

Sterlite

IndiGrid

Date: April 25, 2018

B S E Limited

National Stock Exchange of India Ltd

Subject: Submission of Full Valuation Report of India Grid Trust as on March 31, 2018

For and on behalf of the Sterlite Investment Managers Limited



Swapnil Patil

**Copy to:
Axis Trustee Services Limited**

Strictly Private and Confidential

HARIBHAKTI & CO. LLP

Chartered Accountants

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

SPV: Bhopal Dhule Transmission Company Limited ("BDTCL")

Valuation Date: 31st March 2018



Date: 23rd April 2018

CFAS/ZR-002/0423/A

Sterlite Investment Managers Limited

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

India Grid Trust

(Axis Trustee Services Limited acting on behalf of the Trust)

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

**For Valuation of SEBI Infrastructure Investment Trusts Regulations, 2014 as amended
(The SEBI InvIT Regulations)**

Dear Sirs,

We, Haribhakti & Co. LLP, Chartered Accountants ("H&Co"), have been appointed vide letter dated 23rd March 2018, as an independent valuer, as defined under the SEBI InvIT Regulations, by Sterlite Investment Managers Limited ("the Investment Manager" or "SIML"), acting as the Investment Manager for India Grid Trust ("the Trust") and Axis Trustee Services Limited ("the Trustee") acting as the Trustee for the Trust mentioned above, for the purpose of the financial valuation of Shree Dhule Transmission Company Limited ("DLTCL" or "the SPV"). The SPV was acquired by the Trust on 30th May 2017 and is to be valued as per regulation 31 contained in the Chapter V of the SEBI InvIT Regulations.

The financial statements and other documents provided to us by the Investment Manager and the Trustee are for our consideration only. We have not independently verified the accuracy or completeness of the financial statements and other documents provided to us. The accuracy and completeness of the financial statements and other documents provided to us is the responsibility of the Investment Manager and the Trustee. We have not conducted any audit or other procedures, which are required upon the auditors, to verify the accuracy and completeness of the financial statements and other documents provided to us. The accuracy and completeness of the financial statements and other documents provided to us is the responsibility of the Investment Manager and the Trustee.

We have prepared this valuation report in accordance with the SEBI InvIT Regulations and the SEBI InvIT (Valuation) Regulations, 2014, as amended. The valuation report is for the purpose of the financial valuation of the SPV as mentioned above. The valuation report is not to be used for any other purpose. The valuation report is subject to the SEBI InvIT Regulations and the SEBI InvIT (Valuation) Regulations, 2014, as amended. We have not conducted any audit or other procedures, which are required upon the auditors, to verify the accuracy and completeness of the financial statements and other documents provided to us. The accuracy and completeness of the financial statements and other documents provided to us is the responsibility of the Investment Manager and the Trustee.



Yours faithfully,
Haribhakti & Co. LLP
Chartered Accountants

We believe that our analysis must be considered as a whole. Selecting portions of our analysis or the factors we considered, without considering all factors and analysis together could create a misleading view of the process underlying the valuation conclusions. The preparation of a valuation is a complex process and is not necessarily susceptible to partial analysis or summary description. Any attempt to do so could lead to undue emphasis on any particular factor or analysis.

Our valuation and our valuation conclusion are included herein.



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Definition, abbreviation & glossary of terms

Abbreviations	Meaning
BDTCL	Bhopal Dhule Transmission Company Limited ("BDTCL")
BOOM	Build-Own-Operate-Maintain
Capex	Capital Expenditure
CCIL	Clearing Corporation of India Limited
CEA	Central Electricity Authority
CERC	Central Electricity Regulatory Commission
Ckms	Circuit Kilometers
COD	Commercial Operation Date
EBIT	Earnings Before Interest and Taxes
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization
EHV	Extra High Voltage
EV	Enterprise Value
FY	Financial Year Ended 31st March
FYP	Five year plan

1. Purpose of Valuation

- 1.1. The Trust is registered with SEBI pursuant to the SEBI InvIT Regulations. The Trust was established on 21st October 2016 by Sterlite Power Grid Ventures Limited ("SPGVL" or "the Sponsor"). It is established to own inter-state power transmission assets in India. The units of the Trust are listed on the National Stock Exchange Limited and BSE Limited since 6th June 2017.
- 1.2. We understand that as per chapter V and regulation 21 of the SEBI InvIT Regulations a yearly valuation of the assets of the Trust shall be conducted by an independent valuer for the period ended 31st March 2018 for a publicly offered InvIT. In this regard, the Investment Manager intends to undertake the fair valuation of the SPV.
- 1.3. The details of the SPV to be valued is as follows:

1.3.1. Bhopal Dhule Transmission Company Limited ("BDTCL") operates six EHV overhead transmission lines of 944 ckms comprising four 765 kV single circuit lines of 891 ckms and two 400 kV dual circuit lines of 53 ckms. The single circuit lines comprises of a 260 ckms line from Jabalpur to Bhopal in Madhya Pradesh, a 176 ckms line from Bhopal to Indore in Madhya Pradesh, a 192 ckms line from Aurangabad to Dhule in Maharashtra and a 263 ckms line from Dhule (Maharashtra) to Vadodara (Gujarat). The double circuit lines consist of a 26 ckms line within Dhule and a 176 ckms line from Dhule to Vadodara.

BDTCL has a turnover of approximately 1,200 MPA in the year ended 31st March 2017.

In this regard, the Investment Manager and the Trustee have requested us, members of the ICAI, Chartered Accountants ("CA") to undertake the fair valuation of the assets of the SPV as per the SEBI InvIT Regulations as at 31st March 2018. It is requested that you do not undertake the valuation of the assets of the SPV as per the SEBI InvIT Regulations unless you are satisfied that the assets of the SPV are identifiable and can be valued independently from other assets.

Thank you for your attention.

Yours faithfully,
Haribhakti & Co. LLP
Chartered Accountants

It is requested that you do not undertake the valuation of assets of the SPV as per the SEBI InvIT Regulations.

It is requested that you do not undertake the valuation of assets of the SPV as per the SEBI InvIT Regulations unless you are satisfied that the assets of the SPV are identifiable and can be valued independently from other assets.

The valuation report prepared by you in this regard should be in accordance with the SEBI InvIT Regulations and the valuation of the SPV is important, time and fee and is commensurate with the complexity of the assets.

Thank you for your attention.

It is requested that you do not undertake the valuation of the assets of the SPV as per the SEBI InvIT Regulations unless you are satisfied that the assets of the SPV are identifiable and can be valued independently from other assets.

The valuation report prepared by you in this regard should be in accordance with the SEBI InvIT Regulations and the valuation of the SPV is important, time and fee and is commensurate with the complexity of the assets.

It is requested that you do not undertake the valuation of the assets of the SPV as per the SEBI InvIT Regulations unless you are satisfied that the assets of the SPV are identifiable and can be valued independently from other assets.



- 1.10. For the amount pertaining to the operating working capital, the Investment Manager has acknowledged to consider the provisional financial statements as on 31st March 2018 to carry out the valuation of the SPV.

2. Exclusions and Limitations

- 2.1. Our Report is subject to the limitations detailed hereinafter. This Report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to therein.
- 2.2. The scope of our assignment did not involve us performing audit tests for the purpose of expressing an opinion on the fairness or accuracy of any financial or analytical information that was provided and used by us during the course of our work. The assignment did not involve us to conduct the financial or technical feasibility study. We have not done any independent technical valuation or appraisal or due diligence of the assets or liabilities of the SPV or any of other entity mentioned in this Report and have considered them at the value as disclosed by the SPV in their regulatory filings or in submissions, oral or written, made to us.

2.3. In addition, we do not take any responsibility for any changes in the financial position of the SPV or any other entity which may occur subsequent to the date of our Report. We have not conducted any independent technical valuation or appraisal or due diligence of the assets or liabilities of the SPV or any of other entity mentioned in this Report and have considered them at the value as disclosed by the SPV in their regulatory filings or in submissions, oral or written, made to us. We have not done any independent technical valuation or appraisal or due diligence of the assets or liabilities of the SPV or any of other entity mentioned in this Report and have considered them at the value as disclosed by the SPV in their regulatory filings or in submissions, oral or written, made to us.

2.4. We have not conducted any independent technical valuation or appraisal or due diligence of the assets or liabilities of the SPV or any of other entity mentioned in this Report and have considered them at the value as disclosed by the SPV in their regulatory filings or in submissions, oral or written, made to us.

