

Valuation of a Financially Stressed EPC Company with Intangible Assets and Negligible Physical Assets - Case Study of an EPC Company in NCLT Proceedings

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Abstract

At the onset of the financial year for 2022 McNally Bharat Engg. Co. Ltd. was admitted into NCLT (National Company Law Tribunal). The company had been trying to restructure its debts for the last 5 years outside NCLT, however an international arbitration award against the company lead to its admittance into NCLT for resolution under the Insolvency and bankruptcy Code (IBC) 2016. The present article traces the origins of the company, its technology adoption and indigenization of designs. We then see the rise and fall of the stock of this publically listed company and how it entered a financially stressed condition. The focus of the article will be on the valuation methods adopted to value this company which has majorly intellectual property (IP) and human capital and negligible physical assets. The present article does a literature survey on valuation methods adopted in Chapter 11 cases in the United States as IBC is a relatively new law enacted in India. A literature survey of articles published in India on NCLT, IBC and Bad bank is also done. This case study tries to analyze the limitations in perceptions for evaluating an IP heavy and asset light organization as well as undervaluation of these companies due to lack of expertise in valuation methods and knowledge of professionals in India. Valuation of data human and intellectual property is an extremely critical in the present day and this article tries to highlight how this should be approached. The article proposes real option valuation method for the future projects to obtain an accurate value for intangibles.

Keywords: real option valuation, NCLT, IBC, EPC

Prologue

Mr. Sai sits in his chamber in a high rise office apartment in Mumbai's Nariman Point. He has been evaluating an offer received from National Asset Reconstruction company Ltd. (NARCL) (pronounced 'Narcel '). Mr. Sai works as a consultant to NARCL to evaluate companies. Of the many companies which has been received by Mr. Sai, two companies - Consolidated Construction Consortium Ltd. (CCCL) and McNally Bharat Engineering Co. Ltd. (MBE) are of special interest as both are Engineering Procurement and Construction (EPC) companies with very little physical assets. Another striking feature is that both companies are led by professionals unlike other companies where a promoter is at the helm of affairs. MBE is of special interest to Mr. Sai. Although both companies are human capital centric, MBE has its own in-house technology and intellectual property. To have a striking deal for the companies the intellectual property needs to valued properly.

Background of McNally Bharat Engg. Co. Ltd.

1961-1993

McNally Bharat Engg. Co. was founded in 1961 by Thomas McNally as a joint venture between McNally Pittsburg USA and Bird and Co. UK (Singh, 2021). It's has a continuous history of technology acquisition. In 1968 it built the largest cross country conveyor conveying system (Business Standard, 2022). 1970 it built the 1st indigenous fluorspar plant for GMDC and in same year the Paste fill plant for Indian Aluminum. It then built the Coal washery plants in India in 1980's . In 1983 it acquired the Slurry pump technology from Sweden. In 1990 it entered into agreement with Outotec Finland for Floatation cell technology in beneficiation. Collaboration with Superflo for highrate thickeners and Aumund Germany for crushing technology followed in 1992 (Good returns, 2022) . In 1993 the company entered a cashflow crisis and underwent a turnaround strategy which let it re-emerge out of the crisis and get a frontrunner position in market by 2002. In 1999 it tied-up with companies in Poland Poltegar. In 2000 they acquired a company EWB Kft in Hungary for Pneumatic Conveying Technology. Other notable collaborations were SOLIOS in France, Famac in Poland, TPE in Russia, DMT in Germany, Siemens Vai in France, KCI Cranes in Finland, CODCO and MCC in China, GRD Minproc in Australia, GeaMesso in Swiss, UralmashEngg. in Russia, MekhanobrChormet (Ukraine) etc. (Singh, 2021).

2000-2010

With this technology backbone, in-house competence and partners across the globe, MBE spearheaded to become a growing company and in 2010 touched the highest on BSE. In 2009 the company acquired KHD Humbolt's subsidiary in Germany and hence the technology of Jigs in mineral beneficiation. The revenue of the companies kept growing from Rs.

500 Cr. in 2006 to Rs. 1800 in 2010. Mr. Srinivash Singh retires from the post of Managing Director. He had grown through the ranks and seen through the turnaround in 1993.

2010-2016

The company order book touched Rs. 6000 Cr. in 2012-13 (Bharat, 2013). Exhibit 1 shows the financials of the company from 2006 to 2012. From 2013 to 2016 the company found itself in a debt trap. It accumulated losses and debts over time. In 2015 it infuses a strategic partner EMC (Good returns, 2022) and gets into serious financial distress (Singh, 2021). (Kingi, 2016) In 2016 the management tried to merge EMC, MBECL and MSEL into Kilburn Engg (last 3 companies part of Williamson Magor Group) with Kilburn keeping 75% and EMC 25% shareholding in the amalgamated company (Refer Exhibit 4). At the end of 2016 the management brings back the managing director Mr. Srinivash Singh who had retired in 2010 to revive the company.

2017-2019

The company was part of Williamson Magor Group of companies which had McLeod Russel, Eveready, Kilburn Engg. etc under its umbrella. Mr. BM Khaitan was the founder and his elder son Mr. Deepak Khaitan was the Chairman at McNally Bharat and Mr. Aditya Khaitan was Chairman at McLeod Russel. In 2014 Mr. Deepak Khaitan died of cancer and Mr. Aditya Khaitan was made Chairman of all companies. Since he had major experience in tea business he introduced EMC as a partner to run McNally Bharat. The move backfired and company came under severe stress by 2016 end. When Mr. Srinivash Singh was appointed as Managing Director in April 2017, he and the management consulted some experts in the field of debt restructuring. At that moment the experts suggested to go for a debt resolution plan with the banks. However, the promoters debated whether to go for infusion of capital and finish projects or for a debt resolution. At that time the group companies McLeod Russel and Eveready were doing very well, but the group decided not to become too much involved with EPC business of MBE by investing through a restructuring plan. They rather preferred to infuse capital and finish projects. A due diligence and review was thus done in Aug 2017.

After the review the following was revealed. There were Rs. 16000 Cr. of open contracts (189 Nos.) under various strategic business units. There was unbilled revenue expected from these contracts approximately Rs. 1500 Cr., retention of Rs. 700 Cr which would be available on finishing the projects and debtor of Rs. 700 on date. Thus receivables of Rs. 2900 Cr. and the cost to complete these projects was Rs. 1600 Crs. It was also seen that approx. Rs. 300 Cr. of cash for gap funding would be required. It was also found that there was Rs. 2800 Cr. of accumulated losses from these contracts and approx. Rs. 1200 Cr. of bank guarantees with the customers. The promoters brought in a strategic partner who decided to invest Rs. 250 Cr. It was also important to regularize statutory payments to tax authorities and salary arrear of 3 months was continuing for last 1 year. The existing promoter decided to pump in Rs. 500 Cr. to regularize these dues.

In the mid of 2018 the situation was revisited (Refer Exhibit 2) and it was decided that company would bid aggressively and bag new projects. Company won new projects worth Rs. 3000 Cr. between 2017-2019.

2019-2020

However, in 2019 the company couldn't continue serving interest and accounts became NPA. After this banks stopped issuing bank guarantees for projects and new order inflow stopped. The company started approaching strategic investors in India and abroad. They appointed one of the big 4 to do a review. In Mar-2019 bank of India did a techno-economic valuation of the company for a restructuring proposal. Two Indian companies and one foreign investor expressed interest and in Dec 2019 a term sheet was signed by a foreign investor. However, Covid-19 stuck in 2020 and investor went weary. During the restructuring phase prior to pandemic, there was a stigma for EPC companies with a perception that this a high risk business and many EPC players have perished. Another factor was the external environment, with Govt, spendings negligible in core sectors, hardly any projects in Steel, Cement and Power were coming up, mostly infrastructure projects in highways, stadiums, convention centers, airports etc. were the call of the day. To overcome this company signed MOUs with strategic partners in Turkey, Poland and Malta. This would enable the partner to provide bank guarantees and bid in Joint Ventures thus removing concerns for a constraint of order book.

2020-2021

After Covid-19 pandemic, uncertainty loomed and management made a plan of how to survive for next 6 months. The employees took pay-cuts of 50% for 2 months and sizing down decisions were taken. The company was in a catch 22 situation. With the international partners who had agreed for Joint Venture partnership risk averse to invest abroad, MBE had only option to look for domestic partners. During the pandemic, Coal India came up with 39 tenders worth Rs. 7000 Cr+, other tenders from Oil India, Water department, Solar etc. were also floated. MBE had cut down manpower from 1300 people to 800 people. It decided not to foray into all sectors and concentrate on Coal India projects. It spoke to 5 possible partnerships. Finally it made 3 Joint Venture agreements with Trolex, Amit Metaliks and Kilburn. It bid in 17 projects and won 7 projects worth Rs. 2000 Cr. The margins in these projects was very thin due to extreme competition (Exhibit 3 for data on competitive bidding).

This winning of projects in 2020 brought a huge confidence in mind of the lenders for restructuring and in 2021, the existing shareholders expressed interest to restructure without a strategic investor outside NCLT and a revised proposal was submitted. Dun & Bradstreet put a restructuring proposal in front of the lenders. The lenders were appraised about the contributions after 2017-2021 achieved in the projects.

The promoters approached the lenders to issue guarantees for these projects but the lenders refused citing inability to increase exposure to defaulting companies. The company looked at foreign bank guarantee option allowed in the tenders but the cost of guarantee prevented the company to exercise it. Finally the company took some loan from JV partners and contractors to meet the BG requirements in form of cash deposit with clients and to set aside part of receivable from old projects towards the same. 5 out of 7 projects were rescued in this manner worth Rs. 1100 Crs. These projects proved to be the life line for the company with reduced employee strength.

However, an agreement was not being arrived on the restructuring plan till mid 2021. In Oct-2021 EIG Mauritius moved to international arbitration court in Singapore for a claim of Rs. 250 Cr.. MBE deployed its best lawyers but lost. The claimant pursued the case and in Dec-2021 the case was heard in Kolkata High Court where the claimant had a judgement in their favour. MBE appealed in Supreme court in Jan-2022 but lost. The claimant put a bank injunction on the only operative TRA account of MBE in Mar-2022. The lead banker Bank of India admitted MBE's case into NCLT in Apr-2022.

2022

Mr. Anuj Jain was appointed as Interim Resolution Professional by the banker. Mr. Jain was partner in KPMG. Many challenges appeared as the incident happened on 29-Apr-2022.

1. There was a huge threat of attrition of employees.
2. Many suppliers became weary about getting their dues.
3. Customers felt shaky of how to continue.

When a company enters the NCLT proceedings, incidents prior to the date of admittance called effective date is termed Pre-CIRP and those after effective date called Post-CIRP. In case of MBE, due to the bank injunction no payments were done after Feb-2022. On entry to NCLT, the company appealed to lift the injunction which took effect in May-2022. As a rule of law, no payments Pre-CIRP period shall be made to creditors who need to file into NCLT and after settlement through the process can such payments be made. This is a very difficult situation when we consider an ongoing business process.

