



UNFCCC Secretariat
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Att: CDM Executive Board

DET NORSKE VERITAS CERTIFICATION AS
CLIMATE CHANGE SERVICES
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Your ref.:
CDM Ref 2128

Our ref.:
KCHA/WenBo/Brinks

Date:
09 January 2009

Response to request for review for project 2128 “Shri Bajrang RE Project”

Dear Members of the CDM Executive Board,

We refer to the requests for review raised by three Board members concerning DNV's request for registration of the project “Shri Bajrang RE Project” and would like to provide the following initial response to the issues raised by the requests for review.

Question 1:

Further clarification is required on how the DOE has validated the suitability of Prime Landing Rate of April 2008 when assessing the additionality with investment decision made in June 2006.

DNV Response:

DNV would like to clarify that although the start date of the project has been identified as the Board Resolution date on 27 June 2006, the project did not attain financial closure until 25 June 2007. This has been validated from the credit sanction letter of State Bank of India (**Annex-I**). Since the credit facility was sanctioned on this date, we had considered that the prevailing bank Prime Lending Rate (PLR) *at the time of financial closure* would be a suitable benchmark for the project activity. The PDD considers the PLR in April 2008, but DNV assessed during the validation the PLR at the time of sanctioning of the credit facility in June 2007, which was 12.25-12.50% (**Annex-II**). Hence DNV considered the lower value of the PLR of 12.25% as a suitable benchmark for the project. The range addressed in the PDD was between 12.25 to 15.75% as quoted by five nationalized banks and the PLR chosen by the PP at 12.25% was indeed conservative and also equal to the PLR at the time of sanctioning of the credit facility. Thus, the PLR at 12.25% is demonstrated to be appropriate and conservative.

We would also request the Board to note that during the time of the board resolution to implement the project with CDM benefits on 25 June 2006, the PLR was 10.75-11.25% (**Annex-II**) which is still higher than the project IRR of 9.42%.

We would also request the Board to note that the evaluation of the benchmark did not consider any country risk premium over the PLR, which would have increased the benchmark further, as the country risk premium at the time of deciding on the project was around 3% as per OECD

guidelines (**Annex-III**), and would have resulted in a benchmark value of 13.75% if this 3% was taken into consideration.

Hence, DNV has considered 12.25% as a suitable and conservative benchmark for the project activity. However, we acknowledge that the PDD should have referred to the correct PLR.

Question 2:

The DOE is requested to substantiate the prevailing practice barrier, in particular, how four non-CDM projects are different from the proposed project activity and could be commissioned without CDM.

DNV Response:

DNV would like to clarify that the four non-CDM projects as addressed in the PDD were not updated based on the most recent data. Amongst the four projects, three have in fact been registered as CDM projects and the other has obtained Host Country Approval (HCA) and is currently under validation. The project proponent will be requested to update the PDD accordingly.

The details of these projects are as provided below:

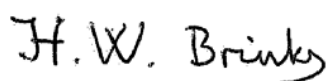
Name of project owner as mentioned in the PDD	CDM Registration	Source
M/s. Maa Usha Urja Ltd	Yes	http://cdm.unfccc.int/Projects/DB/DNV-CUK1171370444.2
M/s NRI Power & Steel Pvt. Ltd	HCA obtained and currently under CDM validation process	http://cdmindia.nic.in/cdmindia/project.select.jsp?lowerLimit=115&limitJump=23&useLimit=true
M/s. ISA Power Pvt Ltd	Yes	http://cdm.unfccc.int/Projects/DB/RWTUV1161519825.39/view
M/s. Ecofren Power & Projects Limited	Yes	http://cdm.unfccc.int/Projects/DB/RWTUV1161521039.12

This clearly demonstrates that all eighteen biomass projects have been commissioned taking account of the CDM revenues, which highlights the importance of CDM in commissioning the project type in this region.

We sincerely hope that the Board accepts our aforementioned explanations.

