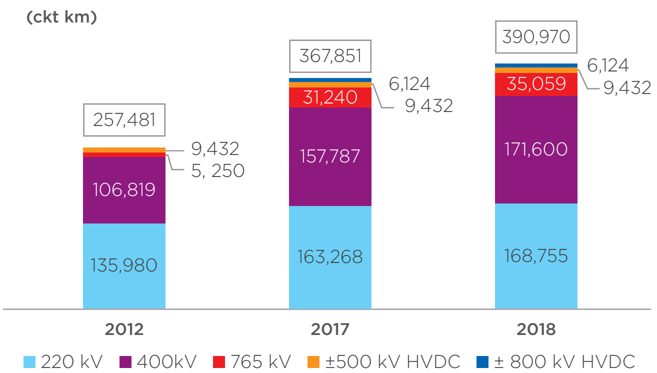


Overview of the power transmission sector

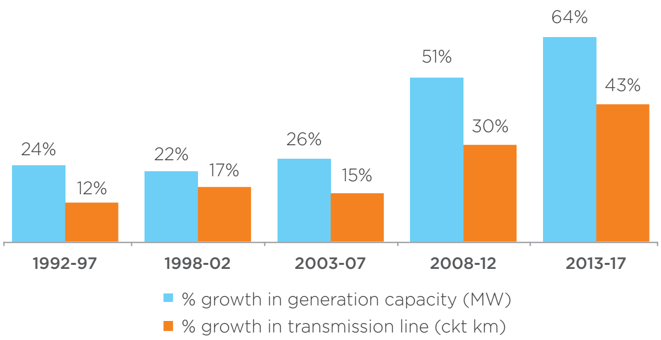
The transmission segment plays a key role in transmitting power continuously from the generation plants to various distribution entities. Transmission and sub-transmission systems supply power to the distribution system, which, in turn, supplies power to end consumers.

In India, the transmission and distribution or T&D system is a three-tier structure comprising distribution networks, state grids and regional grids. The distribution networks and state grids are primarily owned and operated by the respective state transmission utilities or state governments (through state electricity departments).

The total length of 220 KV and above transmission lines in the country has increased from 257,481 ckms in FY12 to 390,970 ckm in March 2018. There has been strong growth in the transmission system at higher voltage levels and substation capacities (400 kV and above). This is a result of an increase in the demand for transmission networks to carry bulk power over longer distances and at the same time optimize the right of way, minimize losses and improve grid reliability.



In spite of this strong growth in the transmission sector, there has been relative under investment as compared to the generation sector. Historically, the generation segment has dominated investments in the Indian power sector. Of the total power sector investments, more than 60% were for the generation sector, while the transmission and distribution segments have lagged with approximately 20% of the total investments.

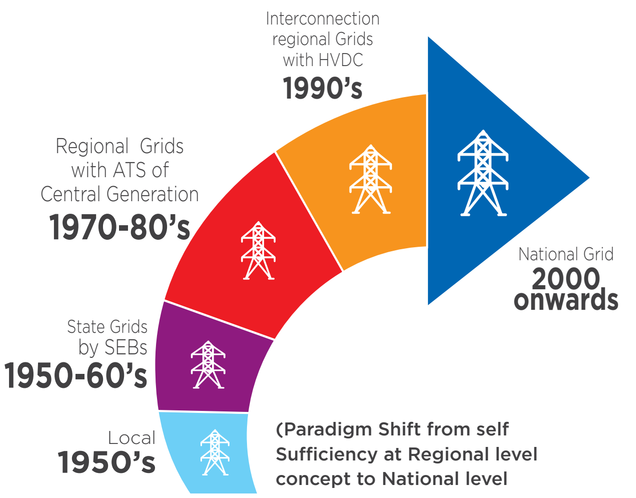


This has led to an energy deficit as mentioned in the table below:

Energy Deficit for FY17 (region-wise) Surplus (+) / Deficit (-)	
Northern region	-1.6%
Southern region	-0.2%
Eastern region	-0.7%
Western region	0%
North-eastern region	-2.8%

The Indian national grid has evolved over a period of 60 years on the lines of "one nation, one grid"

Evolution of National Grid



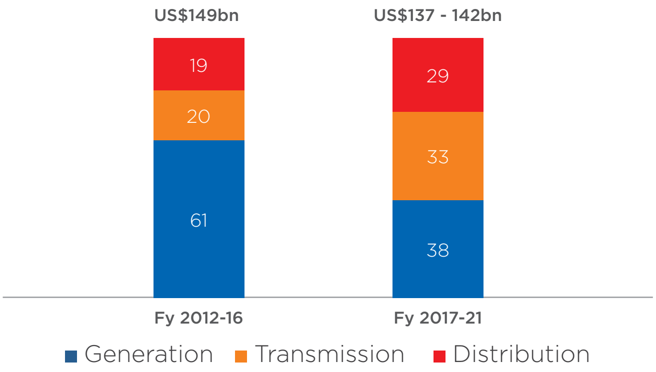
The prime advantages of a national grid system are:

- Flatter demand curve on account of exchange of power among regions.
- Lower investments required for new generation capacity
- Surplus power from one region made available at economical costs to consumers in other regions
- Better scheduling of planned outages of power plants

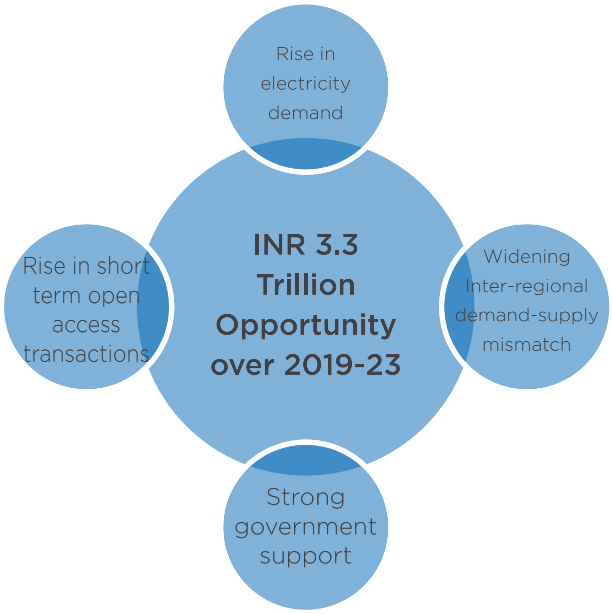
Growth drivers for power transmission sector

With the government's focus on alleviating congestion through several grid enhancement projects, transmission capacities are expected to witness robust growth. It is expected that the transmission segment share in total power sector investments will rise sharply to 33% over FY17 to FY21. With such large additions, the estimated investment in the transmission sector is expected to be INR 3.1-3.3 Trillion over 2019-23.

Share of transmission sector to grow 1.7x of total power sector investment



The transmission sector boasts of immense potential with inherent growth drivers as follows :



- **Rise in electricity demand implies need for more power transmission:**

The all-India electricity demand is projected to increase from 1,212 BU in 2017-18 to 1,691 BU in 2021-22 and 2,509 BU in 2026-27 with a CAGR of 8.4%. This growth in demand calls for new capacity addition in transmission infrastructure.

Electricity Demand (BU)

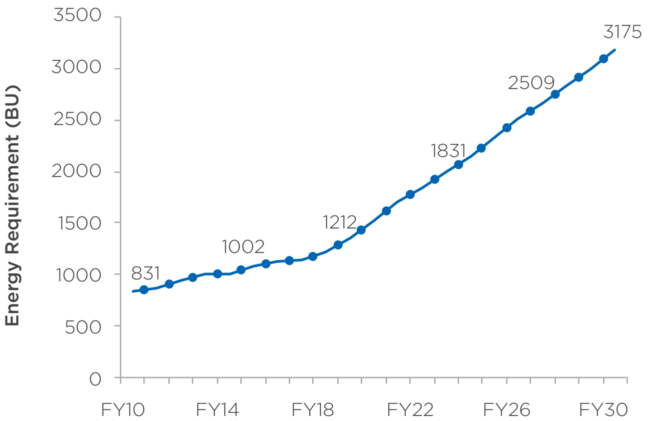


Fig: All India Electricity Demand Scenario

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

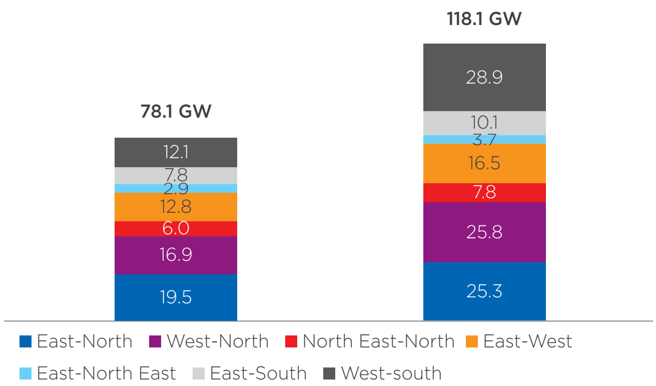
To meet this increasing demand in power, India needs large scale investment in ensuring the delivery of power to consumers.

- **Widening gap between inter-regional power demand-supply to drive transmission capacity additions:**

The total power generation capacity (including renewable energy) at a pan India would rise to 442 GW as on March 2023 from 344 GW as on March 2018. However, the upcoming generation capacity will not be spread evenly across India. Most of the upcoming renewable capacities would be concentrated in the western and southern regions of India, while thermal capacities would commission close to the coal mines in eastern region of India. The addition of such large quantity of generation capacities would necessitate the investments in transmission segment to supply power to different demand centers.

PGCIL expects total inter-regional capacity addition during 13th plan (2017-18 to 2021-22) to be 40,000 MW. With such capacity augmentations, the total inter-regional capacity would grow from 78,050 MW as on Nov 2017 to about 118,050 MW by the end of the 13th plan. The region wise transmission corridor capacities as projected by CEA are given in the table below:

Inter-regional transmission capacity increase over 13th 5 year plan (2017-18 to 2021-22)



- **Strong government support to drive transmission investments:**

  Government support to power transmission is expected to continue. In the past, it has supported the transmission segment through several measures – increasing the concession period of a transmission asset, relaxation of norms to speed up project construction and implementation of UDAY scheme to boost power demand, which in turn, will eventually result in rise in transmission requirements.

  Government's 'Power for All' scheme, where it envisages to invest ~US$ 250 billion in the power sector, with large focus on upgrading the distribution and transmission infrastructure (with ~US$ 50 billion investments), over FY16 to FY20 will augment the T&D network and drive investments. The programme is implemented jointly by respective state governments and Government of India, with the objective to connect the unconnected consumers in phased manner by FY18, and to ensure 24x7 quality, reliable and affordable power to all domestic, commercial, agricultural and industrial consumers with in a fixed time frame.

- **Strong renewable energy capacity additions to drive transmission capacity:**:

  Traditionally, power generation in India is dominated by coal based generation. The use of renewable energy is experiencing an unprecedented growth and the installed capacity is expected to reach 275 GW by 2027. Such expansion plans require large scale development in transmission sector. This is mainly because large solar and wind power plants are usually located in the far-flung areas with limited infrastructure to support generation and transmission.

  The New National Electricity Plan (NEP3) calls for 57% (362 GW) of India's total electricity capacity to come from non-fossil fuels by 2027. In the current scenario, developers have expressed concerns that transmission facility is at full capacity and is not keeping pace with the power generation. This unprecedented expansion of renewable capacity warrants new transmission capacity addition.

Capacity Addition (GW)

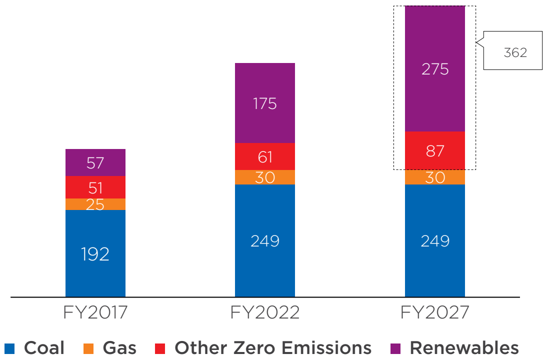


Fig: All India Electricity Demand Scenario

Short-term open access availability limited; to drive further transmission capacity additions

India has added ~20% (69 GW) of its total power capacity in the past three years (fiscals 2016 to 2018) itself, of which a reasonable proportion of capacity do not even have long term PPAs. Consequently, there are under-utilized capacities on one side and power deficits on the other. Improved and enhanced transmission corridors, which should help evacuate power from surplus region through power trading, is an important requirement to bridge this gap and support PLFs. Further there exist significant transmission constraints for availing short-term open access between two regions. Despite overall inter-regional transmission capacity having increased 1.6 times to ~75 GW in 2017 from 2015, that available for short-term open access has remained range bound between 10-20% across the period.

- **Combined bidding for generation and transmission to increase transmission footprint:**

  New tenders for renewable generation hold developers accountable for establishing gridconnected solar and wind farms (e.g. recent OFTO and SECI-ISTS tenders).

Power transmission vis-à-vis other infrastructure assets

Along with the growth drivers, the transmission sector is extremely attractive for private sector investment owing to the shift from public sector participation to private sector participation through the TBCB regime. India is one of the few countries in the world where the entire power transmission is open for private sector participation allowing platforms such as IndiGrid to own and operate transmission lines. The power transmission sector in India is the most attractive to invest in currently, followed by roads and highways, and renewable energy, according to the Infrastructure Investability Index, prepared by rating agency CRISIL. The near-term bids pipeline of TBCB projects is INR 60 Billion.

Apart from the staggering growth potential and evolution in the regulatory framework, there are a number of factors which are contributing favourably in encouraging investments in power transmission vis-à-vis other infrastructure assets.

- **Operational risk**

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

- **Availability based regime**

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

- **Diversified Counter-party risk**

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

- **Robust Payment security**

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

	Inter State Power Transmission	Power Generation	Roads	Ports
Certainty of Cash Flows	● Driven by long-term agreements	◑ Offtake and cost of fuel a key risk	◑ Traffic risk in BOT projects	◕ End-user industry risk
Counter Party Risk	◕ Exposure limited to systemic risk	◑ Direct exposure to debt-laden SEBs	◑ O&M impact collection	◑ Exposure to multiple end-users
Operational Risk	● Limited O&M requirements	◑ Substantial maintenance need	◕ High O&M required	◕ Limited O&M requirements
Future Growth Potential	● Staggering owing to deficit	◑ High potential given deficit	◑ High growth potential	◑ Good potential, limited by location
Competitive Environment	● Few credible private players	◑ Highly competitive (multiple players)	◑ Highly competitive (multiple players)	◕ Few private players
Summary	●	◑	◑	◑

IndiGrid

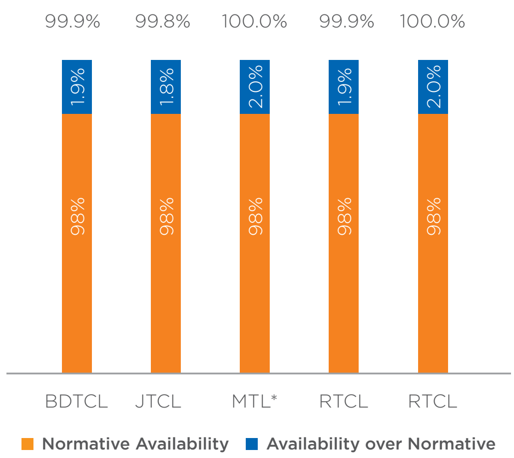
OPERATIONAL REVIEW

IndiGrid operates its power transmission assets under an availability-based tariff regime, which incentivises to provide the highest possible system reliability, measured as "availability". Availability is defined as the time in hours during a given period for which the transmission system is capable of transmitting electricity at its rated voltage, expressed as a percentage of total hours in the period. This implies that the revenue for a power transmission asset is independent of actual power flow through the asset.

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

For each asset, IndiGrid is required to maintain system availability of 98% in order to receive 100% of the transmission charge (comprised of both escalable and non-escalable charges). Incentive payments are received if the availability exceeds 98%. If the average availability rate for a power transmission asset falls below 95%, penalties might be imposed under the Transmission Service Agreement (TSA), unless any force majeure event.

FY18 availability achieved is below:



** MTL availability is from the period of October'17 - March'18*

All the assets are eligible for maximum incentives.

In addition, a strong deemed availability clause in the TSA ensures that the revenue of assets is not impacted by any force majeure event.

No major incident took place in relation to O&M of the assets during the review period. A small incident took place on Jabalpur Bina (JB) line of JTCL on June 5, 2017, when unprecedented winds and storm led significant damage to two towers on JB line, which was restored within 18 days. JTCL has received deemed availability certificate and corresponding revenue for the period.

EHS Performance Indicators

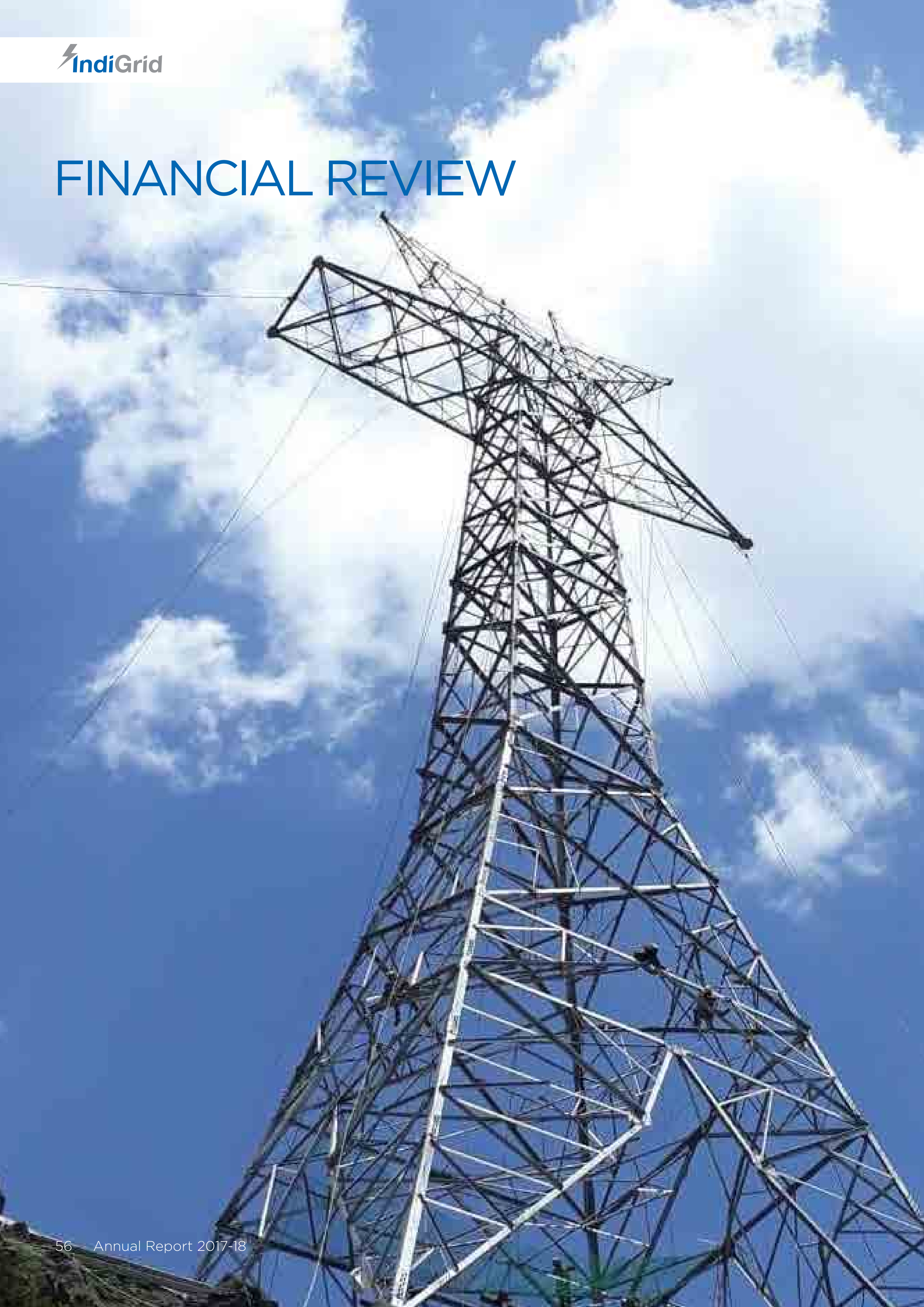
Parameters	BDTCL Bhopal Substation	BDTCL Dhule Substation	BDTCL Bhopal hub lines & office	BDTCL Dhule hub lines	JTCL J-B & J-D (MP)	JTCL J-D (Chhattisgarh)
Accident Rate	0	0	0	0	0	0
Accident Severity Rate	0	0	0	0	0	0
Total Man-hours worked	8928	8910	11340	11700	11880	6130

Parameters	MTL	RTCL RAPP-S	PKTCL P-R	PKTCL K-C
Accident Rate	0	0	0	0
Accident Severity Rate	0	0	0	0
Total Man-hours worked	7090	6210	2700	5130

Strong policies and strict adherence have ensured incident-free operations. Some of the actions taken were:

- Conducting EHS meeting on a monthly basis
- Providing adequate EHS training to workers
- Frequent workplace inspections

FINANCIAL REVIEW



Consolidated Financials - IndiGrid (INR Million)

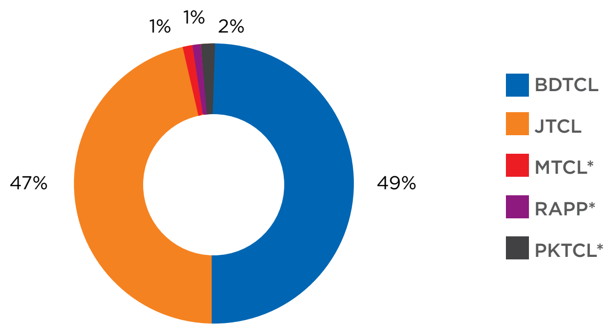
	H1 FY18 Four months operations	H2 FY18 Six months operations	FY18 Ten months operations
Revenue	**1,729**	**2,747**	**4,476**
EBITDA	1,592	2,614	4,155
EBITDA Margin	92%	92%	94%
NDCF	1,272	1,520	2,792
DPU (INR/Unit)	3.67	5.89	9.56
PAT	721	1,383	2,104
Net Debt/AUM	26%	45%	45%
NAV (as per indepanant valuer), (INR/Unit)	100.78	101.87	101.87

Revenue and EBITDA

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

EBITDA margin is around 90-95% for power transmission assets with key cost components being insurance and manpower.

Revenue (FY18)



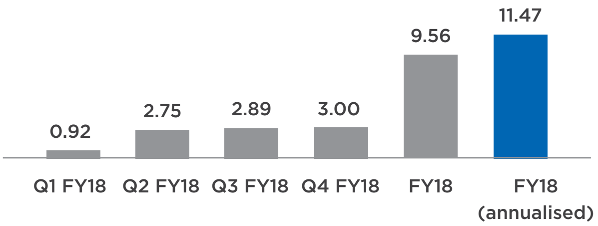
** 2 months of operation*

NDCF and DPU

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

DPU is the cash flows distributed on per unit basis to the Unitholders. The DPU for first-half of FY18 is INR 3.67/ unit, which comprises of INR 0.92/unit for first-quarter of FY18 (corresponding to one month of operations) and INR 2.75/unit for second-quarter of FY18 (corresponding to the entire quarter). The DPU for the third quarter was INR 2.89/unit and for the fourth quarter was INR 3.00/ unit. Total DPU for FY18 for 10 months was INR 9.56/unit outperforming the guidance of INR 9.2/unit.

DPU (INR/unit)



** For an operational period of 10 months*

Distribution Yield

Distribution Per Unit for FY2018 (10 months) was at INR 9.56, which implies annualized DPU of INR 11.47. Over the review period, average VWAP of IndiGrid was INR 94.95/unit, resulting in a Distribution yield of 12.1%. With the recently announced acquisition of three ROFO assets, IndiGrid has upgraded its Distribution guidance to INR 12/unit for FY2019. In line with its strategy of maximizing distribution, IndiGrid continues to offers a superior annualized distribution yield of 12% (on the issue price of INR 100 / unit) to its unitholders.

AUM

Haribhakti & Co. LLP, a member firm of Baker Tilly International, has carried out a half yearly valuation as an independent valuer.

Based on the valuation reports, the AUM of IndiGrid is INR 52 Billion.

As on March 31, 2018

Particulars	AUM (INR Billion)
BDTCL	20.319
JTCL	15.431
MTL	5.564
RAPP	4.054
PKTCL	6.618
Total	51.986

Borrowings

The consolidated borrowings as on March 31, 2018 stood at INR 2,406 million.

Corporate credit rating of IndiGrid is AAA in addition to AAA rating of the debt facilities at the asset level. This is on account of low operating risk resulting in a stable cash flow.

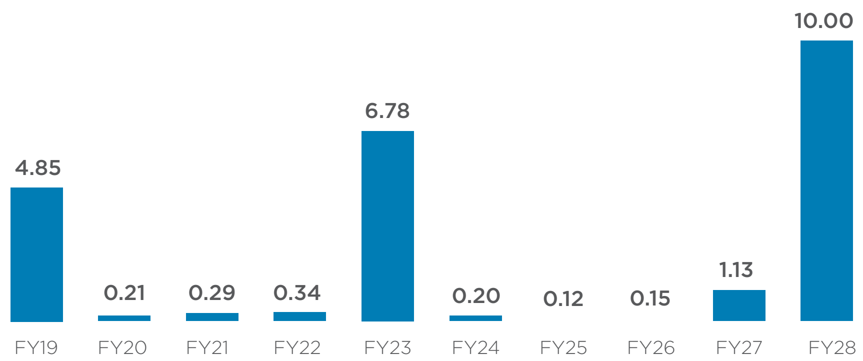
Credit Rating

Rating Agency	Rating For	Rating	Date	Rating Rationale
CRISIL	IndiGrid	CCR AAA/Stable	March 08, 2018	• Stable revenue of the operational SPVs • Cash Flow stability under PoC mechanism • Strong financial risk profile due to deleveraging of SPVs
ICRA	BDTCL	ICRA AAA (Stable)	April 27 , 2018	• Shortfall undertaking from IndiGrid for the external debt, to achieve cash pooling benefit • Structural features such as presence of Debt Service Reserve, cash trap triggers • Strong transmission assets housed under IndiGrid • Strong payment security with PoC mechanism
CRISIL	BDTCL	CRISIL AAA/ Stable	May 22, 2017	• Low offtake risks as per the contractual terms of TSA • Benefits of stable cash flows under PoC mechanism • Moderate O&M risks
India Ratings & Research	BDTCL	IND AAA (Stable)	Dec 21, 2017	• Low operating risks and operating costs • Revenue sharing mechanism addresses counter party risk • Established tariff recovery track record
India Ratings & Research	IndiGrid	IND AAA (Stable)	Mar 14, 2017	• Stable operating performance • High quality underlying assets • Robust finances • Proven sponsor and operator experience

Debt Maturity Profile

Debt maturity profile is primarily back-ended. INR 4 Billion and 6.6 Billion maturing in FY19 and FY23 would be refinanced to continue to elongate weighted average maturity. The debt profile has changed in the fourth quarter of FY18 on account of the acquisition of the three ROFO assets – MTL, RTCL and PKTCL. The current short-term loan of INR 4 billion is targeted to be refinanced in FY19. IndiGrid endeavours to take competitive long tenure debt in line with its long tenure tariffs.

Repayment Schedule (INR billion)



Internal Control System

IndiGrid has a strong internal control system to manage its operations, financial reporting and compliance requirements. The Investment Manager has clearly defined roles and responsibilities for all managerial positions. All the business parameters are regularly monitored and effective steps are taken to control them. Regular internal audits are undertaken to ensure that responsibilities are executed effectively.

The Audit Committee of the Board of Directors periodically reviews the adequacy and effectiveness of internal control systems and suggests improvements to further strengthen them.

Insurance Policies

All transmission assets are insured by best-in-class insurance cover against standard risks like fire, storm, flood, tempest, machinery breakdown and related risks including loss of profit. The policy is subject to standard exclusions. The coverage under policy has been extended for reinstatement of value, escalation, cost of architect, surveyors, consulting engineers etc., removal of debris and other clauses. The most comprehensive cover available i.e. Industrial All Risks is taken. Apart from industrial risk cover, all transmission assets are covered against any loss due to terrorism by obtaining stand-alone Terrorism cover.

Outlook

The Indian power sector has made great strides over the last decade, metamorphosing from a sluggish to a dynamic developing market on the back of progressive policies and increased participation from private-sector players. The future is promising with a plethora of opportunities.

IndiGrid endeavours to maximize distribution to it unitholders through prudent asset management practices and value-accretive acquisitions. It has outperformed its guidance in its first year of existence. IndiGrid has provided a DPU guidance of INR 12 for FY19. With a strong growth pipeline of Sponsor and third-party assets, IndiGrid is well positioned to increase its AUM and achieve a portfolio IRR of 12%.

CORPORATE GOVERNANCE REPORT

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

IndiGrid's Philosophy on Code of Governance

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

IndiGrid has a three-tier governance structure:

Statutory supervision	Axis Trustee Services Limited is the Trustee of IndiGrid. Trustee is responsible for ensuring that all the business activities and investment policies comply with the provisions of the Code, Policies, Material Contracts and the InvIT Regulating as well as monitoring the activities of the Investment Manager under the Investment Management Agreement and the Project Manager under the Project Implementation and Management Agreement.
Strategic management	Sterlite Investment Managers Limited is the Investment Manager of IndiGrid. The Investment Manager has overall responsibility for setting the strategic direction of IndiGrid and deciding on the acquisition, divestment or enhancement of assets of IndiGrid in accordance with its stated investment strategy. The Board lays down strategic goals and exercises control to ensure that IndiGrid is progressing to fulfill unitholders' aspirations.
Executive management	The executive management is composed of the IndiGrid's key personnel and operates upon the directions of the Board of Directors of Investment Manager.

Board of Directors

In order to maintain independence of the Investment Manager, Sterlite Investment Managers Limited ("the Company" or "Investment Manager") has a judicious combination of Executive Director, Non-Executive and Independent Directors ("the Board"). As on March 31, 2018, the Board comprises Six (6) directors including two (2) Whole-Time Director, one (1) Non-Executive Director and three (3) Independent Directors. The Investment Manager has a Chief Executive Officer. The Chief Executive Officer takes a lead role in managing the Board and facilitating effective communication among Directors. The Chief Executive Officer is responsible for corporate strategy and all management matters. The Board composition is in conformity with the provisions of the SEBI InvIT Regulations and Companies Act, 2013. All Directors are astute professionals coming from varied backgrounds possessing rich experience and expertise. All the Independent and Executive Directors attended majority of board and committee meetings held during a period under review. The detailed profile of all Directors can be viewed in this report and also on the Company's website at http://www.indigrid.co.in/director.html.

Composition of the Board of Directors of Investment Manager

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

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

Board Committees

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

INVESTMENT COMMITTEE

Composition and Meetings

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

The composition of the Investment Committee is as follows

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

Terms of reference of the Investment Committee

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

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

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

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

AUDIT COMMITTEE

Composition and Meetings

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

The composition of the Audit Committee is as follows

Name of Committee Members	Category
Mr. Tarun Kataria (Chairperson)	Non-Executive & Independent Director
Mr. S H Bhojani	Non-Executive & Independent Director
Mr. Kuldip Kaura	Non-Executive Director
Mr. Rahul Asthana	Non-Executive & Independent Director

Terms of reference of the Audit Committee

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

(i) Provide recommendations to the board of directors regarding any proposed distributions;

(ii) Overseeing IndiGrid's financial reporting process and disclosure of its financial information to ensure that its financial statements are correct, sufficient and credible;

(iii) Giving recommendations to the board of directors regarding appointment, re-appointment and replacement, remuneration and terms of appointment of the statutory auditor of IndiGrid and the audit fee, subject to the approval of the unitholders;

(iv) Reviewing and monitoring the independence and performance of the statutory auditor of IndiGrid, and effectiveness of audit process;

(v) Approving payments to statutory auditors of IndiGrid for any other services rendered by such statutory auditors;

(vi) Reviewing the annual financial statements and auditor's report thereon of IndiGrid, before submission to the board of directors for approval, with particular reference to:

- changes, if any, in accounting policies and practices and reasons for such change;
- major accounting entries involving estimates based on the exercise of judgment by management;
- significant adjustments made in the financial statements arising out of audit findings;
- compliance with listing and other legal requirements relating to financial statements;
- disclosure of any related party transactions; and
- qualifications in the draft audit report;

(vii) Reviewing, with the management, all periodic financial statements, including but not limited to half-yearly and annual financial statements of IndiGrid before submission to the board of directors for approval;

(viii)Reviewing, with the management, the statement of uses/application of funds raised through an issue of units by IndiGrid (public issue, rights issue, preferential issue, etc.) and the statement of funds utilised for purposes other than those stated in the offer documents/ notice, and making appropriate recommendations to the board of directors for follow-up action;

(ix) Approval or any subsequent modifications of transactions of IndiGrid with related parties including, reviewing agreements or transactions in this regard;

(x) Scrutinising loans and investments of IndiGrid;

(xi) Reviewing all valuation reports required to be prepared under applicable law, periodically, and as required, under applicable law;

(xii) Evaluating financial controls and risk management systems of IndiGrid;

(xiii)Reviewing, with the management, the performance of statutory auditors of IndiGrid, and adequacy of the internal control systems, as necessary;

(xiv) Reviewing the adequacy of internal audit function if any of IndiGrid, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;

(xv)Reviewing the findings of any internal investigations in relation to IndiGrid, into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board of directors;

(xvi) Reviewing the procedures put in place by the Investment Manager for managing any conflict that may arise between the interests of the unitholders, the parties to IndiGrid and the interests of the Investment Manager, including related party transactions, the indemnification of expenses or liabilities incurred by the Investment Manager, and the setting of fee or charges payable out of IndiGrid's assets;

(xvii) Discussing with statutory auditors and valuers prior to commencement of the audit or valuation, respectively, about the nature and scope, as well as post-audit/ valuation discussion to ascertain any area of concern;

(xviii)Reviewing and monitoring the independence and performance of the valuer of IndiGrid;

(xix) Giving recommendations to the board of directors regarding appointment, re-appointment and replacement, remuneration and terms of appointment of the valuer of IndiGrid;

(xx)Evaluating any defaults or delay in payment of distributions to the unitholders or dividends by the SPVs to IndiGrid and payments to any creditors of IndiGrid or the SPVs, and recommending remedial measures;

(xxi) Management's discussion and analysis of financial condition and results of operations;

(xxii)Reviewing the statement of significant related party transactions, submitted by the management;

(xxiii)Reviewing the management letters/letters of internal control weaknesses issued by the statutory auditors; and

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

STAKEHOLDERS' RELATIONSHIP COMMITTEE

Composition and Meetings

The Stakeholders' Relationship Committee comprises of board of directors of the Investment Manager. The Chairperson of the Committee is Non-Executive Director. The company secretary of the Investment Manager act as the secretary to the Nomination and Remuneration Committee. The quorum shall be at least 50% of the number of members of the Stakeholders' Relationship Committee and subject to a minimum of two members.

The composition of the Stakeholders' Relationship Committee is as follows

Name of Committee Members	Category
Mr. S H Bhojani (Chairperson)	Non-Executive & Independent Director
Mr. Kuldip Kaura	Non-Executive Director
M. Pratik Agarwal	Chief Executive Officer (Executive Director)
Mr. Rahul Asthana	Non-Executive & Independent Director

Terms of reference of the Stakeholders' Relationship Committee

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

(i) Considering and resolving grievances of the unitholders, including complaints related to the transfer of units, non-receipt of annual report and non-receipt of declared distributions;

(ii) Reviewing of any litigation related to unitholders' grievances;

(iii) Undertaking all functions in relation to protection of Unitholders' interests and resolution of any conflicts, including reviewing agreements or transactions in this regard;

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

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

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

NOMINATION AND REMUNERATION COMMITTEE

Composition and Meetings

The Nomination and Remuneration Committee comprises of board of directors of the Investment Manager. All the members of the Committee are Non-Executive Directors. The company secretary of the Investment Manager act as the secretary to the Committee. The quorum shall be at least 50% of the number of members of the Committee and subject to a minimum of two members.

The composition of the Nomination and Remuneration Committee is as follows

Name of Committee Members	Category
Mr. S H Bhojani (Chairperson)	Non-Executive & Independent Director
M. Tarun Kataria	Non-Executive & Independent Director
Mr. Kuldip Kaura	Non-Executive Director
Mr. Rahul Asthana	Non-Executive & Independent Director
Mr. Harsh Shah	Whole-time Director

Terms of reference of the Nomination and Remuneration Committee

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

(i) Formulation of the criteria for determining qualifications, positive attributes and independence of a director and recommend to the board of directors of the Investment Manager a policy relating to, the remuneration of the directors, key managerial personnel and other employees;

(ii) Formulation of criteria for evaluation of performance of independent directors and the board of directors;

(iii) Devising a policy on board diversity;

(iv) Identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down and recommend to the board of directors their appointment and removal and evaluation of director's performance;

(v) Determining whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors;

(vi) Carrying out any other function as prescribed under applicable law;

(vii) Endeavour to appoint new key employee to replace any resigning key employee within six months from the date of receipt of notice of resignation and recommend such appointment to the Board, if necessary; and

(viii) Performing such other activities as may be delegated by the board of directors of the Investment Manager and/or are statutorily prescribed under any law to be attended to by the Nomination and Remuneration Committee.

INFORMATION SUPPLIED TO THE BOARD

The status of complaints is reported to the Board on a quarterly basis. During FY2017-18, the investor complaints received by the Company were general in nature, which were resolved to the satisfaction of the unitholders. Details of unitholders' complaints on quarterly basis are also submitted to stock exchanges and published on IndiGrid's website.

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

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

Borrowing Policy

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

Policy in relation to Related Party Transactions and Conflict of Interests

To ensure proper approval, supervision and reporting of the transactions between IndiGrid and its Related Parties, the board of directors of the Investment Manager has adopted the Policy in relation to Related Party Transactions and Conflict of Interests,to regulate the transactions between IndiGrid and its Related Parties.

Distribution Policy

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

Policy on Appointment of Auditor and Valuer

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

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

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

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

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

Document Archival Policy

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

Nomination and Remuneration Policy

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

Except as stated otherwise in this report and in Final Offer Document dated May 31, 2017, during the period under review, there are no changes in the clauses of trust deed, investment management agreement or any other agreement pertaining to activities of India Grid Trust

GENERAL UNITHOLDER INFORMATION

1) Financial Year

The IndiGrid follows April-March as the financial year.

To consider and approve the quarterly financial results for FY2017-18, the meetings of the Board were held or to be scheduled on the following dates/ months::

First Quarter Ended Results: July 25, 2017

Second Quarter and Half Year Ended Results: October 26, 2017

Third Quarter: January 15 2018

Fourth Quarter and Full Year Ended Results: April 24, 2018

2) Distribution

The details of Distribution declared by IndiGrid during the financial year are as follows

Date of Board Meeting	Type of Distribution	Distribution (In INR)	Record Date
July 25, 2017	Interest payment	INR 0.92	August 4, 2017
October 26, 2017	Interest & Capital Payment	INR 2.75	November 7, 2017
January 15, 2018	Interest payment	INR 2.89	January 23, 2018
April 24, 2018	Interest Payment	INR 3.00	May 02, 2018

3) Listing Details

Name and Address of the Stock Exchange	Scrip Code	ISIN code
BSE Limited (BSE)		
PhirozeJeejeebhoy Towers, Dalal Street, Mumbai - 400 001 500295	540565	
National Stock Exchange of India Limited (NSE)		INE219X23014
Exchange Plaza, Plot No. C/1, G-Block, BandraKurla Complex, Bandra (East), Mumbai - 400 051	INDIGRID	

4) Address for Correspondence including Investors Grievances

Registered Office and Contact Details of the Trust:
Company Secretary & Compliance Officer: Mr. Swapnil Patil
F-1, The Mira Corporate Suites, 1&2, Ishwar Nagar,
Mathura Road, New Delhi – 110065, Delhi.
Tel: +91 22 4996 2200 | Fax: +91 22 4996 2288
E-mail: complianceofficer@indigrid.co.in
Website: http://www.indigrid.co.in

Registered Office and Contact Details of the Investment Manager:
Company's Registered Office Address
CIN: U28113MH2010PLC308857
Maker Maxity, 5 North Avenue, Level 5, Bandra Kurla Complex,
Bandra East Mumbai, Maharashtra- 400051 India
Tel: +91 22 4996 2200 | Fax: +91 22 4996 2288
Email: complianceofficer@indigrid.co.in
Contact Person: Mr. Swapnil Patil

Registered Office and Contact Details of the KARVY
KARVY Computershare Private Limited

Karvy Selenium Tower B, Plot No. 31-32, Gachibowli,
Financial District, Nanakramguda, Hyderabad - 500 032
Tel: +91 40 3321 1500, E-mail: support.indiagrid@karvy.com

Investors Relations
Mr. Vishesh Pachnanda
Tel: +91 22 3069 3069, E-mail: investor.relations@indigrid.co.in

SUMMARY OF INDEPENDENT VALUATION

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

Valuation Approach

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

Valuation Summary

IndiGrid has acquired three revenue generating projects from its sponsor in February 2018, namely MTL, RTCL and PKTCL. The independent valuation five assets as of March 31, 2018 and as of September 30, 2017 of IPO assets is summarized below:

(INR in Million)

	Mar 31, 2018		September 30, 2017	
	Enterprise Value (INR Billion)	WACC (%)	Enterprise Value (INR Billion)	WACC (%)
BDTCL	20.32	8.06% (base case)*	21.43	7.84% (base case)**
JTCL	15.43	8.08%	15.99	7.86%
MTL	5.56	7.86%	-	-
RTCL	4.05	8.06%	-	-
PKTCL	6.62	8.06%	-	-
Total	**51.99**		**37.42**	

*WACC for incremental revenue is 8.26%

**WACC for incremental revenue is 8.44%

Note

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

Valuation report of IndiGrid assets as on March 31, 2018 issued by Valuer are annexed to this report as Annexure A and forms part of this report only. The valuation report can also be viewed on the Company's website and can be accessed via the link http://www.indigrid.co.in/download-investor.html

UNIT PRICE PERFORMANCE

Units of IndiGrid were listed on June 06, 2017 on BSE and NSE. Unit price remained range bound for the most part of the period, with total volume of trade at approximately 113 Million Units. This translated to an average daily traded volume of approximately 0.58 Million units during the period.

IndiGrid distributed INR 0.92/unit for Q1 FY18. Subsequently, IndiGrid announced DPU of INR 2.75/unit for Q2 FY18, DPU of INR 2.89/unit for Q3 FY18 and DPU of INR 3.00/unit for Q4 FY18 leading to a total DPU of INR 9.56/unit for FY18. On an annualised basis this works out to INR 11.47/unit

Summary of Price and Volume

Particulars	BSE	NSE
Price Information		
Unit Price at the beginning of the period (Closing price of June 06, 2017)	98.45	98.64
Unit Price at the close of the period (Close price of March 28, 2018)	94.80	94.50
Highest Unit Price (June 06, 2017)	100.00	99.70
Lowest Unit Price (July 06, 2017)	90.51	90.55
Volume Information		
Average Daily Volume Traded during the period (in Thousands)	121	458
Total Average Daily Volume Traded (on both BSE and NSE) (in Thousands)	579	

Summary of DPU

Period	DPU (INR/unit)
Q1 FY18	0.92
Q2 FY18	2.75
Q3 FY18	2.89
Q4 FY18	3.00
FY18*	9.56
FY18 (Annualised)	11.47

* For an operational period of 10 months

DETAILS OF ISSUE AND BUYBACK OF UNITS

IndiGrid received a letter from SPGVL ("Project Manager") on July 25, 2017 thereby requesting IndiGrid for allotment of units worth INR 1.36 Billion 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 (the "Final Offer Document").

SIML through its letter dated October 26, 2017 informed to the stock exchanges that the Board of Directors of Investment Manager has approved issuance 1,35,99,200 units by India Grid Trust to the Project Manager and considered October 26, 2017 as relevant date.

Further, the Board of Directors of SIML acting in the capacity of Investment Manager of IndiGrid, considered the certificate issued by Statutory Auditors thereby confirming the issue price of INR 100 per unit calculated as per Regulation 76 of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (the "ICDR Regulations") as on the relevant date viz. October 26, 2017 and has allotted 1,35,99,200 units to the Project Manager in another Board Meeting held after obtaining aforesaid certificate on October 26, 2017.

