

# REPORT ON VALUATION OF JORABAT SHILLONG EXPRESSWAY LIMITED

SUBMITTED TO INFRASTRUCTURE LEASING & FINANCIAL SERVICES LIMITED

AUGUST 2022



Valuation  
Investment Banking  
Transaction Services  
Transaction Tax  
Restructuring  
Risk Consulting

**Private and Confidential**

**Infrastructure Leasing and Financial Services Limited**

Plot C22, G Block,  
Bandra Kurla Complex,  
Bandra East, Mumbai 400 051

**Kind Attention: Mr. C.S. Rajan**

Dear Sir,

In accordance with our discussions and engagement letter dated September 08, 2022, with Infrastructure Leasing & Financial Services Limited (“IL&FS” or the “Client”), we enclose our report (“Report”) on enterprise valuation of Jorabat Shillong Expressway Limited (“JSEL”/ the “Company”) as of August 31, 2022 (“Valuation Date”), for internal management consideration of IL&FS.

Infrastructure Leasing & Financial Services Limited, incorporated in 1987, is an infrastructure development and finance company. IL&FS is evaluating options for sale of IL&FS Group’s equity stake in specified special purposes vehicles (“SPVs”) engaged in operating road projects on annuity/ toll basis (“Proposed Transaction”). In this regard, IL&FS has approached RBSA Valuation Advisors LLP (“RBSA” / “Valuer”) to carry out valuation of JSEL as on the Valuation Date.

JSEL is primarily engaged in operating four lane highway project between Jorabat and Shillong section of NH 40 in Assam and Meghalaya. JSEL project road lies in two major districts, Ri-Bhoi district and East Khasi Hills and is a link to India-Bangladesh border.

We have carried out the enterprise valuation of JSEL as of the Valuation Date, considering the analysis of the data/information provided by/ on behalf of the management of IL&FS (the “Management”), market analysis, discussion with Management and other key factors set out in the Report.

By its very nature, valuation cannot be regarded as an exact science and the conclusions arrived at in many cases will be subjective and dependent on the exercise of individual judgment. There is, therefore, no indisputable single value. While we normally express our assessment as falling within a likely range, considering the nature of the engagement we have provided a single point value estimate.

The value achieved, in case of a transaction, may be different than our valuation depending upon the circumstances and timing of the transaction, if any. The knowledge, negotiability and motivations of the buyers and sellers will also affect actual price achieved. Accordingly, our valuation will not necessarily be the price at which any agreement proceeds. The final transaction price is something on which the parties themselves must agree considering inter-alia their own assessment of the transaction and inputs from other advisors.

Valuation may be 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 predictions 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. We express no opinion as to how closely the actual results will correspond to the results projected.

We have analyzed the information provided to us by/ on behalf of the Management through broad inquiry, analysis and review but have not carried out a due diligence or audit of the information provided for the purpose of this engagement. Moreover, except where otherwise stated in the Report, we have not subjected the financial and other pertinent information in the Report to inspections/ investigations/ verification validation / diligence procedures.

Our valuation is based on the generally accepted valuation methodologies. A potential investor/ another valuer may use different methodologies or may arrive at different pricing using the same/ other methodologies depending upon their perceptions and the parameters that they feel have a greater significance.

This conclusion does not reflect the outcome of due diligence procedures. The reader is cautioned that the outcome of that process could change the information herein and our valuation, and that change could be material. The analysis of any change, event or circumstance that may have occurred in the business and its market after the Valuation Date is out of our scope.

The Valuation is subject to the Scope, Assumptions and Limiting Conditions mentioned in the Report.

The Valuation is not intended for general circulation or publication and is not to be reproduced without our prior written consent or used for any purpose other than for the purposes stated above and cannot be relied upon by third parties. We will not accept any responsibilities to any other party to whom the Report may be shown or who may acquire a copy of this Report.

Based on the review and analysis of the information provided by/ on behalf of the Management, industry analysis and other relevant factors, the estimated enterprise value of JSEL as on August 31, 2022, is INR 14,682.7 Mn as per the breakup below,

Particulars	In INR Mn
Business Enterprise Value (Refer Note 1)	5,857.3
Add: Cash & cash equivalents	7,471.3
Add: Investments in units of Mutual Funds	1,421.6
Add: Interest Accrued	2.8
Add: Advance Taxes	133.6
Less: Contingent Liabilities	(203.9)
<b>Enterprise Value</b>	<b>14,682.7</b>

Note 1:

- *Comprising present value of free cash flow to firm for the explicit period.*
- *The Management represented that the operating creditors remaining outstanding as of October 15, 2018, shall be paid in accordance with the 'waterfall' structure approved by NCLAT and the amount payable in this respect is being estimated. Considering the operating creditors pertaining to the period prior to October 15, 2018, and remaining outstanding as at the Valuation Date have been excluded from computation of Enterprise Value.*

This Report forms an integral whole and cannot be split in parts. The outcome of the Valuation can only lead to proper conclusions if the Report as a whole is taken into account.

