

Audited Project Financial Statements

Project Number: 47083-004

Loan Number: 3728

Period Covered: : 1 April 2021 to 31 March 2022

INDIA: Accelerating Infrastructure Investment Facility in India – Tranche 3

Prepared by India Infrastructure Finance Company Limited

For the Asian Development Bank

Date accepted by ADB: 29 September 2022

The audited project financial statements are documents owned by the borrower. The views expressed herein do not necessarily represent those of ADB's Board of Directors, Management, or staff. These documents are made publicly available in accordance with ADB's Access to Information Policy and as agreed between ADB and the Ministry of Finance.



SPMR & Associates

Chartered Accountants

Report of the Independent Project Auditor

To

Project Director,

Loan 3728-IND: Accelerated Infrastructure Investment

Facility in India – Tranche 3,

India Infrastructure Finance Company Limited (IIFCL).

Report on the Audit of Project Financial Statements (APFS)

Unmodified Opinion

We have audited the accompanying Project financial statements (PFS) of the *Accelerated Infrastructure Investment Facility in India – Tranche 3*, project financed under Asian Development Bank loan no. 3728-IND, which comprise the annual statement of utilization of funds, detailed statement of sub-loans and related notes to the statements of utilisation and sub-loans including summary of significant accounting policies for the year/period ended 31 March 2022

In our opinion, the said statements of utilisation of funds as at 31 March 2022 are in accordance with information required as per ADB Loan Agreement No. 3728-IND clause 5.06 and presents or give a true and fair view of the qualified subprojects funded by drawdown amounts in accordance with applicable financial reporting framework as mentioned in the notes to the statements of utilisation and sub-loans.

Basis of Opinion

We conducted our audit in accordance with Standards on Auditing issued by the Comptroller & Auditor General of India. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the India Infrastructure Finance Company Limited, in accordance with our Code of Ethics together with the ethical requirements that are relevant to our audit of the financial statements in India, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

The audit of project financial statement has been carried under SA 800: Special considerations Audit of financial statements prepared in accordance with special purpose framework without overriding other applicable standards of auditing and therefore results of the Project financial statements comprising annual statement of Utilization of funds may not be suitable for a different purpose.

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Other Matters

NIL

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Responsibilities of Management and those Charged with Governance for the Financial Statements

The India Infrastructure Finance Company Limited management is responsible for the preparation and fair presentation of these financial statements in accordance with applicable financial reporting framework and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the Project's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with our auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Standards on Auditing issued by the Comptroller & Auditor General of India, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.



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d) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

In addition, in our opinion,

- a) The drawdown amounts received during the period from ADB have been utilized for the purposes of the project.
- b) Financial covenants in the loan agreement [*name and number of loan*] dated [*date of loan*] have been complied with.
- c) Adequate supporting documents have been maintained to support eligible expenditures reported in the PFS, expenditures are eligible for financing under the Loan/Grant Agreement.
- d) The Project has complied with financial management arrangements as provided in the Loan Agreement, Project Agreement, Project Administration Manual and/or Facility Administration Manual, if any.

This report is issued without prejudice to CAG's right to incorporate the audit observations in the Report of the CAG of India for being laid before Parliament/State or Union Territory Legislature.

For SPMR & Associates
Chartered Accountants
Firm Regn. No 007578N

Himanshu Agrawal

CA Himanshu Agrawal
Partner,
M No 091953
Place: New Delhi
Date: 25.08.2022
UDIN: 22091953ATOXWH5301



Annual Statement of Utilization of Funds Under 3728-IND for fiscal year (FY) 2021-22

