

Capability Statement

Financial Advisory

April 2010



ABPS Infrastructure Advisory

www.abpsinfra.com

Disclaimer:

This Capability Statement is prepared by ABPS Infrastructure Advisory. The contents of this document may not be copied, reproduced, republished, posted, broadcast or transmitted in any way.

Capability Statement

Financial Advisory

1 Overview of ABPS Infra

'ABPS Infrastructure Advisory Private Limited' (ABPS Infra) is a management consultancy organization providing services in commercial, financial, and regulatory spheres of the infrastructure sector. ABPS Infra focuses on various infrastructure sectors such as Power, Renewable Energy, Oil & Gas, Water, Transportation, Urban Infrastructure, etc.

In a short span of around two and a half years since inception, ABPS Infra has completed more than 80 consultancy assignments in the infrastructure sector. ABPS Infra has advised/assisted a wide spectrum of entities in the infrastructure sector such as Corporates, Project Developers, Equity Investors, Regulatory Authorities, Utilities, Industry Associations, Governments/Government Organisations and Multi-lateral Agencies.

2 Practice Areas

ABPS Infra offers its services in five practice areas:

Financial Advisory

- Counter Party Risk Assessment
- Financial Modelling
- Risk Assessment and Mitigation Measures
- Due Diligence
- Public Private Partnership
- Contract Structuring
- Business Strategy

Renewable Energy

- Renewable Energy Resource Assessment
- Renewable Purchase Specifications
- 'Feed-in' Tariff Determination
- Grid Integration of Renewable Sources
- Market Study and Investment Strategy
- Project Development Support
- Project Structuring

Regulatory and Policy Consulting

- Diagnostic Studies
- Licensing & Regulations
- Pricing Issues in Regulated Markets
- Market Development
- Monitoring and Compliance
- Rural Electrification
- Capacity Building

Energy Efficiency and Demand Side Management

- Demand Side Management Planning
- Energy Audit
- End Use Efficiency Improvement Programmes
- Monitoring & Verification (M&V)
- Life Cycle Assessment
- Training and Capacity Building

Climate Change

- Climate Change Policy Analysis
- Carbon Foot-Print
- Carbon Neutrality
- CDM Project Development Support
- Emission Trading Advise

3 Scope of Services – Financial Advisory

ABPS Infra is eminently placed to advise a variety of clients on various financial issues of paramount importance to them. ABPS Infra's areas of expertise in this regard are:

- a) Counter Party Risk Assessment
- b) Financial Modelling and Business Valuation
- c) Risk Assessment and Mitigation
- d) Due Diligence
- e) Public Private Partnership
- f) Contract Structuring
- g) Business Strategy

3.1 Counter Party Risk Assessment

Considering the investment required in infrastructure projects, project developers generally seek co-sponsors who intend to participate in such projects. Many Developers or Investors seek an independent assessment of the project sponsors and/or counter party risk assessment of entities involved in the infrastructure project as a pre-cursor to the investment decision. ABPS Infra offers its services to prospective Developers/Investors to carry out an independent assessment of the project sponsors, counter party risk assessment of large consumers, and Utility (including Government Agencies) involved in the Project. Such assessment exercises by ABPS Infra typically address the technical and financial strengths required to fulfil the role and responsibility under the Project, market position, track record, ability to raise resources, and analysis of past business performance.

3.2 Financial Modelling and Business Valuation

Infrastructure projects involve a high degree of financial analysis and risk-taking by the investors in the Project in the event of the project failing to generate the anticipated cash flows. Therefore, it is essential that the investors assess the project cash flows under different scenarios based on macro economic parameters and key factors affecting the project cash-flows. This calls for the development of complex financial models with adequate flexibility in-built to simulate the operations and assess the project cash-flows under various scenarios. ABPS Infra develops comprehensive financial models that capture all the possible flexibilities to assess the variation in project cash-flows on account of variation in even the smallest factors affecting the same.

