ORIENTAL INFRA TRUST

VALUATION REPORT

NOVEMBER 2020

STRICTLY PRIVATE & CONFIDENTIAL

BDO Valuation Advisory LLP
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Ref: LM/Nov121/2020
Private & Confidential
November 12, 2020

To,
Oriental Infra Trust, ("the Trust")
Acting through Axis Trustee Service Limited (In its capacity as the "Trustee" of the Trust)
3rd floor, Plot no. 8 Sector B-7, Local Shopping Complex
Vasant Kunj, New Delhi 110 070

Subject: Valuation of Trust Assets as per Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014, as amended

Dear Sir(s)/Madam(s),

We, BDO Valuation Advisory LLP ("BDO VAL" or "We" or "Us"), refer to our engagement by Oriental Infra Trust ("Trust" or "Client") vide engagement letter, appointing us to undertake an independent valuation of Trust Assets ("InvIT Assets" or "Trust Assets"), as per Securities Exchange Board of India (Infrastructure Investment Trust Regulations, 2014), and amendments thereto including any circulars and guidelines issued thereunder ("SEBI InvIT Regulations"). We are pleased to present herewith our valuation report.

We have carried out the valuation as on September 30, 2020 ("Valuation Date") considering various data as stated in the 'Sources of information' section in the report. A summary of the analysis is presented in the accompanying report, as well as description of the methodology and procedure we used, and the factors we considered in formulating our opinion. In addition, we have listed the sources of information used in this report and the scope of work in the course of our assignment, noting any limitations on our assignment. This report is subject to the attached exclusions & limitations and to all terms and conditions in the engagement letter for this assignment.

Should you require further information or clarifications, please feel free to contact us.

Regards,

For BDO Valuation Advisory LLP

IBBI Regn No.: IBBI/RV-E/02/2019/103

BDO VALUATION ADVISORY LLP *

Lata R Gujar More

Partner, IBBI Regn No: IBBI/RV/06/2018/10488

Enclosed: Annexures

DEFINITIONS, ABBREVIATIONS AND GLOSSARY OF TERMS

Abbreviation	Meaning
OSEPL or Sponsor 1	Oriental Structural Engineers Private Limited
OTPL or Sponsor 2	Oriental Tollways Private Limited
You or Client or Trust	Oriental Infra Trust
Investment Manager or IM	Indian Technocrat Limited
the Management	The Management of the Trust
Trustee	Axis Trustee Services Limited
ECKHPL or Etawah Chakeri Project	Etawah-Chakeri (Kanpur) Highway Private Limited
OPIPL or Indore Khalghat Project	Oriental Pathways (Indore) Pvt. Ltd.
GOHHPL or Hungund Hospet Project	GMR OSE Hungund Hospet Highways Pvt. Ltd.
ONBHL or Nagpur Betul Project	Oriental Nagpur Betul Highway Ltd.
ONBPCPL or Nagpur Bypass Project	Oriental Nagpur Bye Pass Construction Pvt. Ltd.
SEBI InvIT Regulations	Securities Exchange Board of India (Infrastructure Investment Trust Regulations, 2014)
InvIT	Infrastructure Investment Trust

Abbreviation	Meaning
BDO VAL, we, our, us	BDO Valuation Advisory LLP
EPC	Engineering, Procurement and Construction
BOT	Build, Operate and Transfer
EqV	Equity Value
SPV	Special Purpose Vehicle
NH	National Highway
SH	State Highway
NHDP	National Highways Development Project
DBFOT	Design, Build, Finance, Operate, Transfer
HUDCO	Housing and Urban Development Corporation
Km	Kilometer
PPP	Public Private Partnership
MDR	Major district roads
ODR	Other district roads
PMGSY	Pradhan Mantri Gram Sadak Yojana
IBEF	India Brand Equity Foundation
MoRTH	Ministry of Road Transport & Highways

DEFINITIONS, ABBREVIATIONS AND GLOSSARY OF TERMS

Abbreviation	Meaning
PCU	Passenger Car Equivalent
CA	Concession Agreement
WPI	Wholesale Price Index
FCFF	Free Cash Flows to Firm
MAT	Minimum Alternative Tax
NHAI	National Highways Authority of India
COD	Commercial Operation Date
GDP	Gross Domestic Product
EV	Enterprise value
GVA	Gross Value Added
IRR	Internal rate of return
NAV	Net Asset Value
BUV	Break Up Value
PAT	Profit After Tax

Abbreviation	Meaning
HAM	Hybrid-Annuity Model
TOT	Toll Operate and Transfer
OMT	Operate-Maintain-Transfer
CCM	Comparable Companies Multiple
DCF	Discounted Cash Flow
EBITDA	Earning Before interest , taxes and depreciation and amortization
EBIT	Earning before interest and tax
CAGR	Compounded Annual Growth Rate
D/E ratio	Debt-Equity ratio
MCLR	Marginal Cost of Lending Rate

CONTENTS

SECTION 1

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

Terms of Engagement:

- We have been appointed by Oriental Infra Trust ("Trust" or "Client") to undertake an independent valuation of Trust Assets ("InvIT Assets" or "Trust Assets"), as per Securities Exchange Board of India (Infrastructure Investment Trust Regulations, 2014), and amendments thereto including any circulars and guidelines issued thereunder ("SEBI InvIT Regulations").
- As per the Engagement Letter, the valuation is to be carried out as on September 30, 2020.
- This report (the "Report") has been prepared by BDO VAL pursuant to Engagement Letter between BDO VAL and the Trust including the terms and conditions set out therein.

Purpose of Valuation:

- We have been appointed by Oriental Infra Trust to undertake valuation of Trust Assets as on September 30, 2020.

Valuation Approach & Methodology:

- In this report, we have detailed the fair value of the Trust Assets as on September 30, 2020, of:

Particulars	Valuation Methodology
SPVs	DCF Method

EXECUTIVE SUMMARY

Executive Summary:

- The Enterprise Value ("EV") of the 5 SPVs has been arrived as under:

S. No.	Particulars (INR Cr)	EV
(a)	Etawah Chakeri Project	1,875.3
(b)	Indore Khalghat Project	587.4
(c)	Hungund Hospet Project	1,423.3
(d)	Nagpur Betul Project	3,487.5
(e)	Nagpur Bypass Project	4,051.1
	Total	**11,424.6**

- The combined enterprise value of the 5 SPVs is arrived at INR 11,424.6 Cr.

BDO VALUATION ADVISORY LLP

SECTION 2

SOURCES OF INFORMATION

SOURCES OF INFORMATION

Sources of Information:

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

- SPV specific information – The following SPV information as provided by the management of the Trust ("the Management"), verbally or in written form have been inter alia used in valuation:
  - Audited financial statements as per Indian Accounting Standard ("Ind AS") of the 5 SPVs for Financial Year ("FY") FY2017, FY2018 and FY 2019;
  - Provisional financial statements as per Ind AS of the 5 SPVs for FY20;
  - Unaudited financial statements as per Ind AS of the 5 SPVs for 6 months ended September 30, 2020;
  - Projected profit & loss statement, balance sheet and cash flow statement of the 5 SPVs from October 01, 2020 to the respective Concession end date;
  - Income Tax Return for each of the 5 SPVs for AY 19-20 and computation of advance tax paid for AY 21-22;
  - Concession Agreements entered with NHAI for each of the 5 SPVs;
  - Technical Due Diligence Reports issued by independent consultants for the 5 SPVs dated December 2018;
  - Updated Draft Traffic Due Diligence Numbers issued by independent consultants of ECKHPL, OPIPL, GOHHPL and ONBPCPL;
  - Operation and Maintenance ("O&M") contract entered into between ONBHL and Oriental Structural Engineers Pvt. Ltd;
  - Toll Notifications of ECKHPL, OPIPL, GOHHPL and ONBPCPL;
  - Historical Major Maintenance expenses for each of the 5 SPVs;
  - Traffic variance analysis from September 01, 2019 to September 30, 2020;
  - Revenue variance analysis from April 01, 2020 to September 30, 2020;
  - Sanction letter from bank for availing loan by the Trust; and
- Relevant data and information provided by the management and representatives of the Trust either in written or oral form or in form of soft copy.
- Other industry related information available in public domain and international databases.

SECTION 3

EXCLUSIONS AND LIMITATIONS

EXCLUSIONS AND LIMITATIONS

Context and Purpose

- We have been mandated by the Trust, vide engagement letter, to undertake valuation of the Trust assets.
- The valuation exercise and the Report are solely for the Purpose mentioned herein. As informed by the Trust, the cut-off date for the present valuation exercise is September 30, 2020 based on the information and explanation made available to us.
- Since this report was required for the internal management purpose and sharing with the unit holders, the site visits and other disclosures under Schedule V read with Regulation 21(3) of the SEBI INvIT Regulations will be covered in our full valuation report to be conducted as on March 31, 2021

Restricted Audience

- This Report is not to be published in the Preliminary Placement Memorandum and the Placement Memorandum and such other documents as may be required under the SEBI InvIT Regulations. This Report was prepared on the Trust instructions and only in connection with the Purpose set out in the Report.
- It should not be copied, disclosed, circulated, quoted or referred to, either in whole or in part, in correspondence or in discussion with any other person except to whom it is issued without our written consent. It can however be relied upon and disclosed in connection with any statutory and regulatory filing in accordance with the provision of SEBI InvIT Regulations including the SEBI Listing Obligations and Disclosure Regulations. In the event the Trusts or its management extend the use of the report beyond the purpose mentioned earlier in the report, with or without our consent, we will not accept any responsibility to any other party (including but not limited to the Investors and Placement agent, if any) to whom this report may be shown or who may acquire a copy of the report.
- 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 that 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 its purpose.

Limitation Clause

- 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.
- The scope of the assignment did not include performing audit tests for the purpose of expressing an opinion on the fairness or accuracy of any financial or analytical information that was used during the course of the work. Further, conducting a financial or technical feasibility study was also not covered.
- During the course of our work, we have relied upon assumptions and projections related to the Trust and the SPVs made by the management of the sponsors/Trust. These assumptions require exercise of judgment and are subject to uncertainties. Also, we have relied on the technical due diligence and traffic due diligence report referred in 'Sources of Information' in Section II of the Report.
- Further, this valuation report is based on the extant regulatory environment and the financial, economic, monetary and business/market conditions, and the information made available to us or used by us up to, the date hereof, which are dynamic in nature and may change in future, thereby impacting the valuation of the SPVs. 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, review or reaffirm this report if the information provided to us changes. The information presented in this valuation report does not reflect the outcome of any due diligence procedures, which may change the information contained herein and, therefore, the valuation report materially
- Valuation is not a precise science and the conclusions arrived at in many cases will of necessity 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 the Company. The final responsibility for value at which the Liquidation or sale shall take place will be with the RP of the Company, who should take into account other factors such as their own assessment of the Liquidation or sale and input of other advisors.

EXCLUSIONS AND LIMITATIONS

- The recommendation rendered in the Report only represent our recommendation based upon information furnished by the Company (or its executives/representatives) and other sources.
- Valuation is based on estimates of future financial performance or opinions that represent reasonable expectations at a particular point in time, but such information, estimates or opinions are not offered as or as assurances that a particular level of income or profit will be achieved, that events 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.
- The realization of these projections is dependent on the continuing validity of the assumptions on which they are based. Since the projections relate to the future, actual results are likely to be different from the projected results in case of events and circumstances not occurring as projected and the differences may be material. Our work did not constitute a validation of the financial projections of the Trust and the SPVs under consideration and accordingly, we do not express any opinion on the same. We have not commented on the appropriateness of or independently verified the assumptions or information provided to us, for arriving at the financial projections. Further, while we have discussed the assumptions and projections with the management of the Trust/Sponsors, our reliance on them for the purpose of valuation should not be construed as an assurance about the accuracy of the assumptions or the achievability of the financial projections.
- This Report is based on information received from sources mentioned herein and discussions with the management of the Trust/Sponsors. This information has not been independently verified by us. We have assumed that the Trust/Sponsors has furnished to us all information, which it is aware of concerning the financial statements and respective liabilities, which may have an impact on our Report.
- We have not made any independent verification with respect to the Sponsor's claim to title of assets or property for the purpose of this valuation. With respect to claim to title of assets or property, we have solely relied on representations, whether verbal or otherwise, made by the Management to us for the purpose of this Report.
- For the present valuation exercise, we have also relied upon information available in the public domain; however, the accuracy and timeliness of the same has not been independently verified by us.
- Whilst, all reasonable care has been taken to ensure that facts stated in the report are accurate and opinions given are fair and reasonable, neither us, nor any of our Partners or Employees shall in any way be responsible 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 statements. We expressly disclaim any and all liabilities, which may arise based upon the information used in this Report. In no event shall we be liable for any loss, damages, cost or expenses arising in any way from fraudulent acts, misrepresentations or willful default on the part of the Company, its directors, employees or agents.
- In the particular circumstances of this case, we shall be liable only to the Sponsors, the Trust and the Investment Manager. We shall have no liability (in contract or under statute or otherwise) to any other party for any economic loss or damage arising out of or in connection with this engagement, however the loss or damage is caused other than in cases of fraud, gross negligence or willful misconduct, shall be limited to the amount of fees actually received by us as laid out in the engagement letter, for such valuation work.
- This Report does not look into the business / commercial reasons behind the InvIT nor the likely benefits arising out of the same. Similarly, it 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, or whether or not such alternatives could be achieved or are available. The assessment of commercial and investment merits of the Trust are sole responsibility of the investors of the Trust and we do not express our opinion on the suitability or otherwise of entering into any financial or other transactions with the Investment Manager, the Trust or the Sponsors.

