

# PenBrook Capital Advisors

Date: June 14, 2019

BSE Limited  
Listing Department,  
1<sup>st</sup> Floor, Phiroze Jeejeebhoy Towers,  
Dalal Street, Fort  
Mumbai – 400001

**Reference: India Infrastructure Trust (Scrip Code 542543)**  
**Subject: Valuation Report for India Infrastructure Trust**

Dear Sir/ Madam,

Pursuant to Regulation 21 and other applicable provisions of Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014 read with the Schedules and Circulars issued thereunder and as amended from time to time, please find attached the Valuation Report dated May 30, 2019 for assets of India Infrastructure Trust for the financial year ended March 31, 2019 issued by Registered Valuer.

Kindly take the same on record.

For **India Infrastructure Trust**

**PenBrook Capital Advisors Private Limited**

*(acting in its capacity as the Investment Manager to India Infrastructure Trust)*



**Sridhar Rengan**  
Director



**CC: Axis Trustee Services Limited**, Axis House, Bombay Dyeing Mills Compound, Pandurang  
Budhkar Marg, Worli, Mumbai – 400 025, Maharashtra, India

# **Valuation Report**

**India Infrastructure Trust (“Trust”)**

**(Acting through Axis Trustee Services Limited in its capacity as Trustee of the Trust)**

**&**

**PenBrook Capital Advisors Private Limited**

**(In its capacity as Investment Manager of the Trust)**

**Valuation of InvIT Asset as per Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014**

**May 2019**

Ref: MG/01/2019

May 30, 2019

To,

**India Infrastructure Trust (the "Trust")**

Acting through Axis Trustee Services Limited (In its capacity as the "Trustee" of the Trust)

Unit 804, 8<sup>th</sup> Floor,

A Wing, One BKC, Bandra Kurla Complex,

Bandra East, Mumbai - 400051,

Maharashtra, India

To,

**PenBrook Capital Advisors Private Limited**

(In its capacity as the "Investment Manager" of the Trust)

Peninsula Spenta, Mathuradas Mills Compound,

Senapati Bapat Marg, Lower Parel, Mumbai - 400013

Maharashtra, India

Dear Sir(s)/Madam(s),

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**Sub:** Valuation of InvIT Asset as per Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014, as amended

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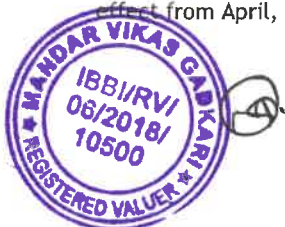
I refer to the engagement letter dated May 02, 2019 appointing Mr. Mandar Vikas Gadkari (hereinafter referred to as "Valuer", "I," or "My" or "Me") with IBBI Registration Number IBBI/RV/06/2018/10500, to provide professional services to PenBrook Capital Advisors Private Limited ("Investment Manager" or "IM") acting in the capacity of Investment Manager of India Infrastructure Trust (the "Trust" or "InvIT") with respect to determination of value of InvIT Asset (defined hereinafter below) as per the requirements of Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014 and amendments thereto including any circulars and guidelines issued thereunder ("SEBI InvIT Regulations").

In the instant case, the "InvIT Asset" refers to Pipeline (defined in para 2.1.5 of this Report) owned by Pipeline Infrastructure Limited<sup>1</sup> ("PIL" or "the Company"). The InvIT and/or PIL along with other parties have entered into various agreements collectively referred as the Transaction Documents (defined in Section 1 of this Report) which *inter alia* govern the rights and interest of InvIT in the InvIT Asset. The economic interest of InvIT in the InvIT Asset is valued after considering the agreed terms of the Transaction Documents.

I thereby enclose my independent valuation report dated May 30, 2019 ("the Report" or "this Report") providing the enterprise value of the InvIT Asset on a going concern basis considering

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<sup>1</sup> The name was changed from Pipeline Infrastructure Private Limited to Pipeline Infrastructure Limited with effect from April, 25 2019



current condition of the InvIT Asset and based on data as stated in “Sources of Information” of the Report. The cut-off date of the current valuation exercise for market factors including market price is considered as March 31, 2019 (“Valuation Date”). Further, the valuation of the InvIT Asset has been undertaken assuming all the requisite approvals have been obtained for the Pipeline Business (defined in para 2.1.5 of this Report) to be operated in the name of PIL.

This report is being prepared for compliance with Regulation 21(4) of the SEBI InvIT Regulations for submission to the Trustee and the designated stock exchange. This Report should not be used or relied upon for any other purpose.