We thank you for the cooperation received by us during this engagement.

**For RBSA Valuation Advisors LLP**  
RVE No. : IBBI/RV-E/05/2019/110

**Samir Dinesh Shah**  
Partner  
Asset Class : Securities or Financial Assets  
RV No. : IBBI/RV/06/2019/12263

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# BACKGROUND

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# 1. BACKGROUND

- Infrastructure Leasing & Financial Services Limited (“IL&FS”) is an infrastructure development and finance company in India. IL&FS operates through Financial Services, Infrastructure Services and Other segments. Its Financial Services segment engages in the commercialization of infrastructure; investment banking, including corporate finance, advisory, capital market, securities trading, venture capital and trusteeship operations. IL&FS’ Infrastructure Services segment constructs and operates infrastructure assets, such as roads, bridges, ports, water, buildings, and power plants.
- IL&FS Transportation Networks Limited (“ITNL”) develops, operates, and facilitates surface transportation infrastructure projects in India and internationally. It undertakes highway, flyover, bridge, road, metro rail, city bus, and border check post projects. It also provides advisory and management services; supervisory services; operation and maintenance services; toll collection services for toll road projects; and bidding process assistance services to applicants for toll road concessions. ITNL is a subsidiary of IL&FS and is amongst largest private concessionaire of roads and operates some of India’s road assets in India. The shares of ITNL are listed on the BSE Limited and the National Stock Exchange of India Limited. As of the Valuation Date, IL&FS holds ~71.92% of the equity of ITNL. IL&FS along with ITNL operates various infrastructure projects across India through its SPVs.
- JSEL, is a special purpose vehicle, incorporated to implement a lane expansion project under the build-operate-transfer annuity model. JSEL has a 20-year concession (expiring in January 2031) from National Highways Authority of India to design, construct, develop, finance, operate and maintain a 61.8 Km stretch between Jorabat (Assam) and Barapani (Meghalaya) on NH40.

- The following is the brief snapshot of JSEL:

SPV Name	Concessioneing Authority	Location	COD Date/Balance Period	Aggregate Length	Concession Type	Shareholding
Jorabat Shillong Expressway Limited	National Highways Authority of India(“NHAI”)	Jorabat (Assam) and Barapani (Meghalaya) on NH40	28-Jan-16 / ~ 9 years (till Jan-31)	61.8 Km	Annuity	100%- ITNL & its nominees

*Source: Information provided by the Management*

- JSEL operates the project road under annuity model and receives fixed annuity of INR 1,450.2 Mn per annum (payable semi annually).

# SCOPE ASSUMPTIONS & LIMITING CONDITIONS

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## 2. SCOPE ASSUMPTIONS & LIMITING CONDITIONS

- RBSA has been appointed by IL&FS to estimate the value of Jorabat Shillong Expressway Limited (“JSEL”/ the “Company”) as of August 31, 2022 (“Valuation Date”) for the internal management consideration of IL&FS.
- This Report, its contents and the results herein are specific to (i) the purpose of valuation agreed as per the terms of our engagement; (ii) the date of this Report; (iii) financial statements of JSEL for the five months period ended August 31, 2022; and (iv) projections of JSEL and other information provided by the Management of IL&FS and information obtained from public domain. The Management has represented that the business activities of the Company has been carried out in normal and ordinary course between August 31, 2022, and the report date and that no material changes have occurred in their operations and financial position between August 31, 2022, and the report date.
- While our work has involved an analysis of financial and other information provided by/ on behalf of the Management, our engagement does not include an audit in accordance with generally accepted auditing standards of the Company’s existing business records. We have not carried out any independent technical evaluation or appraisal or due diligence of the assets or liabilities of the Company. Accordingly, we assume no responsibility and make no representations with respect to the accuracy or completeness of any information provided by/ on behalf of the Management. As such the Report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to herein and in the context of the purpose for which it is made.
- Valuation of a Company / business is not a precise science and the conclusions arrived at in many cases will be subjective our opinion on the and dependent on the exercise of individual judgment. There is, therefore, no indisputable single value and we normally express value as falling within a likely range, considering the nature of the engagement we have provided a single point value estimate. While we have provided our opinion on the enterprise value of the Company based on the information made available to us and within the scope and constraints of our engagement, others may have a different opinion.
- A valuation of this nature is necessarily based on stock market, financial, economic, and other conditions in general and industry trends in particular prevailing as on the Valuation date and the information made available to us as of the date hereof. Events occurring after the Valuation date may affect this Report and the assumptions used in preparing it, and we do not assume any obligation to update, revise or reaffirm this Report.
- In the course of valuation, we were provided with both written and verbal information as mentioned in the Section 3. We have analysed the information provided to us by/ on behalf of the Management through broad inquiry, analysis and review but have not carried out a due diligence or audit of the information provided for the purpose of this engagement. We have assumed that no information has been withheld that could have influenced the purpose of our Report.