The key points in relation to the aforesaid allotment of units by IndiGrid to the Project Manager are summarized below:

- Project Manager is entitled to 80% of the increase in levelised transmission charges approved by Central Electricity Regulatory Commission ("CERC") pursuant to petitions dated December 18, 2015 filed by JTCL, if such increase was approved within 18 months of receipt of final listing and trading approval for the units of IndiGrid ("Units");
- Such payments to the Project Manager shall be in the form of Units and there will no cash payout;
- CERC through its order dated May 8, 2017 in relation to the petition for JTCL, allowed an increase of 9.8903% per annum on the quoted non-escalable charges of the respective years for the date of commercial operation of the respective transmission lines, resulting in an increase in the cost of project by INR 1,699.9 Million (the "Approved Cost Escalation");
- Pricing for such allotment of Units would be based on extant provisions of the Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014 (the "InvIT Regulations"). However, in the absence of any specific provisions in this regard under the InvIT Regulations, the pricing of Units of the allotted units was based on the pricing formula provided under Regulation 76 of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (the "ICDR Regulations");

The Investment Manager allotted the aforesaid units after taking on the record the certificate issued by S R B C & CO LLP, Statutory Auditors of IndiGrid and Investment Manager thereby confirming the computation of value and issue prices of the units as per covenants mentioned in the Final Offer Document and the relevant provisions of ICDR Regulations. The Investment Manager by taking the reference of Regulation 12(3) of the Securities and Exchange Board of India (Infrastructure Investment Trust) Regulations, 2014 ("InvIT Regulations") has confirmed that, 15% of the aforesaid units allotted to Sponsor shall be locked-in for a period of three years from date of trading approval granted for the said units and pursuant to Regulation 12 of InvIT Regulations, the holding of Sponsor in IndiGrid, exceeding fifteen per cent. on a post issue basis, shall be held for a period of not less than one year from the date of listing of such units. Axis Trustee Services Limited ("the Trustee"), has also approved the allotment of aforesaid units.

Buyback of Units

This is to confirm that, during the period under review there were no buy back of any securities by IndiGrid.

GENERAL DISCLOSURES

1. Regulatory - During the period under review, there were no regulatory changes that has impacted or may impact cash flows of the underlying projects.

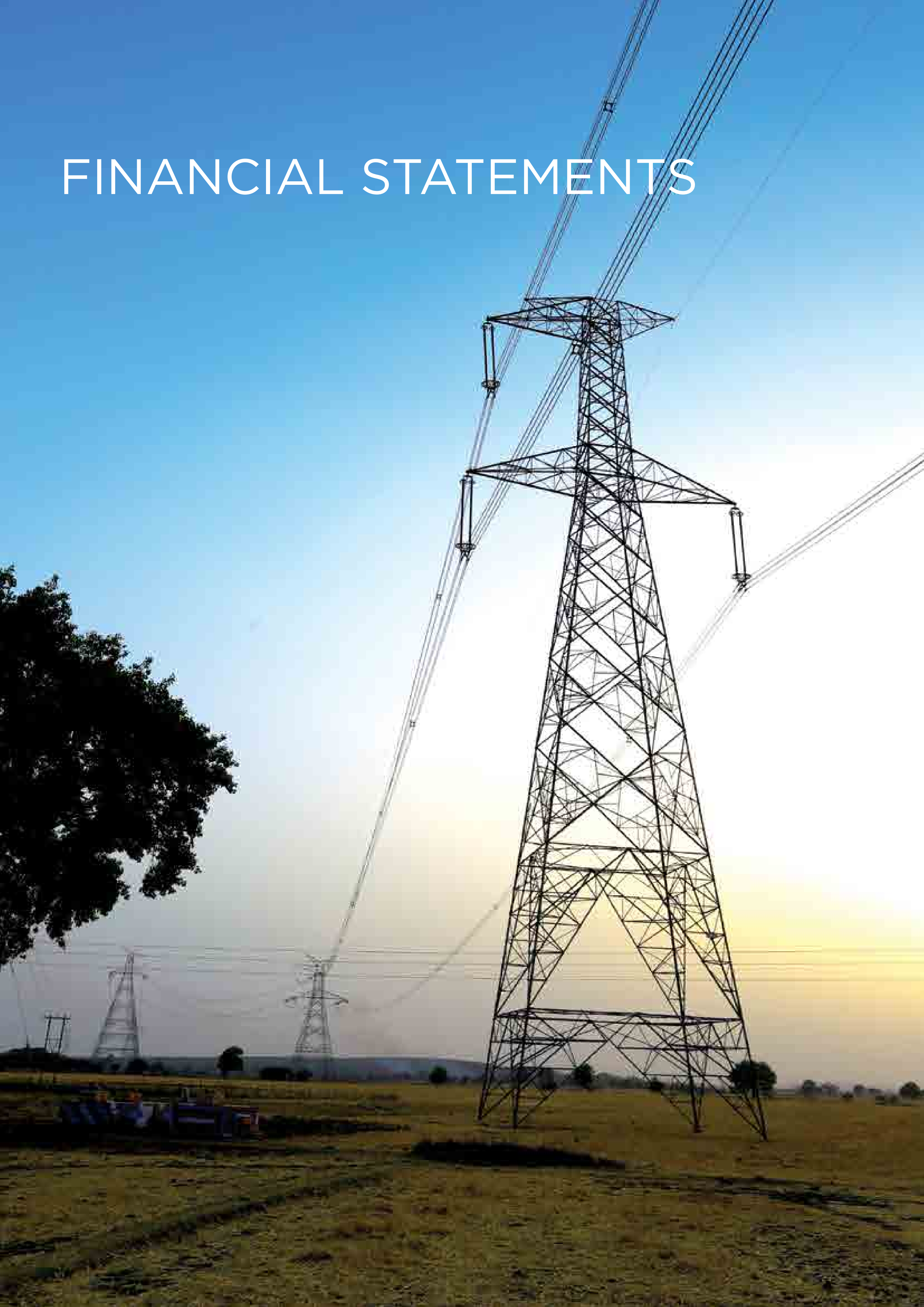
2. Material Contracts - Except otherwise specified, during the period under review, there were no changes in material contracts or any new risk in performance of any contract pertaining to the India Grid Trust.

3. Legal Proceedings - Except otherwise specified, during the period under review, there were no legal proceedings which may have significant bearing on the activities or revenues or cash flows of the India Grid Trust.

4. Material Information and Events - Except otherwise specified, during the period under review, there were no material changes, events or material and price sensitive information to be disclosed for India Grid Trust.

5. Material Litigation - Except as stated in this report including its annexures, there are no material litigation and actions by regulatory authorities, in each case against IndiGrid, the Sponsor, the Investment Manager, the Project Manager, or any of their Associates and the Trustee that are currently pending. For the India Grid Trust and for the Sponsor or Project Manager, the total consolidated revenue of FY18 for respective entities was INR 4,605.00 million and INR 9,215.73 million respectively. Accordingly, all outstanding cases and/or regulatory action which involve an amount exceeding INR 230.25 million and INR 376.7 million (being 5% of the total consolidated revenue) have been considered material, respectively.

FINANCIAL STATEMENTS



INDIA GRID TRUST BALANCE SHEET
AS ON 31 MARCH 2018

(All amounts in INR million unless otherwise stated)

Particulars	Note	31 March 2018	31 March 2017 (Refer note - 25)
ASSETS			
Non-current assets			
Investment in subsidiary	3	1,628.53	-
Financial assets			
i. Investments	4	5,811.09	-
ii. Loans	6	31,046.35	-
		38,485.97	**-**
Current assets			
Financial assets			
i. Cash and cash equivalents	5	1,184.25	-
ii. Other financial assets	7	12.69	
Other Current Assets		0.02	-
		1,196.96	-
Total assets		**39,682.94**	-
EQUITY AND LIABILITIES			
Equity			
Unit capital	8	28,380.00	-
Other equity			
Retained earnings		774.01	-
Total Unit holders' Equity		**29,154.00**	-
Non-Current liabilities			
Financial liabilities			
- Borrowings	9	9,941.47	-
- Other financial Liability	10	579.50	-
		10,520.97	-
Current liabilities			
Financial liabilities			
- Others	10	5.61	-
Other current liabilities	11	2.35	-
		7.96	-
Total equity and liabilities		**39,682.94**	-
Summary of significant accounting policies	2.2		

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

As per our report of even date

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

per Paul Alvares
Partner
Membership Number : 105754

Place: Princeton, USA
Date: 24 April 2018

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

Pratik Agarwal
CEO & Whole Time Director
DIN: 03040062

Harsh Shah
CFO & Whole Time Director
DIN: 02496122

Swapnil Patil
Company Secretary

Place: Mumbai
Date: 24 April 2018

INDIA GRID TRUST STATEMENT OF PROFIT AND LOSS

FOR THE YEAR ENDED 31 MARCH 2018

(All amounts in INR million unless otherwise stated)

Particulars	Note	April 01, 2017 to March 31, 2018	October 21, 2016 to March 31, 2017 (Refer note - 25)
Income			
Revenue from operations	12	3,239.50	-
Dividend income on investment in mutual funds		12.02	-
Interest income on investment in fixed deposits		0.52	-
Total income (I)		**3,252.04**	**-**
Expenses			
Legal and professional fees		20.28	-
Valuation expenses		4.06	-
Trustee Fee		2.94	-
Audit fees		1.42	-
Other expenses		0.19	-
Impairment of investment in subsidiary	16	496.03	-
Finance costs	13	102.18	-
Total expenses (II)		**627.10**	**-**
Profit before tax (I-II)		**2,624.94**	**-**
Tax expense		-	-
Profit for the year		**2,624.94**	**-**
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods		-	-
Other comprehensive income not to be reclassified to profit or loss in subsequent periods		-	-
Total comprehensive income		**2,624.94**	**-**
Earnings per unit (Computed on the basis of profit for the year (INR **)**			
- Basic	14	9.25	-
- Diluted		9.05	-
Summary of significant accounting policies	2.2		

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

As per our report of even date

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

per Paul Alvares
Partner
Membership Number : 105754

Place: Princeton, USA
Date: 24 April 2018

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

Pratik Agarwal
CEO & Whole Time Director
DIN: 03040062

Harsh Shah
CFO & Whole Time Director
DIN: 02496122

Swapnil Patil
Company Secretary

Place: Mumbai
Date: 24 April 2018

INDIA GRID TRUST STATEMENT OF CHANGES IN UNIT HOLDERS' EQUITY

FOR THE YEAR ENDED 31 MARCH 2018

(All amounts in INR million unless otherwise stated)

A. Unit Capital			
Units of Rs 100 each issued, subscribed and fully paid		**Nos. in million**	**INR in million**
As at October 21, 2016 (refer Note 25)		-	-
As at April 01, 2017		-	-
Units issued during the year		283.80	28,380.00
Balance as at March 31, 2018		**283.80**	**28,380.00**
B. Other equity			
	Retained Earnings (INR **in million)**		
As at October 21, 2016 (refer note 25)	-		
Profit for the year	-		
Other comprehensive income	-		
As at 31 March 2017	**-**		
Profit for the year	2,624.94		
Other comprehensive income	-		
Less: Dividend distributed during the period*	(1,850.94)		
As at 31 March 2018	**774.01**		

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

As per our report of even date

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

per Paul Alvares
Partner
Membership Number : 105754

Place: Princeton, USA
Date: 24 April 2018

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

Pratik Agarwal
CEO & Whole Time Director
DIN: 03040062

Harsh Shah
CFO & Whole Time Director
DIN: 02496122

Swapnil Patil
Company Secretary

Place: Mumbai
Date: 24 April 2018

INDIA GRID TRUST CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2018

(All amounts in INR million unless otherwise stated)

Particulars	April 01, 2017 to March 31, 2018	October 21, 2016 to March 31, 2017 (Refer note - 34)
A. Cash flows from operating activities		
Profit before tax	2,624.94	-
Non-cash adjustment to reconcile profit before tax to net cash flows		
- Interest income on non convertible debentures	(473.82)	-
- Impairment of investment in subsidiary	496.03	-
Interest income on loans given to subsidiaries	(2,765.68)	-
Interest expense on long term borrowings	102.18	-
Interest income on fixed deposits	(0.52)	-
Dividend income from mutual fund investments	(12.02)	-
Operating loss before working capital changes	**(28.89)**	**-**
Movements in working capital :		
- (Increase)/Decrease in Other current financial assets	(6.03)	-
- (Increase)/Decrease in Other current assets	(0.02)	-
- Increase/(Decrease) in Other current financial liabilities	3.35	-
- Increase/(Decrease) in Other current liabilities	2.35	-
Change in working capital	**(0.35)**	**-**
Cash used in operations	**(29.24)**	**-**
Direct taxes paid (net of refunds)	-	-
Net cash flow used in operating activities (A)	**(29.24)**	**-**
B. Cash flows from investing activities		
Purchase of Optionally Convertible preference shares of subsidiary	(1,001.96)	-
Loans given to subsidiaries	(32,777.63)	-
Loans repaid by subsidiaries	1,731.27	-
Interest income on loans given to subsidiaries	2,758.65	
Interest income on fixed deposits	0.52	-
Dividend income from mutual fund investments	12.02	-
Net cash flow used in investing activities (B)	**(29,277.12)**	**-**
Proceeds from issue of unit capital	22,500.00	-
Proceeds of long term borrowings	10,000.00	
Payment of upfront fees of long term borrowings	(58.53)	
Payment of interest on long term borrowings	(99.92)	
Payment of dividend on unit capital	(1,850.94)	
Net cash flow from financing activities (C)	**30,490.61**	**-**
Net increase in cash and cash equivalents (A + B + C)	1,184.25	-
Cash and cash equivalents as at beginning of year	-	-
Cash and cash equivalents as at year end	**1,184.25**	**-**

INDIA GRID TRUST CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2018

(All amounts in INR million unless otherwise stated)

Particulars	April 01, 2017 to March 31, 2018	October 21, 2016 to March 31, 2017 (Refer note - 34)
Breakup of cash and cash equivalents-		
	31 March 2018 (INR in millions)	**31 March 2017 (INR in millions)**
Balances with banks		
- on current accounts	758.23	-
- Cheques on hand	426.01	
Total cash and cash equivalents (refer note 5)	**1,184.25**	**-**

Note:

The Trust has issued its units in exchange of the equity shares and non-convertible debentures of SGL-1. The same has not been reflected in cash flow since it was a non-cash transaction. Refer Note 21 for details.

Summary of significant accounting policies	2.2		

As per our report of even date

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

per Paul Alvares
Partner
Membership Number : 105754

Place: Princeton, USA
Date: 24 April 2018

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

Pratik Agarwal
CEO & Whole Time Director
DIN: 03040062

Harsh Shah
CFO & Whole Time Director
DIN: 02496122

Swapnil Patil
Company Secretary

Place: Mumbai
Date: 24 April 2018

INDIA GRID TRUST DISCLOSURES PURSUANT TO SEBI CIRCULARS

(SEBI Circular No. CIR/IMD/DF/114/2016 dated 20-Oct-2016 and No. CIR/IMD/DF/127/2016 dated 29-Nov-2016 issued under the InvIT Regulations)

A. STATEMENT OF NET ASSETS AT FAIR VALUE AS AT 31 MARCH 2018

(INR in millions)

Particulars	Book value	Fair value
A. Assets	39,682.94*	39,682.94
B. Liabilities (at book value)	10,528.92	10,528.92
C. Net Assets (A-B)	29,154.02	29,154.02
D. Number of units	283.80	283.80
E. NAV (C/D)	102.73	102.73

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

B. STATEMENT OF TOTAL RETURNS AT FAIR VALUE AS AT 31 MARCH 2018

(INR in millions)

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

Notes:

1. The Trust does not directly hold investments in the project SPVs. It holds investment in SGL-1 (which is the intermediate holding company) which in turn holds investments in the project SPVs. Hence the break-up of fair values of the assets project wise has been given in the Consolidated Financial Statements of the Trust.

2. Sensitivity analysis with respect to significant unobservable inputs used in the fair value measurement has been disclosed in Note 17.

3. Fair value of assets as at March 31, 2018 and Other changes in fair value for the year then ended as disclosed in the above tables are derived based on the fair valuation reports issued by the independent valuer appointed under the InvIT Regulations.

INDIA GRID TRUST

Notes to Financial Statements for the year ended 31 March 2018

1. Trust information

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

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

During the year ended March 31, 2018, IndiGrid has acquired the following projects from the Sponsor which are transmission infrastructure projects developed on Build Own Operate and Maintain ('BOOM') basis:

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

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

The address of the registered office of the Investment Manager is Malco Industries Limited, Sipcot Industrial Complex, Madurai Bye Pass road, Tuticorin, Thoothukudi, Tamil Nadu 628 002. The financial statements were authorised for issue in accordance with resolution passed by the Board of Directors of the Investment Manager on April 24, 2018.

2. Significant Accounting Policies

2.1 Basis of preparation

These financial statements are the separate financial statements of the Trust and comprise of the Balance Sheet as at March 31, 2018, the Statement of Profit and Loss including the statement of Other Comprehensive Income, the Statement of Cash Flow and the Statement of Changes in Unit Holders' Equity for the year then ended and the Statement of Net Assets at fair value as at March 31, 2018 and the Statement of Total Returns at fair value and the Statement of Net Distributable Cash Flows ('NDCFs') for the year then ended and a summary of significant accounting policies and other explanatory notes in accordance with Indian Accounting Standards as defined in Rule 2(1)(a) of the Companies (Indian Accounting Standards) Rules, 2015, as amended, prescribed under Section 133 of the Companies Act, 2013 ("Ind AS") read with SEBI (Infrastructure Investment Trusts) Regulations, 2014, as amended and the circulars issued thereunder ("InvIT Regulations").

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

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

INDIA GRID TRUST

Notes to Financial Statements for the year ended 31 March 2018

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

2.2 Summary of significant accounting policies

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

a) Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Trust classifies all other liabilities as non-current.

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

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

b) Foreign currencies

The Trust's financial statements are presented in INR, which is its functional currency. The Trust does not have any foreign operation and has assessed the functional currency to be INR.

Transactions and balances

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

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

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

INDIA GRID TRUST

Notes to Financial Statements for the year ended 31 March 2018

c) **Fair value measurement**

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

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

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

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

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

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

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

INDIA GRID TRUST

Notes to Financial Statements for the year ended 31 March 2018

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

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

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

d) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Trust and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties collected on behalf of the government. Revenue is reduced for estimated discounts and other similar allowances.

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

Interest income

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

Dividends

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

e) Taxation

Current income tax

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

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

Deferred tax

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

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

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

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

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

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

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

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

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

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

INDIA GRID TRUST

Notes to Financial Statements for the year ended 31 March 2018

f) Borrowing Costs

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

g) Impairment of non-financial assets

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

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

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

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

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Trust estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit and loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

h) Provisions

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

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

i) Investments in subsidiaries

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

j) Financial instruments

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

Financial assets

Initial recognition and measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Trust commits to purchase or sell the asset.

Subsequent measurement

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

i. Debt instruments at amortised cost

ii. Debt instruments at fair value through other comprehensive income (FVTOCI)

iii. Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL)

iv. Equity instruments measured at fair value through other comprehensive income (FVTOCI)

Debt instruments at amortised cost

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

a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and

b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

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

INDIA GRID TRUST

Notes to Financial Statements for the year ended 31 March 2018

Debt instrument at FVTOCI

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

a) The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and

b) The asset's contractual cash flows represent SPPI.

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognized in the other comprehensive income (OCI). However, the Trust recognizes interest income, impairment losses and reversals and foreign exchange gain or loss in the statement of profit or loss. On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from the equity to statement of profit or loss. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method. The Trust does not have significant financial assets which are subsequently measured at FVTOCI.

Debt instrument at FVTPL

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

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

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

Equity investments

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

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

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

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Trust's balance sheet) when:

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

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

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

Impairment of financial assets

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

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

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risk are recognized in OCI. These gains/ loss are not subsequently transferred to P&L. However, the Trust may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the statement of profit or loss. For more information refer Note 9.

INDIA GRID TRUST

Notes to Financial Statements for the year ended 31 March 2018

Loans and borrowings

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

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

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

Derecognition

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

Embedded derivatives

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

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

Reclassification of financial assets

The Trust determines classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made for financial assets which are equity instruments and financial liabilities. For financial assets which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. Changes to the business model are expected to be infrequent. The Trust's senior management determines change in the business model as a result of external or internal changes which are significant to the Trust's operations. Such changes are evident to external parties. A change in the business model occurs when the Trust either begins or ceases to perform an activity that is significant to its operations. If the Trust reclassifies financial assets, it applies the reclassification prospectively from the reclassification date which is the first day of the immediately next reporting period following the change in business model. The Trust does not restate any previously recognised gains, losses (including impairment gains or losses) or interest.

INDIA GRID TRUST

Notes to Financial Statements for the year ended 31 March 2018

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

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

Offsetting of financial instruments

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

k) Cash and cash equivalents

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

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

l) Cash dividend distribution to unit holders

The Trust recognises a liability to make cash distributions to unit holders when the distribution is authorised and a legal obligation has been created. As per the InvIT Regulations, a distribution is authorised when it is approved by the Board of Directors of the Investment Manager. A corresponding amount is recognised directly in equity.

m) Earnings per unit

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

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

INDIA GRID TRUST

Notes to Financial Statements for the year ended 31 March 2018

2.3 Standards issued but not yet effective:

The amendments to standards that are issued, but not yet effective, up to the date of issuance of the Trust's financial statements are disclosed below. The Trust intends to adopt these standards, if applicable, when they become effective.

The Ministry of Corporate Affairs (MCA) has issued the Companies (Indian Accounting Standards) Amendment Rules, 2017 and Companies (Indian Accounting Standards) Amendment Rules, 2018 amending the following standards:

Ind AS 115 Revenue from Contracts with Customers

Ind AS 115 was notified on 28 March 2018 and establishes a five-step model to account for revenue arising from contracts with customers. Under Ind AS 115, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under Ind AS. Ind AS 115 is effective for the Trust from April 1, 2018 using either one of two methods: (i) retrospectively to each prior reporting period presented in accordance with Ind AS 8 Accounting Policies, Changes in Accounting Estimates and Errors, with the option to elect certain practical expedients as defined within Ind AS 115 (the full retrospective method); or (ii) retrospectively with the cumulative effect of initially applying Ind AS 115 recognized at the date of initial application (1 April 2018) and providing certain additional disclosures as defined in Ind AS 115 (the modified retrospective method).

The Trust has income primarily from interest/dividends from subsidiaries, interest on bank deposits and dividends from liquid mutual funds. The management believes that application of Ind AS 115 is not expected to have material impact on the financial statements, however a reliable estimate of the quantitative impact of Ind AS 115 on the financial statements will only be possible once the implementation has been completed.

Other Amendments to standards, issued but not effective, which are not applicable to the Trust:

a) Amendments to Ind 112 Disclosure of Interests in Other Entities:

The amendments clarify that the disclosure requirements in Ind AS 112, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

b) Amendments to Ind AS 12 Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

c) Transfers of Investment Property - Amendments to Ind AS 40

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

INDIA GRID TRUST

Notes to Financial Statements for the year ended 31 March 2018

d) Ind AS 28 Investments in Associates and Joint Ventures

The amendments clarify that:

- An entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss.
- If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

e) Appendix B to Ind AS 21 Foreign Currency Transactions and Advance Consideration

The Appendix clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the transaction date for each payment or receipt of advance consideration.

Note 3: Investments in subsidiary

(INR in Million)

	31 March 2018	31 March 2017 (Refer note - 25)
Equity investments, at cost (unquoted)		
Sterlite Grid 1 Limited ("SGL-1") ^	1,122.60	-
17.67 million (31 March 2017: Nil) equity shares of INR 10 each fully paid-up		
Less: Provision for impairment (refer note 16)	(496.03)	-
	626.57	**-**
665.82 million (31 March 2017: Nil) 0.001% Optionally convertible redeemable non cumulative preference shares ("OCRPS") of INR 10 each fully paid-up*	1,001.96	-
Total	**1,628.53**	**-**

^ Includes amount of INR 525.10 million towards equity component of Non- Convertible Debentures issued by Sterlite Grid 1 Limited and INR 579.50 million towards payable to SPGVL in respect of acquisition of BDTCL. Refer note 4 and 16 for details.

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

INDIA GRID TRUST

Notes to Financial Statements for the year ended 31 March 2018

Details of the subsidiary are as follows:

Name of subsidiary	Country of incorporation	Ownership interest %	
		31 March 2018	31 March 2017
Directly held by the Trust:			
Sterlite Grid 1 Limited ("SGL-1")	India	100%	-
Indirectly held by the Trust (through SGL-1):			
Bhopal Dhule Transmission Company Limited ("BDTCL")	India	100%	-
Jabalpur Transmission Company Limited ("JTCL")	India	100%	-
Purulia & Kharagpur Transmission Company Limited ("PKTCL")	India	100%	-
RAPP Transmission Company Limited ("RTCL") *	India	49%	-
Maheshwaram Transmission Limited ("MTL") *	India	49%	-

* Pursuant to the share purchase agreements and shareholders' agreements dated February 14, 2018 executed for the acquisition of RTCL and MTL, the Trust (through SGL-1) owns voting rights in the remaining 51% stake in these entities which effectively gives it the beneficial interest over the remaining 51% stake as well.

Note 4: Non- Current investments

(INR in Million)

	31 March 2018	31 March 2017 (Refer note - 25)
Non-convertible debentures (unquoted) (at amortised cost)		
Sterlite Grid 1 Limited	5,811.09	-
(665.82 million (31 March 2017: Nil) 0.01% Non-convertible debentures of INR 10 each)#		
Total	**5,811.09**	**-**

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

Note 5: Cash and cash equivalents

(INR in Million)

	31 March 2018	31 March 2017 (Refer note - 25)
Balances with banks		
- On current accounts	758.24	-
- Cheques on hand ^	426.01	-
Total	**1,184.25**	**-**

^ pertains to remittances received from subsidiaries in respect of interest/principal repayments of loans for the month of March 2018.

INDIA GRID TRUST

Notes to Financial Statements for the year ended 31 March 2018

Note 6: Non-current Loans (Unsecured, considered good)

(INR in Million)

	31 March 2018	31 March 2017 (Refer note - 25)
Loans to subsidiaries (refer note 15)	31,046.35	-
Total	**31,046.35**	**-**

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

Note 7: Other current financial assets

(INR in Million)

	31 March 2018	31 March 2017 (Refer note - 25)
Interest receivable from subsidiaries (refer note 15)	7.03	-
Advances receivable in cash	5.66	-
Total	**12.69**	**-**

Note 8: Unit capital

(INR in Million)

	Number of units	Unit Capital
October 21, 2016	-	-
Issued during the period	-	-
As at 31 March 2017	-	-
Issued during the period	283.80	28,380.00
As at 31 March 2018	**283.80**	**28,380.00**

Terms/rights attached to units

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

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

Note 9: Long term borrowings

(INR in Million)

	31 March 2018	31 March 2017 (Refer note - 25)
Indian rupee term loan from bank (secured)	9,941.47	-
Total	**9,941.47**	**-**

INDIA GRID TRUST

Notes to Financial Statements for the year ended 31 March 2018

The Indian rupee term loan from bank carries interest at the rate of 8.25% p.a. payable monthly. Entire loan amount shall be repayable as a bullet repayment at the end of 10 years from the date of disbursement. The term loan is secured by (i) first pari passu charge on entire current assets including loans and advances, any receivables accrued/ realised from those loans and advances extended by the Trust to its subsidiaries (direct or indirect) including loans to all project SPVs and future SPVs; (ii) negative lien on immovable assets, movable assets, current assets and cash flows of project SPVs to be provided upfront; (iii) First pari-passu charge on Escrow account of the Trust

Note 10: Other financial liabilities

(INR in Million)

	31 March 2018	31 March 2017 (Refer note - 25)
Non - Current		
Payable towards project acquired (refer note 16)	579.50	-
Total	**579.50**	**-**
Current		
Dividend payable	0.04	-
Interest accrued on term loan	2.26	-
Others	3.31	-
Total	**5.61**	**-**

Note 11: Other current liabilities

(INR in Million)

	31 March 2018	31 March 2017 (Refer note - 25)
Witholding taxes (TDS) payable	2.35	-
Total	**2.35**	**-**

Note 12: Revenue from operations

(INR in Million)

	April 01, 2017 to March 31, 2018	October 21, 2016 to March 31, 2017 (Refer note - 25)
Interest income on loans given to subsidiaries (refer note 15)	2,765.68	-
Finance income on non-convertible debentures issued by subsidiary on EIR basis	473.82	-
Total	**3,239.50**	**-**

Note 13: Finance costs

(INR in Million)

	April 01, 2017 to March 31, 2018	October 21, 2016 to March 31, 2017 (Refer note - 25)
Interest expense on term loan from bank	102.18	-
Total	**102.18**	**-**

INDIA GRID TRUST

Notes to Financial Statements for the year ended 31 March 2018

Note 14: Earnings per unit (EPU)

Basic EPU amounts are calculated by dividing the profit for the year attributable to Unit holders by the weighted average number of units outstanding during the year.

Diluted EPU amounts are calculated by dividing the profit attributable to unit holders by the weighted average number of units outstanding during the year plus the weighted average number of units that would be issued on conversion of all the dilutive potential units into unit capital.

The following reflects the profit and unit data used in the basic and diluted EPU computation

(INR in Million)

	31 March 2018	31 March 2017
Profit after tax for calculating basic and diluted EPU	2,624.94	-
Weighted average number of units in calculating basic and diluted EPU (No. million)	283.80	-
Effect of dilution:		
Estimated units to be issued to Sponsor/Project manager*	6.14	
Weighted average number of units in calculating basic and diluted EPU (No. million)	289.94	-
Earnings Per Unit		
Basic (Rupees/unit)	**9.25**	**-**
Diluted (Rupees/unit)	**9.05**	

* units issuable pursuant to the Project Implementation and Management Agreement dated November 10, 2016 as amended, towards the additional transmission charges as may be approved by CERC for the additional expenditure incurred by BDTCL. The petition for such tariff increase is currently pending with CERC.

Statement of Net Distributable Cash Flows (NDCFs)

(INR in Million)

Description	**April 01, 2017 to March 31, 2018**	**October 21, 2016 to March 31, 2017 (refer note 25)**
Cash flows received from the Portfolio Assets in the form of interest	2,758.65	-
Cash flows received from the Portfolio Assets in the form of dividend	-	-
Any other income accruing at IndiGrid level and not captured above, including but not limited to interest/return on surplus cash invested by IndiGrid	12.54	-
Cash flows received from the Portfolio Assets towards the repayment of the debt issued to the Portfolio Assets by IndiGrid (refer note 1)	335.88	-
Proceeds from the Portfolio Assets for a capital reduction by way of a buy back or any other means as permitted, subject to applicable law	-	-
Proceeds from sale of assets of the Portfolio Asset not distributed pursuant to an earlier plan to re-invest, or if such proceeds are not intended to be invested subsequently	-	-
Total cash inflow at the IndiGrid level (A)	**3,107.07**	**-**
Less: Any payment of fees, interest and expense incurred at IndiGrid level, including but not limited to the fees of the Investment Manager and Trustee (refer note 2)	(313.90)	-
Less: Costs/retention associated with sale of assets of the Portfolio Assets:	-	
-related debts settled or due to be settled from sale proceeds of Portfolio Assets;	-	-
-transaction costs paid on sale of the assets of the Portfolio Assets; and	-	-
-capital gains taxes on sale of assets/ shares in Portfolio Assets/ other investments.	-	-

INDIA GRID TRUST

Notes to Financial Statements for the year ended 31 March 2018

(INR in Million)

Description	April 01, 2017 to March 31, 2018	October 21, 2016 to March 31, 2017 (refer note 25)
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	-	-
Total cash outflows / retention at IndiGrid level (B)	**(313.90)**	**-**
Net Distributable Cash Flows (C) = (A+B) (refer note 3)	**2,793.17**	**-**

Notes to the Statement of Net Distributable Cash Flows

1. Excludes INR 1,395.39 million of debt repayment by JTCL to IndiGrid out of the proceeds of total external debt of INR 4,230 million raised by JTCL during the year.
2. Includes amount of INR 207.95 million towards creation of interest service reserve account in respect of the external debt raised during the year
3. The Net Distributable Cash Flows ("NDCF") as above is for the year ended March 31, 2018. Out of above NDCF, an amount of INR 1,850.94 million has already been distributed as dividends to unit holders.

Note 15: Related Party Transactions

I. List of related parties as per the requirements of Ind AS 24 - Related Party Disclosures

A. Related parties where control exists

Subsidiaries

Sterlite Grid 1 Limited (SGL-1)

Bhopal Dhule Transmission Company Limited (BDTCL)

Jabalpur Transmission Company Limited (JTCL)

RAPP Transmission Company Limited (RTCL)

Purulia & Kharagpur Transmission Company Limited (PKTCL)

Maheshwaram Transmission Limited (MTL)

B. Other related parties under Ind AS-24 with whom transactions have taken place during the year

Entity with significant influence over the Trust

Sterlite Power Grid Ventures Limited (SPGVL)

II. List of additional related parties as per Regulation 2(1)(zv) of the InvIT Regulations

A. Parties to IndiGrid

Sterlite Power Grid Ventures Limited (SPGVL) - Sponsor and Project Manager of IndiGrid

Sterlite Investment Managers Limited (SIML) - Investment Manager of IndiGrid

Axis Trustee Services Limited (ATSL) - Trustee of IndiGrid

INDIA GRID TRUST

Notes to Financial Statements for the year ended 31 March 2018

B. Promoters of the parties to IndiGrid specified in (A) above

Sterlite Power Transmission Limited - Promoter of SPGVL and SIML

Axis Bank Limited - Promoter of ATSL

C. Directors of the parties to IndiGrid specified in (A) above

(i) Directors of SPGVL:

Pravin Agarwal

Pratik Agarwal

A. R. Narayanaswamy

Avaantika Kakkar

Ved Mani Tiwari

Anand Agarwal (till 10.10.2017)

Udai Dhawan (till 22.01.2018)

(ii) Directors of SIML:

Pratik Agarwal

Kuldip Kumar Kaura

Tarun Kataria

Shashikant Bhojani

Rahul Asthana

Harsh Shah

(iii) Directors of ATSL:

Srinivasan Varadarajan

Ram Bharoseylal Vaish

Sidharth Rath

Rajaraman Viswanathan

Raghuraman Mahalingam

III. Transactions with related parties during the year

(INR in Million)

Sr. No.	Particulars	Relation	April 01, 2017 to March 31, 2018	October 21, 2016 to March 31, 2017 (refer note 25)
1	**Unsecured loans given to subsidiaries**			
	Jabalpur Transmission Company Limited	Subsidiary	13,767.85	-
	Bhopal Dhule Transmission Company Limited	Subsidiary	8,731.79	-
	RAPP Transmission Company Limited	Subsidiary	2,550.18	-
	Purulia & Kharagpur Transmission Company Limited	Subsidiary	3,987.65	-
	Maheshwaram Transmission Limited	Subsidiary	3,740.15	-
2	**Interest income from subsidiaries**			
	Jabalpur Transmission Company Limited	Subsidiary	1,561.34	-
	Bhopal Dhule Transmission Company Limited	Subsidiary	1,014.26	-
	RAPP Transmission Company Limited	Subsidiary	47.16	-

INDIA GRID TRUST

Notes to Financial Statements for the year ended 31 March 2018

(INR in Million)

Sr. No.	Particulars	Relation	April 01, 2017 to March 31, 2018	October 21, 2016 to March 31, 2017 (refer note 25)
	Purulia & Kharagpur Transmission Company Limited	Subsidiary	73.74	-
	Maheshwaram Transmission Limited	Subsidiary	69.17	-
3	**Repayment of loan from subsidiaries**			
	Jabalpur Transmission Company Limited	Subsidiary	1,638.52	-
	Bhopal Dhule Transmission Company Limited	Subsidiary	91.81	-
	RAPP Transmission Company Limited	Subsidiary	0.94	
4	**Purchase of non convertible debentures of SGL-1**			
	Sterlite Power Grid Ventures Limited	Sponsor and Project Manager/ Entity with significant influence	5,880.36	-
5	**Purchase of equity shares of SGL-1**			
	Sterlite Power Grid Ventures Limited **	Sponsor and Project Manager/ Entity with significant influence	-	-
6	**Subscription to optionally convertible redeemable preference shares**			
	Sterlite Grid 1 Limited	Subsidiary	1,001.96	
7	**Reimbursement of expenses paid**			
	Sterlite Investment Managers Limited	Investment Manager	15.56	-
8	**Issue of unit capital**			
	Sterlite Power Grid Ventures Limited	Sponsor and Project Manager/ Entity with significant influence	5,880.36	-
	Pravin Agarwal	Director of Sponsor	91.34	-
9	**Dividend paid**			
	Sterlite Power Grid Ventures Limited	Sponsor and Project Manager/ Entity with significant influence	373.47	
	Pravin Agarwal	Director of Sponsor	5.99	

INDIA GRID TRUST

Notes to Financial Statements for the year ended 31 March 2018

(INR in Million)

Sr. No.	Particulars	Relation	April 01, 2017 to March 31, 2018	October 21, 2016 to March 31, 2017 (refer note 25)
10	**Advance receivable in cash**			
	Sterlite Grid 1 Limited	Subsidiary	4.60	
11	**Trustee Fee**			
	Axis Trustee Services Limited (ATSL)	Trustee	2.94	-

IV. Outstanding balances as at year end

(INR in Million)

Sr. No.	Particulars	Relation	As at March 31, 2018	As at March 31, 2017 (refer note 23)
1	**Unsecured loan receivable**			
	Jabalpur Transmission Company Limited	Subsidiary	12,129.32	-
	Bhopal Dhule Transmission Company Limited	Subsidiary	8,639.98	-
	RAPP Transmission Company Limited	Subsidiary	2,549.25	-
	Purulia & Kharagpur Transmission Company Limited	Subsidiary	3,987.65	-
	Maheshwaram Transmission Limited	Subsidiary	3,740.15	-
2	**Interest receivable from subsidiaries**			
	Purulia & Kharagpur Transmission Company Limited	Subsidiary	6.80	
	Maheshwaram Transmission Limited	Subsidiary	0.23	
3	**Advance receivable in cash**			
	Sterlite Grid 1 Limited	Subsidiary	4.60	-
4	**Non-Convertible Debentures of subsidiary (including accrued interest on EIR)**			
	Sterlite Grid 1 Limited	Subsidiary	5,811.09	-
5	**Investment in equity shares of subsidiary (excluding provision for impairment)**			
	Sterlite Grid 1 Limited#	Subsidiary	1,122.60	-
6	**Optionally convertible redeemable preference shares**			
	Sterlite Grid 1 Limited	Subsidiary	1,001.96	-
7	**Trustee fee**			
	Axis Trustee Services Limited (ATSL)	Trustee	0.54	

** IndiGrid acquired NCDs and Equity Shares of SGL-1 in exchange of its units amounting to INR 5,880.36 million. Since the nominal value of NCDs was INR 6,658.24 million. Hence the entire consideration was allocated to NCDs.

Includes amount of INR 525.10 million towards equity component of Non- Convertible Debentures issued by Sterlite Grid 1 Limited and INR 579.50 million towards payable to SPGVL in respect of acquisition of BDTCL. Refer note 4 and 16 for details.

Details in respect of related party transactions involving acquisition of InvIT assets as required by Para 4.4(b)(iv) of Section A of Annexure A to SEBI Circular dated October 20, 2016 are as follows:

INDIA GRID TRUST

Notes to Financial Statements for the year ended 31 March 2018

(A) Summary of the valuation reports (issued by the independent valuer appointed under the InvIT Regulations):

(INR in Million)

Particulars	BDTCL	JTCL
Enterprise value		
- 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
Total Enterprise value	**21,541**	**16,125**
Method of valuation	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%

(B) Material conditions or obligations in relation to the transactions:

Acquisition of BDTCL and JTCL (through acquisition of SGL-1):

Pursuant to the Project Implementation and Management Agreement dated November 10, 2016 as amended on April 25, 2017 ("PIMA") executed among SIML, ATSL, SPGVL, SGL-1, BDTCL and JTCL, IndiGrid would issue additional units to SPGVL in the event CERC approves additional tariff for BDTCL and/or JTCL in respect of cost escalations in those projects for which petitions were filed with CERC. The units to be issued to SPGVL shall be equivalent to 80% of the Cost Escalation for each of BDTCL and JTCL as approved by CERC.

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

CERC vide Order dated May 8, 2017 approved cost escalation of INR. 1,699.90 million for JTCL. Accordingly, IndiGrid issued additional units of INR 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) No external financing has been obtained for the acquisition of BDTCL and JTCL and no fees or commission were received/to be received by any associate of the related party in relation to the transaction.

Note 16: Significant accounting judgements, estimates and assumptions

The preparation of the Trust's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and the accompanying disclosures and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements

In the process of applying the Trust's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements.

Classification of Unitholders' funds

Under the provisions of the InvIT Regulations, IndiGrid is required to distribute to Unitholders not less than ninety percent of the net distributable cash flows of IndiGrid for each financial year. Accordingly, a portion of the unitholders' funds contains a contractual obligation of the Trust to pay to its Unitholders cash distributions. The Unitholders' funds could therefore have been classified as compound financial instrument which contain both equity and liability components in accordance with Ind AS 32 - Financial Instruments: Presentation. However, in accordance with SEBI Circulars (No. CIR/IMD/DF/114/2016 dated 20-Oct-2016 and No. CIR/IMD/DF/127/2016 dated 29-Nov-2016) issued under the InvIT Regulations, the unitholders' funds have been classified as equity in order to comply with the mandatory requirements of Section H of Annexure A to the SEBI Circular dated 20-Oct-2016 dealing with the minimum disclosures for key financial statements. In line with the above, the dividend payable to unit holders is recognised as liability when the same is approved by the Investment Manager.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities or fair value disclosures within the next financial year, are described below. The Trust based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Trust. Such changes are reflected in the assumptions when they occur.

Payable for project acquisition

BDTCL had filed petition dated October 15, 2016 with CERC for grant of incremental tariff to compensate for additional expenditure incurred on BDTCL project. Pursuant to the Project Implementation and Management Agreement dated November 10, 2016 as amended ("PIMA"), the Trust will issue additional units to Sterlite Power Grid Ventures Limited ("SPGVL") in case any additional tariff is approved by CERC. The units that will be issued would be to the extent of 80% of the additional capital expenditure as approved by CERC in respect of the pending petition. Accordingly, the Trust has estimated and recorded an amount of INR 579.50 million towards the units issuable to SPGVL in accordance with PIMA as payable for asset acquisition. The consideration would be discharged in the form of units of the Trust. The number of units that will be issued is variable since the pricing of the units will be based on Regulation 76 of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 as amended, hence the same has been classified as financial liability. Since the management expects to receive the CERC Order within 12 months, there is no material change in the fair value of the contingent consideration as at March 31, 2018.

Fair valuation and disclosures

SEBI Circulars issued under the InvIT Regulations require disclosures relating to net assets at fair value and total returns at fair value (refer Note 17 and 18). In estimating the fair value of investments in subsidiaries (which constitute substantial portion of the net assets), the Trust engages independent qualified external valuers to perform the valuation. The management works closely with the valuers to establish the appropriate valuation techniques and inputs to the model. The management reports the valuation report and findings to the Board of the Investment Manager half yearly to explain the cause of fluctuations in the fair value of the transmission projects. The inputs to the valuation models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as WACC, Tax rates, Inflation rates, etc. Changes in assumptions about these factors could affect the fair value. (refer Note 17 for details).

Impairment of non-financial assets

Non-financial assets of the Trust primarily comprise of investments in subsidiaries. Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The recoverable amounts for the investments in subsidiaries are based on the fair values less costs of disposal/value in use of the underlying projects. The fair value less costs of

INDIA GRID TRUST

Notes to Financial Statements for the year ended 31 March 2018

disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budgets/forecasts over the life of the projects. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash flows. As at March 31, 2018, an amount of INR 496.03 million has been provided as impairment on investment in subsidiary. The recoverable amount of the investment in subsidiary has been computed based on value in use calculation for the underlying projects. The discount rate (WACC) used for the valuation of the underlying projects is in the range of 7.86% to 8.08%.

