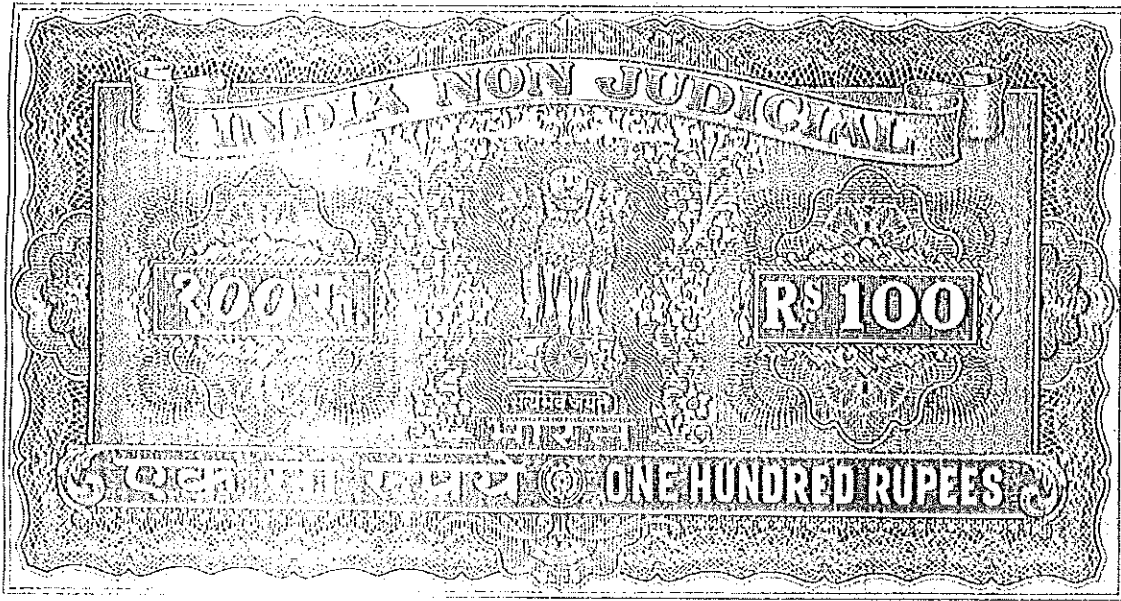


DEVELOPER COPY.

100Rs.



64284, 26/7/04, 100/-  
R. Krishna S/o G. R. R. R. Hyd.  
Sileru Power Generation Pvt Ltd

03AA 034460  
K R Chandravathi  
K. RAMA CHANDRAVATHI  
Stamp Voucher No: 27, 22 (No: 42/2002)  
6-3-387, Campagna, Hyderabad-500 082

**MEMORANDUM OF UNDERSTANDING BETWEEN THE GOVERNMENT OF  
ORISSA AND SILERU POWER GENERATION PVT. LTD. FOR  
IMPLEMENTATION OF PUNJARIGUDA SMALL HYDRO ELECTRIC  
PROJECT IN ORISSA.**

This Memorandum of Understanding (MOU) made on this the 27<sup>th</sup> day of August, 2004 between the GOVERNMENT OF ORISSA, constituent State of the Union of India with its Capital at Bhubaneswar, hereinafter referred to as "State Government" which expression shall unless repugnant to the context or meaning thereof include its successors and assigns as the ONE PART.

AND

SILERU POWER GENERATION PVT. LTD., a Company incorporated under the Companies Act, 1956 with its Registered Office at Flat No. 109, Royal Court, 8-2-615/A, Road No.11, Banjara Hills, Hyderabad - 500 034, hereinafter referred to as "DEVELOPER" which expression shall unless repugnant to the context or meaning thereof, include its successors, executives, administrators, representative and permitted assigns, the OTHER.

27/8/2004

Whereas the State Government has decided, in line with the policy guidelines of the State Government on Micro/Mini/Small Hydro electric Projects in the State of Orissa to allow Micro/Mini/Small Hydro electric Projects in the Private / Public Sector and has invited proposals for private investment for development of **PUJARIGUDA SMALL HYDRO ELECTRO PROJECT**.

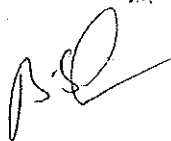
AND WHEREAS the "DEVELOPER" at its own cost is desirous of setting up a Small Hydro Electric Power Station on Kolab River near Pujariguda Village, in the District of Koraput, Orissa.

AND WHEREAS the State Government and the Developer have reached an understanding for implementation of the said project and are desirous of reducing in writing the terms and conditions of the said understanding.

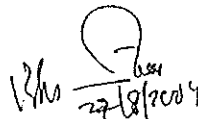
**NOW THIS MEMORANDUM OF UNDERSTANDING BETWEEN THE PARTIES  
HERE TO WITNESSETH AS FOLLOWS:**

1. The "DEVELOPER" at its own cost is desirous of and has submitted its proposal to the State Government for implementation of the proposed Pujariguda Small Hydro Electric Project near Pujariguda Village in Koraput District. Hereinafter referred to as the "said Project"
2. The State Govt. has accepted the proposal of the "DEVELOPER" and has agreed in principle to allow the "DEVELOPER" to implement the said project at its own cost provided there is no damage to the existing structures where applicable.
3. The State Govt. agrees to make available to the "DEVELOPER" all available documents, data, information and all other reports, studies and papers available with the water Resources, Energy & Revenue Department of the State Govt. for conducting techno-economic studies of the said Project. The State Govt. further agrees to extend such facilities as are necessary for the "DEVELOPER" immediately after signing of this MOU for undertaking detailed survey and investigation.
4. The "DEVELOPER" shall carry out detailed techno-economic study for the project and shall submit detailed project reports and willingness to implement the said project to the State Govt. within a period of 12 (Twelve) months from the date of signing of this Memorandum of Understanding.