In terms of the SEBI InvIT Regulations, the Valuer hereby confirms and declares that:

- The Valuer is competent to undertake the valuation;
- The Valuer is independent and has prepared this Report on a fair and unbiased basis;
- This Report is prepared in compliance with regulation 13(1) and regulation 21 of the SEBI InvIT Regulations;

The Valuer further confirms that the valuation of InvIT Asset is carried out as per internationally accepted valuation methodologies and in cognizance of international valuation standards and ICAI Valuation Standards 2018 issued by the Institute of Chartered Accountants of India.

The Valuer has no present or planned future interest in PIL, InvIT Asset or the IM, except to the extent of my appointment as an independent valuer for this Report.

A summary of the analysis is presented in the accompanying Report, as well as description of the methodology and procedure used, and the factors considered in formulating my opinion. This Report is subject to the attached exclusions and limitations and to all terms and conditions provided in the engagement letter for this assignment.

This Report is based on the information provided by the management of PIL and/ or the IM (“Management”). The projections provided by the IM are only the best estimates of growth and sustainability of revenue and profitability margins. I have reviewed the financial forecast for consistency and reasonableness and relied on them. Further with respect to forecast of volume to be transported through the Pipeline by PIL, I have placed reliance on the “EWPL Due Diligence Abridged Report for Disclosure in Private Placement Memorandum” dated December 21, 2018 issued by Wood Mackenzie Asia Pacific Pte. Ltd. (“Wood Mackenzie Report”) as provided to me by IM.

Regards,



Mandar Vikas Gadkari  
Registered Valuer

Registered Valuer Regn No. - IBBI/RV/06/2018/10500



Encl: As above

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## 1 Definitions, abbreviations & glossary of terms

Abbreviations	Definitions/Meanings
AP	Andhra Pradesh
Appointed Date	The date, being July 1, 2018, with effect from which the Scheme of Arrangement has come into effect.
APTEL	Appellate Tribunal for Electricity
BCM	Billion Cubic Meters
BSE	BSE Limited
BV	Breakup Value
CAGR	Compounded Annual Growth Rate
CCM	Comparable Companies Multiple
CCPS	0.1% Compulsory Convertible Preference Shares
Completion Date	March 22, 2019
Contractor	Rutvi Project Managers Private Limited
CS	Compressor Station
CTM	Comparable Transaction Multiple
DCF	Discounted Cash Flow
DE	Debt-Equity
DUPL	Dahej Uran Pipeline
DVPL	Dahej Vijaipur Pipeline
EWPL	East West Pipeline Limited (formerly Reliance Gas Transportation Infrastructure Limited)
FCFE	Free Cash Flow to Equity
FICCI	The Federation of India Chambers of Commerce and Industry
FICCI Report	FICCI Report titled "India Gas Infrastructure: Strategies to accelerate to a Gas based Economy" dated October 4, 2017 prepared by FICCI's knowledge partner Ceresta Business Consulting LLP
FIMMDA	Fixed Income Money Market and Derivatives Association
Framework Agreement	The framework agreement dated August 28, 2018, entered amongst RIHPL, the Sponsor, the Investment Manager and PIL
FY	Financial Year
GCV	Gross Calorific Value
GHV	Gross Heating Value
GJ	Gujarat
GSA	Gas Supply Agreement
GSPL	Gujarat State Petronet Ltd
GSPCL-HP	Gujarat State Petroleum Corporation Ltd. - High Pressure
GTA	Gas Transportation Agreement
ICAI	Institute of Chartered Accountants of India
Infrastructure Sharing Agreement	Infrastructure Sharing Agreement dated February 11, 2019 between Contractor, Sub-Contractor and PIL