Yours faithfully

for DET NORSKE VERITAS CERTIFICATION LTD



Hendrik W. Brinks
Technical Director for CDM
Climate Change Services



C Kumaraswamy
Manager – South Asia
Climate Change Services

Annex - I

Extracts from the credit sanction letter



STATE BANK OF INDIA
COMMERCIAL BRANCH
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E-mail: sankaranarayanan.s@sbi.co.in

THE CHAIRMAN,
SHRI BAJRANG POWER AND ISPAT LTD.(SBPIL)
VILL: BORJHARA INDUSTRIAL ESTATE
EXTENSION,
DISTT: RAIPUR (C. G.)

DIRECTORS & GUARANTORS:

- i) Shri Suresh Goel s/o Shri Hari Ram Goel
- ii) Shri Rajendra Goel s/o Shri Hari Ram Goel
- iii) Shri Narendra Goel s/o Shri Hari Ram Goel

OTHER GUARANTORS:

- i) Shri Anand Goel s/o Shri Hari Ram Goel
- ii) Smt. Ginni Devi Goel w/o Shri Hari Ram Goel

CORPORATE GUARANTORS:

- i) Shri Bajrang Metalics Pvt. Limited
- ii) Shri Bajrang Alloys Ltd.
- iii) Swastik Mercantiles Limited
- iv) Shimmer Investments Pvt. Ltd.

LETTER NO. COMM/BHI/NKR/0391

DATE: 25.06.2007

Dear Sir,

CONSORTIUM ADVANCE: SHRI BAJRANG POWER AND ISPAT LTD.(SBPIL)
SANCTION OF CREDIT FACILITIES

Please refer to your letter No. dated SBPIL/06-07/1785 dated 28.09.2006 and subsequent discussions/exchange of letters with your representatives in this regard requesting for renewal with enhancement /sanction of various credit facilities.

2. In this connection, we are pleased to advise having renewed with enhancement /sanctioned the following fund based and non-fund based credit facilities to Shri Bajrang Power and Ispat Limited (SBPIL), (hereinafter referred to as "the Company") on the terms, conditions and covenants as detailed in the enclosed Annexure Nos. I to VII.

Annex – II**Prime Lending Rates****No. 1: Selected Economic Indicators (Concl'd.)**

Item	Unit / Base	1990-91	2003-04	2004-05	2005-06	2006	2007	
						Dec.	Jan.	Feb.
1	2	3	4	5	6	7	8	9
16. Prime Lending Rate (10)	"	—	10.25-11.00	10.25-10.75	10.25-10.75	11.00-11.50	11.50-12.00	12.25-12.50
17. Yield on 11.40% Loan 2008 @	"	—	5.06	5.73	6.40	7.45	7.66	7.77
18. Yield on 7.40% Loan 2012 #	"	—	5.38	6.21	6.95	7.35	7.54	7.76
Government Securities Market (2)								
19. Govt. of India 91-day Treasury Bills (Total outstandings)	Rs. crore		22,312	27,792	16,318	16,677	31,557	31,396
Price Indices								
20. Wholesale prices (13)	1993-94=100							

Source: <http://rbidocs.rbi.org.in/rdocs/Bulletin/PDFs/76703.pdf>**No. 1: SELECTED ECONOMIC INDICATORS**