Note 17: Fair values

Set out below, is a comparison by class of the carrying amounts and fair value of the Trust's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

(INR in Million)

	Carrying value		Fair value	
	31 March 2018	**31 March 2017**	**31 March 2018**	**31 March 2017**
Financial assets				
Investment in NCDs of subsidiary	5,811.09	-	5,811.09	-
Cash and cash equivalents*	1,184.25	-	1,184.25	-
Loans to subsidiaries	31,046.35	-	31,046.35	-
Other financial assets*	12.69	-	12.69	-
	38,054.38	**-**	**38,054.38**	**-**
Financial liabilities				
Borrowings	(9,941.47)	-	(9,941.47)	-
Other financial liabilities*	(5.61)	-	(5.61)	-
	(9,947.08)	**-**	**(9,947.08)**	**-**

* The management assessed that cash and cash equivalents, other financial assets and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The management has further assessed that investment in NCDs of subsidiary, borrowings availed and loans given approximate their carrying amounts largely due to movements in interest rates from the recognition of such financial instrument till period end not being material.

The Trust is required to present the Statement of total assets at fair value and Statement of total returns at fair value as per SEBI Circular No. CIR/IMD/DF/114/2016 dated October 20, 2016 as a part of these financial statements - Refer Statement of Net assets at fair value and Statement of Total Returns at fair value.

The inputs to the valuation models for computation of fair value of assets for the above mentioned statements are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as WACC, Tax rates, Inflation rates, etc.

The significant unobservable inputs used in the fair value measurement required for disclosures as above categorised within Level 3 of the fair value hierarchy as above together with a quantitative sensitivity analysis as at 31 March 2018 are as shown below

INDIA GRID TRUST

Notes to Financial Statements for the year ended 31 March 2018

Description of significant unobservable inputs to valuation:

(INR in Million)

Significant unobservable inputs	Input	Sensitivity of input to the fair value	Increase /(decrease) in fair value	
			31 March 2018	31 March 2017
WACC	7.86% to 8.08%	+ 0.5%	(2,479.63)	-
		- 0.5%	2,768.61	-
Tax rate (normal tax and MAT)	Normal Tax - 29.12%	+ 2%	(325.90)	-
	MAT - 21.55%	- 2%	296.36	-
Inflation rate	5.95%	+ 1%	(444.44)	-
		- 1%	366.13	-
Additional tariff (applicable only for BDTCL)	2.58%	+ 1%	154.00	-
		- 1%	(154.00)	-

Note 18: Fair value hierarchy

The following table provides the fair value measurement hierarchy of the Trust's assets and liabilities:

Quantitative disclosures fair value measurement hierarchy for assets and liabilities as at 31 March 2018:

	Date of valuation	Fair value measurement using		
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets for which fair values are disclosed:				
Investment in equity instruments of subsidiary	31 March 2018	-	-	1,628.53
Non- Convertible Debentures of subsidiary	31 March 2018	-	5,811.09	-
Loans to subsidiaries	31 March 2018	-	31,046.35	-
Liabilities for which fair values are disclosed:				
Borrowings (Note 17)	31 March 2018	-	9,941.47	-

There have been no transfers between Level 1 and Level 2 during the year ended 31 March 2018. There were no assets/liabilities as at 31 March 2017. Hence disclosures for previous year have not been given. Refer Note 25.

Note 19: Financial risk management objectives and policies

The Trust's principal financial liabilities comprise of borrowings and other financial liabilities. The main purpose of these financial liabilities is to finance the Trust's operations. The Trust's principal financial assets include investments, loans, cash and bank balances and other financial assets that derive directly from its operations.

The Trust may be exposed to market risk, credit risk and liquidity risk. The Investment Manager oversees the management of these risks. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Trust's policy that no trading in derivatives for speculative purposes may be undertaken. The management reviews and agrees policies for managing each of these risks, which are summarised below.

INDIA GRID TRUST

Notes to Financial Statements for the year ended 31 March 2018

The Risk Management policies of the Trust are established to identify and analyse the risks faced by the Trust, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Trust's activities.

Management has overall responsibility for the establishment and oversight of the Trust's risk management framework.

(A) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk such as equity price risk. Financial instruments affected by market risk include loans and borrowings and investments.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Trust's borrowings are at fixed rate, hence the Trust is not exposed to Interest rate risk.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Trust did not have any exposure in foreign currency as at March 31, 2018.

Equity price risk

The Trust's investments in equity shares of subsidiaries are susceptible to market price risk arising from uncertainties about future values of those investments. Reports on the equity portfolio are submitted to the senior management on a regular basis. The Board of Directors of the Investment Manager reviews and approves all equity investment decisions. At the reporting date, the exposure to equity investments in subsidiary at carrying value was INR 1,628.53 million (31 March 2017: Nil). Sensitivity analyses of significant unobservable inputs used in the fair value measurement are disclosed in Note 18.

(B) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Trust is exposed to credit risk from its investing activities including loans to subsidiaries, deposits with banks and other financial instruments. As at March 31, 2018, the credit risk is considered low since substantial transactions of the Trust are with its subsidiaries.

(C) Liquidity risk

Liquidity risk is the risk that the Trust may encounter difficulty in meeting its present and future obligations associated with financial liabilities that are required to be settled by delivering cash or another financial asset. The Trust's objective is to, at all times times, maintain optimum levels of liquidity to meet its cash and collateral obligations. The Trust requires funds both for short term operational needs as well as for long term investment programs mainly in transmission projects. The Trust closely monitors its liquidity position and deploys a robust cash management system. It aims to minimise these risks by generating sufficient cash flows from its current operations, which in addition to the available cash and cash equivalents, liquid investments and sufficient committed fund facilities, will provide liquidity.

The liquidity risk is managed on the basis of expected maturity dates of the financial liabilities. The other financial liabilities are with short term durations. The table below summarises the maturity profile of the Trust's financial liabilities based on contractual undiscounted payments:

INDIA GRID TRUST

Notes to Financial Statements for the year ended 31 March 2018

(INR in Million)

Particulars	3 months to 12 months	1 to 5 years	More than 5 years	Total
31 March 2018				
Borrowings	-	-	9,941.47	9,941.47
Other financial liabilities*	585.11	-	-	585.11
Total	**585.11**	**-**	**9,941.47**	**10,526.58**
* Includes amount of INR 579.50 million being payable towards project acquired which will be settled by issue of units.				
31 March 2017				
Borrowings	-	-	-	-
Other financial liabilities	-	-	-	-
Total	**-**	**-**	**-**	**-**

Note 20: Capital management

For the purpose of the Trust's capital management, capital includes issued unit capital and all other reserves attributable to the unit holders of the Trust. The primary objective of the Trust's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise unit holder value.

The Trust manages its capital structure and makes adjustments to it in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Trust may adjust the dividend payment to unitholders (subject to the provisions of InvIT regulations which require distribution of at least 90% of the net distributable cash flows of the Trust to unit holders), return capital to unitholders or issue new units. The Trust monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Trust's policy is to keep the gearing ratio optimum. The Trust includes within net debt, interest bearing loans and borrowings, trade and other payables less cash and cash equivalents, other bank balances and short term investments.

(INR in Million)

Particulars	31 March 2018	31 March 2017
Long term borrowings	9,941.47	-
Other financial liabilities	585.11	-
Less: Cash and cash equivalents	(1,184.25)	-
Net debt (A)	**9,342.33**	**-**
Unit capital	28,380.00	-
Other equity	774.01	-
Total capital (B)	**29,154.01**	**-**
Capital and Net debt [(C) = (A) + (B)]	**38,496.34**	**-**
Gearing ratio (C) / (A)	**24.3%**	

INDIA GRID TRUST

Notes to Financial Statements for the year ended 31 March 2018

Note 21: Acquisition of Transmission Assets and IPO

During the year, IndiGrid acquired 100% of the equity share capital of SGL-1, which in turn holds 100% of the equity share capital of BDTCL and JTCL pursuant to the Securities Purchase Agreement dated May 8, 2017, including 665,824,156 non-convertible debentures of face value INR 10 each of SGL-1 from SPGVL in exchange of 45,203,627 units issued by IndiGrid to SPGVL.

IndiGrid raised funds of INR 22,500 million through Initial Public Offering. These funds were utilised to provide loans to BDTCL and JTCL pursuant to the facility agreements dated May 5, 2017, entered into between the Trustee (on behalf of IndiGrid), the Investment Manager, and each of BDTCL and JTCL, respectively.

IndiGrid further issued 13,599,200 units to SPGVL pursuant to Project Implementation and Management Agreement dated November 10, 2016 as amended ("PIMA") towards the additional transmission charges for JTCL as approved by CERC vide its order dated May 8, 2017 for the additional expenditure incurred by JTCL. The additional units were issued at INR 100 per unit to the extent of 80% of the additional capital expenditure approved by CERC which is INR 1,359.92 million.

Note 22: Subsequent event

On April 24, 2018, the Board of directors of the Investment Manager approved a dividend of INR 3 per unit for the period January 1 , 2018 to March 31, 2018 to be paid on or before 15 days from the date of declaration.

Note 23: Commitments

The Trust has entered into Share Purchase Agreement on February 19, 2018 with Techno Power Grid Company Limited, Techno Electric and Engineering Company Limited and Patran Transmission Company Limited ('PTCL') pursuant to which the Trust has agreed to purchase entire share capital of PTCL at cost of approx. INR 2,320 million based on the valuation report obtained by the management. The transaction is expected to complete in the first quarter of financial year 2018-19.

Note 24: Segment reporting

The Trust's activities comprise of owning and investing in transmission SPVs to generate cash flows for distribution to uniholders. Based on the guiding principles given in Ind AS - 108 "Operating Segments", this activity falls within a single operating segment and accordingly the disclosures of Ind AS -108 have not separately been given

Note 25: Previous year figures

IndiGrid was registered as an irrevocable trust under the Indian Trusts Act, 1882 on October 21, 2016 and registered as an Infrastructure Investment Trust under the Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014 on November 28, 2016. However, there were no transactions during the period October 21, 2016 to March 31, 2017. Hence, corresponding figures for previous period have not been presented.

As per our report of even date

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

per Paul Alvares
Partner
Membership Number : 105754

Place: Princeton, USA
Date: 24 April 2018

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

Pratik Agarwal
CEO & Whole Time Director
DIN: 03040062

Harsh Shah
CFO & Whole Time Director
DIN: 02496122

Swapnil Patil
Company Secretary

Place: Mumbai
Date: 24 April 2018

INDIA GRID TRUST CONSOLIDATED BALANCE SHEET

AS ON 31 MARCH 2018

(All amounts in INR million unless otherwise stated)

Particulars	Note	31 March 2018	31 March 2017 (Refer note - 34)
ASSETS			
Non-current assets			
Property, plant and equipment	3	50,264.53	-
Financial assets			
-Other non-current financial assets	4	12.79	-
Other non current assets	5	150.21	-
		50,427.53	**-**
Current assets			
Financial assets			
i. Trade receivables	6	1,061.89	-
ii. Cash and cash equivalents	7	1,672.92	-
iii. Bank balances other than (ii) above	8	10.50	-
iv. Other financial assets	4	498.85	-
Other current assets	5	115.25	-
		3,359.41	**-**
Total assets		**53,786.94**	**-**
EQUITY AND LIABILITIES			
Equity			
Unit capital	9	28,380.00	-
Other equity			
Retained Earnings		252.56	-
Total Unitholders' Equity		**28,632.56**	**-**
Non-Current liabilities			
Financial liabilities			
- Borrowings	10	19,112.50	-
- Other financial Liabilities	13	579.50	-
		19,692.00	**-**
Current liabilities			
Financial liabilities			
i. Borrowings	11	4,230.00	-
ii. Trade payables	12	130.17	-
iii. Other financial liabilities	13	1,088.51	-
Other current liabilities	14	13.70	-
		5,462.38	**-**
Total equity and liabilities		**53,786.94**	**-**
Summary of significant accounting policies	2.3		

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

As per our report of even date

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

per Paul Alvares
Partner
Membership Number : 105754

Place: Princeton, USA
Date: 24 April 2018

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

Pratik Agarwal
CEO & Whole Time Director
DIN: 03040062

Harsh Shah
CFO & Whole Time Director
DIN: 02496122

Swapnil Patil
Company Secretary

Place: Mumbai
Date: 24 April 2018

INDIA GRID TRUST CONSOLIDATED STATEMENT OF PROFIT AND LOSS

FOR THE YEAR ENDED 31 MARCH 2018

(All amounts in INR million unless otherwise stated)

Particulars	Note	April 01, 2017 to March 31, 2018	October 21, 2016 to March 31, 2017 (Refer note - 25)
Income			
Revenue from operations	15	4,475.69	-
Dividend income on investment in mutual fund		49.94	-
Interest income on investment in fixed deposit		0.86	-
Other income	16	78.51	
Total income (I)		**4,605.00**	**-**
Expenses			
Transmission infrastructure maintenance charges		107.58	-
Insurance expenses		65.92	-
Legal and professional fees		41.55	-
Rates and taxes		33.43	-
Investment Manager fees (refer note 31)		87.54	-
Project Manager fees (refer note 31)		26.44	-
Travelling and conveyance expenses		5.20	-
Valuation expenses		4.06	-
Trustee Fee		2.94	-
Payment to auditors (including for subsidiaries)			
- Statutory Audit		3.48	-
- Other services (including certification)		1.21	-
Other expenses		19.99	-
Depreciation expense	3	1,157.41	-
Finance costs	17	1,012.57	-
Total expenses		**2,569.33**	
Profit before tax		**2,035.68**	**-**
Tax expense			
- Current tax		-	-
- Deferred tax		-	-
- Income tax for earlier years	18	(67.82)	-
Profit for the year		**2,103.50**	**-**
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods		-	-
Other comprehensive income not to be reclassified to profit or loss in subsequent periods		-	-
Total Comprehensive income		**2,103.50**	**-**
Earnings per unit (Computed on the basis of profit for the year)	19		
- Basic		7.41	-
- Diluted		7.25	-
Summary of significant accounting policies	2.3		

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

As per our report of even date

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

per Paul Alvares
Partner
Membership Number : 105754

Place: Princeton, USA
Date: 24 April 2018

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

Pratik Agarwal
CEO & Whole Time Director
DIN: 03040062

Harsh Shah
CFO & Whole Time Director
DIN: 02496122

Swapnil Patil
Company Secretary

Place: Mumbai
Date: 24 April 2018

INDIA GRID TRUST CONSOLIDATED STATEMENT OF CHANGES IN UNIT HOLDERS' EQUITY

FOR THE YEAR ENDED 31 MARCH 2018

(All amounts in INR million unless otherwise stated)

A. Unit Capital			
		Nos. in million	INR in million
As at October 21, 2016 (refer Note 34)		-	-
As at April 01, 2017		-	-
Units issued during the year		283.80	28,380.00
Balance as at March 31, 2018		**283.80**	**28,380.00**

B. Other equity			
	Retained		
As at October 21, 2016 (refer note 24)	-		
Profit for the year	-		
Other comprehensive income	-		
As at 31 March 2017	**-**		
Profit for the year	2,103.50		
Other comprehensive income	-		
	2,103.50		
Less: Dividend distributed during the period*	(1,850.94)		
As at 31 March 2018	**252.56**		

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

As per our report of even date

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

per Paul Alvares
Partner
Membership Number : 105754

Place: Princeton, USA
Date: 24 April 2018

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

Pratik Agarwal
CEO & Whole Time Director
DIN: 03040062

Harsh Shah
CFO & Whole Time Director
DIN: 02496122

Swapnil Patil
Company Secretary

Place: Mumbai
Date: 24 April 2018

INDIA GRID TRUST CONSOLIDATEDCASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2018

(All amounts in INR million unless otherwise stated)

Particulars	April 01, 2017 to March 31, 2018	October 21, 2016 to March 31, 2017 (Refer note - 34)
A. Cash flows from operating activities		
Profit before tax	2,035.68	-
Non-cash adjustment to reconcile profit before tax to net cash flows		
- Depreciation	1,157.41	-
- Reversal of prepayment charges	(63.85)	-
Finance cost	1,012.57	-
Interest income on investment in fixed deposit	(0.86)	-
Dividend income from mutual fund investments	(49.94)	-
Operating profit before working capital changes	**4,091.01**	**-**
Movements in working capital :		
- (Increase)/Decrease in Trade receivables	101.45	-
- (Increase)/Decrease in Other current financial assets	(49.40)	-
- (Increase)/Decrease in Other non-current assets	(7.90)	-
- (Increase)/Decrease in Other current assets	4.37	-
- Increase/(Decrease) in Trade Payables	106.32	-
- Increase/(Decrease) in Other current financial liabilities	72.99	-
- Increase/(Decrease) in Other current liabilities	13.71	-
Change in working capital	**241.54**	**-**
Cash generated from operations	**4,332.55**	**-**
Direct taxes paid (net of refunds)	-	-
Net cash flow from operating activities (A)	**4,332.55**	**-**
B. Cash flows from investing activities		
Acquisition of Property, plant and equipments #	(44,740.74)	-
Acquisition of Other Assets (net of other liabilities)#	(1,551.21)	-
Acquisition of mutual fund investments#	(7,904.77)	-
Purchase of mutual fund investments	(11,636.16)	
Redemption of mutual fund investments	19,540.93	-
Interest income on fixed deposits	3.27	-
Dividend income on current investment	49.94	-
Net cash flow used in investing activities (B)	**(46,238.74)**	**-**
Proceeds from issue of unit capital*	22,500.00	-
Proceeds of long term borrowings	14,230.00	-
Acquisition of borrowings #	42,345.56	
Repayment of borrowings	(32,546.46)	
Finance costs	(1,099.05)	-

INDIA GRID TRUST CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2018

(All amounts in INR million unless otherwise stated)

Particulars		April 01, 2017 to March 31, 2018	October 21, 2016 to March 31, 2017 (Refer note - 34)
Payment of dividend on unit capital		(1,850.94)	-
Net cash flow from financing activities (C)		**43,579.11**	**-**
Net Increase in cash and cash equivalents (A + B + C)		**1,672.92**	**-**
Cash and cash equivalents as at beginning of year		-	-
Cash and cash equivalents as at year end		**1,672.92**	**-**
* Trust has purchased for 17.67 million equity shares and 665.82 million non convertible debentures issued by Sterlite Grid 1 Limited in exchange of issue of its 58.80 million units. Hence the same has not been reflected in cash flow being a non-cash transaction.			
# Pertains to projects acquired during the year viz., BDTCL, JTCL, MTL, PKTCL and RTCL - refer note 32			
Breakup of cash and cash equivalents			
		31 March 2018	**31 March 2017**
Balances with banks			
- On current account		1,672.92	-
Total cash and cash equivalents (refer note 7)		**1,672.92**	**-**
Summary of significant accounting policies	2.3		

As per our report of even date

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

per Paul Alvares
Partner
Membership Number : 105754

Place: Princeton, USA
Date: 24 April 2018

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

Pratik Agarwal
CEO & Whole Time Director
DIN: 03040062

Harsh Shah
CFO & Whole Time Director
DIN: 02496122

Swapnil Patil
Company Secretary

Place: Mumbai
Date: 24 April 2018

INDIA GRID TRUST DISCLOSURES PURSUANT TO SEBI CIRCULARS

(SEBI Circular No. CIR/IMD/DF/114/2016 dated 20-Oct-2016 and No. CIR/IMD/DF/127/2016 dated 29-Nov-2016 issued under the InvIT Regulations)

A. CONSOLIDATED STATEMENT OF NET ASSETS AT FAIR VALUE AS AT 31 MARCH 2018

(INR in millions)

Particulars	Book value	Fair value
A. Assets	53,786.94	54,064.90
B. Liabilities (at book value)	25,154.38	25,154.38
C. Net Assets (A-B)	28,632.56	28,910.52
D. Number of units	283.80	283.80
E. NAV (C/D)	100.89	101.87

Project wise breakup of Fair Value of assets as at March 31, 2018:

Project	Fair Values* (INR 'Million)
Bhopal Dhule Transmission Company Limited	20,632.61
Jabalpur Transmission Company Limited	15,706.90
RAPP Transmission Company Limited	4,285.14
Purulia & Kharagpur Transmission Limited	6,653.60
Maheshwaram Transmission Limited	5,578.96
Subtotal	**52,857.20**
Assets (in IndiGrid and Sterlite Grid 1 Limited)	1,207.70
Total assets	**54,064.90**

B. CONSOLIDATED STATEMENT OF TOTAL RETURNS AT FAIR VALUE AS AT 31 MARCH 2018

(INR in millions)

Particulars	Year ended March 31, 2018
Total Comprehensive Income (As per the Statement of Profit and Loss)	2,103.50
Add/(less): Other Changes in Fair Value (e.g., in investment property, property, plant & equipment (if cost model is followed)) not recognized in Total Comprehensive Income	277.96
Total Return	**2,381.46**

Notes:

1. Fair value of assets as at March 31, 2018 and Other changes in fair value for the year then ended as disclosed in the above tables are derived based on the fair valuation reports issued by the independent valuer appointed under the InvIT Regulations.

2. Sensitivity analysis with respect to significant unobservable inputs used in the fair value measurement has been disclosed in Note 27.

INDIA GRID TRUST DISCLOSURES PURSUANT TO SEBI CIRCULARS

(SEBI Circular No. CIR/IMD/DF/114/2016 dated 20-Oct-2016 and No. CIR/IMD/DF/127/2016 dated 29-Nov-2016 issued under the InvIT Regulations)

STATEMENTS OF NET DISTRIBUTABLE CASH FLOWS (NDCFs)

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

(INR in millions)

Description	April 01, 2017 to March 31, 2018	October 21, 2016 to March 31, 2017 (refer note 34)
Cash flows received from the Portfolio Assets in the form of interest	2,758.65	-
Cash flows received from the Portfolio Assets in the form of dividend	-	-
Any other income accruing at IndiGrid level and not captured above, including but not limited to interest/return on surplus cash invested by IndiGrid	12.54	-
Cash flows received from the Portfolio Assets towards the repayment of the debt issued to the Portfolio Assets by IndiGrid (refer note 1)	335.88	-
Proceeds from the Portfolio Assets for a capital reduction by way of a buy back or any other means as permitted, subject to applicable law	-	-
Proceeds from sale of assets of the Portfolio Asset not distributed pursuant to an earlier plan to re-invest, or if such proceeds are not intended to be invested subsequently	-	-
Total cash inflow at the IndiGrid level (A)	**3,107.07**	**-**
Less: Any payment of fees, interest and expense incurred at IndiGrid level, including but not limited to the fees of the Investment Manager and Trustee (refer note 2)	(313.90)	-
Less: Costs/retention associated with sale of assets of the Portfolio Assets:	-	-
- related debts settled or due to be settled from sale proceeds of Portfolio Assets;	-	-
- transaction costs paid on sale of the assets of the Portfolio Assets; and	-	-
- capital gains taxes on sale of assets/ shares in Portfolio Assets/ other investments.	-	-
Less: Proceeds reinvested or planned to be reinvested in accordance with Regulation 18(7)(a) of the InvIT Regulations	-	-
Less: Repayment of external debt at the IndiGrid level and at the level of any of the underlying portfolio assets/special purpose vehicles (Excluding refinancing)	-	-
Less: Income tax (if applicable) at the standalone IndiGrid level	-	-
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	-	-
Total cash outflows / retention at IndiGrid level (B)	**(313.90)**	**-**
		-
Net Distributable Cash Flows (C) = (A+B) (refer note 3)	**2,793.17**	**-**

Notes to the Statement of Net Distributable Cash Flows of IndiGrid

1. Excludes INR 1,395.39 million of debt repayment by JTCL to IndiGrid out of the proceeds of total external debt of INR 4,230 million raised by JTCL during the year.
2. Includes amount of INR 207.95 million towards creation of interest service reserve account in respect of the external debt raised during the year.
3. The Net Distributable Cash Flows ("NDCF") as above is for the year ended March 31, 2018. Out of above NDCF, an amount of INR 1,850.94 million has already been distributed as dividends to unit holders.

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

(i) Sterlite Grid 1 Limited (SGL-1) (Holdco)

(INR in millions)

Description	May 30, 2017* to March 31, 2018	October 21, 2016 to March 31, 2017 (refer note 34)
Profit/(loss) after tax as per profit and loss account (A) (pertaining to period post acquisition by IndiGrid)	**93.99**	**-**
Add: Depreciation, impairment and amortisation	7.29	-
Add/Less: Decrease/(increase) in working capital	(10.10)	-
Add: Interest accrued on loan/non-convertible debentures issued to IndiGrid or SGL-1	473.60	-
Add/less: Loss/gain on sale of infrastructure assets	-	-
Add: Proceeds from sale of infrastructure assets adjusted for the following:	-	-
-related debts settled or due to be settled from sale proceeds;	-	-
-directly attributable transaction costs;	-	-
-directly attributable transaction costs;	-	-
-proceeds reinvested or planned to be reinvested as per Regulation 18(7) (a) of the InvIT Regulations	-	-
Add: Proceeds from sale of infrastructure assets not distributed pursuant to an earlier plan to re-invest, if such proceeds are not intended to be invested subsequently, net of any profit / (loss) recognised in profit and loss account	-	-
Less: Capital expenditure, if any	-	-
Add/less: Any other item of non-cash expense / non cash income (net of actual cash flows for these items)	-	-
-any decrease/increase in carrying amount of an asset or a liability recognised in profit and loss account on measurement of the asset or the liability at fair value;	-	-
-interest cost as per effective interest rate method (difference between accrued and actual paid);	-	-
-deferred tax;	(163.99)	-
- Unwinding of Interest cost on Non convertible debentures issued at interest rate lower than market rate of interest	0.30	-

(INR in millions)

Description	May 30, 2017* to March 31, 2018	October 21, 2016 to March 31, 2017 (refer note 34)
-portion reserve for major maintenance which has not been accounted for in profit and loss statement;	-	-
Non Cash item - Reversal of impairment of investment in subsidiary	(429.22)	-
Non Cash item - Provision for TDS receivable	21.52	-
-reserve for debenture/ loan redemption (Excluding any reserve required by any law or as per lender's agreement)	-	-
Less: Repayment of external debt (principal) / redeemable preference shares / debentures, etc. (Excluding refinancing) / net cash set aside to comply with DSRA requirement under loan agreements	-	-
Total Adjustments (B)	**(100.60)**	**-**
Net Distributable Cash Flows (C)=(A+B)	**(6.61)**	**-**

* Being the date of acquisition of SGL-1 by IndiGrid.

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

(INR in Millions)

Description	May 30, 2017* to March 31, 2018	October 21, 2016 to March 31, 2017 (refer note 34)
Profit/(loss) after tax as per profit and loss account (A) (pertaining to period post acquisition by IndiGrid)	(369.97)	
Add: Depreciation, impairment and amortisation	593.20	
Add/Less: Decrease/(increase) in working capital	86.72	
Add: Interest accrued on loan/non-convertible debentures issued to IndiGrid or SGL-1	1,014.26	
Add/less: Loss/gain on sale of infrastructure assets	-	-
Add: Proceeds from sale of infrastructure assets adjusted for the following:	-	-
-related debts settled or due to be settled from sale proceeds;	-	-
-directly attributable transaction costs;	-	-
-directly attributable transaction costs;	-	-
-proceeds reinvested or planned to be reinvested as per Regulation 18(7)(a) of the InvIT Regulations	-	-
Add: Proceeds from sale of infrastructure assets not distributed pursuant to an earlier plan to re-invest, if such proceeds are not intended to be invested subsequently, net of any profit / (loss) recognised in profit and loss account	-	-
Less: Capital expenditure, if any	(2.93)	-
Add/less: Any other item of non-cash expense / non cash income (net of actual cash flows for these items),	51.35	-
-any decrease/increase in carrying amount of an asset or a liability recognised in profit and loss account on measurement of the asset or the liability at fair value;	-	-

(INR in Millions)

Description	May 30, 2017* to March 31, 2018	October 21, 2016 to March 31, 2017 (refer note 34)
-interest cost as per effective interest rate method (difference between accrued and actual paid);	-	-
-deferred tax;	-	-
-unwinding of Interest cost on interest free loan or other debentures;	-	-
-portion reserve for major maintenance which has not been accounted for in profit and loss statement;	-	-
-reserve for debenture/ loan redemption (Excluding any reserve required by any law or as per lender's agreement)	-	-
Less: Repayment of external debt (principal) / redeemable preference shares / debentures, etc. (Excluding refinancing) / net cash set aside to comply with DSRA requirement under loan agreements	(143.66)	-
Total Adjustments (B)	**1,598.94**	**-**
Net Distributable Cash Flows (C)=(A+B)	**1,228.98**	**-**

* Being the date of acquisition of BDTCL by IndiGrid.

Note: The Net Distributable Cash Flows ("NDCF") as above is for the year ended March 31, 2018. Out of above NDCF, an amount of INR 1,106.08 million (being atleast 90%) has already been distributed to IndiGrid.

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

(INR in Millions)

Description	May 30, 2017* to March 31, 2018	October 21, 2016 to March 31, 2017 (refer note 34)
Profit/(loss) after tax as per profit and loss account (A) (pertaining to period post acquisition by IndiGrid)	**(21.60)**	**-**
Add: Depreciation, impairment and amortisation	473.80	-
Add/Less: Decrease/(increase) in working capital	5.05	-
Add: Interest accrued on loan/non-convertible debentures issued to IndiGrid or SGL-1	1,561.34	-
Add/less: Loss/gain on sale of infrastructure assets	-	-
Add: Proceeds from sale of infrastructure assets adjusted for the following:	-	-
-related debts settled or due to be settled from sale proceeds;	-	-
-directly attributable transaction costs;	-	-
-directly attributable transaction costs;	-	-
-proceeds reinvested or planned to be reinvested as per Regulation 18(7) (a) of the InvIT Regulations	-	-
Add: Proceeds from sale of infrastructure assets not distributed pursuant to an earlier plan to re-invest, if such proceeds are not intended to be invested subsequently, net of any profit / (loss) recognised in profit and loss account	-	-
Less: Capital expenditure, if any	(9.23)	-

(INR in Millions)

Description	May 30, 2017* to March 31, 2018	October 21, 2016 to March 31, 2017 (refer note 34)
Add/less: Any other item of non-cash expense / non cash income (net of actual cash flows for these items)	(4.39)	-
-any decrease/increase in carrying amount of an asset or a liability recognised in profit and loss account on measurement of the asset or the liability at fair value;	-	-
-interest cost as per effective interest rate method (difference between accrued and actual paid);	-	-
-deferred tax;	-	-
-unwinding of Interest cost on interest free loan or other debentures;	-	-
-portion reserve for major maintenance which has not been accounted for in profit and loss statement;	-	-
-reserve for debenture/ loan redemption (Excluding any reserve required by any law or as per lender's agreement)	-	-
Less: Repayment of external debt (principal) / redeemable preference shares / debentures, etc. (Excluding refinancing) / net cash set aside to comply with DSRA requirement under loan agreements	-	-
Total Adjustments (B)	**2,026.57**	**-**
Net Distributable Cash Flows (C)=(A+B)	**2,004.97**	**-**

* Being the date of acquisition of JTCL by IndiGrid.

Note: The Net Distributable Cash Flows ("NDCF") as above is for the year ended March 31, 2018. Out of above NDCF, an amount of INR 1,804.47 million (being atleast 90%) has already been distributed to IndiGrid.

(iv) RAPP Transmission Company Limited (RTCL)(SPV)

(INR in Millions)

Description	February 15, 2018* to March 31, 2018	October 21, 2016 to March 31, 2017 (refer note 34)
Profit/(loss) after tax as per profit and loss account (A) (pertaining to period post acquisition by IndiGrid)	**(20.96)**	**-**
Add: Depreciation, impairment and amortisation	10.26	-
Add/Less: Decrease/(increase) in working capital	16.98	-
Add: Interest accrued on loan/non-convertible debentures issued to IndiGrid or SGL-1	47.16	-
Add/less: Loss/gain on sale of infrastructure assets	-	-
Add: Proceeds from sale of infrastructure assets adjusted for the following:	-	-
-related debts settled or due to be settled from sale proceeds;	-	-
-directly attributable transaction costs;	-	-
-directly attributable transaction costs;	-	-
-proceeds reinvested or planned to be reinvested as per Regulation 18(7)(a) of the InvIT Regulations	-	-

(INR in Millions)

Description	February 15, 2018* to March 31, 2018	October 21, 2016 to March 31, 2017 (refer note 34)
Add: Proceeds from sale of infrastructure assets not distributed pursuant to an earlier plan to re-invest, if such proceeds are not intended to be invested subsequently, net of any profit / (loss) recognised in profit and loss account	-	-
Less: Capital expenditure, if any	-	-
Add/less: Any other item of non-cash expense / non cash income (net of actual cash flows for these items)	-	-
-any decrease/increase in carrying amount of an asset or a liability recognised in profit and loss account on measurement of the asset or the liability at fair value;	-	-
-interest cost as per effective interest rate method (difference between accrued and actual paid);	-	-
-deferred tax;	-	-
-unwinding of Interest cost on interest free loan or other debentures;	-	-
-portion reserve for major maintenance which has not been accounted for in profit and loss statement;	-	-
-reserve for debenture/ loan redemption (Excluding any reserve required by any law or as per lender's agreement)	-	-
Less: Repayment of external debt (principal) / redeemable preference shares / debentures, etc. (Excluding refinancing) / net cash set aside to comply with DSRA requirement under loan agreements	-	-
Total Adjustments (B)	**74.40**	**-**
Net Distributable Cash Flows (C)=(A+B)	**53.44**	**-**

* Being the date of acquisition of RTCL by IndiGrid.

Note: The Net Distributable Cash Flows ("NDCF") as above is for the year ended March 31, 2018. Out of above NDCF, an amount of INR 48.10 million (being atleast 90%) has already been distributed to IndiGrid.

(v) **Purulia & Kharagpur Transmission Company Limited (PKTCL)(SPV)**

(INR in Millions)

Description	February 15, 2018* to March 31, 2018	October 21, 2016 to March 31, 2017 (refer note 34)
Profit/(loss) after tax as per profit and loss account (A) (pertaining to period post acquisition by IndiGrid)	**(34.28)**	**-**
Add: Depreciation, impairment and amortisation	17.11	-
Add/Less: Decrease/(increase) in working capital	36.84	-
Add: Interest accrued on loan/non-convertible debentures issued to IndiGrid or SGL-1	73.74	-
Add/less: Loss/gain on sale of infrastructure assets	-	-
Add: Proceeds from sale of infrastructure assets adjusted for the following:	-	-
-related debts settled or due to be settled from sale proceeds;	-	-
-directly attributable transaction costs;	-	-
-directly attributable transaction costs;	-	-
-proceeds reinvested or planned to be reinvested as per Regulation 18(7)(a) of the InvIT Regulations	-	-
Add: Proceeds from sale of infrastructure assets not distributed pursuant to an earlier plan to re-invest, if such proceeds are not intended to be invested subsequently, net of any profit / (loss) recognised in profit and loss account	-	-
Less: Capital expenditure, if any	-	-
Add/less: Any other item of non-cash expense / non cash income (net of actual cash flows for these items)	-	-
-any decrease/increase in carrying amount of an asset or a liability recognised in profit and loss account on measurement of the asset or the liability at fair value;	-	-
-interest cost as per effective interest rate method (difference between accrued and actual paid);	-	-
-deferred tax;	-	-
-unwinding of Interest cost on interest free loan or other debentures;	-	-
-portion reserve for major maintenance which has not been accounted for in profit and loss statement;	-	-
-reserve for debenture/ loan redemption (Excluding any reserve required by any law or as per lender's agreement)	-	-
Less: Repayment of external debt (principal) / redeemable preference shares / debentures, etc. (Excluding refinancing) / net cash set aside to comply with DSRA requirement under loan agreements	(19.00)	
Total Adjustments (B)	**108.69**	**-**
Net Distributable Cash Flows (C)=(A+B)	**74.42**	**-**

* Being the date of acquisition of PKTCL by IndiGrid.

Note: The Net Distributable Cash Flows ("NDCF") as above is for the year ended March 31, 2018. Out of above NDCF, an amount of INR 66.98 million (being atleast 90%) has already been distributed to IndiGrid. (vi) Maheshwaram Transmission Limited (MTL)(SPV)

(INR in Millions)

Description	February 15, 2018* to March 31, 2018	October 21, 2016 to March 31, 2017 (refer note 34)
Profit/(loss) after tax as per profit and loss account (A) (pertaining to period post acquisition by IndiGrid)	**(19.28)**	**-**
Add: Depreciation, impairment and amortisation	15.00	-
Add/Less: Decrease/(increase) in working capital	11.71	-
Add: Interest accrued on loan/non-convertible debentures issued to IndiGrid or SGL-1	69.17	-
Add/less: Loss/gain on sale of infrastructure assets	-	-
Add: Proceeds from sale of infrastructure assets adjusted for the following:	-	-
-related debts settled or due to be settled from sale proceeds;	-	-
-directly attributable transaction costs;	-	-
-directly attributable transaction costs;	-	-
-proceeds reinvested or planned to be reinvested as per Regulation 18(7)(a) of the InvIT Regulations	-	-
Add: Proceeds from sale of infrastructure assets not distributed pursuant to an earlier plan to re-invest, if such proceeds are not intended to be invested subsequently, net of any profit / (loss) recognised in profit and loss account	-	-
Less: Capital expenditure, if any	-	-
Add/less: Any other item of non-cash expense / non cash income (net of actual cash flows for these items)	-	-
-any decrease/increase in carrying amount of an asset or a liability recognised in profit and loss account on measurement of the asset or the liability at fair value;	-	-
-interest cost as per effective interest rate method (difference between accrued and actual paid);	-	-
-deferred tax;	-	-
-unwinding of Interest cost on interest free loan or other debentures;	-	-
-portion reserve for major maintenance which has not been accounted for in profit and loss statement;	-	-
-reserve for debenture/ loan redemption (Excluding any reserve required by any law or as per lender's agreement)	-	-
Less: Repayment of external debt (principal) / redeemable preference shares / debentures, etc. (Excluding refinancing) / net cash set aside to comply with DSRA requirement under loan agreements	-	-
Total Adjustments (B)	**95.88**	**-**
Net Distributable Cash Flows (C)=(A+B)	**76.60**	**-**

* Being the date of acquisition of MTL by IndiGrid.

Note: The Net Distributable Cash Flows ("NDCF") as above is for the year ended March 31, 2018. Out of above NDCF, an amount of INR 68.90 million (being atleast 90%) has already been distributed to IndiGrid.

INDIA GRID TRUST

Notes to Consolidated Financial Statements for the year ended 31 March 2018

1. Group information

The consolidated financial statements comprise financial statements of India Grid Trust ("the Trust" or "IndiGrid") and its subsidiaries (collectively, the Group) for the year ended March 31, 2018. IndiGrid is an irrevocable trust settled by Sterlite Power Grid Ventures Limited (the "Sponsor") on October 21, 2016 pursuant to the Trust Deed under the provisions of the Indian Trusts Act, 1882 and registered with Securities Exchange Board of India ("SEBI") under the SEBI (Infrastructure Investment Trust) Regulations, 2014 as an Infrastructure Investment Trust on November 28, 2016 having registration number IN/InvIT/16-17/0005. The Trustee of IndiGrid is Axis Trustee Services Limited (the "Trustee"). The Investment manager for IndiGrid is Sterlite Investment Managers Limited (the "Investment Manager" or the "Management").

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

During the year ended March 31, 2018, IndiGrid has acquired the following projects from the Sponsor which are transmission infrastructure projects developed on Build Own Operate and Maintain ('BOOM') basis:

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

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

The address of the registered office of the Investment Manager is Malco Industries Limited, Sipcot Industrial Complex, Madurai Bye Pass road, Tuticorin, Thoothukudi, Tamil Nadu 628 002. The consolidated financial statements were authorised for issue in accordance with resolution passed by the Board of Directors of the Investment Manager on April 24, 2018.

2. Significant Accounting Policies

2.1 Basis of preparation

The consolidated financial statements comprise of the Consolidated Balance Sheet as at March 31, 2018, the Consolidated Statement of Profit and Loss including the statement of Other Comprehensive Income, the Consolidated Statement of Cash Flow and the Consolidated Statement of Changes in Unit Holders' Equity for the year then ended and the Consolidated Statement of Net Assets at fair value as at March 31, 2018 and the Consolidated Statement of Total Returns at fair value and the Statement of Net Distributable Cash Flows ('NDCFs') of the Trust, the underlying holding company ("HoldCo") and each of its subsidiaries for the year then ended and a summary of significant accounting policies and other explanatory notes in accordance with Indian Accounting Standards as defined in Rule 2(1)(a) of the Companies (Indian Accounting Standards) Rules, 2015, as amended, prescribed under Section 133 of the Companies Act, 2013 ("Ind AS") read with SEBI (Infrastructure Investment Trusts) Regulations, 2014, as amended and the circulars issued thereunder ("InvIT Regulations").

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

INDIA GRID TRUST

Notes to Consolidated Financial Statements for the year ended 31 March 2018

- Derivative financial instruments
- Certain financial assets measured at fair value (e.g. Liquid mutual funds)

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

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Trust and its subsidiaries as at 31 March 2018. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights
- The size of the group's holding of voting rights relative to the size and dispersion of the holdings of the other voting rights holders

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. If a member of the group uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that group member's financial statements in preparing the consolidated financial statements to ensure conformity with the group's accounting policies.

The financial statements of all entities used for the purpose of consolidation are drawn up to same reporting date as that of the parent company, i.e., year ended on 31 March.

Consolidation procedure:

(a). Combine like items of assets, liabilities, equity, income, expenses and cash flows of the parent with those of its subsidiaries. For this purpose, income and expenses of the subsidiary are based on the amounts of the assets and liabilities recognised in the consolidated financial statements at the acquisition date.

(b). Offset (eliminate) the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary. Business combinations policy explains how to account for any related goodwill.

(c). Eliminate in full intragroup assets and liabilities, equity, income, expenses and cash flows relating totransactions between entities of the group (profits or losses resulting from intragroup transactions that are recognised in assets, such as inventory and fixed assets, are eliminated in full). Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Ind AS 12 Income Taxes applies to temporary differences that arise from the elimination of profits and losses resulting from intragroup transactions.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the unit holders of the Trust and to the non-controlling interests (if any), even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

2.3 Summary of significant accounting policies

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

a) Current versus non-current classification

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

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

All other assets are classified as non-current.

INDIA GRID TRUST

Notes to Consolidated Financial Statements for the year ended 31 March 2018

A liability is current when:

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

The Group classifies all other liabilities as non-current.

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

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

b) Foreign currencies

The Group's consolidated financial statements are presented in INR, which is its functional currency. The Group does not have any foreign operation and has assessed the functional currency to be INR.

Transactions and balances

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

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

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

c) Fair value measurement

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

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

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

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

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

In estimating the fair value of transmission assets/projects, the Group engages independent qualified external valuers to perform the valuation. The management works closely with the external valuers to establish the appropriate valuation techniques and inputs to the model. The management in conjunction with the external valuers also compares the change in fair value with relevant external sources to determine whether the change is reasonable. The management reports the valuation report and findings to the Board of the Investment Manager half yearly to explain the cause of fluctuations in the fair value of the transmission projects.

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

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

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

- Quantitative disclosures of fair value measurement hierarchy (Note 27)
- Disclosures for valuation methods, significant estimates and assumptions (Note 20, Note 27)
- Financial instruments (including those carried at amortised cost) (Note 27, Note 28)

d) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties collected on behalf of the government. Revenue is reduced for estimated discounts and other similar allowances.

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

INDIA GRID TRUST

Notes to Consolidated Financial Statements for the year ended 31 March 2018

Income from services:

Income from power transmission services is recognised on a pro-rata basis as and when services are rendered based on availability and the tariff charges approved under the respective CERC tariff orders and includes unbilled revenues accrued up to the end of the accounting period.

Interest income

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

Dividends

Revenue is recognised when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

Rental income

Rental income arising from operating leases is accounted for on a straight-line basis over the lease term and is included in revenue in the statement of profit or loss due to its operating nature.

e) Taxation

Current income tax

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

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

Deferred tax

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

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

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

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

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

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

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

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

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

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

f) Non-current assets held for sale

The Group classifies non-current assets and disposal groups as held for sale/ distribution to owners if their carrying amounts will be recovered principally through a sale/ distribution rather than through continuing use. Actions required to complete the sale/ distribution should indicate that it is unlikely that significant changes to the sale/ distribution will be made or that the decision to sell/ distribute will be withdrawn. Management must be committed to the sale/ distribution expected within one year from the date of classification.

