

Southern Energy Asia-Pacific Limited

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Energy to Serve Your World™

21st August 2000

Shri K.B. Gopalakrishnan
Senior Vice President & Head
Project Advisory & Structured Finance
(SBI Capital Markets Limited)
202, Maker Tower, "E", Cuffe Parade
Mumbai – 400 005

Dear Mr. Gopalakrishnan,

Petition No. 24/2000 at CERC for Hirma Power Project Services of Consultants

Please refer to our discussions of today.

As required by you, we are enclosing the tariff profiles at the upfront ratios (at current prices of) 87.7%, 86%, 82%, 78%, and 74% for the two tariff options recommended by SBI Caps to the CERC.

1. In the first option, the Fixed Charges at an availability of 85% have been derived by merging the Fixed Charges till 68.5% availability and the incentives between 68.5% and 85% availability.
2. In the second option, the Fixed Charges are recovered at an availability of 68.5% while incentives at the rate of 20% of Fixed Charges are charged for the availability beyond 68.5% till 85%.

Both the above options are based on a guaranteed 'take or pay' and guaranteed availability of 85%.

In both the options, the incentives above 85% are on despatch basis only.

We would be pleased to present our detailed offer for the super-critical boilers, at your convenience.

In case you require any clarifications/information on the above, please feel free to contact us.

With kind regards

Yours sincerely,

Sanjay Kapoor
Country Manager