Small and medium size corporates often look for funding support from strategic/equity investors with the objective of expanding their business by either strategically acquiring other companies or through diversification,. ABPS Infra assists such entities in carrying out the

Business Valuation and identification of investors. The approach adopted for Business Valuation includes analysis of past performance, review of Business Plan over short term and medium term, comparative analysis with similar size entities/utilities, development of financial model factoring the quantified risks to arrive at free cash-flows available to investors and assess the Business Valuation under different approaches most suitable for the respective industry.

3.3 Risk Assessment and Mitigation

Infrastructure projects are generally long gestation projects and involve substantial capital commitments. ABPS Infra, based on due diligence of project documents, assesses the risks during three distinct phases of the Project, i.e., development phase, construction phase and operation phase of the Project. The types of risks typically analysed by ABPS Infra includes the time and cost over run risks, performance risks, market risks, credit risks, regulatory risks, environment risks, operating risks, political risks and force majeure risks. Based on the risk assessment, ABPS Infra suggests appropriate risk mitigation measures including allocation of risks to the project participant who is in the best position to manage it through structuring of various contracts/agreements. ABPS Infra also assesses the financial implications of residual risks vesting on the investor/developer to the extent quantification of such risks is possible.

3.4 Due Diligence

During the development or construction phase of the project, project developers sometimes generally require the support of co-sponsors/investors who intend to invest in projects. Potential investors are interested in independent assessment of the project as a pre-requisite to investment decision. ABPS Infra provides services to potential investors in carrying out the evaluation of projects including financial and commercial due diligence which includes market study, assessment of project cost and extent of equity investment made by developer, and due diligence of projects documents/contracts to assess risks and suggest mitigation measures.

3.5 Public Private Partnership

The selection of private developer for large infrastructure projects under the Public Private Partnership route typically involves a two-stage bidding process. The two stage process includes Request for Qualification (RFQ) stage and Request for Proposal (RFP) stage. The RFQ process is a screening process to qualify those parties for bid submission who have the necessary financial, managerial and technical capabilities for executing/operating the project in question.

The Request for Proposal (RFP) document is the most critical document in the bidding process. The RFP document typically contains details on the size of the project, site characteristics, environmental requirements, bid evaluation criteria, procedure for submission of bids, etc. The RFP for a large infrastructure project is normally provided along with a draft copy of other agreements for the project, i.e., Implementation Agreement and Power Purchase Agreement (PPA) in case of power projects. These documents are provided to help the bidders gain a clear understanding of the project and to ensure that bids are prepared using a common set of assumptions.

In case of 'sell' side assignments on behalf of the seller/procurer, after submission of RFP bids, the bids have to be analysed for deviations taken by bidders in their bids, if any, and technically evaluated for short-listing the technically qualified bidders. After technical evaluation, the next step is evaluation of the financial bids and short listing of selected bidder, which is followed by discussions with the selected bidder and execution of Project Agreements/Contracts. In case of 'buy' side assignments on behalf of prospective bidders, the RFQ and RFP has to be analysed, along with the Information Memorandum, and Project Contracts, as applicable, to identify queries to be clarified by the Seller, then the Technical and Financial Bids have to be prepared in accordance with the RFP, and in case the Bidder is short-listed, then the Bidder has to be assisted during negotiations with the Seller.

ABPS Infra provides assistance in the complete chain of activities related to Bid Process Management from both 'sell' side and 'buy' side.

3.6 Contract Structuring

Development of any infrastructure project requires involvement of multiple entities and the roles and responsibilities of entities are described in a mesh of contracts identifying the roles and responsibilities of various project participants. For instance, the development of Power Project involves Power Purchase Agreement, Fuel Supply Agreement, Implementation Agreement, EPC Contract or Equipment Supply Contracts, O&M Contract, Financing Agreements, Shareholders Agreement, etc.

The Power Purchase Agreement is the most important contract in the mesh of contracts for any Power Project. The PPA forms the core of the risk-return sharing relationship governing a power project and guarantees the developer a minimum off-take and sets out the revenues for the power sold. It also defines the rights and responsibilities of the project developer and the concerned buyer/s during the development, construction and operational phases of the plant.

ABPS Infra, by virtue of having worked on several infrastructure projects has a lot of experience of structuring the contracts and formulating all sorts of Project Contracts and Agreements.

