High return generating solar off-site project in Karnataka

Discussion Document

May 2016

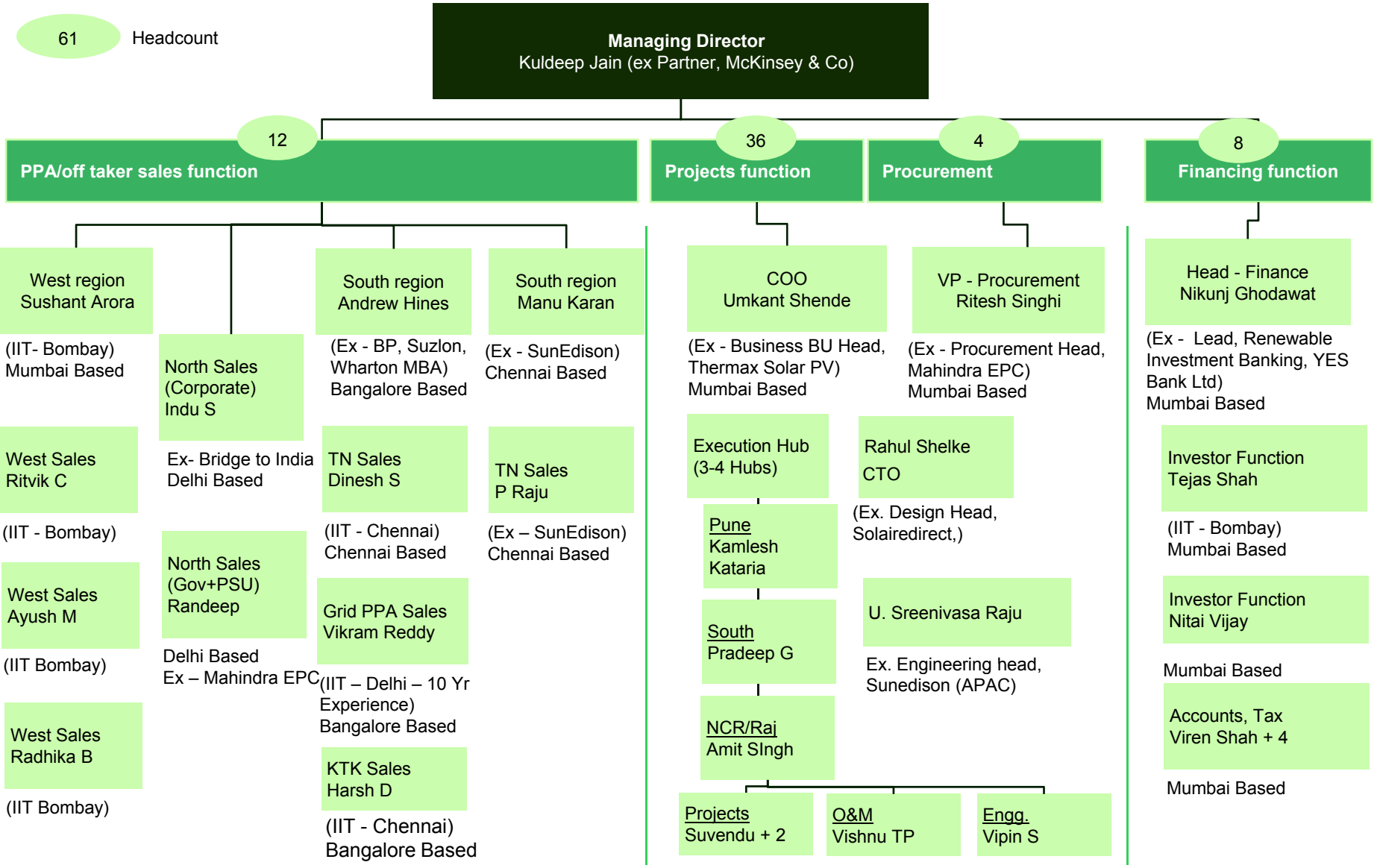
Section I

About Clean Max Enviro Energy Solutions Pvt. Ltd (CMES)

Executive summary

- Clean Max Enviro Energy Solutions Pvt Ltd ('CMES') is promoted by top industry professionals and is India's largest onsite corporate solar power projects developer
  - Over 55 operating 'onsite' solar projects
  - 5.5 MW already operational in the proposed 36MW solar park
  - High pedigree off-takers like SKF, Tata group companies (TCL, Tata Coffee, Tata Motors, Tata Reality & Infra), HCL, GE, Manipal Group, Gabriel, NBC, Asahi Group etc.
  - PAN India presence with offices across five locations (Pune, Mumbai, NCR, Chennai & Bangalore)
- Having demonstrated strong risk adjusted returns for the investors in the onsite projects, CMES is developing grid connected ***'off-site'*** solar projects with third party corporate PPA with high creditworthy off-takers in the state of Karnataka
- Risks are low – high creditworthy offtakers, strong PPA protections, favorable transmission regulations with zero charges/ duties on solar project for the next 10 years, attractive PPA tariffs and superior tracker technology for improved generation
- For the investor in the project with minimum ticket size of 1.8MW, expected post tax IRR range is 15%-16%
- High equipment performance protection with 25 year solar modules replacement warranty linked to performance. Modular equipment (e.g. 2 MWP = 6400 panels) limits losses due to equipment downtime, if any (unlike wind power).
- In additional to equipment replacement warranty, CMES as O&M vendor provides for 98% performance ratio guarantee (first 2 years) and 25 year power generation equipment warranty