The IRP and present acting managing director addressed the employees making them aware of the process with examples of success stories like Bhushan Steel, Electrosteel etc. in India and Hundai, Apple and Samsung abroad. They met with all customers to reassure that business as usual will take place and projects will not get impacted with the change. After 3-4 months this instability was brought under control. However, attrition remained a challenge with some key resources including head of construction and chief finance officer resigning for better opportunities.

In Aug-2022, the expression of interest was floated and 17 companies showed interest by Sep-2022. During this time NARCL also eyes McNally Bharat (Team, 2022). In Nov-2022, NARCL started due diligence for the company. NARCL is not a resolution applicant (RA) of the 17 bidders who had submitted EOI. In a landmark judgement in Oct -2022, the RBI allowed Asset Reconstruction companies (ARCs) to be allowed to participate in NCLT Proceedings (Chand, 2022). In Dec-22 three bidders placed their offers which (Dutt, 2022).

Two other bidders had asked for extension of resolution plan date but were turned down by the CoC. Another company Rashmi Metaliks Ltd. approached NCLT court to allow participation but was turned down by the court.

Literature review on Valuation Methods of Companies in bankruptcy

(Bakshi & Mitra, Jan 2020) provides the factors for slow performance of settlement of disputed assets and how EPC sector is one of the big defaulters in RBI list referred to NCLT. (Saxena, 2018) studies the evolution of jurisprudence under the IBC Code 2016 and suggests loopholes in the code. (Scott, 1977) argues that issuance of secured debt can increase the firm's value. The author cites that previous studies have shown that in absence of tax, in frictionless markets there is no chance of bankruptcy. (Park et al., 2009) highlight shortcoming of present methods of NPV and IRR to address the practical aspects of project i.e, reinvestment rate, actual amount of actual investment and firm available funds and addresses the issue with his framework. (Ayotte & Morrison, 2018) look at valuation disputes and valuation errors in Chapter 11 outcomes. They document errors in expert testimony specially when Discounted Cash Flow (DCF) method is used in valuation. The inform about the dispute is choosing the discount rate and how judges can overcome this. (Trujillo, 2005) applies complex system studies to see patterns for characteristics of bankruptcy legal system. It provides data on how courts exercise their doctrine in valuing firms and assets in bankruptcy. The research uses doctrine as a variable to explore system dynamics that guide change over time. (Bebchuk & Fried, 2001) propose a market-based approach to avoid bargaining or litigation to value assets that serve as collateral for secured creditors. (Bebchuk, 1988) provides a method which can be used to divide the pie amongst the participants in a corporate reorganization. It is an option based approach. (Bebchuk, 2000) the author revisits the options valuation proposed in 1988 and explains the procedures that should guide the design of bankruptcy procedures. It concludes by providing a relationship between options approach to

corporate bankruptcy and that of Black-Scholes characterization of all corporate securities as options. (Altman, 1969) discusses how M-M Theory (Modigliani and Miller) does not consider rigorously the leverage of debt leading to bankruptcy. The researcher emphasizes how corporate bankruptcy is treated as an institutional problem and thus limited study has been done in academics. The article studies how bankruptcy in publically listed companies has impacted shareholder value and how this should be factored in. (Stundžienė & Boguslauskas, 2006) studies the shortcomings of Altman model and suggests a model for Lithuanian companies. (Sharfman, 2005) does an empirical study and concludes that loss aversion bias tends judges to put more value towards debtors in valuation disputes in bankruptcy. (Adler, 2012) discusses the United states rule of bankruptcy that allows a debtor to retain the collateral of a secured creditor in exchange of a judicially approved compensation even after the objection of the secured creditor. The article gives a game theory bankruptcy valuation alternative. (Stiglitz, 1972) investigates with pure finance theory that under some restrictive conditions leverage of the firm plays an important role to determine bankruptcy and that in such conditions firm decisions have to include financial policy decisions of the firm which may not be productively efficient. (Graham et al., 2019) show that wage premia for expected cost of bankruptcy are of sufficient magnitude and an important factor in corporate capital structure decisions. The article shows that employees earnings fall by 67% over 7 years after filing bankruptcy. This includes workers who stay within the firm after bankruptcy and those who migrate to other companies. The work is important to us as we shall be discussing human capital specially in EPC companies with no hard assets. (Brouwer, 2006) illustrates how European countries have amended laws to keep companies as ongoing concerns rather than going for liquidation. The article explains that national attitudes towards failure and equity rather than debt financing is the reason to explain this phenomenon rather than legal origins of the law. (Alderson & Betker, 1999) study firms post-bankruptcy which have emerged from Chapter 11 reorganization and evaluate the rate of return. The article shows that superior returns are generated in high-growth option firms that invest heavily following emergence from Chapter 11. This is critical to our research as we shall analyze if EPC companies are such high-growth-option firms and our particular case of MBE. (Counsel et al., n.d.) discuss the litigation on valuation and opinion of expert in field of valuation in front of judges in cases of Chapter 11. The article elaborates the *Dauberts' gatekeeper determinations*. In this reference the article describes what is relevant and reliable in context of the case and how this should be determined. It also explains the sources of facts employed by valuation expert and systematic bias in forming opinion. The article highlights how the court sees contingent contract with the expert with its client are a basis of rejection of such opinion as this is a source of systematic bias. It elaborates the valuation which is based on growth, risk and cashflows, however, specific adjustments in case of valuing distressed businesses need focus. In discussing this the article mentions how tangible and intangible value must be accounted for in the valuation. This is important for our research in hand. It explains that when a debtor's adjusted equity value is greater than its book value, the gap is explained by intangible assets and step-up of market value of tangible assets. Intangible assets are further explained like trademarks, patents, propriety technology, customer relationships, supplier contracts, copyrights and softwares. It is important to note these in light of EPC companies and where the company fail to capture these intangibles as value by a systematic effort. We will analyze these for MBE. The article provides cases where such contest on business valuation happened and cites *American Classic Voyages Co. v. JP*

Morgan Chase Bank (In re American Classic Voyages Co.) ("ACV") where methods of valuation was contested. The case highlights some key elements of valuation in bankruptcy.

1. Transfer date of interest i.e the business is important. The expert and courts assess insolvent with facts and circumstances discoverable on that transfer date and hindsight has no place.
2. Insolvency analysis must begin with whether the concern is an ongoing or failed concern. This is most critical for "fair valuation" in contrast to "fair value" of a business. The article mentions that contrary to common wisdom, fair valuation is process sensitive and not result sensitive. Thus a fair valuation first determines the ranges of value that would be acceptable if the business remains a going concern. Thus if it's a going concern these values would be near the fair market value whereas if it's a failed concern it would be near the orderly liquidation or forced liquidation. The article also cited Judge Carey informing that threshold for a going concern is a low one. Which means a business need not be thriving to be a going concern. Technically a going concern will have a positive goodwill and a failed concern -ve goodwill. The valuation includes value of the assets, including non-severable goodwill i.e. future income earning potential of business in excess of total tangible assets plus severable intangible assets. To do this income approach, market based approach and blend this with a fair valuation adjusted balance sheet approach in order to value properly the non-severable goodwill of the debtor.
3. The article cites the remark of Judge Carey in case of ACV as "[A] court must consider the reasonableness of the company's projections, not with hindsight, but with respect to whether they were prudent when made." (quoting *MFS/Sun Life Trust-High Yield Series v. Van Dusen Airport Servs. Co.*, 1995)

The article further discusses on the *threshold* value of ongoing concern. The article explains that context of valuation is of utmost importance and how a distressed asset should be valued. The valuation method employed by expert will determine the value of the concern and may lie in a continuum from a fair market valuation on one end and liquidation value on other end. If it's a failed concern the value will lie in a continuum between orderly liquidation value and straight

liquidation value. Growing concern may be technically a vector of business conditions from going concern (growing), growing concern (static), growing concern (declining) to failing concern and failed concern.

Difference between valuation methods for start-ups and stressed companies

(Nylen & Pettersen, 2017) discuss which valuation methods to use for start-up, high growth and steady state stage companies. They use DCF, First Chicago Method and option valuation. The thesis concludes, DCF to be useful for steady state while First Chicago Method is good for start-ups as it captures uncertainty and option valuation is least useful. (Penman, n.d.) discusses accounting and valuation, ignoring behavioral economics and assuming rationalist foundations of neo-classics. The dividend discount model is illustrated and assumption of no-arbitrage is discussed. The article illustrates DCF methods and cites an example for Starbucks where free cashflows are negative, but firm value need to be positive. Thus, citing the future uncertain cashflows as the only means and thus impractical. They resolve this by accrual accounting method by adding investments and accruals. The article criticizes dividend growth model of Gordon as violating MM theory. The article then discusses the residual income model, citing it as MM theory consistent but like DCF dependent on future cashflows. The author then professes the Abnormal earnings growth model.

(Damodaran, 2007) discusses the various approaches and what challenges are encountered considering global businesses in multiple countries. The author highlights how the subject is researched with emphasis on risk analysis and very little in how to estimate cashflows and reconciling various versions of models. The paper elaborates the four methods viz DCF, Market comparables, liquidation/ asset method and the contingent claim valuation. The last is of particular interest while we evaluate EPC companies where arbitration awards are of a great concern and how value can be tapped with our case in hand. The article however doesn't deal with this fourth method in detail.

The bankruptcy code, Chapter 7 and Chapter 11 in United States and those in European Union

(Team C. , 2023) the most recent law passed was in 1978 known as the Bankruptcy Reform Act of 1978. The US bankruptcy code is also known as the Title 11 of United states code. However, the history goes back to the 19th century when several laws were enacted and repealed in the next 100 years and in 1898 Nelson's Act became the first modern bankruptcy legislation.

Under Chapter 11, businesses and individuals can file for bankruptcy by filing a petition. Chapter, 11, 12 and 13 deal with reorganization of the debtor's assets and most popular with corporates in the US. Chapter 12 deals with farmers and chapter 13 with individuals.

Under Chapter 7 the entity goes into liquidation where the court appoints a trustee to collect, sell and settle the creditor dues.

Chapter 15 deals bankruptcy law in cross border cases.

(Mckenzie, 2011) In Europe at the beginning of the Europe unification, cross border insolvencies were dealt with international laws of member states. In 2000, the EU adopted a regulation for insolvency proceedings. It brought in the concept of COMI or center of debtor's main interests to ascertain jurisdiction and applicability of international law. It tries to deal with conflicting laws inside the EU nations.

(State & Bufford, 1996) discusses the need for a bankruptcy law in the CEE countries. It stress the need for reorganization rather than liquidation. The aim it says is to have a "free start" and get freedom from unmanageable debt burden. The aim is to have equity for creditors and highest and best use of commercial assets. The major importance is to keep an organization a going concern which is of greater value to the economy than its dismembered parts. The article cites the case of Romania where most of the companies were state owned and the creditors were also other government organizations. Thus liquidation here distributes government assets from one entity to the other. The author explains that lack of a private sector market limits this sale to private entities which may be more efficient than this redistribution. Thus liquidation in Romania results in reverse of privatization which is not appropriate considering reason for restructuring. The Chapter 11 route is suggested as a more appropriate solution.