2.5. We have not conducted any independent technical valuation or appraisal or due diligence of the assets or liabilities of the SPV or any of other entity mentioned in this Report and have considered them at the value as disclosed by the SPV in their regulatory filings or in submissions, oral or written, made to us.

2.6. The Report is based on the information provided to us and we do not assume any responsibility for any changes in the financial position of the SPV or any of other entity mentioned in this Report and have considered them at the value as disclosed by the SPV in their regulatory filings or in submissions, oral or written, made to us.

2.7. We have not conducted any independent technical valuation or appraisal or due diligence of the assets or liabilities of the SPV or any of other entity mentioned in this Report and have considered them at the value as disclosed by the SPV in their regulatory filings or in submissions, oral or written, made to us.

2.8. We have not conducted any independent technical valuation or appraisal or due diligence of the assets or liabilities of the SPV or any of other entity mentioned in this Report and have considered them at the value as disclosed by the SPV in their regulatory filings or in submissions, oral or written, made to us.

2.9. We have not conducted any independent technical valuation or appraisal or due diligence of the assets or liabilities of the SPV or any of other entity mentioned in this Report and have considered them at the value as disclosed by the SPV in their regulatory filings or in submissions, oral or written, made to us.



2.10. Valuation is based on estimates of future financial performance or opinions, which represent reasonable expectations at a particular point of time, but such information, estimates or opinions are not offered as predictions or as assurances that a particular level of income or profit will be achieved, a particular event will occur or that a particular price will be offered or accepted. Actual results achieved during the period covered by the prospective financial analysis will vary from these estimates and the variations may be material.

2.11. We do not carry out any validation procedures or due diligence with respect to the information provided/extracted or carry out any verification of the assets or comment on the achievability and reasonableness of the assumptions underlying the financial forecasts, save for satisfying ourselves to the extent possible that they are consistent with other information provided to us in the course of this engagement.

2.12. We have arrived at an indicative enterprise value based on our analysis.

2.13. Our conclusion assumes that the assets and liabilities of the SPV, reflected in their respective latest balance sheets remain intact as of the Report date.

2.14. Whilst all reasonable care has been taken to ensure that the factual statements in the Report are accurate, neither ourselves, nor any of our partners, directors, officers or employees shall in any way be liable or responsible either directly or indirectly for the contents stated herein. Accordingly, we make no representation or warranty, express or implied, in respect of the completion of the Report or accuracy of any factual statements contained therein.

2.15. The Report is prepared for the use of the client and is not intended to be used for any other purpose and the client is advised to seek independent professional advice in relation to the use of the Report.

2.16. The Report is not to be used for any other purpose than to assist in the issue of the shares in the SPV and the client is advised to seek independent professional advice in relation to the use of the Report. The Report is not to be used for any other purpose than to assist in the issue of the shares in the SPV and the client is advised to seek independent professional advice in relation to the use of the Report.

2.17. The Report is not to be used for any other purpose than to assist in the issue of the shares in the SPV and the client is advised to seek independent professional advice in relation to the use of the Report.

2.18. The Report is not to be used for any other purpose than to assist in the issue of the shares in the SPV and the client is advised to seek independent professional advice in relation to the use of the Report.

2.19. The Report is not to be used for any other purpose than to assist in the issue of the shares in the SPV and the client is advised to seek independent professional advice in relation to the use of the Report.

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2.21. The Report is not to be used for any other purpose than to assist in the issue of the shares in the SPV and the client is advised to seek independent professional advice in relation to the use of the Report.

2.22. The Report is not to be used for any other purpose than to assist in the issue of the shares in the SPV and the client is advised to seek independent professional advice in relation to the use of the Report.



2.22. Limitation of Liabilities

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

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

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

2.22.4. H&Co. shall not be liable for any loss or damage due to the provision of any information or intelligence, information or recommendation by H&Co. to the Trustee.

3. Books of Accounts

In the course of managing the business of the Trust, we shall keep up the following books of accounts to be maintained by the Investment Manager:

