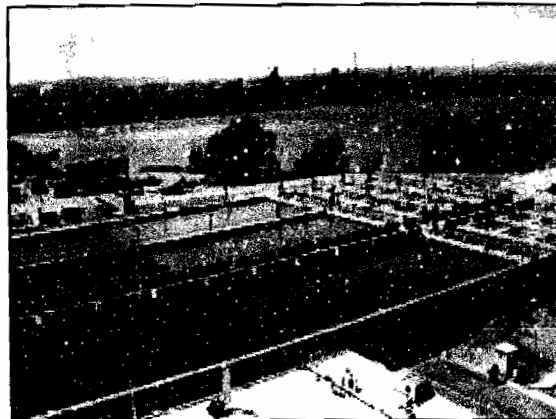
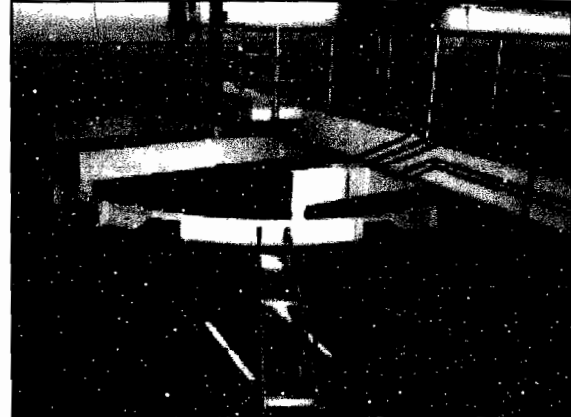
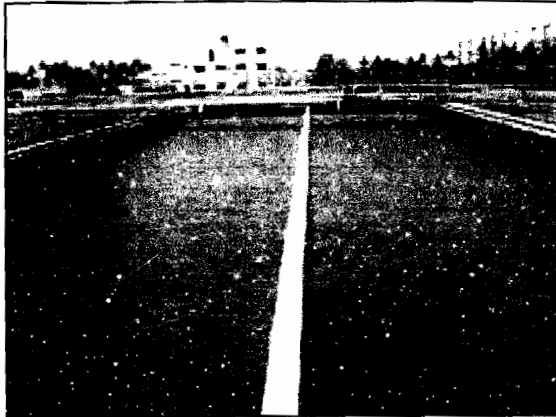


Request for Proposal

For

**BUILD, FINANCE, REFURBISH, OPERATE AND MAINTAIN THE WATER
SUPPLY SYSTEM OF AURANGABAD CITY, MAHARASHTRA STATE, INDIA**

AURANGABAD MUNICIPAL CORPORATION



Submitted by

IL&FS | Water Ltd

And



PUNCAK NIAGA HOLDINGS BERHAD

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IL&FS Water Limited

A4-A6, Navin's Presidium
103, Nelson Manickam Road
Aminjikarai
Chennai 600 029
INDIAT +91 - 44 - 4344 3333
F +91 - 44 - 4344 3399
W www.ilfswater.com

November 29, 2010

The Commissioner,
Aurangabad Municipal Corporation,
Town Hall, Aurangabad – 431 001
Maharashtra State, India.**Sub:** Bid to Build, Refurbish, Operate and Maintain the Water Supply System of Aurangabad City, Maharashtra State, India.

Dear Sir,

1. With reference to your RFP document dated May 20, 2010, we, having examined the Bidding Documents and understood their contents, hereby submit our Bid for the aforesaid Project.
2. All information provided in the Bid and in the Appendices is true and correct.
3. This statement is made for the express purpose of being selected for the development, construction, operation and maintenance of the aforesaid Project.
4. We shall make available to the Authority any additional information it may find necessary or require to supplement or authenticate the Bid.
5. We acknowledge the right of the Authority to reject our Bid without assigning any reason or otherwise and herein waive our right to challenge the same on any account whatsoever.
6. We certify that in the last three years, we/ any of the Consortium Members have not:
 - (a) failed to perform on any contract entered into with a governmental/statutory body or authority, as evidenced by imposition of a penalty or a judicial pronouncement or arbitration award;
 - (b) been expelled from any project or contract entered into with a governmental/statutory body or authority; or