(Karen McMaster & LLP, 2022) discuss the insolvency procedures in the UK where until 1980's the result was liquidation or winding up of the company. In 1986 the first reform was done to rescue the company and keep it as a running business under the protection of a moratorium and the guardianship of an insolvency practitioner. In 2002 the Enterprise Act simplified the administrative regime and introduced the 'qualified floating charge holder' which is a creditor entitled to appoint an out of court administrator to enforce security in case of default under floating charge. This replaced the receiver and to a more equitable process and the floating charge holder aimed at rescue of the company. This further improved under CIGA in 2020 where a new stand-alone moratorium and restriction on certain termination rights of counter parties helped transformation during restructuring regime.

NCLT & IBC 2016 in India

(Advocate Khoj) The origins of bankruptcy laws can be traced to English Law in India. Statute 2 was the first origins of this law as pre-British era had no such indigenous law for insolvency. The major reforms to these happened in the 17th

Century. In Govt. of India Act of 1800 Section 23 and 24 have the earliest rudiments of insolvency law which placed jurisdiction of Supreme Court at Fort William, Madras and Recorder's Court of Bombay. In 1848 the Indian Insolvency Act came into force. In 1870, Sir James Fitzjames Stephens proposed an all India Insolvency Bill modelled in line with Bankruptcy laws prevalent in England. However, this proposal was dropped. In 1909 The Presidency-towns Insolvency Act was enforced. Post – Independence these acts were dropped as they were found unsuitable and in 1956 the Company Act. was the first legislation for insolvency. In 1981 under Mr. Tiwari a committee formulated an Act which took shape as the Sick Industries Act (SICA) in 1985. The objective of the act was to identify sickness and initiate revival. In 2003 this Act was repealed. Subsequently in 1993 the RDDFI, in 2002 SARAFESI and Company Act of 2013 were passed. In 2016 the SICA was repealed and IBC 2016 came into formation.

The compilation of IBC 2016 was a tenuous effort of a committee formed in 1999. However, the lack of political will and opposition never brought any such bill into the parliament. On 1st December 2016 under leadership of Late Mr. Arun Jaitley as finance minister and Mr. Narendra Modi, the Insolvency and Bankruptcy Code (IBC) came into life. To make it happen the suggestions by the committee was evaluated independently by a new committee lead by Dr. J.J. Irani.

Under the code, the process can be initiated by a financial creditor (FC) or an operational creditor (OC) or a Corporate Debtor (CD). An entity which has debts which are impossible for it to bear with interest, can restructure these debts outside the NCLT. It has Debt Resolution Tribunals (DRT) or the SARAFESI open to it also apart from this option outside NCLT. However, if these options fail any of the above mentioned entities can go to the NCLT court to initiate the process. The value of the default need to be more than Rs. 1 Cr.

On admittance to the entity will enter 2 processes. Only if the 1st fails will it enter the 2nd process. The objective is to keep the business as a going concern. The first is called the Corporate Insolvency Resolution Process (CIRP). The second is called Liquidation. Once the entity enters the process a Committee of Creditors (COC) is formed which consists of the major lenders and financial creditors and the company suspended directors. To form the COC an Interim Resolution Professional (IRP) is appointed by the NCLT court. After the formation, this IRP hands over the charge to COC for them to appoint a Resolution professional (RP) who approaches the market for a potential buyer for the company. He invites expression of interest (EOI) from potential buyers called Resolution Applicants (RA) and subsequently checks their eligibility to participate in a bidding process to acquire a company. A very crucial issue in this resolution process is the Valuation of the debt ridden asset. For a debt more than Rs. 50 Cr., two valuation reports by independent registered valuers are required. In the valuation there are 2 valuation numbers critical to the bidding process. First is the Enterprise Value and second is the Liquidation Value. The liquidation value is also called floor price.

We must understand that the COC's objective (usually financial creditors which are banks) is to extract the maximum number from the bidding process. The RA on the other hand would want to have the company for as low an amount as possible. Hence, choosing the right set of competing RA's is critical. The floor price is known only to the COC and RP. Hence, post bidding whether the highest bidders offer is acceptable or not is determined by the floor price. If this is not met, the COC *may* send the company to liquidation process. The other important aspect we need to keep in mind that *willingness to pay* and *ability to pay* of the RAs is extremely crucial in this process. Though the competitors do not know the floor price if they do not have the willingness to pay, the process shall fail. The ability to pay is also crucial and if the eligibility criterion for participation is too low, this can become a bottle neck. Again, if this is very high a criteria to participate, one may not get any participants at all! So a lot of luck, effort by the company and RP teams play a crucial role in the process. An adequate balance between the RA's ability to pay and willingness to pay as well as the floor price and enterprise needs to be ascertained. We may note that all this shall start with the valuation report and how to read it.

The Bad Bank & policy reforms – Why we need one in India?

(Banks, 2020) In India the NPA : Gross loan has been larger than average in other countries.

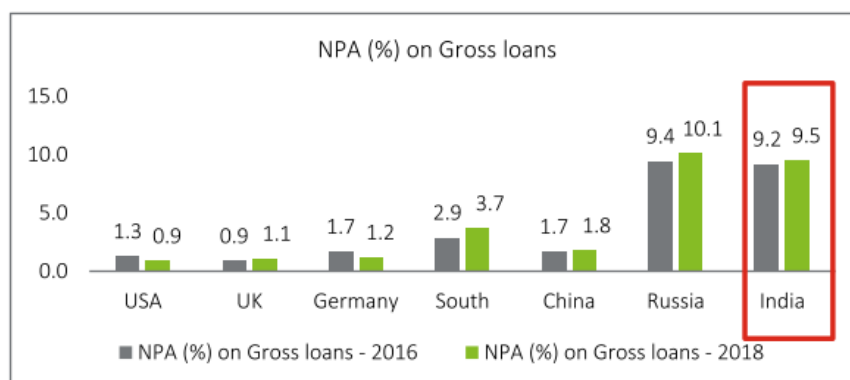


Figure 1: NPA v/s Gross Loan Source : Bad banks in India Deloitte Report

The growth has been very steep till 2018 and then it decreased in 2022. Some remedial measures were taken to make this happen. The RBI director informed that this condition in 2018 was due to excessive lending by banks from 2009-2012 and to concentrated set of large firms in infrastructure, power, telecom, Iron and steel and EPC. The 1st four have assets in the companies but EPC in general do not have hard assets. With the steep increase in NPA, stress on the banks increased tremendously, the NCLT and IBC laws were brought in to ease this, but something more was needed. In 2020 a key idea evolved in discussion – “the bad bank”.

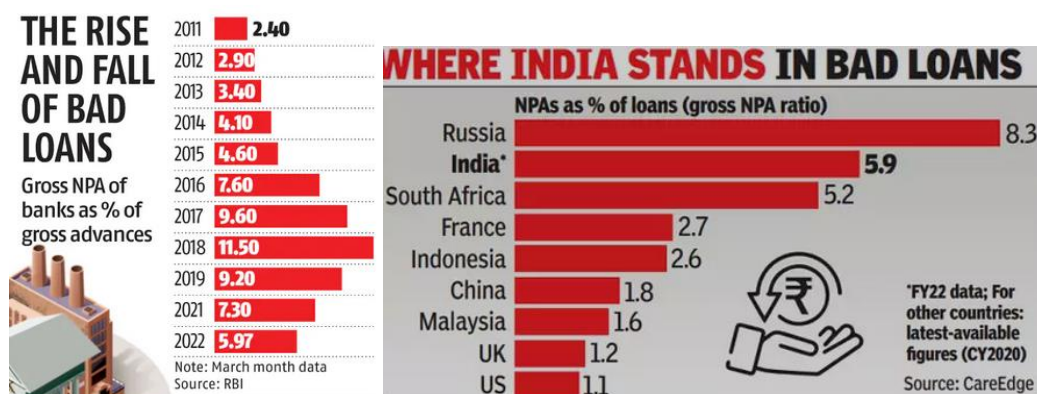


Figure 2: NPA: Bad loans 2022

The proposal was sent by RBI to government to form an Asset Restructuring Company (ARC) and Asset Management Company (AMC) and an Alternate Investment Fund (AIF). The first would be owned by Govt. while other 2 will have private participation. A similar proposition was there in Malaysia with their institution named Danaharta and Danamondal. Private banks in India like Kotak already have their AMC and ARC. This was a step to have Govt. get into this space. The core purpose of the bad bank would be to buy the NPA's of the banks at a discount and attempt to recover this money from defaulters. (Tracker I., 2021) reports that RBI's latest Financial Stability report indicates that the gross NPA's may increase from 6.9% in Sep-2021 to 8.1% in Sep-2022 under a normal scenario and even to 9.5% in a severe stress scenario. This hinted to an important role to be played by a Bad Bank in India and that it was worth taking lessons from other nations.

There were many pros and cons of such an institution. Key arguments for the proposal were: free management bandwidth for banks, quicker resolution as there will be one decision maker –the bad bank instead of multiple banks for the same asset. Private ARCs were not of much success till in India and a Govt. driven agency could prove useful, Skills required in recovery is very specific and experts need to be hired which may not be there in a normal bank. The arguments against the proposal were that there may be steep haircut while transferring the bad loan putting stress on the bank which had the NPA, the bad bank buys the toxic asset but may not find a buyer and data collection may be an issue for the bad bank. Some also argued that after the IBC a bad bank was not required.

Worldwide there were examples of bad banks i.e in Spain – Sareb, Ireland – NAMA, Switzerland – UBS, Sweden- Securum/Retriva, US- US bad bank, Citi, Bank of America, Korea-KAMCO, Indonesia-IBRA, Malaysia –Danaharta, China-Cinda, Huarong. Two models exist, the first a private asset management company, where a timeline is set to restructure in a time bound manner with the promoters of the company provide a resolution plan with sustainable debt and debt-for equity conversions for banks. This plan would get vetted by credit agencies and once accepted, an SPV would bring in third party investors execute this plan. The second framework is that of a national asset management company where this Govt. backed bad bank will buy the bad loans and restructure. The first framework is existing in most countries while the second is in US. The first is useful when assets have value in short term and moderate levels of debts. The second is economic viability is not there is short and medium term. In Malaysia and Indonesia the Public Bad Bank is presently inactive. In 1980's when the US banking sector crisis occurred the Mellon Bank was rescued by creating a Grant Street National Bank (GSNB) where the toxic assets of Mellon Bank was transferred. The GSNB would liquidate the assets and retrieve maximum it could and then liquidate itself. The success prompted US to form a resolution trust corporation, a public asset management company. In 1992, Japan set up the Credit co-operative Purchasing Company (CCPC) to buy stressed assets from good banks at a discount and retrieve the best it could from them. In Germany the Berlin Immobilien Holding (BIH) was created in 2006 to rescue Berliner Bankgesellschaft. However, a more severe crisis occurred in 2008-09, the German Federal Legislature passed a law for the good-bank-bad bank combination with 2 models for public and private banks. The 1st model was what we describe earlier of a SPV and the second was a consolidated model.