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	USD	INR
A. Total ADB loan 3728-IND Sanctioned [Under ADB Multi tranche financing facility (MFF) Tranche 3]	300,000,000.00	
B. Loan Drawn from ADB till 31 March 2022 [Refer Note No 10 in Notes on Annual Statement of Utilisation of Funds]	258,940,412.88	18,878,921,733.00
	(197,103,751.67)	(14,226,100,285.00)
C. ADB loan utilised by IIFCL till Date 31 March 2022 [Refer Note No 11 on Annual Statement of Utilisation of Funds : Statement of subprojects Approved and Reimbursed by ADB Subsequently under ADB loan arrangement Notes]	258,940,412.88	18,878,921,733.00
	(197,103,751.67)	(14,226,100,285.00)
D. Balance of ADB loan Undisbursed as on 31 March 2022	41,059,587.12	
	(102,896,248.30)	()
E. ADB loan cancelled if any as on 31 March 2022	NIL	
	(NIL)	()
F. Notes on Annual Statement of Utilization of Funds under ADB loan 3728-IND comprising 1 to 18 are considered integral to these special purpose Statement		

For SPMR & Associates
Chartered Accountants
Firm Regn. No 007578N

Himanshu Agrawal

CA Himanshu Agrawal
Partner,
M No 091953
Place: New Delhi
Date: 25.08.2022
UDIN:22091953AT0XWH5301



Rajeev Mukhija
General Manager
Project Monitoring Unit
ADB Loan 3728
IIFCL



1 Background

The Project is under the externally aided project (EAP) scheme of the Department of Economic Affairs (DEA), Ministry of finance, Government of India (GOI). Fund Bank (FB) & Asian Development Bank formerly known as Multilateral Institutions (MI) Division of DEA plays the role as a guarantor in which as per arrangement ADB has extended a financial loan to India Infrastructure Financial Limited (IIFCL) directly. The IIFCL is wholly responsible for the implementation of ADB-financed project, as agreed jointly between IIFCL and ADB, and in accordance with the policies and procedures of the government and ADB.

2 Project Nature and Activities

The multitranchise financing facility is a \$700 million project designed to have two tranches. The facility supports the Government of India in catalyzing private sector investment through public private partnerships (PPP). The \$400 million tranche 1 was approved on 21 October 2013. Tranche 1 had been fully disbursed and supported 17 subprojects. It was closed on 25 January 2017. The tranche 2 was cancelled in 2017 due to the higher guarantee fee. The tranche 3 loan in the amount of \$300 million was approved on 23 October 2018 with a piggybacked technical assistance (TA) of \$500,000. The tranche 3 loan is expected to support at least 13 PPP subprojects, and improve IIFCL's operational capacity. The loan closing date is 26 September

3 Give legislative Framework (Legal Framework and Project Operation)

Consistency with the applicable country legal frameworks and ADB's Safeguard Policy Statement (2009)

4 Cost and Financing

IIFCL's estimated to raise \$9.4 billion through fiscal year (FY) 2018-19 to support its lending operations. Under the Accelerating Infrastructure Investment Facility for India (AIIFI), ADB indicated its agreement in principle to provide loans to IIFCL of \$700 million from ADB's ordinary capital resources, supported by sovereign guarantees by the government under multi-tranche facility. ADB loan 3728-IND is under tranche 3 in which IIFCL submitted a periodic financing request dated 14 March 2018 requesting a loan in the amount of \$300 million. All withdrawals from the loan are in United States dollars (USD) on the terms of ADB's Secured Overnight Financing Rate (SOFR) (w.e.f. 01.01.2021, changed from UBON) based loans with a 19.5-year term (including a grace period of 4 years) plus a margin and such other terms and conditions set forth in the tranche 3 loan agreement. A commitment charge of 0.15% per annum is also payable in USD on the undrawn amount of the loan. Government of India through Ministry of Finance provides a sovereign guarantee in form and substance acceptable to ADB for the term of the loan as a condition precedent to its effectiveness.

IIFCL is expected to use the borrowings to fund at least 13 qualified direct financing subprojects and, funds permitting, takeout financing subprojects to cover up to 20% of subproject costs for greenfield projects and up to 30% of subproject costs for takeout financing, which is the maximum amount that IIFCL is allowed to finance under its internal procedures.

Retroactive financing will be subject to ADB approval. The borrower retroactive financing does not commit ADB to finance the project. As on 31 March 2022 a total of ~USD 20 million has been availed under retroactive financing.