Clean Max Solar Team



Select PPA Customers - High quality corporate off-takers

IT Companies

Leading Corporate House of the Country

Automobile Companies

MNCs

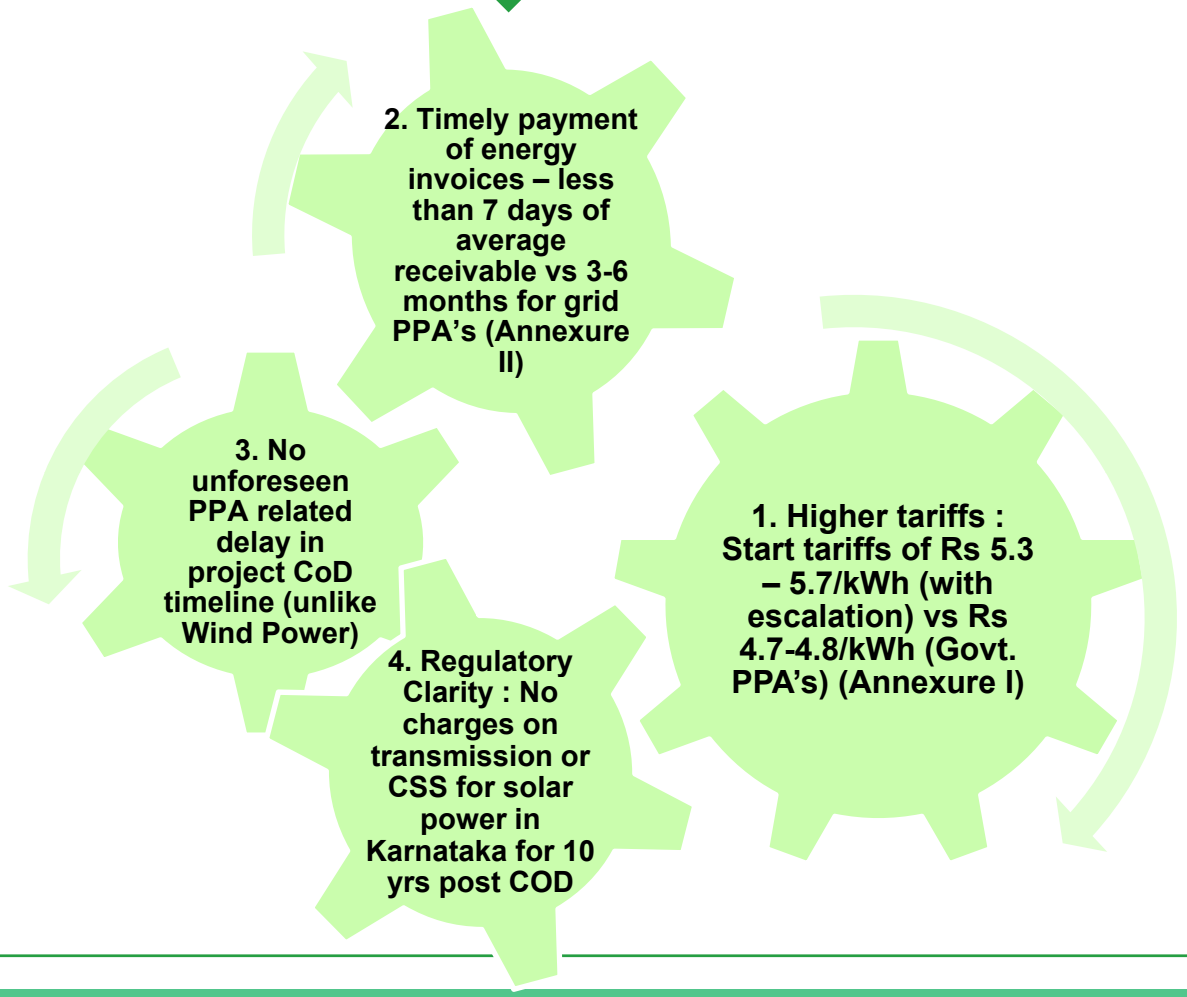
Pharma & Consumers

Section II

Overview of the Solar Farm

Four Distinct Advantages of investing in Clean Max's solar farm in Karnataka

Superior returns due to combination of FOUR distinct advantages offered by CMES



*LCoE: Levelised cost of energy

Land for the proposed solar farm in Karnataka is already acquired, Government Order (GO) in place, 6MW capacity is already operational (Phase I) and Phase II shall be commissioned prior to Sep' 16 (shovel ready project with all supporting infrastructure in place)

Land Acquired with Government Order in Place

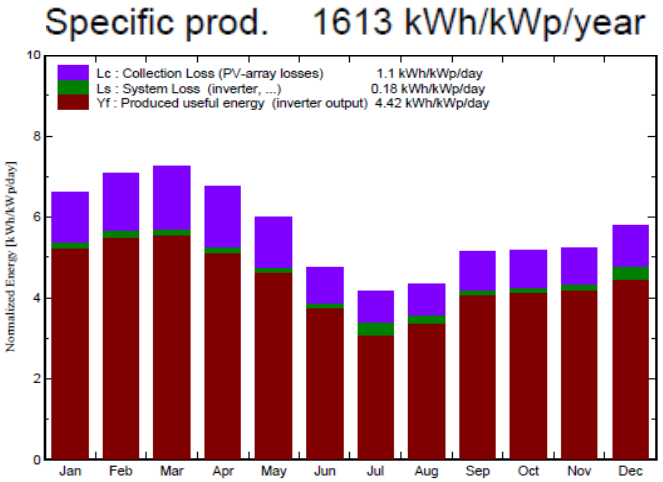
- ID Halli, Tumkur, Karnataka
- 13.8°N 77.3°E
- Apx 150 acres
- Private agriculture land (deemed 'NA' conversion for solar farm in Karnataka recd.)
- 66 KV KPTCL substation within 5 KM distance, transmission line built
- Easily accessible by road
- Nearest airport is Bangalore – Apx 150 KM from Bangalore (2.5 hrs from B'lore Airport)

- **Land acquisition completed.**
- **GO in place '109' land conversion received**
- **Site engineering completed**
- **6MW capacity is already operational**
- **Project is shovel ready with all supporting infrastructure (common road, approach road, evacuation infrastructure etc) and regulatory approval in place**

- **In addition, 65 MWp capacity farm is under development for target Sep' 16 commissioning. Land acquisition is already underway (DD complete) and 'Project Go' approval expected by May' 16**

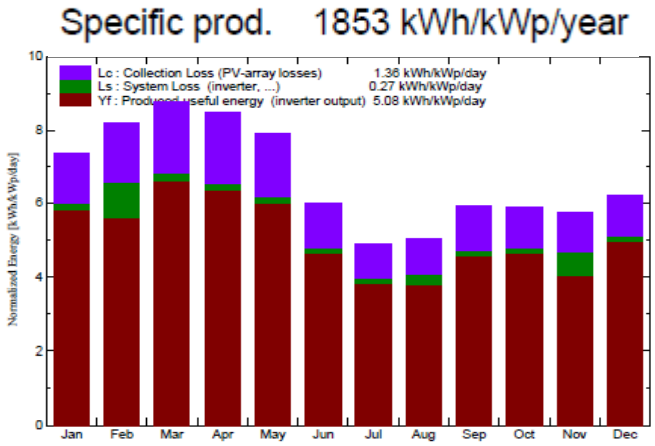
PV Syst generation estimates are very good for the site – c. 15.5 lacs/ kWh/ Yr for fix-tilt and 15.9 lacs/ kWh/ Yr expected billable energy with seasonal tilt

Generation Yield – Fix Tilt Basis



- **Yield**: Expected yearly generation is 15.50 lacs kWh/ MW/ year (fix tilt) & **~ 15.90 kWh / MW/ Year (seasonal tilt as proposed)** after adjusting for transformer losses and other losses till metering point
- **Performance Ratio : 77.6%**

Generation Yield – Single Axis Tracker Basis



- **Yield**: Expected yearly generation is **17.98 lacs kWh/ MW/ year** after adjusting for transformer losses and other losses till metering point
- **Performance Ratio : 75.8%**

- **Robust generation outcome as site is a good radiation zone**
- **Nearest operating plant in Karnataka (apx 90 KM) from the current site is generating ~ 16.6 lacs kWh/ MW/ Yr – the plant is been operation since last one year & above outcome based on seasonal tilt**

Attractive PPA under negotiation with high creditworthy corporate clients providing superior returns to clients

S. No.	Client	Capacity	Tariff & Escalation	PPA/Lockin	Penalty Structure during lock-in	Status
1	Leading hotel chain	2.67 MWp	5.55 with 2% escalation	10/5	1 Month's electricity bills	PPA signed
2	Listed IT company	2 MWp	5.60 for 5 years 6.10 in year 6, with 2% till year 10	10/10	0-end of year 3 : 3 months' electricity bills After year 3-end of year 5 : 2 months' electricity bills After year 5 – remaining term : 1 month's electricity bill	PPA under signing
4	Global networking company	12 MWp	5.75 with 50-50 Grid Linked	10/5	Loss of profit for first 5 years (Client unable to sign lock in for 10 yrs since the premises lease is for 6 yrs only)	PPA expected by end May
3	American MNC	2 MWp	5.45 with 70-30 Grid Linked	10/10	Loss of profit	Commercials finalized, PPA under execution
5	Consultancy MNC	5 MWp	5.45 with 2.5% esc	10/10	Loss of profit	LOI under execution
Total		**23.67 MWp**				

Section III

Project Cost & Returns

Clean Max Solar offers risk adjusted investment options with 'incentive alignment' structures

Investment Options – Clean Max Solar Farm in Karnataka

Option 1 – No Profit Sharing

Without any profit sharing by Clean Max Solar

- 100% plant ownership by investor
- Clean Max Solar makes upfront development profit upon sell of project to investor
- Investor takes 100% financial outcome of the project with no risk sharing by Clean Max Solar
- All project upside/ downside is on account of investor
- Clean Max Solar takes plant O&M and Collection responsibility by entering into separate contract for such services with investor

