

MEMORANDUM OF UNDERSTANDING FOR SETTING UP A SPECIAL PURPOSE VEHICLE FOR OFF – GRID PROJECTS OF RENEWABLE ENERGY IN INDIA

This Memorandum of Understanding (MOU) is made on the 25th day of February 2014 between the Ministry of New & Renewable Energy and Ministry of Petroleum & Natural Gas, Government of India (henceforth called the parties) for setting up a Special Purpose Vehicle (SPV) for implementing Off-Grid Solar, Wind and other Renewable energy power projects.

WHEREAS Achieving Energy Security and promoting use of renewable energy are the twin objectives of the Ministry of New & Renewable Energy, it is necessary to develop and deploy workable business models based on viable Renewable Energy Technologies in the country for providing access to energy for the energy-deficient population in India. The Ministry of New and Renewable Energy (hereinafter referred to as "MNRE"), is mandated with providing energy access through decentralised and distributed generation and the Ministry of Petroleum and Natural Gas (hereinafter referred to as "MoP&NG") endorses the mandate and objectives which will also result in reduction of carbon footprint and reduction of large scale oil imports thereby contributing to energy security and clean energy development.

Pursuant to above, it is decided by the MNRE and MoP&NG to promote setting up a Special Purpose Vehicle (SPV) in the nature of a Joint Venture Company (JVC) through PSUs attached to them respectively.

WHEREAS MoP&NG has initially identified Indian Oil Corporation Limited, Bharat Petroleum Corporation Limited and Hindustan Petroleum Corporation Limited as their PSUs in the JVC and the MNRE has identified Solar Energy Corporation of India and Indian Renewable Energy Development Agency. The SPV will be led by Indian Oil Corporation Limited. The details of participating partner PSUs are as follows:

Indian Oil Corporation Limited, a Company incorporated on 30th June, 1959, under the Companies Act 1956 having its Registered Office at IndianOil Bhavan, G-9, Ali Yavar Jung Marg, Bandra (East), Mumbai, Maharashtra, represented by its Chairman (hereinafter referred to as "IOCL") which expression shall unless repugnant to the context or meaning thereof include its successor(s) and permitted Assign(s);

Bharat Petroleum Corporation Limited, a Company incorporated on 3rd November, 1952 under the Indian Companies Act 1913 having its Registered Office at "Bharat Bhawan, Ballard Estate, Mumbai-400001" represented by its Chairman & Managing Director (hereinafter referred to as "BPCL") which expression shall unless repugnant to the context or meaning thereof include its successor(s) and permitted Assign(s);

Hindustan Petroleum Corporation Limited, a Company incorporated on 5th July, 1952 under the Companies Act 1913 having its Registered Office at "Petroleum House, 17, Jamshedji Tata Road, Churchgate, Mumbai -400020" represented by its Chairman & Managing Director (hereinafter referred to as "HPCL") which expression shall unless repugnant to the context or meaning thereof include its successor(s) and permitted Assign(s);

Solar Energy Corporation of India, a Company incorporated on 20th September, 2011 under the Companies Act 1956 having its Registered Office at "NBCC Plaza, Saket, New Delhi--110017", represented by its Managing Director (hereinafter referred to as "SECI") which expression shall unless repugnant to the context or meaning thereof include its successor(s) and permitted Assign(s);

Indian Renewable Energy Development Agency Limited a Company incorporated on 11th March, 1987 under the Companies Act 1956 having its Registered Office at India Habitat Center, New Delhi represented by its Chairman & Managing Director (hereinafter referred to as "IREDA") which expression shall unless repugnant to the context or meaning thereof include its successor(s) and permitted Assign(s);

MNRE will support the proposed JVC to avail of any incentive, viability gap funding (VGF) or any other benefits including external multilateral and bilateral assistance and Corporate Social Responsibility contribution that may be available. MNRE will also provide technical expertise guidance as and when required. Further, MNRE will provide assistance in creating necessary policy and regulatory framework with the help of related organisations such that such that the projects are commercially viable.

In consideration of above, this Memorandum of Understanding (MOU) sets out the intent of the Parties herein as under:

CHAPTER – I

PREPARATORY ACTIVITIES

1. EIL, along with support from SECI & IREDA, shall prepare the Feasibility Report (FR) based on the detailed scope of work decided by the Steering Committee, prior to incorporation of the JVC (SPV). Cost of FR shall be borne by IOCL and SECI, and responsibility for preparatory activities shall rest with IOCL. The FR will be prepared within three months.
2. The broad terms of reference shall cover the following, but not limited to:
 - (i) Identify project strategy.
 - (ii) Project cost and means of financing, including authorized and paid up capital, for the proposed JVC.
 - (iii) Study the challenges and opportunities for oil companies to upscale such business model, keeping in view their marketing network.
 - (iv) Assess the overall viability of the proposed off-grid JVC, including risk analysis.
 - (v) Identify successful renewable energy based business solutions to provide energy access through decentralised and distributed generation.
3. The JVC upon its incorporation shall reimburse all pre-incorporation expenses incurred to the concerned Partner including expenditure on preparation of Feasibility Report.

