

Notice

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IFC investment is proposed to be an equity investment of up to US\$25mn in BEL. In addition, IFC may also consider warrants which entitle additional subscription to the equity of BEL at a later point of time.

The document related to that can be accessed from the following link.

<http://www.ifc.org/ifcext/spiwebsite1.nsf/f451ebbe34a9a8ca85256a550073ff10/21661e4364d5ed2f852576b600830cfb?opendocument>

for Bhilwara Energy Limited



Ravi Gupta
Company Secretary



Bhilwara Energy Limited

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SUMMARY OF PROPOSED INVESTMENT (SPI)

Disclaimer

This Summary of Proposed Investment is prepared and distributed to the public in advance of the IFC Board of Directors' consideration of the proposed transaction. Its purpose is to enhance the transparency of IFC's activities, and this document should not be construed as presuming the outcome of the Board decision. Board dates are estimates only.

Project Identification:

<i>Country:</i> India	<i>Project Name:</i> Bhilwara Energy	<i>Project No.:</i> 29157
<i>Region:</i> ASIA		<i>Environment Category:</i> A - Significant
<i>Company Name:</i> Bhilwara Energy Limited		
<i>Project Business Sector:</i> V-BA - Large Hydro - Renewable Energy Generation		<i>Project Status:</i> Active

Parent Project Identification:

Parent ID:	
Parent Short Name:	
Parent Relationship:	No Relationship


Document Status:

Date Disclosed	
Date Revised SPI Disclosed (if appropriate)	
Enter Projected Board Date [or internal management date]	
Date of Clearance by client for factual accuracy	

Description of the Project:

Bhilwara Energy Limited (“BEL” or “Company”) is formed to develop and operate hydro power assets. BEL currently has majority stake in 86 MW operating project (Malana power) and 192 MW (AD Hydro) of near completion hydro power project. It plans to develop a portfolio of several medium to large hydro power plants at different locations in India and Nepal. The proposal is to develop and operationalize a portfolio of projects with power generation capacity of about 2200 MW over the next decade. In parallel BEL also plans to continue to scout for new hydro power project development opportunities.

Project Sponsor and Major Shareholders of Project Company:

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BEL is the group entity of LNJ Bhilwara Group (“LNJ” or “Bhilwara” or “Sponsor”). Founded in 1959, LNJ is a diversified industrial group with interests in textiles, graphite electrodes, power generation and information technology. The main operating companies of Bhilwara are BEL (which houses all the power operations), HEG Limited (graphite electrodes manufacturer) and Rajasthan Spinning and Weaving Mills (RSWM) (textiles). Both HEG and RSWM are listed on the Bombay and National Stock Exchanges.

The sponsors hold about 93.1% stake in BEL through family owned shares, RSWM and HEG. The balance 6.9% stake is held jointly by three investors Wachovia, Jacob Ballas and New York Life Investment Fund (2.65%, 0.21% and 4.01% respectively).

IFC has committed to provide total debt of about US\$67 mn and equity of about US\$15 mn (12% stake) to the AD Hydro project (being developed jointly by Bhilwara and SN Power of Norway), which includes IFC’s financing to support the project’s cost over-runs.

Total Project Cost and Amount and Nature of IFC’s Investment:

BEL plans to develop a portfolio of several medium to large scale hydro power assets. BEL plans to raise the funding required through a mix of debt and equity.

IFC investment is proposed to be an equity investment of up to US\$25mn in BEL. In addition, IFC may also consider warrants which entitle additional subscription to the equity of BEL at a later point of time.

Location of Project and Description of Site:

The potential projects are being developed in the states of Himachal Pradesh, Arunachal Pradesh and Punjab in India and Himalayan terrain of Nepal.

Expected Development Impact of the Project:

The Project will have strong development impact by way of:

- (a) expanding the availability of electricity in power starved India through renewable sources;
- (b) reducing reliance on electricity generated from conventional sources like coal and thus having positive climate change impact. With the current project pipeline, the Company will be able to save 8 mn tons of CO2 emission annually;
- (c) providing employment to local people during construction and operations and
- (d) pushing the economic development of low income areas like Arunachal Pradesh and Nepal through development of ancilliary industry

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IFC's Expected Additionality:

IFC has strong additionality by way of:

- (a) IFC stamp of approval for E&S, governance and operating standards - This will help BEL create a strong profile among international and local investors which especially help the Company in the planned public listing.
- b) Provide long term financing in debt and equity for multiple projects- BEL is developing several large hydro projects and will therefore have multiple need of financing in the form of project and corporate level debt and equity. IFC will therefore have strong additionality by our ability to provide and syndicate these multiple rounds of financing after helping the sponsors in AD Hydro project.
- c) Implement and improve E&S standards - The projects being developed are all large and complex hydro projects and IFC will help BEL establish E&S norms at the corporate level in line with our Performance Standards which will then be applied to all of BEL projects.

Environmental and Social Issues A - Significant :


This is a category A project according to IFC's Procedure for Environmental and Social Review of Projects insofar as BEL proposes to invest in medium to large-scale hydropower projects with potential significant adverse social or environmental impacts that may be diverse, irreversible or unprecedented. IFC's consideration of its proposed investment in the Company is based on its longstanding engagement with the LNJ Bhilwara Group in the development and construction of the Allain Duhangan Hydropower Project in Himachal Pradesh, India (including regular monitoring of the project's social and environmental impact mitigation measures). As a condition of IFC's participation, BEL will develop a corporate-wide Social, Environmental, Health and Safety management system, based on the management system established for ADHP, that will be incorporated into the management and operations of each of BEL's project companies.