EXCLUSIONS AND LIMITATIONS

- We are not advisor with respect to legal, tax and regulatory matters for the Offering. No investigation of the SPVs' claim to title or assets has been made for the purpose of this Report and the SPVs' 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.
- Except to the extent required under the SEBI InvIT Regulations, we are not responsible for matters of legal nature including issues of legal title and compliance with local laws in respect of the SPVs and also no consideration has been given to litigation and other contingent liabilities that are not recorded in the financials of the SPVs or disclosed otherwise in the PPM.
- The valuation analysis in this Report should not be construed as investment advice; specifically, and we do not express any opinion on the suitability or otherwise of entering into any financial or other transactions with the Investment Manager, the Trust or any of the SPVs.
- The estimate of value contained herein are not intended to represent value of the SPVs at any time other than the dates specifically mentioned for each valuation result, as per the agreed scope of engagement and as required under the SEBI InvIT Regulations.
- Further, after declaration of Covid-19 as a pandemic by World Health Organisation and consequent imposition of lockdown in India has caused a widespread disruption in businesses as well as on financial markets in India and globally alike. Our assumptions for the valuation is surrounded by these unprecedented uncertainty across all the industries and sectors including the time period over which these circumstances could prevail. The valuation assumptions, the underlying projections and the outcome of the valuation analysis could materially change as a result of the continued or increased uncertainty around the prevalence of Covid-19 circumstances and hence a reliance on our valuation must be placed considering these unprecedented circumstances.

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SECTION 4

OVERVIEW OF THE SPVs

ETAWAH-CHAKERI (KANPUR) HIGHWAY PRIVATE LIMITED (“ECKHPL”)

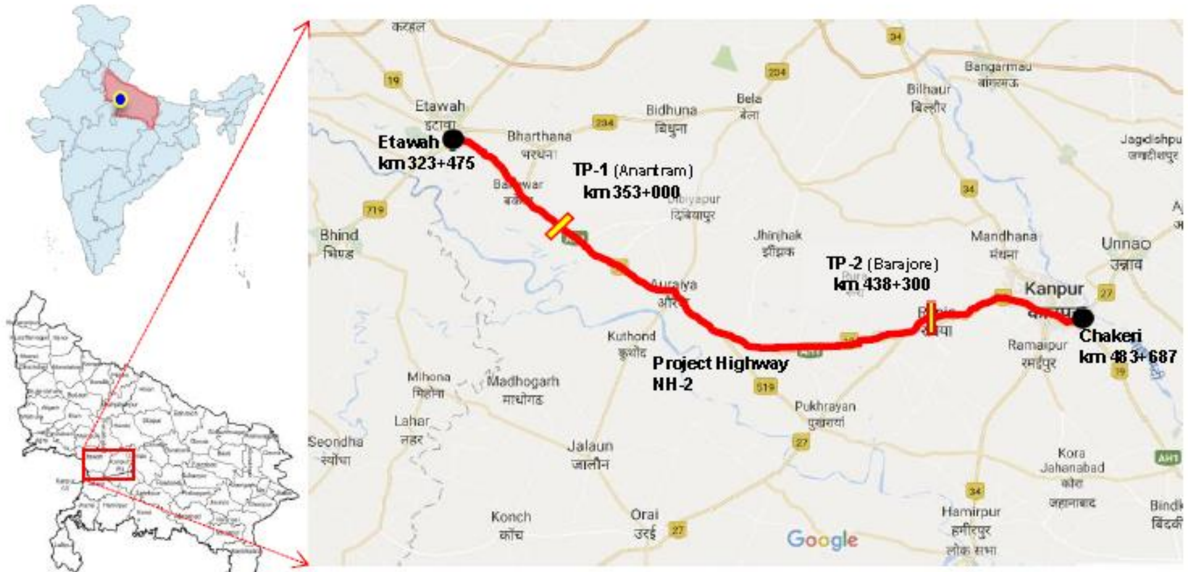
Background:

- Etawah-Chakeri (Kanpur) Highway Private Limited, undertakes development of six lane Etawah – Chakeri (Kanpur) section of NH 2 in the State of Uttar Pradesh on Design, Build, Finance, Operate and Transfer (“DBFOT”) based public-private partnership (“PPP”) mode.

- The Etawah-Chakeri Project highway forms an arm of Golden Quadrilateral connecting Delhi (North India) with Kolkata (East India).

- The Etawah-Chakeri Project comprised of widening and improvement of existing 4-lane section to 6-lane section starting at km 323+475 at end point of Etawah bypass and ending at km 483+687 near Chakeri passes via four districts i.e., Etawah, Auriya, Kanpur Dehat and Kanpur Nagar in Uttar Pradesh admeasuring 160.210 km on Agra – Etawah – Kanpur – Allahabad section of NH 2.

- Etawah-Chakeri Project was awarded by the NHAI for a Concession Period of 16 years starting from Appointed Date on March 13, 2013.



Source: Management of the Trust

ETAWAH-CHAKERI (KANPUR) HIGHWAY PRIVATE LIMITED (“ECKHPL”)

Key Details of the Project:

- The toll collection commenced from the same date of appointed date i.e. March 13, 2013 and the Completion certificate has been received on November 30, 2016.

- The key details of Etawah-Chakeri Project are as follows:

Particulars	Details
Project name	Six-laning of Etawah – Chakeri (Kanpur) section of NH-2 from km 323.475 to km 483.687 in the State of Uttar Pradesh under NHDP Phase-V on DBFOT Toll basis
Name of Concessionaire	M/s Etawah Chakeri (Kanpur) Highway Private Limited
State	Uttar Pradesh
NH/SH	NH 2
Project lane	6 lane
PPP mode	DBFOT
Execution of CA	January 5, 2012
Appointed date	March 13, 2013
Completion Certificate	November 30, 2016
Scheduled Concession End Date	March 12, 2029
Original Concession period	16 years
Expected Concession End Date	December 8, 2030
Tollable Length (km)	160.212 including structure of 23.167 kms
Toll Plaza	2 Nos. TP-1: km 353+000 (actual at km 353+000) – Anantram TP-2: km 437+000 (actual at km 438+300) – Barajore
Salient features	Etawah Chakeri Project is of strategic importance as it forms an arm of Golden Quadrilateral connecting Delhi and Kolkata.

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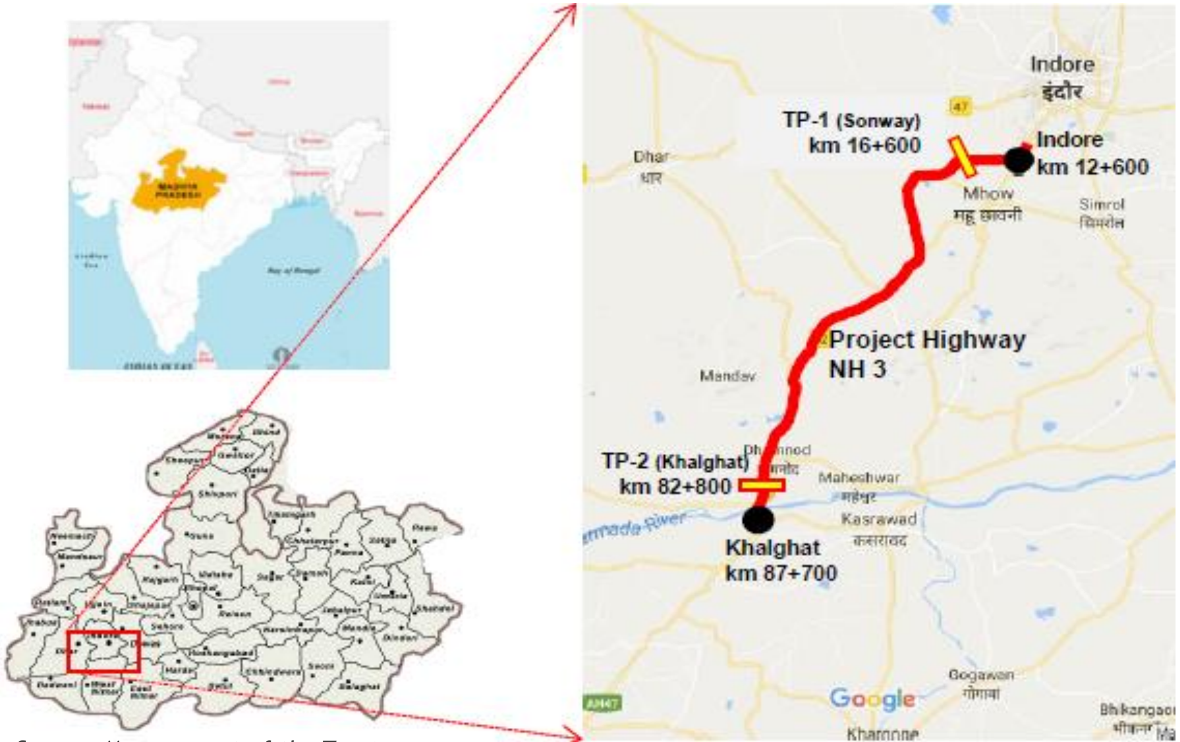
ORIENTAL PATHWAYS (INDORE) PVT LTD ("OPIPL")

Background:

- Oriental Pathways (Indore) Private Limited, undertakes development of four lane Indore – Khalghat section of NH 3 in the State of Madhya Pradesh on Build, Operate and Transfer ("BOT") based PPP mode.
- It is a key link on NH 3 which is known as Agra – Bombay (Mumbai) Highway connecting Delhi and Mumbai. The Indore Khalghat Project comprised of improvement, operation and maintenance including strengthening and widening of existing 2-lane section to 4-lane section starting at km 12+600 and ending at km 84+700 admeasuring about 77.610 km.
- Indore Khalghat Project was awarded by the NHAI for a Concession Period of 20 years starting from Appointed Date on September 6, 2006.



Source: Management of the Trust

ORIENTAL PATHWAYS (INDORE) PVT LTD ("OPIPL")

Key Details of the Project:

- The toll collection of Indore Khalghat Project commenced from August 20, 2009.
- The key details of Indore Khalghat Project are as follows:

Particulars	Details
Project name	4-laning of Indore – Khalghat section of NH 3 from km 12+600 to km 84+700 in the state of Madhya Pradesh on Build, Operate and Transfer (BOT) basis
Name of Concessionaire	Oriental Pathways (Indore) Pvt Ltd
State	Madhya Pradesh
NH/SH	3 (New NH-52)
Project lane	4 laned divided Carriageway with 1.5m paved shoulders & 0.5m kerb shyness - Carriageway (2 x 9.0m)
PPP mode	Build, Operate and Transfer (BOT) basis
Execution of CA	March 10, 2006
Appointed date	September 6, 2006
COD Date	August 20, 2009
Scheduled Concession End Date	May 28, 2026
Expected Concession End Date	September 28, 2026
Concession period	20 years
Tollable Length (km)	77.32 km
Toll Plaza	TP-1: km 4+000 (actual at km 16+600 – Sonway) TP-2: km 75+600 (actual at km 82+800 – Khalghat)

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GMR OSE HUNGUND HOSPET HIGHWAYS PRIVATE LIMITED ("GOHHPL")

Background:

- GMR OSE Hungund Hospet Highways Private Limited, undertakes development of four lane Hungund – Hospet section of NH 13 in the State of Karnataka on DBFOT based PPP mode.
- The Hungund Hospet Project highway is a key link on NH 13 acting as one of the regional spine roads for movement in entire Sothern India.
- Hungund Hospet Project comprises of development, maintenance and management of developed 4-lane section starting at km 202+000 and ending at km 299+000 and measuring about 99.054 km.
- It was awarded by the NHAI for a Concession Period of 19 years starting from Appointed Date on September 18, 2010.

Source: Management of the Trust

GMR OSE HUNGUND HOSPET HIGHWAYS PRIVATE LIMITED ("GOHHPL")

Key Details of the Project:

- The toll collection of Hungund Hospet Project commenced from May 14, 2014.

- The key details of Hungund Hospet Project are as follows:

Particulars	Details
Project name	4-laning of Hungund – Hospet section of NH 13 from km 202+00 to km 299+00 in the state of Karnataka on Design, Build, Finance, Operate and Transfer (DBFOT) basis
Name of Concessionaire	GMR OSE Hungund Hospet Highways Private Limited
State	Karnataka
NH/SH	NH 13
Project lane	4 lane
PPP mode	DBFOT
Execution of CA	March 22, 2010
Appointed date	September 18, 2010
COD Date	May 14, 2014
Scheduled Concession End Date	September 17, 2029
Expected Concession End Date	July 28, 2033
Concession period	19 years
Tollable Length (km)	99.054 km
Toll Plaza	TP-1: km 229+061 (Vanagiri) TP-2: km 283+500 (Shahapur) TP-3: km 288+000 (Hitnal)

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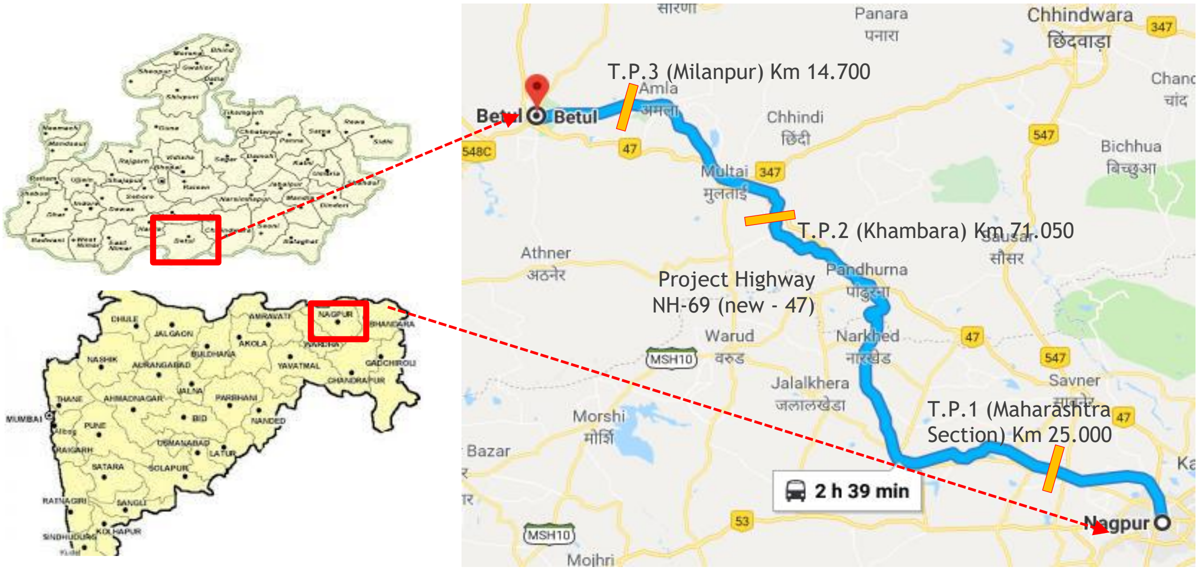
ORIENTAL NAGPUR BETUL HIGHWAY PRIVATE LIMITED ("ONBHPL")

Background:

- Oriental Nagpur Betul Highway Private Limited, undertakes development of four lane Nagpur Saoner Betul section of NH 69 in the State of Maharashtra and Madhya Pradesh on DBFOT - Annuity based PPP mode.