(Klaus et al., 2009) discusses valuation in parlance of a bad bank and how valuation of troubled assets at current market value could be ascertained. The bad bank thus bears the responsibility for resale of the toxic asset, responsibility for its

own cost and recapitalization of the good bank by taking equity stake. The article then discusses the frameworks in which the bad bank would operate. In this the article discusses the ascertaining of *fundamental value* of the assets.

(Tracker, 2022) reports from Economic Survey of India that the Bad Bank has become a reality in India. It would operate under the name of NARCL i.e National Asset Reconstruction Company Ltd. and IDRCL i.e. India Debt Resolution Company Ltd. While NARCL would acquire and aggregate NPA's from banks, IDRCL would handle the debt resolution. The arrangement would be on a "Principal-Agent" basis. The article notes that while NARCL is owned by public sector banks, IDRCL has majority of private banks. The article further elaborates the structure of deals which NARCL would do. It mentions a 15:85 ratio for Cash: Security Receipt combination to acquire assets and the security receipt will be backed by Govt. guarantee. The article also mentions interim MD's appointed at the two companies and that Rs. 50,335 Cr. in 15 accounts identified shall be transferred to NARCL by Mar-2022 and a total of 38 accounts totaling Rs. 82845 Cr. by Phase 2.

(Tracker, 2022) reported that NARCL will acquire the assets from the lead bank with an offer to the lead bank. NARCL will then run a Swiss Challenge process wherein interested ARC's will be invited to better the offer of NARCL. The report further quotes the economic survey to explain the process of acquisition. It mentions that after finding a highest bidder, NARCL will initiate acquisition of the assets in the underlying Trusts. After that IDRCL will suggest resolution strategy and plan for each underlying Trust Asset and also implement the resolution. The report further informs that Govt. of India will provide guarantee upto Rs. 30,600 Crs. to back the Security Receipts (SR). Guarantee may be invoked to retrieve the difference between the face value and actual realization from the asset by resolution or liquidation. The guarantee will be valid for 5 years. The SR provides dual benefits of providing less upfront cash and safeguard the face value of the asset. The Govt. will charge a fee on these guarantees which shall increase annually to incentivize timely resolution.

Many questions still remained unanswered about the organization. (Shayan Ghosh, 2022) reported that the Bad bank after formation in June 2021 was slow in delivery, it had failed its target of 31st Mar-2022 to buy the NPAs from the banks, in this time many of these were resolved through NCLT process. By end of June -2022 the Bad bank had to apply for renewal of its license to RBI as it had failed to acquire even one stressed asset. It was under pressure from Finance Ministry as even after 1 year of formation, it had not closed a single deal. The report further said that after the first deal banks would know the discount at which NARCL was ready to take the stressed assets. A source also indicated that the first asset was under review and a Swiss Challenge would happen in July-2022, which actually happened for Mittal Corp. in Oct-2022.

MBE Debt Restructuring outside NCLT

(Infoline, 2016) McNally informed reorganization and restructuring of McNally Bharat Engg. Co. Ltd, McNally Sayaji, Kilburn and EMC Ltd. However, this did not fructify. (Das, 2018) EMC entered NCLT tribunal in 2018. (Mohammad, 2018) reports 3lakh crore NPAbly 60 corporates and McNally Bharat is listed in this. The news report informed that these may be dragged into NCLT. (Rakshit, 2019) McNally's accounts became NPA in the same year and lenders informed the press that a resolution plan was being evaluated outside NCLT under project sashakt. (Economics Times, 2019) McNally ties up with a large Turkish firm Kalyon to bid in infrastructure project. These were efforts to put confidence in the resolution plans provided for rating agencies to vet. (Himatsingka, 2020) reports that ANGCC capital, an Iceland based investment fund house has put a binding offer to take equity in McNally Bharat and restructure the company. The report informs that the debt is Rs. 3200 Crs, out of which Rs. 1200 is fund based and Rs. 1100 Cr. non-fund based. (Bhalla, 2021) reported that two lead bankers Bank of India and Canara Bank had filed a petition in NCLT to trigger insolvency proceedings. The news report says that a consultant for doing a techno-economic feasibility valuation study was being appointed and a restructuring plan is under consideration by the consortium of banks. The report cites the Managing Director stating that Covid-19 was a setback in the restructuring process. It also cited the group company lending to McNally Bharat and the companies also having high debt levels. (Bhalla, 2021) reported details of the restructuring plan. It mentions that McNally's promoters had proposed to infuse Rs. 100 Crs. as equity and the unsustainable debt portion over 20 years. It also mentioned an order backlog of Rs. 600 Cr, another Rs. 1500 Cr. new order book in last 2 months and Rs. 5000 Cr. in pipeline. (Times of India, 2021) reported that a techno-economic valuation was being done and under approval for the debt restructuring outside NCLT and expected approval by Sep-2021 end. (Law, 2021) reported that the company had secured fresh orders of Rs. 1192 Cr. and the restructuring plan was under consideration. (PTI, New India Express, 2021) reported that NCLAT had turned down a plea by Kotak Mahindra bank to restructure McNally Sayaji Engg. Ltd. (MSEL) a wholly owned subsidiary of McNally Bharat Engg. Co. Ltd (MBECL) Which had 80% stake in this subsidiary. This is an important report as during the resolution plans submitted, two restructuring proposals were given one for McNally Bharat and another for McNally Sayaji Engg., its subsidiary, however, it was a bundle offer. Another significant factor was that McNally Sayaji Engg had major physical assets in the land, building and factories in 4 locations in West Bengal , Jharkhand , Bangalore and Baroda. MSEL had another 100% owned subsidiary called Coal and Mineral Technologies Pvt. Ltd (CMT) which was also debt ridden. This had a factory in West Bengal. MBECL has no major physical assets apart from some construction plant and machinery. MSEL was a EBIDTA positive company and this going into NCLT had 2 implications, one most physical assets would be out of the company and synergies of manufacturing lost for MBECL which it could derive from MSEL. (TNN, 2022) reports an international court arbitration whereby EIG Mauritius was awarded favorably and MBECL was directed to pay Rs. 114 Cr. as damages to EIG Mauritius towards its

investment in MSEL which was guaranteed by MBECL. The report also mentions how two cases filed by Tata Capital and Trinetra Electronics were turned down by NCLT in the past and MBECL was struggling to get the debt restructuring plan through.

We can thus see the hassle MBECL went through during the proceedings outside NCLT. This was also suggested by a report by a Big 4 firm which was employed by the company to make the decision.

The important fact in the above process is that the promoters played an important role in trying to revive the company outside NCLT and fought tooth and nail. This is an important ingredient for the company culture, an intangible asset in the company.

The valuation done by the TEV report in 2019 put MBECL valuation at Rs. 650 Cr. and a strategic investor ANGCC had put an offer of Rs. 450 Cr capital infusion in 1st year, issued convertible debentures for the unsustainable debt of Rs. 1800 Cr. to be paid at a Libor rate interest and over 20 years starting from 4th year and Rs. 1300 Cr. as sustainable debt to be paid from 1st year over 20 years (See Exhibit 6 for the valuation with assumptions).

The TEV report in 2021 done by Dun and BradStreet valued the company at Rs. 350 Cr. with an upfront payment of Rs. 100 Cr. and repayment of sustainable debt portion of Rs. 1100 Cr. and unsustainable debt of 1800 Cr. over 16 years.

MBE Debt restructuring within NCLT

The company restructuring process in NCLT started in April 2022 and bids received from 4 bidders. (Insolvency Tracker, 2023) reported that Reshmi Metaliks was allowed by NCLAT to submit its bid by 11th Jan-2023 after rejected by NCLT court keeping. NCLT cited significance of time and maximizing value of assets as the ground to reject the plea of Rashmi Metaliks to submit their offer and a late entrant. (Times of India, 2023) reported that Bengal Tools, a Kolkata based company had put a bid for Rs. 345 Cr. which consisted of fund and non-fund based components. The next highest was Nalwa Steel and Power, a Jindal Group Company and had bid Rs. 273 Cr. with fund and non-fund based components.

Another significant event in Aug-2022 was the news that NARCL was looking at McNally. (ETBFSI, 2022) reported that 5 assets were being considered by NARCL which included CCCL and McNally Bharat. The news report also informed that in an out-of court resolution i.e. buying out the loan totally or at a discount outside NCLT, NARCL needed 75% of the lenders voting while through bankruptcy court 66% votes. This indicated that NARCL could enter the bidding through NCLT or do an out of court settlement. However, MBECL did not hear from NARCL till end Oct-2022.

There were many questions about the newly formed organization NARCL, specially amongst an important stakeholders of the company *the employees*. There were mixed reactions- some felt like getting into Govt.s hand, while other expressed concerns on skillset of the new ARC owned by Govt. (would it have to what it takes to restructure companies?). Similar questions were in the minds of bidders for MBECL through NCLT. However, one thing was certain, all bidders felt NARCL was an important and powerful competitor having the Govt.s blessings with it. Few information which went to the market and important to set value for MBECL were: In Sep-2022 NARCL's consultant Alvarez Marshall visited along with lead bank Bank of India, in end of Sep-2022 a team visited to audit project progress at 5-6 sites and met key clients of MBECL, in Oct-2022 the team sent an official mail through the bank to Resolution Professional's team with a set of 10-15 queries on valuation issues like, receivables, scenarios of cashflow, possible arbitration success etc., in Dec-2022 they called a meeting with the RP and key management of MBECL to discuss the value proposition of MBECL.

In fact what the market did not know, is that the pace at which NARCL team acted was faster than that of the bidders. It sent a plant and machinery valuation team on 9th Jan-2023 to 5 project sites of MBECL and did a virtual inspection at 5 other sites, these 10 sites consisted of 90% of the plant and machinery with the company. On 21-Jan-2023 the Swiss Challenge took place amongst the bidders at MBECL, however, NARCL was undeterred. The RP was informed on 02-Feb-2023, that NARCL will put up an offer to the lead banker. The last date of submission for the bidders in the Swiss Auction was 31-Jan-2023 but all had sought extension till 07th Feb-2023.

Another signaling effect which took place was after the bidding process was over. The Swiss Challenge occurred in 7 stages/rounds. After the last round, when the highest bidder was announced, the other bidders approached the banks the next day expressing their desire to better their offers!

What is MBE's Value?

Value depends on time and context and this is critical when we discuss how to value MBE and in general an EPC company. We see that valuation for MBE was done in 2 environments, one outside NCLT and one through NCLT. Also when outside NCLT the company was a bundled entity with its factories while through NCLT it had become a pure EPC company.

