

**REPORT ON**  
**RECOMMENDATION OF RATIO OF ENTITLEMENT**  
**FOR THE PROPOSED DEMERGER OF**  
**EPC BUSINESS AND URBAN INFRASTRUCTURE BUSINESS**  
**OF**  
**GMR INFRASTRUCTURE LIMITED**  
**("GIL")**  
**INTO**  
**GMR POWER URBAN AND INFRA LIMITED**  
**("GPUIL")**

**Drushti R. Desai**  
**Bansi S. Mehta & Co.**  
**Chartered Accountants**  
**Metro House, 3<sup>rd</sup> Floor**  
**M. G. Road, Dhobi Talao,**  
**Mumbai - 400 020.**



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## 1. Introduction

1.1. There is a proposal before the Boards of Directors of GMR Infrastructure Limited ("GIL" or "the Company"), GMR Power and Infra Limited ("GPIL") and GMR Power and Urban Infra Limited ("GPUIL") to consider the following:

- Step 1: Amalgamation of GPIL into GIL. It is understood that the entire share capital of GPIL is held by GIL (directly and/ or indirectly through subsidiaries), no shares of GIL shall be issued to shareholders of GPIL on amalgamation at this step. This step is hereinafter referred to as the Proposed Amalgamation.
- Step 2: Demerger of the EPC Business (as defined in the Scheme) and the Urban Infrastructure Business (as defined in the Scheme) of Amalgamated GIL into GPUIL, as a going concern. Upon the said demerger, the equity shares held by GIL in GPUIL will stand cancelled and the equity shares of GPUIL would be issued to the shareholders of GIL. This step is hereinafter referred to as the Proposed Demerger.

The aforesaid steps are proposed to be carried out through a scheme of arrangement under section 230 to section 232 and other applicable provisions of the Companies Act, 2013 ("Scheme"). The Appointed Date for the proposed scheme is April 1, 2021.

1.2. In light of the foregoing, I have been asked by management of GIL ("the Management") vide engagement letter dated July 30, 2020 to recommend, the ratio of entitlement to the shareholders of GIL on the Proposed Demerger at Step 2 above. This report ("Report") sets out the findings of my exercise.

## 1.3. Brief Profile of the Companies:

### 1.3.1. Profile of GIL

GIL is a public limited company incorporated on May 10, 1996 and has its registered office at Naman Centre, 7<sup>th</sup> Floor, Opp. Dena Bank, Plot No.C-31, G Block, Bandra Kurla Complex, Bandra (East), Mumbai, Mumbai City, Maharashtra – 400051. GIL is primarily engaged in the business of handling engineering, procurement and construction ("EPC") solutions in infrastructure sectors as a division and operates in airports, energy, transportation and urban infrastructure business sectors through various subsidiaries, associates and jointly controlled entities, for the purposes of various regulatory stipulations. GIL's EPC Business caters to the requirements of implementing the projects undertaken by the subsidiaries and others. The equity shares of the Company are listed on BSE Limited and National Stock Exchange of India Limited.

### 1.3.2. Profile of the EPC Business and the Urban Infrastructure Business of GIL

The EPC Business is the business undertaken by GIL pertaining to the EPC operations outside the group, including construction of Dedicated Freight Corridor Corporation projects, smaller Rail Vikas Nigam Limited projects.



The Urban Infrastructure Business of GIL is the business relating to (i) energy, which includes power generation using various fuel types such as, coal, gas, renewable power, power transmission, interests in coal mining projects, power trading etc., and the projects which are at various stages of development and operations; (ii) transportation, which includes road projects which are operating either on annuity or toll collection based revenues; and (iii) Special Investment Regions (SIR) for establishments of industries in the SEZ or in domestic tariff area.

It may herein be noted that it is specified in the Scheme that Step 1 (Proposed Amalgamation) shall precede Step 2 i.e. Proposed Demerger. The Demerged Undertaking (which includes all the businesses, undertakings, activities and operations of GIL, forming part of the Urban Infrastructure Business and the EPC Business, and as more particularly defined in the Scheme) proposed to be demerged, includes, *inter alia*, the solar power business of GPIL (transferred to GIL by virtue of amalgamation at Step 1).