3.7 Business Strategy

Business Plan

A Business Plan provides the management with a framework to focus attention on desired areas to achieve the overall business strategy, while for loss making entities, it provides a turnaround strategy to make the business operations viable. ABPS Infra has formulated Business Plans in the energy sector with the objective of improving the long-term viability and profitability of its clients.

Market Studies

Market Studies are a pre-requisite for formulation of Investment Strategy and Business Plan. The market studies include assessment of current and projected demand supply position, pricing trends, market potential, etc. Typically, the demand supply assessment study involves analysis of current demand supply position, demand supply projections based on analysis of historical data, economic parameters, expected capacity addition, etc. The pricing trend and tariff trend studies include analysis of historical data, Government policies, regulatory environment and expected demand supply position.

Market Entry Strategy/Investment Strategy

Many companies desire to explore the merits and demerits of entering new markets and/or industries in order to expand their business. Equity investors also look for investments in new areas to invest identified corpus of funds to achieve the investment objectives. ABPS Infra assists the investors in formulating their investment strategy by undertaking assessment of investment potential in particular sector/s at different geographical locations based on market studies, which includes analysis of demand supply position, market players, governing regulations, expected future developments, etc. ABPS Infra also assists the Investors in identification of specific investment opportunities.

4 Key Assignments in Financial Advisory Services

The brief description of some of the key assignments undertaken by ABPS Infra in Financial Advisory Services is given below:

4.1 Counter Party Risk Assessment

Assessment of Power Trading Corporation Ltd as an Off-taker of Power

Client: International Strategic Investor in IPP

An international strategic investor interested in acquiring a stake in a large thermal power project in India engaged ABPS Infra to undertake assessment of PTC India as an off-taker of power. The main tasks performed under this assignment included:

- Overview of the Company
- Regulatory due diligence with respect to trading of power
- Analysis of financials of PTC
- Scrutiny of the Contracts entered into by PTC
- Broad assessment of Companies/Utilities with whom PTC had already entered into an agreement for trading of power
- Payment Security Mechanism in trading agreements.

4.2 Financial Modelling, Risk Assessment & Business Valuation

Pre-Bid Financial Advisory Services for Hydrel Projects

Client: Large Industrial House in India

ABPS Infra is providing financial advisory services to the large industrial house for submitting the bids for hydel projects in the State of Uttarakhand. The scope of services provided towards submission of bid is detailed below:

- Review of the Request for Proposal (RFP) documents including Implementation Agreement, Govt. Policies and Regulatory Framework
- Development of comprehensive Financial Model to determine levelised tariff, 30 years' expected tariffs and projected Financial Statements.
- Assessment & quantification of Risks
- Formulation of possible risk mitigation measures
- Competitor Analysis
- Assistance in preparation of Commercial Bid

Pre-Bid Financial Advisory Services for Dharavi Re-development Project

Client: Indian Corporate

ABPS Infra is providing financial advisory services to the one of the shortlisted bidders for Dharavi Re-development Project. The scope of services includes the following:

- Study the Request for Proposal (RFP) bid document, prepare a presentation and questionnaire on commercial aspects of RFP Document and participation in Pre-Bid Discussions
- Overview of the Dharavi Redevelopment Project (DRP) and analysis of the policies, regulations and requirements
- Macro-economic Overview of the State and Investment Climate with reference to DRP
- Overview of Regulatory Environment in which the Housing Sector of the State operates
- Key government initiatives in terms of infrastructure developments, Greenfield airport, development corridors, local development guidelines, specific incentives or initiatives such as JNNURM etc.
- Project Assessment of all five sectors of the DRP based on
 - SWOT analysis based on report prepared by Technical Consultant
 - Outline of Project Concept and Phasing of Project Development
 - Projecting structuring options
 - Inputs for outlining technical approach and Project Concept
 - List projected related approvals and clearances
 - Inputs for marketing based on market study conducted by technical consultants and inputs from O&M Plan
 - Risk assessment and possible risk mitigation plan
- Business Plan for each of the five sectors consisting of :
 - Development of financial model based on cost estimates prepared by Technical Consultant
 - Discounted Cash Flow (DCF) Analysis
 - Project Evaluation using tools such as NPV, IRR, Payback Periods for the development options
 - Sensitivity analysis for premium payment options to Slum Rehabilitation Authority (SRA)
- Assistance in preparation of Commercial Bid including Price Bid and Terms and Conditions

