

ANNEXURE-5

ND/2001-02/EPC-SESA/11.2

May 14, 2002

Mr. Amit Pradhan

Director (Group Supply)

M/s. Sesa Kembla Coke Company Limited

P.O. Box 125, Sesaghor

20, EDC Complex, Patto

Panjim

Goa 403 001.

Dear **Mr. Amit Pradhan,****30 MW Power Project at Sesa facility, Goa.**

This has reference to a recent press coverage in a leading daily, on possible suspension of Sesa's operations.

As you are aware, during the discussions we have had in the past, the issue of "continued availability of the gases at Sesa's facilities" was raised as our prime concern for viability and bankability of the power project and all financial institutions have also identified this as the single biggest risk factor.

While BSES has always been pursuing this as a significant risk, Sesa has been justifying availability of the gases on a sustained basis citing long-term viability of its business operations over the term of the agreement i.e. 15 years.

Contrary to the above assertions by SESA, we now see from the news, the factors like heavy losses incurred by Sesa, continued recession in Steel Industry world-wide, heavy dumping from foreign markets and the reduced duty etc. as key issues being flagged by SESA and these have caused grave concern within BSES on viability and financibility of the Power Project.

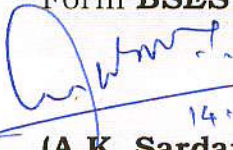
Each of these aspects is of such great concern that it might affect the risk allocations under the proposed structure. Needless to add that these risk perceptions would also have their impact on the lenders' view also on the financibility of the Project.

While we are looking into these areas in detail, we request you to send us your views on the above. We would also suggest SESA to accept to undertake at SESA's cost, an independent study by reputed consultants such as CRISIL/E&Y/KPMG on comprehensive business issues related to SESA's operations particularly on the factors that we have raised in the past related to sustenance of operations and long term availability of fuel to the proposed power project.

We await your response on the above.

With regards,

Yours sincerely,
From **BSES Limited**


14.05.2002

(A.K. Sardana)
Vice President (BD & EPC)

ANNEXURE - 5

Corporate Business Development

BSES Tower

A-2, Sector - 24

Noida - 201301, India

Ph / Fax : Code(Outside 0118-Delhi91)-

Ph : 4557218, 4557119, 4557167, 4520235

Fax : 4558908, 4526383

E-mail : anilsardana@vsnl.com

Website : http://www.bses.com

ND/BD/2002-03/SESA/11.2

June 11, 2002

Director (Group Services)
Sesa Kembla Coke Company Limited
P.O. Box No. 125
SesaGhor
20 EDC Complex, Patto
Panjim, Goa- 403 001.

Kind Attn: Mr. Amit Pradhan

Dear Sir,

30 MW Group Captive Power Plant at Amona, Goa

This has reference to our letter No. ND/2001-02/EPC-SESA/11.2 dt. May 14, 2002 with enclosed press coverage on possible suspension of Sesa's operations and the subsequent discussions held at our office on June 10, 2002 on the above subject, wherein the following course of action was suggested for supply of the MOU and initialling of the PDERA:-

1. In view of the continuing concern from our side related to sustenance of coke business operation and long-term availability of coke oven gas for the proposed power project, which has been raised by us in earlier occasions, an independent study by CRISIL shall be carried out for which the terms of reference shall be finalised within next one week and mandate be confirmed by fourth week of June' 02. CRISIL is expected to complete the study by first week of August, 02. Subject to the outcome of the study supporting a satisfactory scenario on the long-term availability of the gases and satisfactory resolution of the issue covered in point No. 2 mentioned here-in-below, the MOU can be signed and PDERA initialled by end of August, 02 after submission of report by CRISIL. The cost of the above study shall be initially borne by SESA and subject to the condition that the same shall be reimbursed by BSES upon implementation of the project.
2. The current contractual structure in the PDERA was based on an assumption that the price of comparative fuel and the electricity tariff in Goa shall have a normal upward trend with the routine inflationary increase. Accordingly, a change order provision was included in the PDERA as per which, in case of a


reduction in fuel prices or a drastic increase of electricity tariff, the impact of the same could be re-negotiated. However, it has been observed that very recently, the electricity tariff in Goa has been reduced depicting an unusual trend impacting the viability of the project. The impact of this needs to be addressed and the risk involved with this kind of trend needs to be addressed suitably in the PDERA.