- 3.1. Properly audited statements of Profit/Loss for the financial year 2017 ending 31st March 2018 and 2018 ending 31st March 2019;
- 3.2. Provisional Profit & Loss Account and Balance Sheet for the year ending 31st March 2018;
- 3.3. Provisional Profit & Loss Account and Working Capital statements of 30th Dec 2017, 31st March 2018, 30th June 2018;
- 3.4. Properly maintained accounts payable and receivable for 2017 ending 31st March 2018;
- 3.5. Details of income, expenses, income tax and income tax paid or withheld, as at 31st March 2018;
- 3.6. Details of dividend received and capital expenditure as recommended by the management;
- 3.7. Details of assets of the Trust and the Trust's assets 2017 ending 31st March 2018, 30th June 2018, 30th September 2018 and 31st December 2018;
- 3.8. Details of assets of the Trust and the Trust's assets 2018 ending 31st March 2019, 30th June 2019, 30th September 2019 and 31st December 2019;
- 3.9. Details of assets of the Trust and the Trust's assets 2019 ending 31st March 2020, 30th June 2020, 30th September 2020 and 31st December 2020;
- 3.10. Details of assets of the Trust and the Trust's assets 2020 ending 31st March 2021, 30th June 2021, 30th September 2021 and 31st December 2021;
- 3.11. Details of assets of the Trust and the Trust's assets 2021 ending 31st March 2022, 30th June 2022, 30th September 2022 and 31st December 2022;
- 3.12. Details of assets of the Trust and the Trust's assets 2022 ending 31st March 2023, 30th June 2023, 30th September 2023 and 31st December 2023;
- 3.13. Details of assets of the Trust and the Trust's assets 2023 ending 31st March 2024, 30th June 2024, 30th September 2024 and 31st December 2024;
- 3.14. Details of assets of the Trust and the Trust's assets 2024 ending 31st March 2025, 30th June 2025, 30th September 2025 and 31st December 2025;
- 3.15. Details of assets of the Trust and the Trust's assets 2025 ending 31st March 2026, 30th June 2026, 30th September 2026 and 31st December 2026;
- 3.16. Details of assets of the Trust and the Trust's assets 2026 ending 31st March 2027, 30th June 2027, 30th September 2027 and 31st December 2027;
- 3.17. Details of assets of the Trust and the Trust's assets 2027 ending 31st March 2028, 30th June 2028, 30th September 2028 and 31st December 2028;
- 3.18. Details of assets of the Trust and the Trust's assets 2028 ending 31st March 2029, 30th June 2029, 30th September 2029 and 31st December 2029;
- 3.19. Details of assets of the Trust and the Trust's assets 2029 ending 31st March 2030, 30th June 2030, 30th September 2030 and 31st December 2030;
- 3.20. Details of assets of the Trust and the Trust's assets 2030 ending 31st March 2031, 30th June 2031, 30th September 2031 and 31st December 2031;
- 3.21. Details of assets of the Trust and the Trust's assets 2031 ending 31st March 2032, 30th June 2032, 30th September 2032 and 31st December 2032;
- 3.22. Details of assets of the Trust and the Trust's assets 2032 ending 31st March 2033, 30th June 2033, 30th September 2033 and 31st December 2033;
- 3.23. Details of assets of the Trust and the Trust's assets 2033 ending 31st March 2034, 30th June 2034, 30th September 2034 and 31st December 2034;
- 3.24. Details of assets of the Trust and the Trust's assets 2034 ending 31st March 2035, 30th June 2035, 30th September 2035 and 31st December 2035;
- 3.25. Details of assets of the Trust and the Trust's assets 2035 ending 31st March 2036, 30th June 2036, 30th September 2036 and 31st December 2036;
- 3.26. Details of assets of the Trust and the Trust's assets 2036 ending 31st March 2037, 30th June 2037, 30th September 2037 and 31st December 2037;
- 3.27. Details of assets of the Trust and the Trust's assets 2037 ending 31st March 2038, 30th June 2038, 30th September 2038 and 31st December 2038;
- 3.28. Details of assets of the Trust and the Trust's assets 2038 ending 31st March 2039, 30th June 2039, 30th September 2039 and 31st December 2039;
- 3.29. Details of assets of the Trust and the Trust's assets 2039 ending 31st March 2040, 30th June 2040, 30th September 2040 and 31st December 2040;
- 3.30. Details of assets of the Trust and the Trust's assets 2040 ending 31st March 2041, 30th June 2041, 30th September 2041 and 31st December 2041;
- 3.31. Details of assets of the Trust and the Trust's assets 2041 ending 31st March 2042, 30th June 2042, 30th September 2042 and 31st December 2042;
- 3.32. Details of assets of the Trust and the Trust's assets 2042 ending 31st March 2043, 30th June 2043, 30th September 2043 and 31st December 2043;
- 3.33. Details of assets of the Trust and the Trust's assets 2043 ending 31st March 2044, 30th June 2044, 30th September 2044 and 31st December 2044;
- 3.34. Details of assets of the Trust and the Trust's assets 2044 ending 31st March 2045, 30th June 2045, 30th September 2045 and 31st December 2045;
- 3.35. Details of assets of the Trust and the Trust's assets 2045 ending 31st March 2046, 30th June 2046, 30th September 2046 and 31st December 2046;
- 3.36. Details of assets of the Trust and the Trust's assets 2046 ending 31st March 2047, 30th June 2047, 30th September 2047 and 31st December 2047;
- 3.37. Details of assets of the Trust and the Trust's assets 2047 ending 31st March 2048, 30th June 2048, 30th September 2048 and 31st December 2048;
- 3.38. Details of assets of the Trust and the Trust's assets 2048 ending 31st March 2049, 30th June 2049, 30th September 2049 and 31st December 2049;
- 3.39. Details of assets of the Trust and the Trust's assets 2049 ending 31st March 2050, 30th June 2050, 30th September 2050 and 31st December 2050;
- 3.40. Details of assets of the Trust and the Trust's assets 2050 ending 31st March 2051, 30th June 2051, 30th September 2051 and 31st December 2051;
- 3.41. Details of assets of the Trust and the Trust's assets 2051 ending 31st March 2052, 30th June 2052, 30th September 2052 and 31st December 2052;
- 3.42. Details of assets of the Trust and the Trust's assets 2052 ending 31st March 2053, 30th June 2053, 30th September 2053 and 31st December 2053;
- 3.43. Details of assets of the Trust and the Trust's assets 2053 ending 31st March 2054, 30th June 2054, 30th September 2054 and 31st December 2054;
- 3.44. Details of assets of the Trust and the Trust's assets 2054 ending 31st March 2055, 30th June 2055, 30th September 2055 and 31st December 2055;
- 3.45. Details of assets of the Trust and the Trust's assets 2055 ending 31st March 2056, 30th June 2056, 30th September 2056 and 31st December 2056;
- 3.46. Details of assets of the Trust and the Trust's assets 2056 ending 31st March 2057, 30th June 2057, 30th September 2057 and 31st December 2057;
- 3.47. Details of assets of the Trust and the Trust's assets 2057 ending 31st March 2058, 30th June 2058, 30th September 2058 and 31st December 2058;
- 3.48. Details of assets of the Trust and the Trust's assets 2058 ending 31st March 2059, 30th June 2059, 30th September 2059 and 31st December 2059;
- 3.49. Details of assets of the Trust and the Trust's assets 2059 ending 31st March 2060, 30th June 2060, 30th September 2060 and 31st December 2060;
- 3.50. Details of assets of the Trust and the Trust's assets 2060 ending 31st March 2061, 30th June 2061, 30th September 2061 and 31st December 2061;
- 3.51. Details of assets of the Trust and the Trust's assets 2061 ending 31st March 2062, 30th June 2062, 30th September 2062 and 31st December 2062;
- 3.52. Details of assets of the Trust and the Trust's assets 2062 ending 31st March 2063, 30th June 2063, 30th September 2063 and 31st December 2063;
- 3.53. Details of assets of the Trust and the Trust's assets 2063 ending 31st March 2064, 30th June 2064, 30th September 2064 and 31st December 2064;
- 3.54. Details of assets of the Trust and the Trust's assets 2064 ending 31st March 2065, 30th June 2065, 30th September 2065 and 31st December 2065;
- 3.55. Details of assets of the Trust and the Trust's assets 2065 ending 31st March 2066, 30th June 2066, 30th September 2066 and 31st December 2066;
- 3.56. Details of assets of the Trust and the Trust's assets 2066 ending 31st March 2067, 30th June 2067, 30th September 2067 and 31st December 2067;
- 3.57. Details of assets of the Trust and the Trust's assets 2067 ending 31st March 2068, 30th June 2068, 30th September 2068 and 31st December 2068;
- 3.58. Details of assets of the Trust and the Trust's assets 2068 ending 31st March 2069, 30th June 2069, 30th September 2069 and 31st December 2069;
- 3.59. Details of assets of the Trust and the Trust's assets 2069 ending 31st March 2070, 30th June 2070, 30th September 2070 and 31st December 2070;
- 3.60. Details of assets of the Trust and the Trust's assets 2070 ending 31st March 2071, 30th June 2071, 30th September 2071 and 31st December 2071;
- 3.61. Details of assets of the Trust and the Trust's assets 2071 ending 31st March 2072, 30th June 2072, 30th September 2072 and 31st December 2072;
- 3.62. Details of assets of the Trust and the Trust's assets 2072 ending 31st March 2073, 30th June 2073, 30th September 2073 and 31st December 2073;
- 3.63. Details of assets of the Trust and the Trust's assets 2073 ending 31st March 2074, 30th June 2074, 30th September 2074 and 31st December 2074;
- 3.64. Details of assets of the Trust and the Trust's assets 2074 ending 31st March 2075, 30th June 2075, 30th September 2075 and 31st December 2075;
- 3.65. Details of assets of the Trust and the Trust's assets 2075 ending 31st March 2076, 30th June 2076, 30th September 2076 and 31st December 2076;
- 3.66. Details of assets of the Trust and the Trust's assets 2076 ending 31st March 2077, 30th June 2077, 30th September 2077 and 31st December 2077;
- 3.67. Details of assets of the Trust and the Trust's assets 2077 ending 31st March 2078, 30th June 2078, 30th September 2078 and 31st December 2078;
- 3.68. Details of assets of the Trust and the Trust's assets 2078 ending 31st March 2079, 30th June 2079, 30th September 2079 and 31st December 2079;
- 3.69. Details of assets of the Trust and the Trust's assets 2079 ending 31st March 2080, 30th June 2080, 30th September 2080 and 31st December 2080;
- 3.70. Details of assets of the Trust and the Trust's assets 2080 ending 31st March 2081, 30th June 2081, 30th September 2081 and 31st December 2081;
- 3.71. Details of assets of the Trust and the Trust's assets 2081 ending 31st March 2082, 30th June 2082, 30th September 2082 and 31st December 2082;
- 3.72. Details of assets of the Trust and the Trust's assets 2082 ending 31st March 2083, 30th June 2083, 30th September 2083 and 31st December 2083;
- 3.73. Details of assets of the Trust and the Trust's assets 2083 ending 31st March 2084, 30th June 2084, 30th September 2084 and 31st December 2084;
- 3.74. Details of assets of the Trust and the Trust's assets 2084 ending 31st March 2085, 30th June 2085, 30th September 2085 and 31st December 2085;
- 3.75. Details of assets of the Trust and the Trust's assets 2085 ending 31st March 2086, 30th June 2086, 30th September 2086 and 31st December 2086;
- 3.76. Details of assets of the Trust and the Trust's assets 2086 ending 31st March 2087, 30th June 2087, 30th September 2087 and 31st December 2087;
- 3.77. Details of assets of the Trust and the Trust's assets 2087 ending 31st March 2088, 30th June 2088, 30th September 2088 and 31st December 2088;
- 3.78. Details of assets of the Trust and the Trust's assets 2088 ending 31st March 2089, 30th June 2089, 30th September 2089 and 31st December 2089;
- 3.79. Details of assets of the Trust and the Trust's assets 2089 ending 31st March 2090, 30th June 2090, 30th September 2090 and 31st December 2090;
- 3.80. Details of assets of the Trust and the Trust's assets 2090 ending 31st March 2091, 30th June 2091, 30th September 2091 and 31st December 2091;
- 3.81. Details of assets of the Trust and the Trust's assets 2091 ending 31st March 2092, 30th June 2092, 30th September 2092 and 31st December 2092;
- 3.82. Details of assets of the Trust and the Trust's assets 2092 ending 31st March 2093, 30th June 2093, 30th September 2093 and 31st December 2093;
- 3.83. Details of assets of the Trust and the Trust's assets 2093 ending 31st March 2094, 30th June 2094, 30th September 2094 and 31st December 2094;
- 3.84. Details of assets of the Trust and the Trust's assets 2094 ending 31st March 2095, 30th June 2095, 30th September 2095 and 31st December 2095;
- 3.85. Details of assets of the Trust and the Trust's assets 2095 ending 31st March 2096, 30th June 2096, 30th September 2096 and 31st December 2096;
- 3.86. Details of assets of the Trust and the Trust's assets 2096 ending 31st March 2097, 30th June 2097, 30th September 2097 and 31st December 2097;
- 3.87. Details of assets of the Trust and the Trust's assets 2097 ending 31st March 2098, 30th June 2098, 30th September 2098 and 31st December 2098;
- 3.88. Details of assets of the Trust and the Trust's assets 2098 ending 31st March 2099, 30th June 2099, 30th September 2099 and 31st December 2099;
- 3.89. Details of assets of the Trust and the Trust's assets 2099 ending 31st March 2100, 30th June 2100, 30th September 2100 and 31st December 2100;
- 3.90. Details of assets of the Trust and the Trust's assets 2100 ending 31st March 2101, 30th June 2101, 30th September 2101 and 31st December 2101;
- 3.91. Details of assets of the Trust and the Trust's assets 2101 ending 31st March 2102, 30th June 2102, 30th September 2102 and 31st December 2102;
- 3.92. Details of assets of the Trust and the Trust's assets 2102 ending 31st March 2103, 30th June 2103, 30th September 2103 and 31st December 2103;
- 3.93. Details of assets of the Trust and the Trust's assets 2103 ending 31st March 2104, 30th June 2104, 30th September 2104 and 31st December 2104;
- 3.94. Details of assets of the Trust and the Trust's assets 2104 ending 31st March 2105, 30th June 2105, 30th September 2105 and 31st December 2105;
- 3.95. Details of assets of the Trust and the Trust's assets 2105 ending 31st March 2106, 30th June 2106, 30th September 2106 and 31st December 2106;
- 3.96. Details of assets of the Trust and the Trust's assets 2106 ending 31st March 2107, 30th June 2107, 30th September 2107 and 31st December 2107;
- 3.97. Details of assets of the Trust and the Trust's assets 2107 ending 31st March 2108, 30th June 2108, 30th September 2108 and 31st December 2108;
- 3.98. Details of assets of the Trust and the Trust's assets 2108 ending 31st March 2109, 30th June 2109, 30th September 2109 and 31st December 2109;
- 3.99. Details of assets of the Trust and the Trust's assets 2109 ending 31st March 2110, 30th June 2110, 30th September 2110 and 31st December 2110;
- 3.100. Details of assets of the Trust and the Trust's assets 2110 ending 31st March 2111, 30th June 2111, 30th September 2111 and 31st December 2111;