For these purposes, sale transactions include exchanges of non-current assets for other non-current assets when the exchange has commercial substance. The criteria for held for sale/ distribution classification is

INDIA GRID TRUST

Notes to Consolidated Financial Statements for the year ended 31 March 2018

regarded met only when the assets or disposal group is available for immediate sale/ distribution in its present condition, subject only to terms that are usual and customary for sales/ distribution of such assets (or disposal groups), its sale/ distribution is highly probable; and it will genuinely be sold, not abandoned. The group treats sale/ distribution of the asset or disposal group to be highly probable when:

- The appropriate level of management is committed to a plan to sell the asset (or disposal group),
- An active program to locate a buyer and complete the plan has been initiated (if applicable),
- The asset (or disposal group) is being actively marketed for sale at a price that is reasonable in relation to its current fair value,
- The sale is expected to qualify for recognition as a completed sale within one year from the date of classification and

Actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Non-current assets held for sale/for distribution to owners and disposal groups are measured at the lower of their carrying amount and the fair value less costs to sell/ distribute. Assets and liabilities classified as held for sale/ distribution are presented separately in the balance sheet. Refer note 10 for additional disclosures.

g) Property, plant and equipment

Capital work in progress, property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of the plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in statement of profit or loss as incurred. No decommissioning liabilities are expected or be incurred on the assets of plant and equipment.

Expenditure directly relating to construction activity is capitalised. Indirect expenditure incurred during construction period is capitalised as part of the construction costs to the extent the expenditure can be attributable to construction activity or is incidental there to. Income earned during the construction period is deducted from the total of the indirect expenditure.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Asset Category	Useful Life considered	Useful life (Schedule II#)
Leasehold improvements	Lease Period*	30
Buildings (substation)	25	30
Substations	25-35	40
Transmission lines (including components)	25-35	40
Plant and machinery	2-5	15
Data Processing Equipments (Computers)	4	3-6
Furniture and Fittings	7.5	10
Office Equipments	4	3

Schedule II to the Companies Act, 2013 which is applicable to the subsidiary companies.

* Leasehold improvements are depreciated over the useful life of the asset or the lease period, whichever is lower

The Group, based on technical assessments made by technical experts and management estimates, depreciates buildings (substation) and certain items of plant and equipment, data processing equipments, furniture and fittings, office equipments and vehicles over estimated useful lives which are different from the useful life prescribed in Schedule II to the Companies Act, 2013 which is applicable to the subsidiary companies. The management believes that these estimated useful lives are realistic and reflect fair approximation of the period over which the assets are likely to be used.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

h) Borrowing Costs

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

i) Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Group as lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Operating lease payments are recognised as an expense in the consolidated statement of profit and loss on a straight-line basis over the lease term.

Group as lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income from operating lease is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases are classified as finance leases when substantially all of the risks and rewards of ownership transfer from the Group to the lessee.

j) Impairment of non-financial assets

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

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

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

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

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit and loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

k) Provisions

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

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

l) Financial instruments

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

Financial assets

Initial recognition and measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

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

i. Debt instruments at amortised cost

ii. Debt instruments at fair value through other comprehensive income (FVTOCI)

iii. Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL)

iv. Equity instruments measured at fair value through other comprehensive income (FVTOCI)

Debt instruments at amortised cost

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

a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and

b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss.

Debt instrument at FVTOCI

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

a) The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and

b) The asset's contractual cash flows represent SPPI.

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognized in the other comprehensive income (OCI). However, the Group recognizes interest income, impairment losses and reversals and foreign exchange gain or loss in the statement of profit or loss. On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from the equity to statement of profit or loss. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method. The Group does not have any financial assets which are subsequently measured at FVTOCI.

Debt instrument at FVTPL

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

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

INDIA GRID TRUST

Notes to Consolidated Financial Statements for the year ended 31 March 2018

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

Equity investments

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

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

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

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's balance sheet) when:

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

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

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

Impairment of financial assets

Majority of the financial assets of the Group which are not reflected at fair value pertain to trade and other receivables. Considering the nature of business, the Group does not foresee any credit risk on its trade and other receivables which may cause an impairment. Also, the Group does not have any history of impairment of trade and other receivables.

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

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

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

Loans and borrowings

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

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to borrowings. For more information refer Note 10.

Derecognition

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

INDIA GRID TRUST

Notes to Consolidated Financial Statements for the year ended 31 March 2018

Embedded derivatives

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

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

Reclassification of financial assets

The Group determines classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made for financial assets which are equity instruments and financial liabilities. For financial assets which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. Changes to the business model are expected to be infrequent. The Group's senior management determines change in the business model as a result of external or internal changes which are significant to the Group's operations. Such changes are evident to external parties. A change in the business model occurs when the Group either begins or ceases to perform an activity that is significant to its operations. If the Group reclassifies financial assets, it applies the reclassification prospectively from the reclassification date which is the first day of the immediately next reporting period following the change in business model. The Group does not restate any previously recognised gains, losses (including impairment gains or losses) or interest.

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

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

Offsetting of financial instruments

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

m) Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps to hedge its foreign currency risks and interest rate risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Since the Group does not meet the strict criteria for hedge accounting, it has not applied hedge accounting in respect of its derivative contracts.

n) Cash and cash equivalents

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

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

o) Cash dividend distribution to unit holders

The Group recognises a liability to make cash distributions to unit holders when the distribution is authorised and a legal obligation has been created. As per the InvIT Regulations, a distribution is authorised when it is approved by the Board of Directors of the Investment Manager. A corresponding amount is recognised directly in equity.

p) Earnings per unit

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

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

2.4 Standards issued but not yet effective:

The amendments to standards that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

The Ministry of Corporate Affairs (MCA) has issued the Companies (Indian Accounting Standards) Amendment Rules, 2017 and Companies (Indian Accounting Standards) Amendment Rules, 2018 amending the following standards:

INDIA GRID TRUST

Notes to Consolidated Financial Statements for the year ended 31 March 2018

Ind AS 115 Revenue from Contracts with Customers

Ind AS 115 was notified on 28 March 2018 and establishes a five-step model to account for revenue arising from contracts with customers. Under Ind AS 115, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under Ind AS. This new standard requires revenue to be recognized when promised goods or services are transferred to customers in amounts that reflect the consideration to which the Company expects to be entitled in exchange for those goods or services. Ind AS 115 is effective for the Group from April 1, 2018 using either one of two methods: (i) retrospectively to each prior reporting period presented in accordance with Ind AS 8 Accounting Policies, Changes in Accounting Estimates and Errors, with the option to elect certain practical expedients as defined within Ind AS 115 (the full retrospective method); or (ii) retrospectively with the cumulative effect of initially applying Ind AS 115 recognized at the date of initial application (1 April 2018) and providing certain additional disclosures as defined in Ind AS 115 (the modified retrospective method).

The Group continues to evaluate the available transition methods and its contractual arrangements. The ultimate impact on revenue resulting from the application of Ind AS 115 will be subject to assessments that are dependent on many variables, including, but not limited to, the terms of the contractual arrangements. The Group's considerations also include, but are not limited to, the comparability of its financial statements and the comparability within its industry from application of the new standard to its contractual arrangements. The Group has established an implementation team to implement Ind AS 115 related to the recognition of revenue from contracts with customers and it continues to evaluate the changes to accounting system and processes, and additional disclosure requirements that may be necessary. A reliable estimate of the quantitative impact of Ind AS 115 on the financial statements will only be possible once the implementation project has been completed.

Other Amendments to standards, issued but not effective, which are either not applicable to the Group or the impact is not expected to be material:

a) Amendments to Ind 112 Disclosure of Interests in Other Entities:

The amendments clarify that the disclosure requirements in Ind AS 112, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

b) Amendments to Ind AS 12 Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

c) Transfers of Investment Property - Amendments to Ind AS 40

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

d) Ind AS 28 Investments in Associates and Joint Ventures

The amendments clarify that:

- An entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss.
- If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

e) Appendix B to Ind AS 21 Foreign Currency Transactions and Advance Consideration

The Appendix clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the transaction date for each payment or receipt of advance consideration.

INDIA GRID TRUST

Notes to Consolidated Financial Statements for the year ended 31 March 2018

Note 3: Property, Plant and Equipment:

(INR in Million)

Particulars	Freehold land	Lease hold land	Building - office (Leasehold improvements)	Building - Substations	Substations	Transmission lines	Plant and machinery	Data processing equipments	Furniture and fittings	Office equipments	Total
Gross block											
At October 21, 2016	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Additions	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-	-
At March 31, 2017	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Additions on account of acquisition of projects (Refer note 20 and note 32)	24.94	89.86	0.59	57.14	6,311.64	44,916.83	14.33	1.34	1.24	1.71	51,419.62
Other Additions during the year	-	-	-	-	-	9.21	2.93	0.03	-	-	12.17
Disposals	-	-	-	-	-	(9.85)	-	-	-	-	(9.85)
At March 31, 2018	**24.94**	**89.86**	**0.59**	**57.14**	**6,311.64**	**44,916.19**	**17.26**	**1.37**	**1.24**	**1.71**	**51,421.94**
Depreciation											
At October 21, 2016	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Charge for the year	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-	-
At March 31, 2017	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Charge for the year	-	2.93	0.04	2.00	260.00	884.15	7.23	0.48	0.18	0.40	1,157.41
Disposals	-	-	-	-	-	-	-	-	-	-	-
At March 31, 2018	**-**	**2.93**	**0.04**	**2.00**	**260.00**	**884.15**	**7.23**	**0.48**	**0.18**	**0.40**	**1,157.41**
Net Block											
At March 31, 2017	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
At March 31, 2018	**24.94**	**86.94**	**0.55**	**55.14**	**6,051.64**	**44,032.04**	**10.03**	**0.89**	**1.06**	**1.32**	**50,264.53**

INDIA GRID TRUST

Notes to Consolidated Financial Statements for the year ended 31 March 2018

Note 4: Other financial assets

(INR in Million)

	31 March 2018	31 March 2017 (Refer note - 34)
Non Current		
Security deposits	3.46	-
Other bank balances (refer note 8)	9.33	-
Total	**12.79**	**-**
Current		
Unbilled revenue*	497.26	-
Interest accrued on investments	0.53	-
Advances receivable in cash	1.06	-
Total	**498.85**	**-**

* Unbilled revenue is the transmission charges for the month of March 2018 amounting to INR 497.26 million (31 March 2017 - Nil) billed to transmission customers in the month of April 2018.

Note 5: Other assets

(INR in Million)

	31 March 2018	31 March 2017 (Refer note - 34)
Non-Current		
Deposits paid under dispute (refer note 24)	150.21	-
Total	**150.21**	**-**
Current		
Advance income tax, including TDS (net of provisions)	48.74	-
Prepaid expenses	47.44	-
Others	19.07	-
Total	**115.25**	**-**

Note 6: Trade receivables

(INR in Million)

	31 March 2018	31 March 2017 (Refer note - 34)
Trade receivable (Unsecured, considered good)	1,061.89	-
Total	**1,061.89**	**-**

Trade receivables are non-interest bearing and are generally on terms of 60 days

See Note 29 on credit risk of trade receivables, which explains how the Group manages and measures credit quality of trade receivables that are neither past due nor impaired.

INDIA GRID TRUST

Notes to Consolidated Financial Statements for the year ended 31 March 2018

Note 7: Cash and cash equivalents

(INR in Million)

	31 March 2018	31 March 2017 (Refer note - 34)
Balances with banks		
- On current accounts	1,672.92	-
Total	1,672.92	-

Note 8: Other bank balances

(INR in Million)

	31 March 2018	31 March 2017 (Refer note - 34)	31 March 2018	31 March 2017 (Refer note - 34)
- Deposits with original maturity of more than three months but less than 12 months	-	-	10.50*	-
- Deposits with original maturity of more than 12 months	9.33*	-	-	-
Less: Disclosed under other non-current financial assets (refer note 4)	(9.33)	-	-	-
Total	**-**	**-**	**10.50**	**-**

* Includes amount of INR 19.32 million held as lien by bank against bank guarantees.

Note 9: Unit capital

(INR in Million)

	31 March 2018	31 March 2017 (Refer note - 34)
October 21, 2016	-	-
Issued during the period	-	-
As at 31 March 2017	**-**	**-**
Issued during the year (refer note 20)	283.80	28,380.00
As at 31 March 2018	**283.80**	**28,380.00**

Terms/rights attached to unit capital

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

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

INDIA GRID TRUST

Notes to Consolidated Financial Statements for the year ended 31 March 2018

Note 10: Long term borrowings (Secured)

(INR in Million)

	Non-Current		Current maturities	
	31 March 2018	31 March 2017 (refer note - 34)	31 March 2018	31 March 2017 (refer note - 34)
Debentures				
7.85% Non-convertible debentures of INR 1,000,000 each	6,870.00	-	480.00	-
Term Loans				
Indian rupee term loan from bank	9,941.47	-	-	-
Foreign currency loan from financial institution	2,301.03	-	139.58	-
Less: Amount disclosed under the head "other current financial liabilities" (Note 13)	-	-	(619.58)	-
Total	**19,112.50**	**-**	**-**	**-**

India Grid Trust

The Indian rupee term loan from bank carries interest at the rate of 8.25% p.a. payable monthly. Entire loan amount shall be repayable as a bullet repayment at the end of 10 years from the date of disbursement. The term loan is secured by (i) first pari passu charge on entire current assets including loans and advances, any receivables accrued/ realised from those loans and advances extended by the Trust to its subsidiaries (direct or indirect) including loans to all project SPVs and future SPVs; (ii) negative lien on immovable assets, movable assets, current assets and cash flows of project SPVs to be provided upfront; (iii) First pari-passu charge on Escrow account of the India Grid Trust.

Bhopal Dhule Transmission Company Limited

During the year, the Bhopal Dhule Transmission Company Limited ('BDTCL') has issued 7,350 Non Convertible Debentures ('NCDs') of INR 1,000,000/- each on private placement basis which carries an interest at the rate of 7.85%. The interest is payable quarterly at the end of each quarter. 11% of the total debentures are redeemable in structured instalments in accordance with the redemption schedule. The balance 89% shall be repayable as a bullet repayment on 4th April 2022. All the NCDs together with interest, additional interest, liquidated damages, premium on prepayment, cost and charges, expenses and all other monies and all other amounts stipulated and payable to the debenture holders are secured by:

1) First and exclusive charge on all movable assets and immovable assets of issuers including but not limited to movable plant and machinery, spares, tools and accessories, furniture, fixtures, vehicles and all other movable assets, intangible, goodwill, uncalled capital, right of way/land, civil structures, tower and cables, office buildings. present and future if any for the project.

2) First charge by way of:

   a) Assignment/hypothecation or creation of security interest present and future of all rights, titles, interest, benefits, claims and demands whatsoever of BDTCL in the project, documents including but not limited to transmission supply agreements, transmission licenses, package/construction contracts, O&M related agreements if any, land lease agreements, service contracts etc. duly acknowledged, consented by relevant counter parties to such project documents all as amended, varied or supplemented from time to time;

   b) All rights, title, interest, benefits, claims and demands whatsoever of the company in the permits, approvals and clearances pertaining to the projects, in the letter of credit, guarantee, performance bond, corporate guarantee, bank guarantees provided by any party to the project document;

   c) All insurances proceeds (debenture trustee to be the loss payee in the insurance policy).

INDIA GRID TRUST

Notes to Consolidated Financial Statements for the year ended 31 March 2018

3) A First charge on letter of credit, Escrow account, debt service reserve account and other reserve and any other bank account of the issuer wherever maintained, present and future.

4) First charge on all book debts, operating cash flow, receivables, commissions, revenues of whatsoever nature and wherever arising, of BDTCL, present and future.

5) Pledge of 51% of the equity share capital of the BDTCL.

Foreign currency loan from financial institution carries interest at the rate of 6m LIBOR + 2.10% to 3.80% spread. BDTCL has taken currency and interest rate swap to hedge 6m LIBOR to fixed rate [refer note 23(b)]. Amount of USD 15.62 million being 35% of the total loan amount shall be repayable as a bullet repayment in accordance with the repayment schedule such that average tenor of the facility shall be more than 8.51 years. Remaining amount of USD 28 99 million shall be paid in quarterly instalments till December 2026. The foreign currency loan is secured by first charge on all the immovable assets pertaining to the project, tangible movable assets, current assets, all the accounts and intangible assets both present and future. Loans are also secured by assignment by way of security of all the right, title, interest benefits, claims and demands whatsoever of BDTCL in the project documents, duly acknowledged and consented to by the relevant counter parties to such project documents, all as amended, varied or supplemented from time to time; all rights, title, interest and benefits of BDTCL into and under all clearances pertaining to the project (including transmission licence) to the extent same are assignable; all rights, title, interest, benefits, claims and demands whatsoever of BDTCL in any letter of credit, guarantee including contract guarantees and liquidated damages, consent agreements, side letters and performance bond provided by any party to the project document; all rights, title, interest, benefits, claims and demands whatsoever of the borrower in, to and under all insurance contracts and insurance proceeds pertaining to the project. Loans are also secured by non disposable undertaking from India Grid Trust directly/indirectly to hold at least 51% of equity share capital till final settlement date. Upon occurrence of event of default the negative lien shall be converted in pledge of 51% of the equity share capital of BDTCL.

Financial covenants

Loans from bank, financial institution contain certain debt covenants relating to limitation on interest service coverage ratio, debt service coverage ratio, total debt gearing, maintenance of specified security margin etc. The financial covenants are reviewed on availability of audited accounts of the respective borrower annually. For the financial year ended March 31, 2018, the Group has satisfied all debt covenants prescribed in the terms of loan from bank and financial institutions, where applicable.

Note 11: Short term borrowings (secured)

(INR in Million)

	31 March 2018	31 March 2017 (refer note - 34)
Short term loan from bank	4,230.00	-
Total	**4,230.00**	**-**

Jabalpur Transmission Company Limited ('JTCL')

The Indian rupee term loan from bank carries interest at the rate of Kotak Bank MCLR + Spread, if any, as agreed between JTCL and bank, current interest rate being 8.5% p.a. payable monthly. Entire loan amount shall be repayable as a bullet repayment in 9 months from the date of disbursement. The short term loan is secured by first and exclusive charge on all current and future movable and immovable fixed assets and current assets of JTCL.

INDIA GRID TRUST

Notes to Consolidated Financial Statements for the year ended 31 March 2018

Note 12: Trade payables

(INR in Million)

	31 March 2018	31 March 2017 (refer note - 34)
Trade payables	130.17	-
Total	**130.17**	**-**

Trade payables are non-interest bearing and are normally settled on 30-90 days terms.

For explanation on the Group's risk management policies, refer note 29.

Note 13: Other financial liabilities

(INR in Million)

	31 March 2018	31 March 2017 (refer note - 34)
Non-Current		
Payable towards project acquired (refer note 20)	579.50	-
Total	**579.50**	**-**
Current		
Derivative Instruments		
Foreign exchange forward contracts	164.42	-
Cross currency interest rate swap	39.29	-
	203.71	**-**
Other financial liabilities at amortised cost		
Current maturities of long-term borrowings (refer note 9)	619.58	-
Payable towards project acquired (refer note 20)	221.70	-
Interest accrued but not due on term loans	34.38	-
Others	9.14	-
	884.80	**-**
Total	**1,088.51**	**-**

Derivative instruments reflect the change in fair value of foreign exchange forward contracts and Currency / Interest rate swaps to hedge of interest rate and foreign exchange fluctuation risks on foreign currency loan in USD. These contracts are not designated in hedge relationships and are measured at fair value through profit or loss. Refer Note 29.

Payables for purchase of property, plant and equipment are non-interest bearing and are normally settled on 90-120 days terms.

Other payables are non-interest bearing and have an average term of six months.

Note 14: Other current liabilities

(INR in Million)

	31 March 2018	31 March 2017 (refer note - 34)
GST payable	2.13	-
Withholding taxes (TDS) payable	11.57	-
Total	**13.70**	**-**

INDIA GRID TRUST

Notes to Consolidated Financial Statements for the year ended 31 March 2018

Note 15: Revenue from operations

(INR in Million)

	31 March 2018	31 March 2017 (refer note - 34)
Income from transmission services	4,475.69	-
Total	**4,475.69**	**-**

Note 16: Other income

(INR in Million)

	31 March 2018	31 March 2017 (refer note - 34)
Lease rental income	14.66	-
Liabilities no longer required written back*	63.85	-
Total	**78.51**	**-**

* The other income pertains to reversal of liability made in the books of Bhopal Dhule Transmission Company Limited and Jabalpur Transmission Company Limited in the previous financial year for prepayment charges payable on long term borrowings.

Note 17: Finance costs

(INR in Million)

	31 March 2018	31 March 2017 (refer note - 34)
Interest on financial liabilities measured at amortised cost	954.24	-
Bank charges	58.33	-
Total	**1,012.57**	**-**

Note 18: Deferred tax liabilities (net)

(INR in Million)

	31 March 2018	31 March 2017 (refer note - 34)
Deferred tax liability		
Property, plant and equipment : Impact of difference between tax depreciation and depreciation for financial reporting	4,468.02	-
Gross deferred tax liability (A)	**4,468.02**	**-**
Deferred tax assets		
Unabsorbed depreciation under income tax (DTA recognised only to the extent of DTL)	4,468.02	-
Gross deferred tax asset (B)	**4,468.02**	**-**
Net deferred tax assets	**-**	**-**

As at March 31, 2018, based on the expected future profitability of the SPVs, the management has recognised deferred tax assets on the unabsorbed tax depreciation carried forward only to the extent of deferred tax liability as at March 31, 2018.

For the calculation of deferred tax assets/liabilities, the Group has not considered tax holiday available under the Income Tax Act for some of the SPVs. The management based on estimated cash flow workings for the project, believes that since there will be losses in the initial years of the project, no benefit under the Income tax Act would accrue to the Group in respect of the tax holiday. Management will re-assess this position at each balance sheet date. Also refer note 20.

INDIA GRID TRUST

Notes to Consolidated Financial Statements for the year ended 31 March 2018

The major components of income tax expense for the years ended 31 March 2018 and 31 March 2017 are:

(INR in Million)

	31 March 2018	31 March 2017 (refer note - 34)
- Current tax	-	-
- Deferred tax	-	-
- Income tax for earlier years *	(67.82)	-

* Income tax for earlier year relates to tax provisions made in the books of JTCL in previous year which has been reversed post acquisition by the Trust in the current year.

Reconciliation of tax expense and the accounting profit multiplied by India's domestic tax rate for 31 March 2018 and 31 March 2017:

(INR in Million)

	31 March 2018	31 March 2017 (refer note - 34)
Accounting profit before income tax	2,035.68	-
At India's statutory income tax rate of 34.61%	704.55	-
Impact of exemption u/s 10(23FC) of the Income Tax Act, 1961 available to the Trust	(704.55)	-
Reversal of excess provision of tax created in previous year in subsidiary	(67.82)	-
At effective tax rate	**(67.82)**	-
Income tax expense reported in the statement of profit and loss	**(67.82)**	

Note 19: Earnings per unit (EPU)

Basic EPU amounts are calculated by dividing the profit/loss for the year attributable to Unit holders by the weighted average number of units outstanding during the year.

Diluted EPU amounts are calculated by dividing the profit/loss attributable to unit holders by the weighted average number of units outstanding during the year plus the weighted average number of units that would be issued on conversion of all the dilutive potential units into unit capital.

The following reflects the profit and unit data used in the basic and diluted EPU computation:

	31 March 2018	31 March 2017
Profit after tax for calculating basic and diluted EPU	2,103.50	-
Weighted average number of units in calculating basic EPU (No. million)	283.80	-
Effect of dilution:		
Estimated units to be issued to Sponsor/Project manager*	6.14	-
Weighted average number of units in calculating basic and diluted EPU (No. million)	289.94	
Earnings Per Unit		
Basic (Rupees/unit)	7.41	-
Diluted (Rupees/unit)	7.25	-

* units issuable pursuant to the Project Implementation and Management Agreement dated November 10, 2016 as amended, towards the additional transmission charges as may be approved by CERC for the additional expenditure incurred by BDTCL. The petition for such tariff increase is currently pending with CERC.

INDIA GRID TRUST

Notes to Consolidated Financial Statements for the year ended 31 March 2018

Note 20: Significant accounting judgements, estimates and assumptions

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and the accompanying disclosures and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements.

i. Applicability of Appendix A (Service Concession Arrangements) of Ind AS 11 - Construction Contracts

The Group through its subsidiaries acts as a transmission licensee under the Electricity Act, 2003 holding valid licenses for 25 years. The subsidiaries have entered into Transmission Services Agreements ("TSA") with Long Term Transmission Customers ("LTTC") through a tariff based bidding process to Build, Own, Operate and Maintain ("BOOM") the transmission infrastructure for a period of 35 years. The management of the Company is of the view that the grantor as defined under Appendix A of Ind AS 11 ("Appendix A") requires transmission licensee to obtain various approvals under the regulatory framework to conduct its operations both during the period of the license as well as at the end of the license period. However, in the view of management, the grantor's involvement and approvals are to protect public interest and are not intended to control, through ownership, beneficial entitlement or otherwise, any significant residual interest in the transmission infrastructure at the end of the term of the arrangement. Accordingly, management is of the view that Appendix A to Ind AS 11 is not applicable to the Group.

ii. Classification of Unitholders' funds

Under the provisions of the InvIT Regulations, IndiGrid is required to distribute to Unitholders not less than ninety percent of the net distributable cash flows of IndiGrid for each financial year. Accordingly, a portion of the unitholders' funds contains a contractual obligation of the Trust to pay to its Unitholders cash distributions. The Unitholders' funds could therefore have been classified as compound financial instrument which contain both equity and liability components in accordance with Ind AS 32 - Financial Instruments: Presentation. However, in accordance with SEBI Circulars (No. CIR/IMD/DF/114/2016 dated 20-Oct-2016 and No. CIR/IMD/DF/127/2016 dated 29-Nov-2016) issued under the InvIT Regulations, the unitholders' funds have been classified as equity in order to comply with the mandatory requirements of Section H of Annexure A to the SEBI Circular dated 20-Oct-2016 dealing with the minimum disclosures for key financial statements. In line with the above, the dividend payable to unit holders is recognised as liability when the same is approved by the Investment Manager.

iii. Acquisition of SPVs

The Group entered into share purchase agreements and shareholders' agreements dated February 14, 2018 ("the Agreements") with Sterlite Grid 2 Limited and Sterlite Grid 3 Limited ("the Selling shareholders") for acquisition of equity stake in RAPP Transmission Company Limited and Maheshwaram Transmission Company Limited. (together referred as "the SPVs"). Pursuant to the Agreements, the Group has acquired 49% of equity in the SPVs and for acquisition of the remaining 51% equity stake, the Group has paid full consideration in advance on a non-refundable basis . The remaining stake will be acquired from the Selling Shareholders on expiry of the respective mandatory shareholding periods in the SPVs. Under the Agreements, the Group has the following rights:

a. Right to nominate all directors on the Board of directors of the SPVs;

b. Right to direct the Selling Shareholders to vote according to its instructions in the AGM/EGM or any other meeting of shareholders of the SPVs;

c. Irrevocable and unconditional call option to acquire the remaining 51% equity stake in the SPVs at later dates;

d. Pledge on the remaining 51% equity stake in the SPVs;

e. Non-disposal undertaking from the Selling Shareholders for the remaining 51% equity stake in the SPVs.

Basis the above rights and the fact that full non-refundable consideration has been paid in advance by the Group to the Selling Shareholders, the Group has consolidated the SPVs assuming 100% equity ownership and accordingly no non-controlling interest (NCI) has been recognised in the consolidated financial statements.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Trust. Such changes are reflected in the assumptions when they occur.

i. Impairment of non-financial assets

Non-financial assets of the Group primarily comprise of transmission assets (property, plant and equipment). Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The recoverable amounts for the transmission assets are based on the fair values less costs of disposal/value in use of the projects. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budgets/forecasts over the life of the projects. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash flows. The key assumptions used to determine the recoverable amount for the assets are disclosed and further explained in Note 27.

ii. Payable towards projects acquired

(a) BDTCL had filed petition dated October 15, 2016 with CERC for grant of incremental tariff to compensate for additional expenditure incurred on BDTCL project. Pursuant to the Project Implementation and Management Agreement dated November 10, 2016 as amended ("PIMA"), the Trust will issue additional units to Sterlite Power Grid Ventures Limited ("SPGVL") in case any additional tariff is approved by CERC. The units that will be issued would be to the extent of 80% of the additional capital expenditure as approved by CERC in respect of the pending petition. Accordingly, the Group has estimated and recorded an amount of INR 579.50 million towards the units issuable to SPGVL in accordance with PIMA. The consideration would be discharged in the form of units of the Trust. The number of units that will be issued is variable since the pricing of the units will be based on Regulation 76 of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 as amended, hence the same has been classified as financial liability.

(b) In respect of RTCL, CERC vide its order dated September 21, 2016 ('Order') confirmed that the RTCL was eligible to receive certain transmission charges from the scheduled commercial operation date i.e. 01 March 2016 ('SCOD'). The aggrieved party filed an appeal with Appellate Tribunal for Electricity against the Order. The amount of transmission charges involved is INR 221.70 million which were recognised as receivable in the financial statement of RTCL. Under the share purchase agreement dated February 14, 2018, in case there is any recovery on account of the above receivable on disposal of the appeal, the same shall be paid as additional consideration to Sterlite Grid 2 Limited (subsidiary of SPGVL)+D700. The management has recognised a liability of INR 221.70 million payable in respect of the above arrangement.

INDIA GRID TRUST

Notes to Consolidated Financial Statements for the year ended 31 March 2018

(iii) Fair valuation and disclosures

SEBI Circulars issued under the InvIT Regulations require disclosures relating to net assets at fair value and total returns at fair value (refer Statement of net assets at fair value and Statement of total returns at fair value). In estimating the fair value of transmission projects (which constitutes substantial portion of the total assets), the Group engages independent qualified external valuers to perform the valuation. The management works closely with the valuers to establish the appropriate valuation techniques and inputs to the model. The management reports the valuation report and findings to the Board of the Investment Manager half yearly to explain the cause of fluctuations in the fair value of the transmission projects. The inputs to the valuation models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as Debt-equity ratio, WACC, Tax rates, Inflation rates, etc. Changes in assumptions about these factors could affect the fair value. (refer Note 27 for details)

(iv) Taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

The Group has INR 2,853.22 million of tax losses carried forward on which deferred tax asset has not been recognised. If the Group was able to recognise all unrecognised deferred tax assets, profit after tax would have increased and equity would have increased by INR 987.50 million.

Further, the Group has not considered tax holiday available under the Income Tax Act for some of the project SPVs for the computation of deferred tax assets/liabilities. The management based on estimated cash flow workings for these project, believes that since there will be losses in the initial years of these project, no benefit under the Income tax Act would accrue to these projects in respect of the tax holiday. Management will re-assess this position at each balance sheet date.

Note 21: List of subsidiaries which are included in consolidation and IndiGrid's effective holding therein are as under:

Name of the Company	Country of Incorporation	Effective Ownership as at 31 March 2018	Effective Ownership as at 31 March 2017
Directly held by India Grid Trust			
Sterlite Grid 1 Limited^	India	100%	-
Indirectly held by the Trust (through SGL-1):			
Bhopal Dhule Transmission Company Limited^	India	100%*	-
Jabalpur Transmission Company Limited^	India	100%*	-
Purulia & Kharagpur Transmission Company Limited #	India	100%*	-
RAPP Transmission Company Limited#	India	100%*	-
Maheshwaram Transmission Limited#	India	100%*	-

^ Acquired on 30 May 2017. (refer note 26)

Acquired on 15 February 2018. (refer note 26 and note 19)

* Pursuant to the share purchase agreements and shareholders' agreements dated February 14, 2018 executed for the acquisition of RTCL and MTL, the Trust (through SGL-1) has acquired 49% of equity stake in these entities and it has rights under the above agreements which gives it beneficial interest in the remaining 51% stake in these entities. Hence the effective ownership as at March 31, 2018 is considered as 100%. Refer Note 20 for details.

INDIA GRID TRUST

Notes to Consolidated Financial Statements for the year ended 31 March 2018

Note 22: Capital and other Commitments

(a) The Group has entered into Share Purchase Agreement on February 19, 2018 with Techno Power Grid Company Limited, Techno Electric and Engineering Company Limited and Patran Transmission Company Limited ('PTCL') pursuant to which the Group has agreed to purchase entire share capital of PTCL at cost of approx. INR 2,320 million based on the valuation report obtained by the management. The transaction is expected to complete in the first quarter of financial year 2018-19.

(b) The Group has entered into transmission services agreement (TSA) with long term transmission customers pursuant to which the Group has to transmit power of contracted capacity and ensure minimum availability of transmission line over the period of the TSA. The TSA contains provision for disincentives and penalties in case of certain defaults.

Note 23: Derivative instruments

The Group has entered into the following derivative instruments:

(a) The following are the outstanding Forward Exchange Contracts entered into by the Group, for hedge purpose, as on 31 March 2018:

Year ended	Currency Type	Foreign Currency (In millions)	Amount (INR' millions)	Buy/Sell	Number (Quantity)
Hedge of foreign currency loan from financial institution					
31 March 2018	US $	37.95	2,440.62	Buy	4
31 March 2017	-	-	-	-	-

(b) Cross currency interest rate swap contracts outstanding as at year end to hedge against exposure to variable interest outflow on loans/foreign currency fluctuations:

Particulars	31 March 2018	31 March 2017
Currency type	US $	-
No. of contracts	1	-
Amount (USD 'millions)	7.28	-
Period of Contract	31 Dec 2015 to 31 Mar 2021	-
Floating rate	USD 6 Month Libor + 2.10% to 3.80%	-
Fixed rate	6.71% on INR principal	-

The Group has entered into cross currency interest rate swap contract on the foreign currency loan, whereby the foreign exchange rate for principal and interest payments has been fixed at INR 65.05 / USD and the interest rate fixed at 6.71% on the loan amount converted in INR at the fixed USD rate. As a result of the contract, the Company would pay interest in INR at 6.71% on the foreign currency loan converted to INR at INR 65.05/USD and receive interest at USD 6m LIBOR + 2.10% to 3.80% on the foreign currency loan amount.

INDIA GRID TRUST

Notes to Consolidated Financial Statements for the year ended 31 March 2018

Note 24: Contingent liabilities

(INR in Million)

	31 March 2018	31 March 2017
- Entry tax demand	369.35	-
- VAT demand	104.34	-
Total	**473.69**	**-**

Entry tax demand of INR 165.80 millions for Bhopal Dhule Transmission Company Limited (BDTCL) and INR 138.70 millions for Jabalpur Transmission Company Limited (JTCL) pertains to demands under the Entry tax act read with Madhya Pradesh Vat Act, 2002 for payment of entry tax upon completion of assessment by tax authorities for the year 2012-13, 2013-14, 2014-15 and 2015-16. BDTCL and JTCL have preferred an appeal against the demand before High Court, Jabalpur (Madhya Pradesh). Both the subsidiaries are contesting the demand and the management, including its tax advisors, believe that it's position will likely be upheld in the appellate process. No expense has been accrued in the financial statements for the tax demands raised. The management believes that the ultimate outcome of this proceeding will not have a material adverse effect on the consolidated financial position and results of the operations. BDTCL and JTCL have deposited INR 58.37 millions and INR 49.00 millions respectively with the tax authorities against the said demands to comply the order of hon'ble High court of Madhya Pradesh. The Hon'ble high court has accepted the plea of subsidiaries and has given stay on entire demand after deposit of specified amount till the disposal of case.

Entry tax demand of INR 51.55 millions for JTCL pertains to demand under Entry Tax Act read with Chhattisgarh Value Added Tax Act, 2005 for payment of entry tax upon completion of assessment by tax authorities for the year 2012-13 and 2013-14. JTCL has preferred an appeal against the demand before the Chairman Chhattisgarh Commercial tax Tribunal, Raipur (C.G.). The management, including its tax advisors, believe that it's position will likely be upheld in the appellate process. No expense has been accrued in the consolidated financial statements for the tax demand raised. The management believes that the ultimate outcome of this proceeding will not have a material adverse effect on consolidated financial position and results of the operations. JTCL has deposited INR 12.05 millions with the tax authorities against the said demand as per the provision of Chhattisgarh Value Added Tax Act, 2005 for filing of appeal.

Entry tax demand of INR 13.30 millions for RAPP Transmission Company Limited ('RTCL') pertains to demands under the Entry tax act read with Madhya Pradesh Vat Act, 2002 for payment of entry tax upon completion of assessment by tax authorities for the year 2014-15 and year 2015-16. RTCL has appealed against the demand before High Court, Jabalpur (Madhya Pradesh). The management, including its tax advisors, believe that it's position will likely be upheld in the appellate process. No expense has been accrued in the consolidated financial statements for the tax demands raised. The management believes that the ultimate outcome of this proceeding will not have a material adverse effect on the financial position and results of the operations of RTCL. RTCL has deposited INR 4.70 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 of RTCL and has given stay on entire demand after deposit of specified amount till the disposal of case.

VAT demand of INR 104.34 millions for Purulia & Kharagpur Transmission Company Limited (PKTCL) pertains to demand under Jharkhand Value Added Tax (Amendment) Act, 2005 for payment of VAT for the year 2015-16. The Group has preferred an appeal against the demand before Jharkhand High Court. The management, including its tax advisors, believe that it's position will likely be upheld in the appellate process. No expense has been accrued in the financial statements for the tax demand raised. The management believes that the ultimate outcome of this proceeding will not have a material adverse effect on the Group's financial position and results of the operations. PKTCL has deposited INR 26.09 millions with the tax authorities against the said demand.

INDIA GRID TRUST

Notes to Consolidated Financial Statements for the year ended 31 March 2018

Note 25: Segment reporting

The Group's activities comprise of transmission of electricity in certain states in India. Based on the guiding principles given in Ind AS - 108 "Operating Segments", this activity falls within a single operating segment and accordingly the disclosures of Ind AS -108 have not separately been given.

Under Point of Connection (PoC) mechanism, Power Grid Corporation of India Limited ('PGCIL') is designated as central transmission utility with the responsibility for billing and collecting of usage charges from Inter-State Transmission Services (ISTS) users. Hence the entire amount of trade receivables pertaining to transmission charges is receivable from PGCIL.

Note 26: Statement of Related Party Transactions:

I. List of related parties as per the requirements of Ind AS 24 - Related Party Disclosures

Entity with significant influence over the Trust

Sterlite Power Grid Ventures Limited (SPGVL)

II. List of additional related parties as per Regulation 2(1)(zv) of the InvIT Regulations

A. Parties to IndiGrid

Sterlite Power Grid Ventures Limited (SPGVL) - Sponsor and Project Manager of IndiGrid

Sterlite Investment Managers Limited (SIML) - Investment Manager of IndiGrid

Axis Trustee Services Limited (ATSL) - Trustee of IndiGrid

B. Promoters of the parties to IndiGrid specified in (A) above

Sterlite Power Transmission Limited - Promoter of SPGVL and SIML

Axis Bank Limited - Promoter of ATSL

C. Directors of the parties to IndiGrid specified in (A) above

(i) Directors of SPGVL:

Pravin Agarwal
Pratik Agarwal
A. R. Narayanaswamy
Avaantika Kakkar
Ved Mani Tiwari
Anand Agarwal (till 10.10.2017)
Udai Dhawan (till 22.01.2018)

(ii) Directors of SIML:

Pratik Agarwal
Kuldip Kumar Kaura
Tarun Kataria
Shashikant Bhojani
Rahul Asthana
Harsh Shah

INDIA GRID TRUST

Notes to Consolidated Financial Statements for the year ended 31 March 2018

(iii) Directors of ATSL:

Srinivasan Varadarajan

Ram Bharoseylal Vaish

Sidharth Rath

Rajaraman Viswanathan

Raghuraman Mahalingam

III. Transactions with related parties during the year

(INR in Million)

Sr. No.	Particulars	Relation	April 01, 2017 to March 31, 2018	October 21, 2016 to March 31, 2017 (refer note 34)
1	**Purchase of non convertible debentures of SGL-1**			
	Sterlite Power Grid Ventures Limited	Sponsor and Project Manager/Entity with significant influence	5,880.36	-
2	**Purchase of equity shares of SGL-1**			
	Sterlite Power Grid Ventures Limited **	Sponsor and Project Manager/Entity with significant influence	-	
3	**Issue of unit capital**			
	Sterlite Power Grid Ventures Limited	Sponsor and Project Manager/Entity with significant influence	5,880.36	-
	Pravin Agarwal	Director of Sponsor	91.34	-
4	**Purchase of equity shares of RAPP Transmission Company Limited and Purulia & Kharagpur Transmission Company Limited**			
	Sterlite Grid 2 Limited #	Subsidiary of Sponsor	2,870.52	
5	**Purchase of equity shares of Maheshwaram Transmission Limited**			
	Sterlite Grid 3 Limited #	Subsidiary of Sponsor	961.84	
6	**Repayment of existing NCDs / loans in the SPVs acquired**			
	Sterlite Power Grid Ventures Limited	Sponsor and Project Manager	7,121.03	
	Sterlite Grid 2 Limited #	Subsidiary of Sponsor	732.09	
	Sterlite Grid 3 Limited #	Subsidiary of Sponsor	849.02	
7	**Project Manager Fees**			
	Sterlite Power Grid Ventures Limited	Sponsor and Project Manager	26.44	-
8	Investment Manager Fees			
	Sterlite Investment Managers Limited	Investment Manager	87.54	-
9	**Dividend paid**			
	Sterlite Power Grid Ventures Limited	Sponsor and Project Manager	373.47	
	Pravin Agarwal	Director of Sponsor	5.99	
10	**Repayment of dues paid**			
	Sterlite Power Grid Ventures Limited	Sponsor and Project Manager	397.80	-

INDIA GRID TRUST

Notes to Consolidated Financial Statements for the year ended 31 March 2018

(INR in Million)

Sr. No.	Particulars	Relation	April 01, 2017 to March 31, 2018	October 21, 2016 to March 31, 2017 (refer note 34)
	Sterlite Investment Managers Limited	Investment Manager	15.56	-
	Sterlite Grid 3 Limited #	Subsidiary of Sponsor	18.32	
11	**Reimbursement of expenses received**			
	Sterlite Power Grid Ventures Limited	Sponsor and Project Manager	17.01	-
12	**Trustee fee**			
	Axis Trustee Services Limited (ATSL)	Trustee	2.94	-

II. Outstanding balances

(INR in Millions)

Sr. No.	Particulars	Relation	As at March 31, 2018	As at March 31, 2017
1	Project Manager fees payable			
	Sterlite Power Grid Ventures Limited	Sponsor and Project Manager	14.92	-
2	Investment Manager fees payable			
	Sterlite Investment Managers Limited	Investment Manager	49.51	-
4	Trustee fee			
	Axis Trustee Services Limited (ATSL)	Trustee	0.54	-

** IndiGrid acquired NCDs and Equity Shares of SGL-1 in exchange of its units amounting to INR 5,880.36 million. Since the nominal value of NCDs was INR 6,658.24 million. Hence the entire consideration was allocated to NCDs.

These transactions have been disclosed, since these are with wholly owned subsidiaries of sponsor.

Details in respect of related party transactions involving acquisition of InvIT assets as required by Para 4.4(b)(iv) of Section A of Annexure A to SEBI Circular dated October 20, 2016 are as follows:

(A) Summary of the valuation reports (issued by the independent valuer appointed under the InvIT Regulations):

(INR in Millions)

Particulars	BDTCL	JTCL	PKTCL	RTCL	MTL
Enterprise value					
- Base case (based on tariff as per TSA)	20,406	14,949	6,512	3,935	5,218
- Incremental revenue (based on additional tariff claimed under petition with CERC)	1,135	1,176	-	-	-
Total Enterprise value	21,541	16,125	6,512	3,935	5,218
Method of valuation	Discounted Cash Flow				
Discounting rate (WACC):					
- Base case (based on tariff as per TSA)	8.19%	8.14%	7.98%	8.05%	7.54%
- Incremental revenue (based on additional tariff claimed under petition with CERC)	8.69%	8.64%	-	-	-

INDIA GRID TRUST

Notes to Consolidated Financial Statements for the year ended 31 March 2018

(B) Material conditions or obligations in relation to the transactions:

Acquisition of BDTCL and JTCL (through acquisition of SGL-1):

Pursuant to the Project Implementation and Management Agreement dated November 10, 2016 as amended on April 25, 2017 ("PIMA") executed among SIML, ATSL, SPGVL, SGL-1, BDTCL and JTCL, IndiGrid would issue additional units to SPGVL in the event CERC approves additional tariff for BDTCL and/or JTCL in respect of cost escalations in those projects for which petitions were filed with CERC. The units to be issued to SPGVL shall be equivalent to 80% of the Cost Escalation for each of BDTCL and JTCL as approved by CERC.

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

CERC vide Order dated May 8, 2017 approved cost escalation of INR 1,699.90 million for JTCL. Accordingly, IndiGrid issued additional units of INR 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.