Abbreviations	Definitions/Meanings
Investment Manager or IM	PenBrook Capital Advisors Private Limited
InvIT or Trust	India Infrastructure Trust
InvIT Asset or Pipeline or Initial Portfolio Asset	The cross-country pipeline (including spurs) between Kakinada in Andhra Pradesh and Bharuch in Gujarat, transferred to PIL with effect from the Appointed Date, pursuant to the Scheme of Arrangement, being the InvIT Asset for the purposes of the SEBI InvIT Regulations
Joint Venture Agreement	The joint venture agreement dated February 11, 2019, entered into between the Project Manager, RIL and the Contractor and amendments thereto
KG Basin	Krishna Godavari Basin
LNG	Liquified Natural Gas
Management	Management of PIL and IM
MDQ	Maximum Delivery Quantity
MH	Maharashtra
MLV	Mainline Sectionalizing Valve
mmbtu	One Million British Thermal Units
mmscmd	Million Metric Standard Cubic Meter Per Day
Mn	Million
NAV	Net Asset Value
NCLT	National Company Law Tribunal
NELP	New Exploration and Licensing Policy
OT	On-shore Terminals
O&M Agreement	Operations and maintenance agreement, dated February 11, 2019 amongst PIL, Contractor and the Project Manager
O&M Sub-Contractor Agreement	Operations and Maintenance Sub-contractor Agreement, dated February 11, 2019 amongst PIL, Contractor and Sub-Contractor
Pipeline Business	The entire activities and operations historically carried out by EWPL with respect to transportation of natural gas through the Pipeline and related activities, as a going concern, which was acquired by PIL with effect from the Appointed Date, as further defined in the Scheme
PIL SHA	Shareholders' and Options Agreement dated February 11, 2019 amongst PIL, EWPL, RIL, IM and the Trust and amendments thereto
PIL/Company	Pipeline Infrastructure Limited (Previously known as Pipeline Infrastructure Private Limited)
PNGRB	Petroleum and Natural Gas Regulatory Board
PNGRB Report	PNGRB report by industry group titled "Vision 2030 - Natural Gas Infrastructure in India Report", available at <a href="http://www.pngrb.gov.in/Hindi-Website/pdf/vision-NGPV-2030-06092013.pdf">http://www.pngrb.gov.in/Hindi-Website/pdf/vision-NGPV-2030-06092013.pdf</a>
Project Manager	ECI India Managers Private Limited
PUA	A Pipeline Usage Agreement, which PIL and RIL have entered into on March 19, 2019 setting out the terms of reservation and usage of capacity in the Pipeline by RIL and includes amendments to the agreement
RIIHL	Reliance Industrial Investments And Holdings Limited
RIHPL	Reliance Industries Holding Private Limited



Abbreviations	Definitions/Meanings
RIL	Reliance Industries Limited
ROCE	Return on Capital Employed
Scheme/ Scheme of Arrangement	The scheme of arrangement between EWPL (as the demerged entity), PIL and their respective creditors and shareholders under Sections 230 to 232 of the Companies Act, 2013 read with the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016, and other applicable provisions, if any, of the Companies Act, 2013, as amended from time to time, for the demerger of the Pipeline Business from EWPL to PIL
SEBI InvIT Regulations	Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014 and amendments thereto including any circulars and guidelines issued thereunder
SPA	Share Purchase Agreement dated February 11, 2019 amongst the Trust, the Investment Manager, RIHPL and PIL and amendments thereto
SSA	PIL Share Subscription Agreement dated February 11, 2019 amongst PIL, RIHL, and Trust
Shared Services Agreement	The Shared Services Agreement dated February 11, 2019 entered amongst RIL, PIL and the Contractor and amendments thereto
Sponsor	Rapid Holdings 2 Pte. Ltd.
Sub-Contractor	Reliance Gas Pipelines Limited
SUG	System Use Gas
Transaction Documents	Transaction documents shall mean the Framework Agreement, the Scheme of Arrangement, the Joint Venture Agreement, the PIL SHA, the SPA, the O&M Agreement, the O&M Sub-Contractor Agreement the Pipeline Usage Agreement, Shared Services Agreement, SSA and Infrastructure Sharing Agreement and amendments to these agreements
Trustee	Axis Trustee Services Limited
TS	Telangana
Valuation Date	March 31,2019
WACC	Weighted Average Cost of Capital
Wood Mackenzie	Wood Mackenzie Asia Pacific Pte. Ltd.
Wood Mackenzie Report	EWPL Due Diligence Abridged Report for Disclosure in Private Placement Memorandum issued by Wood Mackenzie Asia Pacific Pte. Ltd. dated December 21, 2018