4. Overview of the InvIT and SPV

The Trust

- 4.1. The Trust is registered with SEBI pursuant to the SEBI InvIT Regulations. The Trust was established on 21st October 2016 by Sterlite Power Grid Venture Limited ("SPGVL" or "the Sponsor"). It is established to own inter-state power transmission assets in India. The units of the trust are listed on the National Stock Exchange of India and BSE Limited since 6th June 2017.
- 4.2. The Trust had acquired two revenue generating projects, Bhopal Dhule Transmission Company Limited ("BDTCL") and Jabalpur Transmission Company Limited ("JTCL") from its Sponsor on 30th May 2017. On 16th February 2018, the Trust further acquired three other revenue generating projects from its Sponsor, namely, Maheshwaram Transmission Limited ("MTL"), Purulia Kharagpur Transmission Company Limited ("PKTCL") and RAPP Transmission Limited ("RTCL").
- 4.3. The Trust, pursuant to the 'Right of First Offer' deed has a 'right of first offer' to acquire five other projects of the Sponsor.
- 4.4. Following is the financial summary of the projects which the Trust had acquired from the Sponsor:

BDTCL and JTCL

Asset Name	Enterprise Value (INR Mn)				Acquisition Value
	30-Sep-17	31-Mar-17	31-Mar-16	31-Mar-15	
BDTCL	21,431	21,541	21,812	20,113	37,020*
JTCL	15,988	16,125	19,407**	14,295	
Total	37,419	37,666	41,219	34,408	37,020

*Consolidated Purchase Price paid by the Trust for the acquisition at the time of Initial Public Offer

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

MTL, RTCL and PKTCL

Asset Name	Enterprise Value (INR Mn)	
	30-Jun-17	Acquisition Value
MTL	5,218	4,697
RTCL	3,935	3,542
PKTCL	6,512	5,861
Total	15,666	14,100



BDTCL or the SPV

Summary of details of the Project are as follows:

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

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

4.5.1. BDTCL operates six EHV overhead transmission lines of 944 ckms comprising four 765 kV single circuit lines of 891 ckms and two 400 kV dual circuit lines of 53 ckms. The single circuit lines comprise a 260 ckms line from Jabalpur to Bhopal in Madhya Pradesh, a 176 ckms line from Bhopal to Indore in Madhya Pradesh, a 192 ckms line from Aurangabad to Dhule in Maharashtra and a 263 ckms line from Dhule (Maharashtra) to Vadodara (Gujarat). The double circuit lines consist of a 36 ckms line within Dhule and a 17 ckms line within Bhopal. In addition, the project includes two 3,000 MVA sub-stations, one each in Bhopal and Dhule.

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

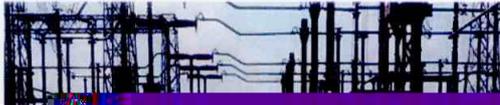
- 4.6. The project consists of the following transmission lines and is being implemented on contract basis:

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

- 4.6.1. BDTCL entered into transmission services agreement dated 12th November 2013 with Power Grid Corporation of India Limited. The expiry date of TSA shall be the date which is 35 years from the scheduled Commercial Operation Date ("COD") of the project.







1. Overview of the industry

1.1. Introduction

India is the 7th largest economy and 14th largest consumer of electricity in the world. It is also the world's fastest growing economy. India is the 7th largest power producer in the world.

India's power industry has been a key driver of the country's growth. The country's power industry has a long history of growth and development.

1.2. Demand and Supply

India's power industry has a long history of growth and development. The country's power industry has a long history of growth and development. The country's power industry has a long history of growth and development.

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1.3. India's Economic Outlook

India's economic outlook is positive. The country's economy is growing rapidly. The country's economy is growing rapidly. The country's economy is growing rapidly.

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macroeconomic vulnerability, coupled with improved government spending in infrastructure sectors, has enhanced India's Global Competitiveness Index (GCI) score to 47.9 (up from 47.5 in FY 2014-15). Also, improved infrastructure has improved connectivity, which has improved the GCI score for 2015, followed by 'Good' from 'Very Good' category score change observed. As observed, India's GCI is ranked 49th amongst 140 GCI high-growth economies.

2.2. Macro-Economic Outlook of India

2.2.1. The macroeconomic growth rate is expected to remain strong, although, due to government's move to correct distribution deficit. Transmission and distribution system, which covers 20% distribution system, which is not a significant factor in the economy. It will be Transmission and Distribution (T&D) system, it is expected that transmission and distribution system will give performance year.

2.2.2. The distribution network and state grid are primary power are managed by the respective State Government or state government through state electricity departments. Most markets are international markets, but, no other are market in India, which includes the market of power for a period of 10 to 15 years.

2.2.3. The government's move to providing electricity to all houses in 2012, which is being made as a policy target. The grid usage of transmission was 1,134 crore, the price of a unit was of Rs. 2.000 during FY 11 and FY 12. The total transmission losses for FY 2012 were 24,322 crore in FY 11 to around 26,127 crore in FY 12.

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Source: Crisil Power Transmission Report – November 2016 and IBEF report on Power sector in India- February 2018 and CEA Data as mentioned in Adani Transmission Limited Annual Report 2017.

6. Valuation Approach

- 6.1. The present valuation exercise is being undertaken in order to derive the Enterprise Value of the SPV.
- 6.2. The valuation exercise involves selecting a method suitable for the purpose of valuation, by exercise of judgment by the valuers, based on the facts and circumstances as applicable to the business of the company to be valued.