## 2. SCOPE ASSUMPTIONS & LIMITING CONDITIONS

- Valuation may be based on estimates of future financial performance or opinions that represent reasonable expectations at a particular point in time. However, we do not provide assurance on the achievability of the results projected by the Management as events and circumstances do not occur as expected and differences between actual and expected results may be material. We express no opinion as to how closely the actual results will correspond to those projected as the achievement of the projected results is inter-alia dependent on actions, plans and assumptions of the Management and macro-economic and other external factors which are beyond the control of the Management.
- Our valuation is primarily from a business perspective and does not take into account various legal and other corporate structures beyond the limited information provided to us by the Management. The value conclusion is not intended to represent the value at any time other than the Valuation Date that is specifically stated in the Report.
- We have relied on the data from external sources to conclude the valuation. These sources are believed to be reliable and therefore, we assume no liability for the truth or accuracy of any data, opinions or estimates furnished by others that have been used in this analysis. Where we have relied on data, opinions or estimates from external sources, reasonable care has been taken to ensure that such data has been correctly extracted from those sources and/ or reproduced in its proper form and context.
- The actual price achieved in case of a transaction may be higher or lower than our estimate of value depending upon the circumstances and timing of the transaction, the nature of the business and other relevant factors. The knowledge, negotiating ability and motivation of the buyers and sellers and the applicability of a discount or premium for control will also affect actual price achieved. Accordingly, our valuation conclusion will not necessarily be the price at which any agreement proceeds. The final transaction price is something on which the parties themselves have to agree considering inter-alia their own assessment of the Transaction and inputs from other advisors.
- The Report assumes that the Company complies fully with relevant laws and regulations applicable in its area of operations and usage unless otherwise stated, and that they will be managed in a competent and responsible manner. Further, unless specifically stated to the contrary, this Report has given no consideration to matters of a legal nature, including issues of legal title and compliance with local laws, and litigations and other contingent liabilities that are not recorded/ reflected in the financial statements provided to us.
- In the particular circumstances of this case, our liability (in contract or under statute or otherwise) for any economic loss or damage arising out of or in connection with this engagement, irrespective of the quantum of loss or damage caused, shall be limited to the amount of fees actually received by us from the Client, as laid out in the engagement letter, for such valuation work.

## 2. SCOPE ASSUMPTIONS & LIMITING CONDITIONS



- In rendering this Report, we have not provided any legal, regulatory, tax, accounting or actuarial advice and accordingly we do not assume any responsibility or liability in respect thereof.
- No investigation of the Company's claim to title of assets has been made for the purpose of this Report and the Company's claim to such rights have been assumed to be valid. Therefore, no responsibility is assumed for matters of a legal nature.
- The scope of work has been limited both in terms of the areas of the business and operations which have been reviewed. There may be matters, other than those noted in this report, which might be relevant in the context of the transaction and which a wider scope might uncover.
- RBSA is not aware of any contingent, commitment or material issue, besides the information disclosed in the audited financial statements and as provided by the Management which has been presented in this Report, which could materially affect the economic environment and Company's future performance and therefore, the value of the Company.
- We have assumed that the business would continue normally without any disruptions due to statutory or other external/internal occurrences.
- The scope of work has been limited both in terms of the areas of the business and operations which have been reviewed. There may be matters, other than those noted in this Report, which might be relevant in the context of the transaction and which a wider scope might uncover.
- This Report forms an integral whole and cannot be split in parts. The outcome of the valuation can only lead to proper conclusions if the report as a whole is taken into account.

# SOURCES OF INFORMATION AND PROCEDURES

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# 3.1 SOURCES OF INFORMATION

This Report is prepared on the basis of the following sources of information as provided to us by/ on behalf of the Management:

- Unaudited financial statements for the five months period ended August 31,2022;
- Audited financial statements of JSEL for FY 2022;
- Projected financial statements of JSEL for the residual concession period i.e., September 01, 2022, to January 12, 2031, which the Management believes to be their best estimate of the expected operating performance of JSEL (“Management Projections”);
- Statement of carried forward income tax losses as of the Valuation Date
- Concession Agreement
- Discussions with the Management to inter-alia understand historical performance of the JSEL, key value drivers, competitive scenario, etc.;
- Information obtained from public domain and subscribed databases in respect of comparable companies;
- Such other information and explanation that we believed necessary for the purpose of valuation which was provided by the Management.