Pre-Bid Financial Advisory Services for Ultra Mega Power Projects

Client: Large Power Sector Company in India

ABPS Infra provided financial advisory services to the successful bidder for one of the first two competitively bid Ultra Mega Power Projects (UMPPs) in the country, at Sasan and Mundra. ABPS Infra subsequently provided the pre-bid financial advisory services for the fourth Ultra Mega Power Project (UMPP) at Talaiya UMPP. The scope of services provided towards submission of bid is detailed below:

- Review of the Request for Proposal (RFP) documents including Draft PPA, Escrow Agreement
- Development of comprehensive Financial Model for captive coal mining
- Development of comprehensive Financial Model to determine levelised tariff, 30 years' expected tariffs and projected Financial Statements.
- Assessment & quantification of Risks
- Formulation of possible risk mitigation measures
- Competitor Analysis
- Merit Order Stack Analysis of Procurer States
- Assistance in preparation of Commercial Bid

Pre-Bid Financial Advisory Services for coal based IPP in Indonesia

Client: Large Power Sector Company in India

ABPS Infra provided financial advisory services to an IPP Developer for submitting the bid for coal based power project in Indonesia. The services provided under this include:

- Assessment of Indonesian Power Sector
- Review of the Request for Proposal (RFP) document including PPA
- Development of comprehensive Financial Model to determine levelised tariff, 30 years' expected tariffs and projected Financial Statements.
- Assessment & quantification of Risks
- Formulation of possible risk mitigation measures
- Competitor Analysis
- Assistance in Preparation of Commercial Bid

Financial Modelling for 1200 MW Thermal Green Field Power Project

Client: IPP Developer

ABPS Infra developed a comprehensive Financial Model for 1200 MW thermal Green Field Power Project in the State of Andhra Pradesh. The Financial Model developed by ABPS Infra covered the following aspects:

- Capital cost and Financial Module
- Operating parameters such as Availability, PLF, Heat Rate, O&M Costs, etc.
- Fuel Parameters and Prices
- Determination of year-wise tariff in accordance with Regulations
- Projected Financial Statement for the life of the Project
- Assessment of returns to the Developer under various scenarios.

Financial Advisory Services for Distribution Franchisee for Nagpur Divisions

Client: One of the largest power sector utility in the country

ABPS Infra was engaged by leading power sector corporate for providing pre-bid financial advisory services for Distribution Franchisee for Nagpur Urban Divisions. The services provided under this included:

- Study of the Request for Proposal (RFP) document and preparation of additional information requirement
- Analysis of past operational and financial performance of the distribution Divisions under consideration
- Development of comprehensive Financial Model to work out Input Rate to be quoted for 15 years
- Assessment of risks including quantification of risks to the extent possible and suggest possible risk mitigation measures.
- Assistance in preparation of Commercial Bid including Price Bid, Terms and Conditions, etc.

4.3 Due Diligence

Due Diligence of Distribution Business Opportunity

Client: Leading Indian Corporate

ABPS Infra was engaged by a large Indian Corporate for evaluating distribution business opportunity and providing support during the bidding process for acquiring majority stake in one of the Distribution Companies (CESCO) in the State of Orissa. The main tasks performed in this assignment were:

- Contractual and commercial due diligence of CESCO.
- Risk Assessment of CESCO
- Assistance during 'one-on-one' meetings with CESCO management
- Financial Projections and Business Valuation
- Review of Regulatory developments and perspective
- Identification of key issues and influencing parameters
- Formulating the Bidding Strategy
- Preparation of RFP Document
- Identification of transfer related issues and possible remedies
- Preparation of briefs to seek opinion on tax and legal aspects.