Option 2 – With Profit Sharing

'Fixed tilt' basis – without generation enhancement technology

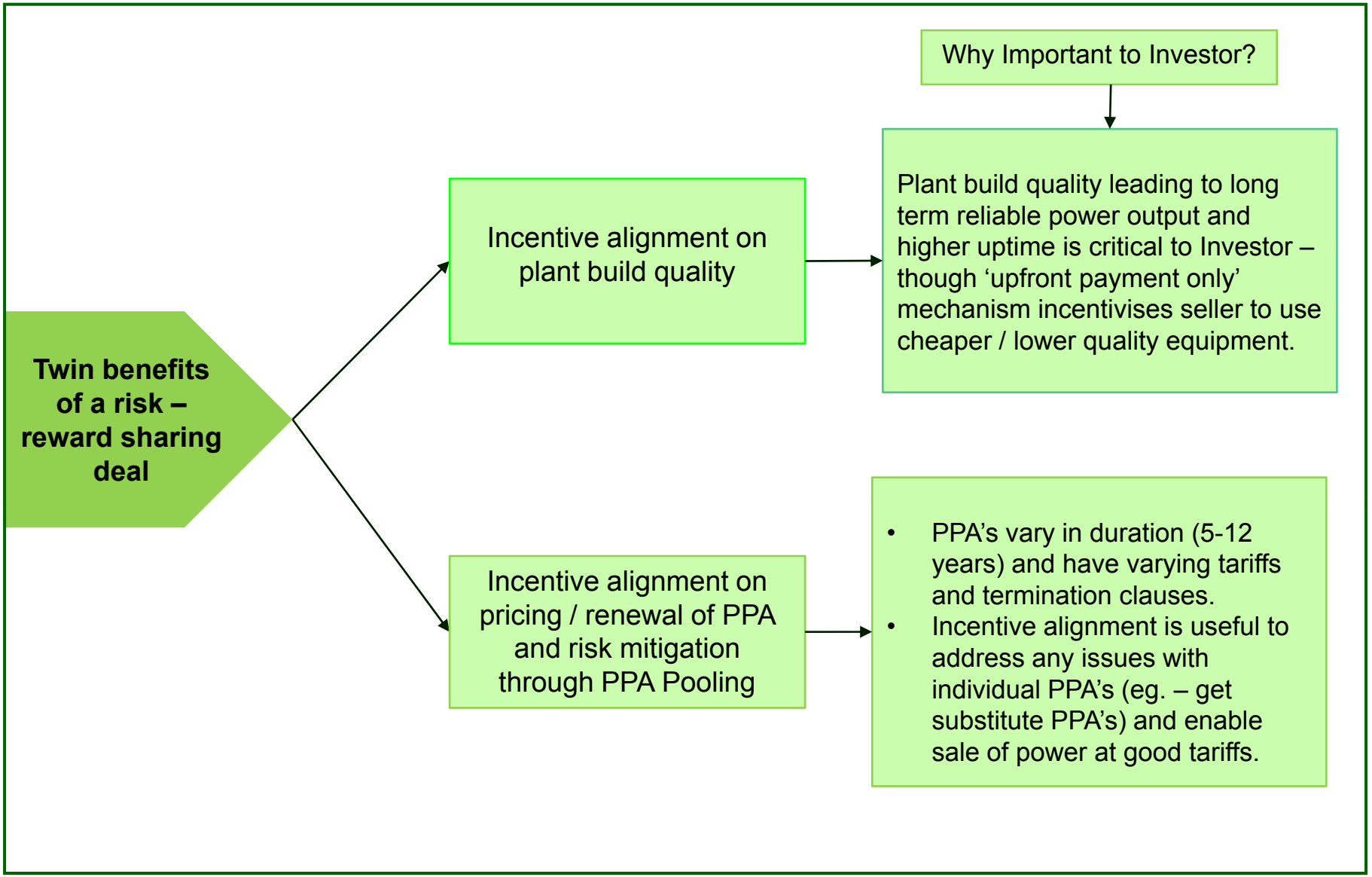
- 100% plant ownership by investor
- Under this option, Clean Max makes negligible development margin upon sell of project to investor and earns performance linked share of profit from the project cash flows in future.
- Investor has senior claims over cash flow for pre-agreed hurdle rate on post tax basis and excess cash flow is shared between investor and Clean Max as per pre-agreed sharing mechanism – protects investors downside on account of plant performance/ tariff outcome over the life of asset as Clean Max Solar profit is linked to actual plant performance and till minimum hurdle yield is earned by investor
- Clean Max Solar takes plant O&M and Collection responsibility by entering into separate contract for such services with investor, however at cost without any margin on such activities

Option 3 – With Profit Sharing

'single axis tracking systems' basis – superior generation enhancement technology

- In Option 3 – Clean Max Solar uses 'single axis tracking system' to enhance the generation outcome of the plant by incurring little extra upfront capex (18%-20% generation delta on 13%-14% extra upfront cost) resulting in superior returns for investor as well as Clean Max over the life of asset

Benefits of a risk reward sharing deal…



Proposed Risk Sharing structure

Proposed Structure for Risk Sharing Option

- Clean Max Solar proposes to sign 'profit sharing agreement' with every investor sign-up for 'profit sharing' structure.
- The cash flow generated from 'solar plant' is received in investor's account and investor share this each year based on the profit sharing mechanism pre-agreed
- Any excess cash flow above the 'hurdle yield' is shared between Clean Max Solar and Investor as per pre-agreed terms as given below

Hurdle Rate (Yearly Post Tax Yield to Investor)	Clean Max Solar share on incremental cash flows*
Upto 10%	N.A.
10% -12%	10%
12% - 14%	20%
14% - 16%	30%
16% and above	40%

- Every year (in the first 10 years), the profit sharing shall be calculated on a cumulative basis since the date of commissioning of the solar power plant. And cumulative sharing payout shall be made from the investor to the Developer. However payment shall be made each year. If in any year cumulative payout to Developer is lower than what is already paid to Developer in previous years, then no payment is due from Developer to Offtaker, but if so, then deduction can be made from the O&M payments due in that year. In no case is a clawback/ or payout from Developer to investor to happen.
- If the Project PPA is terminated by the relevant Power Offtaker and, within six (6) months from the date of termination of the Project PPA, the PPA Facilitator fails to procure another PPA to sell the electricity generated from the Solar Plant, the Investor shall have the right to terminate this Agreement by giving a written notice of 15 (fifteen) days to secure another PPA. During this period if PPA Facilitator brings PPA, investor should not unreasonably withhold/ reject such PPAs.

* Without catch-up

Option to invest in-multiple of 1.8MW – sample project of 1.8MW size

Project detail/ Key Assumptions

Parameter	Option 1	Option 2	Option 3
Sample size (MWp)	1.8	1.8	1.8
Cost (Rs/Wp)	61	56	62
Total Capex (Rs. Cr)	10.98	10.08	11.16
O&M Cost with escalation (Rs/kWp/annum)	650	400	550
PPA rate (baseline sample)	5.30 with 2% y-o-y Escalation	5.30 with 2% y-o-y escalation	5.30 with 2% y-o-y escalation
Common Infra sharing (Rs/kWh/ annum)	100	100	100
Tariff after 10th year (Rs/kWh)	APPC rate (assumed 3% CAGR vs 6% for past 5 years for APPC calc.)	APPC rate (assumed 3% CAGR vs 6% for past 5 years for APPC calc.)	APPC rate (assumed 3% CAGR vs 6% for past 5 years for APPC calc.)
Tax Benefit (Offset rate)	34.6%	34.6%	34.6%
Generation (kWh/kWp/annum)	1515 (fix tilt)	1560 (seasonal tilt)	1800 (tracker)
Yearly degradation (%)	0.5%	0.5%	0.5%
Clean Max Profit sharing	NA	**Hurdle Rate (Yearly Post Tax Yield to Investor)** / **Clean Max Solar share on incremental cash flows***	
		10% -12%	10%
		12% - 14%	20%
		14% - 16%	30%
		16% and above	40%