### 1.3.3. Profile of GPUIL

GPUIL is a public limited company incorporated on May 17, 2019 under the provisions of the Act and its registered office is at Naman Centre, 7th Floor, Opp. Dena Bank, Plot No.C-31, G Block, Bandra Kurla Complex, Bandra (East), Mumbai, Mumbai City, Maharashtra – 400051. GPUIL is incorporated with the object of, *inter alia*, acquiring of interest, right, title, permission, license for building, operating and for any other purposes in any of the above infrastructural facilities and services and to promote, develop, acquire rights, concessions, titles, interest in and operate in any manner whatsoever as free trade zone, free economic zones, processing zones or any other such zones, towns and cities in accordance with guidelines/authority for the time being in force and to sell, lease on hire grant rights, title interest, licenses, franchises, easement and otherwise dispose off in any manner whatsoever with infrastructural facilities and services or any rights, titles, concessions acquired therein to any person whether in India or abroad.

## 1.4. Shareholding pattern of the companies

### 1.4.1. GIL

The Authorised, issued, subscribed and paid-up share capital of GIL as at June 30, 2020 based on the information provided by the Company was as follows:

SHARE CAPITAL	AMOUNT (Rs. in crores)
<b>Authorised:</b>	
13,50,00,00,000 Equity Shares of Rs.1 each	1,350.00
60,00,000 Preference Shares of Rs. 1,000 each	600.00
<b>Issued, Subscribed and fully paid up:</b>	
6,03,59,45,275 Equity Shares of Rs. 1 each	603.59

It is understood from the Management that no Employee Stock Options have been granted by GIL.



The foregoing share capital was held as follows:

Particulars	Number of Shares Held	Percentage of Shareholding
Promoter & Group	3,95,44,69,176	65.52 %
Public	2,08,14,76,099	34.48 %
Total	6,03,59,45,275	100.00%

The equity shares of GIL are listed on National Stock Exchange of India Limited ("NSE") and BSE Limited ("BSE").

#### 1.4.2. GPUIL

The Authorised, issued, subscribed and paid-up share capital of GPUIL as at June 30, 2020 based on the information provided by the Company was as follows.

SHARE CAPITAL	AMOUNT (Rs. in lakhs)
<b>Authorised:</b> 5,00,00,000 Equity Shares of Rs.10 each	5,000
<b>Issued, Subscribed and fully paid up:</b> 1,00,000 Equity Shares of Rs. 10 each,	10

It is understood from the Management that no Employee Stock Options have been granted for GPUIL.

The foregoing share capital was held as follows:

Particulars	Number of Shares Held	Percentage of Shareholding
GIL	1,00,000	100%

The equity shares of GPUIL are currently not listed on any stock exchanges.



**2. Data obtained**

- 2.1. I have called for and obtained such data, information, etc. as were necessary for the purpose of this assignment, which have been, as far as possible, made available to me by the Management. Appendix A hereto broadly summarizes the data obtained.
- 2.2. For the purpose of this assignment, I have relied on such data summarized in the said Appendix and other related information and explanations provided to me in this regard.



**3. Consideration of Factors for Determination of Share Entitlement Ratio for the Proposed demerger**

For the purpose of arriving at a fair ratio of entitlement, I have examined, considered and placed reliance on various details, data, documents, accounts, statements furnished and explanations and information given to me and have proceeded to find out the ratio on a consideration of the following factors :

- 3.1. The assets and liabilities identified as pertaining to or in relation to the EPC Business and Urban Infrastructure Business would be transferred to GPUIL at the same values as appearing in the books of Amalgamated GIL pursuant to the Scheme of Arrangement between GIL and GPUIL.
- 3.2. As can be observed from the shareholding pattern of the GIL and GPUIL mentioned earlier, GPUIL is a wholly owned subsidiary of GIL. It is further understood that upon the Scheme being effective, the existing share capital of GPUIL (currently held by GIL) shall stand cancelled and new shares shall be allotted to the shareholders of GIL holding shares therein on the record date as defined in the Scheme. Therefore, only the shareholders of GIL shall hold shares of GPUIL. Thus, effectively the shareholding in GPUIL would continue to mirror the shareholding of GIL.
- 3.3. Further, I have also given due consideration to the level of paid-up Equity Share Capital that is considered reasonable for servicing in the medium term by the GPUIL.
- 3.4. From the foregoing, it is evident that the question or aspect of adjusting the equities between two or more disparate groups of shareholders (which is ordinarily at the root of fixing such ratio of entitlement) is not relevant in this case due to mirroring of the shareholding in case of GPUIL and GIL.
- 3.5. It may be noted that the Institute of Chartered Accountants of India (ICAI) on June 10, 2018 has issued the ICAI Valuation Standards ("IVS") effective for all the valuation reports issued on or after July 1, 2018. The IVS is mandatory for the valuation done under the Companies Act, 2013, and recommendatory for valuation carried out under other statutes/ requirements. However, as the current exercise does not entail valuation, the question of following the Valuation Standards does not arise.