4.4 Public Private Partnership

Selection of Private Partner for large Thermal Power Project

Client: Shahpura Thermal Power Company Limited

ABPS Infra, in association with its consortium partner, is currently assisting Shahpura Thermal Power Company Limited for selection of Private Partner for setting up a power project under tariff based bidding process in the State of Madhya Pradesh. The Scope of Work includes the following:

- Preparation of RFQ document
- Evaluation of RFQs received
- Preparation of RFP documents including Power Purchase Agreement and Escrow Agreement
- Assistance in pre-bid conferences
- Assistance in regulatory process for obtaining approvals
- Evaluation of RFPs received
- Assistance in finalisation of project Contracts with the successful bidder.

4.5 Assistance in Finalisation of Contracts for Projects

Finalisation of Power Purchase Agreement for Large Hydel Project

Client: Private Sector Power Project Developer

ABPS Infra was engaged by a reputed private sector power developer to review the draft PPA to be executed with the trading company, for a 1200 MW hydel project. The engagement covered assistance in drafting and finalization of PPA to ensure that the commercial arrangements between the parties are reflected appropriately. The main tasks performed in this assignment included review of draft PPA, risk assessment of project from generator's

point of view and suggesting suitable risk mitigation measures and assistance in finalization and execution of PPA.

Finalisation of Power Purchase Agreement for a Large Thermal Power Project

Client: Private Sector Power Project Developer

ABPS Infra was engaged by a reputed private sector power developer to review the draft PPA to be executed with the trading company for a large thermal project (around 1000 MW). The engagement covered assistance in drafting and finalisation of PPA to ensure that the commercial arrangements between the parties are reflected appropriately. The main tasks performed in this assignment included review of draft PPA, risk assessment of project from generator's point of view and suggesting suitable risk mitigation measures and assistance in finalization and execution of PPA.

4.6 Business Strategy

Assessment of Policy & Regulatory Aspects and Financial Feasibility of Co-generation Plant for Commercial Mall

Client: Real Estate Developer in Mumbai

The client was in the process of developing huge commercial complex comprising Shopping Malls, Entertainment Zones, Food Plazas, Multiplex Theatres at outskirts of Mumbai. To meet the power and air conditioning requirement of proposed complex, the client was exploring options of setting up gas based co-generation plant. ABPS Infra assisted in assessing the policy and regulatory aspects towards installation of co-generation plant and supply of power to retail consumers in commercial complex. ABPS Infra analysed the various options for supply of power to retail consumers and recommended the best possible option within the statutory framework. ABPS Infra also carried out the financial feasibility of setting up co-generation plant.

Structuring of Group Captive Project Structure for IT Complex

Client: Large Industrial House in Mumbai

The client was developing a IT Park in Mumbai with total area of approx. 9 Lakh square feet. They proposed to source power by way of captive open access wheeling transaction by way of investing in DG set facility by adopting an Association of Person (AOP) route or Co-operative Society route. In this regard, ABPS Infrastructure Advisory Pvt. Ltd (ABPS Infra) assisted in analysis for structuring the scheme of captive generation and captive consumption within the framework of Electricity Act 2003 and suggested the most optimal structure

Preparation of Business Plan for Distribution Companies in Orissa

Client: Distribution Licensees in the State of Orissa

WESCO, SOUTHCO and NESCO are Distribution Companies (DISCOMs) engaged in the business of distribution and supply of energy in the State of Orissa. ABPS Infra assisted these DISCOMS in preparing their Business Plans for the next five years for submission to statutory authorities. ABPS Infra evaluated the demand supply projections, Aggregate Technical and Commercial (AT&C) loss reduction trajectory, capital investment requirement, projection of operating expenses, revenue assumptions and other key parameters. ABPS Infra also offered several suggestions to achieve financial viability of the distribution companies and in turn the financial health of the State's power sector.

Study on Status of Existing and Ongoing IPPs in the Country

Client: International Strategic Investor

An international strategic investor interested in acquiring a stake in a large thermal power project engaged ABPS Infra to undertake a study on status of existing and ongoing IPPs in the country.