5 Statement of Compliance

The statement of Utilization comprises special purpose financial statements prepared as per stipulated clause 5.06(c) of ADB loan agreement and detailed guidance in project administration manual Appendix-1 Annex-A. Therefore, the statement has been prepared in accordance with a special purpose framework and that results, if any construed from these project financial statements may not be suitable for different purposes by any non-relevant users.

Detailed position of expenditure has been listed in Note 10 (highlighted) and project wise disbursement has been detailed in notes 11.

In terms of ADB loan agreement stipulation the statement of utilisation is subject to be disclosed at ADB Website for which IIFCL has also agreed with the arrangements.

6 Significant Accounting Policies

Project financial statements for reporting to ADB comprises of a "Statement of Utilization" which have been prepared under historical cost convention and on accrual basis.

ADB loan is to be used only for making subloans to qualified enterprises for qualified sub-projects approved as per clause 6 schedule 3 of ADB loan agreement provided as a condition under

Foreign currency transactions and translation

7 Fund flow mechanism

a. IIFCL is following the process as described in PAM. (i) IIFCL makes disbursements to sub-projects approved under ADB line of credit. (ii) IIFCL submits request to ADB for reimbursement. (iii) ADB makes disbursement to IIFCL (iv) IIFCL receives reimbursement in INR account. (v) IIFCL makes interest and principal payments as per schedule mentioned in Loan Agreement or as per amendment if any.

Describe the arrangement as per description in PAM (figure 3 section D) . Also describe mentioning at the cost to IIFCL.

b. All disbursements from ADB are requested by following ADB loan disbursement handbook (2017)

Key Figures and Milestones	US\$	INR Million
Total Loan sanctioned	300,000,000.00	
Withdrawn from ADB as at 31 March 2022 [Previous year]	258,940,412.88 (197,103,751.67)	
Withdrawn from ADB in FY 2021-22 [Previous year]	61,836,661.21 (81,695,737.01)	

Referred to PAM

9 Other Key milestones

a.	Date signed between IIFCL and ADB	16-Nov-18
	Date declared effective	19-Dec-18
	Estimated project closure date	26-Sep-23
c.	Term of loan	19.5 Years

Notes [Note for report]

ADB Disbursements (Withdrawal Applications) wise Details

10	Category of Financing Briefly describe	Requested Currency	USD	WA Date	Disb Value Date
WA#					
WA-001*	Infrastructure projects approved under loan	INR	57395289.91	26 Dec 2018	26 Dec 2018
WA-002*	Infrastructure projects approved under loan	INR	58012724.75	24 Dec 2019	24 Dec 2019
WA-003*	Infrastructure projects approved under loan	INR	27921076.43	21 Jul 2020	21 Jul 2020
WA-004*	Infrastructure projects approved under loan	INR	9891188.57	8 Dec 2020	8 Dec 2020
WA-005*	Infrastructure projects approved under loan	INR	43883472.01	8 Dec 2020	8 Dec 2020
WA-006*	Infrastructure projects approved under loan	INR	18,437,309.41	12-Jul-21	12-Jul-21
WA-007*	Infrastructure projects approved under loan	INR	21,648,210.71	01-Nov-21	01-Nov-21
WA-008*	Infrastructure projects approved under loan	INR	21,790,141.09	20-Dec-21	20-Dec-21
	Total		258940412.9		

Data has been stated in USD. Under notes 11 sub project wise disbursement data has been in INR also.

* Items marked in asterix indicates withdrawal applications lodged to ADB for disbursements using Statement of Expenditure (SOE) procedures.