#### 4. Conclusion

##### Step 1: Amalgamation of GPIL into GIL

As mentioned at para 1.1 above, GPIL is directly and/or indirectly a wholly owned subsidiary of GIL. Therefore, at Step 1 of the proposed Amalgamation of GPIL into GIL, no equity shares of GIL shall be issued to the shareholders of GPIL (being GIL itself and/or its subsidiaries).

##### Step 2: Demerger of EPC Business and Urban Infrastructure Business into GPUL

Based on the foregoing data, considerations and steps followed, in my opinion the fair ratio of entitlement for equity shares would be as follows:

For every 10 (Ten) Equity shares of face and paid up value of Rs 1/- (Rupee One) held in GIL, 1 (One) Equity shares of face and paid up value of Rs. 5/- (Rupees Five) in GPUL to be issued to the equity shareholders of GIL.

##### Specific Consideration:

BSE Circular No. LIST/COMP/02/2017-18 dated May 29, 2017 and NSE Circular No. NSE/CML/2017/12 dated June 1, 2017 (collectively referred to as "Stock Exchange Circulars") require the valuation report for a scheme of arrangement to provide certain requisite information in a specified format. The current transaction does not trigger the requirement for valuation under SEBI Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017, since there is no change in shareholding. However, I have given in Appendix B the disclosure required under the circulars issued by BSE and NSE.





**5. Limitations and Disclaimers**

- 5.1. This Report is subject to the scope of limitations detailed hereinafter. As such the Report is to be read in totality and not in parts.
- 5.2. My valuation is based on the information furnished to me being complete and accurate in all material respects.
- 5.3. This Report is meant for the specific purpose mentioned herein and should not be used for any purpose other than the purpose mentioned herein. The Report should not be copied or reproduced without obtaining prior written approval for any purpose other than the purpose for which it is prepared.
- 5.4. Any person/ party intending to provide finance / deal in the shares / business of the Company shall do so after seeking their own professional advice and after carrying out their own due diligence procedures to ensure that they are making an informed decision.
- 5.5. I have no obligation to update this Report because of events or transactions occurring subsequent to the date of this Report.



6. Gratitude

I am grateful to the Management for making information and particulars available to me, often at a short notice, without which this assignment would not have been concluded in a time-bound manner.



*Drushti*

**DRUSHTI R. DESAI**  
Registered Valuer

Registration Number: IBBI/RV/06/2019/10666

Place: Mumbai

Date: August 25, 2020

UDIN:20102062AAAACC9571



**Appendix A: Broad Summary Of Data Obtained**

**From the Management:**

1. Carved Out Balance Sheet of EPC Business and Urban Infrastructure Business of GIL as at March 31, 2020
2. Audited financial results of GIL for year ended March 31, 2020.
3. Serviceable level of equity share capital of GPUIL pursuant to the Proposed Demerger.
4. Financial Statements of GPUIL and GPIL for the year ended March 31, 2020
5. Draft Scheme of Arrangement between GIL, GPIL and GPUIL.
6. Other relevant information
7. Answers to specific questions and issues raised by me after examining the foregoing data.



**Appendix B: Information required pursuant to Stock Exchange Circulars**

As mentioned earlier, upon implementation of Step 1 of the Scheme, all the shareholders of GIL would become shareholders of GPUIL resulting in a mirror image shareholding of GIL and GPUIL. Therefore, there is no change in shareholding as illustrated in Para 4(d) SEBI Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017. Therefore, I have not carried out a valuation of these entities under the generally accepted principles of valuation.

Valuation Approach	EPC Business and Urban Infrastructure Business (A)		GPUIL (B)	
	Value per Share of GIL for EPC Business and the Urban Infrastructure Business (INR)	Weight	Value per Share of GPUIL (INR)	Weight
Market Price method	NA	NA	NA	NA
Earnings based Method	NA	NA	NA	NA
Cost based approach	NA	NA	NA	NA
Relative Value per Share	NA		NA	
Share Entitlement Ratio (A/B) (Rounded)			NA	

NA stands for Not Applicable / Not Adopted