## 3.2 PROCEDURES ADOPTED

### Procedures:

The procedures used in our valuation included such substantive steps as we considered necessary under the circumstances, including, the following:

- a) Considered historical financial statements of JSEL for FY 2022 and period ended August 31,2022;
- b) Considered Management Projections;
- c) Discussions and correspondence with the Management to inter-alia understand the historical and expected future performance, key value drivers and other business aspects affecting JSEL;
- d) Considered Information obtained from public domain and subscribed databases in respect of comparable companies;
- e) Considered such other information and explanation that we believed necessary for the purpose of valuation which was provided by the Management.

# HISTORICAL ANALYSIS

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# 4. HISTORICAL FINANCIAL STATEMENTS

## Balance Sheet (In INR Mn)

Particulars as at,	Mar-22	Aug-22
Receivable under SCA - Non-current	6,239.7	5,879.5
Non-Current Tax Assets	141.5	133.6
<b>Total Non Current Assets</b>	<b>6,381.1</b>	<b>6,013.1</b>
Investments in units of Mutual Funds	1,405.2	1,421.6
Cash and Cash equivalents	6,743.3	7,471.3
Interest accrued and due others	2.9	2.8
Other Current Assets	9.2	2.8
<b>Total Current Assets</b>	<b>8,160.6</b>	<b>8,898.5</b>
<b>TOTAL ASSETS</b>	<b>14,541.8</b>	<b>14,911.6</b>
Equity Share Capital	840.0	840.0
Other Equity	(2,284.7)	(1,888.4)
<b>Total Equity</b>	<b>(1,444.7)</b>	<b>(1,048.4)</b>
Long term borrowings - Bonds/Debentures	7,901.5	7,901.4
Retention Money related party	519.5	520.2
<b>Total Non Current Liabilities</b>	<b>8,421.0</b>	<b>8,421.7</b>
Short Term Borrowings	5,415.4	5,415.4
Trade Payables related party	1,780.5	1,749.1
Interest accrued		
- to related parties	280.3	280.3
- On NCD	83.9	83.9
Interest accrued and not due - to related parties	20.2	20.2
Other financial liabilities	5.4	13.9
<b>Total Current Liabilities</b>	<b>7,565.5</b>	<b>7,542.6</b>
<b>TOTAL EQUITY &amp; LIABILITIES</b>	<b>14,541.8</b>	<b>14,915.9</b>

Source: Management / Audited Accounts

## Statement of Profit & Loss (In INR Mn)

Particulars for the period ended, Months	Mar-22 12	Aug-22 5
<b>Income</b>		
Revenue From Operations		
(a) Operation and maintenance income	127.1	53.3
(b) Finance income	655.7	256.6
(c) Overlay income	87.6	16.7
(d) Additional Construction Work - Change of Scope	-	0.3
<b>Total Income</b>	<b>870.3</b>	<b>326.9</b>
<b>Expenses</b>		
Operation and maintenance expenses	115.9	48.6
Periodic maintenance expenses	79.9	15.2
Other Expenses	26.5	5.3
<b>Total Expenses</b>	<b>222.2</b>	<b>69.1</b>
<b>EBITDA</b>	<b>648.1</b>	<b>257.8</b>
Depreciation	-	-
<b>EBIT</b>	<b>648.1</b>	<b>257.8</b>
Other Income - Non Operating	221.8	138.7
Finance Cost - Interest on term loans	0.2	0.2
<b>Profit/(loss) before exceptional items and tax</b>	<b>869.7</b>	<b>396.3</b>
Exceptional Items	(882.9)	-
<b>Profit/(loss) before tax</b>	<b>(13.2)</b>	<b>396.3</b>
Tax Expense	-	-
<b>Profit After Tax</b>	<b>(13.2)</b>	<b>396.3</b>