11 Statement of subprojects Approved and Reimbursed by ADB Subsequently under ADB loan arrangement

Refer Separate Sheet

12 Previous year figures where applicable has been mentioned in brackets.

Portion applicable for FY 2021-22 has been highlighted and the sum has been stated in overall disbursements received under SOE



Statement of subprojects Approved and Reimbursed by ADB Subsequently under ADB loan arrangement

Sub Loan	Sub-Borrower Name with Description if any	Project cost (INR)	IIFCL commitment (INR)	ADB commitment (INR)	Utilization by IIFCL (INR)	Disbursed (USD)	Disbursed (INR)
1	ASHOKA RANASTALAM ANANDAPURAM ROAD PROJECT	INR 10399.90 million	INR 1940 Million	INR 1940 Million	1,820,000,000.00	25,369,675.58	1,820,000,000.00
2	JINDAL URBAN WASTE MANAGEMENT LIMITED	INR 2188.40 million	INR 437.70 million	INR 437.70 million	372,300,000.00	5,280,967.87	372,300,000.00
3	MYRTAH VAYU KRISHNA PRIVATE LIMITED	INR 9568.70 million	INR 2527.10 million	INR 2100.00 million	2,100,000,000.00	29,891,749.16	2,100,000,000.00
4	MYRTAH VAYU PENNAR PRIVATE LIMITED	INR 4020 million	INR 1102.90 million	INR 1102.90 million	1,102,920,000.00	15,699,146.66	1,102,920,000.00
5	MEP SANJOSE ARAWALI KANTE ROAD PVT LTD	INR 5929.80 million	INR 1180.60 million	INR 1180.60 million	197,500,000.00	2,779,681.72	197,500,000.00
6	MEP SANJOSE KANTE-WAKED ROAD PRIVATE LIM	INR 8262.80 million	INR 1652.60 million	INR 1652.60 million	330,000,000.00	4,644,531.49	330,000,000.00
7	FREEDOM POINT EXPRESSWAY PRIVATE LIMITED	INR 8687.70 million	INR 1730.00 million	INR 1730.00 million	1,490,700,000.00	20,915,234.84	1,490,700,000.00
8	DBL MAHAGAON YAVATMAL HIGHWAYS PRIVATE L	INR 8577.60 million	INR 1000.00 million	INR 1000.00 million	687,400,000.00	9,668,376.13	687,400,000.00
9	PATEL DARAH JHALAWAR HIGHWAY PRIVATE LTD	INR 11236.30 million	INR 1100.00 million	INR 1100.00 million	779,001,734.00	10,696,508.64	779,001,734.00
10	DEWAS BYPASS TOLLWAY PRIVATE LIMITED	INR 2802.80 million	INR 560.00 million	INR 560.00 million	559,999,999.00	7,783,303.22	559,999,999.00
11	SPRNG ALT ENERGY PRIVATE LIMITED	INR 12100 million	INR 2400 Million	INR 2400 Million	2,100,000,000.00	27,921,076.43	2,100,000,000.00
12	JINDAL URBAN WASTE MANAGEMENT (VISAKHAPATNAM)	INR 2199.60 million	INR 430 Million	INR 430 Million	372,100,000.00	5,020,630.80	372,100,000.00
13	PARSURAM ARAVALI HIGHWAYS PRIVATE	INR 6700.00 million	INR 1340 Million	INR 1340 Million	734,400,000.00	9,942,624.13	734,400,000.00
14	DBL BORGAON WATAMBARE HIGHWAYS PVT LTD	INR 8447.70 million	INR 1639.20 million	INR 1639.20 million	1,521,100,000.00	20,557,066.54	1,521,100,000.00
15	DBL MANGALWEDHA SOLAPUR HIGHWAYS PRIVATE LTD	INR 9048.40 million	INR 1795.30 million	INR 1795.30 million	1,436,200,000.00	19,370,487.87	1,436,200,000.00
17	Ashoka Ankleshwar Manubar Expressway Pvt. Limited	INR 13610.00 Million	INR 2000.00 Million	INR 2000.00 Million	1,622,000,000.00	21,649,210.71	1,622,000,000.00
18	SHAMLAJI EXPRESSWAY PRIVATE LIMITED	INR 13610.00 Million	INR 2700.00 Million	INR 2700.00 Million	1,653,300,000.00	21,750,141.09	1,653,300,000.00
TOTAL						258,940,412.88	18,878,921,733.00