No external financing has been obtained for the acquisition of BDTCL and JTCL and no fees or commission were received/to be received by any associate of the related party in relation to the transaction.

Acquisition of RTCL and MTL:

Pursuant to the share purchase agreements and shareholders' agreements dated February 14, 2018 ("the Agreements") executed with Sterlite Grid 2 Limited and Sterlite Grid 3 Limited ("the Selling shareholders") for acquisition of equity stake in RTCL, and MTL (together ""the SPVs""), SGL-1 has acquired 49% of equity in the SPVs and for acquisition of the remaining 51% equity stake, SGL-1 has paid full consideration in advance on a non-refundable basis. The remaining stake will be acquired from the Selling Shareholders on expiry of the respective mandatory shareholding periods applicable for the SPVs. Under the Agreements, the SGL-1 has the following rights:

a. Right to nominate all directors on the Board of directors of the SPVs;

b. Right to direct the Selling Shareholders to vote according to its instructions in the AGM/EGM or any other meeting of shareholders of the SPVs;

c. Irrevocable and unconditional call option to acquire the remaining 51% equity stake in the SPVs at later dates (on expiry of the respective mandatory shareholding periods);

d. Pledge on the remaining 51% equity stake in the SPVs;

e. Non-disposal undertaking from the Selling Shareholders for the remaining 51% equity stake in the SPVs.

The acquisition of RTCL, PKTCL and MTL was financed by long term debt raised at IndiGrid Level of INR 10,000 million (rate of interest - 8.25%) and short term debt at JTCL level of INR 4,230 million (rate of interest - 8.50%). No fees or commission were received/to be received by any associate of the related party in relation to the transaction.

INDIA GRID TRUST

Notes to Consolidated Financial Statements for the year ended 31 March 2018

Note 27: Fair value measurements

Set out below, is a comparison by class of the carrying amounts and fair value of the Group's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

(INR in Millions)

Particulars	Carrying value		Fair value	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
Financial assets				
Trade receivables	1,061.89	-	1,061.89	
Cash and cash equivalents	1,672.92	-	1,672.92	-
Bank balances other than above	10.50		10.50	
Other financial assets	511.64	-	511.64	-
Total	**3,256.96**	**-**	**3,256.96**	**-**
Financial liabilities				
Borrowings	23,342.50	-	23,342.50	-
Trade payables	130.17	-	130.17	-
Derivative instruments	203.71	-	203.71	-
Other financial liabilities	1,464.30	-	1,464.30	-
Total	**25,140.67**	**-**	**25,140.67**	**-**

The management assessed that fair values of cash and cash equivalents, other bank balances, trade receivables, trade payables and other financial assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. The management has further assessed that borrowings availed in the form of non convertible debentures and other bank borrowings approximate their carrying amounts largely due to movements in interest rates from the recognition of such financial instrument till period end not being material.

The Group enters into derivative financial instruments with financial institutions with investment grade credit ratings. Foreign exchange forward contracts, interest rate swaps are valued using valuation techniques, which employs the use of market observable inputs. The most frequently applied valuation techniques include forward pricing model, using present value calculations. The models incorporate various inputs including the credit quality counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spread between the respective currencies, interest rate curves etc. The changes in counterparty credit risk had no material effect on financial instruments recognised at fair value through profit and loss.

The Group is required to present the Statement of total assets at fair value and Statement of total returns at fair value as per SEBI Circular No. CIR/IMD/DF/114/2016 dated October 20, 2016 as a part of these consolidated financial statements - Refer Statement of Net assets at fair value and Statement of Total Returns at fair value.

The inputs to the valuation models for computation of fair value of transmission assets for the above mentioned statements are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as WACC, Tax rates, Inflation rates, etc.

The significant unobservable inputs used in the fair value measurement required for disclosures as above categorised within Level 3 of the fair value hierarchy as above together with a quantitative sensitivity analysis as at 31 March 2018 are as shown below

INDIA GRID TRUST

Notes to Consolidated Financial Statements for the year ended 31 March 2018

(INR in Millions)

Significant unobservable inputs	Range	Sensitivity of input to the fair value	Increase/ (decrease) in fair value	
			31 March 2018	31 March 2017
WACC	7.86% to 8.08%	+ 0.5%	(2,479.63)	-
		- 0.5%	2,768.61	-
Tax rate (normal tax and MAT)	Normal Tax - 29.12%	+ 2%	(325.90)	-
	MAT - 21.55%"	- 2%	296.36	-
Inflation rate	5.95%	+ 1%	(444.44)	-
		- 1%	366.13	-
Additional tariff (applicable only for BDTCL)	2.58%	+ 1%	154.00	-
		- 1%	(154.00)	

Note 28: Fair value hierarchy

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities:

Quantitative disclosures fair value measurement hierarchy for assets and liabilities as at 31 March 2018:

	Date of valuation	Fair value measurement using		
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets for which fair values are disclosed:				
Property, plant and equipment*	31 March 2018	-	-	50,542.47
Liabilities measured at fair value through profit and loss				
Derivative instruments (Liability)	31 March 2018	-	203.71	-
Liabilities for which fair values are disclosed:				
Borrowings (Liability)	31 March 2018	-	23,342.50	-

There have been no transfers among Level 1, Level 2 and Level 3.

* Statement of net assets at fair value and Statement of total returns at fair value require disclosures regarding fair value of assets (liabilities are considered at book values). Since the fair value of assets other than PP&E approximate their book values, hence only PP&E has been disclosed above.

Note 29: Financial risk management objectives and policies

The Group's principal financial liabilities comprise borrowings, trade and other payables and other financial liabilities. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include trade and other receivables, cash and short-term deposits and other financial assets that derive directly from its operations.

The Group is exposed to credit risk, liquidity risk and market risk. The Investment Manager of the IndiGrid oversees the management of these risks. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Group's policy that no trading in derivatives for speculative purposes may be undertaken. The management reviews and agrees policies for managing each of these risks, which are summarised below.

INDIA GRID TRUST

Notes to Consolidated Financial Statements for the year ended 31 March 2018

The Risk Management policies of the Group are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

Management has overall responsibility for the establishment and oversight of the Group's risk management framework.

(A) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks, foreign exchange transactions and other financial instruments.

The Group through its subsidiaries is engaged in transmission business under BOOM (Build, Own, Operate and Maintain) model and currently derive its revenue primarily from BOOM contracts with long term transmission customers ('LTTC'). Being transmission licensee, the Group receives payments as per the pooling arrangements specified under the Central Electricity Regulatory Commission (Sharing of Inter State Transmission Charges and Losses) Regulations, 2010 ('Pooling Regulations'). In the PoC method, the transmission charges to be recovered from the entire system are allocated between users based on their location in the grid. Under the PoC mechanism, all the charges collected by the Central Transmission Utility ('CTU') from LTTC's are disbursed pro-rata to all Transmission Service Providers ('TSPs') from the pool in proportion of the respective billed amount. Due to this, the TSPs are shielded against any potential default by a particular customer. If a particular customer delays or defaults, the delay or shortfall is prorated amongst all the TSPs. Based on past history of payments, payments due have always been paid and there have been no write-off's for due amounts. Due to the payment mechanism explained above as well as due to no history of any write-off's of payments which were due, the Group has not considered any expected credit loss on the financial assets in the nature of trade receivables. During the various periods presented, there has been no change in the credit risk of trade receivables. However, this assessment may need a review if there is any change in the Pooling Regulations.

Credit risk from balances deposited/invested with banks and financial institutions as well as investments made in mutual funds, is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within limits assigned to each counterparty. Counterparty limits are reviewed by the top management on an annual basis, and may be updated throughout the year subject to approval of the Board of Directors. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments. Based on this policy, the Group does not foresee any risk on account of credit losses, either in the bank deposits which are made with AAA rated banks and also in regard to mutual funds which is primarily debt oriented funds. No loss allowances have been provided for any trade receivables, or other receivables from financing activities like cash and bank deposits, mutual funds and other similar deposits. Also, there have been no modifications in contractual cash flows on financial assets.

The Group's maximum exposure to credit risk for the components of the Balance Sheet as at March 31, 2018 is the carrying amounts of Trade and Other Receivables, Cash and cash Equivalents and Other Assets as disclosed in Note 4, 5, 6, 7 and 8 respectively. However, the credit risk is low due to reasons mentioned above.

(B) Liquidity risk

Liquidity risk is the risk that the Group may encounter difficulty in meeting its present and future obligations associated with financial liabilities that are required to be settled by delivering cash or another financial asset. The Group's objective is to, at all times maintain optimum levels of liquidity to meet its cash and collateral obligations. The Group requires funds both for short term operational needs as well as for long term investment programs mainly in projects. The Group closely monitors its liquidity position and deploys a robust cash management system. It aims to minimise these risks by generating sufficient cash flows from its current operations, which in

INDIA GRID TRUST

Notes to Consolidated Financial Statements for the year ended 31 March 2018

addition to the available cash and cash equivalents, liquid investments and sufficient committed fund facilities, will provide liquidity.

The liquidity risk is managed on the basis of expected maturity dates of the financial liabilities. The average credit period taken to settle trade payables is about 30 days. The other payables are with short term durations. The carrying amounts are assumed to be reasonable approximation of fair value. The table below summarises the maturity profile of the Trust's financial liabilities based on contractual undiscounted payments:

INR in million

Particulars	3 months to 12 months	1 to 5 years	More than 5 years	Total
31 March 2018				
Borrowings	4,230.00	7,742.54	11,369.96	23,342.50
Trade payables	130.17	-	-	130.17
Other financial liabilities (excluding derivative instruments)*	1,464.30	-	-	1,464.30
Derivatives #	301.82	2,622.71		2,924.53
Total	**6,126.28**	**10,365.25**	**11,369.96**	**27,861.50**

* Includes amount of INR 579.50 million being payable towards project acquired which will be settled by issue of units.

\# Based on gross undiscounted cash flows. The MTM as on March 31, 2018 recognised in the books of accounts is INR 203.71 million.

31 March 2017 (refer Note 34)	**-**	**-**	**-**	**-**
Total	**-**	**-**	**-**	**-**

(C) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises two types of risk: interest rate risk and currency risk. Financial instruments affected by market risk include borrowings, bank deposits, Investments in short-term mutual funds, and derivative financial instruments.

Interest rate risk

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rate primarily relates to the Group's long term debt obligations with floating interest rates. To manage this, the Group enters into interest rate swaps, in which it agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. As at 31 March 2018, 10.18% of total borrowings of the Group are at floating interest rates

<u>Interest rate sensitivity</u>

The Group has taken cross currency interest rate swap to hedge its borrowings at floating interest rates. The swap contract is valid till 31 March 2021 (refer note 23 for details). Hence the disclosures regarding interest rate sensitivity have not been given.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's foreign currency borrowings and payables in foreign currency (if any).

INDIA GRID TRUST

Notes to Consolidated Financial Statements for the year ended 31 March 2018

The Group hedges its exposure to fluctuations on the translation into INR of its foreign operations by holding net borrowings in foreign currencies and by using foreign currency swaps and forwards.

At 31 March 2018, the Group hedged 100% of its foreign currency borrowings. This foreign currency risk is hedged by using foreign currency forward contracts and cross currency interest rate swap.

Note 30: Capital management

For the purpose of the Group's capital management, capital includes issued Unit capital and all other reserves attributable to the unit holders of the Trust. The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to unitholders, return capital to unitholders or issue new units (subject to the provisions of InvIT regulations which require distribution of at least 90% of the net distributable cash flows of the Trust to unit holders). The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio optimum. The Group includes within net debt, interest bearing loans and borrowings, trade and other payables less cash and cash equivalents, other bank balances and short term investments

(INR in million)

Particulars	31 March 2018	31 March 2017
Borrowings	23,342.50	-
Trade Payable	130.17	-
Other financial liabilities	1,668.01	-
Less: Cash and cash equivalents, other bank balances and short term investments	(1,683.42)	-
Net debt (A)	**23,457.25**	**-**
Unit capital	28,380.00	-
Other equity	252.56	-
Total capital (B)	**28,632.56**	**-**
Capital and Net debt [(C) = (A) + (B)]	**52,089.81**	**-**
Gearing ratio (C) / (A)	**45.03%**	

Financial Covenants

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. There have been no breaches in the financial covenants of any interest-bearing loans and borrowing in the current period.

Note 31: Details of Project Manager and Investment Manager Fees

Details of fees paid to Project Manager and Investment Manager as required pursuant to SEBI Circular No. CIR/IMD/DF/127/2016, dated November 29, 2016:

(i) Project management fees

Pursuant to the Project Implementation and Management Agreement dated November 10, 2016 as amended, Project Manager is entitled to fees @ 10% of gross expenditure incurred by each SPV in relation to operation and maintenance costs, per annum. Consolidated Statement of Profit and Loss for the period ended March 31, 2018 includes amount of INR 26.44 million towards Project Manager fees. There are no changes during the year in the methodology for computation of fees paid to Project Manager.

INDIA GRID TRUST

Notes to Consolidated Financial Statements for the year ended 31 March 2018

(ii) Investment management fees

Pursuant to the Investment Management Agreement dated November 10, 2016 as amended, Investment Manager is entitled to fees @ 1.75% of difference between revenue from operations and operating expenses (other than fees of the Investment Manager) of each SPV, per annum. For this purpose, operating expenses would not include depreciation, finance costs and income tax expense. Consolidated statement of Profit and Loss for the period ended March 31, 2018 includes amount of INR 87.54 million towards Investment Manager Fees. There are no changes during the year in the methodology for computation of fees paid to Investment Manager.

Note 32: Acquisition of Transmission Assets and IPO

During the year, IndiGrid acquired 100% of the equity share capital of SGL-1, which in turn holds 100% of the equity share capital of BDTCL and JTCL pursuant to the Securities Purchase Agreement dated May 8, 2017, including 665,824,156 non-convertible debentures of face value INR 10 each of SGL-1 from SPGVL in exchange of 45,203,627 units issued by IndiGrid to SPGVL.

IndiGrid raised funds of INR 22,500 million through Initial Public Offering. These funds were utilised to provide loans to BDTCL and JTCL pursuant to the facility agreements dated May 5, 2017, entered into between the Trustee (on behalf of IndiGrid), the Investment Manager, and each of BDTCL and JTCL, respectively.

IndiGrid further issued 13,599,200 units to SPGVL pursuant to Project Implementation and Management Agreement dated November 10, 2016 as amended ("PIMA") towards the additional transmission charges for JTCL as approved by CERC vide its order dated May 8, 2017 for the additional expenditure incurred by JTCL. The additional units were issued at INR 100 per unit to the extent of 80% of the additional capital expenditure approved by CERC which is INR 1,359.92 million.

Note 33: Subsequent event

On April 24, 2018, the Board of directors of the Investment Manager approved a dividend of INR 3 per unit for the period January 1 , 2018 to March 31, 2018 to be paid on or before 15 days from the date of declaration.

Note 34: Previous year figures

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. However there were no transactions during the period October 21, 2016 to March 31, 2017. Hence, corresponding figures for previous year have not been presented.

As per our report of even date

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

per Paul Alvares
Partner
Membership Number : 105754

Place: Princeton, USA
Date: 24 April 2018

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

Pratik Agarwal
CEO & Whole Time Director
DIN: 03040062

Harsh Shah
CFO & Whole Time Director
DIN: 02496122

Swapnil Patil
Company Secretary

Place: Mumbai
Date: 24 April 2018

GLOSSARY

ACSR	Aluminium Conductor Steel Reinforced
ATSL	Axis Trustee Services Limited
AUM	Asset Under Management
Availability	The percentage amount of time for which the asset is available for power flow
BDTCL	Bhopal Dhule Transmission Company Limited
BOOM	Build Own Operate & Maintain
BRICS	Brazil Russia India China & South Africa
BSE	Bombay Stock Exchange
CAGR	Compounded Annual Growth Rate
CEA	Central Electricity Authority
CERC	Central Electricity Regulatory Commission
ckms	circuit kilometers
COD/CoD	Commercial Operation Date
CTU	Central Transmission Utility
CY	Calendar Year
D/C	Double Circuit
DISCOM	Distribution Company
DPU	Distribution Per Unit
DRHP	Draft Red Herring Prospectus
ECB	External Commercial Borrowing
EGM	Extraordinary General Meeting
EHS	Environment Health & Safety
EHV	Extra High Voltage
ENICL	East North Interconnection Company Limited
EPC	Engineering Procurement & Construction
FDI	Foreign Direct Investment
FICCI	Federation of Indian Chambers of Commerce & Industry
FY	Financial Year
GIS	Gas Insulated Substation
GoI	Government of India
GPTL	Gurgaon Palwal Transmission Limited
GST	Goods & Services Tax
GW	Giga Watt
HVDC	High Voltage Direct Current
IBEF	India Brand Equity Foundation
ICDR	Issue of Capital & Disclosure Requirements
IndiGrid	India Grid Trust
INR	Indian National Rupee
InvIT	Infrastructure Investment Trust
IPAs	Initial Portfolio Assets i.e. BDTCL and JTCL
IPO	Initial Public Offering
IPTC	Independent Private Transmission Company
ISTS	Inter State Transmission System
J-B line	Jabalpur Bina line (an element of JTCL)
J-D line	Jabalpur Dharamjaygarh line (an element of JTCL)
JTCL	Jabalpur Transmission Company Limited
KTL	Khargone Transmission Limited
kV	kilo Volt
kWh	kilo Watt hour
LTTC	Long Term Transmission Customer
Mn	Million

MP	Madhya Pradesh
MPPTCL	Madhya Pradesh Power Transmission Company Limited
MSETCL	Maharashtra State Electricity Transmission Company Limited
MTL	Maheshwaram Transmission Limited
MVA	Mega Volt Ampere
MW	Mega Watt
NAV	Net Asset Value
NCDs	Non Convertible Debentures
NDCF	Net Distributable Cash flow (is the net cash flow that the trust has at its disposal for distribution to IndiGrid during a particular period in accordance with the formula defined in the Offer Document
NER-II	North Eastern Region - II
NRSS	Northern Region System Strengthening
NSE	National Stock Exchange
O&M	Operation & Maintenance
Offer Document	Final offer document of India Grid Trust units, filed with SEBI on May 15, 2017
OGPTL	Odisha Generation Phase II Transmission Limited
PAT	Profit After Tax
PGCIL	Power Grid Corporation of India Limited
PIMA	Project Implementation and Management Agreement
PKTCL	Purulia & Kharagpur Transmission Company Limited
ROCE	Return on Capital Employed
ROE	Return on Equity
ROFO	Right of First Offer
RTCL	RAPP Transmission Company Limited
S/C	Single Circuit
SCOD/Scheduled COD	Scheduled Commercial Operation Date defined as per Schedule 3 of TSA
SEBI	Securities & Exchange Board of India
SGL-1	Sterlite Grid 1 Limited
SGL-2	Sterlite Grid 2 Limited
SGL-3	Sterlite Grid 3 Limited
SIML	Sterlite Investment Managers Limited
SPGVL	Sterlite Power Grid Ventures Limited
SPTL	Sterlite Power Transmission Limited
SPV	Special Purpose Vehicle
STL	Sterlite Technologies Limited
Tariff	Composed of non-escalable, escalable and incentive component. The incentive component is based on the availability of the asset = 2*(Annual Availability - 98%)*(non-escalable and escalable tariff)
T&D	Transmission & Distribution
TBCB	Tariff Based Competitive Bidding
TSA	Transmission Services Agreement
TSTRANSCO	Transmission Corporation of Telangana Limited
UAV	Unmanned Aerial Vehicle
UDAY	Ujwal DISCOM Assurance Yojana
UP	Uttar Pradesh
UPSI	Unpublished Price Sensitive Information
USD	US Dollar
WACC	Weighted Average Cost of Capital
YoY	Year on Year
YTD	Year Till Date

Disclaimer

This report is prepared and issued by Sterlite Investment Managers Limited (the "Investment Manager") on behalf of, and in its capacity as the investment manager, India Grid Trust ("IndiGrid") for general information purposes only without regards to specific objectives, financial situations or needs of any particular person and should not be construed as legal, tax, investment or other advice.

This report is not a prospectus, a statement in lieu of a prospectus, an offering circular, an offering memorandum, an advertisement, an offer or an offer document under the Companies Act, 2013, the Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014, as amended, or any other applicable law in India. This report does not constitute or form part of and should not be construed as, directly or indirectly, any offer or invitation or inducement to sell or issue or an offer, or any solicitation of any offer, to purchase or sell any securities.

This report should not be considered as a recommendation that any person should subscribe for or purchase any securities of: (i) IndiGrid or its portfolio assets (being, Sterlite Grid 1 Limited, Bhopal Dhule Transmission Company Limited and Jabalpur Transmission Company Limited) (collectively, the "IndiGrid Group"), or (ii) its Sponsor (being Sterlite Power Grid Ventures Limited) or subsidiaries of the Sponsor (collectively, the "Sponsor Entities"), and should not be used as a basis for any investment decision.

Unless otherwise stated in this report, the information contained herein is based on management information and estimates. The information contained in this report is only current as of its date, unless specified otherwise, and has not been independently verified. Please note that, you will not be updated in the event the information in the report becomes stale. This report comprises information given in summary form and does not purport to be complete and it cannot be guaranteed that such information is true and accurate. You must make your own assessment of the relevance, accuracy and adequacy of the information contained in this report and must make such independent investigation as you may consider necessary or appropriate for such purpose. Moreover, no express or implied representation or warranty is made as to, and no reliance should be placed on, the accuracy, fairness or completeness of the information presented or contained in this report. Further, past performance is not necessarily indicative of future results. Any opinions expressed in this report or the contents of this report are subject to change without notice.

None of the IndiGrid Group or the Sponsor Entities or the Investment Manager or the Axis Trustee Company Limited or any of their respective affiliates, advisers or representatives accept any liability whatsoever for any loss howsoever arising from any information presented or contained in this report. Furthermore, no person is authorized to give any information or make any representation which is not contained in, or is inconsistent with, this report. Any such extraneous or inconsistent information or representation, if given or made, should not be relied upon as having been authorized by or on behalf of the IndiGrid Group or the Sponsor Entities.

The distribution of this report in certain jurisdictions may be restricted by law. Accordingly, any persons in possession of this report should inform themselves about and observe any such restrictions.

This report contains certain statements of future expectations and other forward-looking statements, including those relating to IndiGrid Group's general business plans and strategy, its future financial condition and growth prospects, and future developments in its sectors and its competitive and regulatory environment. In addition to statements which are forward looking by reason of context, the words 'may', 'will', 'should', 'expects', 'plans', 'intends', 'anticipates', 'believes', 'estimates', 'predicts', 'potential' or 'continue' and similar expressions identify forward- looking statements.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance including those relating to general business plans and strategy, future outlook and growth prospects, and future developments in its businesses and its competitive and regulatory environment. No representation, warranty or undertaking, express or implied, is made or assurance given that such statements, views, projections or forecasts, if any, are correct or that the any objectives specified herein will be achieved. All forward-looking statements are subject to risks, uncertainties and assumptions that could cause actual results, performances or events to differ materially from the results contemplated by the relevant forward looking statement. The factors which may affect the results contemplated by the forward-looking statements could include, among others, future changes or developments in (i) the IndiGrid Group's business, (ii) the IndiGrid Group's regulatory and competitive environment, (iii) the power transmission sector, and (iv) political, economic, legal and social conditions. Given the risks, uncertainties and other factors, viewers of this report are cautioned not to place any reliance on these forward-looking statements for making any investment decision or any other purpose.

CORPORATE INFORMATION

BOARD OF DIRECTORS
Mr. Tarun Kataria
Independent Director
Mr. Shashikant H Bhojani
Independent Director
Mr. Kuldip K Kaura
Non-Executive Director
Mr. Rahul Asthana
Independent Director
Mr. Pratik Agarwal
Chief Executive Officer & Whole-time Director
Mr. Harsh Shah
Chief Financial Officer & Whole-time Director

KEY MANAGERIAL PERSONNEL (KMP)
Mr. Aditya Mehra
Vice President - M&A and Investor Relations
Ms Divya Verma
Head of Finance & Compliance
Mr. Swapnil Patil
Company Secretary & Compliance Officer
Mr. Vishesh Pachnanda
Lead - Investor Relations
Mr. Ashish Gupta
Business Growth and Strategy Lead
Mr. Ayush Goyal
M&A and Strategy

INVESTMENT COMMITTEE
Mr. S H Bhojani
Chairperson
Mr. Tarun Kataria
Member
Mr. Rahul Asthana
Member

AUDIT COMMITTEE
Mr. Tarun Kataria
Chairperson
Mr. S H Bhojani
Member
Mr. Kuldip Kaura
Member
Mr. Rahul Asthana
Member

STAKEHOLDERS' RELATIONSHIP COMMITTEE
Mr. S H Bhojani
Chairperson
Mr. Kuldip Kaura
Member
Mr. Pratik Agarwal
Member
Mr. Rahul Asthana
Member

NOMINATION AND REMUNERATION COMMITTEE
Mr. S H Bhojani
Chairperson
Mr. Tarun Kataria
Member
Mr. Kuldip Kaura
Member
Mr. Rahul Asthana
Member
Mr. Harsh Shah
Member

REGISTERED OFFICE
Sterlite Investment Managers Limited
Maker Maxity, 5 North Avenue, Level 5,
Bandra Kurla Complex, Bandra East Mumbai,
Maharashtra-400051, India
Tel: +91 22 4996 2200 | Fax: +91 22 4996 2288
Corporate Identity Number: U28113MH2010PLC308857

CORPORATE OFFICE
India Grid Trust
F-1, The Mira Corporate Suites, 1&2, Ishwar Nagar,
Mathura Road, New Delhi – 110065, Delhi.
Tel: +91 22 4996 2200 | Fax: +91 22 4996 2288
E-mail: complianceofficer@indigrid.co.in
Website: http://www.indigrid.co.in

REGISTRAR AND TRANSFER AGENT
KARVY Computershare Private Limited
Karvy Selenium Tower B, Plot No. 31-32, Gachibowli,
Financial District, Nanakramguda,
Hyderabad - 500 032, Telangana
Tel: No.+91 40 3321 1500
E-mail Id: support.indiagrid@karvy.com

INVESTORS RELATIONS
Mr. Vishesh Pachhanda
E-mail Id: investor.relations@indigrid.co.in

Valuer
HARIBHAKTI & CO. LLP
701, 7th floor, Leela Business Park,
Andheri Kurla Road, Andheri (E), Mumbai 400059

Statutory Auditor
S R B C & Co LLP
C Wing Ground Floor
Panchshil Tech Park (Near Don Bosco School),
Pune, Maharashtra 411006, India

India Grid Trust

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

Strictly Private and Confidential

HARIBHAKTI & CO. LLP
Chartered Accountants

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

SPV: Bhopal Dhule Transmission Company Limited ("BDTCL")

Valuation Date: 31st March 2018

Strictly Private and Confidential

HARIBHAKTI & CO. LLP
Chartered Accountants

Date: 23rd April 2018
CFAS-2/R-002/0423/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 23rd March 2018, as an independent valuer, as defined under the SEBI InvIT Regulations, by Sterlite Investment Managers Limited ("the Investment Manager" or "SIML"), acting as the investment manager for India Grid Trust ("the Trust") and Axis Trustee Services Limited ("the Trustee") acting as the Trustee for the Trust mentioned above, for the purpose of the financial valuation of Bhopal Dhule Transmission Company Limited ("BDTCL" or "the SPV"). The SPV was acquired by the Trust on 30th May 2017 and is to be valued as per regulation 21 contained in the Chapter V of the SEBI InvIT Regulations.

We have relied on explanations and information provided by the Investment Manager. Although we have reviewed such data for consistency, we have not independently investigated or otherwise verified the data provided. We have no present or planned future interest in the Trust, the SPV or the Investment Manager except to the extent of our appointment as an independent valuer and the fee for our Valuation Report ("Report") which is not contingent upon the values reported herein. Our valuation analysis should not be construed as investment advice specifically, we do not express any opinion on the suitability or otherwise of entering into any financial or other transaction with the Trust.

We enclose our Report providing our opinion on the fair enterprise value of the SPV on a going concern basis as at 31st March 2018 ("Valuation Date"). Enterprise Value ("EV") is described as the total value of the equity in a business plus the value of its debt and debt related liabilities, minus any cash or cash equivalents to meet those liabilities. The attached Report details the valuation methodologies, calculations and conclusion with respect to this valuation

HARIBHAKTI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

Haribhakti & Co. LLP, Chartered Accountants (converted on 17th June, 2014 from a firm Haribhakti & Co. FRN: 103523W)
701, Leela Business Park, Andheri-Kurla Road, Andheri (E), Mumbai - 400 059, India Tel: 91 22 66729999 Fax: +91 22 6672 9777
Registered offices: 42, Free Press House, 215, Nariman Point, Mumbai 400021, India.
Other offices: Ahmedabad, Bengaluru, Chennai, Coimbatore, Hyderabad, Kolkata, New Delhi, Pune.

We believe that our analysis must be considered as a whole. Selecting portions of our analysis or the factors we considered, without considering all factors and analysis together could create a misleading view of the process underlying the valuation conclusions. The preparation of a valuation is a complex process and is not necessarily susceptible to partial analysis or summary description. Any attempt to do so could lead to undue emphasis on any particular factor or analysis.

Our valuation and our valuation conclusion are included herein and our Report complies with the SEBI InvIT Regulations and guidelines, circular or notification issued by 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

HARIBHAKTI & CO. LLP * MUMBAI * CHARTERED ACCOUNTANTS

Manoj Daga

Partner

Membership No. 048523

Place: Mumbai

Encl: As above

Contents

Definition, abbreviation & glossary of terms

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

1. Purpose of Valuation

1.1. The Trust is registered with SEBI pursuant to the SEBI InvIT Regulations. The Trust was established on 21st October 2016 by Sterlite Power Grid Ventures 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 Limited and BSE Limited since 6th June 2017.

1.2. We understand that as per chapter V and regulation 21 of the SEBI InvIT Regulations a yearly valuation of the assets of the Trust shall be conducted by an independent valuer for the period ended 31st March 2018 for a publicly offered InvIT. 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 of the SPV as per the SEBI InvIT Regulations as at 31st March 2018. Enterprise Value ("EV") is described as the total value of the equity in a business plus the value of its debt and debt related liabilities, minus any cash or cash equivalents to meet those liabilities.

1.5. 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 SPV 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

1.7. We have undertaken the fair valuation at the enterprise level of the SPV. EV is described as the total value of the equity in a business plus the value of its debt and debt related liabilities, minus any cash or cash equivalents to meet those liabilities.

1.8. The Valuation Date considered for the fair enterprise valuation of the SPV is 31st March 2018. Valuation analysis and results are specific to the date of the 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.

HARIBHAKTI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

1.10. For the amount pertaining to the operating working capital, the Investment Manager has acknowledged to consider the provisional financial statements as on 31st March 2018 to carry out the valuation of the SPV.

2. Exclusions and Limitations

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

2.2. 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 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.

HARIBHAKTI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

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.

HARIBHAKTI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

2.22. **Limitation of Liabilities**

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

2.22.2. 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.

2.22.3. It is clarified that the SIML and Trustee will be solely responsible for any delays, additional costs, or other liabilities caused by or associated with any deficiencies in their responsibilities, misrepresentations, incorrect and incomplete information including information provided to determine the assumptions.

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

3. Sources of Information

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

3.1. Audited financial statements of BDTCL for the financial year ("FY") ended 31st March 2017 and 31st March 2016;

3.2. Provisional Profit & Loss Account and Balance Sheet for the period ended 31st March 2018.

3.3. Projected Profit & Loss Account and Working Capital requirements of BDTCL from 1st April 2018 to 31st March 2049.

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

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

3.6. Details of projected repairs and capital expenditure as represented by the management.

3.7. As on 31st March 2018, 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 31st March 2018 to the date of issuance of this Report.

3.8. TSA of BDTCL with Central Transmission Utility dated 12th November 2013.

3.9. Management Representation Letter dated 20th April 2018 received from Investment Manager.

HARIBHAKTI & CO. LLP * MUMBAI * CHARTERED ACCOUNTANTS

4. Overview of the InvIT and SPV

The Trust

4.1. The Trust is registered with SEBI pursuant to the SEBI InvIT Regulations. The Trust was established on 21st 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 6th 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 on 30th May 2017. On 15th February 2018, the Trust further acquired three other revenue generating projects from its Sponsor, namely, Maheshwaram Transmission Limited ("MTL"), Purulia Kharagpur Transmission Company Limited ("PKTCL") and RAPP Transmission Limited ("RTCL").

4.3. The Trust, pursuant to the 'Right of First Offer' deed has a 'right of first offer' to acquire five other projects of the Sponsor.

4.4. Following is the financial summary of the projects which the Trust had acquired from the Sponsor:

BDTCL and JTCL

	Enterprise Value (INR Mn)				
Asset Name	30-Sep-17	31-Mar-17	31-Mar-16	31-Mar-15	Acquisition Value
BDTCL	21,431	21,541	21,812	20,113	37,020*
JTCL	15,988	16,125	19,407**	14,295	
Total	37,419	37,666	41,219	34,408	37,020

*Consolidated Purchase Price paid by the Trust for the acquisition at the time of Initial Public Offer

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

MTL, RTCL and PKTCL

	Enterprise Value (INR Mn)	
Asset Name	30-Jun-17	Acquisition Value
MTL	5,218	4,697
RTCL	3,935	3,542
PKTCL	6,512	5,861
Total	15,666	14,100

HARIBHAKTI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

BDTCL or the SPV

Summary of details of the Project are as follows:

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

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

4.5.1. 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.

4.5.2. 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

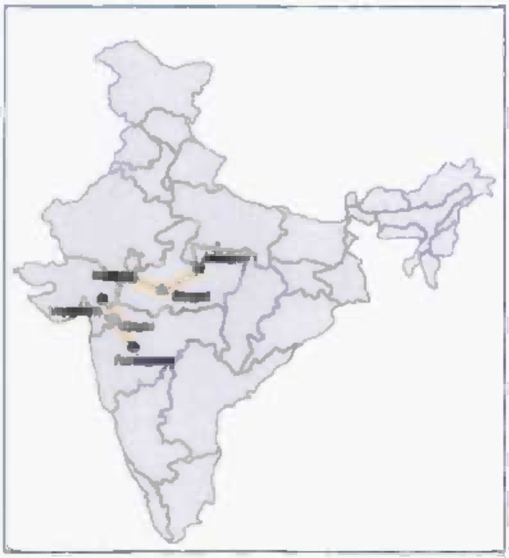
4.6. The project consists of the following transmission lines and is being implemented on contract basis:

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

4.6.1. BDTCL entered into transmission services agreement dated 12th 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.

HARIBHAKTI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

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

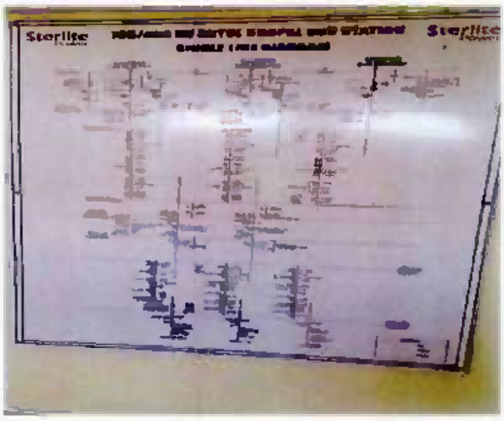


4.8. Operating Efficiency history of BDTCL:

*Q4 FY18 –Data comprises of data from availability certificate for the months of January and February 2018.

4.9. Pictures of the site visit as on 27th September 2016.

HARIBHAKTI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS



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 334.40 GW as of January 2018. 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 ~ 334.40 GW as of January 2018 (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 grown at a slow rate of 6% CAGR during FY 11 and FY 17. The total transmission network has increased from 254,536 ckm in FY 11 to around 367,851 ckm in FY 17.

5.4.4. As on 31st March, 2017 approx. 7% of total transmission network is owned by private players which showcases the need of more private sector participation in this space. India has been underinvested as far as transmission is concerned, however; recently government has been encouraging investments in transmission with approximately projects worth INR 30,000 crores being awarded in last 2 years.

5.4.5. 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.

5.4.6. 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.

5.4.7. 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.

HARIBHAKTI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

Source: Crisil Power Transmission Report – November 2016 and IBEF report on Power sector in India- February 2018 and CEA Data as mentioned in Adani Transmission Limited Annual Report 2017.

6. Valuation Approach

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. **<u>Cost Approach</u>**

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.

<u>Net Asset Value ("NAV")</u>

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. **<u>Market Approach</u>**

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.

<u>Comparable Companies Multiples ("CCM") Method</u>

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.

HARIBHAKTI & CO. LLP * MUMBAI * CHARTERED ACCOUNTANTS

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 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.

HARIBHAKTI & CO. LLP
MUMBAI
CHARTERED ACCOUNTANTS

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 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 enterprise value of the SPV engaged in the power transmission business for a specific tenure. Further, the tariff revenue expenses are very specific to the SPV depending on the nature of their geographical location, stage of project, terms of profitability. In the absence of any exactly comparable listed companies with characteristics and parameters similar to that of the SPV, we have not considered CCM method in the present case. In the absence of adequate details about the Comparable Transactions, we were unable to apply the CTM method. Currently, the equity shares of SPV are not listed on any recognized stock exchange of India. Hence, we are unable to apply market price method.

Income Approach

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.

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 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. As represented to us by the Investment Manager, the SPV has filed a revised petition with CERC on 1st December 2017, whereby it has claimed an additional increase of 2.58% of non escalable revenue for the concession period. The SPV, by virtue of this revised petition, has decreased its claim for the additional increase of non escalable revenue of 7.00%(as per the old petition filed by the SPV) to 2.58% as per the revised petition.

HARIBHAKTI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

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.

- **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.
- **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 for inflation.

7.2.2. **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 SPV and the general industry standard, the annual availability shall be above 98% where the SPV shall be entitled to the incentives as provided in the TSA.

7.2.3. **Penalty:** If the annual availability in a contract year falls below 95%, the SPV shall be liable for an annual penalty as provided in the TSA. Based on our analysis in Para 7.2.2 in the present case it is assumed that the annual availability will not fall below 95% and hence penalty is not considered in the financial projections.

7.2.4. **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 O&M expenses for the projected period.

7.2.5. **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.

7.2.6. **Capex:** As represented by the Investment Manager, the SPV is not expected to incur any capital expenditure in the projected period.

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

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

7.3. **Key Assumption under Part B: Incremental Revenue Case**

Incremental Transmission Revenue: As provided in the TSA, "every party shall be entitled to claim relief for a Force Majeure Event affecting its performance in relation to its obligation under this agreement". In the present case, BDTCL 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. As represented to us by the Investment Manager, the SPV has filed a revised petition with CERC

HARIBHAKTI & CO. LLP CHARTERED ACCOUNTANTS MUMBAI

on 1st December 2017, whereby it has claimed an additional increase of 2.58% of non escalable revenue for the concession period.

Operations & Maintenance ("O&M"): No Operations & Maintenance ("O&M") expenditure needs to be considered for Incremental Revenue.

7.3.1. **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.

7.3.2. **Tax:** We have considered income tax rate based on the aggregate of transmission revenue and incremental transmission revenue.

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

7.4. **Impact of Ongoing Material Litigation on Valuation**

As represented by Investment manager, there is no ongoing litigation that will affect the valuation exercise

Valuation of SPV under Part A: Base Case

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

7.5.1. **Cost of Equity:**

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

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

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

Wherein:

K(e) = cost of equity

Rf = risk free rate

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

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

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

7.5.2. **Risk Free Rate:**

We have applied a risk free rate of return of 7.64% on the basis of the relevant zero coupon yield curve as on 28th March 2018 for government securities having a maturity period of 10 years, as quoted on the website of Clearing Corporation of India Limited.

7.5.3. **Risk Premium:**

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

Risk premium = Equity market return – Risk free rate

Wherein:

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

Risk free rate = 7.64% as explained in para 7.5.2.

HARIBHAKTI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

7.5.4. **Beta:**

Beta is a measure of the sensitivity of a company's stock price to the movements of the overall market index. Normally we would take a relevant number from a quoted stock and the market on which it trades. However, since shares of Comparable Companies 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 SPV.

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

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

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

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

7.5.5. **Company Specific Risk Premium (CSRP):**

We have not considered any company specific risk premium to the Ke for discounting the cash flows.

7.5.6. **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

In present valuation exercise, we have considered debt:equity at 70:30 based on industry standard.

7.5.7. **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) * Debt /(Debt + Equity)] +[K(e) * (1 - Debt /(Debt + Equity))]

7.5.8. Accordingly, as per above, we have arrived the WACC of 8.06% for BDTCL for valuation under Base Case (Refer Appendix I)

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

7.7. <u>Valuation of BDTCL</u>

7.7.1. We have relied on the projected financials of BDTCL as provided by its management and representatives for the period from 1st April 2018 to 31st March 2049.

7.7.2. WACC arrived at for the purpose of valuation Is 8.06% for cash flows as per the Base Case (Refer Appendix I).

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

7.7.4. As on Valuation Date, we have discounted the free cash flows of BDTCL using the WACC of 8.06% to arrive at the Enterprise Value ("EV") by aggregating the present value of cash flows for explicit period and terminal period at INR 19,791 Mn (Refer Appendix II)

Valuation of SPV under Part B: Incremental Revenue Case

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

7.8.1. The Risk free rate, risk premium and beta component for Cost of Equity applied for incremental revenue are same as described under Part A: Base Case.

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

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

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

7.8.3. We have considered 2% company specific risk premium to the cost of equity for discounting the incremental free cash flows arrived after considering the risk associated with incremental transmission revenue as mentioned in para 7.3 (Refer Appendix I).

7.8.4. Cost of debt remains same as under Part A: Base Case

7.8.5. Accordingly, as per above, we have arrived the WACC of 8.26% for BDTCL for valuation under Incremental Revenue Case (Refer Appendix I)

7.9. Valuation of SPV under Part B: Incremental Revenue Case

7.9.1. **Valuation of BDTCL**

- We have relied on the projected financials of BDTCL as provided by its management and representatives for the period from 1st April 2018 to 31st March 2049.
- WACC arrived at for the purpose of valuation is 8.26% 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 8.26% to arrive at the Enterprise Value ("EV") by aggregating the present value of cash flows for explicit period and terminal period at INR 528 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 business, having regard to information base, management perceptions, key underlying assumptions and limitations were given due consideration.

8.2. We have been represented by the Investment Manager that there is no potential devolvement on account of the contingent liability as of valuation date; hence no impact has been factored in to arrive at enterprise value of the SPV.

8.3. Based on the above analysis the Enterprise Value as on the Valuation Date of the SPV is INR 20,319 Mn (Refer Appendix II).

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.

HARIBHAKTI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

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 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 are no additional approval obtained by BDTCL during the 6 months period ended 31st March 2018. Refer Appendix IV for the complete list of sanctions and approvals. Further, we were informed that there are 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.

HARIBHAKTI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

C. Statement of assets included;

As at 31st March 2018, BDTCL has Transmission lines gross block of INR 14,473.62 million (net block of INR 13,009.35 million), substations of INR 6,662.39 million (net block of INR 5,858.10 million), Building Substations of INR 63.25 million (net block of INR 55.14 million), Leasehold Land and Freehold land of INR 119.48 million (net block of INR 101.04 million), and other assets including furniture, office equipment, etc. gross block of INR 10.88 million (net block of INR 6.58 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 84.57 million during the year ended 31st March 2018 and INR 69.06 million during the year ended 31st March 2017 for the maintenance charges of Transmission Lines. Based on confirmation provided by the Investment manager, we expect the increase of 5.05% per annum in the cost of operation and maintenance expenses incurred.

Investment manager has informed us that there are no maintenance charges which has been deferred to the upcoming year as the maintenance activities are carried out regularly. We have been informed that overhaul maintenance are regularly carried out by BDTCL in order to maintain the working condition of the assets.

E. Revenue pendencies including local authority taxes associated with InvIT asset and compounding charges, if any;

Investment manager has informed us that there are no dues including local authority taxes pending to be payable to the government authorities with respect to InvIT assets.

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

The summary of on-going and closed litigation including tax liabilities is given in Appendix V. We were informed by the Investment manager 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.

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.