6.3. There are three generally accepted approaches to valuation:

- (a) "Cost" approach
- (b) "Market" approach
- (c) "Income" approach

6.4. Cost Approach

The cost approach values the underlying assets of the business to determine the business value. This valuation method carries more weight with respect to holding companies than operating companies. Also, asset value approaches are more relevant to the extent that a significant portion of the assets are of a nature that could be liquidated readily if so desired.

Net Asset Value ("NAV")

The NAV Method under Cost Approach considers the assets and liabilities, including intangible assets and contingent liabilities. The Net Assets, after reducing the dues to the preference shareholders, if any, represent the value of a company.

The NAV Method is appropriate in a case where the main strength of the business is its asset backing rather than its capacity or potential to earn profits. This valuation approach is also used

when the value of the business is determined on the basis of the net asset value method. The net asset value method is a cost approach that values the business at one point in time.

The NAV Method is also used to value a company when the company is a holding company. The NAV Method is also used to value a company when the company is a subsidiary of a larger company.

Market Approach

The market approach values the business on the basis of the market value of the company's stock. The market approach is also used to value a company when the company is a public company. The market approach is also used to value a company when the company is a private company.

Income Approach (Discounted Cash Flow Method)

The income approach values the business on the basis of the expected future cash flows of the business. The income approach is also used to value a company when the company is a public company. The income approach is also used to value a company when the company is a private company.



Comparable Transactions Multiples ("CTM") Method

Under the CTM Method, the value is determined on the basis of multiples derived from valuations of similar transactions in the industry. Relevant multiples need to be chosen carefully and adjusted for differences between the circumstances. Few of such multiples are Enterprise Value ("EV") / Earnings before Interest, Taxes, Depreciation & Amortization ("EBITDA") multiple and EV / Revenue multiple.

Market Price Method

Under this method, the market price of an equity share of the company as quoted on a recognized stock exchange is normally considered as the fair value of the equity shares of that company where such quotations are arising from the shares being regularly and freely traded. The market value generally reflects the investors' perception about the true worth of the company.

6.6. **Income Approach**

The income approach is widely used for valuation under "Going Concern" basis. It focuses on the income generated by the company in the past as well as its future earning capability. The Discounted Cash Flow (DCF) Method under the income approach seeks to arrive at a valuation based on the strength of future cash flows.

Discounted Cash Flow ("DCF") Method

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

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

The discounting factor (rate of discounting the future cash flows) reflects not only the time value of money, but also the risk associated with the business' future operating

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

Cost Approach

In the present case, since the SPV has entered into TSA, the revenue of SPV is pre-determined for the life of the project. In such scenario, the true worth of the business is reflected in its future earning capacity rather than the cost of the project. Accordingly, since the Net Asset value does not capture the future earning potential of the businesses, we have not considered the cost approach for the current valuation exercise.

Market Approach

The present valuation exercise is to undertake a fair enterprise value of the SPV engaged in the power transmission business for a specific tenure. Further, the tariff revenue expenses are very specific to the SPV depending on the nature of their geographical location, stage of project, terms of profitability. In the absence of any exactly comparable listed companies with characteristics and parameters similar to that of the SPV, we have not considered CCM method in the present case. In the absence of adequate details about the Comparable Transactions, we were unable to apply the CTM method. Currently, the equity shares of SPV are not listed on any recognized stock exchange of India. Hence, we are unable to apply market price method.

Income Approach

This is a Build Own Operate and Maintain (BOOM) model based project. The cash inflows of the projects are defined for 35 years under the TSA. Hence, the growth potential of the SPV and the true worth of its business would be reflected in its future earnings potential and therefore DCF Method under the income approach has been considered as an appropriate method for the present valuation exercise.

7. Valuation of the SPV

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

Valuation

7.1. The key assumptions of the projections provided to us by the Investment Manager can be divided into two parts:

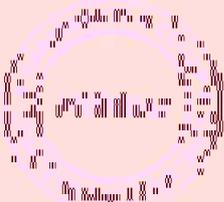
Part A: Base Case

This refers to the revenue estimated for the SPV as per the existing provisions of TSA, and

Part B: Incremental Revenue

This refers to incremental transmission revenue based on the petition filed with commission as provided by the Investment Manager. As represented to us by the Investment Manager, the SPV has filed a revised petition with CERC on 1st December 2017, whereby it has claimed an additional increase of 2.58% of non escalable revenue for the concession period. The SPV, by virtue of this revised petition, has decreased its claim for the additional increase of non escalable

ಇದರ ಮೂಲಕ ಇದು ಇಂಟರ್‌ನ್ಯಾಷನಲ್ ಟ್ರಸ್ಟ್ ಲಿಮಿಟೆಡ್‌ನಿಂದ ಉಂಟಾಗುವ ಸಂಭವಿಸಬಹುದಾದ ಅನಿರೀಕ್ಷಿಸಿದ ಅಪಾಯಗಳನ್ನು ನಿವಾರಿಸಲು ಸಿದ್ಧವಾಗಿದೆ. ಇದರ ಮೂಲಕ ಇದು ಇಂಟರ್‌ನ್ಯಾಷನಲ್ ಟ್ರಸ್ಟ್ ಲಿಮಿಟೆಡ್‌ನಿಂದ ಉಂಟಾಗುವ ಸಂಭವಿಸಬಹುದಾದ ಅನಿರೀಕ್ಷಿಸಿದ ಅಪಾಯಗಳನ್ನು ನಿವಾರಿಸಲು ಸಿದ್ಧವಾಗಿದೆ.



7.2. Key Assumption under Part A: Base Case

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

- **Non Escalable Transmission Revenue:** The Non Escalable Transmission revenue remains fixed for the entire life of the project. We have corroborated the revenue considered in the financial projections of the respective TSA and documents provided to us by the Investment Manager.
- **Escalable Transmission Revenue:** Escalable Transmission revenue is the revenue component where the revenue is duly escalated based on the rationale as provided in the respective TSA and documents provided to us by the Investment Manager. The escalation is to mainly compensate for inflation.

7.2.2. **Incentives:** As provided in the respective TSA, if the annual availability exceeds 98%, the TSP shall be entitled to an annual incentive as provided in TSA. Provided no incentives shall be payable above the availability of 99.75%. Based on the past track record of the SPV and the general industry standard, the annual availability shall be above 98% where the SPV shall be entitled to the incentives as provided in the TSA.

7.2.3. **Penalty:** If the annual availability in a contract year falls below 95%, the SPV shall be liable for an annual penalty as provided in the TSA. Based on our analysis in Para 7.2.2 in the present case it is assumed that the annual availability will not fall below 95% and hence penalty is not considered in the financial projections.

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

7.2.5. **Depreciation:** The book depreciation has been calculated using straight line method over the life of the project. For calculating depreciation for the projected period, we have considered depreciation rate as specified in the Income Tax Act and WDV as per Income Tax Return filed by the SPV.

7.2.6. **Capex:** As represented by the Investment Manager, the SPV is not expected to incur any capital expenditure in the projected period.

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

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

7.3. Key Assumption under Part B: Incremental Revenue Case

Incremental Transmission Revenue: As provided in the TSA, "every party shall be entitled to claim relief for a Force Majeure Event affecting its performance in the

on 1st December 2017, whereby it has claimed an additional increase of 2.58% of non escalable revenue for the concession period.

Operations & Maintenance (“O&M”): No Operations & Maintenance (“O&M”) expenditure needs to be considered for Incremental Revenue.

7.3.1. **Depreciation:** No depreciation needs to be considered for incremental revenue. Further, the SPV is not expected to incur any capital expenditure in the projected period.

7.3.2. **Tax:** We have considered income tax rate based on the aggregate of transmission revenue and incremental transmission revenue.

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

7.4. Impact of Ongoing Material Litigation on Valuation

As represented by Investment manager, there is no ongoing litigation that will affect the valuation exercise

Valuation of SPV under Part A: Base Case

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

7.5.1. Cost of Equity:

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

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

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

Wherein:

K(e) = cost of equity

R_f = risk free rate

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

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

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

7.5.2. **Risk Free Rate:**

We have applied a risk free rate of return of 7.64% on the basis of the relevant zero coupon yield curve as on 28th March 2018 for government securities having a maturity period of 10 years, as quoted on the website of Clearing Corporation of India Limited.

7.5.3. **Risk Premium:**

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

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

Wherein:

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

Risk free rate = 7.64% as explained in para 7.5.2.