- The Nagpur Betul Project comprises of development, maintenance and management of developed 4-lane section starting at Nagpur from km 3.000 to Km 59.300 in the State of Maharashtra and Km 137.000 to Km 257.400 in the State of Madhya Pradesh terminating at Betul and measuring about km 174.200.

- It was awarded by NHAI for a Concession Period of 20 years starting from Appointed Date on August 30, 2010.



Source: Management of the Trust

- ONBHL is entitled to receive semi-annual annuity of INR 290.80 Cr for the period from February 24, 2015 to February 24, 2031. As per Schedule M-Annuity Payment Schedule, the first and the last annuity was payable on February 24, 2015 and February 24, 2031 respectively. However, the COD was achieved on February 18, 2015 due to which the first annuity was received in August 2015 and accordingly the last annuity will be received in August 2031.

ORIENTAL NAGPUR BETUL HIGHWAY PRIVATE LIMITED ("ONBHPL")

Key Details of the Project:

- The key details of the Nagpur Betul Project are as follows:

Particulars	Details
Project name	4-laning of Nagpur-Saoner-Betul section of NH 69 from Km 3.000 to Km 59.300 in the State of Maharashtra and from Km 137.000 to Km 257.400 in the State of Madhya Pradesh
Name of Concessionaire	Oriental Nagpur Betul Highway Private Limited
State	Maharashtra and Madhya Pradesh
NH/SH	NH - 69 (New NH-47)
Project lane	4 laned divided Carriageway with median width varies from 1.20 m to 4.50 m, service roads and other arrangements
PPP mode	Design, Build, Finance, Operate and Transfer on Annuity (DBFOT Annuity) basis
Execution of CA	August 30, 2010
Appointed date	January 20, 2011
PCOD Date	February 18, 2015
Expected Concession End Date	January 19, 2032
Concession period	20 years
Tollable Length (km)	174.20 km
Toll Plaza	T.P 1: Km 25.000 Maharashtra Highway section, temporarily constructed due to non availability of land T.P 2: Km 14.700 Madhya Pradesh section (Milanpur) T.P 3: Km 71.050 Madhya Pradesh section (Khambara)
Annuity Amount	INR 290.80 Cr payable after every six months commencing from February 24, 2015 to February 24, 2031

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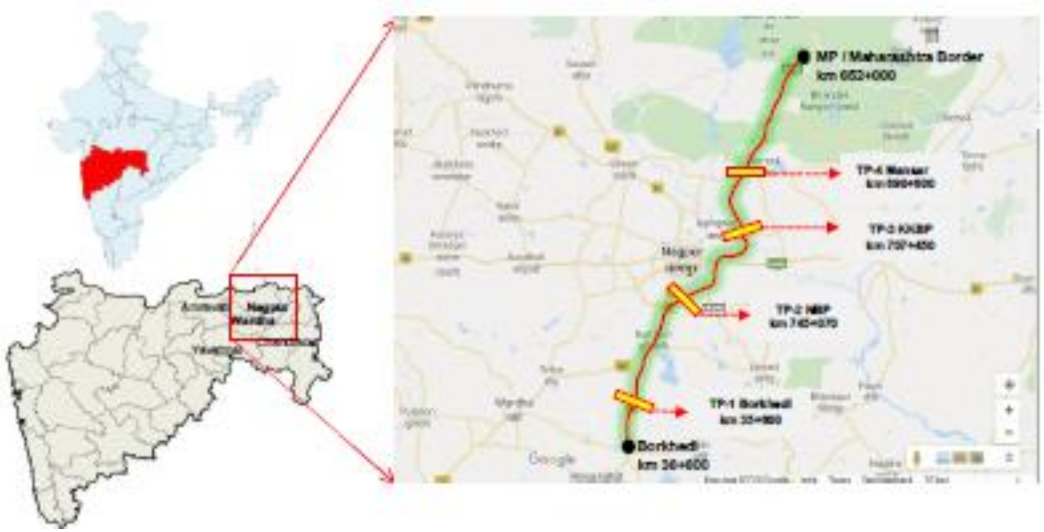
ORIENTAL NAGPUR BYE PASS CONSTRUCTION PVT. LTD. (“ONBPCPL”)

Background:

- Oriental Nagpur Bye Pass Construction Private Limited, undertakes development and operation of four lane Madhya Pradesh / Maharashtra Border – Nagpur section of NH 7 including construction of Kamptee - Kanhan and Nagpur bypass and maintenance of 4-laned section of Nagpur - Hyderabad section in the state of Maharashtra on DBFOT based PPP mode.

- The Nagpur Bypass Project highway is a key link on NH 7 connecting North and South India. It comprises of development, maintenance and management of 4-lane section starting at km 652+000 and ending at km 729+000 admeasuring about 95.063 km and maintenance of already 4-laned section from km 14+585 to km 36+600 admeasuring 22.015 km. Therefore, total length of this project highway is 117.078 km.

- It was awarded by NHAI for a Concession Period of 27 years starting from Appointed Date on April 3, 2010.



Source: Management of the Trust

ORIENTAL NAGPUR BYE PASS CONSTRUCTION PVT. LTD. (“ONBPCPL”)

Key Details of the Project:

- The key details of the Nagpur Bye Pass Project are as follows:

Particulars	Details
Project name	4 - Laning of Madhya Pradesh / Maharashtra Broder - Nagpur Section of NH-7 from Km 652+000 to 729+000 including construction of Kamptee - Kanhan and Nagpur Bypass and Maintenance of already 4-landed section from Km 14+585 to Km 36+600 of NH-7 (Nagpur - Hyderabad Section)
Name of Concessionaire	Oriental Nagpur Bye Pass Construction Pvt. Ltd.
State	Maharashtra
NH/SH	NH 7
Project lane	4 lane
PPP mode	Design, Build, Finance, Operate and Transfer (DBFOT)
Execution of Concession Agreement	October 5, 2009
Appointed date	April 3, 2010
COD Date	For 78.628 km: June 11, 2012
	For 33.700 km: August 13, 2018
	For 4.750 km: March 19, 2019
Scheduled Concession End Date	April 2, 2037
Expected Concession End Date	May 11, 2037
Concession period	27 years
Tollable Length (km)	117.078 km
Toll Plaza	TP-1: km 35+600 (Borkhedi) TP-2: km 745+070 (NBP) TP-3: km 707+450 (KKBP) TP-4: km 690+600 (Mansar)

Key Details of the Project:

- Section 1: 4-laning work in forest area from km 652.000 to km 689.450 including Parsivini GS, Lihigaon UP, 24kms Service road and Bhandara clover leaf 37.450 km.
- Section 2: 4-Laning of Madhya Pradesh / Maharashtra Border - Nagpur Section of NH-7 from km. 689.450 to km 747.063 including construction of Kamptee Kanhan and Nagpur Bypass and maintenance of already 4-laned section from km 14.585 to km 36.600 of NH-7 (Nagpur - Hyderabad Section) - 79.628 km.
- The Nagpur Bypass Project commenced its commercial operation on June 11, 2012 for a length of 78.628 km, on August 13, 2018 for a further 33.700 km and on March 19, 2019 for the balance 4.750 km. Thus, the total length of this project in commercial operation is 117.078 km.

SECTION 5

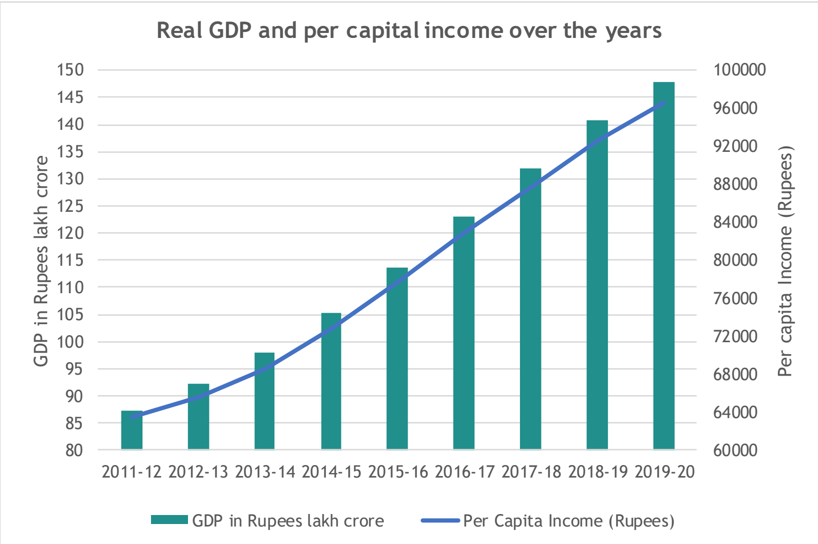
INDUSTRY OVERVIEW

INDUSTRY OVERVIEW

The information in this section is derived from the report "Report on Roads and Highways Industry", November 30, 2018 (the "CARE Report"), prepared by CARE Research, an independent division of CARE Ratings Limited (the "Ratings Division"), except for other publicly available information as cited in this section. The Sponsors commissioned the CARE Report for the purposes of confirming the understanding of the industry in connection with the Offer.

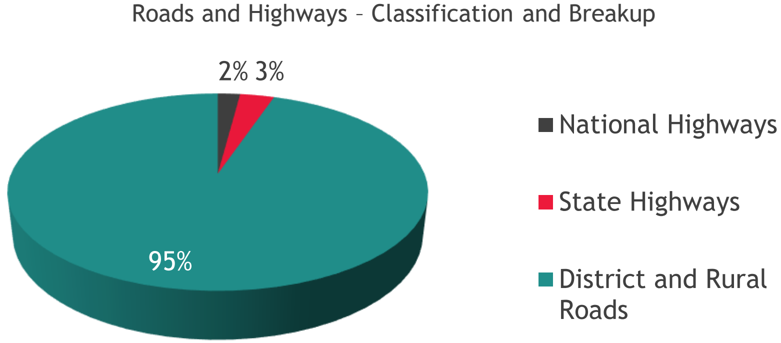
OVERVIEW OF INDIAN ECONOMY

- India, ranked as the sixth largest economy by nominal GDP and the third largest by purchasing power parity, has been amongst the fastest growing economies in the world over the past few years.
- The real GDP of India grew at a CAGR of 7.56% from Rs.105.4 trillion in 2014-15 to Rs.121.9 trillion in 2016-17. (Source: Economic Survey India 2017-18) However, the growth rate is estimated to have moderated to about 6.7% for 2017-18 with real GDP of Rs.130.1 trillion. (Source: Ministry of Statistics and Program Implementation (MOSPI))



ROADS & HIGHWAYS SECTOR IN INDIA

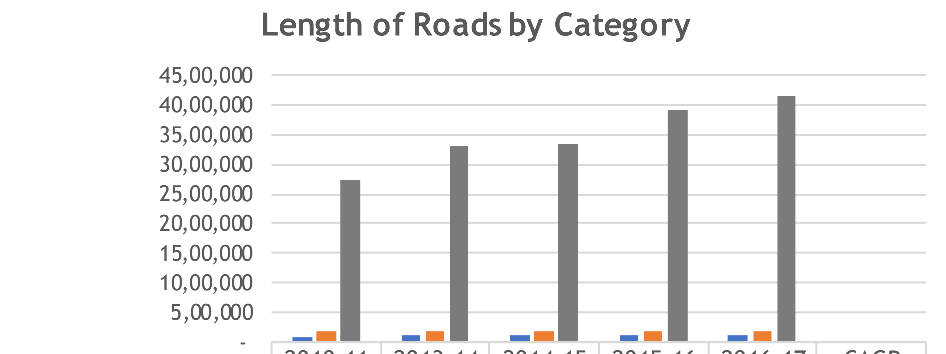
- Roads and highways are the major logistical bloodstream of the Indian economy. Globally, India ranks second in road network, spanning a total length of over 5.6 million km of roads. Roads contribute to 60% of total goods movement and 85% of total passenger traffic in the India. As per data from National Highways Authority of India (NHAI), national highways make up for about 2% of the total road network but handle approximately 40% of the total road traffic.



- During the Twelfth Five Year Plan (FYP i.e. for the period 2012-17), Government earmarked an investment of US$ 32.4 billion for the development of roads. The Union Budget 2020 made an allocation of Rs. 91,823.2 crore towards roads and highway development which is a sizeable growth of 10% over Union Budget 2019.
- As a stimulus to the sector over the next decade, the Government's initiative, "Bharatmala Pariyojana" is aimed at development of an all-integrated road-transport network. This is an important initiative for the sector, as the Government would now focus on developing highway networks which would connect it with other modes of logistics like ports, railways etc. Additionally, an integrated road development approach focused on developing entire networks of roads/highways like the Golden Quadrilateral, would aid in the development of new geographies, also leading to an increase in employment opportunities.