(This space is intentionally left blank)

HARIBHAKTI & CO. LLP
MUMBAI
CHARTERED ACCOUNTANTS

Appendix I – Weighted Average Cost of Capital of the SPV

A: Base Case

Particulars	%	Remarks
Market Return	15.00%	Market Return has been considered based on the long term average returns earned by an equity investor in India.
Risk Free Rate	7.64%	Risk Free Rate has been considered based on zero coupon yield curve as at 28th March 2018 of Government Securities having maturity period of 10 years, as quoted on CCIL's website.
Market Risk Premium	7.36%	Market Premium = Market Return – Risk Free Rate
Beta (relevered)	0.66	Beta has been considered based on the beta of the companies operating in the similar kind of business in India.
Cost of Equity	12.47%	Ke = Rf + β x (Rm-Rf) + CSRP
Pre-tax Cost of Debt	8.00%	As represented by the Investment Manager
Effective tax rate of SPV	22.90%	Average tax rate for the life of the project has been considered
Post-tax Cost of Debt	6.17%	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	**8.06%**	**WACC = [Ke*(1-D:(D+E))]+[Kd*(1-t)*(D:(D+E))]**

B: Incremental Case

Particulars	%	Remarks
Market Return	15.00%	Market Return has been considered based on the long term average returns earned by an equity investor in India.
Risk Free Rate	7.64%	Risk Free Rate has been considered based on zero coupon yield curve as at 28th March 2018 of Government Securities having maturity period of 10 years, as quoted on CCIL's website.
Market Risk Premium	7.36%	Market Premium = Market Return – Risk Free Rate
Beta (relevered)	0.62	Beta has been considered based on the betas of the companies operating in the similar kind of business in India.
Risk Premium	2.00%	Company Specific Risk Premium
Cost of Equity	14.18%	Ke = Rf + β x (Rm-Rf) + CSRP
Pre-tax Cost of Debt	8.00%	As represented by the Investment Manager
Effective tax rate of SPV	28.77%	Average tax rate for the life of the project has been considered
Post-tax Cost of Debt	5.70%	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	**8.26%**	**WACC = [Ke*(1-D:(D+E))]+[Kd*(1-t)*(D:(D+E))]**

HARIBHAKTI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

Appendix II – Valuation of BDTCL as on 31st March 2018 – Part A: Base Case

INR Mn

FY	Revenue	EBITDA	EBITDA Margin	Capex	NCA	Taxation	FCFF	CAF	Discounting Factor	PV of Cash Flows
FY19	2,590	2,413	93%	-	73	366	1,974	0.50	0.96	1,899
FY20	2,593	2,407	93%	-	0	365	2,042	1.50	0.89	1,818
FY21	2,596	2,401	92%	-	(0)	363	2,037	2.50	0.82	1,679
FY22	2,599	2,394	92%	-	(0)	362	2,032	3.50	0.76	1,549
FY23	2,602	2,387	92%	-	(0)	360	2,027	4.50	0.71	1,430
FY24	1,849	1,623	88%	-	(187)	196	1,614	5.50	0.65	1,054
FY25	1,853	1,616	87%	-	0	194	1,422	6.50	0.60	859
FY26	1,858	1,608	87%	-	0	193	1,416	7.50	0.56	792
FY27	1,862	1,600	86%	-	0	191	1,409	8.50	0.52	729
FY28	1,868	1,593	85%	-	0	189	1,403	9.50	0.48	672
FY29	1,873	1,584	85%	-	0	187	1,397	10.50	0.44	619
FY30	1,879	1,575	84%	-	0	186	1,390	11.50	0.41	570
FY31	1,885	1,566	83%	-	0	184	1,382	12.50	0.38	525
FY32	1,892	1,557	82%	-	0	182	1,375	13.50	0.35	483
FY33	1,900	1,548	81%	-	0	180	1,368	14.50	0.33	445
FY34	1,907	1,538	81%	-	0	177	1,360	15.50	0.30	409
FY35	1,915	1,527	80%	-	1	175	1,352	16.50	0.28	376
FY36	1,925	1,517	79%	-	1	173	1,343	17.50	0.26	346
FY37	1,934	1,506	78%	-	1	171	1,335	18.50	0.24	318
FY38	1,945	1,495	77%	-	1	168	1,326	19.50	0.22	293
FY39	1,956	1,483	76%	-	1	166	1,316	20.50	0.20	269
FY40	1,968	1,471	75%	-	1	163	1,307	21.50	0.19	247
FY41	1,981	1,459	74%	-	1	160	1,297	22.50	0.17	227
FY42	1,994	1,446	73%	-	1	158	1,287	23.50	0.16	208
FY43	2,008	1,433	71%	-	1	249	1,182	24.50	0.15	177
FY44	2,025	1,420	70%	-	2	404	1,014	25.50	0.14	141
FY45	2,041	1,406	69%	-	2	402	1,003	26.50	0.13	129
FY46	2,059	1,391	68%	-	2	398	991	27.50	0.12	118
FY47	2,077	1,376	66%	-	2	395	979	28.50	0.11	108
FY48	2,099	1,362	65%	-	2	392	968	29.50	0.10	98
FY49	2,120	1,347	64%	-	2	388	956	30.50	0.09	90
TV	2,120	1,347	64%	-	-	392	954	30.50	0.09	90
Present Value of Explicit Period Cash Flows										18,677
Present Value of Terminal Year Cash Flow										1,115
Enterprise Value										19,791

HARIBHAKTI & CO. LLP
MUMBAI
CHARTERED ACCOUNTANTS

Appendix III – Valuation of BDTCL as on 31st March 2018 – Part B: Incremental Case

WACC	8.26%									INR Mn
FY	Revenue	EBITDA	EBITDA Margin	Capex	NCA	Taxation	FCFF	CAF	Discounting Factor	PV of Cash Flows
FY19	280	280		-	67	98	116	0.50	0.96	111
FY20	64	64	100%	-	(52)	21	94	1.50	0.89	84
FY21	64	64	100%	-	0	21	43	2.50	0.82	35
FY22	64	64	100%	-	(0)	21	43	3.50	0.76	32
FY23	64	64	100%	-	(0)	21	43	4.50	0.70	30
FY24	45	45	100%	-	(5)	12	37	5.50	0.65	24
FY25	44	44	100%	-	0	12	32	6.50	0.60	19
FY26	44	44	100%	-	(0)	12	32	7.50	0.55	18
FY27	44	44	100%	-	(0)	12	32	8.50	0.51	16
FY28	44	44	100%	-	(0)	12	32	9.50	0.47	15
FY29	44	44	100%	-	0	12	32	10.50	0.43	14
FY30	44	44	100%	-	(0)	12	32	11.50	0.40	13
FY31	44	44	100%	-	(0)	12	32	12.50	0.37	12
FY32	44	44	100%	-	(0)	12	32	13.50	0.34	11
FY33	44	44	100%	-	(0)	12	31	14.50	0.32	10
FY34	43	43	100%	-	(0)	12	31	15.50	0.29	9
FY35	43	43	100%	-	(0)	12	31	16.50	0.27	8
FY36	43	43	100%	-	(0)	12	31	17.50	0.25	8
FY37	43	43	100%	-	(0)	12	31	18.50	0.23	7
FY38	43	43	100%	-	(0)	12	31	19.50	0.21	7
FY39	43	43	100%	-	(0)	12	31	20.50	0.20	6
FY40	43	43	100%	-	(0)	12	31	21.50	0.18	6
FY41	42	42	100%	-	(0)	12	31	22.50	0.17	5
FY42	42	42	100%	-	(0)	12	31	23.50	0.15	5
FY43	42	42	100%	-	(0)	12	30	24.50	0.14	4
FY44	42	42	100%	-	(0)	12	30	25.50	0.13	4
FY45	42	42	100%	-	(0)	12	30	26.50	0.12	4
FY46	41	41	100%	-	(0)	12	30	27.50	0.11	3
FY47	41	41	100%	-	(0)	11	30	28.50	0.10	3
FY48	41	41	100%	-	(0)	11	30	29.50	0.10	3
FY49	41	41	100%	-	(0)	11	29	30.50	0.09	3
Present Value of Explicit Period Cash Flows										528
Enterprise Value										528

HARIBHAKTI & CO. LLP * CHARTERED ACCOUNTANTS * MUMBAI

Appendix IV – Summary of approval and licences (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			
	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	4-Mar-15	Valid	Ministry of Environment, Forests & Climate Changes
	Dhule - Vadodara Transmission Line in Dhule District - Stage II	19-Nov-15	Valid	Ministry of Environment, Forests & Climate Changes
	Jabalpur-Bhopal Transmission Line in Bhopal & Raisen Districts - Stage I	31-Dec-14	Valid	Ministry of Environment, Forests & Climate Changes
	Jabalpur-Bhopal Transmission Line in Bhopal & Raisen Districts - Stage II	25-Mar-15	Valid	Ministry of Environment, Forests & Climate Changes
4	Approval under section 68 of Electricity Act, 2003	25-Nov-10	Valid	Ministry of Power
5	Approval from GOI under section 164 of Electricity Act, 2003- Under Gazette of India	29-Jan-13	25	Ministry of Power
6	Approval from CERC under section 17(3)	6-Apr-16	Valid	
7	Environmental Clearance	Not Applicable		
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	7-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	9-May-13	Valid	Western Railway
	Between Diwanganj - Salamatpur at KM 865/2-4	18-Jun-13	35	West Central Railway
	KM 953/4-5 E T- JBP Section	18-Oct-13	Valid	West Central Railway
	Near Gatan Railway Station at KM 359/27-28 & 360/1-2	25-Apr-14	Valid	Central Railway
	Between Ranala & Dondiche at KM 172/11 & 172/12 and tower LOC No 22/0 & 23/0	7-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-Biora NH-12	6-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)	5-Feb-14	Valid	National Highway Authority of India
	Between KM 146-149 NH-12 Deora- Udaipura Section	21-Jan-13	Valid	Madhya Pradesh Road Development Corporation Ltd.
	Dhule- Aurangabad at KM 240-241 of NH-3	8-May-14	Valid	National Highway Authority of India
	Dhule- Aurangabad at KM 500-501 of NH-6	16-May-14	Valid	National Highway Authority of India
	Dhule-Dhule at 241-242 of NH-3	15-May-14	Valid	National Highway Authority of India

Source: investment manager

HARIBHAKTI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

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	3-Aug-13	Valid	Madhya Pradesh Power Transmission Co. Ltd.
	Indore Bhopal (Jaitura-Ashta Line)	10-Dec-12	Valid	Madhya Pradesh Power Transmission Co. Ltd
	Bhopal Indore (Bairagarh- Shyampur Line, Sawania- Ashta Line, Sawania- Suajlpur Line, Bairagarh-Kurawar Line, Ashta-Polai Line, Ashta-Amiyakai Line & Ashta-Bercha Line)	15-Jan-13	Valid	Madhya Pradesh Power Transmission Co. Ltd.
	Bhopal Jabalpur line (Shahpura Line & Sukhanarsinghpur line)	5-Apr-13	Valid	Madhya Pradesh Power Transmission Co. Ltd
	Bhopal Jabalpur line (Barasia-Vidhisha line, Vidhisha-Raisen Line,Berasia-Vishisha Line, Bhopal - Bina Line & Bhopal-Vidhisha Line)	15-Jan-13	Valid	Madhya Pradesh Power Transmission Co. Ltd.
	Bhopal- Dhule Transmission Line	19-Oct-13	Valid	Maharashtra Electricity Transmission Co. Ltd
	Dhule- Dhule Transmission Line (Provisional Permission)	30-Oct-14	Valid	Public Works Department - Mumbai
	Dhule Vadodara - I	30-May-13	Valid	Gujarat Energy Transmission Corporation Ltd.
	Dhule Vadodara - II	28-Feb-13	Valid	Gujarat Energy Transmission Corporation Ltd.
	Dhule Vadodara - III	25-Jul-13	Valid	Gujarat Energy Transmission Corporation Ltd.
13	Aviation Clearance			
	NOC for Height Clearance - Bhopal	12-Feb-13	7	Airport Authority of India
	NOC for Height Clearance between Bhopal & Indore	20-Feb-13	7	Airport Authority of India
	NOC for Height Clearance between Jabalpur & Bhopal	20-Feb-13	7	Airport Authority of India
	NOC for Height Clearance between Dhule to Aurangabad	1-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	7-Dec-10	Valid	
16	Approval for adoption of Tariff	28-Oct-11	35	Central Electricity Regulatory Commission
17	Approval for Energisation	17-May-17	Expired	Central Electricity Authority, Chief Electrical Inspectorate Division

Source: Investment manager

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

HARIBHAKTI & CO. LLP * CHARTERED ACCOUNTANTS * MUMBAI

Appendix V – BDTCL: Summary of Ongoing Litigations (1/3)

Matter	Against	Pending Before	Details of the Case	Amount Involved (INR Million)	Amount Deposited (INR Million)#
I. OPEN MATERIAL LITIGATION					
Indirect Tax Matters	BDTCL	High Court of Madhya Pradesh	Background of the case: Demand for payment of Entry Tax	165.80**	58.37**
Regulatory Matter	Petition Relief filed by BDTCL	CERC	Background of the case: a) BDTCL has filed an compensatory and declaratory relief under the Transmission Services Agreement in relation to six transmission lines and two sub stations (collectively the "Project"). Since the delay in commissioning the project was due to change in law and force majeure event. b) Additionally, BDTCL prayed for extension of scheduled commercial operation date and grant 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.	Not provided*	Not provided*
Other Matter	BDTCL	Labour Commissioner, Indore	Background of the case: Deputy Director of Industrial Health and Safety, Dewas seek the directions for intiating criminal proceedings against BDTCL due to the fatal accident leading to the death of one labourer.	Not provided*	Not provided*
BDTCL	Bhagawan Devman Bhilla	District Court, Dhule	Background of the case: 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. Current status: Condonation application is pending at admission stage.	Not provided*	Not provided*
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. Current status: Case is pending for final arguments. Affidavit has been submitted by applicant & cross examination for the same will be done in next date.	Not provided*	Not provided*
Shikha Neekhra	BDTCL	District Judge (DJ), Raisen	Background of the case: 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 along with interest at 9% on such amount from the date of damage. The case is still pending and the court has decided the points on which adjudication will be done. Current status : Reply submitted by BDTCL & issues is framed & affidavit is submitted by applicant & 2 Witness/Applicant appeared & both have been cross examined by our Counsel & 1 witness is left for cross examination. Case is currently pending.	0.92**	Not provided*
Manish Neekhra	BDTCL	District Magistrate, Narsinghpur	Background of the case: The Petitioner filed petition against the decision of collector for granting compensation against the loss of destruction of crops and damage to the boundary well 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 along with interest at 9% on such amount from the date of damage. The case is still pending and the court has decided the points on which adjudication will be done. Current status: Reply submitted by BDTCL & Issues is framed & affidavit is submitted by applicant & 2 Witness/Applicant appeared & both has been cross examined by our Counsel & 1 witness is left for cross examination. Case is currently pending.	2.63**	Not provided*

Source: Investment Manager

HARIBHAKTI & CO. LLP * MUMBAI * CHARTERED ACCOUNTANTS

Appendix V – BDTCL: Summary of Ongoing Litigations (2/3)

Matter	Against	Pending Before	Details of the Case	Amount Involved (INR Million)	Amount Deposited (INR Million)*
Shailendra Champaksinh Gohil, Pravinsinh Jaswantsinh Gohil and Janaksinh Jaswantsinh Gohil	BDTCL	High Court of Gujarat, Ahmedabad	Background of the case: 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. Current status: Reply submitted. Case is pending for final argument.	Not provided*	Not provided*
Pravinsinh Jaswantsinh Gohil and Janaksinh Jaswantsinh Gohil	BDTCL	High Court of Gujarat, Ahmedabad	Background of the case: 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.	Not provided*	Not provided*
Bhikhan Govinda Sasundre & 5 others	BDTCL	Bombay High Court, Aurangabad	Background of the case: Claimed compensation for the damage caused to their field by laying high tension power transmission lines. Current status: Amount has been submitted before the court by BDTCL. Case is still pending	Not provided*	0.64**
BDTCL	Dhyaneshwar Managate	Bombay High Court, Aurangabad	Background of the case: BDTCL filed petition against the payment of compensation required to be paid in accordance with the order passed by the District Court, Aurangabad. Current status: Amount has been submitted before the court by BDTCL. Case is still pending.	Not provided*	0.64**
Navneet Manchhibhai Vasava and others	BDTCL	Civil Judge, Dedlyapada	Background of the case: Filed petition to claim compensation against the violation of right of way on account of laying of transmission lines over the petition's land Current status: Reply to be submitted. Matter is currently pending	Not provided*	Not provided*
Kusumben Jayantibhai Patel and others	BDTCL	High Court of Gujarat, Ahmedabad	Background of the case: Aggrieved by the order passed by the District Collector allowing BDTCL to erect the transmission towers in the petitioner's land, Kusumben has filed an appeal against the same in the High Court Current status: BDTCL has submitted the reply. Case is pending for final approval.	Not provided*	Not provided*
Kusumben Arjun Mali and others	BDTCL	Sub divisional Magistrate (SDM), Dhule	Background of the case: Petitioner has filed civil application against BDTCL disputing the compensation paid for their land. Current status: BDTCL has to file its reply.	Not provided*	Not provided*
Various Complaints (32 in number)	BDTCL	District Collector (DC), Aurangabad	Background of the case: 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	Not provided*	Not provided*
Sharp Corporation Limited	BDTCL	High Court of Madhya Pradesh, Indore	Background of the case: Petition filed to restrain the BDTCL from starting and continuing the construction over the Petitioner's land	Not provided*	Not provided*
Bhagvan Devman Bhilla	BDTCL	Jt Civil Judge (S.D), Dhule	Background of the case: The petitioner claims that he has been forcefully evicted from the Govt. Land which was encroached by his forefathers. He claims that his eviction is not proper. Interim order to maintain status quo on the land in possession was granted by the Jt. Civil judge Current status: Interim order to maintain status quo on the land in possession was granted by the Jt. Civil Judge	Not provided*	Not provided*
Approx. 60 land owners	BDTCL	DC & DJ Aurangabad	Background of the case: Right of Way Compensation (ROW) Payment of land is demanded as per Maharashtra Government circular, which are pending for adjudication. On the similar lines SDM, Aurangabad has also sent some queries to BDTCL. Current status: Preliminary objections filed on the ground of Jurisdiction and factual grounds. Matter is pending for final arguments.	Not provided*	Not provided*

Source: Investment Manager

Appendix V – BDTCL: Summary of Ongoing Litigations (3/3)

Matter	Against	Pending Before	Details of the Case	Amount Involved (INR Million)	Amount Deposited (INR Million)*
II. CLOSED MATERIAL LITIGATION					
Other Matter	BDTCL	Sehore Police Station M.P	**Background of the case:** 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		**Background of the case:** 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 valuate 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.	-	-
Pahup Singh	BDTCL	District Magistrate, Narsinghpur	**Background of the case:** 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. Case has been dismissed in favour of BDTCL.	-	-
Indirect Tax Matters	BDTCL	VAT Act, 2002	**Background of the case:** BDTCL has received certain notices under Madhya Pradesh VAT Act, 2002	-	-
Direct Tax Matters	BDTCL	Assistant Commissioner of Income Tax, TDS, Delhi	**Background of the case:** Mismatch in the calculation of tax payable on the return.	-	-

Source: Investment Manager

* We were not provided with the data and hence we are unable to comment on the same.

** We were provided with the amount however the relevant supporting documents has not been provided to us hence we were unable to corroborate the same.

#The amount paid under protest to the government authorities are grouped under Current assets.

HARIBHAKTI & CO. LLP * CHARTERED ACCOUNTANTS * MUMBAI

Strictly Private and Confidential

HARIBHAKTI & CO. LLP
Chartered Accountants

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

SPV: Jabalpur Transmission Company Limited ("JTCL")

Valuation Date: 31st March 2018

Strictly Private and Confidential

HARIBHAKTI & CO. LLP
Chartered Accountants

Date: 23rd April 2018
CFAS-2/R-002/0423/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 Sir,

We, Haribhakti & Co. LLP, Chartered Accountants ("H&Co."), have been appointed vide letter dated 23rd March 2018, as an independent valuer, as defined under the SEBI InvIT Regulations, by Sterlite Investment Managers Limited ("the Investment Manager" or "SIML"), acting as the investment manager for India Grid Trust ("the Trust") and Axis Trustee Services Limited ("the Trustee") acting as the Trustee for the Trust mentioned above, for the purpose of the financial valuation of Jabalpur Transmission Company Limited ("JTCL" or "the SPV"). The SPV was acquired by the Trust on 30th May 2017 and is to be valued as per regulation 21 contained in the Chapter V of the SEBI InvIT Regulations.

We have relied on explanations and information provided by the Investment Manager. Although we have reviewed such data for consistency, we have not independently investigated or otherwise verified the data provided. We have no present or planned future interest in the Trust, the SPV or the Investment Manager except to the extent of our appointment as an independent valuer and the fee for our Valuation Report ("Report") which is not contingent upon the values reported herein. Our valuation analysis should not be construed as investment advice specifically, we do not express any opinion on the suitability or otherwise of entering into any financial or other transaction with the Trust.

We enclose our Report providing our opinion on the fair enterprise value of the SPV on a going concern basis as at 31st March 2018 ("Valuation Date"). Enterprise Value ("EV") is described as the total value of the equity in a business plus the value of its debt and debt related liabilities, minus any cash or cash equivalents to meet those liabilities.The attached Report details the valuation methodologies used, calculations performed and the conclusion reached with respect to this valuation.

HARIBHAKTI & CO. LLP * MUMBAI * CHARTERED ACCOUNTANTS

Haribhakti & Co. LLP, Chartered Accountants (converted on 17th June, 2014 from a firm Haribhakti & Co. FRN: 103523W)
701, Leela Business Park, Andheri-Kurla Road, Andheri (E), Mumbai - 400 059, India Tel: 91 22 66729999 Fax: +91 22 6672 9777
Registered offices: 42, Free Press House, 215, Nariman Point, Mumbai 400021, India.
Other offices: Ahmedabad, Bengaluru, Chennai, Coimbatore, Hyderabad, Kolkata, New Delhi, Pune.

We believe that our analysis must be considered as a whole. Selecting portions of our analysis or the factors we considered, without considering all factors and analysis together could create a misleading view of the process underlying the valuation conclusions. The preparation of a valuation is a complex process and is not necessarily susceptible to partial analysis or summary description. Any attempt to do so could lead to undue emphasis on any particular factor or analysis.

Our valuation and our valuation conclusion are included herein and our Report complies with the SEBI InvIT Regulations and guidelines, circular or notification issued by 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

HARIBHAKTI & CO. LLP * CHARTERED ACCOUNTANTS * MUMBAI

Manoj Daga

Partner

Membership No. 048523

Place: Mumbai

Encl: As above

Contents

Definition, abbreviation & glossary of terms

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

1. Purpose of Valuation

1.1. The Trust is registered with SEBI pursuant to the SEBI InvIT Regulations. The Trust was established on 21st October 2016 by Sterlite Power Grid Ventures Limited ("SPGVL" or "the Sponsor"), 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 Limited and BSE Limited since 6th June 2017.

1.2. We understand that as per chapter V and regulation 21 of the SEBI InvIT Regulations a yearly valuation of the assets of the Trust shall be conducted by an independent valuer for the period ended 31st March 2018 for a publicly offered InvIT. In this regard, the Investment Manager intends to undertake the fair valuation of the Jabalpur Transmission Company Limited ("JTCL" or "SPV").

1.3. The details of the SPV to be valued is as follows:

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 of the SPV as per the SEBI InvIT Regulations as at 31st March 2018. Enterprise Value ("EV") is described as the total value of the equity in a business plus the value of its debt and debt related liabilities, minus any cash or cash equivalents to meet those liabilities.

1.5. 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 SPV 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

1.7. We have undertaken the fair valuation at the enterprise level of the SPV. EV is described as the total value of the equity in a business plus the value of its debt and debt related liabilities, minus any cash or cash equivalents to meet those liabilities

1.8. The Valuation Date considered for the fair enterprise valuation of the SPV is 31st March 2018. Valuation analysis and results are specific to the date of the 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.

HARIBHAKTI & CO. LLP * CHARTERED ACCOUNTANTS * MUMBAI

1.10. For the amount pertaining to the operating working capital, the Investment Manager has acknowledged to consider the provisional financial statements as on 31st March 2018 to carry out the valuation of the SPV.

2. Exclusions and Limitations

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

2.2. 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 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

HARIBHAKTI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

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.

HARIBHAKTI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

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

2.22.2. 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.

2.22.3. It is clarified that the SIML and Trustee will be solely responsible for any delays, additional costs, or other liabilities caused by or associated with any deficiencies in their responsibilities, misrepresentations, incorrect and incomplete information including information provided to determine the assumptions.

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

3. Sources of Information

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

3.1. Audited financial statements of JTCL for the financial year ("FY") ended 31st March 2017 and 31st March 2016;

3.2. Provisional Profit & Loss Account and Balance Sheet for the period ended 31st March 2018.

3.3. Projected Profit & Loss Account and Working Capital requirements of JTCL from 1st April 2018 to 31st March 2049.

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

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

3.6. Details of projected repairs and capital expenditure as represented by the management.

3.7. As on 31st March 2018, India Grid Trust holds 100% equity stake in JTCL (through Sterlite Grid Limited 1). As represented to us by the Investment Manager, there are no changes in the shareholding pattern from 31st March 2018 to the date of issuance of this Report.

3.8. TSA of JTCL with Central Transmission Utility dated 12th November 2013.

3.9. Management Representation Letter dated 20th April 2018.

HARIBHAKTI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

4. Overview of the InvIT and the SPV

The Trust

4.1. The Trust is registered with SEBI pursuant to the SEBI InvIT Regulations. The Trust was established on 21st 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 Limited and BSE Limited since 6th 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 on 30th May 2017. On 15th February 2018, the Trust further acquired three other revenue generating projects from its Sponsor, namely, Maheshwaram Transmission Limited ("MTL"), Purulia Kharagpur Transmission Company Limited ("PKTCL") and RAPP Transmission Limited ("RTCL").

4.3 The Trust, pursuant to the 'Right of First Offer' deed has a 'right of first offer' to acquire five other projects of the Sponsor.

4.4. Following is the financial summary of the projects which the Trust had acquired from the Sponsor;

BDTCL and JTCL

	Enterprise Value (INR Mn)				
Asset Name	30-Sep-17	31-Mar-17	31-Mar-16	31-Mar-15	Acquisition Value
BDTCL	21,431	21,541	21,812	20,113	37,020*
JTCL	15,988	16,125	19,407**	14,295	
Total	37,419	37,666	41,219	34,408	37,020

*Consolidated Purchase Price paid by the Trust for the acquisition at the time of initial Public Offer

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

MTL, RTCL and PKTCL

	Enterprise Value (INR Mn)	
Asset Name	30-Jun-17	Acquisition Value
MTL	5,218	4,697
RTCL	3,935	3,542
PKTCL	6,512	5,861
Total	15,666	14,100

HARIBHAKTI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

Jabalpur Transmission Company Limited ("JTCL")

4.5. Summary of details of the Project are as follows:

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

4.6. The JTCL project was awarded to SGL1 by the Ministry of Power on 19th January 2011 for a 35 year period from the scheduled commercial operation date on a BOOM basis.

4.6.1. 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.

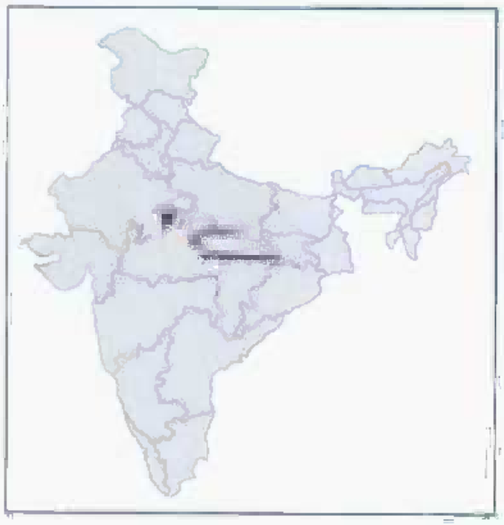
4.6.2. JTCL alleviates transmission capacity bottlenecks and expands the reliability and stability of the power grid in western and northern India by providing open access to transmit power from the independent power projects in the east of India.

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

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

4.7.1. JTCL entered into a transmission services agreement dated 12th 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

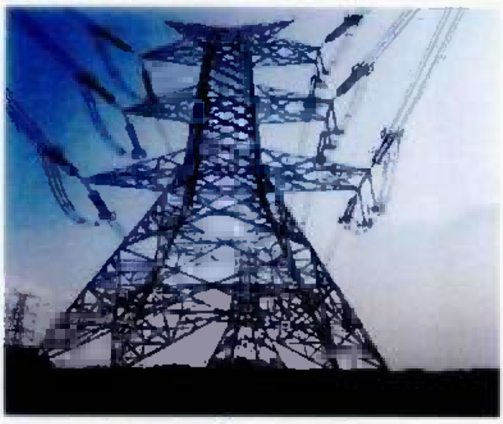
4.8. Following is the map showing area covered by JTCL (not drawn to scale):



4.9. Operating Efficiency history of JTCL:

*Q4 FY18 –Data comprises of data from availability certificate only for the months of January and February 2018.

4.10. Pictures of the site visit as on 27[th] September 2016



HARIBHAKTI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

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 334.40 GW as of January 2018. 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 ~ 334.40 GW as of January 2018.

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 grown at a slow rate of 6% CAGR during FY 11 and FY 17. The total transmission network has increased from 254,536 ckms in FY 11 to around 367,851 ckms in FY 17.

5.4.4. As on 31st March, 2017 approx. 7% of total transmission network is owned by private players which showcases the need of more private sector participation in this space. India has been underinvested as far as transmission is concerned, however; recently government has been encouraging investments in transmission with approximately projects worth INR 30,000 crores being awarded in last 2 years.

5.4.5. 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.

5.4.6. 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.

5.4.7. 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 and IBEF report on Power sector in India- February 2018.

6. Valuation Approach

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 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 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

HARIBHAKTI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

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 SPV engaged in the power transmission business for a specific tenure. Further, the tariff revenue expenses are very specific to the SPV depending on the nature of their geographical location, stage of project, terms of profitability. In the absence of any exactly comparable listed companies with characteristics and parameters similar to that of the SPV, we have not considered CCM method in the present case. In the absence of adequate details about the Comparable Transactions, we were unable to apply the CTM method. Currently, the equity shares of SPV are not listed on any recognized stock exchange of India. Hence, we are unable to apply market price method.

Income Approach

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.

7. Valuation of the SPV

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

Valuation

7.1. The key assumptions of the projections provided to us by the Investment Manager are:

Key Assumption

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

7.1.2. **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 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.

7.1.3. **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.

7.1.4. **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.

7.1.5. **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. Based on our analysis in Para 7.1.4 in the present case it is assumed that the annual availability will not fall below 95% and hence penalty is not considered in the financial projections.

7.1.6. **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.

7.1.7. **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.

7.1.8. **Capex:** As represented by the Investment Manager, the SPV is not expected to incur any capital expenditure in the projected period.

7.1.9. **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.

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

7.2. **Impact of Ongoing Material Litigation on Valuation**

7.2.1. As represented by management, there are no ongoing litigation that will affect the valuation exercise.

7.3. **<u>Calculation of Weighted Average Cost of Capital for the SPV</u>**

7.3.1. **<u>Cost of Equity:</u>**

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

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

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

Wherein:

K(e) = cost of equity

Rf = risk free rate

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

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

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

7.3.2. **Risk Free Rate:**

We have applied a risk free rate of return of 7.64% on the basis of the relevant zero coupon yield curve as on 28th March 2018 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:

Risk premium = Equity market return – Risk free rate

Wherein:

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

Risk free rate = 7.64% as explained in para 7.3.2.

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 SPV.

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

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

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

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

7.3.5. **Company Specific Risk Premium (CSRP):**

We have not considered any company specific risk premium to the Ke for discounting the cash flows.

7.3.6. **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

In present valuation exercise, we have considered debt:equity at 70:30 based on industry standard.

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.

HARIBHAKTI & CO. LLP
MUMBAI
CHARTERED ACCOUNTANTS

Formula for calculation of WACC:

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

7.3.8. Accordingly, as per above, we have arrived the WACC of 8.08% for JTCL (Refer appendix I).

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

7.5. **Valuation of JTCL**

7.5.1. We have relied on the projected financials of JTCL as provided by Investment Manager for the period from 1st April 2018 to 31st March 2049.

7.5.2. WACC arrived at for the purpose of valuation is 8.08% for cash flows as per the Base Case (Refer Appendix I).

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

7.5.4. As on valuation date, we have discounted the free cash flows of JTCL using the WACC of 8.08% to arrive at the Enterprise Value ("EV") by aggregating the present value of cash flows for explicit period and terminal period at INR 15,431 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 business, having regard to information base, management perceptions, key underlying assumptions and limitations were given due consideration.

8.2. We have been represented by the Investment Manager that there is no potential devolvement on account of the contingent liability as of valuation date; hence no impact has been factored in to arrive at enterprise value of the SPV.

8.3. Based on the above analysis the Enterprise Value as on the Valuation Date of the SPV is INR 15,431 Mn. (Refer Appendix II).

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. 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;

HARIBHAKTI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

- 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 31 March 2018. The list of sanctions/ approvals obtained by JTCL as on 31st March 2018 is provided in Appendix III.

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

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

C. Statement of assets included;

As at 31 March 2018, JTCL has Transmission Lines gross block of INR 18858.36 million (net block of INR 14865.37 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 0.47 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 40.38 million during the year ended 31st March 2018 for the Maintenance charges of Transmission Lines. Based on the confirmation provided by investment manager we expect an increase of 4.31% per annum in the cost of operation and maintenance expenses to be incurred in the future period.

HARIBHAKTI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

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;

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

HARIBHAKTI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

Appendix I – Weighted Average Cost of Capital of the SPV

Particulars	%	Remarks
Market Return	15.00%	Market Return has been considered based on the long term
Risk Free Rate	7.64%	Risk Free Rate has been considered based on zero coupon yield curve as at 31st March 2018 of Government Securities having maturity period of 10 years, as quoted on CCIL's website.
Market Risk Premium	7.36%	Market Premium = Market Return – Risk Free Rate
Beta (relevered)	0.66	Beta has been considered based on the beta of companies operating in the similar kind of business in India.
Cost of Equity	12.48%	Ke = Rf + β x (Rm-Rf) + CSRP
Pre-tax Cost of Debt	8.00%	As represented by the Investment Manager
Effective tax rate of SPV	22.56%	Average tax rate for the life of the project has been considered
Post-tax Cost of Debt	6.20%	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	**8.08%**	**WACC = [Ke*(1-D/(D+E))]+[Kd*(1-t)*(D/(D+E))]**

HARIBHAKTI & CO. LLP
MUMBAI
CHARTERED ACCOUNTANTS

Appendix II – Valuation of JTCL as on 31st March 2018

WACC	8.08%									INR Mn
FY	Revenue	EBITDA	EBITDA Margin	Capex	NCA	Taxation	FCFF	CAF	Discounting Factor	PV of Cash Flows
FY19	2,162	2,057	96%	-	51	327	1,678	0.50	0.96	1,614
FY20	1,519	1,420	93%	-	(156)	190	1,386	1.50	0.89	1,234
FY21	1,519	1,416	93%	-	(0)	189	1,227	2.50	0.82	1,010
FY22	1,519	1,412	93%	-	(0)	188	1,224	3.50	0.76	932
FY23	1,519	1,407	93%	-	(0)	187	1,220	4.50	0.70	860
FY24	1,520	1,403	92%	-	(0)	186	1,217	5.50	0.65	794
FY25	1,520	1,398	92%	-	(0)	185	1,213	6.50	0.60	732
FY26	1,520	1,393	92%	-	(0)	184	1,209	7.50	0.56	675
FY27	1,521	1,388	91%	-	(0)	183	1,205	8.50	0.52	623
FY28	1,521	1,383	91%	-	(0)	182	1,201	9.50	0.48	574
FY29	1,522	1,377	91%	-	(0)	181	1,197	10.50	0.44	529
FY30	1,522	1,371	90%	-	(0)	180	1,192	11.50	0.41	488
FY31	1,523	1,365	90%	-	(0)	178	1,187	12.50	0.38	450
FY32	1,523	1,359	89%	-	(0)	177	1,183	13.50	0.35	414
FY33	1,524	1,353	89%	-	(0)	176	1,178	14.50	0.32	382
FY34	1,524	1,346	88%	-	(0)	174	1,172	15.50	0.30	352
FY35	1,525	1,339	88%	-	(0)	173	1,167	16.50	0.28	324
FY36	1,526	1,332	87%	-	(0)	171	1,161	17.50	0.26	298
FY37	1,526	1,324	87%	-	(1)	169	1,155	18.50	0.24	274
FY38	1,527	1,316	86%	-	(1)	168	1,149	19.50	0.22	252
FY39	1,528	1,308	86%	-	(1)	166	1,142	20.50	0.20	232
FY40	1,529	1,299	85%	-	(1)	164	1,136	21.50	0.19	214
FY41	1,530	1,290	84%	-	(1)	162	1,129	22.50	0.17	198
FY42	1,531	1,281	84%	-	(1)	160	1,121	23.50	0.16	181
FY43	1,532	1,271	83%	-	(1)	158	1,113	24.50	0.15	166
FY44	1,533	1,261	82%	-	(1)	156	1,106	25.50	0.14	152
FY45	1,534	1,250	82%	-	(1)	277	974	26.50	0.13	124
FY46	1,535	1,239	81%	-	(1)	355	885	27.50	0.12	104
FY47	1,536	1,228	80%	-	(1)	352	876	28.50	0.11	96
FY48	1,538	1,216	79%	-	(1)	350	867	29.50	0.10	88
FY49	1,540	1,204	78%	-	(1)	347	858	30.50	0.09	80
TV	1,540	1,204	78%	-	-	351	853	30.50	0.09	80
Present Value of Explicit Period Cash Flows										14,443
Present Value of Terminal Year Cash Flow										987
Enterprise Value										15,431

HARIBHAKTI & CO. LLP
MUMBAI
CHARTERED ACCOUNTANTS

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 Dharamjayagarh to Jabalpur Transmission Line- 09/DND/POW/2012-112	17-Aug-12	Valid	Forest Department
	765KV Double Circuit Dharamjayagarh to Jabalpur Transmission Line- 09/DND/POW/2012-113	17-Aug-12	Valid	Forest Department
	765KV Double Circuit Dharamjayagarn to Jabalpur Transmission Line- 09/DND/POW/2012-114	17-Aug-12	Valid	Forest Department
	Forest Registration Letter for Dharamjayagarh to Jabalpur Transmission Line	17-Jul-14	Valid	Collector, Jabalpur, Madhya Pradesh
	In Principle approval for the diversion of forest land for construction of 765 KV D/C Jabalpur Transmission Line	23-Dec-14	Valid	Ministry of Environment & Forests
	Approval for construction of 765 KV D/C Jabalpur Transmission Line in Korba District of Chhattisgarh	10-Jun-15	Valid	Ministry of Environment, Forests & Climate Change
	Dharamjayagarh to Jabalpur Transmission Line Stage I Clearance	31-Dec-14	Valid	Ministry of Environment, Forests & Climate Change
	Dharamjayagarh to Jabalpur Transmission Line Stage II Clearance	10-Mar-15	Valid	Ministry of Environment, Forests & Climate Change
	Jabalpur Bina Transmission Line Stage I	15-Jan-15	Valid	Ministry of Environment, Forests & Climate Change
	Jabalpur Bina Transmission Line Stage II	16-Mar-15	Valid	Ministry of Environment, Forests & Climate Change
4	Approval under section 68 of Electricity Act, 2003	25-Nov-10	Valid	Ministry of Power
5	Approval from GOI under section 164 of Electricity Act, 2003	5-Jun-13	Valid	Ministry of Power
6	Approval from CERC under section 17(3)	Not Found		
7	Environmental Clearance	Not Applicable	Valid	
8	Power & Telecommunication Coordination Committee ("PTCC") Clearance			
	PTCC - Chhattisgarh Portion	21-May-15	Valid	PTCC, GOI
	PTCC - Madhya Pradesh Portion	13-Apr-15	Valid	PTCC, GOI
9	Railway Crossing			
	Provisional Approval for Erection of power line between Urga & Saragbundia Railway Station at KM 688/C 21-23 & KM 688/C22-24	18-Sep-14	Valid	South East Central Railway
	Provisional Approval for Erection of power line between Gevra Road Railway Station & NTPC Sipat at KM Stone 12 & 13	13-Jun-14	Valid	South East Central Railway
	Provisional Approval for Erection of power line between Guthku & Kalmitar Railway Station at KM 740/20-22 & Km 740/21N-23N	13-Jun-14	Valid	South East Central Railway
	Erection of power line between Bargi - Gowanghat Railway Station at KM 1208/4-5	27-Apr-15	Valid	South East Central Railway
10	Road Crossing			
	765 KV D/C OH NH crossing Bilaspur- Ratanpur (NH-130)*	28-May-15	Valid	Chhattisgarh Road Development Corporation Ltd.
	765KV Double Circuit Dharamjayagarh	9-Dec-13	Valid	Madhya Pradesh Road Development Corporation Ltd.

Source: Investment Manager

HARIBHAKTI & CO. LLP * CHARTERED ACCOUNTANTS * MUMBAI

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.	27-Jun-15	Valid	Chhattisgarh State Power Transmission Company Ltd
	Approval order for power line crossings of tower no. 11A/0 and 11B/0.	23-Jan-15	Valid	Chhattisgarh State Power Transmission Company Ltd
	Approval for overhead crossing of existing 132 KV DCDS Korba- Champa Line of Chhattisgarh State Power Transmission Co. Ltd By 765 KV D/C Dharmjaygarh- Jabalpur Transmission Line	20-Nov-13	Valid	Chhattisgarh State Power Transmission Company Ltd
	Approval for overhead crossing of 400KV and 200KV and 132KV lines of CSTPL by 765 KV D/C Dharmjaygarh- Jabalpur Transmission Line	3-Jun-13	Valid	Chhattisgarh State Power Transmission Company Ltd
	Approval for overhead crossing of Chhuri to S/s Mopka of CSTPCL by 765 KV D/C Dharmjaygarh Jabalpur Transmission Line of JTCL	4-Dec-13	Valid	Chhattisgarh State Power Transmission Company Ltd
	Approval for overhead crossing Korba to Mopka of CSTPCL by 765 KV D/C Dharmjaygarh Jabalpur Transmission Line of JTCL	4-Dec-13	Valid	Chhattisgarh State Power Transmission Company Ltd
	Approval for overhead crossing of LILO of one circuit of 400KV DCDS Korba Khedmara line to Marwa under construction of CSPTCL by 765 KV D/C Dharamjaygarh- Jabalpur Transmission Line of M/s JTCL.	5-Nov-14	Valid	Chhattisgarh State Power Transmission Company Ltd.
	Approval for overhead crossing of existing 400 KV DCDS Korba (W)- Khedamara line of CSPTCL by 765 KV D/C Dharnajaygarh-Jabalpur Transmission line of M/s JTCL	29-Apr-14	Valid	Chhattisgarh State Power Transmission Company Ltd
	Approval for overhead crossing of existing 132 KV DCDS Belgahna Railway Traction line of CSPTCL by 765 KV D/C Dharmjaygarh Jabalpur Transmission Line of M/s JTCL	21-Nov-13	Valid	Chhattisgarh State Power Transmission Company Ltd.
	Joint Inspection report of Powerline Crossings_ 02-04/TL/JTCL/765KV/01-03/1031	29-Mar-14	Valid	Chhattisgarh State Power Transmission Company Ltd.
	Approval for overhead crossing of existing 220 KV DCDS Korba- Banari-Suhela Line of CSPTCL by 765KV D/C Dharnajaygarh Jabalpur Transmission Line of M/s JTCL	1-Oct-13	Valid	Chhattisgarh State Power Transmission Company Ltd
	Approval for overhead crossing of 400 KV & 765 KV line of Power Grid by 765 KV D/C Dharamjaygarh Jabalpur T/L of M/s JTCL Tower No. 64/0 and 65/0	10-Aug-13	Valid	Power Grid Corporation Ltd.
	Approval for Overhead Crossing of 400 KV S/C Korba Bhilai II T/L of PowerGrid by 765KV D/C Dharamjaygarh Jabalpur T/L of M/s JTCL	7-Feb-14	Valid	Power Grid Corporation Ltd.
	Approval for overhead crossing of 765KV D/C Dharamjaygarh Jabalpur Transmission Line of JTCL with upcoming 765 KV D/C Champa PS to Korba & Bilaspur- Korba Transmission Line	2-Jan-14	Valid	Power Grid Corporation Ltd
13	Aviation Clearance -NOC for Transmission Line	27-Nov-13	7	Airport Authority of India
14	Defence Clearance - NOC from Aviation Angle for Construction	27-May-15	Valid	Ministry of Defence
15	Transmission Service Agreement	1-Dec-10	Valid	
16	Approval for adoption of Tariff	28-Oct-11	35	Central Electricity Regulatory Commission

Source: Investment Manager

*Permission not signed by the executive engineer of the government in Road Crossing 765 KV D/C OH NH crossing Bilaspur - Ratanpur (NH-130).