7.5.4. **Beta:**

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

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

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

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

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

7.5.5. **Company Specific Risk Premium (CSRP):**

We have not considered any company specific risk premium to the Ke for discounting the cash flows.

7.5.6. **Cost of Debt:**

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

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

Wherein:

K(d) = Cost of debt

T = tax rate as applicable

In present valuation exercise, we have considered debt:equity at 70:30 based on industry standard.

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

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

Formula for calculation of WACC:

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

7.5.8. Accordingly, as per above, we have arrived the WACC of 8.06% for BDTCL for valuation under Base Case (Refer Appendix I)

7.6. We understand from the representation of the Investment Manager that the SPV will generate cash flow even after the

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

7.7.4. As on Valuation Date, we have discounted the free cash flows of BDTCL using the WACC of 8.06% to arrive at the Enterprise Value ("EV") by aggregating the present value of cash flows for explicit period and terminal period at INR 19,791 Mn (Refer Appendix II)

Valuation of SPV under Part B: Incremental Revenue Case

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

7.8.1. The Risk free rate, risk premium and beta component for Cost of Equity applied for incremental revenue are same as described under Part A: Base Case.

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

$$K(e) = Rf + (Rp * Beta) + CSRP$$

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

7.8.3. We have considered 2% company specific risk premium to the cost of equity for discounting the incremental free cash flows arrived after considering the risk associated with incremental transmission revenue as mentioned in para 7.3 (Refer Appendix I).

7.8.4. Cost of debt remains same as under Part A: Base Case

7.8.5. Accordingly, as per above, we have arrived the WACC of 8.26% for BDTCL for valuation under Incremental Revenue Case (Refer Appendix I)

7.9. Valuation of SPV under Part B: Incremental Revenue Case

7.9.1. Valuation of BDTCL

- We have relied on the projected financials of BDTCL as provided by its management and representatives for the period from 1st April 2018 to 31st March 2049.
- WACC arrived at for the purpose of valuation is 8.26% for incremental free cash flows arrived after considering incremental revenue (Refer Appendix I).
- We have not considered valuation for the terminal period.
- As on Valuation Date, we have discounted the free cash flows after considering incremental transmission revenue of BDTCL using the WACC of 8.26% to arrive at the Enterprise Value ("EV") by aggregating the present value of cash flows for explicit period and terminal period at INR 528 Mn (Refer Appendix III).

8. Valuation Conclusion

8.1. The current valuation has been carried out based on the discussed valuation methodology explained herein earlier. Further, various qualitative factors, the business dynamics and growth potential of the business, having regard to information base available to us, have been taken into account.

8.2. We have also considered the management's perspective on the business development of the company and its growth potential at the valuation date, based on which we have arrived at the current valuation of the SPV.

8.3. Based on the above, we have arrived at the Enterprise Value of the company as on the valuation date at INR 528 Mn as mentioned above.

8.4. Hence, we have arrived at the Enterprise Value of the equity of the company at the valuation date at INR 528 Mn as mentioned above, having taken into account all the above factors.



C. Statement of assets included;

As at 31st March 2018, BDTCL has Transmission lines gross block of INR 14,473.62 million (net block of INR 13,009.35 million), substations of INR 6,662.39 million (net block of INR 5,858.10 million), Building Substations of INR 63.25 million (net block of INR 55.14 million), Leasehold Land and Freehold land of INR 119.48 million (net block of INR 101.04 million), and other assets including furniture, office equipment, etc. gross block of INR 10.88 million (net block of INR 6.58 million).

D. Estimates of already carried as well as proposed major repairs and improvements along with estimated time of completion;

We noted in the financial statements that BDTCL has incurred INR 84.57 million during the year ended 31st March 2018 and INR 69.06 million during the year ended 31st March 2017 for the maintenance charges of Transmission Lines. Based on confirmation provided by the investment manager, we expect the increase of 0.65-0.5% per annum in the cost of operation and maintenance expenses incurred.

Investment manager has informed us that there are no maintenance charges which has been deferred to the upcoming year as the maintenance activities are carried out regularly. We have been informed that overhaul maintenance are regularly carried out by BDTCL in order to maintain the working condition of the assets.

E. Revenue pendencies including local authority taxes associated with InvIT asset and compounding charges, if any;

Investment manager has informed us that there are no dues including local authority taxes pending to be payable to the government authorities with respect to InvIT assets.

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

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

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

Investment manager has confirmed to us that there are no such natural or induced hazards which have not been considered in town planning/ building control.

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Appendix I – Weighted Average Cost of Capital of the SPV

A: Base Case

Particulars	%	Remarks
Market Return	15.00%	Market Return has been considered based on the long term average returns earned by an equity investor in India.
Risk Free Rate	7.64%	Risk Free Rate has been considered based on zero coupon yield curve as at 28 th March 2018 of Government Securities having maturity period of 10 years, as quoted on CCIL's website.
Market Risk Premium	7.36%	Market Premium = Market Return – Risk Free Rate
Beta of the SPV	1.35	Beta has been considered based on the beta of the companies operating in the same kind of business as ours.
Cost of Equity	12.37%	$R_e = R_f + \beta \times (R_m - R_f) = 12.37\%$
Equity Weight of Debt	3.53%	As represented by the investment manager
Effective Tax Rate of Debt	33.99%	Average tax rate of the SPV of the project has been considered.
Effective Cost of Debt	8.17%	Effective cost of debt = $R_d \times (1 - T_c)$ = Effective Tax Rate
Debt Weight of Equity	10.00%	The debt – equity ratio computed as $D/E = 10$ is considered as 75% as per industry practice.
WACC	8.04%	$WACC = [E/V] \times R_e + [D/V] \times R_d \times (1 - T_c) = 8.04\%$

B: Assumptive Case

Particulars	%	Remarks
Market Return	15.00%	Market Return has been considered based on the long term average returns earned by an equity investor in India.
Risk Free Rate	7.64%	Risk Free Rate has been considered based on zero coupon yield curve as at 28 th March 2018 of Government Securities having maturity period of 10 years, as quoted on CCIL's website.
Market Risk Premium	7.36%	Market Premium = Market Return – Risk Free Rate
Beta of the SPV	1.35	Beta has been considered based on the beta of the companies operating in the same kind of business as ours.
Cost of Equity	12.37%	Company Specific Risk Premium
Equity Weight of Debt	3.53%	As represented by the investment manager
Effective Tax Rate of Debt	33.99%	Average tax rate of the SPV of the project has been considered.
Effective Cost of Debt	8.17%	Effective cost of debt = $R_d \times (1 - T_c)$ = Effective Tax Rate
Debt Weight of Equity	10.00%	The debt – equity ratio computed as $D/E = 10$ is considered as 75% as per industry practice.
WACC	8.36%	$WACC = [E/V] \times R_e + [D/V] \times R_d \times (1 - T_c) = 8.36\%$



