



**KALANI
INDUSTRIES LIMITED**
(An ISO 9002 Company)



A.K. Pandey
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Rajesh

MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding (MOU) is made on this 27th day of February, 2001, by and between

Kalani Industries Limited, a Company registered under the Indian Companies Act, 1956 (hereinafter referred to as KIL, which expression shall, where the context so admits, include their respective nominees, heirs, executors, administrators).

And

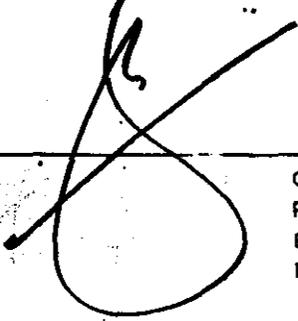
Enercon (India) Limited, a Company registered under the Indian Companies Act, 1956 (hereinafter referred to as EIL which expression shall, where the context so admits, include their respective nominees, heirs, executors, administrators)

Whereas, KIL has desired to install 12 Enercon E-30 turbines of 230 KW each (hereinafter referred to as the said turbines) at Barabag site in Jaisalmer, in the State of Rajasthan.

And whereas, EIL has agreed to supply and commission the said turbines in the State of Rajasthan at Barabag site in Jaisalmer District, the land for which has already been allocated to KIL by Rajasthan Energy Development Agency (hereinafter referred to as REDA).

And whereas, it has been agreed that the project will be funded by way of Promoter's Contribution / Unsecured Loans to Kalani Group by EIL and loan from Indian Renewable Energy Development Agency (hereinafter referred to as IREDA).

And whereas, it was agreed previously that the responsibility for the sanction of loan from IREDA to M/s. KIL is of EIL. For this the fees of their consultant, Dr. J. Bhattacharya, will be payable by M/s. KIL at the rate of 0.5% of the loan amount.


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And whereas, it was the understanding that the loan sanctioned from IREDA would be to the tune of Rs. 1200 lacs. However, IREDA has now sanctioned a loan of Rs. 945 lacs towards the cost of the project (hereinafter referred to as the said loan).

And whereas, KIL shall endeavour to get this loan disbursed at the earliest and pay to EIL as and when the loan is disbursed by IREDA.

And whereas the balance necessary Promoters' Contribution is in the process of being inducted by M/s. KIL towards the cost of the project which will enable the release of the said loan from IREDA.

And whereas, after accounting for the said loan, there is approximately a shortfall of approx. Rs. 431 lacs to be paid to M/s. EIL, towards the supply, installation and commissioning of the said turbines.

And whereas, apart from the above, the cost estimated for the balance infrastructure including the switchyard, internal lines, common road and up to the interconnection to the Rajasthan State Electricity Board grid is estimated to be approx. Rs. 30 lacs for which the contract has been given by M/s. KIL to M/s. Akash Switchgear Pvt. Ltd. This payment will be made on actuals directly by M/s. KIL to M/s. Akash Switchgear Pvt. Ltd. However, the supervision for carrying out this work by Akash Switchgear Pvt. Ltd. shall be the responsibility and is included in the scope of work of M/s. EIL.

In view of the above, both parties hereby agree to the following understanding for co-operation between them:

1. The balance between the payment to be made to EIL and the loan amount, will be funded by M/s. EIL by way of Unsecured loan to the Kalani Group. This amount, on this day of execution of the MOU is approx. Rs. 414 Lacs.

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2. It was previously understood that the loan sanctioned from IREDA would be to the tune of Rs. 1200 lacs. Now that the loan has been sanctioned for Rs. 945 lacs, it has created an additional shortfall of Rs. 255 lacs, which is included in the overall payment to be made to EIL of approx. Rs. 414 lacs.
3. For this additional shortfall of Rs. 255 lacs, KIL shall pay to EIL simple interest at the rate of 13.5% per annum, calculated on reducing balance basis, from the date of commissioning of the said turbines (which as per commitment of EIL are to be commissioned by 30th April 2001) till the amount is actually paid to EIL. It is further agreed that if the disbursement of the said loan by IREDA is delayed beyond the date of commissioning, then KIL shall also pay interest at the rate of 13.5% on the undisbursed amount by IREDA, calculated in the manner in which IREDA calculated its rate of interest. The date of commissioning will be considered as the date from which the turbines are duly erected and interconnected with the RSEB grid.