HARIBHAKTI & CO. LLP * MUMBAI * CHARTERED ACCOUNTANTS

Appendix IV – JTCL – Summary of Ongoing Litigations (1/2)

Matter	Against	Pending Before	Details of the Case	Amount Involved (INR Million)	Amount Deposited (INR Million)#
Madhya Pradesh VAT Act, 2002	JTCL		**Background of the case:** Certain notices were received by JTCL	0.01**	0.01**
Jagmohan Singh	Union of India, JTCL and Others	District Magistrate, Sagar, Madhya Pradesh, under the Telegraph Act, 1885	**Background of the case:** Suffered damage due to the construction of high voltage transmission lines by JTCL. Reply has been filed. The petitioner Mr. Jagmohan Patel have submitted the court fees before District Judge i.e. INR 1,50,000/- for compensation case. **Current Status:** Matter is currently pending	9.28**	Not Provided*
Sanjay Jain and Others	State of Madhya Pradesh and Others	High Court of Madhya Pradesh, Jabalpur Bench	**Background of the case:** The Land is being utilized for construction of transmission line towers without acquiring the land in accordance with the law. The High Court, by its order date December 31, 2012 ordered that the status quo with respect to the property in question should be maintained till the land is not acquired by the Respondents for the construction of towers and ordered that compensation be paid to the Petitioners. **Current Status:** Matter is pending	Not Provided*	Not Provided*
Bhujbal Patel and Others	Union of India	District Magistrate & DM, Sagar, Madhya Pradesh, under the Telegraph Act, 1885	**Background of the case:** The Land is being utilized for construction of transmission line towers without acquiring the land in accordance with the law. The High Court, by its order date December 31, 2012 ordered that the status quo with respect to the property in question should be maintained till the land is not acquired by the Respondents for the construction of towers and ordered that compensation be paid to the Petitioners. The petitioner Mr Bhujbal Patel have submitted the court fees i.e. INR 1,50,000/- for compensation case before District Judge. **Current Status:** Reply has been filed and currently matter is pending	14.35**	Not Provided*

Source: Investment Manager

HARIBHAKTI & CO. LLP * MUMBAI * CHARTERED ACCOUNTANTS

Appendix IV – JTCL – Summary of Ongoing Litigations (2/2)

Matter	Against	Pending Before	Details of the Case	Amount Involved (INR Million)	Amount Deposited (INR Million)#
Lalchand Agarwal	Union of India	Supreme Court of India	Background of the case: Appellant challenged the erection of a tower on his land by JTCL, alleging that his village was not mentioned in the notification dated July 12, 2013 under which JTCL was authorized to erect towers, and further alleging that no notice was provided and no compensation was paid Current Status: Petitioner had filed Special Leave to appeal the judgement of High Court.	Not Provided*	Not Provided*
Sanjeev Singhai	JTCL	DM & District Judge	Background of the case: Right of Waiver Compensation Case Current Status: Final Order has passed by & is complied. Further the applicant has gone to the District court & reply has been filled by our lawyer & further proceedings are going on. Matter is currently pending	Not Provided*	Not Provided*
DM Mandla	JTCL	CM Helpline Matter	Background of the case: Keshlal Uikey filed complain for revision of Compensation amount from INR 30,000/- to INR 1,31,000/- & same has been given from JTCL side. Taking the reference of the said case DM Mandla issued a list of 90 farmers for re-evaluation of compensation amount. Current Status: The case is currently pending	Not Provided*	Not Provided*
Indirect Tax Matters	JTCL	High Court, Bilaspur, Chhattisgarh	Background of the case: Payment of Entry Tax Current Status: No expense has been accrued, management believes that ultimate outcome will not have material effect on financial statements.	51.55**	12.05**
Indirect Tax Matters	JTCL	High Court, Jabalpur, Madhya Pradesh	Background of the case: Payment of Entry Tax Current Status: High Court has given stay on entire demand	138.70**	49.00**
CLOSED MATTER Electricity Act	JTCL	CERC	Background of the case: 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.		

Source: Investment Manager

* We were not provided with the data and hence we are unable to comment on the same.

** We were provided with the amount however the relevant supporting documents has been provided to us hence we were unable to corroborate the same.

Investment Manager informed that the above amount paid under protest to the government authorities are grouped under Current Assets.

HARIBHAKTI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

Strictly Private and Confidential

HARIBHAKTI & CO. LLP
Chartered Accountants

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

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

Valuation Date: 31st March 2018

Strictly Private and Confidential

HARIBHAKTI & CO. LLP
Chartered Accountants

Date: 23rd April 2018
CFAS-2/R-002/0423/E

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 Sir,

We, Haribhakti & Co. LLP, Chartered Accountants ("H&Co."), have been appointed vide letter dated 23rd March 2018, as an independent valuer, as defined under the SEBI InvIT Regulations, by Sterlite Investment Managers Limited ("the Investment Manager" or "SIML"), acting as the investment manager for India Grid Trust ("the Trust") and Axis Trustee Services Limited ("the Trustee") acting as the Trustee for the Trust mentioned above, the Trust for the purpose of the financial valuation of Purulia & Kharagpur Transmission Company Limited ("PKTCL" or "the SPV"). The SPV was acquired by the Trust on 15th February 2018 and is to be valued as per regulation 21 contained in the Chapter V of the SEBI InvIT Regulations.

We have relied on explanations and information provided by the Investment Manager. Although we have reviewed such data for consistency, we have not independently investigated or otherwise verified the data provided. We have no present or planned future interest in the Trust, the SPV or the Investment Manager except to the extent of our appointment as an independent valuer and the fee for our Valuation Report ("Report") which is not contingent upon the values reported herein. Our valuation analysis should not be construed as investment advice specifically, we do not express any opinion on the suitability or otherwise of entering into any financial or other transaction with the Trust.

We enclose our Report providing our opinion on the fair enterprise value of the SPV on a going concern basis as at 31st March 2018 ("Valuation Date"). Enterprise Value ("EV") is described as the total value of the equity in a business plus the value of its debt and debt related liabilities, minus any cash or cash equivalents to meet those liabilities. The attached Report details the valuation methodologies used, calculations performed and the conclusion reached with respect to this valuation.

HARIBHAKTI & CO. LLP CHARTERED ACCOUNTANTS MUMBAI

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

HARIBHAKTI & CO. LLP * MUMBAI * CHARTERED ACCOUNTANTS

Manoj Daga

Partner

Membership No. 048523

Place: Mumbai

Encl: As above

Haribhakti & Co. LLP, Chartered Accountants (converted on 17th June, 2014 from a firm Haribhakti & Co. FRN: 103523W)
701, Leela Business Park, Andheri Kurla Road, Andheri (E), Mumbai - 400 059, India Tel: 91 22 66729999 Fax: +91 22 6672 9777
Registered offices: 42, Free Press House, 215, Nariman Point, Mumbai 400021, India.
Other offices: Ahmedabad, Bengaluru, Chennai, Coimbatore, Hyderabad, Kolkata, New Delhi, Pune.

Contents

Definition, abbreviation & glossary of terms

Abbreviations	Meaning
BOOM	Build-Own-Operate-Maintain
Capex	Capital Expenditure
CCIL	Clearing Corporation of India Limited
CEA	Central Electricity Authority
CERC	Central Electricity Regulatory Commission
Ckms	Circuit Kilometers
COD	Commercial Operation Date
DCF	Discounted Cash Flow
EBITDA	Earnings Before Interest, Taxes, Depreciation & Amortization
EHV	Extra High Voltage
EV	Enterprise Value
FY	Financial Year Ended 31st March
FYP	Five year Plan
H&Co.	Haribhakti & Co. LLP, Chartered Accountants
INR	Indian Rupees
KV	Kilo Volts
LTTC	Long Term Transmission Customer
Mn	Million
MU	Million Units
MVA	Mega Volt Ampere
MW	Mega Watts
NAV	Net Asset Value Method
NCA	Net Current Assets Excluding Cash and Bank Balances
NOC	No Objection Certificate
PKTCL	Purulia & Kharagpur Transmission Company Limited
SEBI	Securities and Exchange Board of India
SEBI InvIT Regulations	SEBI (Infrastructure Investment Trusts) Regulations, 2014, as amended
SGL2	Sterlite Grid 2 Limited
SIML or Investment Manager	Sterlite Investment Managers Limited
SPGVL or the Sponsor	Sterlite Power Grid Ventures Limited
SPTL	Sterlite Power Transmission Limited
the SPV	Special Purpose Vehicle
STL	Sterlite Technologies Limited
T/L	Transmission Line
the Trust or InvIT	India Grid Trust
the Trustee	Axis Trustee Services Limited
TSA	Transmission Service Agreement
TSP	Transmission Service Provider
WOS	Wholly Owned Subsidiary

1. Purpose of Valuation

1.1. The Trust is registered with SEBI pursuant to the SEBI InvIT Regulations. The Trust was established on 21st October 2016 by Sterlite Power Grid Ventures Limited ("SPGVL" or "the Sponsor"), 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 6th June 2017.

1.2. We understand that as per chapter V and regulation 21 of the SEBI InvIT Regulations a yearly valuation of the assets of the Trust shall be conducted by an independent valuer for the period ended 31st March 2018 for a publicly offered InvIT. In this regard, the Investment Manager intends to undertake the fair valuation of the Purulia & Kharagpur Transmission Company Limited ("PKTCL" or "SPV").

1.3. The details of the SPV to be valued is as follows:

PKTCL has 400 kV substation at Kharagpur of West Bengal State Electricity Transmission Company Limited ("WBSETCL") which has been commissioned with LILO of Kolaghat-Baripada line. Chaibasa substation of Powergrid is under implementation with LILO of both circuits of Jamshedpur-Rourkela line. Ranchi 400 kV substation is a sub-station in Eastern Region grid and also one of the gateways for power exchange with Western Region Grid.

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 of the SPV as per the SEBI InvIT Regulations as at 31st March 2018. Enterprise Value ("EV") is described as the total value of the equity in a business plus the value of its debt and debt related liabilities, minus any cash or cash equivalents to meet those liabilities.

1.5. 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 SPV 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

1.7. We have undertaken the fair valuation at the enterprise level of the SPV. EV is described as the total value of the equity in a business plus the value of its debt and debt related liabilities, minus any cash or cash equivalents to meet those liabilities.

1.8. The Valuation Date considered for the fair enterprise valuation of the SPV is 31st March 2018. Valuation analysis and results are specific to the date of the 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.

HARIBHAKTI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

1.10 For the amount pertaining to the operating working capital, the Investment Manager has acknowledged to consider the provisional financial statements as on 31st March 2018 to carry out the valuation of the SPV.

2. Exclusions and Limitations

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

2.2. 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 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

HARIBHAKTI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

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,

HARIBHAKTI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

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

2.22.2. 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.

2.22.3. It is clarified that the SIML and Trustee will be solely responsible for any delays, additional costs, or other liabilities caused by or associated with any deficiencies in their responsibilities, misrepresentations, incorrect and incomplete information including information provided to determine the assumptions.

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

3. Sources of Information

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

3.1. Audited financial statements of PKTCL for the financial year ("FY") ended 31st March 2017 and 31st March 2016;

3.2. Provisional Profit & Loss Account and Balance Sheet for the period ended 31st March 2018.

3.3. Projected Profit & Loss Account and Working Capital requirements of PKTCL from 1st April 2018 to 10th March 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. Details of projected repairs and capital expenditure expenditure as represented by the management.

3.7. As on 31st March 2018, India Grid Trust holds 100% equity stake in PKTCL (through Sterlite Grid Limited 1). As represented to us by the Investment Manager, there are no changes in the shareholding pattern from 31st March 2018 to the date of issuance of this Report.

HARIBHAKTI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

3.8. TSA of PKTCL with Central Transmission Utility dated 6th August 2013.

3.9. Management Representation Letter by Investment Manager dated 20th April 2018..

4. Overview of InvIT and the SPV

The Trust

4.1. The Trust is registered with SEBI pursuant to the SEBI InvIT Regulations. The Trust was established on 21st 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 Limited and BSE Limited since 6th 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 on 30th May 2017. On 15th February 2018, the Trust further acquired three other revenue generating projects from its Sponsor, namely, Maheshwaram Transmission Limited ("MTL"), Purulia Kharagpur Transmission Company Limited ("PKTCL") and RAPP Transmission Limited ("RTCL").

4.3. The Trust, pursuant to the 'Right of First Offer' deed has a 'right of first offer' to acquire five other projects of the Sponsor.

4.4. Following is the financial summary of the projects which the Trust had acquired from the Sponsor:

BDTCL and JTCL

	Enterprise Value (INR Mn)				
Asset Name	30-Sep-17	31-Mar-17	31-Mar-16	31-Mar-15	Acquisition Value
BDTCL	21,431	21,541	21,812	20,113	37,020*
JTCL	15,988	16,125	19,407**	14,295	
Total	37,419	37,666	41,219	34,408	37,020

*Consolidated Purchase Price paid by the Trust for the acquisition at the time of Initial Public Offer

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

MTL, RTCL and PKTCL

	Enterprise Value (INR Mn)	
Asset Name	30-Jun-17	Acquisition Value
MTL	5,218	4,697
RTCL	3,935	3,542
PKTCL	6,512	5,861
Total	15,666	14,100

HARIBHAKTI & CO. LLP * MUMBAI * CHARTERED ACCOUNTANTS

Purulia & Kharagpur Transmission Company Limited ("PKTCL")

4.5. Summary of details are as follows:

Parameters	Details
Project Cost	INR 4,405 Mn
Total Length	272Kms/545 ckms
TSA Agreement Date	6th August, 2013
Scheduled COD	April, 2016
Project COD	
-Kharagpur-Chaibasa	18th June 2016
-Purulia-Ranchi	7th January 2017
Expiry Date	35 years from the scheduled COD
Trust's stake (through SGL 1)	100%

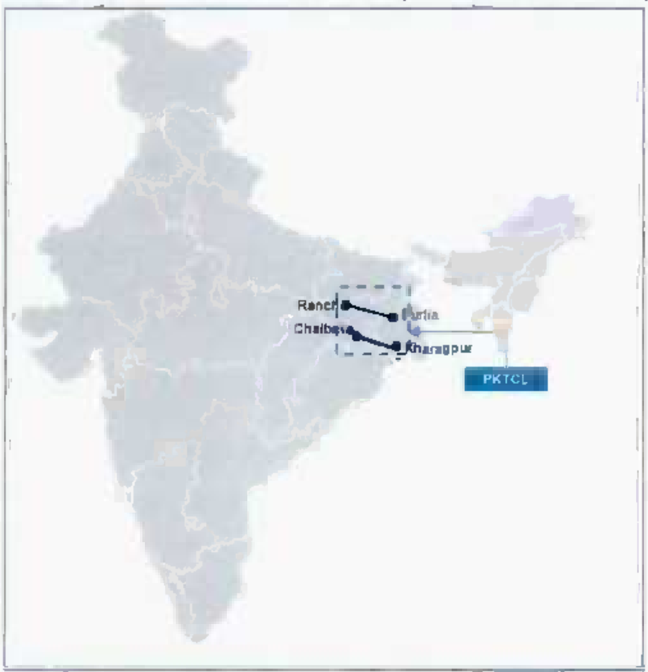
4.6. The PKTCL project was awarded to SGL2 by the Ministry of Power on 6th August 2013 for a 35 year period from the scheduled commercial operation date on a BOOM basis.

4.6.1. The PKTCL project has been brought into existence, keeping in view the growing generation capacity in the Eastern region. It was much needed to strengthen the interconnection of the state grids with regional grids to facilitate exchange of additional power between them. Its route length is 272 Kms/545 cKms.

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

Transmission line / Sub-Station	Location	Route length (ckms)	Specifications	Commission date	Contribution to total tariff
Kharagpur – Chaibasa	West Bengal, Jharkhand	322	400 kV D/C	June,2016	54%
Purulia – Ranchi	West Bengal, Jharkhand	222	400 kV D/C	January,2017	46%

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



HARIBHAKTI & CO. LLP
MUMBAI
CHARTERED ACCOUNTANTS

4.9. Operating Efficiency history of the SPV:

*Q4 FY18 –Data comprises of data from availability certificate for the month of January.

4.10. Pictures of the site visit as on 5th September 2017:

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. 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 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 sweet spot compared with other major global economies.

HARIBHAKTI & CO. LLP * MUMBAI * CHARTERED ACCOUNTANTS

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 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.

HARIBHAKTI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

Source: Crisil Power Transmission Report – November 2016

6. Valuation Approach

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.

HARIBHAKTI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

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 SPV. In addition, this valuation will fluctuate with

HARIBHAKTI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

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 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 enterprise value of the SPV engaged in the power transmission business for a specific tenure. Further, the tariff revenue expenses are very specific to the SPV depending on the nature of their geographical location, stage of project, terms of profitability. In the absence of any exactly comparable listed companies with characteristics and parameters similar to that of the SPV, we have not considered CCM method in the present case. In the absence of adequate details about the Comparable Transactions, we were unable to apply the CTM method. Currently, the equity shares of SPV are not listed on any recognized stock exchange of India. Hence, we are unable to apply market price method.

Income Approach

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.

7. Valuation of the SPV

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

Valuation

7.1. The key assumptions of the projections provided to us by the Investment Manager are:

Key Assumption

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

7.1.2. **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.

HARIBHAKTI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

7.1.3. **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.

7.1.4. **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.

7.1.5. **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. Based on our analysis in Para 7.1.4 in the present case it is assumed that the annual availability will not fall below 95% and hence penalty is not considered in the financial projections.

7.1.6. **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.

7.1.7. **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.

7.1.8. **Capex:** As represented by the Investment Manager, the SPV is not expected to incur any capital expenditure in the projected period.

7.1.9. **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.

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

7.2. **Impact of Ongoing Material Litigation on Valuation**

7.2.1. As represented by Investment Manager, there are no ongoing litigation that will affect the valuation exercise.

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.

HARIBHAKTI & CO.LLP * CHARTERED ACCOUNTANTS * MUMBAI

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).

7.3.2. **Risk Free Rate:**

We have applied a risk free rate of return of 7.64% on the basis of the relevant zero coupon yield curve as on 28th March 2018 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:

Risk premium = Equity market return – Risk free rate

Wherein:

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

Risk free rate = 7.64% as explained in para 7.3.2.

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 Comparable Companies 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 SPV.

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

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

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

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

7.3.5. **Company Specific Risk Premium (CSRP):**

We have not considered any company specific risk premium to the Ke for discounting the cash flows.

7.3.6. **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

HARIBHAKTI & CO.LLP MUMBAI CHARTERED ACCOUNTANTS

In present valuation exercise, we have considered debt:equity at 70:30 based on industry standard.

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

7.3.8. Accordingly, as per above, we have arrived the WACC of 8.06% for PKTCL (Refer appendix I).

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

7.5. **Valuation of PKTCL**

7.5.1. We have relied on the projected financials of PKTCL as provided by Investment Manager for the period from 1st April 2018 to 10th March 2051.

7.5.2. WACC arrived at for the purpose of valuation is 8.06% (Refer Appendix I).

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

7.5.4. As on valuation date, we have discounted the free cash flows of PKTCL using the WACC of 8.06% to arrive at the Enterprise Value ("EV") by aggregating the present value of cash flows for explicit period and terminal period at INR 6,618 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 business, having regard to information base, management perceptions, key underlying assumptions and limitations were given due consideration.

8.2. We have been represented by the Investment Manager that there is no potential devolvement on account of the contingent liability as of valuation date; hence no impact of contingent liabilities has been factored in to derive the enterprise value of the SPV.

8.3. Based on the above analysis the Enterprise Value as on the Valuation Date of the SPV is INR 6,618 Mn.

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.

HARIBHAKTI & CO.LLP * MUMBAI * CHARTERED ACCOUNTANTS

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 PKTCL are as follows:

- List of one-time sanctions/approvals which are obtained or pending;
- List of up to date/overdue periodic clearances;
- Statement of assets included;
- Estimates of already carried as well as proposed major repairs and improvements along with estimated time of completion;
- Revenue pendencies including local authority taxes associated with InvIT asset and compounding charges, if any;
- On-going and closed material litigations including tax disputes in relation to the assets, if any;
- Vulnerability to natural or induced hazards that may not have been covered in town planning/ building control.

Limitations

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 Purulia & Kharagpur Transmission Company Limited ("PKTCL")

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

As informed by the Investment Manager, there have been no additional sanctions/ approvals obtained by PKTCL during the nine months period ended 31st March 2018. Further, we were informed that there were no applications for which approval is pending. The list of sanctions/ approvals obtained by the Company as on 31st March 2018 is provided in Appendix III.

HARIBHAKTI & CO.LLP ★ CHARTERED ACCOUNTANTS ★ MUMBAI

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

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

C. Statement of assets included

As at 31st March 2018, details of the asset of the SPV are as follows:-

Asset Type	Gross Block	Depreciation	Net Block	% of asset depreciated
Transmission Lines	4404.64	219.94	4184.70	5%
Furniture and fittings	0.25	0.16	0.09	64%
Office and IT Equipment	0.11	0.08	0.04	67%
TOTAL	**4405.00**	**220.18**	**4184.82**	

Source: Provisional Financials of FY18

D. Estimates of already carried as well as proposed major repairs and improvements along with estimated time of completion;

We noted in the provisional financial statements that PKTCL has incurred INR 12.82 million during the year period ended 31st March 2018 for the maintenance charges of Transmission Lines. Based on the confirmation provided by investment manager we expect an increase of 4.61% per annum in the cost of repairs and maintenance expenses to be incurred in the future period.

Investment Manager has informed us that there are no maintenance charges which has been deferred to the upcoming year as the maintenance activities are carried out regularly. We have been informed that overhaul maintenance are regularly carried out by PKTCL in order to maintain the working condition of the assets.

E. Revenue pendencies including local authority taxes associated with InvIT asset and compounding charges, if any;

Investment Manager has informed us that there are no dues including local authority taxes pending to be payable to the Government authorities with respect to InvIT assets.

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

We were informed by the Investment Manager that the status of ongoing litigations is the same as provided in our previous report except new litigation with respect to Divisional Forest Office. 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.

HARIBHAKTI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

Appendix I – Weighted Average Cost of Capital of the SPV

Particulars	%	Remarks
Market Return	15.00%	Market Return has been considered based on the long term average returns earned by an equity investor in India.
Risk Free Rate	7.64%	Risk Free Rate has been considered based on zero coupon yield curve as at 28th March 2018 of Government Securities having maturity period of 10 years, as quoted on CCIL's website.
Market Risk Premium	7.36%	Market Premium = Market Return – Risk Free Rate
Beta (relevered)	0.66	Beta has been considered based on the beta of companies operating in the similar kind of business in India.
Cost of Equity	12.46%	Ke = Rf + β x (Rm-Rf) + CSRP
Pre-tax Cost of Debt	8.00%	As represented by the Investment Manager
Effective tax rate of SPV	22.93%	Average tax rate for the life of the project has been considered
Post-tax Cost of Debt	6.17%	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	**8.06%**	**WACC = [Ke*(1-D/(D+E))]+[Kd*(1-t)*(D/(D+E))]**

HARIBHAKTI & CO. LLP * MUMBAI * CHARTERED ACCOUNTANTS

Appendix II – Valuation of PKTCL as on 31st March 2018

WACC 8.06% | INR Mn

FY	Revenue	EBITDA	EBITDA Margin	Capex	NCA	Taxation	FCFF	CAF	Discounting Factor	PV of Cash Flows
FY19	748	715	96%	-	83	123	509	0.50	0.96	490
FY20	748	713	95%	-	(0)	123	590	1.50	0.89	526
FY21	748	712	95%	-	(0)	123	589	2.50	0.82	486
FY22	748	710	95%	-	(0)	122	588	3.50	0.76	448
FY23	748	709	95%	-	(0)	122	587	4.50	0.71	414
FY24	748	707	94%	-	(0)	122	585	5.50	0.65	382
FY25	749	705	94%	-	(0)	121	584	6.50	0.60	353
FY26	749	703	94%	-	(0)	121	582	7.50	0.56	326
FY27	749	701	94%	-	(0)	120	581	8.50	0.52	301
FY28	749	699	93%	-	(0)	120	579	9.50	0.48	277
FY29	749	697	93%	-	(0)	119	578	10.50	0.44	256
FY30	749	694	93%	-	(0)	119	576	11.50	0.41	236
FY31	749	692	92%	-	(0)	118	574	12.50	0.38	218
FY32	749	690	92%	-	(0)	118	572	13.50	0.35	201
FY33	750	687	92%	-	(0)	117	570	14.50	0.33	185
FY34	750	684	91%	-	(0)	117	568	15.50	0.30	171
FY35	750	681	91%	-	(0)	116	565	16.50	0.28	157
FY36	625	553	89%	-	(31)	88	496	17.50	0.26	128
FY37	530	455	86%	-	(24)	67	411	18.50	0.24	98
FY38	530	452	85%	-	(0)	67	385	19.50	0.22	85
FY39	530	446	85%	-	(0)	66	383	20.50	0.20	78
FY40	530	445	84%	-	(0)	65	380	21.50	0.19	72
FY41	531	441	83%	-	(0)	64	377	22.50	0.17	66
FY42	531	437	82%	-	(0)	63	374	23.50	0.16	61
FY43	531	433	82%	-	(0)	63	371	24.50	0.15	56
FY44	532	429	81%	-	(0)	62	367	25.50	0.14	51
FY45	532	424	80%	-	(0)	61	364	26.50	0.13	47
FY46	532	420	79%	-	(0)	121	299	27.50	0.12	36
FY47	532	415	78%	-	(0)	120	296	28.50	0.11	32
FY48	533	410	77%	-	(0)	118	292	29.50	0.10	30
FY49	533	404	76%	-	(0)	117	288	30.50	0.09	27
FY50	534	399	75%	-	(0)	115	284	31.50	0.09	25
FY51*	503	371	74%	-	(0)	107	264	32.46	0.08	21
TV	534	393	74%	-	-	114	279	32.46	0.08	23
Present Value of Explicit Period Cash Flows										6,338
Present Value of Terminal Year Cash Flow										280
Enterprise Value										6,618

* for the period ended 10th March 2051

HARIBHAKTI & CO. LLP
MUMBAI
CHARTERED ACCOUNTANTS

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

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

Source: Investment Manager

HARIBHAKTI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

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

Sr. No.	Approvals	Date of Issue	Validity (in years)	Issuing Authority
5	**Power Line Crossing**			
	Kharagpur-Chaibasa line over KTPP-Kharagpur line	11-May-16	Valid	West Bengal State Electricity Transmission Company Limited
	Kharagpur-Chaibasa line over Jamshedpur-Joda line	31-Dec-16	Valid	Damodar Valley Corporation Electricity Department
	Kharagpur-Chaibasa line over RCP-Joda line	30-Dec-15	Valid	Jharkhand Urja Sancharan Nigam Limited
	Kharagpur-Chaibasa line over Jamshedpur-Banpada line	4-Dec-15	Valid	Power Grid Corporation of India Limited
	Kharagpur-Chaibasa line over Chaibasa Mini Grid Substation to our Chaliyama Steel Plant	29-Jul-15	Valid	Rungta Mines Limited
	Ranchi-Chandwa line near village-Bero	7-Mar-16	Valid	Power Grid Corporation of India Limited
	Bero-Patratu line near village-Bero	17-Mar-16	Valid	Power Grid Corporation of India Limited
	Purulia-Ranchi line over Chandil line of Power Grid Corporation of India Limited	16-Feb-16	Valid	Power Grid Corporation of India Limited
	Purulia-Ranchi line over Gola-Chandil line	29-Jan-16	Valid	Damodar Valley Corporation Electricity Department
	Purulia-Ranchi line over BTPS-Jamshedpur line	29-Jan-16	Valid	Damodar Valley Corporation Electricity Department
	Purulia-Ranchi line over Hatia-Kamdara line	26-Feb-16	Valid	Jharkhand Urja Sancharan Nigam Limited
	Purulia-Ranchi line over Ranchi Bero line of Power Grid	7-Mar-16	Valid	Power Grid Corporation of India Limited
	Purulia-Ranchi line over Ranchi-Rourkela line	31-Dec-15	Valid	Power Grid Corporation of India Limited
6	**Power Telecommunication Co-ordination Committee ("PTCC") Clearance**			
	Kharagpur to Chaibasa line	10-May-16	Valid	Power Telecommunication Co-ordination Committee
	Purulia to Ranchi Line	16-Jun-16	Valid	Power Telecommunication Co-ordination Committee
7	**Railway Crossing**			
	Haludpukur - Bahalda Road Railway Station	17-Feb-16	Valid	South Eastern Railway
	Purulia-Ranchi line over Suisa-Torang stations	8-Jul-16	Valid	South Eastern Railway
	Purulia-Ranchi line over Lodhma-Baisiring stations	8-Jul-16	Valid	South Eastern Railway
8	**Transmission License**	16-Jun-14	25	Central Electricity Regulatory Commission
9	**Diversion of Forest Land/ Permission for felling of trees**			
	Kharagpur Division	24-Sep-15	Valid	Government of West Bengal - Directorate of Forest
	Rairangpur Division	8-Oct-15	Valid	Office of the Divisional Forest Officer - Rairangpur Division
	Saraikela and Jamshedpur Division	21-Dec-15	Valid	Government of Jharkhand - Directorate of Forest
	Baghmundi Range	28-Oct-16	Valid	Government of West Bengal - Directorate of Forest
	Ranchi and Khunti Division	6-Jan-16	Valid	Government of Jharkhand - Directorate of Forest
10	**Transmission Service Agreement**			
	Power Grid Corporation of India Ltd. - Kharagpur-Chaibasa Line	22-Dec-15	Valid	
	Long Term Transmission Customers (Various Parties)	6-Aug-13	35	
11	Approval for adoption of Tariff	20-Aug-14		
12	Company Registration	15-Dec-12	Valid	Ministry of Corporate Affairs
13	River Crossing	Not Applicable		
14	Approval from GOI under section 164 of Electricity Act, 2003- Under Gazette of India	7-May-15	25	Ministry of Power
15	Approval under section 68 of Electricity Act, 2003	29-May-13	Valid	Ministry of Power
16	Approval from CERC under section 17(3)	1-Apr-15	Valid	Central Electricity Regulatory Commission
17	Defence Clearance	Application Made		

Source: Investment Manager

HARIBHAKTI & CO. LLP * MUMBAI * ACCOUNTANTS

Appendix IV – Summary of Ongoing Litigations

INR Million

Matter	Against	Pending Before	Details of the case	Amount Involved (INR Million)	Amount Deposited (INR Million)
JHVAT	PKTCL	JH High Court-Ranchi (JHHC)	**Background of the case:** PKTCL had purchased material amounting to INR 695 2 Million for captive consumption during FY16; however, the Assesing Officer ("AO") treated such purchases as materials purchased for resale and raised a demand of Value Added Tax ("VAT") of INR 104.3 Million (three times the amount of tax of INR 34.8 Million) Out of the total demand,PKTCL has already paid INR 26.1 Million under protest. The case is currently pending with the Hon'able High Court of Jharkhand.As presented by the management of the Sponsor,there is no potential evolvement on account of contingent liability. **Current Status:** PKTCL has preferred an appeal against the demand before Joint commissioner of commercial tax, Ranchi. The Investment managers, including its tax advisors, believe that it's position will likely be upheld in the appellate process.No expense has been accrued in the financial statements for the tax demand raised. The management believes that the ultimate outcome of this proceeding will not have a material adverse effect on the PKTCL's financial position and results of the operations.	104.3**	26.1**
Divisional Forest Office, Ranchi vs. Purulia & Kharagpur Transmission Co. Ltd.	PKTCL	Additional Chief Judicial Magistrate, Ranchi	**Background of the case:** The trees that were cut down for laying of transmission line were stolen. Case was filed by Ranger, Mahilong regarding such theft. Department of Forest Ranchi has enquired about the settlement amount from the Assistant Conservator of Forest. **Current Status:** PKTCL has filed an affidavit regarding withdrawal of the said case which is accepted by the Forest department. PKTCL is waiting for the letter from Forest department regarding out of court settlement for the said case.	Not Provided*	Not Provided*

Source: Investment Manager

* We were not provided with the data and hence we are unable to comment on the same.

** We were provided with the amount however the relevant supporting documents has not been provided to us hence we were unable to corroborate the same

HARIBHAKTI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

Strictly Private and Confidential

HARIBHAKTI & CO. LLP
Chartered Accountants

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

SPV: RAPP Transmission Company Limited ("RTCL")

Valuation Date: 31st March 2018

Strictly Private and Confidential

HARIBHAKTI & CO. LLP
Chartered Accountants

Date: 23rd April 2018
CFAS-2/R-002/0423/D

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 Sir,

We, Haribhakti & Co. LLP, Chartered Accountants ("H&Co."), have been appointed vide letter dated 23rd March 2018, as an independent valuer, as defined under the SEBI InvIT Regulations, by Sterlite Investment Managers Limited ("the Investment Manager" or "SIML"), acting as the investment manager for India Grid Trust ("the Trust") and Axis Trustee Services Limited ("the Trustee") acting as the Trustee for the Trust mentioned above, for the purpose of the financial valuation of RAPP Transmission Company Limited ("RTCL" or "the SPV"). The SPV was acquired by the Trust on 15th February 2018 and is to be valued as per regulation 21 contained in the Chapter V of the SEBI InvIT Regulations.

We have relied on explanations and information provided by the Investment Manager. Although we have reviewed such data for consistency, we have not independently investigated or otherwise verified the data provided. We have no present or planned future interest in the Trust, the SPV or the Investment Manager except to the extent of our appointment as an independent valuer and the fee for our Valuation Report ("Report") which is not contingent upon the values reported herein. Our valuation analysis should not be construed as investment advice specifically, we do not express any opinion on the suitability or otherwise of entering into any financial or other transaction with the Trust.

We enclose our Report providing our opinion on the fair enterprise value of the SPV on a going concern basis as at 31st March 2018 ("Valuation Date"). Enterprise Value ("EV") is described as the total value of the equity in a business plus the value of its debt and debt related liabilities, minus any cash or cash equivalents to meet those liabilities. The attached Report details the valuation methodologies used, calculations performed and the conclusion reached with respect to this valuation

HARIBHAKTI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

Haribhakti & Co. LLP, Chartered Accountants (converted on 17th June, 2014 from a firm Haribhakti & Co. FRN: 103523W)
704, Leela Business Park, Andheri-Kurla Road, Andheri (E), Mumbai - 400 059, India Tel: 91 22 66729999 Fax: +91 22 6672 9777
Registered offices: 42, Free Press House, 215, Nariman Point, Mumbai 400021, India.
Other offices: Ahmedabad, Bengaluru, Chennai, Coimbatore, Hyderabad, Kolkata, New Delhi, Pune.

We believe that our analysis must be considered as a whole. Selecting portions of our analysis or the factors we considered, without considering all factors and analysis together could create a misleading view of the process underlying the valuation conclusions. The preparation of a valuation is a complex process and is not necessarily susceptible to partial analysis or summary description. Any attempt to do so could lead to undue emphasis on any particular factor or analysis.

Our valuation and our valuation conclusion are included herein and our Report complies with the SEBI InvIT Regulations and guidelines, circular or notification issued by 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

HARIBHAKTI & CO. LLP * MUMBAI * CHARTERED ACCOUNTANTS

Manoj Daga

Partner

Membership No. 048523

Place: Mumbai

Encl: As above

Contents

Definition, abbreviation & glossary of terms

Abbreviations	Meaning
BOOM	Build-Own-Operate-Maintain
Capex	Capital Expenditure
CCIL	Clearing Corporation of India Limited
CEA	Central Electricity Authority
CERC	Central Electricity Regulatory Commission
Ckms	Circuit Kilometers
COD	Commercial Operation Date
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization
EHV	Extra High Voltage
EV	Enterprise Value
FY	Financial Year Ended 31st March
FYP	Five year Plan
H&Co.	Haribhakti & Co. LLP, Chartered Accountants
INR	Indian Rupees
KV	Kilo Volts
LTTC	Long Term Transmission Customer
Mn	Million
MU	Million Units
MVA	Mega Volt Ampere
MW	Mega Watts
NAV	Net Asset Value Method
NCA	Net Current Assets Excluding Cash and Bank Balances
NOC	No Objection Certificate
RTCL or the SPV	RAPP Transmission Company Limited
SEBI	Securities and Exchange Board of India
SEBI InvIT Regulations	SEBI (Infrastructure Investment Trusts) Regulations, 2014, as amended
SGL2	Sterlite Grid 2 Limited
SIML or Investment Manager	Sterlite Investment Managers Limited
SPGVL or the Sponsor	Sterlite Power Grid Ventures Limited
SPTL	Sterlite Power Transmission Limited
the SPV	Special Purpose Vehicle
STL	Sterlite Technologies Limited
T/L	Transmission Line
the Trust or InvIT	India Grid Trust
the Trustee	Axis Trustee Services Limited
TSA	Transmission Service Agreement
TSP	Transmission Service Provider
WOS	Wholly Owned Subsidiary

1. Purpose of Valuation

1.1. The Trust is registered with SEBI pursuant to the SEBI InvIT Regulations. The Trust was established on 21st October 2016 by Sterlite Power Grid Ventures Limited ("SPGVL" or the "Sponsor"), 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 Limited and BSE Limited since 6th June 2017.

1.2. We understand that as per chapter V and regulation 21 of the SEBI InvIT Regulations a yearly valuation of the assets of the Trust shall be conducted by an independent valuer for the period ended 31st March 2018 for a publicly offered InvIT. In this regard, the Investment Manager intends to undertake the fair valuation of RAPP Transmission Company Limited ("RTCL" or "SPV").

1.3. The details of the SPV to be valued is as follows:

RTCL transfers power from the atomic power plant near Kota in Rajasthan to Shujalpur in Madhya Pradesh to provide the path for the evacuation of electricity generated at RAPP-7 and 8. Its route length is 201 Kms. The network will act as an interregional link between the Northern and the Western region.

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 of the SPV as per the SEBI InvIT Regulations as at 31st March 2018. Enterprise Value ("EV") is described as the total value of the equity in a business plus the value of its debt and debt related liabilities, minus any cash or cash equivalents to meet those liabilities.

1.5. 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 SPV 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

1.7. We have undertaken the fair valuation at the enterprise level of the SPV. EV is described as the total value of the equity in a business plus the value of its debt and debt related liabilities, minus any cash or cash equivalents to meet those liabilities.

1.8. The Valuation Date considered for the fair enterprise valuation of the SPV is 31st March 2018. Valuation analysis and results are specific to the date of the 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.

HARIBHAKTI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

1.10. For the amount pertaining to the operating working capital, the Investment Manager has acknowledged to consider the provisional financial statements as on 31st March 2018 to carry out the valuation of the SPV.

2. Exclusions and Limitations

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

2.2. 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 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.

HARIBHAKTI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

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.

HARIBHAKTI & CO. LLP CHARTERED ACCOUNTANTS MUMBAI

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

2.22.2. 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.

2.22.3. It is clarified that the SIML and Trustee will be solely responsible for any delays, additional costs, or other liabilities caused by or associated with any deficiencies in their responsibilities, misrepresentations, incorrect and incomplete information including information provided to determine the assumptions.

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

3. Sources of Information

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

3.1. Audited financial statements of RTCL for the financial year ("FY") ended 31st March 2017 and 31st March 2016;

3.2. Provisional Profit & Loss Account and Balance Sheet for the period ended 31st March 2018.

3.3. Projected Profit & Loss Account and Working Capital requirements of RTCL from 1st April 2018 to 28th February 2051.

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

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

HARIBHAKTI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

3.6. Details of projected repairs and capital expenditure as represented by the management.

3.7. As on 31st March 2018, India Grid Trust holds 100% (including beneficial ownership) equity stake in RTCL (through Sterlite Grid Limited 1). As represented to us by the Investment Manager, there are no changes in the shareholding pattern from 31st March 2018 to the date of issuance of this Report.

3.8. TSA of RTCL with Central Transmission Utility dated 24th July 2013.

3.9. Management Representation Letter by Investment Manager dated 20th April 2018.

4. Overview of the InvIT and the SPV

The Trust

4.1. The Trust is registered with SEBI pursuant to the SEBI InvIT Regulations. The Trust was established on 21st 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 6th 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 on 30th May 2017. On 15th February 2018, the Trust further acquired three other revenue generating projects from its Sponsor, namely, Maheshwaram Transmission Limited ("MTL"), Purulia Kharagpur Transmission Company Limited ("PKTCL") and RAPP Transmission Limited ("RTCL").

4.3. The Trust, pursuant to the 'Right of First Offer' deed has a 'right of first offer' to acquire five other projects of the Sponsor.

4.4. Following is the financial summary of the projects which the Trust had acquired from the Sponsor:

BDTCL and JTCL

	Enterprise Value (INR Mn)				
Asset Name	30-Sep-17	31-Mar-17	31-Mar-16	31-Mar-15	Acquisition Value
BDTCL	21,431	21,541	21,812	20,113	37,020*
JTCL	15,988	16,125	19,407**	14,295	
Total	37,419	37,666	41,219	34,408	37,020

*Consolidated Purchase Price paid by the Trust for the acquisition at the time of Initial Public Offer

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

HARIBHAKTI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

MTL, RTCL and PKTCL

	Enterprise Value (INR Mn)	
Asset Name	30-Jun-17	Acquisition Value
MTL	5,218	4,697
RTCL	3,935	3,542
PKTCL	6,512	5,861
Total	15,666	14,100

RAPP Transmission Company Limited ("RTCL")

4.5. Summary of details are as follows:

RTCL

Parameters	Details
Project Cost	INR 2,601 Mn
Total Length	403 ckms/201 Kms
TSA Agreement Date	24th July 2013
Scheduled COD as per TSA	1st March, 2016
Project COD	26th December, 2015
Expiry Date	35 years from the scheduled COD
Trust's stake (through SGL 1) *	49% (100% including Beneficial Ownership)

** Pursuant to the share purchase agreements and shareholders' agreements dated February 14, 2018 executed for the acquisition of RTCL and MTL, the Trust (through SGL1) owns beneficial interest in the remaining 51% stake in these entities which effectively gives it the voting rights over the remaining 51% stake as well.*

4.6. The RTCL project was awarded to SGL2 by the Ministry of Power on 24th July 2013 for a 35 year period from the scheduled commercial operation date on a BOOM basis.

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

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

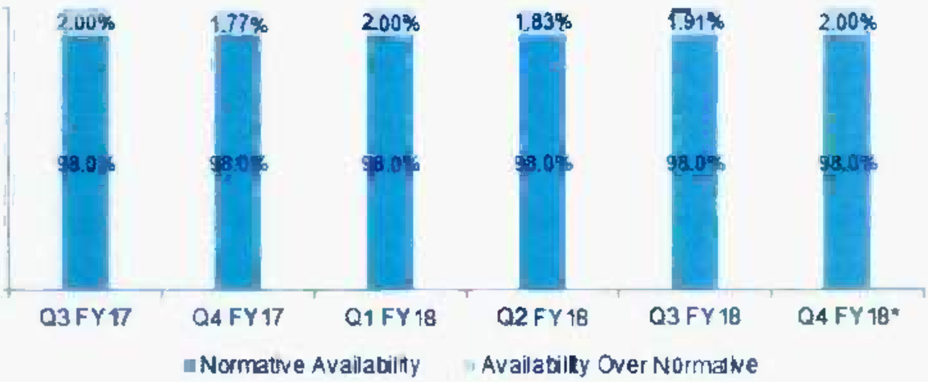
RTCL

Transmission line / Sub-Station	Location	Route length (ckms)	Specifications	Commission date	Contribution to total tariff
RAPP-Shujalpur	Rajasthan and Madhya Pradesh	403	400 kV D/C	26th Dec 2015	100%

HARIBHAKTI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

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

4.9. Operating Efficiency history of RTCL:



*Q4 FY18 –Data comprises of data from availability certificate only for the months of January and February 2018.

HARIBHAKTI & CO. LLP
MUMBAI
CHARTERED ACCOUNTANTS

4.10. Pictures of the site visit on 5th September 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 334.40 GW as of January 2018. 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.

HARIBHAKTI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

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 ~ 334.40 GW as of January 2018 (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 grown at a slow rate of 6% CAGR during FY 11 and FY 17. The total transmission network has increased from 254,536 ckm in FY 11 to around 367,851 ckm in FY 17.