Appendix II – Valuation of BDTCL as on 31st March 2018 – Part A: Base Case

FY	Revenue	EBITDA	EBITDA Margin	Capex	NCA	Taxation	FCFF	CAF	Discounting Factor	INR Mn PV of Cash Flows
FY19	2,590	2,413	93%	-	73	366	1,974	0.50	0.96	1,899
FY20	2,593	2,407	93%	-	0	365	2,042	1.50	0.89	1,818
FY21	2,596	2,401	92%	-	(0)	363	2,037	2.50	0.82	1,679
FY22	2,599	2,394	92%	-	(0)	362	2,032	3.50	0.76	1,549
FY23	2,602	2,387	92%	-	(0)	360	2,027	4.50	0.71	1,430
FY24	1,849	1,623	88%	-	(187)	196	1,614	5.50	0.65	1,054
FY25	1,853	1,616	87%	-	0	194	1,422	6.50	0.60	859
FY26	1,858	1,608	87%	-	0	193	1,416	7.50	0.56	792
FY27	1,862	1,600	86%	-	0	191	1,409	8.50	0.52	729
FY28	1,868	1,593	85%	-	0	189	1,403	9.50	0.48	672
FY29	1,873	1,584	85%	-	0	187	1,397	10.50	0.44	619
FY30	1,879	1,575	84%	-	0	186	1,390	11.50	0.41	570
FY31	1,885	1,566	83%	-	0	184	1,382	12.50	0.38	525
FY32	1,892	1,557	82%	-	0	182	1,375	13.50	0.35	483
FY33	1,900	1,548	81%	-	0	180	1,368	14.50	0.33	445
FY34	1,907	1,538	81%	-	0	177	1,360	15.50	0.30	409
FY35	1,915	1,527	80%	-	1	175	1,352	16.50	0.28	376
FY36	1,925	1,517	79%	-	1	173	1,343	17.50	0.26	346
FY37	1,934	1,506	78%	-	1	171	1,335	18.50	0.24	318
FY38	1,945	1,495	77%	-	1	168	1,326	19.50	0.22	293
FY39	1,956	1,483	76%	-	1	166	1,316	20.50	0.20	269
FY40	1,968	1,471	75%	-	1	163	1,307	21.50	0.19	247
FY41	1,981	1,459	74%	-	1	160	1,297	22.50	0.17	227
FY42	1,994	1,446	73%	-	1	158	1,287	23.50	0.16	208
FY43	2,008	1,433	71%	-	1	249	1,182	24.50	0.15	177
FY44	2,025	1,420	70%	-	2	404	1,014	25.50	0.14	141
FY45	2,041	1,406	69%	-	2	402	1,003	26.50	0.13	129
FY46	2,059	1,391	68%	-	2	398	991	27.50	0.12	118
FY47	2,077	1,376	66%	-	2	395	979	28.50	0.11	108
FY48	2,099	1,362	65%	-	2	392	968	29.50	0.10	98
FY49	2,120	1,347	64%	-	2	388	956	30.50	0.09	90
TV	2,120	1,347	64%	-	-	392	954	30.50	0.09	90
Present Value of Explicit Period Cash Flows										18,677
Present Value of Terminal Year Cash Flow										1,115
Enterprise Value										19,791



Appendix III – Valuation of BDTCL as on 31st March 2018 – Part B: Incremental Case

WACC											INR Mn
8.26%											PV of Cash
FY	Revenue	EBITDA	EBITDA Margin	Capex	NCA	Taxation	FCFF	CAF	Discounting Factor	Flows	
FY19	280	280		-	67	98	116	0.50	0.96	111	
FY20	64	64	100%	-	(52)	21	94	1.50	0.89	84	
FY21	64	64	100%	-	0	21	43	2.50	0.82	35	
FY22	64	64	100%	-	(0)	21	43	3.50	0.76	32	
FY23	64	64	100%	-	(0)	21	43	4.50	0.70	30	
FY24	45	45	100%	-	(5)	12	37	5.50	0.65	24	
FY25	44	44	100%	-	0	12	32	6.50	0.60	19	
FY26	44	44	100%	-	(0)	12	32	7.50	0.55	18	
FY27	44	44	100%	-	(0)	12	32	8.50	0.51	16	
FY28	44	44	100%	-	(0)	12	32	9.50	0.47	15	
FY29	44	44	100%	-	0	12	32	10.50	0.43	14	
FY30	44	44	100%	-	(0)	12	32	11.50	0.40	13	
FY31	44	44	100%	-	(0)	12	32	12.50	0.37	12	
FY32	44	44	100%	-	(0)	12	32	13.50	0.34	11	
FY33	44	44	100%	-	(0)	12	31	14.50	0.32	10	
FY34	43	43	100%	-	(0)	12	31	15.50	0.29	9	
FY35	43	43	100%	-	(0)	12	31	16.50	0.27	8	
FY36	43	43	100%	-	(0)	12	31	17.50	0.25	8	
FY37	43	43	100%	-	(0)	12	31	18.50	0.23	7	
FY38	43	43	100%	-	(0)	12	31	19.50	0.21	7	
FY39	43	43	100%	-	(0)	12	31	20.50	0.20	6	
FY40	43	43	100%	-	(0)	12	31	21.50	0.18	6	
FY41	42	42	100%	-	(0)	12	31	22.50	0.17	5	
FY42	42	42	100%	-	(0)	12	31	23.50	0.15	5	
FY43	42	42	100%	-	(0)	12	30	24.50	0.14	4	
FY44	42	42	100%	-	(0)	12	30	25.50	0.13	4	
FY45	42	42	100%	-	(0)	12	30	26.50	0.12	4	
FY46	41	41	100%	-	(0)	12	30	27.50	0.11	3	
FY47	41	41	100%	-	(0)	11	30	28.50	0.10	3	
FY48	41	41	100%	-	(0)	11	30	29.50	0.10	3	
FY49	41	41	100%	-	(0)	11	29	30.50	0.09	3	
Present Value of Explicit Period Cash Flows										528	
Enterprise Value										528	



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

No.	Approvals	Date of Issue	Validity (in years)	Issuing Authority
1	Company Registration	8-Sep-09	Valid	Ministry
2	Transmission License	12-Oct-11	25	Central Board of Corporate Affairs
3	Forest Clearance			Electricity Regulatory Commission
	Dhule-Dhule Transmission Line in District of Dhule District - Stage I	15-May-14	Valid	Ministry of Environment and Forests
	Dhule-Dhule Transmission Line in District of Dhule District - Stage II	25-Jan-17	Valid	Ministry of Environment and Forests
	Dhule- Aurangabad Transmission Line in Aurangabad District - Stage I	30-May-14	Valid	Ministry of Environment and Forests
	Dhule- Aurangabad Transmission Line in Aurangabad District - Stage II	25-Jan-17	Valid	Ministry of Environment and Forests
	Bhopal- Indore Transmission Line in Bhopal District - Stage I	24-Jun-14	Valid	Ministry of Environment and Forests
	Bhopal- Indore Transmission Line in Bhopal District - Stage II	21-Sep-15	Valid	Ministry of Environment and Forests
	Bhopal- Bhopal Transmission Line in Bhopal District - Stage I	20-Jun-14	Valid	Ministry of Environment, Forests & Climate Changes
	Bhopal- Bhopal Transmission Line in Bhopal District - Stage II	16-Sep-15	Valid	Ministry of Environment, Forests & Climate Changes
	Dhule - Vadodara Transmission Line in Bhauruch & Vadodara Districts (General Manager) -Stage I	27-Aug-14	Valid	Ministry of Environment, Forests & Climate Changes
	Dhule - Vadodara Transmission Line in Bhauruch & Vadodara Districts (Assistant General Manager)	27-Aug-14	Valid	Ministry of Environment, Forests & Climate Changes
	Dhule - Vadodara Transmission Line in Bhauruch & Vadodara Districts - Stage II	4-Mar-15	Valid	Ministry of Environment, Forests & Climate Changes
	Dhule - Vadodara Transmission Line in Dhule District - Stage II	19-Nov-15	Valid	Ministry of Environment, Forests & Climate Changes
	Jabalpur-Bhopal Transmission Line in Bhopal & Raichur Districts - Stage I	31-Dec-14	Valid	Ministry of Environment, Forests & Climate Changes
	Jabalpur-Bhopal Transmission Line in Bhopal & Raichur Districts - Stage II	25-Mar-15	Valid	Ministry of Environment, Forests & Climate Changes
4	Approval under section 68 of Electricity Act, 2003	25-Nov-10	Valid	Ministry of Environment, Forests & Climate Changes
5	Approval from GOI under section 164 of Electricity Act, 2003	29-Jan-13	25	Ministry of Power
6	Approval from CERC under section 17(3) of Electricity Act, 2003 - Under Gazette of India	6-Apr-16	Valid	Ministry of Power
7	Environmental Clearance	Not Applicable		
8	Power & Telecommunication Coordination Committee ("PTCC") Clearance	Not Applicable		
	Bhopal- Bhopal Transmission Line	31-Aug-13	Valid	PTCC, G
	Jabalpur-Bhopal Transmission Line	13-Sep-13	Valid	PTCC, Government of India
	Dhule-Dhule Transmission Line	22-Jul-13	Valid	PTCC, Government of India
	Dhule- Vadodara Transmission Line	7-Mar-14	Valid	PTCC, Government of India
9	Railway Crossing			Government of India
	765 KV at KM 195/7-10 - Ratlam	13-Mar-14	Valid	Western Railway
	765 KV at KM 37/1-4 - Ratlam	9-May-13	Valid	Western Railway
	Between Diwananj - Salamatpur at KM 8/35/2-4	18-Jun-13	35	West Ce Railway
	Near Galan Railway Station at KM 359/27-28 & 360/1-2	18-Oct-13	Valid	West Central Railway
	Between Ranala & Dondicha at KM 172/1-2 & 172/12 and tower LOC No. 22/0 & 23/0	25-Apr-14	Valid	Central Railway
10	Road Crossing	7-Aug-14	Valid	Western Railway
	KM 569/1 & 569/2 on Dewas City Portion on NH-3	11-Sep-13	Valid	National Highway Authority of India
	KM 333+830 on Bhopal-Bloara NH-12	6-Jul-12	Valid	Madhya Pradesh Road Development Corporation Ltd.
	NH - 86	12-Aug-13	Valid	National Highway Authority of India
	NH-26 (Sagar Narsinghpur Section and Milestone 302-303 respectively)	5-Feb-14	Valid	National Highway Authority of India
	Between KM 148-149 NH-12 Deora- Udaip	21-Jan-13	Valid	Madhya Pradesh Road Development Corporation Ltd.
	Dhule- Aurangabad at KM 240-241 of NH-3	8-May-14	Valid	National Highway Authority of India
	Dhule- Aurangabad at KM 500-501 of NH-6	16-May-14	Valid	National Highway Authority of India
	Dhule-Dhule at 241-242 of NH-3	15-May-14	Valid	National Highway Authority of India