INDUSTRY OVERVIEW

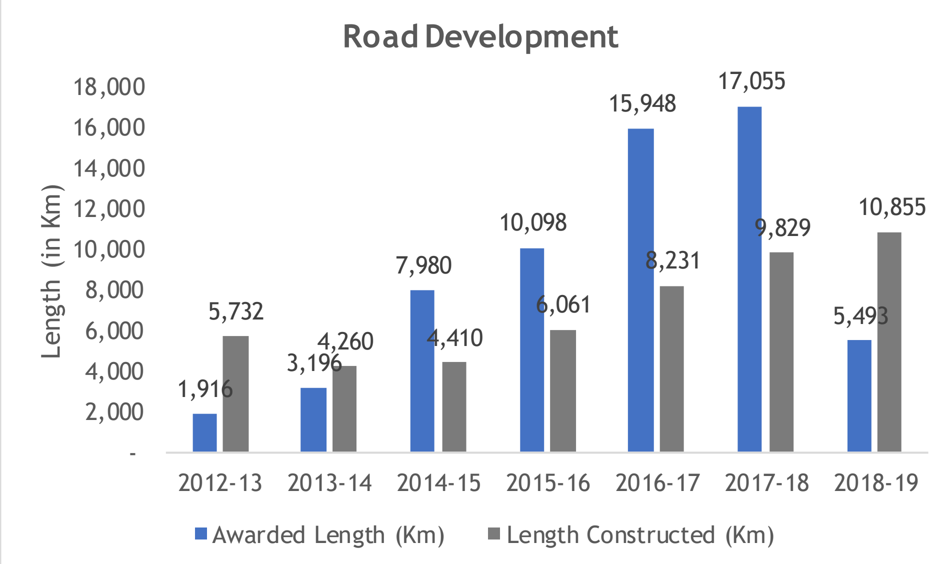
- In India, roads and highways are broadly classified under following categories:
  a) National Highways facilitate medium and long distance inter-city passenger and freight traffic across the country. The National Highways have a total length of 1,32,500 km as on March 31, 2019.
  b) State Highways are intended to carry the traffic along major centers within the State.
  c) District Roads primarily link and provide accessibility within the district and provide the secondary function of linkage between main roads and rural roads.
  d) Rural Roads provide villages accessibility to meet their social needs as also the means to transport agriculture produce from village to nearby markets.



	2010-11	2013-14	2014-15	2015-16	2016-17	CAGR
National Highways	70,934	91,287	97,991	1,01,011	1,14,158	7.03%
State Highways	1,63,898	1,70,818	1,67,109	1,76,166	1,76,166	1.04%
Rural Roads	27,49,804	33,04,328	33,37,255	39,35,337	41,66,916	6.12%

National Highways State Highways Rural Roads

- The tendering and awarding of projects has picked up pace after the sanction of ambitious Bharatmala programme.



INDUSTRY OVERVIEW

REGULATORY FRAMEWORK

- Ministry of Road, Transport and Highways (MoRTH):

  MoRTH, a ministry of the Government of India, is the apex body for formulation and administration of the rules, regulations and laws relating to road transport, and transport research, in order to increase the mobility and efficiency of the road transport system in India.

- National Highways Authority of India (NHAI)

  The NHAI is an autonomous agency of the Government of India, responsible for management of a network of over 1 lakh km of National Highways in India. It is a nodal agency of the Ministry of Road Transport and Highways (MoRTH). The NHAI is also responsible for the toll collection on several highways.

- State Public Works Department (PWD)

  Each state has a Public Works Department which is governed and funded by the respective State Governments. It is engaged in planning, designing, construction and maintenance of various infrastructural assets of the State Government with roads being one of the major asset. The PWD much like the NHAI, is also engaged in setting up tolls across its projects or awarding them to private players in the state.

- District Municipal Corporations and Gram Panchayats

  A Municipal Corporation is a local governing body, of cities, towns, districts etc. Gram Panchayats are equivalents of Municipal Corporations at village level. These governing bodies are independent like the PWD but are funded by both the Government of India as well as the State Government under various schemes. Major District Roads and Rural roads & highways are developed and maintained by these bodies.

ROADS & HIGHWAYS DEVELOPMENT:

The Government of India has taken various initiatives to bolster the growth of the roads and highways in India.

- National Highway Development Project (“NHDP”)

  NHDP is a 7-phase project aimed at upgrading, rehabilitating and widening major highways in India to a higher standard. The project was started in 1998 and managed by NHAI under MoRTH. The NHDP represents 49,260 km of roads and highways work and construction in order to boost economic development of the country. The Government planned to end the NHDP programme in early 2018 and subsume the ongoing projects under a larger “Bharatmala” project.

- Bharatmala Pariyojana

  “Bharatmala Pariyojana” envisages improving the efficiency of the National Corridor (Golden-Quadrilateral and NS-EW corridor) by decongesting its choke points through lane expansion, construction of ring roads, bypasses/ elevated corridors and logistics parks at identified points.

Outlay of BHARATMALA Pariyojana Phase I (2017-18 to 2021-22)

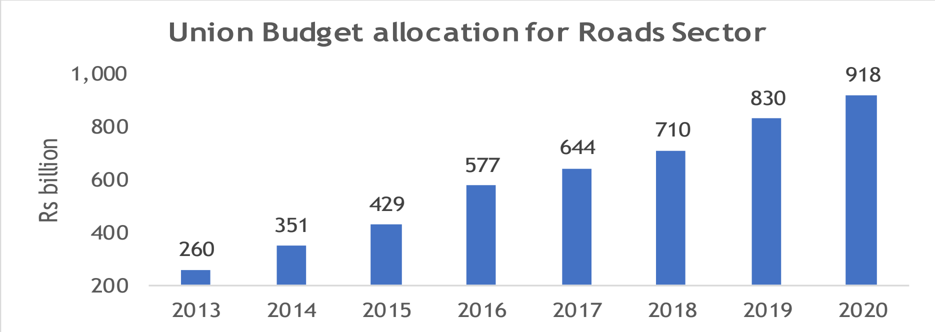
Components	Length (in KM)	Outlay (in Rs. billion)
Economic Corridor Development	9,000	1,200
Inter-corridor and feeder roads	6,000	800
National Corridors efficiency improvements	5,000	1,000
Border and international connectivity roads	2,000	20
Coastal and port connectivity roads	2,000	200
Expressways	800	400
Balance of NHDP	10,000	1,500
Total	**34,800**	**5,350**

Source :MORTH

INDUSTRY OVERVIEW

FINANCING MECHANISM

- Budgetary Allocation: The Central Government during its Union Budget every year makes a budgetary allocation to be spent for the development of roads and highway infrastructure, in consultation with the statutory bodies and industry participants. There has been consistent increase in the budgetary allocations over the past years for development of robust highway network in the country.



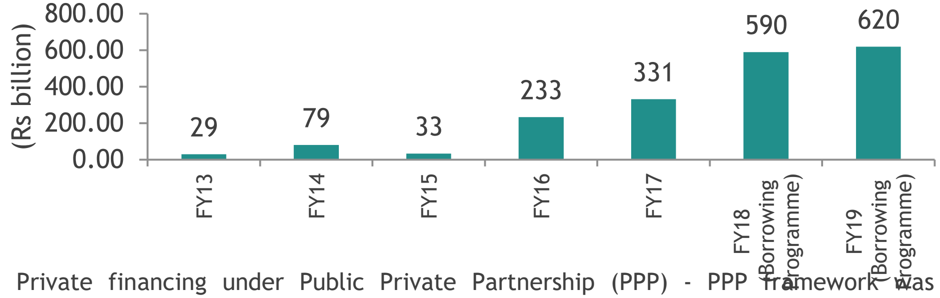
- Cess: The cess levied by the Central Government on petrol and diesel has contributed significantly towards NHDP in the past.

Year	FY12	FY13	FY14	FY15	FY16	FY17
Cess Fund received (Rs. billion)	62	60	69	69	154	23

- Loan assistance from international funding agencies: Loan assistance is available from multilateral development agencies like Asian Development Bank, World Bank, Japan Bank for International Cooperation etc. at concessional rates for infrastructure development and usually repayable over a longer timeframe, thereby allowing more time for the revenues to stabilize and make the repayments.

- Market Borrowings: NHAI taps the securities markets, primarily bond markets, for raising debt to finance its existing projects and refinancing debt.

Fund raising activity by NHAI



- Private financing under Public Private Partnership (PPP) - PPP framework was introduced to increase the efficiency of infrastructure projects through a long-term collaboration between the public sector and private business. Discussed below are the frameworks which are widely used in order to execute and implement roads and highway projects by NHAI.

a) Build-Operate-Transfer (BOT) Toll: The concessioning authority grants to the concessionaire an exclusive license for designing, engineering, financing, constructing, equipping, operating and maintaining the project for an agreed concession period. The concessionaire is entitled to collect and retain toll revenues for the tenure of the project concession period and transfers the ownership and operation of the facility to the authority after the end of concession period.

b) Build-Operate-Transfer (BOT) Annuity: The concessionaire bids for annuity payments from the concessioning authority that would cover its cost (construction, operations and maintenance) and an expected return on the investment. The bidder quoting the lowest annuity is awarded the project. The annuities are paid semi-annually by NHAI or other concessioning authority to the concessionaire and are linked to performance covenants. The concessionaire does not bear the traffic/tolling risk in these contract, which in this case is born by the authority, which ensures timely and regular cash flows for the developer.

INDUSTRY OVERVIEW

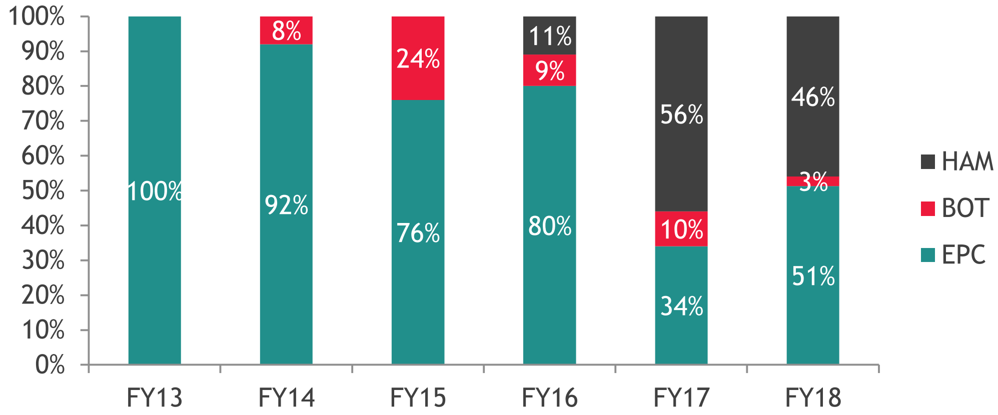
c) Operate-Maintain-Transfer (OMT): NHAI has taken up award of select highway projects to private sector players under an OMT Concession. Till recently, the tasks of toll collection and highway maintenance were entrusted with tolling agents/ operators and subcontractors, respectively. These tasks have been integrated under the OMT concession. Under the concession, private operators would be eligible to collect tolls on these stretches for maintaining highways and providing essential services (such as emergency/ safety services).

d) Engineering, Procurement and Construction (EPC): This framework of PPP relies on assigning the responsibility for investigations, design and construction of roads to the contractor for a lump sum price determined through competitive bidding.

e) Hybrid Annuity Model (HAM): HAM is a relatively new PPP framework, which combines the features of BOT (Annuity) and EPC. Under this, the Government accepts revenue/ toll collection risk, along with partial sharing (40% or on a case to case basis) of financial risk and assigns the contractor to continue managing executional and operational & maintenance risk. HAM as a model was brought in keeping in mind the stressed balance sheets of most infrastructure groups which was hampering their participation in the road construction segment, due to their inability to secure funds to invest in new projects.

f) Toll-Operate-Transfer (T-O-T): As a recent measure to mobilize funds, NHAI decided to auction its operational highways to private investor's maintenance and toll collection for a period of 30 years. A private player is expected to operate and maintain the highway and collect toll for 30 years after making an upfront payment, without having to build the highway.

Change in awarding pattern by NHAI



OUTLOOK FOR ROADS & HIGHWAYS SECTOR BETWEEN FY19 AND VALUATION DATE

As per the Economic Survey 2019-20, to achieve the GDP of $5 trillion by 2024-25, India needs to spend about $1.4 trillion (` 100 lakh crore) over these years on infrastructure. o draw up the National Infrastructure Pipeline (NIP) for each of the years from FY 2019-20 to FY 2024-25, an inter-ministerial Task Force was set up in September 2019 under the chairmanship of Secretary (DEA), Ministry of Finance. NIP is expected to enable well-prepared infrastructure projects which will create jobs, improve ease of living, and provide equitable access to infrastructure for all, thereby making growth more inclusive. NIP also intends to facilitate supply side interventions in infrastructure development to boost short-term as well as the potential GDP growth. Improved infrastructure capacities will also drive competitiveness of the Indian economy. The Finance Minister released the Report of the Task Force on National Infrastructure Pipeline (abridged version) on 31.12.2019. The NIP has projected total infrastructure investment of INR 102 lakh crore during the period FY 2020 to 2025 in India. Energy (24 per cent), Roads (19 per cent), Urban (16 per cent), and Railways (13 per cent) amount to over 70 per cent of the projected capital expenditure during the said period.

INDUSTRY OVERVIEW

c) A good road network is an essential requirement for the rapid growth of the economy. Roads provide connectivity to remote areas, open up backward regions and facilitate access to markets, trade and investment. As on 31.3.2018, India had a road network of about 59.64 lakh km. The total length of National Highways was 1.32 lakh km as on March 1, 2019. The pace at which roads have been constructed has grown significantly from 17 kms per day in 2015-16 to 29.7 kms per day in 2018-19. However, the pace seems to have moderated in 2019-20. Total investment in the Roads and Highway sector has gone up more than three times in five year period of 2014-15 to 2018-19.