Note: Assumed 2% grid/project downtime for project life

* Without catch-up

OPTION 1 - Sample Project Cash flows for 1.8 MWp with capex of 10.98 cr leading to a base case Project IRR of 15.6%

Estimated Financials (Unlevered) - First 10 Yrs (Rs lacs)	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10
Net Billable Generation	12.7	26.7	26.5	26.4	26.3	26.1	26.0	25.9	25.7	25.6
Avg tariff	5.30	5.35	5.46	5.57	5.68	5.79	5.91	6.03	6.15	6.27
Revenue from Power Sales	68	143	145	147	149	151	154	156	158	161
Less Discount for Prompt Payment	0	1	1	1	1	1	1	1	1	1
Net Revenue from Generation	**67**	**142**	**144**	**146**	**148**	**151**	**153**	**155**	**157**	**160**
O&M Expense	7	14	14	15	16	16	17	18	19	20
Insurance	1	2	2	1	1	1	1	1	1	1
CMES Collection fee	0	0	0	0	0	0	0	0	0	0
Total Operating Expenses	**8**	**16**	**16**	**17**	**18**	**18**	**19**	**20**	**20**	**21**
EBITDA	**59**	**126**	**128**	**129**	**131**	**132**	**134**	**136**	**137**	**139**
% Margin	***88.4%***	***88.8%***	***88.6%***	***88.4%***	***88.2%***	***87.9%***	***87.7%***	***87.4%***	***87.1%***	***86.8%***
Interest	0	0	0	0	0	0	0	0	0	0
Depreciation (Companies Act)	62	117	104	92	82	72	64	57	51	45
EBT	**-3**	**9**	**24**	**37**	**49**	**60**	**70**	**79**	**87**	**94**
Tax	0	2	5	7	10	12	14	16	17	19
PAT	**-3**	**7**	**19**	**30**	**39**	**48**	**56**	**63**	**69**	**75**
Free Cash Flow to Investor (Post Tax)										
Yearly Free Cashflow after repayment	**59**	**124**	**123**	**122**	**121**	**120**	**120**	**120**	**120**	**120**
Simple Annual Yield (% of net investment value)	***16.1%***	***16.8%***	***16.6%***	***16.5%***	***16.4%***	***16.3%***	***16.3%***	***16.2%***	***16.2%***	***16.2%***

OPTION 2 - Sample Project Cash flows for 1.8 MWp with capex of 10.08 cr leading to a base case Project IRR of 15.1%

Estimated Financials (Unlevered) - First 10 Yrs (Rs lacs)	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10
Net Billable Generation	13.0	27.3	27.1	27.0	26.9	26.7	26.6	26.5	26.3	26.2
Avg tariff	5.3	5.4	5.5	5.6	5.7	5.8	5.9	6.0	6.1	6.3
Revenue from Power Portion	69.1	146.0	148.2	150.4	152.6	154.9	157.2	159.5	161.9	164.3
Net Revenue from Generation	**68.8**	**145.3**	**147.4**	**149.6**	**151.9**	**154.1**	**156.4**	**158.7**	**161.1**	**163.5**
Total Operating Expenses	**5.5**	**11.1**	**11.4**	**11.7**	**12.1**	**12.5**	**12.9**	**13.3**	**13.7**	**14.2**
EBITDA	**63.3**	**134.2**	**136.0**	**137.9**	**139.8**	**141.6**	**143.5**	**145.5**	**147.4**	**149.3**
% Margin	***0.9***	***0.9***	***0.9***	***0.9***	***0.9***	***0.9***	***0.9***	***0.9***	***0.9***	***0.9***
Depreciation (Companies Act)	57.0	107.5	95.3	84.6	75.0	66.5	59.0	52.3	46.4	41.2
EBT	**6.4**	**26.7**	**40.7**	**53.3**	**64.8**	**75.1**	**84.5**	**93.1**	**101.0**	**108.1**
Tax	1.2	5.1	7.7	10.1	12.3	14.3	16.1	17.7	19.2	20.5
PAT	**5.2**	**21.6**	**33.0**	**43.2**	**52.5**	**60.8**	**68.5**	**75.4**	**81.8**	**87.6**
Free Cash Flow to Investor (Post Tax)										
Upto 10%, 100% share of FCF	**34.1**	**68.1**	**68.1**	**68.1**	**68.1**	**68.1**	**68.1**	**68.1**	**68.1**	**68.1**
10-12%, 90% share of FCF	**6.1**	**12.3**	**12.3**	**12.3**	**12.3**	**12.3**	**12.3**	**12.3**	**12.3**	**12.3**
12-14%, 80% share of FCF	**5.4**	**10.9**	**10.9**	**10.9**	**10.9**	**10.9**	**10.9**	**10.9**	**10.9**	**10.9**
14-16%, 70% share of FCF	**4.8**	**9.5**	**9.5**	**9.5**	**9.5**	**9.5**	**9.5**	**9.5**	**9.5**	**9.5**
Above 16%, 60% share of FCF	**4.6**	**12.1**	**11.6**	**11.3**	**11.1**	**11.0**	**11.1**	**11.3**	**11.5**	**11.9**
Total	**55.0**	**112.9**	**112.4**	**112.1**	**111.9**	**111.8**	**111.9**	**112.1**	**112.3**	**112.7**
Yield(%)	***16.1%***	***16.6%***	***16.5%***	***16.5%***	***16.4%***	***16.4%***	***16.4%***	***16.5%***	***16.5%***	***16.5%***

OPTION 3 - Sample Project Cash flows for 1.8 MWp with capex of 11.16 cr leading to a base case Project IRR of 15.5%

Estimated Financials (Unlevered) - First 10 Yrs (Rs lacs)	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10
Net Billable Generation	15.1	31.7	31.5	31.4	31.2	31.0	30.9	30.7	30.6	30.4
Avg tariff	5.3	5.4	5.5	5.6	5.7	5.8	5.9	6.0	6.1	6.3
Revenue from Power Portion	80.3	169.5	172.1	174.6	177.2	179.9	182.6	185.3	188.0	190.8
Net Revenue from Generation	**79.9**	**168.7**	**171.2**	**173.8**	**176.3**	**179.0**	**181.6**	**184.3**	**187.1**	**189.9**
Total Operating Expenses	**6.9**	**14.1**	**14.5**	**15.0**	**15.5**	**16.0**	**16.6**	**17.2**	**17.8**	**18.5**
EBITDA	**73.0**	**154.6**	**156.7**	**158.7**	**160.8**	**162.9**	**165.0**	**167.2**	**169.3**	**171.4**
% Margin	***0.9***	***0.9***	***0.9***	***0.9***	***0.9***	***0.9***	***0.9***	***0.9***	***0.9***	***0.9***
Depreciation (Companies Act)	63.1	119.0	105.5	93.6	83.0	73.7	65.3	57.9	51.4	45.6
EBT	**9.9**	**35.6**	**51.1**	**65.1**	**77.8**	**89.3**	**99.7**	**109.2**	**117.9**	**125.8**
Tax	1.9	6.8	9.7	12.4	14.8	17.0	18.9	20.7	22.4	23.9
PAT	**8.0**	**28.8**	**41.4**	**52.8**	**63.0**	**72.3**	**80.8**	**88.5**	**95.5**	**101.9**
Free Cash Flow to Investor (Post Tax)										
Upto 10%, 100% share of FCF	**37.8**	**75.5**	**75.5**	**75.5**	**75.5**	**75.5**	**75.5**	**75.5**	**75.5**	**75.5**
10-12%, 90% share of FCF	**6.8**	**13.6**	**13.6**	**13.6**	**13.6**	**13.6**	**13.6**	**13.6**	**13.6**	**13.6**
12-14%, 80% share of FCF	**6.0**	**12.1**	**12.1**	**12.1**	**12.1**	**12.1**	**12.1**	**12.1**	**12.1**	**12.1**
14-16%, 70% share of FCF	**5.3**	**10.6**	**10.6**	**10.6**	**10.6**	**10.6**	**10.6**	**10.6**	**10.6**	**10.6**
Above 16%, 60% share of FCF	**6.4**	**16.2**	**15.7**	**15.3**	**15.1**	**15.1**	**15.2**	**15.4**	**15.6**	**16.0**
Total	**62.3**	**128.0**	**127.4**	**127.1**	**126.9**	**126.8**	**126.9**	**127.1**	**127.4**	**127.8**
Yield(%)	***16.5%***	***16.9%***	***16.9%***	***16.8%***	***16.8%***	***16.8%***	***16.8%***	***16.8%***	***16.9%***	***16.9%***