Assessment of Renewable Energy Sectors in India

Client: International Renewable Energy Investor

An international investor intending to invest in the Renewable Energy sector in India engaged ABPS Infra for assistance in assessment of the Wind, Biomass and Small Hydel sectors. The assignment involved primary and secondary research for these three sectors in short-listed States. Specific tasks included:

- Study of policies, regulatory and contractual framework, clearances required and incentives offered by the State Governments across country
- Comparative analysis of normative framework of the three sectors across
- Assessment of ground realities by collection of information related to operational and project parameters for commissioned projects
- State-wise pricing analysis, historic trends in pricing and forecasting
- Comparative analysis of project parameters across the short-listed States

Preliminary Assessment of Business Opportunities in Power Sector in India

Client: Medium size industrial house in India

A medium-size industrial house in India intending to diversify engaged ABPS Infra for Preliminary Assessment of potential Business Opportunities in Power Sector in India. ABPS Infra, considering the extent of investment and risk return expectations, carried out the analysis of following opportunities:

- Thermal Power Generation Project
- Non-conventional Generation Project (Wind/Small Hydel/Cogen, etc.)
- Group Captive Power Project
- Distribution Franchisee
- Power Trading

ABPS Infra covered the legal, statutory and regulatory framework applicable, current market trends, broad risk and return profile, etc., while assessing the investment opportunities.

5 Clientele of ABPS Infra

<p>Corporate Entities / Investors</p>	<p>CLP Power India Private Limited Erudite Engineers Private Ltd. Essar Power Ltd Garware Polyester Limited Gupta Coalfield and Washeries Limited Kalyani Steel Limited Lanco Infratech Limited Nagreeka Export Limited Navayuga Power Corporation Limited Neelkamal Realtors Suburban Private Limited Pioneer Distilleries Limited Senergy Global Private Limited Spectrum Power Generation Ltd. Usha Martin Limited Veolia Environment Services Asia Pvt. Ltd. Wartsila India Limited</p>
<p>International Clients</p>	<p>Emerging Markets Ltd., UK European Investor active in Renewable Energy Genting Group Malaysia Ranhill Corporation Bhd., Malaysia RE Partners, LLP</p>
<p>Government and Regulatory Commissions</p>	<p>Bureau of Energy Efficiency Chhattisgarh Electricity Regulatory Commission Forum of Regulators Gujarat Electricity Regulatory Commission Maharashtra Electricity Regulatory Commission Ministry of New and Renewable Energy Punjab State Electricity Regulatory Commission Rajasthan Electricity Regulatory Commission Special Officers to Appellate Tribunal Uttarakhand Electricity Regulatory Commission</p>
<p>Industry Associations & Institutions</p>	<p>Himachal Small Hydro Power Association Independent Power Producers Association of India Indian Wind Energy Association World Institute of Sustainable Energy</p>
<p>Utilities</p>	<p>BSES Rajdhani Power Limited BSES Yamuna Power Limited Bhilai Steel Plant (Steel Authority of India Ltd) Chhattisgarh State Electricity Board Maharashtra State Electricity Distribution Company Ltd Maharashtra State Electricity Transmission Company Ltd</p>

Maharashtra State Power Generation Company Ltd
South East Central Railway
The Tata Power Company Limited
The Mula Pravara Electric Co-operative Society Ltd.
Transmission Corporation of Andhra Pradesh Ltd
WESCO, NESCO and SOUTHCO

6 Contacts

For any clarification/queries on this document or on ABPS Infra, please contact any of the following:

Balawant Joshi	+91 98214 21630 (balawant.joshi@abpsinfra.com)
Suresh Gehani	+91 99870 62935 (suresh.gehani@abpsinfra.com)
Palaniappan M	+91 98922 46174 (palaniappan.m@abpsinfra.com)
Ajit Pandit	+91 99870 62936 (ajit.pandit@abpsinfra.com)

Office Contact

Mumbai Office:

ABPS Infrastructure Advisory Pvt. Ltd.
A-309, Kohinoor City,
Kiroil Road, Off LBS Marg,
Kurla (West),
Mumbai - 400 070,
Tel: + 91 22 6124 0444
Fax: +91 22 6124 0499

Delhi Office:

ABPS Infrastructure Advisory Pvt. Ltd.
B 421/422, 4th Floor, Somdatt Chamber - I,
Building No.5, Bhikaji Cama Place,
New Delhi - 110066
Tel: +91 - 11 - 26185378
Fax: +91 - 11 - 26185377