5.4.4. As on 31st March, 2017 approx. 7% of total transmission network is owned by private players which showcases the need of more private sector participation in this space. India has been underinvested as far as transmission is concerned, however;

HARIBHAKTI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

recently government has been encouraging investments in transmission with approximately projects worth INR 30,000 crores being awarded in last 2 years.

5.4.5. 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.

5.4.6. 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.

5.4.7. 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 and IBEF report on Power sector in India- February 2018 and CEA Data as mentioned in Adani Transmission Limited Annual Report 2017.

6. Valuation Approach

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.

HARIBHAKTI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

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.

HARIBHAKTI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

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 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 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 enterprise value of the SPV engaged in the power transmission business for a specific tenure. Further, the tariff revenue expenses are very specific to the SPV depending on the nature of their geographical location, stage of project, terms of profitability. In the absence of any exactly comparable listed companies with characteristics and parameters similar to that of the SPV, we have not considered CCM method in the present case. In the absence of adequate details about the Comparable

Transactions, we were unable to apply the CTM method. Currently, the equity shares of SPV are not listed on any recognized stock exchange of India. Hence, we are unable to apply market price method.

Income Approach

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.

7. Valuation of the SPV

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

Valuation

7.1. The key assumptions of the projections provided to us by the Investment Manager are:

Key Assumption

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

7.1.2. **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.

7.1.3. **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.

7.1.4. **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.

7.1.5. **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. Based on our analysis in Para 7.1.4 in the present case it is assumed that the annual availability will not fall below 95% and hence penalty is not considered in the financial projections.

7.1.6. **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.

HARIBHAKTI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

7.1.7. **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.

7.1.8. **Capex:** As represented by the Investment Manager, the SPV is not expected to incur any capital expenditure in the projected period.

7.1.9. **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.

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

7.2. **Impact of Ongoing Material Litigation on Valuation**

7.2.1. Nuclear Power Corporation of India Limited has filed an appeal before the Appellate Tribunal for Electricity ("APTEL") under section 111 of Electricity Act 2003, challenging the order passed by CERC in favor of RTCL. As per CERC order dated 21st September 2016, RTCL is entitled to transmission charges of INR 221.70 Million for early commissioning the transmission project in accordance with order passed by MoP dated 15th July 2015, "Policy for Incentivizing Early Commissioning of Transmission Projects". (Refer Appendix IV for case summary). RTCL has recognised the said transmission charges in its books and the same is disclosed as receivables in its financial statement. In our valuation analysis, we have not considered any inflow on account of said receivable in projected period.

7.2.2. The Commercial Tax Department, Government of Madhya Pradesh, has raised an Entry Tax demand of INR 4.47 Million and penalty thereon of INR 1.79 million on RTCL under the provisions of Entry Tax Act 1976.

7.2.3. However, the Investment Manager is of the opinion that imposition of Entry Tax by the Commercial Tax Department is outside the purview of section 3 (charging section) of Entry Tax Act 1976.

7.2.4. As discussed with the Investment Manager and our analysis of the case, we have not considered any potential devolvement for the same in the projected period.

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) = Rf + (Rp* Beta) + CSRP

HARIBHAKTI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

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).

7.3.2. **Risk Free Rate:**

We have applied a risk free rate of return of 7.64% on the basis of the relevant zero coupon yield curve as on 28th March 2018 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:

Risk premium = Equity market return – Risk free rate

Wherein:

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

Risk free rate = 7.64% as explained in para 7.3.2.

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 Comparable Companies 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 SPV.

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

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

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

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

7.3.5. **Company Specific Risk Premium (CSRP):**

We have not considered any company specific risk premium to the Ke for discounting the cash flows.

7.3.6. **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:

HARIBHAKTI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

K(d) = Cost of debt

T = tax rate as applicable

In present valuation exercise, we have considered debt:equity at 70:30 based on industry standard.

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

7.3.8. Accordingly, as per above, we have arrived the WACC of 8.06% for RTCL(Refer appendix I).

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

7.5. **Valuation of RTCL**

7.5.1. We have relied on the projected financials of RTCL as provided by Investment Manager for the period from 1st April 2018 to 28th February 2051.

7.5.2. WACC arrived at for the purpose of valuation is 8.06% (Refer Appendix I).

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

7.5.4. As on valuation date, we have discounted the free cash flows of RTCL using the WACC of 8.06% to arrive at the Enterprise Value ("EV") by aggregating the present value of cash flows for explicit period and terminal period at INR 4,054 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 business, having regard to information base, management perceptions, key underlying assumptions and limitations were given due consideration.

8.2. We have been represented by the Investment Manager that there is no potential devolvement on account of contingent liability as of valuation date; hence no impact of contingent liabilities has been factored in to derive the enterprise value of the SPV.

8.3. Based on the above analysis, the Enterprise Value as on the Valuation Date of RTCL is INR 4,054 Million. (Refer Appendix II)

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.

HARIBHAKTI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

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 RTCL are as follows:

- List of one-time sanctions/approvals which are obtained or pending;
- List of up to date/overdue periodic clearances;
- Statement of assets included;
- Estimates of already carried as well as proposed major repairs and improvements along with estimated time of completion;
- Revenue pendencies including local authority taxes associated with InvIT asset and compounding charges, if any;
- On-going and closed material litigations including tax disputes in relation to the assets, if any;
- Vulnerability to natural or induced hazards that may not have been covered in town planning/ building control.

Limitations

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 RAPP Transmission Company Limited ("RTCL")

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

As informed by the Investment Manager, there have been no additional sanctions/ approvals obtained by RTCL during the year ended 31st March 2018. Further, we were informed that there is an application pending for approval of Forest Clearance - Stage II applied during

HARIBHAKTI & CO. LLP CHARTERED ACCOUNTANTS MUMBAI

the nine months period ended 31 March 2018 . The list of sanctions/ approvals obtained by the Company as on 31st March 2018 is provided in Appendix III.

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

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

C. Statement of assets included;

As at 31st March 2018, RTCL has Transmission Lines gross block of INR 2,600.11 million (net block of INR 2,407.82 million), Office Equipment and IT Equipment gross block of INR 0.32 million (net block of INR 0.06 million) and Furniture and fitting gross block of INR 0.13 million (net block of INR 0.05 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 RTCL has incurred INR 9.69 million during the year ended 31st March 2018 for the maintenance charges of Transmission Lines. Based on the confirmation provided by investment manager we expect an increase of 5.24% per annum in the cost of repair and maintenance expenses to be incurred in the future period.

Investment Manager has informed us that there are no maintenance charges which has been deferred to the upcoming year as the maintenance activities are carried out regularly. We have been informed that overhaul maintenance are regularly carried out by RTCL in order to maintain the working condition of the assets.

E. Revenue pendencies including local authority taxes associated with InvIT asset and compounding charges, if any;

Investment Manager has informed us that there are no dues including local authority taxes pending to be payable to the Government authorities with respect to InvIT assets.

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

We were informed by the Investment Manager that the status of ongoing litigations is the same as provided in our previous report except new litigation in respect of entry tax demand. 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.

HARIBHAKTI & CO. LLP
MUMBAI
CHARTERED ACCOUNTANTS

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	7.64%	Risk Free Rate has been considered based on zero coupon yield curve as at 28th March 2018 of Government Securities having maturity period of 10 years, as quoted on CCIL's website.
Market Risk Premium	7.36%	Market Premium = Market Return – Risk Free Rate
Beta (relevered)	0.66	Beta has been considered based on the beta of companies operating in the similar kind of business in India.
Cost of Equity	12.46%	Ke = Rf + β x (Rm-Rf) + CSRP
Pre-tax Cost of Debt	8.00%	As represented by the Investment Manager
Effective tax rate of SPV	22.93%	Average tax rate for the life of the project has been considered
Post-tax Cost of Debt	6.17%	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	**8.06%**	**WACC = [Ke*(1-D/(D+E))]+[Kd*(1-t)*(D/(D+E))]**

HARIBHAKTI & CO. LLP
MUMBAI
CHARTERED ACCOUNTANTS

Appendix II – Valuation of RTCL as on 31st March 2018

WACC	8.06%									INR Mn
FY	Revenue	EBITDA	EBITDA Margin	Capex	NCA	Taxation	FCFF	CAF	Discounting Factor	PV of Cash Flows
FY19	455	431	95%	-	44	74	312	0.50	0.96	300
FY20	455	430	94%	-	(0)	74	356	1.50	0.89	317
FY21	455	428	94%	-	(0)	74	355	2.50	0.82	292
FY22	455	427	94%	-	(0)	74	354	3.50	0.76	270
FY23	455	426	94%	-	(0)	73	352	4.50	0.71	249
FY24	455	424	93%	-	(0)	73	351	5.50	0.65	229
FY25	455	423	93%	-	(0)	73	350	6.50	0.60	212
FY26	455	421	92%	-	(0)	72	349	7.50	0.56	195
FY27	455	419	92%	-	(0)	72	347	8.50	0.52	180
FY28	455	417	92%	-	(0)	71	346	9.50	0.48	166
FY29	455	415	91%	-	(0)	71	344	10.50	0.44	153
FY30	455	413	91%	-	(0)	71	343	11.50	0.41	141
FY31	455	411	90%	-	(0)	70	341	12.50	0.38	130
FY32	455	409	90%	-	(0)	70	339	13.50	0.35	119
FY33	456	407	89%	-	(0)	69	338	14.50	0.33	110
FY34	456	404	89%	-	(0)	69	336	15.50	0.30	101
FY35	456	402	88%	-	(0)	68	334	16.50	0.28	93
FY36	456	399	87%	-	(0)	68	332	17.50	0.26	85
FY37	456	396	87%	-	(0)	67	329	18.50	0.24	79
FY38	456	393	86%	-	(0)	66	327	19.50	0.22	72
FY39	456	390	85%	-	(0)	66	324	20.50	0.20	66
FY40	456	386	85%	-	(0)	65	322	21.50	0.19	61
FY41	457	383	84%	-	(0)	64	319	22.50	0.17	56
FY42	457	379	83%	-	(0)	63	316	23.50	0.16	51
FY43	361	280	77%	-	(24)	42	262	24.50	0.15	39
FY44	323	237	73%	-	(10)	33	214	25.50	0.14	30
FY45	323	233	72%	-	(0)	32	201	26.50	0.13	26
FY46	323	228	71%	-	(0)	66	163	27.50	0.12	19
FY47	324	224	69%	-	(0)	64	160	28.50	0.11	18
FY48	324	219	67%	-	(0)	63	156	29.50	0.10	16
FY49	324	213	66%	-	(0)	62	152	30.50	0.09	14
FY50	324	208	64%	-	(0)	60	148	31.50	0.09	13
FY51*	297	185	62%	-	(0)	53	132	32.46	0.08	11
TV	325	202	62%	-	-	59	143	32.46	0.08	12
Present Value of Explicit Period Cash Flows										3,911
Present Value of Terminal Year Cash Flow										144
Enterprise Value										4,054

* For the period ended 28th February 2051

HARIBHAKTI & CO. LLP
MUMBAI
CHARTERED ACCOUNTANTS

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

Sr. No.	Approvals	Date of Issue	Validity (in years)	Issuing Authority
1	Company Registration	20-Dec-12	Valid	Ministry of Corporate Affairs
2	Transmission License	27-Oct-11	25	Central Electricity Regulatory Commission
3	**Environment (Forest) Clearance**			
	FRA Certificate and District level Commitee Meeting	22-Jun-15	Valid	Office of District Collector, Chittorgarh, Government of Rajasthan
	400 KV/ D/C RAPP to Shujalpur	19-Aug-15	Valid	Ministry of Environment, Forests & Climate Change Regional Office (Central Region)
	Forest Clearance- Stage II	Pending	Not Applicable	Ministry of Environment, Forests & Climate Change Regional Office (Central Region)
4	Approval under section 68 of Electricity Act, 2003	16-May-13	Valid	Central Electricity Regulatory Commission
5	Approval from GOI under section 164 of Electricity Act, 2003- Under Gazette of India	17-Jan-15	25	Central Electricity Regulatory Commission
6	Implementation of transmission lines	25-Nov-10	Not Available	Ministry of Power, Government of India
7	Approval under section 14 of Electricity Act, 2003	26-Sep-13	25	Central Electricity Regulatory Commission
8	Approval under section 17 (3) of Electricity Act, 2003	6-Apr-16	Valid	Central Electricity Regulatory Commission
9	**Power Telecommunication Coordination Committee ("PTCC") Clearance**			
	PTCC route approval for 400KV D/C RAPP (Rawatbhata Atomic power plant) - Sujalpur T/L (For Rajasthan Portion)	14-Dec-15	Valid	PTCC, Government of India
	PTCC route approval for 400KV Double Circuit Transmission line from RAPP-Sujalpur (Length 101 km) (For Madhya Pradesh Portion)	19-Dec-15	Valid	PTCC, Government of India
10	**Railway Clearance**			
	Nagda- Kota section railway	21-Apr-15	Valid	West Central Railway
	RTA-MKC section	12-Jun-15	35	West Central Railway

Source: Investment Manager

HARIBHAKTI & CO. LLP ★ MUMBAI ★ CHARTERED ACCOUNTANTS

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

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

Source: Investment Manager

HARIBHAKTI & CO. LLP * CHARTERED ACCOUNTANTS * MUMBAI

Appendix IV – Summary of Ongoing Litigations (1/2)

INR Million

Matter	Against	Pending Before	Details of the case	Amount Involved	Amount Deposited
Nuclear Power Corporation of India Limited	CERC	APTEL	**Background of the case:** RTCL had filed a petition before CERC against Power Grid Corporation of India Ltd & Others on the basis of RTCL's Transmission Service Agreement, the Revenue sharing Agreement and the order dated 15 July 2015 issued by the Ministry of Power, Government of India, "Policy for Incentivizing Early Commissioning of Transmission Projects" seeking payment of monthly Transmission charges w.e.f. 28 December 2015 onwards which is the actual date of commercial operations for RTCL. CERC passed an order dated 21 September 2016 allowing the petition partly in favour of RTCL w.e.f 1 March 2016, holding that they are entitled to transmission charges till the completion of 'RAPP end bay' for termination of RAPP-Shujalpur 400kv transmission line as developed by NPCIL is ready. Further, the liability of payment of said transmission charges was imposed on the Nuclear Power Corporation of India Limited ("NPCIL") on the ground that there was delay on the part of the NPCIL in commissioning. Hence, the present appeal is filed by NPCIL ("Appellant") under the provision of Sec 111 of Electricity Act, 2003 challenging the order passed by CERC It is a contingent asset for RTCL **Current Status**: Pending	182.6	-
Entry Tax	RTCL	MP - High court - Jabalpur MP	The Commercial Tax Department, Government of Madhya Pradesh sent a notice of demand of Entry Tax on RTCL for payment of entry tax of INR 4.47 million and penalty of INR 1.79 million. As per the Entry Tax Act,1976 dealer is liable to pay Entry tax during the course of business. However, RTCL is in the opinion that since the business is in construction phase entry tax is not payable Further, RTCL filed a writ petition (3759/2017) in the Madhya Pradesh High Court in which conditional stay was granted by the court on 7 March 2017. As per the order, RTCL needs to deposit 50% of the amount. **Curent Status** Entry tax demand of Rs 13.30 millions for RAPP Transmission Company Limited ('RTCL') pertains to demands under the Entry tax act read with Madhya Pradesh Vat Act, 2002 for payment of entry tax upon completion of assessment by tax authorities for the year 2014-15 & 2015-16 . RTCL has appealed against the demand before High Court, Jabalpur (Madhya Pradesh). The management, including its tax advisors, believe that it's position will likely be upheld in the appellate process. No expense has been accrued in the consolidated financial statements for the tax demands raised. The management believes that the ultimate outcome of this proceeding will not have a material adverse effect on the financial position and results of the operations of RTCL. RTCL has deposited Rs 4.70 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 of RTCL and has given stay on entire demand after deposit of specified amount till the disposal of case	13.3**	4.7**

Source: Investment Manager

* We were not provided with the data and hence we are unable to comment on the same.

** We were provided with the amount however the relevant supporting documents has not been provided to us hence we were unable to corroborate the same.

HARIBHAKTI & CO. LLP * CHARTERED ACCOUNTANTS * MUMBAI

Appendix IV – Summary of Ongoing Litigations (2/2)

INR Million

Matter	Against	Pending Before	Details of the case	Amount Involved	Amount Deposited
Shobharam	RTCL	High Court of Madhya Pradesh	Shobharam (hereinafter the Petitioner) filed a Writ Petition dated 8 March 2016 before the High Court of Madhya Pradesh, bench at Indore (hereinafter the Court) challenging construction of transmission line by RTCL on his land (hereinafter the Respondent) and demanding payment of adequate compensation. A settlement agreement dated 4 August 2016 was entered between the parties and was placed before the Court based on which the Court dismissed the said writ by an order dated 9 September 2016 **Current Status**- Pending	0.36	-
Closed Matter					
Rameshwar Dayal Sharma	RTCL	Lok Adalat, Jhalawad	Rameshwar Dayal Sharma (Applicant) filed a complaint before the Lok Adalat, Jhalawad (hereinafter the "Court") dated 25.7.2016 demanding payment of adequate compensation by RTCL. A settlement agreement dated 4.8.2016 was entered between the parties and INR 0.24 million was paid to the Applicant thereafter the said matter was closed.	0.24	-

Source: Investment Manager

* We were not provided with the data and hence we are unable to comment on the same.

** We were provided with the amount however the relevant supporting documents has not been provided to us hence we were unable to corroborate the same.

HARIBHAKTI & CO. LLP * CHARTERED ACCOUNTANTS * MUMBAI

Strictly Private and Confidential

HARIBHAKTI & CO. LLP
Chartered Accountants

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

SPV: Maheshwaram Transmission Limited ("MTL")

Valuation Date: 31st March 2018

Strictly Private and Confidential

HARIBHAKTI & CO. LLP
Chartered Accountants

Date: 23rd April 2018
CFAS-2/R-002/0423/C

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 Sir,

We, Haribhakti & Co. LLP, Chartered Accountants ("H&Co."), have been appointed vide letter dated 23rd March 2018, as an independent valuer, as defined under the SEBI InvIT Regulations, by Sterlite Investment Managers Limited ("the Investment Manager" or "SIML"), acting as the investment manager for India Grid Trust ("the Trust") and Axis Trustee Services Limited ("the Trustee") acting as the Trustee for the Trust mentioned above, for the purpose of the financial valuation of Maheshwaram Transmission Limited ("MTL" or "the SPV"). The SPV was acquired by the Trust on 15th February 2018 and is to be valued as per regulation 21 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 31st March 2018 ("Valuation Date"). Enterprise Value ("EV") is described as the total value of the equity in a business plus the value of its debt and debt related liabilities, minus any cash or cash equivalents to meet those liabilities. The attached Report details the valuation methodologies used, calculations performed and the conclusion reached with respect to this valuation.

HARIBHAKTI & CO. LLP * MUMBAI * CHARTERED ACCOUNTANTS

We believe that our analysis must be considered as a whole. Selecting portions of our analysis or the factors we considered, without considering all factors and analysis together could create a misleading view of the process underlying the valuation conclusions. The preparation of 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

HARIBHAKTI & CO. LLP
MUMBAI
CHARTERED ACCOUNTANTS

Manoj Daga
Partner
Membership No. 048523
Place: Mumbai
Encl: As above

Haribhakti & Co. LLP, Chartered Accountants (converted on 17th June, 2014 from a firm Haribhakti & Co. FRN: 103523W)
701, Leela Business Park, Andheri-Kurla Road, Andheri (E), Mumbai - 400 059, India Tel: 91 22 66729999 Fax: +91 22 6672 9777
Registered offices: 42, Free Press House, 215, Nariman Point, Mumbai 400021, India.
Other offices: Ahmedabad, Bengaluru, Chennai, Coimbatore, Hyderabad, Kolkata, New Delhi, Pune.

Contents

Definition, abbreviation & glossary of terms

Abbreviations	Meaning
BOOM	Build-Own-Operate-Maintain
Capex	Capital Expenditure
CCIL	Clearing Corporation of India Limited
CEA	Central Electricity Authority
Ckms	Circuit Kilometers
COD	Commercial Operation Date
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortisation
EHV	Extra High Voltage
EV	Enterprise Value
FY	Financial Year Ended 31st March
FYP	Five year Plan
H&Co.	Haribhakti & Co. LLP, Chartered Accountants
INR	Indian Rupees
kV	Kilo Volts
LTTC	Long Term Transmission Customer
Mn	Million
MTL	Maheshwaram Transmission Limited
MU	Million Units
MVA	Mega Volt Ampere
MW	Mega Watts
NAV	Net Asset Value Method
NCA	Net Current Assets Excluding Cash and Bank Balances
NOC	No Objection Certificate
SEBI	Securities and Exchange Board of India
SEBI InvIT Regulations	SEBI (Infrastructure Investment Trusts) Regulations, 2014, as amended
SGL3	Sterlite Grid 3 Limited
SIML or Investment Manager	Sterlite Investment Managers Limited
SPGVL or the Sponsor	Sterlite Power Grid Ventures Limited
SPTL	Sterlite Power Transmission Limited
the SPV	Special Purpose Vehicle
STL	Sterlite Technologies Limited
T/L	Transmission Line
the Trust or InvIT	India Grid Trust
the Trustee	Axis Trustee Services Limited
TSA	Transmission Service Agreement
TSP	Transmission Service Provider
WOS	Wholly Owned Subsidiary

1. Purpose of Valuation

1.1. The Trust is registered with SEBI pursuant to the SEBI InvIT Regulations. The Trust was established on 21st October 2016 by Sterlite Power Grid Ventures Limited ("SPGVL" or "the Sponsor"), 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 6th June 2017.

1.2. We understand that as per chapter V and regulation 21 of the SEBI InvIT Regulations a yearly valuation of the assets of the Trust shall be conducted by an independent valuer for the period ended 31st March 2018 for a publicly offered InvIT 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:

MTL will create a key component to enable Southern region to draw more power from North-East-West ("NEW") Grid and address the issue of power stability in Telangana region. The improved grid connectivity shall facilitate power procurement from the Inter State Transmission System ("ISTS") network to the beneficiary states Telangana, Tamil Nadu, Seemandhra and Karnataka to meet their electricity demands. The project is envisaged to provide grid connectivity for Maheshwaram 765/400 kV Pooling Substation and Nizamabad 765/400 kV Substation.

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 of the SPV as per the SEBI InvIT Regulations as at 31st March 2018. Enterprise Value ("EV") is described as the total value of the equity in a business plus the value of its debt and debt related liabilities, minus any cash or cash equivalents to meet those liabilities.

1.5. 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 SPV 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

1.7. We have undertaken the fair valuation at the enterprise level of the SPV. EV is described as the total value of the equity in a business plus the value of its debt and debt related liabilities, minus any cash or cash equivalents to meet those liabilities.

1.8. The Valuation Date considered for the fair enterprise valuation of the SPV is 31st March 2018. Valuation analysis and results are specific to the date of the 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.

HARIBHAKTI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

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 31st March 2018 to carry out the valuation of the SPV.

2. Exclusions and Limitations

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

2.2. 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 liablity 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 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.

HARIBHAKTI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

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

HARIBHAKTI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

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

2.22.2. 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.

2.22.3. It is clarified that the SIML and Trustee will be solely responsible for any delays, additional costs, or other liabilities caused by or associated with any deficiencies in their responsibilities, misrepresentations, incorrect and incomplete information including information provided to determine the assumptions.

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

3. Sources of Information

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

3.1. Audited financial statements of MTL for the financial year ("FY") ended 31st March 2017 and 31st March 2016;

3.2. Provisional Profit & Loss Account and Balance Sheet for the period ended 31st March 2018.

3.3. Projected Profit & Loss Account and Working Capital requirements of MTL from 1st April 2018 to 30th September 2052.

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

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

3.6. Details of projected repairs and capital expenditure as represented by the management.

3.7. As on 31st March 2018, India Grid Trust holds 100% (including beneficial ownership) equity stake in MTL (through Sterlite Grid Limited 1). As represented to us by the Investment

HARIBHAKTI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

Manager, there are no changes in the shareholding pattern from 31st March 2018 to the date of issuance of this Report.

3.8. TSA of MTL with Central Transmission Utility dated 10th June 2015.

3.9. Management Representation Letter by Investment Manager dated 20th April 2018.

4. Overview of the InvIT and the SPV

The Trust

4.1. The Trust is registered with SEBI pursuant to the SEBI InvIT Regulations. The Trust was established on 21st 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 Limited and BSE Limited since 6th 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 on 30th May 2017. On 15th February 2018, the Trust further acquired three other revenue generating projects from its Sponsor, namely, Maheshwaram Transmission Limited ("MTL"), Purulia Kharagpur Transmission Company Limited ("PKTCL") and RAPP Transmission Limited ("RTCL").

4.3. The Trust, pursuant to the 'Right of First Offer' deed has a 'right of first offer' to acquire five other projects of the Sponsor.

4.4. Following is the financial summary of the projects which the Trust had acquired from the Sponsor:

BDTCL and JTCL

	Enterprise Value (INR Mn)				
Asset Name	30-Sep-17	31-Mar-17	31-Mar-16	31-Mar-15	Acquisition Value
BDTCL	21,431	21,541	21,812	20,113	37,020*
JTCL	15,988	16,125	19,407**	14,295	
Total	37,419	37,666	41,219	34,408	37,020

*Consolidated Purchase Price paid by the Trust for the acquisition at the time of Initial Public Offer

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

MTL, RTCL and PKTCL.

	Enterprise Value (INR Mn)	
Asset Name	30-Jun-17	Acquisition Value
MTL	5,218	4,697
RTCL	3,935	3,542
PKTCL	6,512	5,861
Total	15,666	14,100

HARIBHAKTI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

Maheshwaram Transmission Limited ("MTL")

4.5. Summary of details are as follows:

MTL

Parameters	**Details**
Project Cost	INR 3,841 Mn
Total Length	477 ckms
CERC Tariff adoption order date	24th November, 2015
Scheduled COD as per CERC order for adoption of tariff for MTL	June, 2018
Project COD as represented by Management**	MM Line 14th December 2017 NY Line 14th October 2017
Expiry Date	35 years from the scheduled COD
Trust's stake (through SGL 1)*	49% (100% including Beneficial Ownership)

** Pursuant to the share purchase agreements and shareholders' agreements dated February 14, 2018 executed for the acquisition of RTCL and MTL, the Trust (through SGL1) owns beneficial interest in the remaining 51% stake in these entities which effectively gives it the voting rights over the remaining 51% stake as well.*
*** MM Line - Maheshwaram Mehboob Nagar*
NY Line - Nizamabad Yeddumailaram

4.6. The MTL project was awarded to SGL3 by the Ministry of Power on 10th June 2015 for a 35 year period from the scheduled commercial operation date on a BOOM basis.

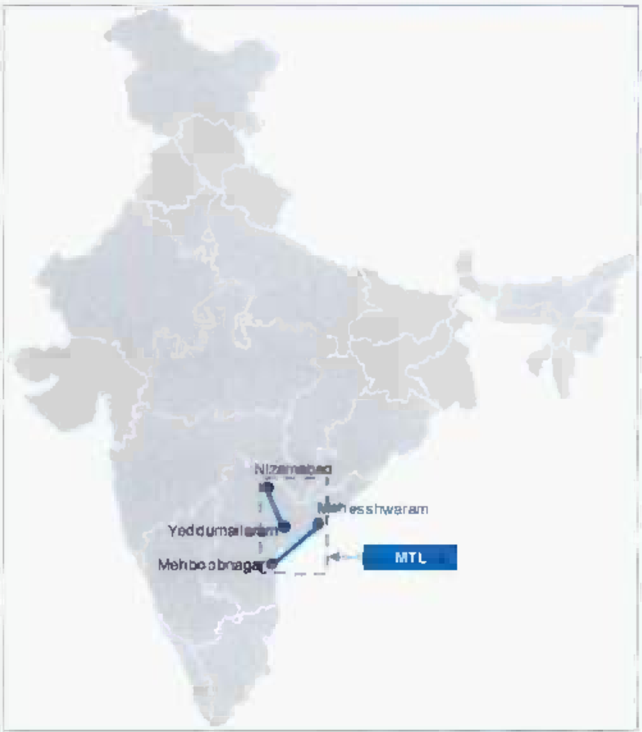
4.6.1. MTL will create a key component to enable Southern region to draw more power from North-East-West (NEW) Grid and address the issue of power stability in Telangana region. The improved grid connectivity shall facilitate power procurement from the Inter State Transmission System (ISTS) network to the beneficiary states Telangana, Tamil Nadu, Seemandhra and Karnataka to meet their electricity demands. The project is envisaged to provide grid connectivity for Maheshwaram 765/400 kV Pooling Substation and Nizamabad 765/400 kV Substation.

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

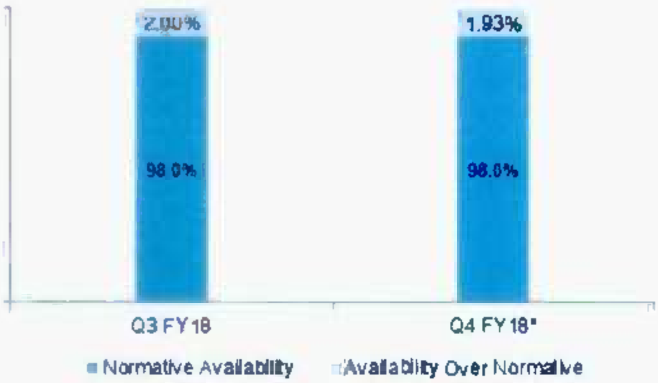
Transmission line / Sub-Station	Location	Route length (ckms)	Specifications	Commission date	Contribution to total tariff
Maheshwaram – Mehboob Nagar	Telangana	200	400 kV D/C	14th Dec 2017	34%
Nizamabad – Yeddumailaram	Telangana	278	400 kV D/C	14th Oct 2017	66%

HARIBHAKTI & CO. LLP * CHARTERED ACCOUNTANTS * MUMBAI

4.8. Following is the MAP showing area covered by the SPV (not drawn to scale).



4.9. Operating Efficiency history of the SPV:



*Q4 FY18 –Data comprises of data from availability certificate for the months of January and February.

4.10. Pictures of the site visit as on 5th September 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 334.40 GW as of January 2018. 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 ~ 334.40 GW as of January 2018 (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

HARIBHAKTI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

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 grown at a slow rate of 6% CAGR during FY 11 and FY 17. The total transmission network has increased from 254,536 ckm in FY 11 to around 367,851 ckm in FY 17.

5.4.4. As on 31st March, 2017 approx. 7% of total transmission network is owned by private players which showcases the need of more private sector participation in this space. India has been underinvested as far as transmission is concerned, however; recently government has been encouraging investments in transmission with approximately projects worth INR 30,000 crores being awarded in last 2 years.

5.4.5. 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.

5.4.6. 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%

HARIBHAKTI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

and 7%, respectively, as the majority of high-capacity, long-distance transmission projects were executed by PGCIL and state transmission utilities during this period.

5.4.7. 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 and IBEF report on Power sector in India- February 2018 and CEA Data as mentioned in Adani Transmission Limited Annual Report 2017.

6. Valuation Approach

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.

HARIBHAKTI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

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.

HARIBHAKTI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

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 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 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 enterprise value of the SPV engaged in the power transmission business for a specific tenure. Further, the tariff revenue expenses are very specific to the SPV depending on the nature of their geographical location, stage of project, terms of profitability. In the absence of any exactly comparable listed companies with characteristics and parameters similar to that of the SPV, we have not considered CCM method in the present case. In the absence of adequate details about the Comparable Transactions, we were unable to apply the CTM method. Currently, the equity shares of SPV are not listed on any recognized stock exchange of India. Hence, we are unable to apply market price method.

Income Approach

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.

HARIBHAKTI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

7. Valuation of the SPV

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

7.1. The key assumptions of the projections provided to us by the Investment Manager are:

Key Assumption

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

7.1.2. **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.

7.1.3. **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.

7.1.4. **Incentives:** As provided in the respective TSA, if the annual availability exceeds 98%, the SPV shall be entitled to an annual incentive as provided in TSA. Provided no incentives shall be payable above the availability of 99.75%. Based on the past track record of the asset and the general industry standard, the annual availability shall be above 98% where the SPV shall be entitled to the incentives as provided in the TSA.

7.1.5. **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. Based on our analysis in Para 7.1.4 in the present case it is assumed that the annual availability will not fall below 95% and hence penalty is not considered in the financial projections.

7.1.6. **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.

7.1.7. **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.

7.1.8. **Capex:** As represented by the Investment Manager, the SPV is not expected to incur any capital expenditure in the projected period.

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

Impact of Ongoing Material Litigation on Valuation

7.2.1. As represented by Investment Manager, there are no ongoing litigation that will affect the valuation exercise

HARIBHAKTI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

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) = 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).

7.3.2. Risk Free Rate:

We have applied a risk free rate of return of 7.64% on the basis of the relevant zero coupon yield curve as on 28th March 2018 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:

Risk premium = Equity market return – Risk free rate

Wherein:

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

Risk free rate = 7.64% as explained in para 7.3.2.

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 Comparable Companies 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 SPV.

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

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

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

HARIBHAKTI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

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

7.3.5. **Company Specific Risk Premium (CSRP):**

We have not considered any company specific risk premium to the Ke for discounting the cash flows.

7.3.6. **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

In present valuation exercise, we have considered debt:equity at 70:30 based on industry standard.

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

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

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

7.5. <u>**Valuation of MTL**</u>

7.5.1. We have relied on the projected financials of MTL as provided by Investment Manager for the period from 1st April 2018 to 30th September 2052.

7.5.2. WACC arrived at for the purpose of valuation is 7.86% (Refer Appendix I).

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

7.5.4. As on valuation date, we have discounted the free cash flows of MTL 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 5,564 Mn (Refer Appendix II)

HARIBHAKTI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

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

8.2. 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.

8.3. Based on the above analysis the Enterprise Value as on the Valuation Date of the SPV is INR 5,564 Mn (Appendix II).

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. 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 MTL are as follows:

- List of one-time sanctions/approvals which are obtained or pending;
- List of up to date/overdue periodic clearances;
- Statement of assets included;
- Estimates of already carried as well as proposed major repairs and improvements along with estimated time of completion;
- Revenue pendencies including local authority taxes associated with InvIT asset and compounding charges, if any;
- On-going and closed material litigations including tax disputes in relation to the assets, if any;
- Vulnerability to natural or induced hazards that may not have been covered in town planning/ building control.

Limitations

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.

HARIBHAKTI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

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 Maheshwaram Transmission Limited ("MTL")

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

As informed by the Investment Manager, there have been additional sanctions/ approvals obtained by MTL for the year ended 31st March 2018. Further, we were informed that there were no applications for which approval is pending. The list of sanctions/ approvals obtained by the Company as on 31st March 2018 is provided in Appendix III.

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

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

C. Statement of assets included;

As at 31st March 2018, MTL has Transmission Lines gross block of INR 3,875.89 million (net block of INR 3,827.99 million), Freehold land gross block of INR 0.61 million and other assets including plant and machinery, etc. gross block of INR 0.88 million (net block of INR 0.51 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 MTL has incurred INR 5.44 million for the year ended 31st March 2018 for the maintenance charges of Transmission Lines. Based on the confirmation provided by investment manager we expect an increase of 3.67% per annum in the cost of repairs and maintenance expenses to be incurred in the future period.

Investment Manager has informed us that there are no maintenance charges which has been deferred to the upcoming year as the maintenance activities are carried out regularly. We have been informed that overhaul maintenance are regularly carried out by MTL in order to maintain the working condition of the assets.

E. Revenue pendencies including local authority taxes associated with InvIT asset and compounding charges, if any;

Investment Manager has informed us that there are no dues including local authority taxes pending to be payable to the Government authorities with respect to InvIT assets.

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

We were informed by the Investment Manager that the status of ongoing litigations is updated in Appendix IV. Refer Appendix IV for ongoing litigations. 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.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.

HARIBHAKTI & CO. LLP MUMBAI CHARTERED ACCOUNTANTS

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	7.64%	Risk Free Rate has been considered based on zero coupon yield curve as at 28th March 2018 of Government Securities having maturity period of 10 years, as quoted on CCIL's website.
Market Risk Premium	7.36%	Market Premium = Market Return – Risk Free Rate
Beta (relevered)	0.64	Beta has been considered based on the beta of companies operating in the similar kind of business in India.
Cost of Equity	12.35%	Ke = Rf + β x (Rm-Rf) + CSRP
Pre-tax Cost of Debt	8.00%	As represented by the Investment Manager
Effective tax rate of SPV	25.81%	Average tax rate for the life of the project has been considered
Post-tax Cost of Debt	5.94%	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	**7.86%**	**WACC = [Ke*(1-D/(D+E))]+[Kd*(1-t)*(D/(D+E))]**

HARIBHAKTI & CO. LLP * MUMBAI * CHARTERED ACCOUNTANTS

Appendix II – Valuation of MTL as on 31st March 2018

WACC	7.66%									INR Mn
FY	Revenue	EBITDA	EBITDA Margin	Capex	NCA	Taxation	FCFF	CAF	Discounting Factor	PV of Cash Flows
FY19	575	541	94%	-	36	90	414	0.50	0.96	398
FY20	575	541	94%	-	0	89	451	1.50	0.89	403
FY21	576	540	94%	-	0	89	451	2.50	0.83	373
FY22	576	539	94%	-	0	89	450	3.50	0.77	345
FY23	577	538	93%	-	0	88	449	4.50	0.71	320
FY24	577	538	93%	-	0	89	449	5.50	0.66	296
FY25	578	537	93%	-	0	89	448	6.50	0.61	274
FY26	579	536	93%	-	0	88	448	7.50	0.57	254
FY27	580	535	92%	-	0	88	447	8.50	0.53	235
FY28	580	535	92%	-	0	88	446	9.50	0.49	218
FY29	581	534	92%	-	0	88	446	10.50	0.45	201
FY30	582	533	92%	-	0	88	445	11.50	0.42	186
FY31	583	532	91%	-	0	88	444	12.50	0.39	173
FY32	584	531	91%	-	0	87	444	13.50	0.36	160
FY33	585	530	91%	-	0	91	439	14.50	0.33	147
FY34	586	529	90%	-	0	140	389	15.50	0.31	120
FY35	587	528	90%	-	0	142	386	16.50	0.29	111
FY36	588	528	90%	-	0	144	384	17.50	0.27	102
FY37	590	527	89%	-	0	145	382	18.50	0.25	94
FY38	591	526	89%	-	0	146	380	19.50	0.23	87
FY39	593	525	89%	-	0	147	378	20.50	0.21	80
FY40	595	524	88%	-	0	147	376	21.50	0.20	74
FY41	596	523	88%	-	0	148	375	22.50	0.18	68
FY42	598	522	87%	-	0	148	374	23.50	0.17	63
FY43	600	521	87%	-	0	149	372	24.50	0.16	58
FY44	602	520	86%	-	0	149	371	25.50	0.15	54
FY45	604	520	86%	-	0	149	370	26.50	0.13	50
FY46	606	519	86%	-	0	149	369	27.50	0.12	46
FY47	609	518	85%	-	0	149	368	28.50	0.12	43
FY48	611	517	85%	-	0	149	368	29.50	0.11	39
FY49	614	516	84%	-	0	149	367	30.50	0.10	37
FY50	617	516	84%	-	0	149	366	31.50	0.09	34
FY51	620	515	83%	-	0	149	365	32.50	0.09	31
FY52	623	514	83%	-	0	149	365	33.50	0.08	29
FY53*	314	258	82%	-	1	74	183	34.25	0.07	14
TV	627	514	82%	-	-	150	364	34.25	0.07	27
Present Value of Explicit Period Cash Flows										5,217
Present Value of Terminal Year Cash Flow										347
Enterprise Value										5,564

* for the period ended 30th September 2052

Appendix III – Summary of Approvals & Licenses (1/3)

Sr. No.	Approvals	Date of Issue	Validity (in years)	Issuing Authority
1	Company Registration	14-Aug-14	Valid	Ministry of Corporate Affairs
2	**Aviation Clearance**			
	NOC for Height Clearance	9-Mar-17	7	Airport Authority Of India
	NOC for Height Clearance	9-Mar-17	7	Airport Authority Of India
	NOC for Height Clearance	9-Mar-17	7	Airport Authority Of India
	NOC for Height Clearance	9-Mar-17	7	Airport Authority Of India
	NOC for Height Clearance	16-Mar-17	7	Airport Authority Of India
	NOC for Height Clearance	9-Mar-17	7	Airport Authority Of India
	NOC for Height Clearance	21-Mar-17	7	Airport Authority Of India
	NOC for Height Clearance	21-Mar-17	7	Airport Authority Of India
	NOC for Height Clearance	9-Mar-17	7	Airport Authority Of India
	NOC for Height Clearance	9-Mar-17	7	Airport Authority Of India
	NOC for Height Clearance	21-Mar-17	7	Airport Authority Of India
	NOC for Height Clearance	9-Mar-17	7	Airport Authority Of India
	NOC for Height Clearance	21-Mar-17	7	Airport Authority Of India
	NOC for Height Clearance	9-Mar-17	7	Airport Authority Of India
3	Approval under section 68(1) of Electricity Act, 2003	27-Jul-15	Valid	Ministry of Power
4	Approval from GOI under section 164 of Electricity Act, 2003 - Under Gazette of India	20-Sep-16	25	Ministry of Power
5	Approval from CERC under section 17(3)	4-Jun-16	Valid	Central Electricity Regulatory Commission
6	Approval under section 14 of Electricity Act, 2003	23-Nov-15	25	Central Electricity Regulatory Commission
7	Approval for Energisation under regulation 43 of CEA	15-May-17	Valid	Central Electricity Authority
8	**Forest Clearance**			
	Nizambad- Yeddumailaram Transmission Line at Nizamabad - Stage I (in Principal Approval)	14-Oct-16	5	Ministry of Environment, Forests & Climate Change
	Nizambad- Yeddumailaram Transmission Line at Nizamabad - Stage I (Working approval)	6-Jan-17	1	Forest Department (Government of Telangana)
	Nizambad- Yeddumailaram Transmission Line at Nizamabad - Stage II (in Principal Approval)	12-Jan-18	Valid	Ministry of Environment, Forests & Climate Change

Source: *Investment Manager*

HARIBHAKTI & CO. LLP * MUMBAI * CHARTERED ACCOUNTANTS

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

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

Source: Investment Manager

HARIBHAKTI & CO. LLP * CHARTERED ACCOUNTANTS * MUMBAI

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

Sr. No.	Approvals	Date of Issue	Validity (in years)	Issuing Authority
13	**Railway Crossing**			
	400kv D/C Nizambad-Shankarpali	13-Feb-17	Valid	South Central Railway
14	**Transmission Service Agreement**			
	Transmission Service Agreement between MTL & Long Term Transmission Customers	10-Jun-15	35	
	Transmission Service Agreement between MTL & Power Grid Corporation of India Ltd	27-Apr-17	Valid	
15	**Approval for adoption of Tariff**			
	Approval for adoption of Tariff	24-Nov-15	35	
	Revised approval for adoption of Tariff	12-Jun-17	35	
16	**Trial run certificate**			
	Nizamabad - Shankarapally lines I & II.	20-Oct-17	Valid	Power System Operation Corporation Limited
	Maheshwaram - Mahabubnagar lines I & II.	26-Dec-17	Valid	Power System Operation Corporation Limited

Source: Investment Manager

HARIBHAKTI & CO. LLP ★ CHARTERED ACCOUNTANTS ★ MUMBAI

Appendix IV – Summary of Ongoing Litigations (1/1)

Matter	Pending Before	Details of the case	Documents Provided	Amount Involved (INR Million)	Amount Deposited (INR Million)
Right of Way Compensation (ROW)	Collector	**Background of the case:** Compensation review, case no. 2636 of 2017. **Current Status:** MTL has submitted the reply and the matter is currently pending.	Not Provided*	Not Provided*	Not Provided*
Right of Way Compensation (ROW)	Sangareddy Collector Office	**Background of the case:** MTL has received notice from MROs of Sangareddy District seeking clarity of Compensation paid to farmers after agitation from farmers seeking compensation as per Sangareddy DM order. **Current Status:** MTL has submitted the reply and the matter is currently pending.	Not Provided*	Not Provided*	Not Provided*
Right of Way Compensation (ROW)	RDO	**Background of the case:** Compensation review, case no. 8125 of 2017. **Current Status:** MTL has submitted the reply and the matter is currently pending.	Not Provided*	Not Provided*	Not Provided*

Source: Investment Manager

* We were not provided with the data and hence we are unable to comment on the same.