CHAPTER-II

PROPOSAL

1. A Joint Venture Company (JVC) under the Companies Act 1956 shall be incorporated, after finalisation of the Definitive Documents.
2. The Registered Office of JVC shall be in Delhi/NCR.
3. The JVC shall Plan, develop and/or operate off-grid solar, wind & other renewable energy power projects including hybrid RE projects in India and in foreign countries or associated with solar wind & other renewable energy projects through any other arrangement as may be decided by the JVC from time to time.
4. IOCL will be the lead partner in the JVC, with minimum equity participation of 26 percent, along with equity from BPCL, HPCL, SECI, IREDA and other interested oil & gas companies, as may be decided by the competent authority.
5. In the event of sale of shareholding in JVC by any partner, the partner shall first make offer of sale to the remaining partners. Further, there shall be no sale/transfer of shareholding till the initial 5 years from incorporation of the JVC.
6. The JVC shall be managed by a Board of Directors consisting of Full time and Part-time Directors. The strength of Board shall not be less than 3 and not more than 16. The promoter companies shall have the right to nominate Directors in proportion to their shareholding, as per the share holders' agreement.

CHAPTER – III

RIGHTS AND OBLIGATIONS OF JVC AND PARTNERS

A. RIGHTS AND OBLIGATIONS OF JVC

1. The JVC shall plan, develop and/or deploy Renewable Energy based off-grid Energy Access Projects and other niche applications of RE both in India and foreign countries on build, own and/or operate basis. JVC can also undertake EPC works for such project for other companies and corporations.
2. The JVC would comply with and secure all statutory clearances including environmental clearances etc, required under various applicable laws governing the Projects either under Government of India or any State Government or with both at all times.
3. The JVC shall arrange the entire debt requirement for implementation of various projects which it decides to execute.
4. The JVC shall arrange for connectivity, long /medium /short term open access, as per relevant regulations for evacuation, transmission and distribution of power to the beneficiaries to ensure economic viability of such projects.
5. The JVC shall create and construct entire infrastructure including approach roads, offices, and residences as are envisaged for implementation of the Projects.
6. All such activities as are specified in the Memorandum and Articles of Association as may be applicable from time to time.

B. RIGHTS AND OBLIGATIONS OF IOCL

1. IOCL through mutual consultation with SECI, shall prepare all documents including Memorandum and Articles of Association of JVC and incorporate the JVC after obtaining approval of all partners of the JVC.
2. IOCL shall subscribe to the Equity in the agreed proportion of JVC as and when Calls for subscription are received.
3. IOCL shall incur the expenditure towards preparation of feasibility report (to be shared with SECI) to be undertaken by EIL for the SPV, which will be capitalized once the JVC is formed.
4. IOCL shall render services for the planning, development and execution of projects that may be required by the JVC.

C. RIGHTS AND OBLIGATION OF BPCL

1. BPCL shall accord its approval/comments on the draft Memorandum and

Articles of Association of JVC within the time limits.

2. BPCL shall subscribe to the Equity in the agreed proportion of JVC as and when Calls for subscription are received.

3. BPCL shall render services for the planning, development and execution of projects that may be required by the JVC.

D. RIGHTS AND OBLIGATIONS OF HPCL

1. HPCL shall accord its approval/comments on the draft Memorandum and Articles of Association of JVC within the time limits.

2. HPCL shall subscribe to the Equity in the agreed proportion of JVC as and when Calls for subscription are received.

3. HPCL shall render services for the planning, development and execution of projects that may be required by the JVC.

E. RIGHTS AND OBLIGATIONS OF SECI

1. SECI shall accord its approval/comments on the draft Memorandum and Articles of Association of JVC within the time limits.

2. SECI shall subscribe to the equity in the agreed proportion of JVC as and when Calls for subscription are received.

3. SECI shall provide all technical help to JVC on selection of appropriate solar, wind, biomass and small hydro energy technology or their hybrids as required. SECI shall also provide technical assistance to JVC on planning of the projects including local generation, transmission and distribution system to transmit and distribute power by the JVC or selected agencies.

4. SECI may assist JVC to prepare Bankable Detailed Project Reports for individual projects.

F. RIGHTS AND OBLIGATIONS OF IREDA

1. IREDA shall accord its approval/comments on the draft Memorandum and Articles of Association of JVC within the time limits.

2. IREDA shall subscribe to the Equity in the agreed proportion of JVC as and when Calls for subscription are received.

3. IREDA shall assist the JVC for structuring project finance proposals, support in terms of services like facilitating project finance, debt syndication and financial closures and also arrange for external assistance as may be available.

CHAPTER – IV

MONITORING

1. Implementation of the MOU will be monitored by a Steering Committee under the Chairmanship of the Secretary, Ministry of Petroleum & Natural Gas with Secretary, MNRE as Co-Chairman.
2. Each Partner company to the proposed JVC shall nominate a Member on the Steering Committee.
3. The Committee shall meet every quarter till the JVC is incorporated and its Board constituted.
4. The Steering Committee will be serviced by Joint Secretary, MNRE.