# 4. HISTORICAL FINANCIAL STATEMENTS

- The Company receives annual annuity of INR 1,450.2 Mn every year.
- Non-Operating income represents interest income from DCRA and MMR account
- O&M Costs is based on the Management estimates
- Based on the re-assessment of the incurrence of periodic maintenance cost pursuant to technical due diligence report from independent agency, there was remeasurement of the financial assets of the company resulting in modification loss of INR 879.3 Mn in FY22. Further the Company has also recorded a expected credit loss of INR 11.3 Mn on trade receivables for the said year.
- National Company Law Appellate Tribunal ("NCLAT") had passed an order on October 15, 2018 ("Interim Order") in Company Appeal (AT) 346 of 2018, imposing moratorium on the creditors of IL&FS and its group companies, which includes the Company. Accordingly, the Company has not accrued any interest, default interest, penal interest and any other similar charges after the said cut cut-off date of October 15, 2018, and has not repaid any principal amount of debt due.
- As of March 31, 2022, the company has not booked the finance expense from October 16, 2018, to March 31, 2022, which is ~ INR 4,302.9 Mn. This amount is based on the contractual agreed terms and excludes penal /other interest and charges.
- JSEL has been classified as an 'Amber' entity, which denotes that it can meet only operational payment obligations to senior secured financial creditors and is not in a position to discharge its entire Debt as and when due. Further, since the Company has been classified under "Amber Category" it has resulted in downgrade of debt ratings of the Company. Accordingly, the Company is permitted to make only those payments necessary to maintain and preserve the going concern status. The interest rate considered in the projections represents Managements estimate of likely interest rate that would be charged to the Company post discussions with secured lenders.
- The tenure of loan has expired as of March 31, 2022. In view of stay granted by NCLAT as per order dated October 15, 2018, for acceleration, premature withdrawal or other withdrawal, invocation of any term loan, corporate loan, bridge loan, commercial paper, debentures, fixed deposits, guarantees, letter of support, commitment or comfort and other financial facilities or obligations availed by IL&FS and its group companies, no loan agreements have been renewed post October 15, 2018.
- The IL&FS Board has been working on a Resolution Plan, with view to enable value preservation for stakeholders of IL&FS Group. The resolution plan inter-alia involved sale of assets/ businesses/ companies owned by IL&FS (parent Of Joint Venture) Group.

# 4. HISTORICAL FINANCIAL STATEMENTS

- The IL&FS Board on December 21, 2018, invited public Expression of interest (EOI) as part of the divestment process, where the board received a bid from an external party in respect of the Company, which was accepted by the Board of Directors of ITNL and IL&FS. While the final price is subject to various adjustments, the Company has used the bid price to determine the fair value of the asset in its books. As the bid being continued, management were of the view that no further impairment was required for FY 2021-22.
- There have been certain developments with respect to:
  - NCLT order for re-opening and re-casting of financial statements of IL&FS, IFIN and ITNL, and not covering the Company;
  - Investigation by Serious Fraud Investigation Office (“SFIO”) and other regulatory agencies against IL&FS and its group companies; and
  - Forensic examination initiated by the Board of Directors of IL&FS in relation to the certain companies of the IL&FS Group, not including the Company.
  - NCLAT order on Moratorium for financial creditors of the Company based on which CNTL had stopped accruing interest and repayment to financial creditors effective October 15, 2018.
- As of March 31, 2022, no material impact/ implications had arisen from the aforesaid developments. However, there is uncertainty relating to the future outcome of the regulatory actions and the same not determinable at this stage.
- The independent third party had submitted their interim forensic report in relation to the audit of ITNL (the Holding company) and its project related activities and the observations contained therein related primarily to the operations of ITNL. The said report was discussed by the Board of ITNL and is being dealt with in manner deemed fit by the Board of the Holding company. Observations made by the independent third party relating to the project undertaken by the Company, was presented to the Company's Board during the financial year FY22. After review of the observations, the Board was of the view that no adjustments are required in the financial statements for any consequential effects / matters that may arise from the said report.

# **BASIS, APPROACH AND METHODOLOGY OF VALUATION**

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# 5. BASIS, APPROACH AND METHODOLOGY OF VALUATION

Valuation is carried out in accordance with ICAI Valuation Standards (“ICAI VS”) issued by Institute of Chartered Accountants of India (“ICAI”) as prescribed under Section 247(2) of the Companies Act, 2013.

## Basis of Valuation – Fair Value Basis

Valuation base means the indication of the type of value being used, considering the terms and purpose of the valuation engagement. Our estimation of the value has been carried out on Fair Value basis.

Para 17 of ICAI VS – Valuation Bases defines Fair Value as follows:

***“Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the valuation date.”***

## Premise of Value – Going Concern

Para 45 of ICAI VS 102 – Valuation Bases defines the value under Going Concern premise as follows:

***“Going concern value is the value of a business enterprise that is expected to continue to operate in the future. The intangible elements of going concern value result from factors such as having a trained work force, an operational plant, the necessary licenses, systems, and procedures in place, etc.”***

JSEL is an operational entity and has generated operating profits in the past. Accordingly given the operational status as on the Valuation Date and the terms and purpose of the valuation engagement, our estimation of the enterprise value of JSEL is based on the Going Concern premise which assumes that JSEL shall continue to operate in the future.