IRR Outcome with Significant Downside Protection if future financial outcome are not in line with expectation due to technical/ commercial (tariff) factors

Option		Post tax Project IRR Outcome						
		Tariff after 10th year – Rs / kWh (No escalation assumed after 10th year)						
Option 1	Expected generation in Frist Year (Kwh/ KwP)	3.50	4.00	4.50	5.00	5.50	6.00	6.50
	-25%	8.2%	8.8%	9.3%	9.8%	10.2%	10.7%	11.1%
	-15%	10.9%	11.4%	11.9%	12.3%	12.7%	13.1%	13.5%
	-10%	12.2%	12.7%	13.1%	13.5%	13.9%	14.3%	14.6%
	-5%	13.4%	13.9%	14.3%	**14.7%**	**15.0%**	15.4%	15.7%
	1515	14.4%	14.9%	15.3%	**15.6%**	**16.0%**	16.3%	16.6%
Option 2	Expected generation in First year (Kwh/ KwP)	3.50	4.00	4.50	5.00	5.50	6.00	6.50
	-25%	10.2%	10.6%	11.1%	11.4%	11.8%	12.1%	12.4%
	-15%	12.0%	12.4%	12.8%	13.1%	13.4%	13.7%	14.0%
	-10%	12.7%	13.1%	13.5%	13.8%	14.1%	14.4%	14.6%
	-5%	13.5%	13.9%	14.2%	**14.5%**	**14.8%**	15.0%	15.3%
	Base case	14.2%	14.6%	14.9%	**15.2%**	**15.5%**	15.7%	15.9%
Option 3	Expected generation in First year (Kwh/ KwP)	3.50	4.00	4.50	5.00	5.50	6.00	6.50
	-25%	10.4%	10.9%	11.3%	11.7%	12.1%	12.4%	12.7%
	-15%	12.3%	12.7%	13.1%	13.4%	13.7%	14.0%	14.3%
	-10%	13.1%	13.5%	13.8%	14.2%	14.5%	14.7%	14.9%
	-5%	13.7%	14.1%	14.5%	**14.8%**	**15.1%**	15.3%	15.5%
	1800	14.5%	14.9%	15.3%	**15.5%**	**15.8%**	16.0%	16.2%

Base Case Unlikely Case

Key Payment Terms with respect to timely commissioning of project

	Activity	Payment
1.	Signing of Purchase Order	35% of contract value
2.	Upon Purchase of Land	Apx. 5% of contract value, represent land cost including (conversion cost, registration fee etc)
3.	Shipment of Material from vendor based on Proforma Invoice from Clean Max Solar	45% of the contract value
1.	Completion of Construction	10% of contract value
2.	Commissioning	5% upon commissioning of the project

**Note: Plant will not be commissioned without 95% of the order value being paid*

Section III

Plant's Specs & Technical Specifications

Key Technical Highlights – Focus on Higher Plant Output

Equipment Selection	Advantage
Redundancy at Pooling station with two power transformers	Higher Substation Availability- 99%
Automatic load shifting at MV switchgear for reliable power	Higher Power Availability during tripping of outgoing breaker or power trafo.
Higher accuracy class metering	Exact energy metering and monitoring

Equipment Selection	Advantage
Lower Loss Power System	Design with lower losses in cabling system, power transformers , transmission lines etc.
Best in class components and equipment's selected	Exact energy metering and monitoring

HIGHER OUTPUT

Key Technical Highlights – Equipment Selection to Ensure Plant Longevity & Yield

Equipment Selection	Advantage
Modules – Higher watts polycrystalline with > 16% efficiency, from worlds best manufacturer-.	315/320 Wp Polycrystalline Solar module from Tier I manufacturer (e.g. Phase I using Canadian Solar)
Inverters- Inverter with 3 level IGBT technology. Efficiency >98.5%. Lower components in Inverter	Such as 750kW Solar PCU as per latest IEC std. Inverter from Toshiba Mitsubishi
Equipment Selection	**Advantage**
DC Cables- TUV 2pfg 1169. – Electron beam polyethylene	Solar cables from worlds best solar cable manufacturers – Lapp/ Leoni
AC cables- 1C and 3C , as per IS std.	From Polycab / Finolex /KEC/KEI

HIGHER LIFE & YIELD

Key Technical Highlights – Equipment Selection to Ensure Plant Longevity & Yield

Equipment Selection	Advantage
Array Junction box – 20 input strings connected in one box with Surge Protection device and Disconnector	Array box with best design with lower losses and lower temp rise.
Circuit Breakers and Relays	ABB/ Siemens/Areva /Schneider Breakers and Relays with latest protections to keep system healthy.
Power Transformers-16 MVA x 2 nos with OLTC and N2 fire fighting system	From top 5 Indian Manufacturers- T&R
Equipment Selection	**Advantage**
Best in class engineering	Each and every component and equipment is properly sized with sufficient margins for better performance
Best in class construction	Best practices used for construction to have longer life and lower breakdowns

HIGHER LIFE & YIELD

Section V

Key Risk & Mitigations

Investor Risks and Mitigation

Risks	Mitigation
1 PPA Duration/ Early Termination Risk	▪ Typical PPA duration is 5-10 yrs compared to 25 yrs for rooftop PPA. However, unlike rooftop projects, the plant is connected to the grid and has option to sell the energy to multiple off-takers incase of termination PPA (PPA is typically 5%-8% discount to the grid tariff and it provides margin of safety to negotiate new PPA tariff) ▪ In case of an early termination, the PPA typically provides for payment security equal to 2-3 months of revenue, during this period the investor (directly or via CMES/ third party trading agency) can find alternate off-take options. As worst case, the power generated can always be supplied in the grid and minimum applicable solar tariff/ APPC rate shall be paid by the SEB ▪ Clean Max offers profit sharing structure to align its interest with investor to better manage such risk related to future cash flows on account of 'drastic negative tariff outcome' in future years (say early PPA termination event, tariff repricing risk post solar policy period etc.)

Tariff after 10th year (no escalation)	IRR (%) Option 1	IRR (%)Option 2	IRR (%) Option 3
3.0 Rs/kWh	14.0%	13.8%	14.1%
4.5 Rs/kWh	15.3%	14.9%	15.3%
5.5 Rs/kWh	**16.0%**	**15.5%**	**15.8%**

▪ The investor downside risk reduce significantly in case of 'drastic negative tariff event' in future as incentive alignment mechanism reduced the IRR uncertainty factor resulting in lower return variability & downside protection

Investor Risks and Mitigation

Risks	Mitigation
2 Generation risk (i.e. solar asset generates in line with estimated forecast)	▪ In addition to 25 year module performance & replacement warranty by suppliers, 98% of performance ratio guarantee by plant O&M vendor for first 2 years (i.e., generation adjusted for 'actual' solar radiation received) and ~90% plant uptime guarantee (for O&M contract tenure) ▪ Generation estimates are very robust. CMES not only 25 year satellite radiation data, but also, provides for additional filters and checks based on learning from its operating plants at different locations in the country to arrive at estimated generation ▪ Further, CMES provides for Generation guarantee of 90% of estimated generation in the first year of operations of the plant. In case, the generation is lower than guaranteed generation, developer shall install additional solar modules at its cost to meet the actual generation shortfall ▪ Further, due to incentive alignment structure offered by Clean Max Solar, future IRR downside risk due to lower generation outcome is better protected by Clean Max Solar

