BOBY, FRANCIS & PRADEEP
CHARTERED ACCOUNTANTS

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Date ....

The Director,
Patspin India Limited,
Palal Towers, M.G.Road,
Cochin

Dated 28th January 2006

Attn: Mr. P.C.Seksaria.

Financial Evaluation regarding the proposed investment in 4 numbers of windmills to be located in Tamil Nadu

Preamble

This has reference to your letter dated 22.1.2006, giving the assignment to carry out financial evaluation of the proposal for investing in 4 numbers of windmills by M/s. Patspin India Limited in the State of Tamil Nadu.

Project evaluation along with our findings is furnished hereunder:

Scope of Project:

Setting up of:

- 2 numbers of windmills of 1.25 Mw capacity each of Suzlon Make, proposed to be installed in April/May 2006.
- Another 2 windmills of 1.65 Mw capacity each of NEG Micon Make, planned for commissioning in April/May 2007.

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Significant assumptions

Sl No	Parameter	1.25Mw	1.65Mw
1.	No. of Wind Mills	2	2
2	Expected Investment per Wind Mill	Rs.613 lakhs	Rs.1100 lakhs
3	Expected Date of Commissioning	April 06	April 07
4	Revenue Pattern	Wheeling (captive consumption) expected from Sept 2007; till then, sale to TNEB	Wheeling (captive consumption) expected from Sept 2007; till then, sale to TNEB
5	Expected Gross generation (Units in lakhs, per Wind Mill)	34.0	56.5
6	Allowance for wind uncertainty	10%	10%
7	Allowance for Modeling error	5%	5%
8	Machine availability	95%	95%
9	Grid Availability	95%	95%
10	Net Generation expected at Controller, per Wind Mill (Units in lakhs)	26.23	43.60
11	Line Loss	2.5%	2.5%
12	Wheeling charges upon captive consumption	5%	5%
13	Net Units after wheeling, per Wind Mill (in lakhs)	24.30	40.38

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14	Net Units considered for the Total Project (lakhs units)	129.36	
15	Sale rate per unit	Rs. 2.70	Rs. 2.70
16	Power tariff per unit including duty	Rs. 3.67	Rs. 3.67
17	Interest rate on Re Term Loan (No TUFS benefits available)	10.25%	10.25%
18	Repayment period of Term Loan	10 years including 2 years initial moratorium	10 years including 2 years initial moratorium
19	O&M charges/MBD per Wind Mill (from 2nd year onwards, with 5% escalation each year from 3rd year)	Rs. 10 lacs	Rs. 12 lacs
20	Insurance charges per Wind Mill	Rs. 0.5 lacs	Rs. 1.0 lac
21	Debt : Equity	80:20	80:20
22	Estimated realization per CER	19 EUR @ Rs. 58/- per EUR	
23	Expected CER (@ 1 CER for every 930 Units of generation)	5226	8684
24	Total estimated CERs for the Project	13,910	
25	Estimated Life of Wind Mills	20 years	
26	Period of Availability of Carbon credit revenues	10 years	

Methodology of evaluation:

2 sets of calculations have been made, taking the Pay Back Method as a basis for Project evaluation, one without considering the potential revenues arising out of CERs, and another one after considering such CER revenues.

The relevant calculation sheets and related financials are attached for your reference.

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Summary of evaluation Results

Particulars	1.25 MW	1.65 MW
Pay back period without considering CERs (years)	12.33	12.26
Pay back period after considering CERs (years)	8.79	8.87

Findings:

Based on the review of the worksheets and validating the assumptions as to their reasonableness and practicality, it follows that the Project would be economically viable and financially sustainable only upon consideration of revenue from CERs as in our opinion, projects of this nature must pay back in 9 to 10 years time, which corresponds to an average ROI of around 10 to 11 % p.a

Conclusion

It is advised that , you may consider the above project investment on the basis that the project will be supported and complemented by the revenues from the potential CERs , since it is evident that the project would be financially sustainable only after taking into account the cash accruals from CERs available under CDM to the company.

For BOBY, FRANCIS & PRADEEP
Chartered Accountants

K.C. PRADEEP KUMAR
Partner

M. NO. 202145

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