



RAVIKIRAN POWER PROJECTS (P) LTD.

Regd. Office: 1071, Road No.44, Jubilee Hills, Hyderabad - 500 033, INDIA
Tel : 040-32915858, 32946868, FAX : 040-23540287
E-mail : info @ greenkogroup.com

April 30, 2007

The Secretariat,
CDM Executive Board,
UNFCCC,
Bonn, Germany.

Dear Sir,

Sub: Request for review for "7.5 MW Grid Connected Biomass Power Project by Ravikiran Power Projects (P) Limited in India (0971) – Submission of response to the comments raised by review team - Reg.

Kindly refer to the communication from the Executive Board in respect of 7.5 MW grid connected biomass power project by Ravikiran Power Projects (P) Limited in India and we furnish for your kind review our detailed response.

The Request for Review states, "The analysis of additionality in the PDD is unconvincing and the Validation Report does not provide further arguments to justify additionality of the project.

Also since no spread sheet containing a financial analysis was presented with the PDD, it is difficult to reach a decision regarding additionality based on these conflicting figures. To base additionality on the benchmark analysis, the PDD should provide:

- a) a clear justification of the cost of capital identified as the benchmark
- b) clarify the structure of the applicable power purchase tariff, and
- c) a proper choice of the IRR (Project or Equity) and a transparent calculation of the same

The Request for Review, in effect seeks clarification on four issues, viz.,

1. Additionality
2. Justification of the cost of capital identified as benchmark
3. Structure of applicable power purchase tariff and
4. Proper choice of the IRR – whether Project or Equity – with transparent calculations.

The following paragraphs clarify the above issues in seriatim;

1. Justification of Additionality

The project faces two types of barriers, viz.,

- 1.a. Common practice barrier
- 1.b. Investment barrier

1.a Common Practice barrier: The project was initiated in the year 2001 (license obtained from the Government of Karnataka is enclosed as Annexure-1). During that period, it was not a



Project Site: Near Devi Nagar Camp, Kampli Road, Gangawati - 583227, Karnataka
Tel: +91 (0) 8533 63150 Fax: +91 (0) 8533 263162



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common practice to establish biomass based power generation plants in the State of Karnataka. Only one plant i.e., '4.5 MW Malavalli Power' was commissioned in the State of Karnataka, when the project proponent received the license. This project also subsequently registered with UNFCCC under Ref. 0298 dt.21st July'06. This is against the total installed capacity of 5737 MW power generation in the State from all sources. Thus it is demonstrated that power generation from biomass is not a common practice in the State of Karnataka.

1.b. Investment barrier:

1.b.1. Low Return on Investment

The investment in any project should yield a return commensurate with the benchmark return (weighted average cost of capital). In the case of this project activity, the bench mark return worked out to 16.96%. In contrast the IRR of the project in the base case scenario worked out to 11.82%, which clearly indicates that the project is not viable without CDM revenues. Even under the most optimistic conditions of an increase in Tariff by 5%, an increase in PLF by 5% and a decrease in fuel price by 5%, the IRR of the project activity works out to 14.2%, 13.18% and 12.86% respectively which are below the bench mark return with out considering the CDM revenue.

The project IRR has also been worked out reflecting the post project scenario considering the present tariff eligible to the proponent at an average of Rs.3.05 per KWh (with Rs.3.10 per kWh up to 6 MW generation and at Rs.2.85 per kWh beyond 6 MW and up to 7.5 MW) with an annual escalation of 2%. The base price of fuel is considered at Rs.900 per tonne that was prevailing during project commissioning time. Even in this case the project IRR is working out to 13.93%. To sum up the project IRR in all scenarios is observed to be less than the benchmark return (WACC) of 16.96%.

The IRR calculations and the Benchmark (WACC) worked out in excel sheet together with the assumptions are furnished separately in attachment.

1.b.2. Tariff Uncertainty: The power purchase tariff underwent revision three times since the project was conceived by the Project Proponent (PP). Before the project implementation commenced, the project proponent had entered into a PPA (June 10, 2002) whereby the

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Karnataka Power Transmission Corporation Ltd. (KPTCL) had agreed to purchase the power generated by the project proponent at Rs.2.25 per Kwh with an yearly escalation of 5% on base tariff with base year as 1994-95 (relevant extract from PPA enclosed as Annexure – 2). Based on this PPA, the project proponent would have been eligible for a tariff of Rs.3.67 per Kwh.