3. As the current term sheet of PDERA is almost in an agreement form, BSES shall complete the legal vetting of the said term sheet without changing the commercial understanding for an early finalisation.

We hope that the above is in order and in case of any clarification please revert back for our early response.

Regards,

For BSES Limited


f (VIVEK BISWAL)

3. The current contractual structure in the PDERA was based on an assumption that the price of comparative fuel and the electricity tariff in Goa shall have a normal upward trend with the routine inflationary increase. Accordingly, a change order provision was included in the PDERA as per which, in case of a

ANNEXURE - 5

ND/BD/2002-03/Sesa
28th October, 2002

Sesa Goa Ltd
Sesa Ghor
Panjim, Goa

Kind Attn: Mr. Amit Pradhan - Director

Dear Sir,

**30 MW Sesa Goa Group Captive Power Plant Located at
Amona/Navelim, Goa.**

We write to you with reference to the letter of award placed on us for the above project. In this regard, we would like to re-iterate our keen interest and commitment to the project.

However, oddly enough there has been a marked drop in the HT Industrial tariff in the state of Goa since the time that the project was bidded by BSES impacting the revenue stream of the proposed project as also the competitiveness of the power tariff of the plant in turn affecting the dispatch level of the plant which adversely affects the cash flow and the debt coverage ratio. The issue was taken up by BSES with SESA in the meeting held on 18th Sept'02 in Goa for further due consideration so as to collectively address the issue of revenue shortfall.

Further in a scenario of dropping tariff, we feel that it is important to more specifically ascertain certain of the key project parameters which were otherwise planned to be carried out during the project development stage. These include arriving at firm project cost after calling for fresh EPC offers, basic engineering and finalisation of configuration and sizing of main plant equipment, transmission route survey to ascertain the exact transmission cost and load requirement & load curve study to gauge the realistic achievable offtake level.

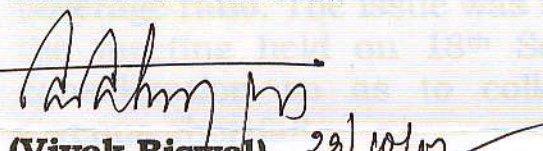
We contemplate that the above exercise could be completed in 2-3 months time for which we can jointly make a complete schedule with specific milestones. This would not affect the project schedule as subsequent to these activities the project development period would be shortened accordingly. In this regard, while SESA has agreed to bear the cost of the Credit rating agency for the longterm business outlook study, the rest of the activities shall be taken up by us with assistance of SESA.

At this time we would like to confirm that we have moved the proposal for executing the MoU with SESA for our Board's approval which shall be considered by our Board in its meeting on 7th Nov'02. Regarding the PDERA term sheet, we have two alternatives, one is to initial the Term sheet now subject to minor modifications if any which may become necessary to incorporate as a result of downward tariff revision more specifically ascertained through the above studies or alternatively initial the Term sheet after the above details are confirmed.

We would revert to you immediately after our Board Meeting on November 7, 2002.

Thanking you,

Yours faithfully,
For **BSES Limited**


(Vivek Biswal) 29/10/02

Further in a scenario of dropping tariff, we feel that it is important to more specifically ascertain certain of the key project parameters which were otherwise planned to be carried out during the project development stage. These include arriving at firm project cost after calling for fresh EPC offers, basic engineering and finalisation of configuration and sizing of main plant equipment, transmission route survey to ascertain the exact transmission cost and load requirement & load curve study to gauge the realistic achievable off-peak level.