Accordingly, given the Going Concern premise, the Fair Value basis is considered the most appropriate basis for estimation of the Value of JSEL

# 5. BASIS, APPROACH AND METHODOLOGY OF VALUATION

General Methodology for estimating the enterprise valuation and equity valuation on a going concern premise:

Approach	Methodology Used	Rationale
<p><b>Income Approach</b> Discounted Cash Flows (“DCF”)</p>	<p>Applied</p>	<ul style="list-style-type: none"> <li>▪ Under a DCF approach, forecast cash flows are discounted back to the present date, generating a net present value for the cash flow stream of the business. A terminal value at the end of the explicit Forecast Period is then determined and that value is also discounted back to the valuation date to give an overall value for the business.</li> <li>▪ A Discounted cash flow methodology typically requires the Forecast Period to be of such a length to enable the business to achieve a stabilized level of earnings, or to be reflective of an entire operation cycle for more cyclical industries.</li> <li>▪ The rate at which the future cash flows are discounted (“the discount rate”) should reflect not only the time value of money, but also the risk associated with the business’ future operations. The discount rate most generally employed is Weighted Average Cost of Capital (“WACC”) or Cost of Equity (Ke), reflecting an optimal as opposed to actual financing structure.</li> <li>▪ The Management has provided us the projections of the Company which we have used for the purpose of this valuation.</li> <li>▪ We have adopted this methodology to arrive at the valuation conclusion of JSEL.</li> </ul>
<p><b>Market Approach</b> Market Price Method</p>	<p>Not Applied</p>	<ul style="list-style-type: none"> <li>▪ Under this approach, the value of the business is arrived at considering the market price of a company based on its trading prices over an appropriate period.</li> <li>▪ We have not adopted this methodology since the shares of the JSEL are not listed.</li> </ul>

# 5. BASIS, APPROACH AND METHODOLOGY OF VALUATION

General Methodology for estimating the enterprise valuation and equity valuation on a going concern premise:

Approach	Methodology Used	Rationale
<b>Market Approach</b> Comparable Companies ("Co Co")	Not Applied	<ul style="list-style-type: none"> <li>■ Under Comparable Companies Method, the value of shares / business of a company is determined based on market multiples of publicly traded comparable companies. Although no two companies are entirely alike, the companies selected as comparable companies should be engaged in the same or a similar line of business as the subject company/division.</li> <li>■ The appropriate multiple is generally based on the performance of listed companies with similar business after appropriate adjustment for factors specific to the subject business.</li> <li>■ Considering that there are no listed companies comparable to Company in respect of terms of the service concession agreement, concession period, type or region, we have not applied this method for valuation of the Company.</li> </ul>
<b>Market Approach</b> Comparable Transactions ("Co Trans")	Not Applied	<ul style="list-style-type: none"> <li>■ Under Comparable Transaction Method, the value of shares / business of a company is determined based on market multiples of publicly disclosed transactions in the similar space as that of the subject company.</li> <li>■ Multiples are generally based on data from recent transactions in a comparable sector, but with appropriate adjustment after consideration has been given to the specific characteristics of the business being valued.</li> <li>■ We have not used this methodology due to lack of adequate information for comparable transactions in public domain.</li> </ul>
<b>Cost Approach</b> Net Asset Value	Not Applied	<ul style="list-style-type: none"> <li>■ Under the net asset value approach, total value is based on the sum of net asset value as recorded on the balance sheet.</li> <li>■ A net asset methodology is most applicable for businesses where the value lies in the underlying assets and not the ongoing operations of the business, hence we have not adopted the net assets value methodology for this exercise.</li> </ul>

# VALUATION ANALYSIS

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# 6. MANAGEMENT PROJECTIONS: KEY ASSUMPTIONS

## Key Assumptions underlying Management Projections

- **Annuities:** Annuities are receivable on semi-annual basis pursuant to the Concession Agreement.
- **Operation and Maintenance Expenses (Routine maintenance):** O&M expenses over the projection period has been estimated by the Management considering the Technical study report of an external professional consultant.
- **Major Maintenance & Repair Expenses (MMR / Periodic maintenance):** Periodic maintenance expenses are costs that are incurred to bring the road asset back to an earlier condition or to keep the road asset operating at its present condition. MMR expenses over the projection period has been estimated by the Management considering the Technical study report of an external professional consultant.
- **Depreciation and Amortization:** Since the project is on annuity basis, as per Ind AS, no depreciation has been charged in the financial statements. Further, for other Fixed assets, the depreciation method prescribed by the Companies Act has been followed. Since depreciation and amortization is a non-cash expenditure, the same has been added back to arrive at the net cash flows. As informed by the Management, for tax purposes, the MMR expense is capitalised in the year of incurrence and depreciation @25% is charged on the same.
- **Taxes:** Tax expenses for the projection period has been estimated by the Management considering inter-alia estimate of carried forward losses, unabsorbed depreciation, MAT rate/ normal corporate income tax rate (as applicable), MAT provision which may be applicable to the Company, etc.. We have relied upon the Management's estimate in this respect.
- **Working Capital:** As the Company is in the business of operating annuity road project, there is no requirement of material working capital (other than receivable on account of periodical annuity) to operate the business.