Generation	Option 1	Option 2	Option 3
-15%	12.2%	13.1%	13.5%
-10%	13.9%	13.8%	14.2%
0% (base)	**16.1%**	**15.5%**	**15.7%**

Investor Risks and Mitigation

Risks	Mitigation
3 off-taker credit and timely payment risk	▪ Solar power cheaper to grid tariff for off-takers. As off-taker saves on every unit of electricity as it is cheaper than the grid, and thus has a natural incentive to pay on time. ▪ Marquee off-takers with 0.5%-1% pre-payment incentive, and 1%-2% delayed payment penalty
4 Risk Related to Transmission Charges / Grid Availability	▪ As per the Karnataka Solar Policy, the project will have no transmission & wheeling charges, Cross Subsidy Surcharge (CSS) for the first 10 yrs since commissioning – this effectively means energy injected equals to energy consumed and billed ▪ 2% grid & plant downtime is assumed – in line with average grid downtime for 220 KV substation ▪ After 10 year, developer has conservatively assumed energy sale at applicable APPC rate
5 Equipment Performance	▪ Modules – 25 year degradation warranty from global Tier 1 manufacturer (manufacturer will replace panels if output is below guaranteed levels) ▪ Inverter – 5 year inverter replacement warranty from global Tier 1 manufacture – one inverter replacement is assumed by Clean Max Solar over the useful life of asset ▪ Equipment warranties assigned directly to investor
6 Contract disputes with off-taker	▪ Strong off-taker quality. Dispute resolution, if any, likely to be rapid through arbitration (and not court) mechanism

Investor Risks and Mitigation

Risks	Mitigation
7 Any initial teething issues (w.r.t. vendor registration with off-taker, plant normalization post CoD etc.)	▪ Provided for apx. 3 months delay in payment of first invoice by off-taker (typically it takes 2 months to complete vendor/ SAP registration process for first payment) ▪ There may be some stabilization period during the first 3 months post commissioning and CMES has assumed 10% downtime in first three months post CoD ▪ Also, after plant CoD, provides for 1% downtime per annum to ensure for any potential revenue loss to investor due to any operational issues/ downtime before the plant is fully normalized
8 Plant day to day operations and administrative work	▪ The project would be part of the larger 30MW solar farm being set-up and plant O&M will be responsibility of the solar farm developer ▪ CMES shall act collection/ billing services provider on behalf of the investor to ensure timely billing and collection of energy invoices from the off-taker
9 Energy generated but not billed to off-taker	▪ Energy generated shall be 'Banked' as per the banking policy for solar project – there is no banking charge for first 10 years as per Karnataka solar policy ▪ The banked power shall be credited to the off-taker based on PPA terms or paid by the DISCOM as per the applicable solar tariff in the state at the end of year (current applicable rate is Rs 5.5 kWh)

Investor Risks and Mitigation

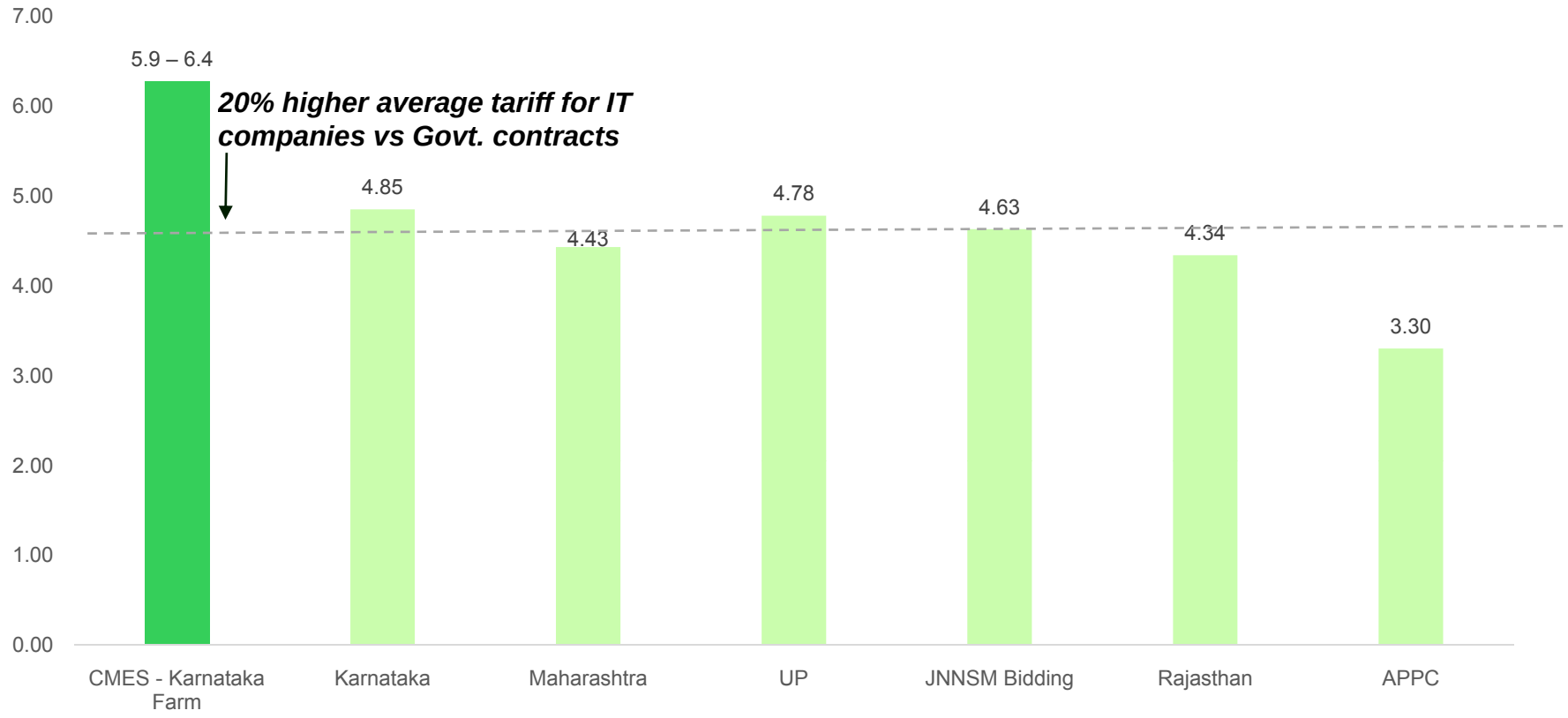
Risks	Mitigation
10 Sharing of Common Farm Infrastructure	▪ Each solar farm shall have common infrastructure (transmission line/ KPTCL substation bay/ common road/ internal evacuation infrastructure etc). Each investor would have right to use the common infrastructure over the useful life of asset as per the terms of such agreement ▪ Any future capital cost (if any) with respect to such common infrastructure shall be equally born by Clean Max Solar and pool of investors in proportionate to their capacity in the solar farm

Section VI

Annexures

ANNEXURE I
CMES corporate PPA offers higher LCoE* compared to various state PPA, hence, superior returns on the project

Comparison with Government PPA



Source: Median tariff bids for various state level solar allocations as per the last concluded round of bidding/ allocation.