As a bundled entity its value was determined as Rs. 650 Cr. while unbundled as Rs. 350 Cr. Its subsidiary was awarded to Tega Industries for Rs. 177 Cr. through NCLT bidding process which had Thyssen Krupp, Titagarh Wagon, Gainwell, AKI Logistics and Great Eastern Retail as contending bidders.

If we see the total value through NCLT was Rs. 345 + Rs. 177 = Rs. 522 and pre NCLT it was Rs. 650 Cr. when the company had Rs. 600 Crs. of order book and Rs. 1192 Cr. of orders in hand. We thus see that valuation of company for Rs. 650- Rs. 522 = Rs. 128 Cr. was lost after it went through NCLT. However, we see that the unbundled value was Rs. 350 Cr. for MBE and Rs. 250 Cr. for Sayaji which is approx.. Rs. 600 for losing synergies. Thus, we may say that Rs. 600 Cr. – Rs. 522 Cr. i.e Rs.78 Cr. was lost through NCLT process.

However, the above calculations ignored a vital asset which appeared in July-2022 after the company entered NCLT. (Equity bulls, 2022) reports a Rs. 240 Cr. arbitration award in favour of McNally Bharat and the client SCCL was supposed to pay. The company in pre-NCLT stage in 2019 had indicated to lenders that there was a high chance of winning this arbitration and the proceeds would be blocked towards paying of any undue award in the EIG Mauritius case. However, the timings of the award for EIG came before that of SCCL. But that is not what is important to valuation. Our contention in bringing this up is to observe how valuation of these contingent assets were done pre and post NCLT. The valuation report by RP is not available and hence it is difficult to know how this award was factored in, however, we do have a pre-NCLT valuation report with the company and the valuation details in that was available.

We must understand that during the pre-NCLT restructuring process the arbitration awards were a contingent asset and post NCLT the award made the realization chances substantial. We also see that pre-NCLT the bundled value included hard assets in MSEL which was valued at Rs. 250 Cr. and post NCLT this achieved an award of Rs. 177 Cr. MBECL on other hand had a Pre-NCLT value of Rs. 350 Cr. and post-NCLT Rs. 345 Cr. with hard assets of less than Rs. 20 Cr. How did MBECL tap the intangible value while MSEL lost value? Moreover, MSEL was EBITDA positive and still unable to tap the intangible value like MBECL could.

A big factor was the arbitration award. We believe the difficulty was in the method chosen. We would propose an option valuation method and compare this with other methods. Our analysis shows that Pre- NCLT valuation of MBE would stand be very different from the valuation done by traditional methods (Refer Exhibit 5).

Background of CCCL & CCCL Bidding – Another case of valuation through NCLT

CCCL was founded in 1997 by 4 professions from the construction industry. The company got listed on BSE in 2007. It's presence was in infrastructure building of biotech parks, resorts, hotels, commercial buildings, stadiums, airports etc. It had some landmark constructions like the Infosys dome structure and TCS building. The company had a rapid growth 45% y-o-y during 2007-2010. In 2013 the company was debt trapped and initiated debt restructuring (PTI, 2013). The company 2 lakh Cr. + turnover in 2011-12, however, due to dues with projects the Chennai Metro, it became difficult for the company to sustain the interest burden. In 2021 the company was admitted into NCLT proceeding.

In Jan 2022 the EOI was floated for the company. (Team, 2022) NARCL eyes this asset and puts a bid for Rs. 80 Cr. for the debt of Rs. 2623 Cr. The mode of payment was 15% upfront cash and 85% in securities. (Rebello, 2022) cites this even lower than the promoter offer of Rs. 195 Cr. In Oct-2022 based on this as anchor offer more bids were invited in a Swiss Auction e-bidding process (Mehta, 2022). In Nov-2022 a Gujarat based NBFC offered Rs. 130 Cr (Rebello, BS, 2022). In Dec 2022, NARCL matched the offer with all cash deal with Rs. 130 Cr. (Joel Rebello, 2022).

Discussion

The market has valued the intangibles for MBECL in an indirect way and considered it in the brand value for which the premium over hard assets is clearly visible. In the case of MSEL also we see that the net block of Rs. 70 Cr. is valued at Rs. 177Cr due to intangibles, but not as per the fair value. Both bring in the bidding process and players in the bidding process through NCLT into the process of valuation. Unlike MSEL, an EPC company like MBECL hard assets are a meager amount and hence it is important to do a valuation of the intangibles. The 3 methods followed viz : Income Method (DCF), Asset Method and Cost Method are not suitable for the intangible valuation. The DCF valuations in most EPC company valuations most of the intangibles are accounted for in the future cash flow projects, (i.e implicit or assumed they are responsible for the output i.e. cashflow) however this is subject to perceptions like market condition and experience of the management. A problem on relying on these future numbers is that management may be biased and hence a projections with last 3 or 5 years data is taken. Example of this may be referred to in the TEV reports. In a company which has entered NCLT the last 3 years or 5 years do not give the right picture as the company was in various constraints. For eg in case of MBECL, there was a lack of bank guarantees, net worth was negative, there was a blacklisting from a PSU client and losses in last 5 years. As such the ability to bag orders was constrained. The last 3-5 years data should therefore be adjusted with the prospect of these constraints being removed. In MBECL in particular, the competition landscape has totally changed. During the 1st TEV report there was a lack of orders in the sectors MBECL operated in and to diversify into infrastructure projects like stadiums, highways etc, MBECL had signed Joint Venture agreements, therefore the data for such projects was not available in MBECL as a result the average winning record of last 3-5 years is again not valid. When the 2nd TEV was prepared the market was flooded with orders in which MBECL operated and MBECL bagged Rs. 2200 Cr. worth orders, so this apprehension was removed, however still the same assumption of last 3-5 years was applied. The management had provided the last 5 years contribution margins record for projects bagged after 2017 (Exhibit 6B) when a new management came into the company. However, the valuation also factored for the losses made in older projects and reduced the contribution margins to an average. We therefore propose that an options valuation method is more appropriate in these cases.

We would also stress a big factor influencing perceived value of a stressed asset when we consider a failed bid through NCLT like Sunil Hitech or EMC which ultimately have gone to liquidation to a valuation like that of MBECL almost similar to pre-NCLT valuation. This factor is the entry of NARCL or the Bad Bank. (ETBFSI, 2022) The news about NARCL eyeing McNally in Aug-2022 was a critical factor in the market in perceiving a good value in MBECL. Was this

a signaling to the other bidders that MBECL has good value? Evidence of this increase in perceived value was also evident in case of CCCL above.

In most EPC company valuations the resolution through NCLT failed and we see that bankers could not retrieve the right value. While willingness to pay and floor price are critical and bidding process management by resolution professional is critical, three other aspects of EPC works in an unstructured way and factored in future cashflows, but can be explicitly valued:

1. Pre-Qualifications : These are an attraction for entrants to EPC. Most Govt. tenders specify eligibility criteria for participation which has financial and technical sections. For those who are first time bidder in a particular domain, need a partner or have to work as a sub-contractor to another which has already the qualification. However, this is not fully exploited or leveraged properly by EPC companies as they never thought doomsday would approach soon! But furthermore they don't know how to do it!

Pre-Qualifications can be viewed as an intangible asset with a definite life. Usually tenders require the experience to be valid within last 7 years. This can be treated as a real option. To illustrate we take the example of MBECL. It has live qualification in Material handling, Solar, Mineral Beneficiation and building construction in last 7 years. Hence these qualifications will bring in ability to bid in tenders in these fields. Once the qualification was older than 7 years, for Bucket wheel excavator it would be of importance only if the time bound clause is not appearing in the tender, hence this asset value can be discounted. The value of the asset could be determined by the future orders it enables to bag and their future cashflows. All the pre-qualifications can be treated as real options to bid in projects and if the possibility is available to exercise or abandon determined by the strategic importance and value of the project.

2. Design, drawings or proprietary process technology and patents : These are not valued explicitly in valuation reports. For eg. design and drawings of coal handling plants would be determined by the market value as most competitors follow standards and its available to all like a commodity, however, the engineering skill in-house would value it differently than when outsourced. This links skill and design, drawings which is not usually considered as a severable intangible. In fact AS-26 (Acquisition et al., n.d.) specifies two requirements "identifiability" and "control" to categorize an intangible as an intangible asset. Skilled staff are excluded from the definition of intangible assets due to lack of control unless the management has legal right.

However, design and drawings for coal handling would be categorized under this. Proprietary process technology of beneficiation would be categorized in this category so will be design and drawings in this domain. If all competitors have the same standard then how will this be valued different from the pre-qualification asset as defined above? This would be different because while pre-qualification is an option to bag a project, design and drawing is like an option to execute it! Moreover, even though all competitors have standards, the detail engineering and drawings are unique to each competitor. Hence basic engineering and design and detail engineering and design need to be valued separately.

The with and without method along with real option valuation is suggested in this type of asset. The will include also the skilled staff.

3. Arbitration awards and arbitration proceedings: This is an area which is seriously undervalued due to lack of expertise. Firstly these are contingent assets. Second, there is stigma of

