

MGM INTERNATIONAL

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IDBI BANK

IDBI Bank Limited is an equal partner in the development of India's economy.

24<sup>th</sup> July 2006

National Hydroelectric Power Corporation Ltd.,  
NHPC Office Complex,  
Sector-33, Faridabad -121003,  
Haryana, India

Kind Attention: Shri A. K. Sachdeva, Executive Director, R&D

Dear Shri Sachdeva,

**Sub: Clean Development Mechanism (CDM) Projects - Joint Indicative Offer from MGM International & IDBI**

We refer to your discussions with IDBI regarding development of three run of the river hydroelectric projects proposed by NHPC as CDM projects and are pleased to submit a joint offer from IDBI and MGM International.

IDBI is a leading PSU bank in India, which provides a complete range of financial services including term loans, working capital, commercial banking, investment banking and other advisory services under one umbrella. You can also read about IDBI at [www.idbibank.com](http://www.idbibank.com)

MGM International is a leading international Clean Development Mechanism project identification, development, investment and commercialization company. You can also read about MGM at [www.mgminter.com](http://www.mgminter.com)

We are pleased to offer our services for the development of various CDM projects for NHPC on the indicative terms detailed below:

**1. Services to be Provided by MGM International:**

- a. Additionality analysis
- b. PDD Development
- c. Validation
- d. Registration
- e. Monitoring Support
- f. National & Annex 1 approval support
- g. CER issuance
- h. Commercialization through MGM Carbon Portfolio (if required)
- i. Legal Services for sale of CERs

May like to sup.

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Industrial Development Bank of India Limited

## 2. Services to be Provided by IDBI

- Advisory & coordination services
- Sole selling services for CERs
- Escrow services for sale of CERs
- Other services like bank guarantee for delivery of CERs, discounting of future CER receivables could also be considered, with full recourse to NHPC.

## 3. Fee basis:

This offer is made on the basis of a success fee, i.e. sharing of risks and rewards.

MGM will bear all the charges for the development of PDD, validation, registration, monitoring support, CER issuance, commercialization and national and Annex 1 approvals as appropriate. NHPC will not be liable to make any upfront payments, except for nominal payment of Rs.2 lakh per project at PDD stage, which would be shared between MGM and IDBI on 50:50 basis. MGM will charge a percentage of CERs as its success fee. The percentage of CERs will be payable every year on issuance of the CERs.

IDBI will provide advisory services. The charges proposed by IDBI for advisory services are also indicated in the table under the heading IDBI share of CERs.

## 4. Success Fee:

Project Name	MGM's share of fees		IDBI's share of fees	NHPC share of CERs
	Upto registration and CER issuance stage	Legal services		
Nimoo Bazgo	9%	1%	2%	88%
Chutak	10%	1%	2%	87%
Kotlibhel	7.5%	1%	2%	89.5%

Note : Legal services from MGM would include drafting of ERPA/CERSA. The company has option of not availing this service and in that situation 1% fee is not payable.

Charges for escrow agency services and service for sole selling of CERs will be separately negotiated between IDBI and NHPC.

If the company avails of bank guarantee and/or discounting of CER receivables facility from IDBI, charges and terms and conditions for the same would be separately negotiated and settled between IDBI and NHPC.

NHPC will pay for the adaptation fund, as per CDM rules.





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#### 5. Sale of CERs:

IDBI shall be the sole selling agents for the CERs and the charges for this service will be separately negotiated between IDBI and NHPC.

MGM would be willing to buy the CERs generated by the project through the MGM Carbon Portfolio. NHPC/IDBI shall communicate the best offer obtained by them to MGM to explore if MGM can match the offer, i.e. MGM shall have the right of first refusal. If MGM is unable to match the offer, NHPC/IDBI shall be free to sell the CERs on their own.

#### 6. Offer validity:

This offer is valid for acceptance for a period of 30 days from the date hereof.

We trust that you will find the above terms acceptable and shall be happy to submit a draft agreement for your consideration, on request.

Prima facie, based on the information provided in the PINs, the projects appear to meet the required CDM criteria. However, once the terms are agreed, we would like to start with a more detailed additionality analysis to confirm that the projects have a high chance of success and to define the approach to be adopted while developing the PDDs.

We trust that you will find the above arrangement acceptable.

If you have any further questions, please feel free to contact us.

Thanking you.

Yours sincerely,

S. N. Jain  
Country Manager  
MGM International  
[snjain@mgminter.com](mailto:snjain@mgminter.com)

Yashpal Gupta  
Dy. General Manager (SSD)  
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