For inquiries and comments about the project contact:

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Phone: +91-120-4390300; Fax: +91-120-2531648

Local access of project documentation:

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Comment:

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International Finance Corporation

Bhilwara Energy Limited

January 2010

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Any documentation which is attached to this Environmental and Social Review Summary has been prepared by the project sponsor and authorization has been given for public release. IFC has reviewed this documentation and considers that it is of adequate quality to be released to the public but does not endorse the content.

Project Description

Bhilwara Energy Limited ("BEL" or "Company") is the power sector investment vehicle of LNJ Bhilwara Group created to develop and operate hydro power assets in India and Nepal. BEL currently owns majority stake in and operates the 86 MW Malana hydropower project and is completing the construction of the 192 MW Allain Duhangan Hydropower Project (ADHP), both located in Himachal Pradesh. BEL plans to develop several medium- to large-scale (i.e., between 50-900 MW) run-of-river hydropower projects predominantly in the mountainous regions of India (Himachal Pradesh and Arunachal Pradesh) and Nepal for which it currently holds licenses. These projects are expected to create power generation capacity of about 2200 MW.

IFC committed debt and equity financing to ADHP 2004 and again in 2007. The project's sponsor, LNJ Bhilwara Group, is seeking IFC equity participation in its holding company – Bhilwara Energy Limited – that will, in addition to its existing Malana and ADHP assets, establish project companies to build, own and operate hydropower projects in India and Nepal. As a condition of IFC's participation, BEL will develop a corporate-wide Social, Environmental, Health and Safety management system, based on the management system established for ADHP, that will be incorporated into the management and operations of each of BEL's project companies.

Overview of IFC's Scope of Review

IFC's review of its proposed investment in Bhilwara Energy Limited is based on its longstanding engagement with the LNJ Bhilwara Group in the development and construction of the Allain Duhangan Hydropower Project in Himachal Pradesh India (including regular monitoring of the project's social and environmental impact mitigation measures); discussions with the Company's senior management; and a review of the Company's pipeline of projects. Of the eight projects in the Company's pipeline, detailed project designs for six are in preparation but no substantive environmental or social assessments have been completed.

Identified Applicable Performance Standards

IFC's environmental and social due diligence indicates that the projects proposed for development by BEL will have impacts which must be managed in a manner consistent with the following Performance Standards:

- PS 1: Social and Environmental Assessment and Management System;
- PS 2: Labor and Working Conditions;
- PS 3: Pollution Prevention and Abatement; and
- PS 4: Community Health, Safety and Security

Further, it is possible that one or more of the Company's pipeline projects will have impacts that must be managed in a manner consistent with the following Performance Standards:

BEL is the group entity of LNJ Bhilwara Group (“LNJ” or “Bhilwara” or “Sponsor”). Founded in 1959, LNJ is a diversified industrial group with interests in textiles, graphite electrodes, power generation and information technology. The main operating companies of Bhilwara are BEL (which houses all the power operations), HEG Limited (graphite electrodes manufacturer) and Rajasthan Spinning and Weaving Mills (RSWM) (textiles). Both HEG and RSWM are listed on the Bombay and National Stock Exchanges.

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Bhilwara Energy Limited (BEL)
Social and Environmental and Action Plan

Action	Tasks	Timing
Develop a comprehensive Social, Environmental, Health and Safety Management System (SEHSMS) at the Corporate level	<ol style="list-style-type: none"> 1) Engage qualified consultants satisfactory to IFC to develop an SEHSMS and build internal capacity for its implementation¹. 2) Adopt Corporate SEHSMS Policy Statement 3) Assign Corporate SEHSMS Manager and Steering Committee 4) Develop New Project/Acquisition SEHS screening/assessment and planning procedures 5) Develop SEHSMS implementation schedule at the Corporate level and notional schedule for new projects/acquisitions 	<ol style="list-style-type: none"> 1) Prior to IFC Board consideration 2) Prior to IFC Board consideration 3) Prior to IFC Board consideration 4) Prior to IFC Board consideration 5) Prior to IFC Board consideration
Apply SEHMS to each operating Company	<ol style="list-style-type: none"> 1) Assign responsibility for SEHS management in accordance with Corporate policy and procedures within each operating Company 2) Conduct training and integrate SEHS management in each operating Company 3) Corporate SEHS management reviews and approves each operating Company's system 	Contemporaneous with the establishment of each project company prior to the commencement of construction activities.
SEHMS Audit and Corrective Actions	<ol style="list-style-type: none"> 1) Engage third party to audit implementation of SEHSMS 2) Implement corrective actions 3) Close out audit 	Within six months of the deployment of the SEHS team for each

¹ Reference documents will include: relevant host-country laws, procedures and standards; IFC Policy and Performance Standards on social and Environmental Sustainability (April 2006); IFC Policy on Disclosure of Information (April 2006); World Bank Group Environmental, Health and Safety General Guidelines for (April 2007); EHS Guidelines Electric Power Transmission and Distribution (April 2007); and World Bank Group Environmental, Health and Safety Guidelines for Hydropower Projects (forthcoming). BEL should consider adopting ISO 14001 and OHSAS 18000 standards for its operations.

		project.
Confirm Environmental and Social compliance of all new projects	Engage an independent consultant to verify and confirm the compliance of project construction and/or operations with IFC's Performance Standards and EHS Guidelines.	As required by IFC