Exhibits

Exhibit 1- MBECL Profit and Loss 2006-2020

Exhibit 2- Management Review Report 2018

Exhibit 3- Data on competitive bidding results

Exhibit 4- Valuation and share Swap for Amalgamation into Kilburn

Exhibit 5- Valuation calculations as per TEV report

Exhibit 6- Valuation calculation as per projections -**Strategic Investor**

Exhibit 1- MBECL Profit and Loss 2006-2020

Exhibit F- INDEBTEDNESS AND LOSS 2000-2020														
Standalone Profit & Loss account	Rs.												In Crs	
	FY 19-20	FY 18-19	FY 17-18	FY 16-17	FY 15-16	FY 14-15	FY 13-14	FY 12-13	FY11-12	FY 10-11	FY 09-10	FY 08-09	FY 07-08	FY 06-07
INCOME														
Revenue From Operations [Net]	567.6	1,515.85	1,430.05	1,904.63	2,413.35	2,165.73	2,131.96	2,170.09	2,073.94	1,754.14	1,486.15	972.86	549.35	504.14
Other Operating Revenues	--	2.51	2.54	16.89	3.68	4.38	11.82	13.16	5.27	3.73	0	0	0	0
Total Operating Revenues	567.6	1,518.37	1,432.59	1,921.52	2,417.02	2,170.11	2,143.78	2,183.25	2,079.20	1,757.87	1,486.15	972.86	549.35	504.14
EXPENSES														
Cost Of Materials Consumed	214.71	1,105.61	849.49	1,484.10	861.89	900.99	950.53	1,124.40	1,063.10	919.08	904.57	613.62	300.73	320.41
Purchase Of Stock-In Trade					554.55	210.94	0	0	0	0	0	0	2.61	0
Operating And Direct Expenses					618.66	599.38	566.86	513.67	529.22	423.79	275.86	167.2	97.11	93.79
Employee Benefit Expenses	71.31	96.57	97.97	93.44	112.96	136.57	158.47	161.54	143.98	0	0	0	2.73	-9.97
Finance Costs	81.07	367.04	502.36	392.07	317.47	225.19	151.24	100.03	62.81	121.16	73.17	43.68	35.14	23.59
Provisions and Contingencies					-14	-61	75	0	0	35.22	29.02	29.57	8.65	9.37
Depreciation And Amortisation Expenses	10.05	10.59	14.62	25.33	22.49	29.12	19.1	13.58	10.53	8.32	4.96	2.41	2.25	1.72
										0	1.09	0	0	0
Other Expenses	622.82	650.29	686.57	792.36	276.07	255.02	301.68	220.71	203.08	191.03	140.65	86.65	66.82	46.81
Total Expenses					2,750.10	2,296.22	2,222.88	2,133.93	2,012.72	1,698.59	1,429.31	943.13	516.05	485.73
Profit/Loss Before Exceptional, ExtraOrdinary Items And Tax	-351.29	-344.69	-216.05	-473.71	-303.77	-114.22	-67.36	56.62	78.54	73.67	53.24	28.3	32.3	19.8
Profit/Loss Before Tax					-303.77	-114.22	-67.36	56.62	78.54	73.67	53.24	28.3	32.3	19.8
Total Tax Expenses	--	--	-133.93	-491.25	0	0	5.12	17.99	12.89	25.75	18.55	17.25	9.9	2.58
Profit/Loss After Tax And Before ExtraOrdinary Items					-303.77	-114.22	-72.49	38.63	65.65	47.92	34.69	11.05	22.4	17.22
										0	0	0	-0.08	0.29
										0	0	23.07	0	0
Profit/Loss From Continuing Operations	-380.88	-466	-425.45	-58.28	-303.77	-114.22	-72.49	38.63	65.65	47.92	34.69	34.12	22.32	17.5
Profit/Loss For The Period	-380.88	-466	-425.45	-58.28	-303.77	-114.22	-72.49	38.63	65.65	47.92	34.69	34.12	22.32	17.5

Exhibit 2 - Management Review Report 2018

Description	Value (in Crs.)
MBE has a Total Manpower in all SBUs and common services (H.O. 436+ Project sites 698+ O&M 396)	1530 Nos
Present H.O. Overhead (manpower Rs.48+ others Rs.32)	Rs.80
Total overhead including H.O.	Rs.140
Interest FY-17-18	Rs. 480
Turnover from business operations (other than trading) FY 17-18	Rs.900
Old orders for execution as on 01.04.2018	Rs.920
Old order for execution by FY 18-19	Rs.880
New orders for execution by FY 18-19	Rs.1100

Description	Value (in Crs.)
Expected turnover during FY 18-19 (other than trading) without AS7 adjustment of Rs. 580 Cr	Rs. 2193
From old order booked (Actual Billing Rs. 880 Less: AS 7 Adj Rs.580)	Rs. 880
From new orders as on date	Rs. 813
From new orders planning to book FY 18-19 (Real challenge: Secure min 2000 crs. New orders by Sep-18 only possible from Infrastructure)	Rs. 500*
Expected EBITA FY 18-19	Rs. -515
From old order booked	Rs. -600
From new orders	Rs.0
Contribution Rs.90 Crs/ O.H. 90 Crs	
Old creditors to be settled	Rs. 250
Cases at various levels	Rs. 200
Description	Value (in Crs.)
Accumulated Loss Till 31.03.2017 (Unbilled Rev Rs.1430+ BG Encashment (Rs.215)+Further Cost (Rs, 255)+LD (Rs.400)+ Debtor w/o Rs.500)	(-) Rs. 2800
FY 17-18	
Trading Turnover	Rs.600
Projects Turnover	Rs.900
Loss	(-)Rs. 500
Capital Infusion	Rs.500
Net worth	Rs.102
Accumulated Loss till 31.03.2018	(-)Rs.3300

Exhibit 3 - Data on competitive bidding results

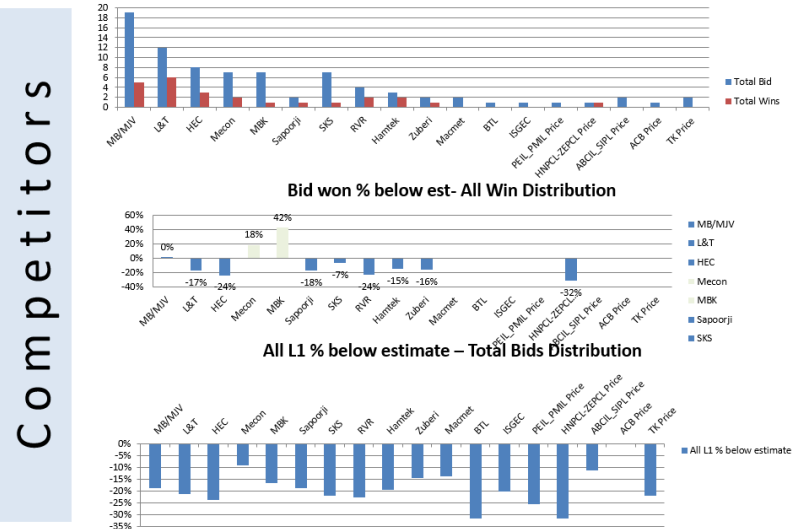
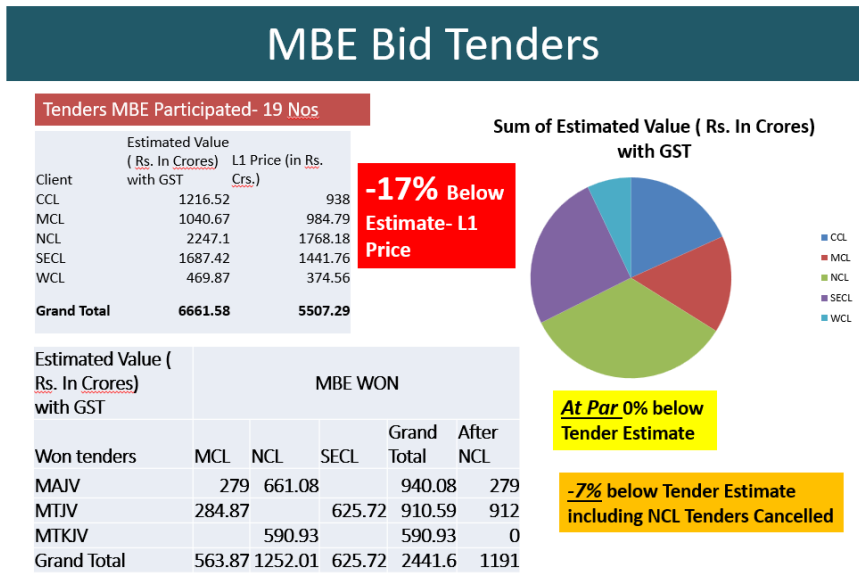
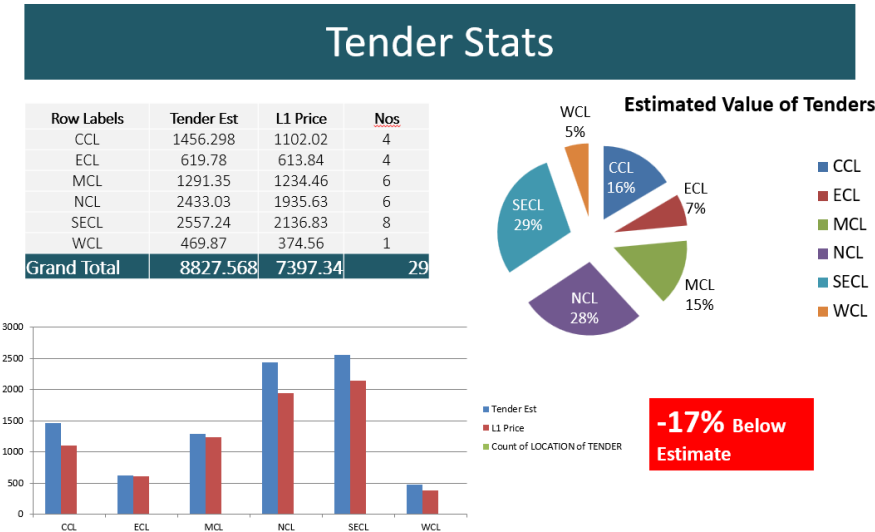


Exhibit 4- Valuation and share Swap for Amalgamation into Kilburn

5. Brief Background – MBECL

- 5.1. MBECL, listed on BSE Limited and National Stock Exchange of India Limited ("NSE"), is, inter alia, engaged in the business of providing turnkey solutions in the areas of power, steel aluminium, material handling, mineral beneficiation, pyroprocessing, pneumatic handling of powdered materials including supplying and transferring of plants to the purchaser in response to orders received for delivery of plant in form of fly ash handling and high concentrate disposal, coal washing, Port cranes, Cement, Oil & Gas, civic and industrial water supply etc. through its various industrial undertakings, supplying components at customer's site, erection and commissioning of plant.
- 5.2. MBECL manufactures a wide range of products required for its various projects through its subsidiary company McNally Sayaji Engineering Ltd. (MSEL), to whom it provides the requisite technology and design, if required.
- 5.3. The issued & paid up equity share capital of MBECL as at 29th February 2016 was INR 505.94 mn divided into 5,05,93,818 equity shares of INR 10/- each (face value) and its shareholding pattern was as follows on 29th February 2016:

Sr.No	Category of Shareholder	No. of shares held	% of Holding
A	Promoter & Promoter Group	3,56,45,142	70.45%
B	Public	1,49,48,676	29.55%
	Total	5,05,93,818	100.00%

Company	Method Applied
MSEL	DCF Method under Income Approach
EMC	DCF Method under Income Approach
MBECL	DCF method under Income Approach and Market Price method under Market Approach
Kilburn	DCF method under Income Approach and Market Price method under Market Approach

SHARP & TANNAN

LETTER NO: _____

SHEET NO: _____

10. Basis of Valuation

- 10.1. The share exchange ratio for the Proposed Amalgamation would have to be determined after taking into consideration all the factors and methodologies mentioned hereinabove. Though different values have been arrived at under each of the above methodologies, for the purposes of recommending a share exchange ratio of equity shares it is necessary to arrive at a single value for the shares of EMC, MBECL, MSEL and Kilburn. It is however important to note that in doing so, we are not attempting to arrive at the absolute equity values of EMC, MBECL, MSEL and Kilburn but at their relative values to facilitate the determination of a share exchange ratio. For this purpose, it is necessary to give appropriate weights to the values arrived at under each methodology.
- 10.2. The cut-off date for the valuation exercise has been considered as at 31 December 2015 for considering the financial statements for Income Approach and volume weighted average market prices for a reasonable period.
- 10.3. Arriving at the share exchange ratios for the Proposed Amalgamation would require determining the value of the equity shares of EMC, MBECL & MSEL in terms of the value of the equity shares of Kilburn. These values are to be determined independently but on a relative basis, and without considering the Proposed Amalgamation.
- 10.4. The share exchange ratios of equity shares of EMC, MBECL, MSEL and Kilburn for the Proposed Amalgamation and the fair value of shares of Kilburn for the purpose of conversion of ICDS into equity shares have been arrived on the basis of a relative equity valuation for EMC, MBECL, MSEL and Kilburn based on the methodology explained herein earlier and various qualitative factors relevant to each company and the business dynamics and growth potentials of the businesses of the Companies, having regard to information base, key underlying assumptions and limitations.
- 10.5. In the light of the above, and on consideration of all the relevant factors and circumstances as discussed and outlined hereinabove, in our opinion a share ratio of exchange for the Proposed Amalgamation and the fair value of shares of Kilburn for conversion of ICDS into equity shares is as under:

In the event of merger of EMC with Kilburn would be:

"235 (Two Hundred and Thirty Five) equity shares of Kilburn of INR 10/- each fully paid up for every 100 (One Hundred) equity shares of EMC of INR 10/- each fully paid up."