## 2 Executive Summary

### 2.1 Brief Background and Purpose

- 2.1.1 India Infrastructure Trust (“the Trust” or “InvIT”) is a contributory irrevocable trust set up under the provisions of the Indian Trusts Act, 1882. This Trust has been set up on November 22, 2018.
- 2.1.2 The Trust is an infrastructure investment trust registered on January 23, 2019 under the SEBI InvIT Regulations having registration number IN/InvIT/18-19/0008. The Trust was set up in order to invest in infrastructure projects in accordance with the SEBI InvIT Regulations.
- 2.1.3 The initial portfolio asset of the Trust is the Pipeline. The Pipeline was earlier owned by EWPL and pursuant to the Scheme of Arrangement between EWPL and PIL, as sanctioned by NCLT Mumbai vide order dated December 21, 2018 and NCLT Ahmedabad vide order dated November 12, 2018, was transferred to PIL. Currently, the Trust holds 100% of equity share capital of PIL.
- 2.1.4 The Trust, the Investment Manager, Reliance Industries Holding Private Limited (“RIHPL”) and PIL had entered into a Share Purchase Agreement (“SPA”) wherein the Trust acquired 100% of the issued and paid-up equity share capital of PIL from RIHPL on the Completion Date i.e. March 22, 2019 (“Transaction”).
- 2.1.5 ~~PIL operates a cross country, natural gas pipeline with a pipeline length of ~1,480 kms (including dedicated lines) together with compressor stations and operation centres that stretches from Kakinada (Andhra Pradesh) to Bharuch (Gujarat) traversing through the states of Andhra Pradesh, Telangana, Karnataka, Maharashtra and Gujarat (the asset is referred as “Pipeline” and activity of operating the Pipeline is referred as “Pipeline Business”). Historically, the Pipeline Business has been owned and operated by EWPL.~~
- 2.1.6 PIL and RIL have entered into a Pipeline Usage Agreement (“PUA”) on March 19, 2019 and amendments thereto pursuant to which RIL will make agreed payments on a quarterly basis in order to reserve certain capacity in the Pipeline for transportation of gas.
- 2.1.7 As per regulation 21(4) of SEBI InvIT Regulations -  
*“A full valuation shall be conducted by the valuer not less than once in every financial year. Provided that such full valuation shall be conducted at the end of the financial year ending March 31<sup>st</sup> within two months from the date of end of such year.”*
- 2.1.8 In this regards, the IM has appointed the Valuer to undertake the valuation of InvIT Asset in compliance of the above SEBI InvIT Regulation. (“Purpose”).

### 2.2 Valuation Methodology Adopted

- 2.2.1 Considering the nature of business and information available, InvIT Asset has been valued using Discounted Cash Flow (“DCF”) Method under Income Approach. I have used Free Cash Flow to Equity (“FCFE”) model under the DCF Method to arrive at the value of InvIT Asset.



## 2.3 Valuation Conclusion

- 2.3.1 The tariff as approved by PNGRB vide order dated March 12, 2019 considered for valuation of InvIT Asset is INR 71.66 per mmbtu.
- 2.3.2 The enterprise value of InvIT Asset is arrived at INR 187,777.5 Mn. The enterprise value of InvIT Asset attributable to the InvIT pursuant to the agreed terms of the Transaction Documents is arrived at INR 140,561.8 Mn.

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## 3 Introduction

### 3.1 Terms of Engagement

- 3.1.1 I, Mr. Mandar Vikas Gadkari having IBBI Registration number IBBI/RV/06/2018/10500, have been appointed by Investment Manager, to determine the enterprise value of InvIT Asset on a going concern basis as per SEBI InvIT Regulations.
- 3.1.2 This Report has been prepared by the Valuer pursuant to terms of engagement letter dated May 02, 2019 between the Valuer and the Investment Manager including the terms and conditions set out therein.