# 6. MANAGEMENT PROJECTIONS: KEY ASSUMPTIONS



- For purpose of valuation of Service Concession Agreement, we have considered Discounted Cash flow method of valuation.
- The following are the broad assumptions underlying projections.

## Annuity:

Project road	Length in kms	Amount of annuity p.a. (in INR Mn)	Receivable	Annuity to be received at	COD
Jorabat Shillong Expressway Limited	61.8	1,450.2	Semi annually	July end; Jan end	Jan 28, 2016

\* The period of concession agreement ends in January 2031.

Particulars	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
MMR Expenditure	651.0	-	9.6	56.5	493.4	84.1	52.6	262.8	477.9

(in INR Mn)

## Working Capital Changes

Particulars	Aug-22	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	12-Jan-31
Trade Receivable	0.4	-	-	-	-	-	-	-	-	-
Prepaid expenses	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9
Other Current Assets	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8
<b>Assets</b>	<b>7.0</b>	<b>6.7</b>	<b>6.7</b>	<b>6.7</b>	<b>6.7</b>	<b>6.7</b>	<b>6.7</b>	<b>6.7</b>	<b>6.7</b>	<b>6.7</b>
Retention Money	11.0	-	-	-	-	-	-	-	-	-
Trade Payable Related	23.2	-	-	-	-	-	-	-	-	-
Provision for Expenses	13.8	-	-	-	-	-	-	-	-	-
Statutory Dues	0.1	-	-	-	-	-	-	-	-	-
<b>Liabilities</b>	<b>48.1</b>	-	-	-	-	-	-	-	-	-
Net Working Capital	(41.0)	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7
<b>Change in Working Capital</b>		<b>47.7</b>	-	-	-	-	-	-	-	-

(in INR Mn)

Working Capital from March 31, 2023, to January 12, 2031, is assumed to remain constant at INR 6.7 Mn after repayment of INR 48.1 Mn of current liability. The figure of INR 6.7 Mn pertains to Prepaid Expenses, hence no release of working capital is assumed post end of concession period.

Further, JSEL being an amber category entity, out standings of related parties have been kept constant in projected period and treated as group / parent loan like item.

# 6. ASSUMPTIONS UNDERLYING PROJECTIONS

Details of brought forward losses and depreciation: (in INR Mn)

AY	Business loss	Unabsorbed depreciation
2016-17	-	452.9
2017-18	-	1,930.6
2018-19	-	1,249.7
2019-20	-	499.9
2020-21	-	-
2021-22	-	347.2
<b>Total</b>	<b>-</b>	<b>4,480.3</b>

# 6. ENTERPRISE VALUATION

## Free Cash Flow to Firm (FCFF):

in INR Mn

Particulars	2023	2024	2025	2026	2027	2028	2029	2030	2031
Period in Months	7	12	12	12	12	12	12	12	10
Revenues	1,101.3	715.3	658.8	637.5	1,042.4	560.8	444.9	583.1	706.4
EBIT	389.0	585.3	503.4	428.1	388.5	307.9	215.2	134.4	72.0
Less Income Tax on EBIT	-	-	-	-	-	-	(117.5)	(245.0)	-
Earnings after Tax	389.0	585.3	503.4	428.1	388.5	307.9	97.7	(110.7)	72.0
Add: Depreciation	-	-	-	-	-	-	-	-	-
Add/(Less) : Change in SCA	(372.9)	734.9	791.4	812.7	407.8	889.4	1,005.3	867.1	743.8
Add/(Less): (Increase)/Decrease in Working Capital	(47.7)	-	-	-	-	-	-	-	-
Free Cash flows to Firm ('FCFF')	(31.6)	1,320.2	1,294.8	1,240.9	796.3	1,197.3	1,103.1	756.4	815.8
Time to Midpoint	0.29	1.08	2.08	3.08	4.08	5.08	6.09	7.09	7.98
PV factor @ 9.75%	0.97	0.90	0.82	0.75	0.68	0.62	0.57	0.52	0.48
<b>PV of FCFF</b>	<b>(30.7)</b>	<b>1,193.8</b>	<b>1,066.6</b>	<b>931.4</b>	<b>544.6</b>	<b>746.0</b>	<b>626.2</b>	<b>391.2</b>	<b>388.3</b>

Particulars	In INR Mn
Business Enterprise Value (Refer Note 1)	5,857.3
Add: Cash & cash equivalents	7,471.3
Add: Investments in units of Mutual Funds	1,421.6
Add: Interest Accrued	2.8
Add: Advance Taxes	133.6
Less: Contingent Liabilities	(203.9)
<b>Enterprise Value</b>	<b>14,682.7</b>

### Note 1:

- Comprising present value of free cash flow to firm for the explicit period.
- The Management represented that the operating creditors remaining outstanding as of October 15, 2018 shall be paid in accordance with the 'waterfall' structure approved by NCLT and the amount payable in this respect is being estimated. Considering the aforementioned, operating creditors aggregating INR 2,599.4 Mn pertaining to the period prior to October 15, 2018 and remaining outstanding as at the Valuation Date have been excluded from computation of Enterprise value.

