



VINDHYACHAL HYDRO POWER LTD.

Empire House, 214, Dr. D. N. Road, Fort, Mumbai - 400 001. (India)

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EVIDENCE (1)

Internal Memo

23rd February 2000

From : Director (Technical)
To : Managing Director
Subject : Funding of Vajra Project

- 1) The Project cost is likely to be Rs. 12 crores and with 70:30 debt equity ratio the loan required would be around Rs. 4.8 crores.
- 2) While negotiating with financial institutions for the loan the following needs our attention.
 - a) Company to get the project registered as infrastructure project under section 10(23)G of the Income Tax Act. This would reduce the tax burden of the financial institution on the interest it earns for the term loan extended to the project and in turn help us get a proper rate of interest from the Bank for the term loan.
 - b) Vajra project is eligible for interest subsidy from Ministry of Non-Conventional Energy Sources since 3 MW comes under small hydro project category. We need to make the application only after commencement of loan dispersal and subsidy will be based on the prevailing policy at that time.
 - c) The project being a renewable energy source can get benefit under Kyoto Protocol reducing the carbon emissions. In the seminars, people are talking that at 12 million units generation the project may get about 8,000-10,000 tons of carbon credit and at the rate of \$1-\$2 per ton the amount would be in the range of \$15,000 to \$20,000 per year. However, nobody is sure of the exact procedure and the likely cost to be incurred before getting this benefit. However, we need to keep a track of progress internationally, in this matter.



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- 3) From the European equipment suppliers, supplier credit on soft terms is normally available while selecting the equipment from vendor. We will have to discuss the possibility of their giving us this facility to us.
- 4) Wind energy is getting substantial benefit by way of sales tax. Since, small hydro is also renewable energy source, we should try to impress upon the concerned this facility to our project. Immediately, action will be initiated to get 10(23)G registration and necessary paper work will be done at appropriate time to get the MNES subsidy.

This is for your information.

With regards,

M.N. Ramachandra