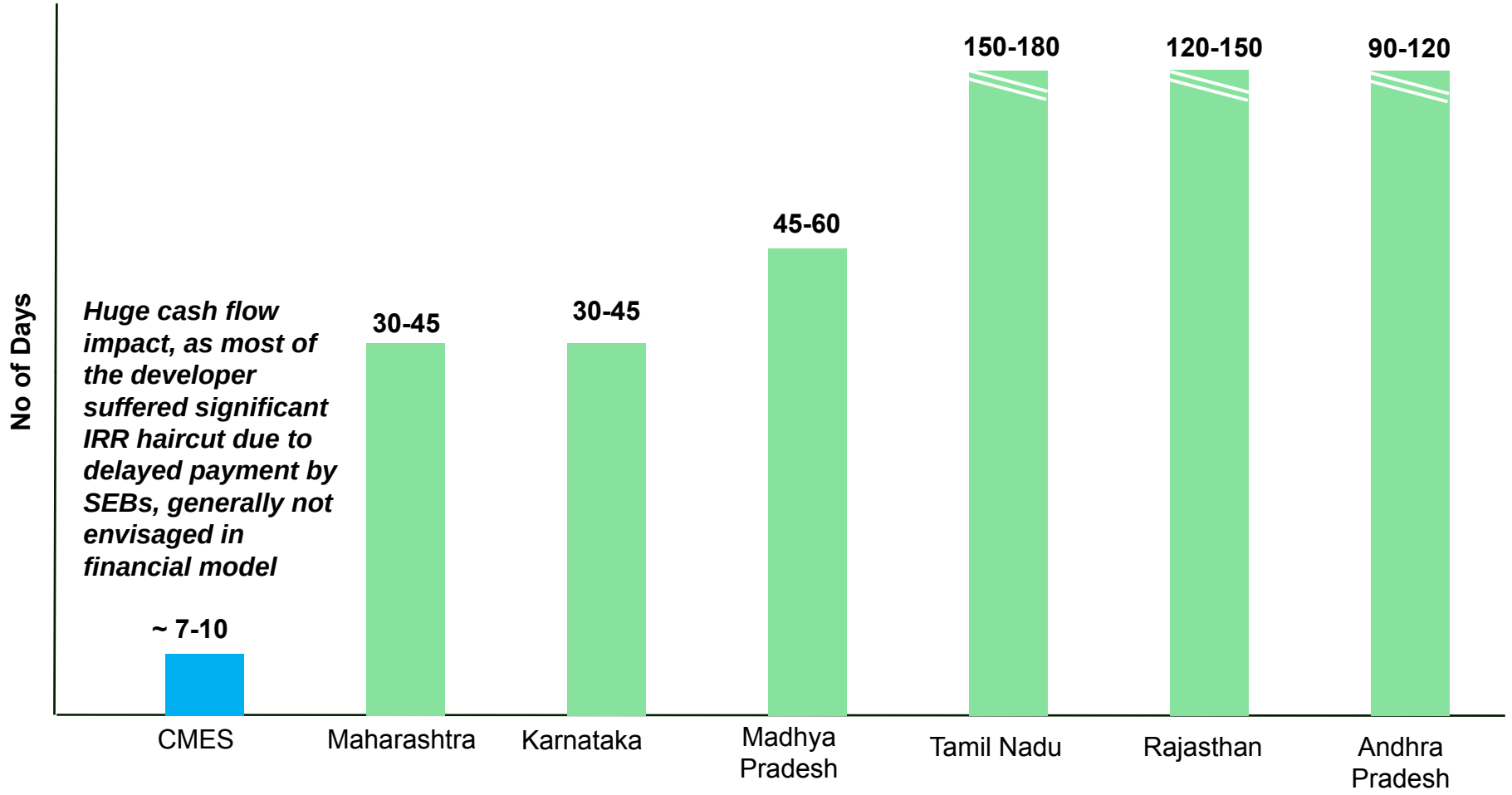
Considering the available options for grid connected solar farm, CMES proposition offers the best levellised tariff over the life of the project resulting in superior return for the investors

- Assuming 2.5% annual escalation. PPA tenure is 5-10 years and early termination possible as per the terms of the PPA

* LCoE : Levelised cost of energy

ANNEXURE II
Timely Payment of Energy Bill – CMES client v/s SEBs

CMES works with high creditworthy corporate clients most of them are already doing business with CMES. The average receivable days for all CMES projects is less than 7 days.

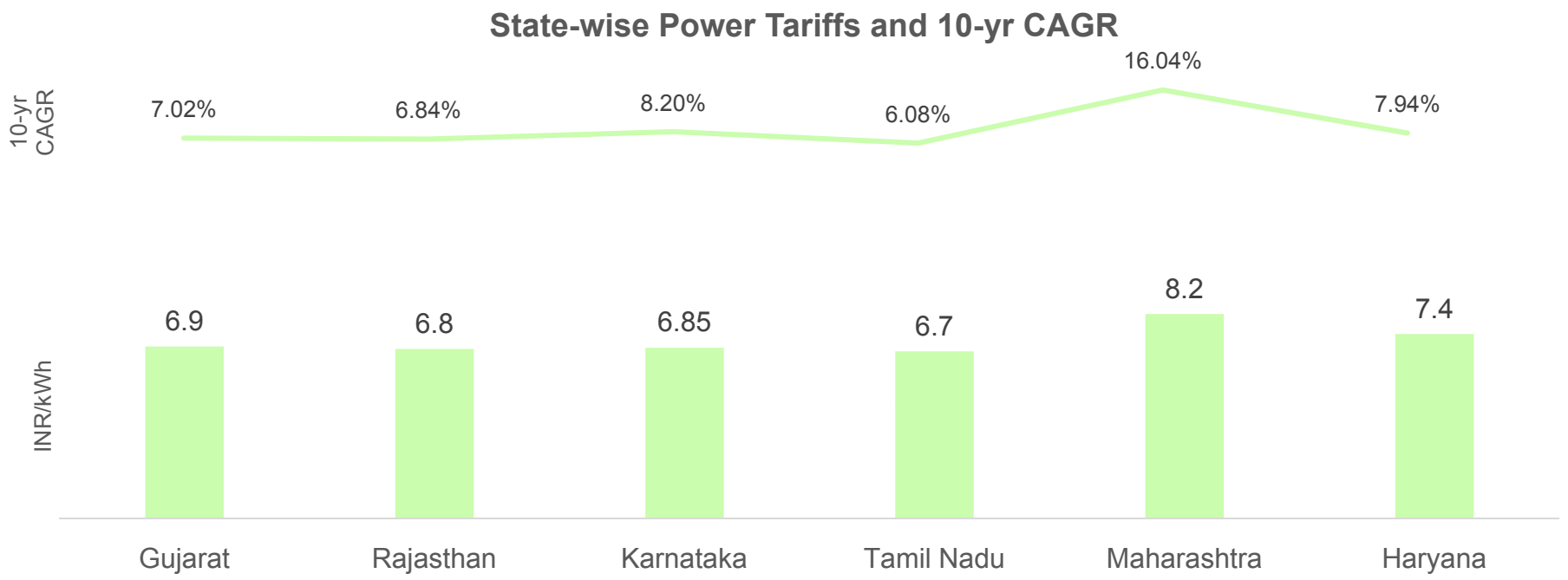


ANNEXURE III

Comparison of various states for third party corporate solar park - Karnataka is most suitable location for grid connected solar project with 3rd party corporate PPAs

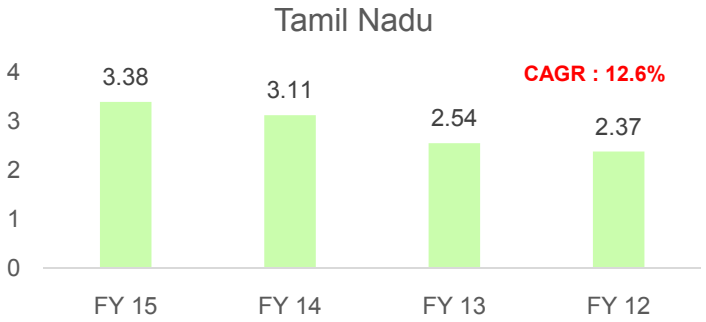
States	High grid tariff – allowing Rs 6+ kWh + escalation	Clarity on policy (favourable CSS, wheeling, banking)	Evacuation infrastructure	Quality off-takers
Rajasthan	√	X (Rs 0.60/ kWh transmission charges; CSS waived)	√	√
Tamil Nadu	√√	X (CSS leviable at Rs 2.4/ kWh)	X	√√
Madhya Pradesh	X	√	√	X
Maharashtra	√√√	XX	√	√√
Karnataka	√√	√√√	√	√√
Andhra Pradesh / Telangana	√	X (State bifurcation)	√	√