Table 9: Road Length Awarded & Constructed (Length in km)

	2015-16	2016-17	2017-18	2018-19	2019-20 #
Award of NHs/Road projects	10,098	15,948	17,054	5,494	2,103
Construction of NHs/Roads	6,061	8,231	9,829	10,855	4,622
Road construction per day	17	23	27	29.65	12.7

Source: MoRTH.
Note: # - As on 30.09.2019.

d) The road sector has seen major development in the past one decade and along with participation from the private sector, has witnessed almost doubling of the national highway network. But even after doubling of the national highways, the road connectivity seems to be inadequate considering specific geographies and regions. The authorities in the country seem to have identified this gap in connectivity and have been aggressively awarding new projects. The outlook for the roads and highways sector seems promising with growing Government thrust on the sector, with increase in budgetary outlay and initiatives such as Bharatmala Pariyojana, National Infrastructure Pipeline, new road development models, financing frameworks and rising interest from pension funds and private equity firms to make investments in the sector. All these measures put together will be crucial to achieve the ambitious targets laid down by the Government for the sector.

e) The outbreak of Novel Coronavirus (Covid-19) pandemic will have a significant impact on the buildout of roads and highways, a key enabler of India's growth. The toll collections had witnessed a significant decline in FY 20 due to nationwide lockdown imposed. The Ministry of Road Transportation and Highways (MORTH) has suspended tolling on all national highways for the 21-days period, which was extended by another 19 days up to May 3. As per the Ministry circular, the toll suspension would be treated as force majeure event. Under force majeure event, for the BOT Toll and TOT projects, the revenue loss is compensated in the form of extension in concession period. In addition, 100 per cent of operations and maintenance (O&M) and interest costs are reimbursed for the BOT Toll projects for the affected period; this would amount to 50-55 per cent estimate of loss of revenue incurred by these projects.

f) Further, the economy has restarted gradually post lockdown. Freight movement has strong correlation with the health of the economy and thereby the toll collections is directly related to movement in GDP. Therefore, the detrimental impact of COVID-19 on the overall economy would inturn affect the movement of commercial freight on the road stretches thereby, adversely affecting the toll collections. A gradual ramp-up of traffic is expected after the lockdown, with the economy returning to normalcy post June.

SECTION 6

VALUATION APPROACH

VALUATION APPROACH

- There are three generally accepted approaches to valuation:
  - “Cost” Approach
  - “Market ” Approach
  - “Income” Approach
- The application of approach depends upon the nature of assets, the information available and facts and circumstances surrounding the valuation.

a) 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 Method
  - The Net Asset Value (“NAV”) method under cost approach, consider 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 the company.
  - NAV method is appropriate in a case where the major strength of the business is its asset base rather than its capacity or potential to earn profits.
  - This valuation approach is mainly used in cases where the asset base dominates earnings capability.
  - 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.

- Break Up Value Method
  - Under the Break Up Value (“BV”) method, the assets and liabilities are considered at their realizable (market) values including intangible assets and contingent liabilities, if any, which are not stated in the balance sheet. From the realizable value of the assets, the payable value of all liabilities (existing plus potential) are deducted to arrive at the BV of the company.
  - This Valuation approach is mostly used in case of companies where there are huge operating investments or surplus marketable investments.

VALUATION APPROACH

b) Market Approach:

- Market Price Method
  - Under this approach, the market price of an equity share 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.

- Comparable Companies Multiple Method
  - Under the Comparable Companies Multiple ("CCM") method, the value is determined on the basis of multiples derived from valuations of comparable companies, as manifest through 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.
  - To the value of the business so arrived, adjustments need to be made for the value of contingent assets/liabilities, surplus Asset and dues payable to Preference Shareholders, if any, in order to arrive at the value for equity shareholders.

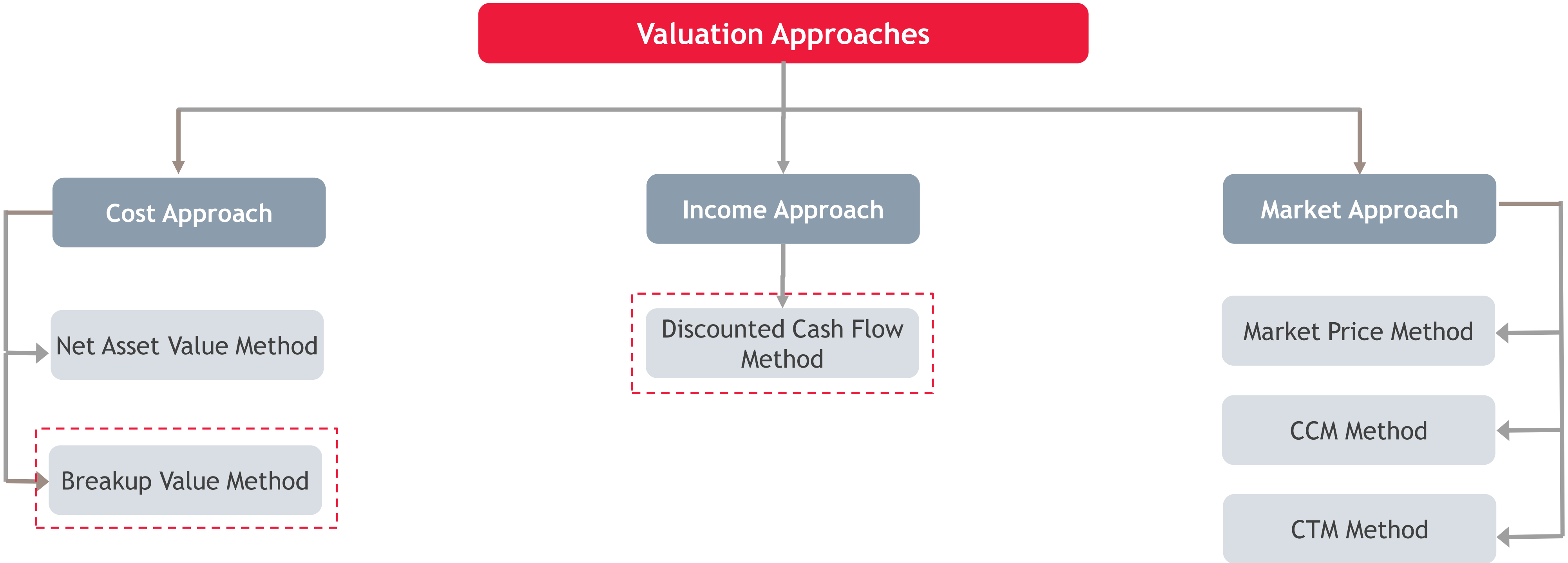
- Comparable Transactions Multiple Method
  - Under the Comparable Transactions Multiple ("CTM"), the value of a company can be estimated by analysing the prices paid by purchasers of similar companies under similar circumstances. This is a valuation method where one will be comparing recent market transactions in order to gauge current valuation of target company.

c) Income Approach:

The Income approach focuses on the income prospects of a company.

- Discounted Cash Flow Method
  - Under the Discounted Cash Flow ("DCF") method, the value of the undertaking is based on expected cash flows for future, discounted at a rate, which reflects the expected returns and the risks associated with the cash flows as against its accounting profits. The value of the undertaking is determined as the present value of its future free cash flows.
  - Free cash flows are discounted for the explicit forecast period and the perpetuity value thereafter. Free cash flows represent the cash available for distribution to both, the owners and creditors of the business.
  - Discount rate is the Weighted Average Cost of Capital ("WACC"), based on an optimal vis-à-vis actual capital structure. It is appropriate rate of discount to calculate the present value of future cash flows as it considers equity-debt risk and also debt-equity ratio of the firm.
  - The perpetuity (terminal) value is calculated based on the business's 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's future operations.
  - The Business/Enterprise Value is so derived.

CONCLUSION ON VALUATION APPROACH



Rationale for Valuation Approaches & Methodologies :

- **Cost Approach**: This valuation approach is mainly used in cases where the asset base dominates earnings capability. Thus, Break Up Value Method has been considered for the valuation of the Trust as it holds investment in 5 SPVs.
- **Income Approach:** The Discounted Cash Flow method takes into account the specific strength of the company to be valued and represents the expected performance of the company based on its projections including the incremental working capital and capital expenditure requirement to achieve the projections. In the current case, the value of the SPVs would be reflected in its future earnings potential. Hence, the DCF Method under the income approach has been considered as an appropriate method for the valuation of the SPVs.
- **Market Approach:** As any of the 5 SPVs are not listed on any recognized stock exchange, the market price method of valuation was not considered. Since, current valuation is for specific projects in an SPV (BOT and Annuity based projects), CCM Method and CTM Method for the present valuation analysis exercise are not considered as each SPVs have different concession period, geographical differences which are not identical to the listed companies.

SECTION 6A

VALUATION ANALYSIS

VALUATION ANALYSIS

- As mentioned in Section VI, the value of undertaking is determined based on the future cash flow to be generated by each SPV for the remaining concession period.
- These cash flows have been estimated based on the projected financial information provided by the Management. The assumptions for arriving these cash flows are discussed separately in each SPV section.
- The assumptions considered for the projections are management's best estimate of the range of economic conditions that will exist over the remaining useful life of the assets i.e. remaining agreed concession period for each SPV, capturing growth prospects and earning capabilities.
- The financial forecast provided by the Management has been reviewed for consistency and reasonableness and we have relied on the estimates provided.
- The other key assumptions considered in DCF method is determination of an appropriate rate to discount the future cash flows. The Free Cash Flows to Firm ("FCFF") have been calculated for each SPV as on the Valuation Date based on the financial projections provided by the Management.
- FCFF refers to cash flows that are available to all the providers of capital, i.e. equity shareholders, preference shareholders and lenders.
- In FCFF, the free cash flows available to the firm are discounted by Weighted Average Cost of Capital (WACC) to arrive the net present value and terminal period cash flows. For present valuation analysis exercise, Capital Asset Pricing Model (CAPM) is considered for the calculation of Cost of Equity.

Cost of Equity:

- Cost of Equity ("Ke") is a discounting factor to calculate the present value of the net free cash flows to equity of the entity, which will be used to calculate its equity value. The present value is determined by discounting the net free cash flows to equity by Ke.
- The returns expected by the equity depend on the perceived level of risk associated with the business and the industry in which the business operates.
- For this purpose, Capital Asset Pricing Model (CAPM) is used, which is a commonly used model to determine the appropriate cost of equity.
- The CAPM can be defined as follows:

Ke = Rf + (Rp * Beta) + CSRP

Wherein:

Ke = cost of equity

Rf = risk free rate

Rp = risk premium

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

CSRP = Company Specific Risk Premium

Note 1(a): Risk Free Rate (Rf)

- The risk free rate of return is based on yields of 10 year zero coupon bond yield as on September 30, 2020 having and as listed on www.ccilindia.com. In the present case, the risk free rate of return is arrived at 6.45%.

VALUATION ANALYSIS

Note 1(b): Market Return (Rm)

- Market Return is a measure of rate of return that investors earns by investing in equity markets. It is calculated based on the average historical market return. In the present case, the market return is considered at 15%.

Note 1(c): Risk Premium (Rp)

- 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 (Rm) – Risk free rate (Rf)

- In the present case, the risk premium is arrived at 8.55%.

Note 1(d): Beta

- Beta is a measure of the sensitivity of a company's stock price to the movements of the overall market index. For present valuation analysis exercise, the comparable companies that are engaged in primarily construction and operation of road assets in India are considered.

- Beta of the following companies engaged in construction and operation of road assets in India, are considered for present valuation analysis:
  - IRB Infrastructures Developers Limited
  - Ashoka Buildcon Limited
  - PNC Infratech Limited

WACC:

- The discount rate for arriving at the present value of the Free Cash Flows to the Firm is the Weighted Average Cost of Capital ("WACC").

- The WACC is derived as follows:

  WACC = Ke * [E/(D+E)] + Kd *(1-t) *[D/(D+E)]

  Wherein:

  Ke = cost of equity

  E/(D+E) = equity / total capital

  Kd = cost of debt

  T = tax rate

  D/(D+E) = debt / total capital

- The assumptions for the WACC considered for each individual SPV is stated in each SPV section.

SECTION 6B

VALUATION OF THE SPVs

VALUATION OF THE SPVs

Etawah-Chakeri (Kanpur) Highway Private Limited (“ECKHPL”)

Key Inputs in Projections:

The key inputs of the projections provided by the Management are as follows:

a) Modification in Concession Period

- As per the Clause 29.2.1 of the Concession Agreement between NHAI and ECKHPL as provided to us by the management of the Sponsors, *“In the event Actual Average Traffic shall have fallen short of the target traffic, then for every 1% shortfall as compared to the target traffic, the Concession period shall, subject to payment of Concession Fee in accordance with this Agreement, be increased by 1.5% thereof; provided such increase in Concession period shall not in any case exceed 20% of the Concession period”*.
- The traffic during the period of demonetization has fallen.
- Thus, the Concession period of 16 years as per Concession Agreement between NHAI and ECKHPL as provided by the Management is increased due to demonetization and as per the above clause as given in the table alongside.
- Target Traffic as on the Target date is as per the traffic volumes provided by the Management supported by Traffic Due Diligence report carried out by Mott MacDonald dated January 2020.
- The revised Concession end date considering the impact of demonetization and Clause 29.2 – Modification in Concession Period is December 8, 2030.
- Thus, the explicit period for the current valuation analysis exercise has been considered from October 01, 2020 to December 8, 2030.

Particulars	Unit	Details
Target date as per CA	Date	October 1, 2021
Target traffic as per CA	PCUs	48,750
Comparison of average traffic at test date with target	%	-7%
Original concession period	years	16.00
Increase in concession period	%	10%
Change in concession period	years	1.68
Revised concession period	years	17.68
Appointed date	Date	March 13, 2013
Additional days due to demonetization	Days	24
Original concession end date (incl demonetization days	Date	April 5, 2029
Revised concession end date (incl demonetization days)	Date	December 8, 2030

b) Traffic Volume

- Traffic volumes as received from the Management supported by Traffic Due Diligence report carried out by Mott MacDonald dated January 2020 are considered.

c) Revenue

- Revenue forecast is as per latest draft Traffic Due Diligence numbers prepared by an independent party. The revenue earned in FY19 and FY20 is INR 335.7 Cr and INR 343.8 Cr respectively. The revenue earned for 6 months period ended September 30, 2020 was INR 156.5 Cr. We have considered an analysis of traffic over the period between April 21, 2020 (since the toll collection resumed) to September 30, 2020 with the revenues on a daily basis converging towards projected daily revenue in September 2020. This analysis in consonance with the discussion with the Management and input received from traffic study consultants the revenue for FY21 is estimated at INR 365.0 Cr.