In the event of merger of MSEL with Kilburn would be:

"293 (Two Hundred and Ninety Three) equity shares of Kilburn of INR 10/- each fully paid up for every 100 (One Hundred) equity shares of MSEL of INR 10/- each fully paid up."

In the event of merger of MBECL with Kilburn would be:

"120 (One Hundred and Twenty) equity shares of Kilburn of INR 10/- each fully paid up for every 100 (One Hundred) equity shares of MBECL of INR 10/- each fully paid up."

"1 (One) fully paid up 11.50% non-convertible redeemable preference shares of Kilburn of INR 100 (Rupees Hundred Only) each for every 1 (One) fully paid up 11.50% non-convertible redeemable preference shares of Rs. 100 (Rupees Hundred Only) to each such preference shareholder of the MBECL."

In the event of conversion of ICDS into equity shares would be:

"For ICDS of INR 400 Mn taken, Kilburn shall issue and allot 34,61,405 (Thirty Four Lac Sixty One Thousand Four Hundred and Five) equity shares of INR 10/- each fully paid up"

Yours faithfully,
For Sharp & Tannan,
Chartered Accountants
Firm Regn No: 105982W


Edwin Augustine

Exhibit 5- Valuation calculations as per TEV report

i) METHODOLOGIES USED AND METHODOLOGIES ADOPTED:

Methodologies used for enterprise valuation of companies include approaches based on:

- Book Value or Net Asset Value,
- Net Asset Value using Replacement Cost,
- Liquidation Value,
- Trading Multiples of peer companies,
- Approach using Transaction Multiples for Comparable Deals,
- Discounted Cash Flow (DCF) Method etc.

j) RESULTS OBTAINED FROM DIFFERENT VALUATION METHODS:

	Methodologies Adopted	Value (Rs. in Cr)
A)	Computation of Estimated Book Value (Net Asset Value) of Equity as on 31.03.2018 at cost	(137300.60)
B)	Computation of Estimated Book Value of Assets as on 31.03.2018 at Replacement cost	(137300.60)
C)	Computation of Enterprise Value based Discounted Cash Flow (DCF) Method	

k) DATE OF VALUATION

23.02.2019

4. Computation of Estimated Book Value (Net Asset Value) of Equity as on 30.09.2018 at cost

Computation of Estimated Book Value (Net Asset Value) of Equity as on 31.03.2018 at cost			
		Rs in lakhs	Rs in lakhs
Gross Value of Assets			3,86,875.73
Less: Capital Work in Progress (1)			464.95
Less: Unrealisable Trade Receivables (2)			66384.60
Less: Current Tax Assets (3)			6896.29
Less: Deferred Tax Assets (3)			51706.60
Less: Reduction in Inventory (4)			1401.35
Less: Advance/Loans to subsidiaries (5)			2857.83
Less: Investment in Subsidiary (6)			15707.21
Less: Intangible Assets			51.57
Less: Payment received to Pay Creditors			103947.00
Less: Other Current Assets			41940.64
Less: Property, Plant & Equipments			3672.75
Less: Other Financial Assets			52916.79
Adjusted Gross value of productive assets			38928.15
Less: Liabilities			
Bank Liability		1,68,684.25	
Interest Payable		2,789.58	
Other Liabilities		108761.16	
Debit Balance of Reserves & Surplus		-18563.29	
Money Received against share warrant		100.00	
Gross Liability			2,61,771.70
Net Adjusted Asset Value			-2,22,843.6
No of Shares			1,721.52
Present Book value of equity shares			-129.45

Details	BSE Ltd.		National Stock Exchange of India Limited	
	High	Low	High	Low
Month	(Rs.)	(Rs.)	(Rs.)	(Rs.)
Apr-17	57.95	47.00	55.10	47.00
May-17	49.75	37.60	49.85	37.60
Jun-17	49.70	38.05	49.90	38.05
Jul-17	79.50	48.00	79.45	47.25
Aug-17	75.90	58.10	75.70	58.40
Sep-17	70.55	58.50	69.50	56.30
Oct-17	64.60	56.20	66.00	56.15
Nov-17	63.50	52.55	62.95	52.90
Dec-17	62.80	56.10	63.05	56.00
Jan-18	69.05	58.75	70.20	58.00
Feb-18	67.95	56.30	68.55	55.30
Mar-18	64.00	57.00	64.95	56.70
Apr-18	66.00	56.00	65.55	56.80
May-18	59.50	41.65	59.80	41.10
Jun-18	46.90	35.50	46.90	36.00
Jul-18	41.30	31.95	41.30	31.50
Aug-18	42.00	31.50	42.50	31.05
Sep-18	42.00	30.40	41.45	31.15
Oct-18	29.75	13.20	29.60	13.15
Nov-18	18.30	12.26	18.30	12.25
Dec-18	13.66	10.46	13.70	10.20
Jan-19	11.21	8.47	11.05	8.45
Feb-19	9.40	7.10	9.50	7.55

Rs. 7.10 per share.

The Enterprise value under this module is estimated to be as under:

No. of Equity shares of Rs. 10 each	15,80,44,606
Current Market Value	Rs.7.10
Current Enterprise value	11221.17 lakhs
Current Face Value of Equity Shares of Rs. 10 each	15804.46 Lakhs

7. Computation of Enterprise Value based on Discounted Cash Flow (DCF) Method without considering Finance cost

A. Computation of Free Cash flow projection

McNally Bharat Engineering Company Limited

Particulars	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	2036-37	2037-38	2038-39	2039-40
Earning Before Interest & Tax (EBIT)	63	18	47	77	77	81	91	99	107	116	126	126	126	125	125	125	125	125	126	126	126	126
Less: Tax paid	0	0	3	10	10	11	13	15	17	19	21	21	21	21	21	21	21	21	21	21	21	21
Profit after Tax before interest	63	18	44	67	67	70	78	84	91	97	105	104	104	104	104	104	104	104	104	105	105	105
Add: Depreciation & amortisation	5	5	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	3	3	3
Cash Flow from operations before working capital changes	-58	23	48	71	71	74	81	88	94	101	108	108	108	108	108	108	108	108	108	108	108	108
Less: Working Capital Changes (assumed to be)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash Flow from Operations	-58	23	48	71	71	74	81	88	94	101	108	108	108	108	108	108	108	108	108	108	108	108
Add: Promoter infusion	82																					
Less: Capex maintainable	0	-	2	3	3	3	3	3	4	4	4	4	4	4	4	4	4	4	4	-	-	-
Less: Repayment	82	4	4	6	9	12	15	20	26	32	154	154	154	154	154	154	154	154	154	325	-	-
Free Cash flows to the Enterprise	-58	23	44	65	62	62	67	69	70	72	73	-50	-50	-50	-50	-50	-50	-50	-50	-46	-218	108
Terminal Value	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash Flows including terminal value	-58	23	44	65	62	62	67	69	70	72	73	-50	-50	-50	-50	-50	-50	-50	-50	-46	-218	108

B. Computation of Weighted Average Cost of Capital

Cost of Equity	
Capital Asset Pricing Model	
Capital Asset Pricing Model	
Risk free Return	7.53%
Market Return	14.00%
Average Beta	1.4
Cost of Equity	16.59%
Interest Rate	9%
Corporate Tax	25%
Cost of Debt	7%
Equity	294.57
Debt as shown in projection by the Company	2,122.38
Debt + Equity	2,416.95
WACC	7.95%

C. Computation of Enterprise Value

	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	2036-37	2037-38	2038-39	2039-40
Free Cash Flow	-	(57.88)	22.70	44.31	65.20	62.30	66.98	69.22	70.44	72.02	72.71	48.67	48.67	48.68	48.68	48.68	48.68	48.68	48.68	48.67	48.67	107.87
WACC	7.95%																					
Discounting Factor	1.00	0.93	0.86	0.79	0.74	0.68	0.63	0.59	0.54	0.50	0.47	0.43	0.40	0.37	0.34	0.32	0.29	0.27	0.25	0.23	0.22	0.20
Present Value of FCFE	-	(57.88)	21.03	38.02	51.03	45.88	42.50	41.33	38.20	36.16	35.84	21.54	19.88	18.48	17.33	15.87	14.70	13.63	12.66	10.82	47.11	21.64
Growth Rate Used for Terminal Value	4%																					
Terminal Value	2,840.78																					
Present Value of Terminal Value	569.98																					
Total Value of firm	732.18																					

9. Conclusion

1. Computation of Estimated Book Value (Net Asset Value) of Equity Rs (222843.6) Crores
as on 30.09.2018 at cost Rs (129.45) per
equity share of Rs 10
each
2. Computation of Estimated Book Value of Assets Rs (5157.14) Crores
as on 31/03/2018 at Replacement Cost Rs (91.93) per equity
share of Rs 10 each
3. Computation of Enterprise Value based Rs 112.21 crores
on Stock Market Quotation
4. Computation of Enterprise Value based on
Discounted Cash Flow (DCF) Method without Rs 732.18 crores
considering Finance cost
5. Computation of Enterprise Value based on
Discounted Cash Flow (DCF) Method (Rs 839.01 crores)
considering Finance cost

Note:- The value of assets and the enterprise has been ascertained based on the assumption that it is on a going concern basis. In case of any change in the status of the company, there are chances that the estimated value of assets and the enterprise value may reduce further.