Source: Investment manager

Summary of approval and licences (2/2)

Issuing Authority	Validity (in years)	Date of Issue	Approvals
Madhya Pradesh Power Transmission Co. Ltd.	Valid	3-Aug-13	
Madhya Pradesh Power Transmission Co. Ltd.	Valid	10-Dec-12	
Madhya Pradesh Power Transmission Co. Ltd.	Valid	15-Jan-13	
Madhya Pradesh Power Transmission Co. Ltd.	Valid	5-Apr-13	
Madhya Pradesh Power Transmission Co. Ltd.	Valid	15-Jan-13	
Maharashtra Electricity Transmission Co. Ltd.	Valid	19-Oct-13	
Public Works Department - Mumbai	Valid	30-Oct-14	
Gujarat Energy Transmission Corporation Ltd.	Valid	30-May-13	
Gujarat Energy Transmission Corporation Ltd.	Valid	28-Feb-13	
Gujarat Energy Transmission Corporation Ltd.	Valid	25-Jul-13	
Airport Authority of India	7	12-Feb-13	
Airport Authority of India	7	20-Feb-13	
Airport Authority of India	7	20-Feb-13	
Airport Authority of India	7	1-Feb-14	
Airport Authority of India	7	13-Mar-14	
Ministry of Defence	Valid	19-Sep-13	
Ministry of Defence	Valid	19-Sep-13	
Ministry of Defence	Valid	19-Sep-13	
Central Electricity Regulatory Commission	Valid	7-Dec-10	
Central Electricity Regulatory Commission	35	28-Oct-11	
Central Electricity Regulatory Commission	Expired	17-May-17	

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



Appendix V – BDTCL: Summary of Ongoing Litigations (2/3)

Matter	Against BDTCL	Pending Before	Details of the Case	Amount Involved (INR Million)	Amount Deposited (INR Million)*
Shailendra Champaksinh Gohil, Pravinsinh Jaswantsinh and Gohil Janaksinh Jaswantsinh	BDTCL	High Court of Gujarat, Ahmedabad	Background of the case: Challenging the notification issued under section 164 of Electricity Act by the Director, Minister of Power, Government of India claiming that the notification was without jurisdiction and beyond the scope of Director for the laying of overhead transmission lines of BDTCL. Current status: Reply submitted. Case is pending for final argument.	Not provided*	Not provided*
Pravinsinh Jaswantsinh and Gohil Janaksinh Jaswantsinh	BDTCL	High Court of Gujarat, Ahmedabad	Background of the case: Alleging that the name of their village 'Moriana' was not mentioned in the name of the notification dated 24 January 2013. BDTCL appealed against the interim order before High Court.	Not provided*	Not provided*
Bhikhan Govinda Sasundre & 5 others	BDTCL	Bombay High Court, Aurangabad	Background of the case: Claimed compensation for the damage caused to their field by laying high tension power transmission lines. Current status: Amount has been submitted before the court still pending.	Not provided*	Not provided*
BDTCL	Dhyaneshwar Managate	Bombay High Court, Aurangabad	Background of the case: BDTCL filed petition against compensation required to be paid in accordance with the order passed by the District Court, Aurangabad. Current status: Amount has been submitted before the court still pending.	Not provided*	0.64**
Navneet Manchhibhai and Vasava others	BDTCL	Civil Judge, Dedyapada	Background of the case: Filed petition to claim compensation for violation of right of way on account of laying of transmission lines over the petitioner's land.	Not provided*	0.64**
Kusumben Arjun Mail and others	BDTCL	High Court of Gujarat, Ahmedabad	Current status: Reply to be submitted. Matter is currently pending.	Not provided*	Not provided*
Various Complaints (32 in number) Sharp Corporation Limited	BDTCL	Sub divisional Magistrate (SDM), Dhule District Collector (DC), Aurangabad High Court of Madhya Pradesh, Indore	Background of the case: Aggrieved by the order passed by the District Collector allowing BDTCL to erect the transmission towers on the land, Kusumben has filed an appeal against the same in the High Court. Current status: BDTCL has submitted the reply. Case is pending for final approval.	Not provided*	Not provided*
Bhagvan Devman Bhilla	BDTCL	Jt. Civil Judge (S.D), Dhule	Background of the case: Petitioner has filed civil application against BDTCL disputing the compensation paid for their land. Current status: BDTCL has to file its reply.	Not provided*	Not provided*
Approx. 60 land owners	BDTCL	DC & Aurangabad	Background of the case: Demanding compensation for all agricultural land without obtaining the requisite permissions. Background of the case: Petition filed to restrain the BDTCL from starting and continuing the construction over the Petitioner's land. Background of the case: The petitioner claims that he has been evicted from the Govt. Land which was encroached by his fathers. He claims that his execution is not proper. Interim order to maintain status quo on the land in possession of the Jt. Civil Judge. Current status: Interim order to maintain status quo on the land was granted by the Jt. Civil Judge. Background of the case: Right of Way Compensation (ROW) is demanded as per Maharashtra Government circular, which is pending for adjudication. On the similar lines SDM, Aurangabad has also sent some queries to BDTCL. Current status: Preliminary objections filed on the ground of Jurisdiction and factual grounds. Matter is pending for final arguments.	Not provided*	Not provided*

Source: Investment Manager



Appendix V – BDTCL: Summary of Ongoing Litigations (3/3)

Matter	Against	Pending Before	Details of the Case	Amount Involved (INR Million)	Amount Deposited (INR Million)*
Ashok Mishra	Kumar	BDTCL	<p>Background of the case: Matter Closed as per the order of Chief Justice Magistrate, Sehore as the main accused i.e. the sub contractor had expired. Investigation is closed. Compensation of INR 5 lacs each have been deposited by Simplex and all statutory intimation has been done by Simplex.</p> <p>Background of the case: Filed review petition for vacating the order passed by the High Court and alleging that the employee of the BDTCL has entered into premises and destroyed his crops. However, the District Collector ordered by the petitioner is entitled to receive compensation for the damage caused to the laying of transmission lines over his land and property.</p> <p>Further, we were informed by the Management that as per the Collyer Narsinghpur order, Concerned Revenue Officer was to value the damage caused and communicate to us and post that within the given time lines BDTCL were to comply the same. But till date BDTCL have not received any communication from any Revenue authority regarding this matter, as such is nothing for BDTCL to comply with.</p> <p>Background of the case: Insufficient compensation for damage to his house over the land on which a tower was constructed by BDTCL. The witness has been cross examined by BDTCL.</p> <p>Case has been dismissed in favour of BDTCL.</p> <p>Background of the case: BDTCL has received certain notices under Maharashtra Pradesh VAT Act, 2002</p> <p>Background of the case: Mismatch in the calculation of tax payable on the return.</p>	-	-
Pahul Singh	BDTCL	District Magistrate, Narsinghpur		-	-
Indirect Taxes	Tax	BDTCL	VAT Act, 2002	-	-
Direct Taxes	Tax	BDTCL	Assistant Commissioner of Income Tax, TDS, Delhi	-	-

Source: Investment Manager

* We were not provided with the data and hence were not provided with the amount however the amount paid under protest to the government authorities are grouped under Current assets.



corroborate the same.