Item	Unit / Base	1990-91	2003-04	2004-05	2005-06	2006		
						May	Jun.	Jul.
1	2	3	4	5	6	7	8	9
Output								
1. Gross Domestic Product at Factor Cost (at 1999-00 prices)	Rs. crore	6,92,671 (F)	22,26,041 (F)	23,90,671 (Q.E.)	25,96,339 (R.E.)			
2. Index number of Agricultural Production (All crops)	Trepreneur ended 1981-82=100	148.4	141.2	104.7	113.0 (F)			
a. Foodgrains Production	Million tonnes	176.4	213.2	198.4	208.3 (F)			
3. General Index of Industrial Production (I)	1993-04=100	212.6*	189.0	204.8	221.5 (F)	236.7 (F)	234.0 (F)	
Money and Banking								
Reserve Bank of India (2)								
4. Notes in circulation	Rs. crore	53,784	3,19,967	3,62,467	4,21,922	4,43,883	4,40,977	4,36,956
5. Rupee Securities (5)	"	86,035	27,457	65,465	70,409	34,382	36,935	35,992
6. Loans and discount	"	19,900	6,106	6,368	4,746	1,446	3,155	1,843
(a) Scheduled Commercial Banks (4)	"	8,169	—	45	1,468	2	2	—
(b) Scheduled State Co-operative Banks (4)	"	38	—	5	7	15	—	—
(c) Bills purchased and discounted (internal)	"	—	—	—	—	—	—	—
Scheduled Commercial Banks								
7. Aggregate deposits (5)	Rs. crore	1,92,541	15,04,416	17,00,198	21,09,049	21,37,009	21,43,683	22,05,518
8. Bank credit (5)	"	1,16,301	8,40,785	11,00,428	15,07,077	14,93,433	15,21,127	15,56,917
9. Investment in Govt. Securities (5)	"	49,996	6,54,356	7,18,962	7,00,742	7,28,387	7,25,960	7,41,746
10. Cheque clearances (5)	Rs. thousand crore	1,703	7,963	6,792	6,459 (F)	56 (F)	672 (F)	489 (F)
11. Money Stock measures (7)	Rs. crore							
(a) M ₁	"	92,892	5,78,716	6,47,485	8,25,245	8,14,981	8,06,467	8,08,254
(b) M ₂	"	2,65,626	19,86,415	22,30,635	27,29,535	27,77,782	27,67,505	28,39,334
Cash Reserve Ratio and Interest Rates								
12. Cash Reserve Ratio (2), (16)	Per cent	15.00	4.50	5.00	5.00	5.00	5.00	5.00
13. Bank Rate	Per cent	10.00	6.00	6.00	6.00	6.00	6.00	6.00
14. Inter-bank call money rate (Mumbai) (5)	"	4.00-7.00	2.00-4.00	0.60-6.25	3.00-6.25	4.00-5.95	4.75-6.25	5.00-6.20
15. Deposit Rate (9)	"							
(a) 30 days and 1 year	"	8.00 (F)	4.00-4.75	3.00-5.00	2.25-5.50	3.00-6.00	3.00-6.00	3.00-6.00
(b) 1 year and above	"	8.00-11.00	5.00-5.50	5.25-6.25	6.00-7.00	6.25-7.00	6.25-7.00	6.25-7.00
16. Prime Lending Rate (10)	"	—	10.25-11.00	10.25-10.75	10.25-10.75	10.75-11.25	10.75-11.25	10.75-11.25
17. Yield on 11.40% Loan 2008 @	"	—	5.06	5.73	6.40	7.45	7.66	7.77
18. Yield on 7.40% Loan 2012 #	"	—	5.38	6.21	6.95	7.35	7.54	7.76

* : Base : 1990-01 = 100.

: Base : 1993-94 = 100.

Source: <http://rbidocs.rbi.org.in/rdocs/Bulletin/PDFs/72490.pdf>

Annex – III

Country Risk Classifications of the Participants to the Arrangement on Officially Supported Export Credits
2006

	Country Code ISO Alpha 3	Country Name		01-Jan-2006	27-Jan-2006	21-Apr-2006	29-Jun-2006	20-Oct-2006
		English	Français	03-Feb-2006	28-Apr-2006	06-Jul-2006	27-Oct-2006	31-Dec-2006
73	GHA	Ghana	Ghana	6	6	6	6	6
74	GRC	Greece	Grèce	0	0	0	0	0
75	GRL	Greenland	Groenland	-	-	-	-	-
76	GRD	Grenada	Grenade	-	-	-	-	-
77	GUM	Guam	Guam	-	-	-	-	-
78	GTM	Guatemala	Guatemala	6	6	6	5	5
79	GIN	Guinea	Guinée	7	7	7	7	7
80	GNB	Guinea-Bissau	Guinée-Bissau	7	7	7	7	7
81	GUY	Guyana	Guyana	7	7	7	7	7
82	HTI	Haiti	Haïti	7	7	7	7	7
83	HND	Honduras	Honduras	7	7	7	7	7
84	HKG	Hong Kong, China	Hong Kong, Chine	2	2	2	2	2
85	HUN	Hungary	Hongrie	2	2	2	2	2
86	ISL	Iceland	Islande	0	0	0	0	0
87	IND	India	Inde	3	3	3	3	3

Source: <http://www.oecd.org/dataoecd/9/12/35483246.pdf>