VALUATION OF THE SPVs

Etawah-Chakeri (Kanpur) Highway Private Limited ("ECKHPL")

d) Toll rates

- The current toll rates provided by the Management has been validated from NHAI's site on Toll Information system (www.tis.nhai.gov.in.) as well as toll notifications issued by NHAI shared by the Management.

- The Management has considered annual revision of toll rate (user fees) which is in accordance to National Highway Fee (Determination of Rates and Collection) Rules, 2008 and amendment thereto dated December 3, 2010 whereby the base rate shall be increased without compounding by 3% p.a. and additionally, the applicable base rate shall be revised annually to reflect the increase in wholesale price index ("WPI") but such revision shall be restricted to forty percent of the increase in WPI on overall basis during the concession period.

- WPI has been projected to grow by 5% for the projected period.

e) Periodic Maintenance & Routine Maintenance Costs

- Estimates for projected Periodic Maintenance & Routine Maintenance Costs from the Management supported by Technical Due Diligence report carried out by LEA Associates South Asia Pvt Ltd dated December 2018 are considered.

- As discussed with the Management, the major maintenance and repairs for ECKHPL that will be incurred within 2 years post Concession period have been preponed and considered at the second last year of the concession period on an appropriate basis.

f) Premium payable

- The premium payable to NHAI is considered as given by the Management and validated the same from the Concession Agreement.

VALUATION OF THE SPVs

Etawah-Chakeri (Kanpur) Highway Private Limited (“ECKHPL”)

DCF Method:

- The key assumptions and other key inputs, mentioned in the previous paragraphs, as provided by the Management are considered in the projections.
- The projections provided by the Management, based on Traffic Due Diligence report, are only the best estimates of growth and sustainability of profitability margins. The financial forecast provided by the Management were reviewed for consistency and reasonableness, and have relied on them.
- The explicit period has been considered from October 01, 2020 to December 08, 2030.
- The tax computation as provided by the Management has been considered and reviewed to assess that the same has been calculated as per the provisions of the Income Tax Act, 1961. The interest expense is adjusted in the same for arriving at the tax computation under FCFF.
- We have used the Free Cash Flows to Firm (“FCFF”) method under DCF to calculate Enterprise Value of ECKHPL.
- In FCFF, the free cash flows available are discounted by weighted average cost of capital (WACC) to derive the Enterprise Value. The detailed computation of WACC is given in the next page.
- The Business/ Enterprise Value of ECKHPL as on September 30, 2020 is arrived at INR 1,875.3 Cr.

VALUATION OF THE SPVs

Etawah-Chakeri (Kanpur) Highway Private Limited ("ECKHPL")

Computation of WACC:

Particulars	Nil Tax	MAT	Full Tax	Explanation
Risk free return (Rf)	6.5%	6.5%	6.5%	Risk free rate as on September 30, 2020
Market Return (Rm)	15.0%	15.0%	15.0%	Market Return has been considered based on the long term average returns earned by an equity investor investing in India corroborated by long term average returns of the Bombay Stock Exchange.
Risk premium	8.5%	8.5%	8.5%	Risk Premium = Market Return (Rm)- Risk Free Rate (Rf)
Relevered Beta (β)	0.7	0.7	0.6	We have considered 5 years beta for comparable companies
Cost of equity (Ke)	**12.7%**	**12.0%**	**11.4%**	**Ke = Rf + β x (Rm-Rf)**
Cost of debt (I)	9.3%	9.3%	9.3%	Kindly refer note below.
Tax Rate (t)	0.0%	17.5%	34.9%	Based on statutory corporate tax rate in India as of the Valuation date.
Cost of Debt [Net of Tax] (Kd)	**9.3%**	**7.7%**	**6.1%**	**I * (1 - t)**
Debt / (Debt +Equity)	60.0%	60.0%	60.0%	Target long-term debt equity ratio of the comparable companies
WACC	**10.6%**	**9.4%**	**8.2%**	**WACC = Ke*(E/(D+E))+Kd*(D/(E+D))**
WACC Adopted	**10.6%**	**9.4%**	**8.2%**	**After rounding off**

Note: The Trust has given loan to the SPVs at the interest rate of 10.8%.

The infrastructure funding in India for such operating BOT projects is in the range of 9 to 10%. The Trust has obtained loans from banks with an effective cost of debt of 9.3%.

Further the trust being a pass through structure, from the unit holders perspective, the cost of the debt for the SPVs is the rate at which the trust borrows the loan which is in turn lent to the SPVs. Thus the cost of debt of the trust loan becomes relevant from the unit holders perspective for the valuation. We have hence considered a cost of debt of 9.3% for the current valuation exercise.

VALUATION OF THE SPVs

Etawah-Chakeri (Kanpur) Highway Private Limited ("ECKHPL")

Valuation as per Discounted Cash Flow Method (INR Cr)											
WACC at Nil Tax rate	10.6%										
WACC at MAT	9.4%										
WACC at Income Tax rate	8.2%										
Year Ending	**FY21#**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26**	**FY27**	**FY28**	**FY29**	**FY30**	**FY31***
Revenue	208.5	432.9	474.5	524.0	576.7	635.7	699.0	773.0	848.1	933.9	707.8
Cash EBITDA	39.7	191.9	197.8	271.0	312.4	423.6	476.3	539.3	602.7	683.1	509.3
EBITDA Margins	*19.0%*	*44.3%*	*41.7%*	*51.7%*	*54.2%*	*66.6%*	*68.1%*	*69.8%*	*71.1%*	*73.1%*	*72.0%*
Less : Outflows											
Major Maintenance expenses	(3.8)	(14.5)	(6.3)	(16.2)	(17.0)	(28.2)	(246.4)	(19.6)	(18.5)	(88.5)	-
Capital Expenditure	(0.3)	(0.5)	(66.9)	(0.1)	(0.1)	(0.1)	(0.6)	(1.5)	(0.1)	-	-
Incremental Working Capital	(4.9)	-	-	-	-	-	-	-	-	-	6.6
Taxation	(2.5)	(13.4)	(23.6)	(23.8)	(31.8)	(38.2)	(8.5)	(58.0)	(68.8)	(68.7)	(114.0)
Free Cash Flows to Firm (FCFF)	**28.2**	**163.5**	**101.0**	**230.9**	**263.6**	**357.1**	**220.9**	**460.2**	**515.4**	**525.9**	**401.8**
Partial Period Factor	0.5	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.7
Midpoint	0.3	1.0	2.0	3.0	4.0	5.0	6.0	7.0	8.0	9.0	9.8
Present Value Factor	1.0	0.9	0.8	0.8	0.7	0.6	0.6	0.5	0.5	0.4	0.4
Present Value of Cash Flows	**27.5**	**149.5**	**84.4**	**176.3**	**184.0**	**227.9**	**128.9**	**245.4**	**251.2**	**234.3**	**165.9**
Enterprise Value (EV)	**1,875.3**										

#For period from October 1, 2020 to March 31, 2021

*For period ending December 8, 2030

VALUATION OF THE SPVs
Oriental Pathways (Indore) Private Limited ("OPIPL")

Key Inputs in Projections:

The key inputs of the projections provided by the Management are as follows:

a) Modification in Concession Period

- The traffic during the period of demonetization has fallen.
- Thus, the Concession period of 20 years as per Concession Agreement between NHAI and OPIPL as provided by the Management is increased due to demonetization.
- The revised Concession end date considering the impact of demonetization is September 28, 2026.
- Thus, the explicit period for the current valuation analysis exercise has been considered from October 01, 2020 to September 28, 2026.

Particulars	Unit	Details
Original concession period	years	20 years
Appointed date	Date	September 6, 2006
Additional days due to demonetization	Days	23.00
Original concession end date (incl demonetization days	Date	September 28, 2026

b) Traffic Volume

- Traffic volumes as received from the Management supported by latest draft Traffic Due Diligence numbers carried out by independent party are considered.

c) Revenue

- Revenue forecast is as per Traffic Due Diligence report prepared by an independent party for January 2020. The revenue earned in FY19 and FY20 is INR 118.0 Cr and INR 119.9 Cr respectively. The revenue earned for 6 months period ended September 30, 2020 was INR 50.4 Cr.
- We have considered an analysis of traffic over the period between April 21, 2020 (since the toll collection resumed) to September 30, 2020 with the revenues on a daily basis converging towards projected daily revenue. This analysis in consonance with the discussion with the Management and input received from traffic study consultants the revenue for FY21 is estimated at INR 120.2 Cr.

d) Toll rates

- The current toll rates provided by the Management has been validated from NHAI's site on Toll Information System (www.tis.nhai.gov.in.) as well as toll notifications issued by NHAI shared by the Management.
- The Management has considered annual revision of toll rate (user fees) whereby the applicable base rate shall be revised annually to reflect the increase in WPI.
- WPI has been projected to grow by 5% for the projected period.

e) Periodic Maintenance & Routine Maintenance Costs

- Estimates for projected Periodic Maintenance & Routine Maintenance Costs from the Management supported by Technical Due Diligence report carried out by M/s Resotech Consultancy Services Pvt Ltd dated December 2018 are considered.

VALUATION OF THE SPVs

Oriental Pathways (Indore) Private Limited ("OPIPL")

DCF Method:

- The key assumptions and other key inputs, mentioned in the previous paragraphs, as provided by the Management are considered in the projections.
- The projections provided by the Management, based on Traffic Due Diligence report and technical studies, are only the best estimates of growth and sustainability of profitability margins. The financial forecast provided by the Management were reviewed for consistency and reasonableness, and have relied on them.
- The explicit period has been considered from October 1, 2020 to September 28, 2026.
- The tax computation as provided by the Management has been considered and reviewed to assess that the same has calculated as per the provisions of The Income Tax Act, 1961. The interest expense is adjusted in the same for arriving at the tax computation under FCFF.
- We have used the Free Cash Flows to Firm ("FCFF") method under DCF to calculate Enterprise Value of OPIPL.
- In FCFF, the free cash flows available are discounted by weighted average cost of capital (WACC) to derive the Enterprise Value. The detailed computation of WACC is given in the next page.
- The Business/ Enterprise Value of OPIPL as on September 30, 2020 is arrived at INR 587.4 Cr.

VALUATION OF THE SPVs

Oriental Pathways (Indore) Private Limited (“OPIPL”)

Computation of WACC:

Particulars	Nil Tax	MAT	Full Tax	Explanation
Risk free return (Rf)	6.5%	6.5%	6.5%	Risk free rate as on September 30, 2020
Market Return (Rm)	15.0%	15.0%	15.0%	Market Return has been considered based on the long term average returns earned by an equity investor investing in India corraborated by long term average returns of the Bombay Stock Exchange.
Risk premium	8.5%	8.5%	8.5%	Risk Premium = Market Return (Rm)- Risk Free Rate (Rf)
Relevered Beta (ß)	0.7	0.7	0.6	We have considered 5 years beta for comparable companies
Cost of equity (Ke)	**12.7%**	**12.0%**	**11.4%**	**Ke = Rf + ß x (Rm-Rf)**
Cost of debt (I)	9.3%	9.3%	9.3%	Kindly refer note below.
Tax Rate (t)	0.0%	17.5%	34.9%	Based on statutory corporate tax rate in India as of the Valuation date.
Cost of Debt [Net of Tax] (Kd)	**9.3%**	**7.7%**	**6.1%**	**I * (1 - t)**
Debt / (Debt +Equity)	60.0%	60.0%	60.0%	Target long-term debt equity ratio of the comparable companies
WACC	**10.6%**	**9.4%**	**8.2%**	**WACC = Ke*(E/(D+E))+Kd*(D/(E+D))**
WACC Adopted	**10.6%**	**9.4%**	**8.2%**	**After rounding off**

Note: The Trust has given loan to the SPVs at the interest rate of 14%.

The infrastructure funding in India for such operating BOT projects is in the range of 9 to 10%. The Trust has obtained loans from banks with an effective cost of debt of 9.3%.

Further the trust being a pass through structure, from the unit holders perspective, the cost of the debt for the SPVs is the rate at which the trust borrows the loan which is in turn lent to the SPVs. Thus the cost of debt of the trust loan becomes relevant from the unit holders perspective for the valuation. We have hence considered a cost of debt of 9.3% for the current valuation exercise.

VALUATION OF THE SPVs
Oriental Pathways (Indore) Private Limited ("OPIPL")

Valuation as per Discounted Cash Flow Method (INR Cr)							
WACC at Nil Tax rate	10.6%						
WACC at MAT	9.4%						
WACC at Income Tax rate	8.2%						
Year Ending	**FY21#**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26**	**FY27***
Revenue	69.7	159.7	175.5	192.4	210.1	228.9	124.6
Cash EBITDA	61.9	141.0	155.8	171.8	188.4	206.3	114.4
EBITDA Margins	*88.8%*	*88.3%*	*88.8%*	*89.3%*	*89.7%*	*90.1%*	*91.8%*
Less : Outflows							
Major Maintenance expenses	-	-	-	(58.7)	-	-	(81.4)
Change in MMRA	-	(19.6)	(39.1)	58.7	(27.1)	(54.3)	81.4
Capital Expenditure	(0.3)	-	-	(2.1)	-	(0.3)	-
Incremental Working Capital	(27.4)	-	-	-	-	-	6.5
Interest incomes on cash reserves (MMR)	-	0.7	2.7	2.1	0.9	3.8	2.8
Taxation	(5.5)	(16.3)	(18.5)	(10.0)	(22.0)	(24.7)	-
Free Cash Flows to Firm (FCFF)	**28.7**	**105.8**	**101.0**	**161.9**	**140.2**	**130.8**	**123.7**
Partial Period Factor	0.5	1.0	1.0	1.0	1.0	1.0	0.5
Midpoint	0.3	1.0	2.0	3.0	4.0	5.0	5.7
Present Value Factor	1.0	0.9	0.8	0.8	0.7	0.6	0.6
Present Value of Cash Flows	**28.1**	**96.7**	**84.4**	**123.6**	**97.9**	**83.5**	**73.2**
Enterprise Value (EV)	**587.4**						

#For period from October 1, 2020 to March 31, 2021

*For period ending September 28, 2026

VALUATION OF THE SPVs

GMR OSE Hungund Hospet Highways Private Limited ("GOHHPL")

Key Inputs in Projections:

The key inputs of the projections provided by the Management are as follows:

a) Modification in Concession Period

- As per the Clause 29.2.1 of the Concession Agreement between NHAI and GOHHPL as provided by the Management, *"In the event Actual Average Traffic shall have fallen short of the target traffic, then for every 1% shortfall as compared to the target traffic, the Concession period shall, subject to payment of Concession Fee in accordance with this Agreement, be increased by 1.5% thereof; provided such increase in Concession period shall not in any case exceed 20% of the Concession period".*
- The traffic during the period of demonetization has fallen.
- Thus, the Concession period of 19 years as per Concession Agreement between NHAI and GOHHPL as provided by the Management is increased due to demonetization and as per the above clause as given in the table alongside.
- Target Traffic as on the Target date is as per the traffic volumes provided by the Management supported by Traffic Due Diligence report carried out by Mott MacDonald dated January 2020.
- The revised Concession end date considering the impact of demonetization and Clause 29.2 – Modification in Concession Period is July 28, 2033.
- Thus, the explicit period for current valuation analysis exercise has been considered from October 01, 2020 to July 28, 2033.

b) Traffic Volume

- Traffic volumes as received from the Management supported by latest draft Traffic Due Diligence numbers carried out by independent party are considered.