For State Government

  
Director

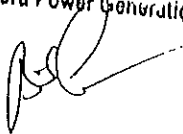
For Developer

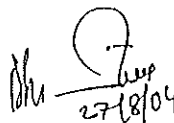
  
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5. After approval of detail project report and confirmation from the "DEVELOPER" the State Govt. may authorize and enter into such instruments of authority and accord all such permission and approvals as may be required for implementing the said project on terms to be mutually settled between the parties.
6. "DEVELOPER" shall be solely responsible for arranging the capital and equipment as reported in its offer for implementation of the project. The "DEVELOPER" may approach any State/Central/Public financial Institution for raising of loan within the framework of the rules and guidelines stipulated by the Govt. and the State Govt. agree to extent all help to the "DEVELOPER" in arranging the Capital but is shall not be held responsible for the same.
7. The State Govt. agrees to grant necessary permission to "DEVELOPER" to generate and sale power from the Project for an initial period of 30 (Thirty) years from the date of commissioning with suitable provision for a further period of 20 years (Twenty) subject to all statutory, administrative and other clearances.
8. The site at which the power generating station will be located would be leased to the company by the State Govt. for a period of 30 (Thirty) years at the rate decided by the State Govt. in addition to the period of construction and commissioning.
9. The "DEVELOPER" shall pay no royalty charges on water for its non-consumptive use in power generation for the first 5 (Five) years of operation. It will be 5% of the energy charges in subsequent years. But it is agreed that water for power generation shall not unreasonably be withheld unless circumstances so exist like drought, famine, floods and other unforeseen development and force majeure conditions to be stipulated in the power purchase agreement (PPA).
10. The developer should arrange third party sale of power, which will be wheeled by GRIDCO subject to availability of such transmission facilities with usual wheeling charges as approved by Orissa Electricity Regulatory Commission (OERC) only.

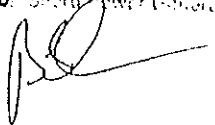
For Silaru Power Generation Pvt. Ltd

  
Director

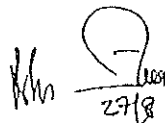
  
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11. The administrative and functional control of the power generating stations will vest with the "DEVELOPER". However, the programme sequence and the Schedule of construction will be prepared and submitted by the "DEVELOPER" to the State Govt. and the State Govt. shall have the right to ensure quality control and ensure compliance with the designs and prescribed standard specifications.
12. The "DEVELOPER" agrees that other things being equal, preference in employment will be given to the permanent residents of the State.
13. The State Govt. agrees that till this MOU is in force, the State Govt. shall not entertain any proposal in respect of the project from any other party. If the "DEVELOPER" does not take effective steps to the satisfaction of the State Govt. within 12 (Twelve) months from the date of signing of the MOU, the Govt. reserves the right to terminate/alter the conditions stipulated in the MOU. The "DEVELOPER" should furnish monthly progress of preparation of DPR to the Govt. for its information.
14. Each Party hereto agrees that it shall not divulge any trade, commercial or technical secrets or confidential matters of the other to any third party save and except for the purpose of implementing the understanding reached in this MOU.
15. Neither party shall be considered to be in default under this MOU for any breach of any other terms thereof due to imposition of restriction or onerous regulation by any Govt. or Statutory Authority or agency or other causes beyond its reasonable control.
16. Both the parties hereto shall do and execute all such acts, deeds, assurances and things as may be necessary and proper for carrying out the terms of this MOU. Parties agree to negotiate and enter into such agreements as may be required to give effect to the understanding reached herein.
17. Any differences and/or disputes arising at any time between the parties out of this MOU or interpretation thereof will be resolved by the parties hereto by mutual negotiations.
18. The Bank Guarantee No.137/04-05, dt.23.08.2004 amounting to Rs.25 lakhs furnished towards security deposit, will be encashed by the Govt. if project report is not submitted in proper form to the STC for application within one year for allotment. It will be converted to Performance Bank Guarantee after receipt of the approval of DPR from STC. The said Bank Guarantee will remain valid till the commissioning of this Project.

of State Power Corporation Limited



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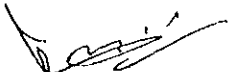
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19. The Policy guidelines on Development of Micro/Mini and Small Hydro Electric Project as issued by the Govt. of Orissa vide Notification No.7400 dt.23<sup>rd</sup> June 2003 shall be binding.

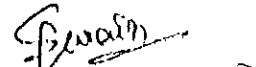
IN WITNESS thereof the parties hereto signed this Memorandum of Understanding at Bhubaneswar on this 27<sup>th</sup> day of August, 2004.

WITNESSED BY

1.

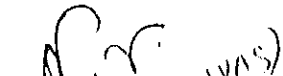
  
(C.J.K. DAS)

2.

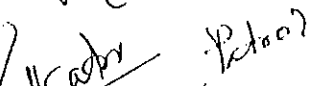
  
(S.P. Swain)

WITNESSED BY

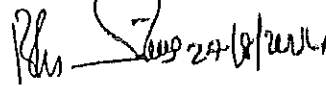
1.

  
(P. SRINIVAS)

2.

  
(H. Karan)


FOR AND ON BEHALF OF STATE GOVT.



E.I.C. Electricity-cum-P.C.E.I.  
ORISSA, BHUBANESWAR

FOR AND ON BEHALF OF SILERU POWER  
GENERATION PVT. LTD.,

For Sileru Power Generation Pvt. Ltd.

  
(B. SRINIVAS)