13. We further certify that no investigation by a regulatory authority is pending either against us or against our CEO or any of our Directors/Managers/employees.
14. We undertake that in case due to any change in facts or circumstances during the Bidding Process, our Bid may be disqualified in terms of the guidelines referred to above, we shall intimate the Authority of the same immediately.
15. We acknowledge that we/our Consortium was pre-qualified and short-listed on the basis of the Bidder's /or the Consortium Member's Technical Capability and Financial Capability. The Bidder further acknowledges and undertakes that the Bidder/ Lead Member of the Consortium, as the case may be, shall hold a minimum equity stake equal to 51% (fifty one percent) of the paid up share capital of the Concessionaire as per the requirements of RFP. Moreover in the case the Bidder is a Consortium, then each of the other Consortium Members shall hold at least 10% (ten percent) of the equity of the Concessionaire for the duration of the Concession Period. We further agree and acknowledge that the aforesaid obligation shall be in addition to the obligations contained in the Draft Concession Agreement in respect of the Change in Ownership.
16. We acknowledge and agree that in the event of a change in Control of the Bidder/ Consortium Member whose Technical Capability and or Financial Capability was taken into consideration for the purposes of short-listing and pre-qualification under and in accordance with the RFQ, We shall inform the Authority forthwith along with all relevant particulars and the Authority may, in its sole discretion, disqualify the Bidder/ Consortium or withdraw the Letter of Award, as the case may be. We further acknowledge and agree that in the event such change in control occurs after signing of the Draft Concession Agreement but prior to Financial Close of the Project, it would, notwithstanding anything to the contrary contained in the Agreement, be deemed a breach thereof, and the Draft Concession Agreement shall be liable to be terminated without the Authority being liable to us in any manner whatsoever.
17. We understand that the Selected Bidder shall incorporate a special purpose vehicle under the Indian Companies Act, 1956, to implement the Project prior to execution of the Draft Concession Agreement.
18. We hereby irrevocably waive any right which we may have at any stage at law or howsoever otherwise arising to challenge or question any decision taken by the Authority in connection with the selection of the Bidder, or in connection with the Bidding Process itself, in respect of the above mentioned Project and the terms and implementation thereof.
19. In the event of our being declared as the Selected Bidder, we agree to incorporate a special purpose vehicle to enter into a Draft Concession Agreement in accordance with the draft that has been provided to us prior to the Bid Due Date. We agree not to seek any changes in the aforesaid draft and agree to abide by the same.

20. We have studied the RFP and RFQ carefully and also surveyed the existing asset and the Project site. We understand that except to the extent as expressly set forth in the Draft Concession Agreement, we shall have no claim, right or title arising out of any documents or information provided to us by the Authority or in respect of any matter arising out of or concerning or relating to the Bidding Process including the award of Concession.
21. The Annual Grant has been quoted by us after taking into consideration all the terms and conditions stated in the RFP, Draft Concession Agreement, our own estimates of costs, demand and recovery of user fees from end users and after a careful assessment of the site and all the conditions that may affect the Bid.
22. We acknowledge and understand that whilst the Authority will assist the Concessionaire in accordance with the terms of the Draft Concession Agreement, the collection risk for the Project will be borne entirely by the Concessionaire, the Authority will not guarantee a minimum level of collection from the end users. We also acknowledge that the Annual Grant has been quoted by us after taking this fact into consideration.
23. We acknowledge and understand that the Project shall be implemented in accordance with the Mandatory Project Requirements and the DPR as set out in the Project Information Memorandum.
24. We offer a Bid Security of Rs. 7.92 Crores (Sevencrores and ninety two lacs) to the Authority in accordance with the RFP Document.
25. The Bid Security in the form of a Bank Guarantee is attached.
26. We agree and understand that the Bid is subject to the provisions of this RFP. In no case, We shall have any claim or right of whatsoever nature if the Project/Concession is not awarded to us or our Bid is not opened.
27. We hereby submit our Bid and seek an Annual Grant in the form of Rs 112.90 crores per annum (Rupees One Hundred and Twelve Crores and Ninety Lakhs per annum) for undertaking the aforesaid Project in accordance with this RFP and the Draft Concession Agreement. The terms and conditions as set out by AMC are still to be negotiated and agreed upon prior to our acceptance of the project. The Annual Operational Grant sought by us is subject to the following conditions

(a) Termination payments

- (i) Concessionaire Event of Default -- The Concessionaire will forfeit only equity and AMC to pay debt due less insurance cover to the Concessionaire
- (ii) Non- Political Event of Force majeure - AMC to pay the Concessionaire

No correction.

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Shruti
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C-E

14/12/10
14/12/10
14/12/10
14/12/10

sd
14/12/10

Arif
14/12/10

14/12/2010
Commr. AMC

Equity and debt due less insurance cover

- (iii) Other Event of Force Majeure - AMC to pay the Concessionaire Equity and debt due less insurance cover

(b) Non-Availability of Grant

- (i) The various Grants envisaged for the project will be available for drawdown and in case of non availability of the same, AMC as part of its obligations to make suitable adjustments to the Annual Operational Grant for principal repayment of the bridge loan taken for the project
- (ii) Failure of AMC in making such adjustment to the Annual Operational Grant, will considered as AMC event of default

(c) Water Source/Quality Risk

- (i) Non-availability of water at source and change in raw water quality beyond the prescribed quality range mentioned in the Bid Documents will be treated as AMC event of default

(d) Water Payment Reserve Account (WPRA)

- (i) In any event where the Concessionaire has to draw upon the WPRA for payments, it shall be without the approval of AMC

(e) Costs Incurred During the Preparatory Period

- (i) In the event of termination before the Appointed Date, all costs incurred by the Concessionaire from the date of signing of Concession Agreement till such period of termination, for conducting surveys and studies will be reimbursed by AMC at actual

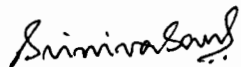
(f) Flexibility

The Concessionaire shall have the flexibility with respect to optimization of design as well as operational parameters

28. We agree to keep this offer valid for 270 (two hundred and seventy) days from the Bid Due Date specified in the RFP.
29. We agree and undertake to abide by all the terms and conditions of the RFP document.

In witness thereof, we submit this Bid under and in accordance with the terms of the RFP document.

Yours faithfully,



S. Srinivasan
Senior Vice President
IL&FS Water Limited



Date: November 29, 2010

Place: Chennai