Particulars	Unit	Details
Target date as per CA	Date	October 1, 2020
Target traffic as per CA	PCUs	57,623
Comparison of average traffic at test date with target	%	-52%
Original concession period	years	19
Increase in concession period	%	20%
Change in concession period	years	3.8
Revised concession period	years	22.8
Appointed date	Date	September 18, 2010
Additional days due to demonetization	Days	23.00
Original concession end date (incl demonetization days	Date	October 10, 2029
Revised concession end date (incl demonetization days)	Date	July 28, 2033

c) Revenue

- Revenue forecast is as per latest draft Traffic Due Diligence numbers prepared by an independent party. The revenue earned in FY19 and FY20 is INR 133.3 Cr and INR 130.2 Cr respectively. The revenue earned for 6 months period ended September 30, 2020 was INR 54.8 Cr. We have considered an analysis of traffic over the period between April 21, 2020 (since the toll collection resumed) to September 30, 2020 with the revenues on a daily basis converging towards projected daily revenue. This analysis in consonance with the discussion with the Management and input received from traffic study consultants the revenue for FY21 is estimated at INR 129.1 Cr.

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VALUATION OF THE SPVs

GMR OSE Hungund Hospet Highways Private Limited ("GOHHPL")

d) Toll rates

- The current toll rates provided by the Management has been validated from NHAI's site on Toll Information system (www.tis.nhai.gov.in.) as well as toll notifications issued by NHAI shared by the Management

- The Management has considered annual revision of toll rate (user fees) which is in accordance to National Highway Fee (Determination of Rates and Collection) Rules, 2008 and amendment thereto dated December 3, 2010 whereby the base rate shall be increased without compounding by 3% p.a. and additionally, the applicable base rate shall be revised annually to reflect the increase in wholesale price index ("WPI") but such revision shall be restricted to forty percent of the increase in WPI on overall basis during the concession period.

- WPI has been projected to grow by 5% for the projected period.

e) Periodic Maintenance & Routine Maintenance Costs

- Estimates for projected Periodic Maintenance & Routine Maintenance Costs from the Management supported by Technical Due Diligence report carried out by FP Project Management dated December 2018 are considered.

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VALUATION OF THE SPVs
GMR OSE Hungund Hospet Highways Private Limited ("GOHHPL")

DCF Method:

- The key assumptions and other key inputs, mentioned in previous paragraphs, as provided by the Management are considered in the projections.
- The projections provided by the Management, based on Traffic Due Diligence report and technical studies, are only the best estimates of growth and sustainability of profitability margins. The financial forecast provided by the Management were reviewed for consistency and reasonableness, and have relied on them.
- The explicit period has been considered from October 01, 2020 to July 28, 2033.
- The tax computation as provided by the Management has been considered and reviewed to assess that the same has been calculated as per the provisions of the Income Tax Act, 1961. The interest expense is adjusted in the same for arriving at the tax computation under FCFF.
- We have used the Free Cash Flows to Firm ("FCFF") method under DCF to calculate Enterprise Value of GOHHPL.
- In FCFF, the free cash flows available are discounted by weighted average cost of capital (WACC) to derive the Enterprise Value. The detailed computation of WACC is given in the next page.
- The Business/ Enterprise value of GOHHPL as on September 30, 2020 is arrived at INR 1,423.3 Cr.

VALUATION OF THE SPVs

GMR OSE Hungund Hospet Highways Private Limited ("GOHHPL")

Computation of WACC:

Particulars	Nil Tax	MAT	Full Tax	Explanation
Risk free return (Rf)	6.5%	6.5%	6.5%	Risk free rate as on September 30, 2020
Market Return (Rm)	15.0%	15.0%	15.0%	Market Return has been considered based on the long term average returns earned by an equity investor investing in India corraborated by long term average returns of the Bombay Stock Exchange.
Risk premium	8.5%	8.5%	8.5%	Risk Premium = Market Return (Rm)- Risk Free Rate (Rf)
Relevered Beta (β)	0.7	0.7	0.6	We have considered 5 years beta for comparable companies
Cost of equity (Ke)	**12.7%**	**12.0%**	**11.4%**	**Ke = Rf + β x (Rm-Rf)**
Cost of debt (I)	9.3%	9.3%	9.3%	Kindly refer note below.
Tax Rate (t)	0.0%	17.5%	34.9%	Based on statutory corporate tax rate in India as of the Valuation date.
Cost of Debt [Net of Tax] (Kd)	**9.3%**	**7.7%**	**6.1%**	**I * (1 - t)**
Debt / (Debt +Equity)	60.0%	60.0%	60.0%	Target long-term debt equity ratio of the comparable companies
WACC	**10.6%**	**9.4%**	**8.2%**	**WACC = Ke*(E/(D+E))+Kd*(D/(E+D))**
WACC Adopted	**10.6%**	**9.4%**	**8.2%**	**After rounding off**

Note: The Trust has given loan to the SPVs at the interest rate of 14%. Further there are external borrowings in the SPV which the management has replaced through the debt acquired by the Trust at lower rate of interest.

The infrastructure funding in India for such operating BOT projects is in the range of 9 to 10%. The Trust has obtained loans from banks with an effective cost of debt of 9.3%.

Further the trust being a pass through structure, from the unit holders perspective, the cost of the debt for the SPVs is the rate at which the trust borrows the loan which is in turn lent to the SPVs. Thus the cost of debt of the trust loan becomes relevant from the unit holders perspective for the valuation. We have hence considered a cost of debt of 9.3% for the current valuation exercise.

VALUATION OF THE SPVs

GMR OSE Hungund Hospet Highways Private Limited ("GOHHPL")

Valuation as per Discounted Cash Flow Method (INR Cr)														
WACC at Nil Tax rate	10.6%													
WACC at MAT	9.4%													
WACC at Income Tax rate	8.2%													
Year Ending	**FY21#**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26**	**FY27**	**FY28**	**FY29**	**FY30**	**FY31**	**FY32**	**FY33**	**FY34***
Revenue	74.3	173.9	193.8	213.4	231.8	252.3	276.6	304.4	328.8	357.4	387.0	422.0	457.7	161.3
Cash EBITDA	68.8	152.2	171.1	189.6	206.8	226.1	249.1	275.6	298.5	325.6	353.6	387.0	421.0	148.2
EBITDA Margins	*92.6%*	*87.5%*	*88.3%*	*88.8%*	*89.2%*	*89.6%*	*90.0%*	*90.5%*	*90.8%*	*91.1%*	*91.4%*	*91.7%*	*92.0%*	*91.9%*
Less : Outflows														
Major Maintenance expenses	-	-	(55.8)	(58.6)	-	-	-	(77.1)	(80.9)	-	-	(93.7)	(98.4)	-
Capital Expenditure	(0.0)	-	-	(3.1)	-	(0.3)	(0.4)	(1.6)	-	-	-	-	-	-
Incremental Working Capital	(6.3)	-	-	-	-	-	-	-	-	-	-	-	-	5.1
Taxation	(2.3)	(18.2)	(11.2)	(13.0)	(25.1)	(27.3)	(30.1)	(19.7)	(21.5)	(38.7)	(41.6)	(28.8)	(31.6)	(16.5)
Free Cash Flows to Firm (FCFF)	**60.1**	**134.0**	**104.1**	**114.9**	**181.7**	**198.5**	**218.7**	**177.1**	**196.0**	**287.0**	**312.0**	**264.6**	**291.0**	**136.9**
Partial Period Factor	0.5	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.3
Midpoint	0.3	1.0	2.0	3.0	4.0	5.0	6.0	7.0	8.0	9.0	10.0	11.0	12.0	12.7
Present Value Factor	1.0	0.9	0.8	0.8	0.7	0.6	0.6	0.5	0.5	0.4	0.4	0.4	0.3	0.3
Present Value of Cash Flows	**58.8**	**122.5**	**87.0**	**87.8**	**126.8**	**126.7**	**127.5**	**94.4**	**95.5**	**127.8**	**127.1**	**98.5**	**99.0**	**43.9**
Enterprise Value (EV)	**1,423.3**													

#For period from October 1, 2020 to March 31, 2021

*For period ending July 28, 2033

VALUATION OF THE SPVs

Oriental Nagpur Betul Highway Private Limited (“ONBHL”)

Key Inputs in Projections:

The key inputs of the projections provided by the Management are as follows:

a) Modification in Concession Period

- As per the Clause 27.1.1 of the Concession Agreement between NHAI and ONBHL as provided by the Management, *“the Concessionaire upon achieving COD for the Project Highway and in consideration of the Concessionaire accepting the Concession and undertaking to perform and discharge its obligations in accordance with the terms, conditions and covenants set forth in this Agreement, Authority agrees and undertakes to pay to the Concessionaire, for each Annuity Payment Period, on each Annuity Payment Date as set forth in Schedule M -Annuity Payment Schedule, the sum of INR 290.80 Cr as set forth in its Bid”*.

- As per Schedule M-Annuity Payment Schedule, the first and the last annuity was payable on February 24, 2015 and February 24, 2031 respectively. However, the COD was achieved on February 18, 2015 due to which the first annuity was received in August 2015 and accordingly the last annuity will be received in August 2031.

b) Periodic Maintenance & Routine Maintenance Costs

- Estimates for Periodic Maintenance & Routine Maintenance Costs as provided by the Management.

- The Operation and Maintenance contract entered between ONBHL and Oriental Structural Engineers Pvt Ltd on December 1, 2015 to carry out Periodic Maintenance & Routine Maintenance work for 4-laning of Nagpur-Saoner-Betul, Section NH-69 from Km 3.00 to Km 59.300 in Maharashtra and Km 137.000 to 257.400 Km in Madhya Pradesh including major maintenance work and overlay.

- The above contract sets out the estimated expenditure on Periodic Maintenance & Routine Maintenance over the period of concession agreement which has been considered in the projections provided by the Management.

VALUATION OF THE SPVs
Oriental Nagpur Betul Highway Private Limited (“ONBHL”)

DCF Method:

- The key assumptions and other key inputs, as provided by the Management are considered in the projections.
- The projections provided by the Management, based on independent traffic and technical studies, are only the best estimates of growth and sustainability of profitability margins. The financial forecast provided by the Management were reviewed for consistency and reasonableness, and have relied on them.
- The explicit period has been considered from October 01, 2020 to January 19, 2032. Since ONHBL is a annuity project, no impact of COVID-19 is considered.
- The tax computation as provided by the Management has been considered and reviewed to assess that the same has been calculated as per the provisions of the Income Tax Act, 1961. The interest expense is adjusted in the same for arriving at the tax computation under FCFF.
- We have used the Free Cash Flows to Firm (“FCFF”) method under DCF to calculate Enterprise Value of ONBHL.
- In FCFF, the free cash flows available are discounted by weighted average cost of capital (WACC) to derive the Enterprise Value. The detailed computation of WACC is given in the next page.
- The Business/ Enterprise value of ONBHL as on September 30, 2020 is arrived at INR 3,487.5 Cr.