Exhibit 6A – Strategic Investor Restructuring Plan Ongoing resolution plan submitted

The Company is currently undergoing following Restructuring plans with the lenders is as follows

Particulars	Current Exposure (Rs. In Cr)	Proposed Restructured Level (Rs. In Cr)
Sustainable Fund based	1350	250
Non Fund based	1816	1080
Total Limit	3166	*1330
% of Haircut proposed		58%

Considering the current market scenario, we have evaluated the various scenarios and divided the same in conservative, realistic, optimistic, and derived the future turnover & profitability on all the scenarios which is as follows :

INR Crores					
Optimistic :					
	2021	2022	2023	2024	2025
Turnover	1,138	2,393	3,422	5,139	7,336
EBIDTA	114	239	411	617	880
Realistic :					
	2021	2022	2023	2024	2025
Turnover	945	1,871	2,630	3,982	5,794
EBIDTA	80	159	263	398	579
Conservative :					
	2021	2022	2023	2024	2025
Turnover	709	1,358	1,897	2,853	3,973
EBIDTA	53	102	142	214	298

While considering the future profitability projections, we have considered conservative estimates and accordingly the financial projections for 10 years is estimated as follows :

INR Crores											
	31-Mar-21	31-Mar-22	31-Mar-23	31-Mar-24	31-Mar-25	31-Mar-26	31-Mar-27	31-Mar-28	31-Mar-29	31-Mar-30	31-Mar-31
Revenue	709	1,358	1,897	2,853	3,973	3,973	3,973	3,973	3,973	3,973	3,973
EBIDTA	53	102	142	214	298	298	298	298	298	298	298
Int to ANGCC	4	8	7	6	4	2	1	-	-	-	-
Depn											
PBT	39	89	131	204	288	288	288	288	288	288	288
Tax	-	-	23	36	50	72	72	72	72	72	72
PAT	39	89	108	168	238	215	215	215	215	215	215

Calculation of estimated Equity Share price

Existing no of Equity Shares	215,570,757
Add : Increase on up-front Infusion	400,000,000
Total No of Equity Shares	615,570,757

As per Conservative Projections :

1. Earning Method :

	31-Mar-21	31-Mar-22	31-Mar-23	31-Mar-24	31-Mar-25	31-Mar-26	31-Mar-27	31-Mar-28	31-Mar-29	31-Mar-30	31-Mar-31
EBIDTA	53	102	142	214	298	298	298	298	298	298	298
EV (at multiple of 8)	6.91	13.23	18.49	27.81	38.73	38.73	38.73	38.73	38.73	38.73	38.73

2. Net Worth Method :

	31-Mar-21	31-Mar-22	31-Mar-23	31-Mar-24	31-Mar-25	31-Mar-26	31-Mar-27	31-Mar-28	31-Mar-29	31-Mar-30	31-Mar-31
Opening	125	564	653	761	929	1,166	1,382	1,597	1,813	2,028	2,244
Infusion	400										
Profit	39	89	108	168	238	215	215	215	215	215	215
Net Worth	564	653	761	929	1,166	1,382	1,597	1,813	2,028	2,244	2,459
	9.16	10.60	12.36	15.09	18.95	22.45	25.95	29.45	32.95	36.45	39.95

INR Crores

Fund Infusion

- Payment to Lenders : INR 275 Crores
- Bank Guarantee Protection Fund : INR 75 Crores
- Working Capital : INR 50 Crores

	31-Mar-21	31-Mar-22	31-Mar-23	31-Mar-24	31-Mar-25	31-Mar-26	31-Mar-27	31-Mar-28	31-Mar-29	31-Mar-30	31-Mar-31
Average	8.04	11.92	15.42	21.45	28.84	30.59	32.34	34.09	35.84	37.59	39.34

	31-Mar-21	31-Mar-22	31-Mar-23	31-Mar-24	31-Mar-25	31-Mar-26	31-Mar-27	31-Mar-28	31-Mar-29	31-Mar-30	31-Mar-31
15%	10.00	11.48	13.17	15.11	17.34	19.90	22.83	26.20	30.06	34.50	39.58

As per Realistic Projections :

1. Earning Method

	31-Mar-21	31-Mar-22	31-Mar-23	31-Mar-24	31-Mar-25	31-Mar-26	31-Mar-27	31-Mar-28	31-Mar-29	31-Mar-30	31-Mar-31
EBIDTA	80	159	263	398	579	579	579	579	579	579	579
EV (multiple of 8)	10.44	20.67	34.17	51.75	75.29	75.29	75.29	75.29	75.29	75.29	75.29

2. Net Worth Method :

	31-Mar-21	31-Mar-22	31-Mar-23	31-Mar-24	31-Mar-25	31-Mar-26	31-Mar-27	31-Mar-28	31-Mar-29	31-Mar-30	31-Mar-31
Net Worth	125	564	653	761	929	1,166	1,382	1,597	1,813	2,028	2,244
Infusion	400										
Add : PAT	39	89	108	168	238	215	215	215	215	215	215
NW	564	653	761	929	1,166	1,382	1,597	1,813	2,028	2,244	2,459
Value	9.16	10.60	12.36	15.09	18.95	22.45	25.95	29.45	32.95	36.45	39.95

	31-Mar-21	31-Mar-22	31-Mar-23	31-Mar-24	31-Mar-25	31-Mar-26	31-Mar-27	31-Mar-28	31-Mar-29	31-Mar-30	31-Mar-31
Average	9.80	15.64	23.26	33.42	47.12	48.87	50.62	52.37	54.12	55.87	57.62

	31-Mar-21	31-Mar-22	31-Mar-23	31-Mar-24	31-Mar-25	31-Mar-26	31-Mar-27	31-Mar-28	31-Mar-29	31-Mar-30	31-Mar-31
19.15%	10.00	11.92	14.20	16.92	20.15	24.01	28.61	34.09	40.62	48.40	57.67

Estimated Cash Flows :

INR Crores

	31-Mar-21	31-Mar-22	31-Mar-23	31-Mar-24	31-Mar-25	31-Mar-26	31-Mar-27	31-Mar-28	31-Mar-29	31-Mar-30	31-Mar-31	31-Mar-32	31-Mar-33
PAT	39	89	108	168	238	215	215	215	215	215	215	215	215
Infusion	400												
Shareholders Loan	250												
Total	689	89	108	168	238	215	215	215	215	215	215	215	215
Lenders	275												
BG Protection / Margin	75												
Net WC	50			**43	**56	-	-	-	-	-	-	-	-
Statutory Dues	50	-	-										
TATA Capital Ltd	10	-	-										
EIG (Mauritius) Ltd	50	-	-										
Creditors	50	-	-										
Addl WC, etc	50	-	-										
Open Offer	15	-	-										
Dissenting Lenders	25	-	-										
Shareholders Loan	-	10	25	50	50	75	40						
OCB Repayment	1	1	1	1	1	1	1	1	1	1	1	1	1
Buy Back of OCB	-	-	-	-	6	14	49	89	89	89	89	89	71
Total	651	11	26	94	113	90	90	90	90	90	90	90	72
CI Balance	38	116	198	272	397	522	647	772	897	1,022	1,147	1,272	1,416

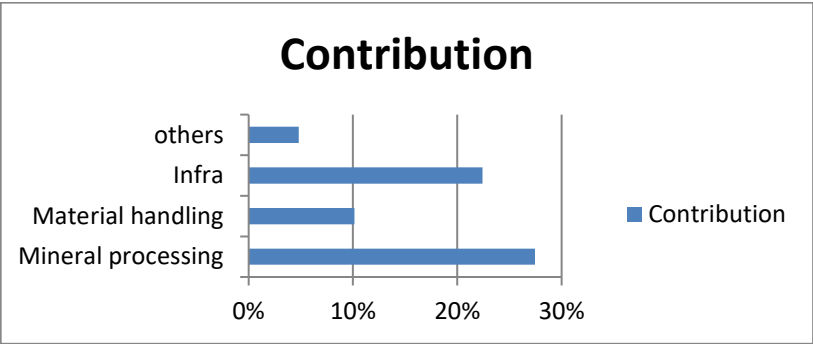
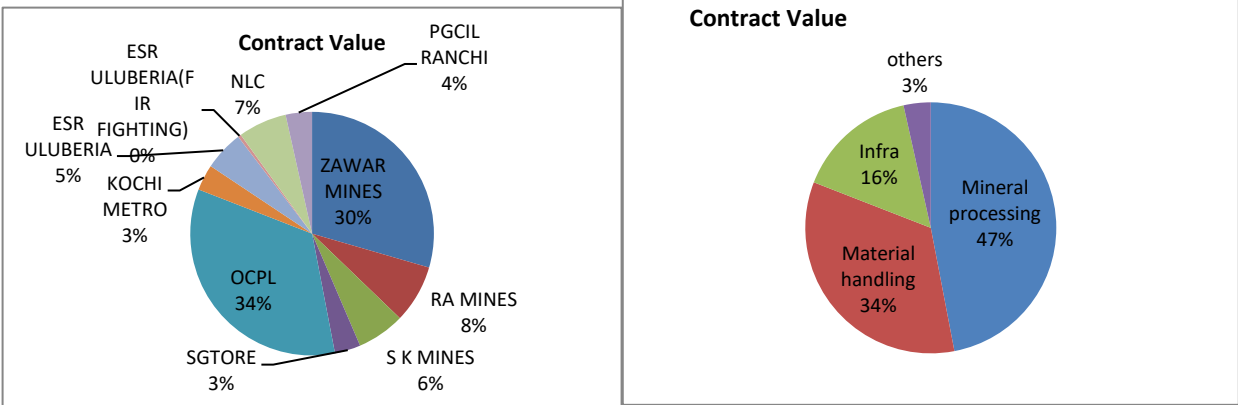
** the additional working capital in the years 2024 & 2025 amounting to Rs 43 Crores & Rs 56 Crores will be arranged from our internal accruals.

Exhibit -6B

ACTUAL CONTRIBUTION / ESTIMATED CONTRIBUTION 25/02/2021

A. EPC Projects

	Project	Project Name	Contract Value	Estimated Contribution	Contribution (Actual)	Contribution (wrt Contract)	Contribution (Actual)
			Rs (Cr)	Rs (Cr)	Rs (Cr)		
1	M032/M034/M035/M036/	ZAWAR MINES	417.55	23.75	52.14	6%	12%
2	M038	RA MINES	109.04	17.77	49.26	16%	45%
3	M039	S K MINES	90.06	8.32	29.03	9%	32%
4	MM02	OCPL	480.30	45.70	48.76	10%	10%
5	N010	KOCHI METRO	48.80	4.88	7.50	10%	15%
6	N012	ESR LILIBERIA	74.71	9.28	29.01	12%	39%
7	N013	ESR LILIBERIA	5.85	0.63	0.90	11%	15%
8	T009	NLC	91.50	18.30	18.30	20%	20%
9	M042	SGTORE	48.60	5.77	9.66	12%	20%
10	BP10	PGCIL RANCHI	49.46	0.84	2.37	2%	5%
		Total	1415.88	135.24	246.94	10%	17%



SI No	Financial Year	Billing	Cost	Actual Contribution	Estimated Contribution
1	2017-18	130.2	91.14	30.0%	20%
2	2018-19	140.3	104.9	25.2%	20%
3	2019-20	125.6	86.02	31.5%	20%