It is clarified that since commissioning of the said turbines is being done in two phases, the disbursement of the loan from IREDA will also be made accordingly in the following manner:-

- (a) If six turbines are commissioned on or before 31st March, 2001, then 50% of the said loan will be made available to Enercon.
 - (b) The balance 50% of the loan will be made available on the commissioning of the remaining six turbines.
4. It is agreed that the total amount to be paid to M/s. EIL of approx. Rs. 414 lacs as mentioned above, will be repaid by KIL in the following manner / options :
 - a. KIL shall try to obtain NOC from IREDA to raise an additional loan to the maximum possible extent and shall get DPG / term loan from any Bank / Financial Institution and shall pay to EIL to the extent of the loan sanctioned, by November, 2001 or before.

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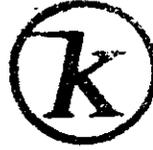
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- b. In case the above option is not possible due to non-acceptance by IREDA, for the NOC or non-sanction of loan to KIL, or shortfall in the loan sanctioned, KIL shall pay to M/s. EIL towards the Unsecured loan to the Kalani Group for the outstanding amount to EIL in the following manner.
- i. Rs. 15 lacs per month starting from January, 2001 upto November, 2001 making a total payment of Rs. 165 lacs.
 - ii. Rs. 25 lacs per month, starting from December, 2001, till the balance amount outstanding of Rs. 249 lacs is paid off alongwith the interest calculated as per clause No. 3 above.
5. M/s. EIL guarantees to erect and commission the said turbines in the following manner:
- a. Four turbines out of the said turbines, will be commissioned on or before 15th March, 2001 and two more turbines will be commissioned on or before 31st March, 2001.
 - b. The balance six turbines out of the said turbines will be commissioned on or before 30th April 2001.
 - c. In case of the commissioning of the turbines is delayed beyond the committed dates as above, a penalty of 10% of the cost of the project, i.e. Rs. 160 lacs would be levied and would be adjusted from any payment that is to be made to M/s. EIL. It is reiterated that the date of commissioning is defined as the date on which the turbines are duly erected and interconnected with the RSEB grid.
6. M/s. EIL shall guarantee a generation of 5.6 lacs KWH per turbine per year on average basis for a period of two years. In case there is a shortfall in the guaranteed generation, M/s. EIL shall compensate the same at the prevailing RSEB rate, to the extent of shortfall in the power revenue.

It is further agreed that in case of generation over and above the 5.6 KWS per turbine per year, then M/s. KIL shall give a generation incentive of Rs. 1 per KWH for the excess generation in the first year of the guarantee period.

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8. All responsibilities regarding the Government's clearances, including the Commissioning Certificate from the Electrical Inspector and all the statutory payments for setting-up the wind farm and evacuation of power, etc. are of KIL.
9. During the guarantee period of two years, maintenance charges @ 10 Paise per KWH shall be payable to M/s. EIL by KIL. After the guarantee of two years as defined above, the maintenance charges shall be @ Rs. 1,10,000/- per turbine, per year, to be escalated at the rate of 7.5% per annum, over the previous year, for a period of next 8 years. It is clarified that the above maintenance contract is a comprehensive maintenance contract and includes all spare parts and repair as and when necessary to the turbines. For this M/s. EIL will forward a separate Agreement.
10. Apart from the Maintenance as mentioned above, the Operation of the said Turbines will be undertaken by EIL at a yearly price of Rs. 4,00,000/- per annum to be escalated at the rate of 5% per annum for a period of 10 years.

For **KALANI INDUSTRIES LIMITED**

for **ENERCON (INDIA) LIMITED**

Manish Kalani
Managing Director

Yogesh Mehra
Managing Director