



BALDOTA

MSPL LIMITED

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WM/MSPL/1600

20 June 2006

**The Manager,
CDM Section
UNFCCC
Bonn, Germany**

Kind Attention: Mr Kai-Uwe Barani Schmidt - Manager, CDM Section

Subject: Reference: - Request for review for: "125 MW Wind Power Project in Karnataka, India" (0315) and Identification of a contact person for our DOE

Dear Sir,

We thank you very much for your email dated 29th May 06 on the above subject.

We are hereby pleased to submit our comments to you on the issues raised in the requests for review for our above CDM project.

We assure you and confirm that while preparing the following comments to the queries, we have been transparent in providing all the relevant information pertaining to the raised queries and we are sure that you would appreciate the same upon review of our enclosed comments and the supporting documents. However, in case of clarifications, you are free to get in touch with us and as required by you, the contact person for the review process for a conference call from our end, in case the Executive Board wishes to address questions to him during the consideration of the review at its next meeting is Mr VVV Raju (Mobile No.: 09845131114, email: vvvraju@mspllimited.com).

Comments: Upon review, we understand that the three "requests for review" received from members of the Board are all pertaining to the information on IRR analysis.

We are hereby providing a brief summary tabulation of the Financial Analysis for the project:

FINANCIAL ANALYSIS

	10 Years		20 Years		30 Years	
	Alternative 1	Alternative 2	Alternative 3	Alternative 4	Alternative 5	Alternative 6
Project IRR	7.87	7.36	11.74	11.38	12.12	11.78
Equity IRR	8.12	7.28	13.79	13.23	14.22	13.70



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- Weighted average cost of capital is 10.75% (i.e. 70% term loan @ 8.5% and 30% equity @ 16%)
- Sale of power for first 10 years has been considered as per Power Purchase Agreement (PPA), beyond 10th year @ Rs 3.00 per unit.
- All the supporting documents pertaining to the above financial analysis have been handed over to our DOE (Designated Operational Entity). As the nature of these documents is confidential, we request you that these are not made public.
- Alternate 1: With CDM benefit for 10 years and revenue from power sale for 10 years
- Alternate 2: Without CDM benefit for 10 years and revenue from power sale for 10 years.
- Alternate 3: With CDM benefit for 10 years and revenue from power sale for 20 years
- Alternate 4: Without CDM benefit for 10 years and revenue from power sale for 20 years.
- Alternate 5: With CDM benefit for 10 years and revenue from power sale for 30 years
- Alternate 6: Without CDM benefit for 10 years and revenue from power sale for 30 years.

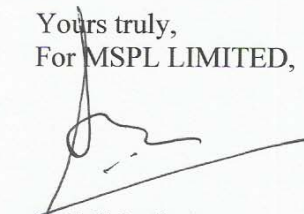
From the above analysis, the values of Alternative 1 & Alternative 2 (Project IRR's) were considered by us in our Project Design Documents and the Validation Report taking into account the following factors:

- 1) The tariff in the PPA signed with the respective power utility is valid for only 10 years and from 11th year onwards, the rates would be renegotiated based on the operating cost and the incentives (as to be agreed).
- 2) The Project IRR's had been considered, as is the norms, in any projects. However, the Equity IRR's have also been worked out by us for all the alternatives and the same has been demonstrated, which clearly shows that even with the CDM revenues the Equity IRR is less than the expected Rate of Return of 16% (typical benchmark in the electricity utility industry).
- 3) The above analysis considers the benefits available as per Indian Income Tax Act, 1961.

Trust the above clarifications are in line with your expectations and we now look forward to the registration of our project activity.

With Best Regards

Yours truly,
For MSPL LIMITED,



BW Shirolkar
Genera Manager (O)