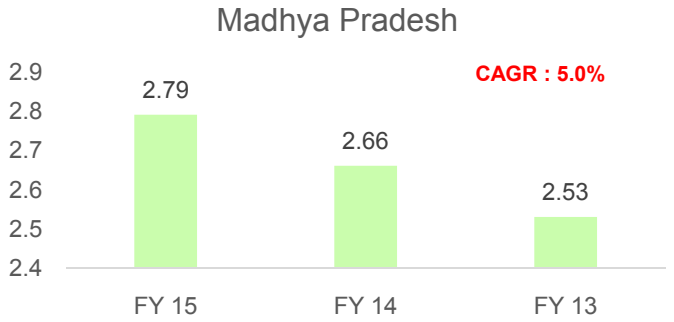
ANNEXURE IV
Industrial tariff has historically increased at an average CAGR of 6% to 16% across various states in India

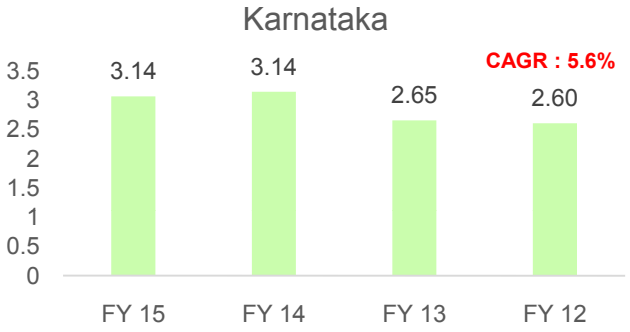


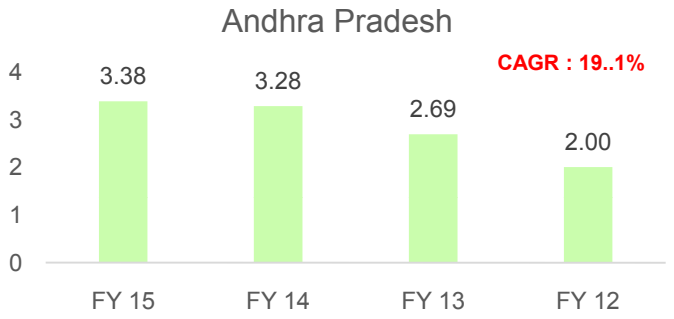
Industrial tariff in India has consistently increased at an average 6%+ CAGR. Further, current financial health of SEBs in India is very poor which shall have limited ability for SEBs to avoid price inflation to customers

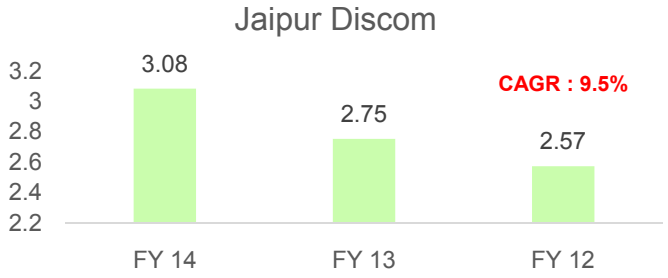
Minimum ‘APPC’ CAGR is 5%+ historically, provides strong tariff protection for the project going forward









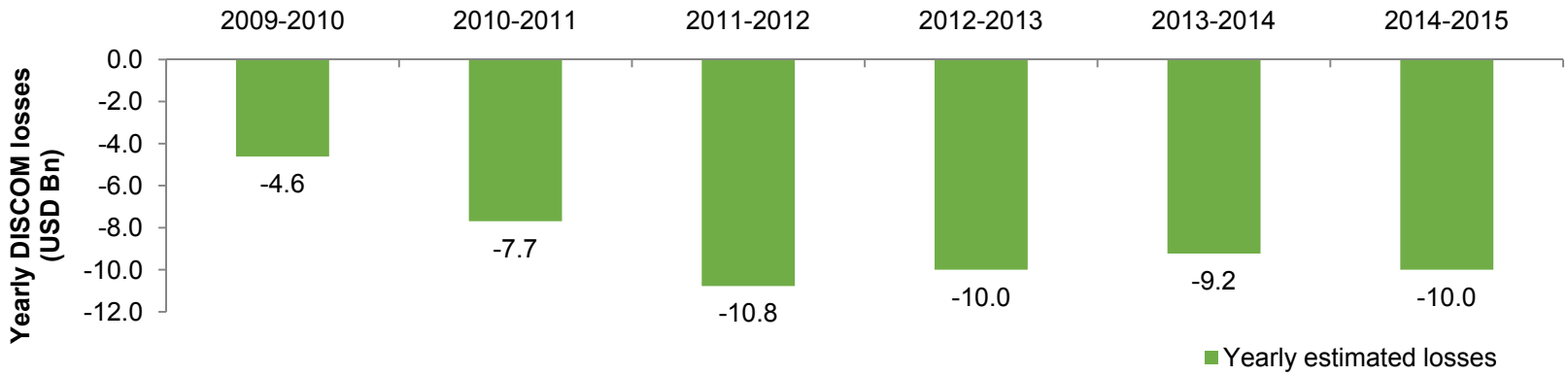


Historically APPC rate has been increasing in the range of 19% to 5% across different state of India. In Tamil Nadu the CAGR since FY12 is 12.6%

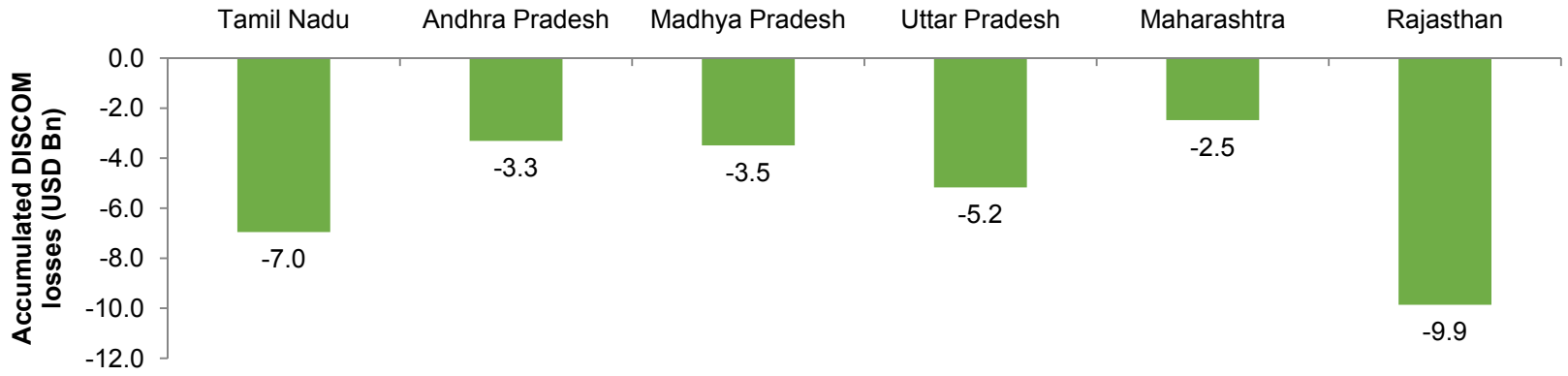
APPC = Average Pooled Procurement Price for State Electricity Board

Combined accumulated losses of ~ USD 60 bn and last yearly losses of ~ USD 9 bn

State DISCOMs estimated Accumulated losses* (as on 31st March 2015) – USD 60 Bn



Each Major DISCOM is having significant accumulated losses



* Estimate accumulated DISCOM losses are estimated to be USD 60 Bn as on 31st March 2015 – Crisil Report dated July 2015

Thank You

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