VALUATION OF THE SPVs

Oriental Nagpur Betul Highway Private Limited ("ONBHL")

Computation of WACC:

Particulars	Nil Tax	MAT	Full Tax	Explanation
Risk free return (Rf)	6.5%	6.5%	6.5%	Risk free rate as on September 30, 2020
Market Return (Rm)	15.0%	15.0%	15.0%	Market Return has been considered based on the long term average returns earned by an equity investor investing in India corraborated by long term average returns of the Bombay Stock Exchange.
Risk premium	8.5%	8.5%	8.5%	Risk Premium = Market Return (Rm)- Risk Free Rate (Rf)
Relevered Beta (ß)	0.7	0.7	0.6	We have considered 5 years beta for comparable companies
Cost of equity	**12.7%**	**12.0%**	**11.4%**	**Ke = Rf + ß x (Rm-Rf)**
Company Specific Risk Premium	-1.0%	-1.0%	-1.0%	Risk reduced on account of lower risk in Annuity mode of BOT projects as compared to Toll based projects
Revised Cost of equity (Ke)	**11.7%**	**11.0%**	**10.4%**	
Cost of debt (I)	8.5%	8.5%	8.5%	Based on historical cost of debt
Tax Rate (t)	0.0%	17.5%	34.9%	Based on statutory corporate tax rate in India as of the Valuation date.
Cost of Debt [Net of Tax] (Kd)	**8.5%**	**7.0%**	**5.5%**	**I * (1 - t)**
Debt / (Debt +Equity)	60.0%	60.0%	60.0%	Target long-term debt equity ratio of the comparable companies
WACC	**9.8%**	**8.6%**	**7.5%**	**WACC = Ke*(E/(D+E))+Kd*(D/(E+D))**
WACC Adopted	**9.8%**	**8.6%**	**7.5%**	**After rounding off**

VALUATION OF THE SPVs

Oriental Nagpur Betul Highway Private Limited (“ONBHL”)

Valuation as per Discounted Cash Flow Method (INR Cr)												
WACC at Nil Tax rate	9.8%											
WACC at MAT	8.6%											
WACC at Income Tax rate	7.5%											
Year Ending	**FY21#**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26**	**FY27**	**FY28**	**FY29**	**FY30**	**FY31**	**FY32***
Revenue	290.8	581.6	581.6	581.6	581.6	581.6	581.6	581.6	581.6	581.6	581.6	290.8
Cash EBITDA	277.1	553.7	552.4	551.1	549.7	548.3	546.7	545.1	543.4	541.6	539.9	258.6
EBITDA Margins	*95.3%*	*95.2%*	*95.0%*	*94.8%*	*94.5%*	*94.3%*	*94.0%*	*93.7%*	*93.4%*	*93.1%*	*92.8%*	*88.9%*
Less : Outflows												
Major Maintenance expenses	-	-	-	-	(49.7)	(52.1)	-	-	-	-	(66.5)	(69.9)
Change in MMRA	(20.4)	(48.6)	(40.8)	(40.8)	8.9	11.3	(59.9)	(79.0)	(79.0)	401.6	-	-
Incremental Working Capital	(2.5)	-	-	-	-	-	-	-	-	-	-	3.8
Interest incomes on cash reserve (MMR)	2.2	6.9	10.0	12.8	14.0	13.3	15.0	19.8	25.3	14.1	-	-
Taxation	(39.6)	(71.3)	(67.9)	(64.1)	(59.6)	(55.0)	(49.4)	(42.9)	(35.3)	(23.5)	(9.8)	(0.8)
Free Cash Flows to Firm (FCFF)	**216.8**	**440.6**	**453.7**	**459.0**	**463.3**	**465.7**	**452.3**	**443.0**	**454.5**	**933.9**	**463.6**	**191.8**
Partial Period Factor	0.5	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.8
Midpoint	0.3	1.0	2.0	3.0	4.0	5.0	6.0	7.0	8.0	9.0	10.0	10.9
Present Value Factor	1.0	0.9	0.8	0.8	0.7	0.7	0.6	0.6	0.5	0.5	0.4	0.4
Present Value of Cash Flows	**212.4**	**405.7**	**384.7**	**358.4**	**333.1**	**308.3**	**275.7**	**248.6**	**234.9**	**444.4**	**203.2**	**78.0**
Enterprise Value (EV)	**3,487.5**											

#For period from October 1, 2020 to March 31, 2021

*For period ending January 19, 2032

VALUATION OF THE SPVs

Oriental Nagpur Bye Pass Construction Private Limited ("ONBPCPL")

Key Inputs in Projections:

The key inputs of the projections provided by the Management are as follows:

a) Modification in Concession Period

- As per the Clause 29.2.1 of the Concession Agreement between NHAI and ONBPCPL as provided by the Management, *"In the event Actual Average Traffic shall have fallen short of the target traffic, then for every 1% shortfall as compared to the target traffic, the Concession period shall, subject to payment of Concession Fee in accordance with this Agreement, be increased by 1.5% thereof; provided such increase in Concession period shall not in any case exceed 20% of the Concession period".*

- The traffic during the period of demonetization has fallen.

- Thus, the Concession period of 27 years as per Concession Agreement between NHAI and ONBPCPL as provided by the Management is increased due to demonetization.

- Target Traffic as on the Target date is as per the traffic volumes provided by the Management supported by Traffic Due Diligence report carried out by Mott MacDonald dated January 2020.

- The revised Concession end date considering the impact of demonetization and above clause in Concession Period is May 11, 2037.

- Also, as per Clause 27.6 of the Concession Agreement between NHAI and ONBPCPL as provided by the Management, "In the event Average Daily Traffic of PCU's in an accounting year have reached a level of 120% of Design Capacity ("Traffic Cap"), the fee collected from the traffic exceeding the Traffic Cap shall be deemed to be due and payable to NHAI".

- Thus, the Management has considered re-appropriation of excess fees as given in the above clause.
- The Actual Traffic (PCU's) is observed exceeds the Design Capacity since FY33. As per the Concession Agreement, if the Average daily traffic exceeds the design capacity of the Project Highway and shall continue to exceed for 3 accounting years following thereafter, and Indirect Political event will be deemed to have occurred and NHAI may terminate the agreement. NHAI will grant 180 days to the company to make a representation. Thus, the project termination is considered in mid of FY37.

- Further, the Termination proceeds as provided by the Management is not considered in current valuation on conservative basis as the time gap between the termination of project as per Clause 27.6 and the revised concession end date is only 7 months.

Particulars	Unit	Details
Target date as per CA	Date	October 1, 2019
Target traffic as per CA	PCUs	26,894
Comparison of average traffic at test date with target	%	-2%
Original concession period	years	27
Increase in concession period	%	0.0%
Change in concession period	years	0.0
Revised concession period	years	27.0
Appointed date	Date	April 3, 2010
Additional days on account of demonetization	Days	23
Additional days granted as per Claim award	Days	16
Original concession end date (incl demonetization days	Date	April 25, 2037
Revised concession end date (incl demonetization days)	Date	May 11, 2037

VALUATION OF THE SPVs

Oriental Nagpur Bye Pass Construction Private Limited (“ONBPCPL”)

b) Traffic Volume

- Traffic volumes as received from the Management supported by latest draft Traffic Due Diligence numbers carried out by independent party are considered.

c) Revenue

- Revenue forecast is as per Traffic Due Diligence report prepared by an independent party for January 2020. The revenue earned in FY19 and FY20 is INR 222.3 Cr and INR 256.0 Cr respectively. The revenue earned for 6 months period ended September 30, 2020 was INR 83.0 Cr. We have considered an analysis of traffic over the period between April 21, 2020 (since the toll collection resumed) to September 30, 2020 with the revenues on a daily basis converging towards projected daily revenue. This analysis in consonance with the discussion with the Management and input received from traffic study consultants the revenue for FY21 is estimated to reduce to INR 215.6 Cr.

d) Toll rates

- The current toll rates provided by the Management has been validated from NHAI’s site on Toll Information system (www.tis.nhai.gov.in.) as well as toll notifications issued by NHAI shared by the Management.

- The Management has considered annual revision of toll rate (user fees) which is in accordance to National Highway Fee (Determination of Rates and Collection) Rules, 2008 and amendment thereto dated December 3, 2010 whereby the base rate shall be increased without compounding by 3% annually and additionally, the applicable base rate shall be revised annually to reflect the increase in WPI but such revision shall be restricted to forty percent of the increase in WPI on overall basis during the concession period.

- WPI has been projected to grow by 5% for the projected period.

e) Periodic Maintenance & Routine Maintenance Costs

- Estimates for projected Periodic Maintenance & Routine Maintenance Costs provided by the Management supported by Technical Due Diligence report carried out by AECOM India Pvt Ltd dated December 2018 are considered.

VALUATION OF THE SPVs
Oriental Nagpur Bye Pass Construction Private Limited (“ONBPCPL”)

DCF Method:

- The key assumptions and other key inputs, mentioned in the previous paragraphs, are considered in the projections.
- The projections provided by the Management, based on Traffic Due Diligence report and technical studies, are only the best estimates of growth and sustainability of profitability margins. The financial forecast provided by the Management were reviewed for consistency and reasonableness, and have relied on them.
- The explicit period has been considered from October 01, 2020 to September 30, 2036.
- The tax computation as provided by the Management has been considered and reviewed to assess that the same has been calculated as per the provisions of the Income Tax Act, 1961. The interest expense is adjusted in the same for arriving at the tax computation under FCFF.
- We have used the Free Cash Flows to Firm (“FCFF”) method under DCF to calculate Enterprise Value of ONBPCPL.
- In FCFF, the free cash flows available are discounted by weighted average cost of capital (WACC) to derive the Enterprise Value. The detailed computation of WACC is given in the next page.
- The Business/ Enterprise value of ONBPCPL as on September 30, 2020 is arrived at INR 4,051.1 Cr.

VALUATION OF THE SPVs
Oriental Nagpur Bye Pass Construction Private Limited (“ONBPCPL”)

Computation of WACC:

Particulars	Nil Tax	MAT	Full Tax	Explanation
Risk free return (Rf)	6.5%	6.5%	6.5%	Risk free rate as on September 30, 2020
Market Return (Rm)	15.0%	15.0%	15.0%	Market Return has been considered based on the long term average returns earned by an equity investor investing in India corraborated by long term average returns of the Bombay Stock Exchange.
Risk premium	8.5%	8.5%	8.5%	Risk Premium = Market Return (Rm)– Risk Free Rate (Rf)
Relevered Beta (ß)	0.7	0.7	0.6	We have considered 5 years beta for comparable companies
Cost of equity	**12.7%**	**12.0%**	**11.4%**	**Ke = Rf + ß x (Rm-Rf)**
Cost of debt (I)	9.3%	9.3%	9.3%	Kindly refer note below.
Tax Rate (t)	0.0%	17.5%	34.9%	Based on statutory corporate tax rate in India as of the Valuation date.
Cost of Debt [Net of Tax] (Kd)	**9.3%**	**7.7%**	**6.1%**	**I * (1 - t)**
Debt / (Debt +Equity)	60.0%	60.0%	60.0%	Target long-term debt equity ratio of the comparable companies
WACC	**10.6%**	**9.4%**	**8.2%**	**WACC = Ke*(E/(D+E))+Kd*(D/(E+D))**
WACC Adopted	**10.6%**	**9.4%**	**8.2%**	**After rounding off**

Note: The Trust has given loan to the SPVs at the interest rate of 14%. Further there are external borrowings in the SPV which the management has replaced through the debt acquired by the Trust at lower rate of interest.

The infrastructure funding in India for such operating BOT projects is in the range of 9 to 10%. The Trust has obtained loans from banks with an effective cost of debt of 9.3%.

Further the trust being a pass through structure, from the unit holders perspective, the cost of the debt for the SPVs is the rate at which the trust borrows the loan which is in turn lent to the SPVs. Thus the cost of debt of the trust loan becomes relevant from the unit holders perspective for the valuation. We have hence considered a cost of debt of 9.3% for the current valuation exercise.

VALUATION OF THE SPVs

Oriental Nagpur Bye Pass Construction Private Limited ("ONBPCPL")

Valuation as per Discounted Cash Flow Method (INR Cr)																	
WACC at Nil Tax rate	10.6%																
WACC at MAT	9.4%																
WACC at Income Tax rate	8.2%																
Year Ending	**FY21#**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26**	**FY27**	**FY28**	**FY29**	**FY30**	**FY31**	**FY32**	**FY33**	**FY34**	**FY35**	**FY36**	**FY37****
Revenue	132.6	342.9	373.9	410.7	459.2	510.9	570.0	635.4	704.8	783.5	869.9	968.1	1,069.6	1,184.3	1,311.6	1,456.2	796.2
Cash EBITDA	128.2	322.2	352.1	387.8	435.2	485.7	543.5	607.5	675.6	752.7	837.7	934.2	1,034.0	1,146.9	1,272.3	1,414.9	774.9
EBITDA Margins	*96.6%*	*93.9%*	*94.2%*	*94.4%*	*94.8%*	*95.1%*	*95.3%*	*95.6%*	*95.9%*	*96.1%*	*96.3%*	*96.5%*	*96.7%*	*96.8%*	*97.0%*	*97.2%*	*97.3%*
Less : Outflows																	
Major Maintenance expenses	(1.1)	(0.0)	(1.3)	(0.0)	(106.1)	(2.8)	(107.2)	(0.7)	(0.0)	(0.0)	(159.6)	(14.9)	(41.6)	(43.7)	(0.0)	(17.7)	(42.2)
Incremental Working Capital	(0.5)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(5.5)
Capital Expenditure	(0.0)	(0.1)	(0.1)	(0.3)	(3.2)	(0.4)	(3.2)	(0.1)	(0.1)	(0.4)	(0.6)	(4.6)	(0.2)	(4.5)	(0.1)	(0.2)	(0.1)
Taxation	(5.6)	(47.2)	(51.1)	(57.0)	(46.0)	(72.0)	(62.9)	(91.6)	(102.6)	(114.9)	(100.4)	(140.9)	(152.0)	(349.7)	(417.6)	(461.3)	(239.2)
Free Cash Flows to Firm (FCFF)	**120.9**	**274.9**	**299.7**	**330.5**	**279.9**	**410.4**	**370.2**	**515.1**	**572.9**	**637.4**	**577.1**	**773.9**	**840.2**	**749.1**	**854.5**	**935.7**	**487.9**
Partial Period Factor	0.5	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.5
Midpoint	0.3	1.0	2.0	3.0	4.0	5.0	6.0	7.0	8.0	9.0	10.0	11.0	12.0	13.0	14.0	15.0	15.8
Present Value Factor	1.0	0.9	0.8	0.8	0.7	0.6	0.6	0.5	0.5	0.4	0.4	0.4	0.3	0.3	0.3	0.3	0.3
Present Value of Cash Flows	**118.2**	**251.3**	**250.4**	**252.4**	**195.4**	**261.9**	**215.9**	**274.7**	**279.2**	**284.0**	**235.0**	**288.0**	**285.9**	**235.6**	**248.3**	**251.3**	**123.5**
Enterprise Value (EV)	**4,051.1**																

#For period from October 1, 2020 to March 31, 2021

*For period ending September 30, 2036

SECTION 7

VALUATION SUMMARY

VALUATION SUMMARY

Enterprise value of the 5 SPVs:

- The derived enterprise value of the 5 SPVs, based on the valuation approach and methodology as discussed herein, as on September 30, 2020 is as under :

S. No.	Particulars (INR Cr)	EV
(a)	Etawah Chakeri Project	1,875.3
(b)	Indore Khalghat Project	587.4
(c)	Hungund Hospet Project	1,423.3
(d)	Nagpur Betul Project	3,487.5
(e)	Nagpur Bypass Project	4,051.1
	Total	**11,424.6**

BDO VALUATION ADVISORY LLP

THANK YOU