# 6. ENTERPRISE VALUATION

## Contingent Liabilities

(in INR Mn)

Particulars	As of Mar 2022	Probability	Outflow considered	Tax break	Value after tax break
(a) Claims not acknowledged as debt					
-Claims filed by Financial Creditors	406.4	50%	203.2	-	203.2
(b) AGM not convened in time	2.0	50%	1.0	0.3	0.8
			<b>204.2</b>	<b>0.5</b>	<b>203.9</b>

# CONCLUSION

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# 7. CONCLUSION

- RBSA has been appointed by IL&FS to estimate the value of Jorabat Shillong Expressway Limited (“JSEL”/ the “Company”) as of August 31, 2022 (“Valuation Date”) for the internal management consideration of IL&FS.
- Based on the review and analysis of all the information provided by the Management, current market analysis and other factors set out in the report, we have estimated the enterprise value of JSEL as of August 31, 2022, at INR 14,682.7 Mn.
- The Valuation is not intended for general circulation or publication and is not to be reproduced without our prior written consent or used for any purpose other than for the purposes stated above and cannot be relied upon by third parties. We will not accept any responsibilities to any other party to whom the report may be shown or who may acquire a copy of this report.
- This Report forms an integral whole and cannot be split in parts. The outcome of the Valuation can only lead to proper conclusions if the Report as a whole is taken into account.

# APPENDIX

# Appendix: Discount Rate

## Discount rate

- In order to determine the discount rate, we have used the WACC methodology as set out below:

$$\text{WACC} = K_e * (E / (D + E)) + K_d * (1 - T) * (D / (D + E))$$

Where: $K_e$	=	cost of equity
$E$	=	market value of equity
$K_d$	=	cost of debt
$D$	=	market value of debt
$T$	=	corporate taxation rate

The cost of equity is derived using the Capital Asset Pricing Model (“CAPM”) as follows:

$$K_e = R_f + \beta * (R_m - R_f) + \alpha$$

Where: $R_f$	=	the current return on risk-free assets
$R_m$	=	the expected average return of the market
$(R_m - R_f)$	=	the average risk premium above the risk-free rate that a “market” portfolio of assets is earning
$\beta$	=	the beta factor, being the measure of the systematic risk of a particular asset relative to the risk of a portfolio of all risky assets
$\alpha$	=	company specific risk factor (alpha)

## Terminal Value

- The most common approach to calculating terminal value is to apply a constant growth model, utilising the following formula:
- FV of terminal value =  $[FCFF_n] \times (1+g) / (WACC-g)$
- PV of terminal value = FV of terminal value /  $(1+WACC)^n$   
Where:  $g$  = growth rate
- Considering that SCA has finite life, no terminal value has been computed.

# Appendix: Discount Rate

## WACC as on August 31, 2022

Particulars		
<b>Cost of Equity (Ke)</b>		
Risk Free Rate (Rfr)	~7.21%	10 years ZCYC rate as on August 31, 2022, Source: CCIL
Market Risk Premium	~7.00%	RBSA Estimate
Levered Beta	~0.91	Considering beta of peer companies and debt equity ratio #
Additional Risk Premium	-1.00%	Refer Note below
<b>Cost of Equity (Ke)</b>	<b>12.57%</b>	
<b>Cost of Debt (Kd)</b>		
Pre-Tax - Cost of Debt (Kd)	~7.50%	Estimate of borrowing costs from banks as of August 31, 2022, Management Estimate post restructuring
Effective tax rate	~8.37%	Considering inter-alia Management's estimate of set-off of brought forward losses and unabsorbed depreciation
Post Tax - Cost of Debt (Kd)	~6.87%	
Debt : Equity	~ 50:50	RBSA Estimate considering inter-alia Debt: equity of peer companies
<b>WACC</b>	<b>9.72%</b>	
<b>WACC (Rounded)</b>	<b>9.75%</b>	

Note: Considering inter-alia annuity model of SPV and NHA1 as the Concessioneing authority

# List of companies considered for beta calculation are Ashoka Buildcon Limited, MEP Infrastructure Developers Limited and IRB Infrastructure Developers Limited