### 3.2 Background and Purpose of Valuation

- 3.2.1 The Trust is a contributory irrevocable trust set up under the provisions of the Indian Trusts Act, 1882 on November 22, 2018.
- 3.2.2 The Trust is an infrastructure investment trust registered on January 23, 2019 under the SEBI InvIT Regulations having registration number IN/InvIT/18-19/0008. The Trust was set up in order to invest in infrastructure projects.
- 3.2.3 The initial portfolio asset of the Trust is a pipeline used for the transportation of natural gas, with the potential to induct new assets in due course. The Pipeline is a cross-country, natural gas pipeline with a pipeline length of approximately 1,480 km (including dedicated lines) together with compressor stations and operation centres that stretches from Kakinada, Andhra Pradesh, in the east of India, to Bharuch, Gujarat, in the west of India, traversing adjacent to major cities in the states of Andhra Pradesh, Telangana, Karnataka, Maharashtra and Gujarat. Historically, the Pipeline was owned and operated by EWPL.
- 3.2.4 The Pipeline has been transferred from EWPL to PIL with effect from the Appointed Date, pursuant to a Scheme of Arrangement that has been sanctioned by the National Company Law Tribunal, Bench at Ahmedabad and the National Company Law Tribunal, Bench at Mumbai (together the “NCLTs”) on November 12, 2018 and December 21, 2018 respectively (the “Scheme of Arrangement” or “Scheme”). Currently, the Trust beneficially holds 100% of the equity share capital of PIL.
- 3.2.5 PIL and RIL have entered into a pipeline usage agreement (“Pipeline Usage Agreement” or “PUA”) dated March 19, 2019 and amendments thereto pursuant to which RIL has agreed to make payments to PIL on a quarterly basis in order to reserve certain annual capacity of the Pipeline.
- 3.2.6 Rapid Holdings 2 Pte. Ltd (“Sponsor”) is the sponsor of the Trust, PenBrook Capital Advisors Private Limited is the Investment Manager of the Trust and Axis Trustee Services Limited is the Trustee of the Trust.
- 3.2.7 ECI India Managers Private Limited, as the project manager (the “Project Manager”), are responsible for the execution and management of the projects.
- 3.2.8 The Project Manager, PIL and Rutvi Project Managers Private Limited (the “Contractor”) have entered into an agreement for the provision of certain operations and maintenance services by the Contractor in respect of the Pipeline (“O&M Agreement”).
- 3.2.9 In accordance with the sub-contracting provision in the O&M Agreement, the Contractor, PIL and Reliance Gas Pipelines Limited (the “Sub-Contractor”) have entered into an operations



and maintenance sub-contract agreement (the “O&M Sub-Contract Agreement”) for the operation and maintenance of a section of the Pipeline.

- 3.2.10 Framework Agreement recorded the understanding among the parties for, among others (1) transfer of the entire issued equity share capital of PIL to the Trust; (2) subscription by the Trust to the Non-Convertible Debentures issued by PIL (“PIL NCDs”); (3) transfer of the Pipeline Business from EWPL to PIL pursuant to the Scheme of Arrangement; and (4) repayment of the unsecured liability of ₹164,000 million.
- 3.2.11 PIL SHA sets out rights and obligation of parties to the agreement in relation to PIL, including those of the Trust as the equity shareholder of PIL and the holder of the PIL NCDs, and of RIL and the Trust in relation to the purchase and transfer of the equity shares of PIL under certain circumstances and the manner of distribution of cash flows of PIL and the terms of the redeemable preference shares in compliance with applicable law.
- 3.2.12 Shared Service Agreement sets out the terms for RIL to provide PIL and the Contractor with certain identified services in connection with the Pipeline Business, for a period of three years, in order to enable business continuity, seamless operations and an effective cost structure of the Pipeline Business, pursuant to the demerger of the Pipeline Business from EWPL to PIL.
- 3.2.13 SSA records the understanding among various parties with respect to issue, allotment and subscription of the CCPS.
- ~~3.2.14 Infrastructure Sharing Agreement sets out the terms for permitting sub-contractor’s non-exclusive access to certain facilities of Sub-contractor which are laid on the Pipeline’s right of usage area and are co-located with the Pipeline facilities;~~
- 3.2.15 Joint Venture Agreement records the understanding among various parties which include operation of and maintenance of Pipeline on behalf of PIL and the Project Manager.
- 3.2.16 The units of the Trust are listed on BSE by way of private placement.
- 3.2.17 In line with the Purpose mentioned earlier, the IM has appointed Mr. Mandar Vikas Gadkari to undertake the valuation of InvIT Asset in compliance of the SEBI InvIT Regulations.
- 3.2.18 This Report should not be used or relied upon for any other purpose. The suitability or applicability of this Report for any purpose other than that mentioned above has not been verified by the Valuer.

### 3.3 Source of Information

- 3.3.1 For the purpose of this valuation exercise, I have relied on the following sources of information:
- i. Brief note on the operations of Pipeline Business;
  - ii. Tariff order for determination of Final Initial Unit Natural Gas Pipeline Tariff by PNGRB dated March 12, 2019;
  - iii. Provisional Financial statements of Pipeline Infrastructure Limited for the year ended March 31, 2019;
  - iv. Framework Agreement amongst RIHPL and the Sponsor and the IM and PIL dated August 28, 2018;
  - v. Scheme of Arrangement between EWPL and PIL and their Respective Shareholders and Creditors for transfer of Pipeline Business from EWPL to PIL;























































