However even before the financial closure (loan agreement signed with the lenders on August 27, 2003), the KPTCL unilaterally cancelled the PPA and revised its tariff to Rs.2.80 with an annual escalation of 2% on base tariff vide its letter dated July 5, 2003 (Enclosed as Annexure – 3). This is the first uncertainty on power purchase tariff the project proponent faced.

Hence, the tariff considered in PDD is Rs.2.80 per Kwh. with an escalation of 2% per annum.

This uncertainty in power tariff continued even after the proponent commissioned the project in June, 2005 as evidenced by the revised tariff regulation brought out by KPTCL wherein they fixed a differential tariff based on capacity. The tariff had been fixed at Rs.3.10 per Kwh for power generation up to 6 MW and at Rs.2.85 per Kwh for any generation beyond 6 MW and the proponent has entered into an agreement with this tariff on 29th day of November'05 without any option, that is after commissioning of the project (Enclosed as Annexure – 4).

Thus, the tariff uncertainty (which is a barrier for the project) has been clearly demonstrated by the frequent revisions by the Utility.

1.b.3. Biomass price and availability uncertainty: Since the project activity was one of the first few projects in the State of Karnataka, the project proponent was confident of getting sufficient quantity of bio mass as proved by the biomass assessment survey carried out at the time of conceptualization of the project. However, as the project creates commercial value for the crop residues, the project proponent were aware already at the time of taking investment decision that there would be strong risk of the price of biomass resources might increase after the project is established. At the time of project planning, there was no past history of prices of crop residues where the requirement is on continuous basis. Moreover, there was also no mechanism for collection and supply of biomass materials. Further, it was also clear that the prices of the biomass resources would be different if they are procured during non-cropping season. Infact, when the project was conceptualized, the biomass prices (landed cost) were



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estimated at Rs.500-600 per tone and the prices underwent significant change even during financial appraisal of the project. The price went upto Rs.800 per tone at the time of commencement of the project activity. The biomass prices even increased further to Rs.900 to Rs.1000 at the time of commissioning of the project.

To sum up, the project proponent faced a strong risk of changes in fuel prices as well as uncertainty with respect of availability at the time of investment decision.

Thus, the foregoing proves that the project is additional as it faces common practice barrier and investment barrier.

2. Clear justification of the cost of capital identified as bench mark

Cost of capital given in the PDD is the post-tax weighted average cost of capital. It consists of two components, viz., debt and equity. The cost of debt represents the weighted average cost after taking into account interest subsidy provided by the Ministry of Non-Conventional Energy Sources, Govt. of India. The cost of Equity represents the required return adjusted to various statutory transfers and payments to be made before declaration of dividend. Since in India, declaration of dividend should be preceded by dividend distribution tax and transfer to reserves, necessary provisions have been made for the above while computing the post-tax cost of Equity. The spread sheet showing the computation is enclosed.

Cost of debt evidencing term loan sanction letters attached in Annexure-5.

3. Structure of the applicable power tariff:

In the base case, the applicable tariff considered is of Rs.2.80 per Kwh with an escalation of 2% every year as indicated by the Utility vide its letter dated July 5, 2003 (Annexure 3).

4. Proper choice of IRR (Project or equity) and transparent calculation of the same:

The PDD provides only Project IRR. The IRR has been computed for the cash flow of the project. The cash flow has been defined as profit after tax plus depreciation plus interest on



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term loan. Accordingly the benchmark rate taken for comparison includes cost of debt as well as equity. The project proponent has selected Project IRR as the bench mark (WACC).

The above argument presented now more elaborately in the PDD are real and therefore present the barriers faced by the project activity to demonstrate additionality of the project.

Copy of the revised PDD giving effect to the above clarifications is also furnished.

Please feel free to contact us for any further information.

Thanking you,

Yours faithfully,

For **Ravikiran Power Projects (P) Limited,**

K. Mahesh

(K.Mahesh)

Managing Director

Annexure

1. In principle clearance from Government of Karnataka for setting up of the project
2. Extract from Power Purchase Agreement indicating the power purchase price (Article 5 – Rates & Charges)
3. Letter issued by KPTCL terminating the PPA and indicating the revised tariff
4. Supplemental Agreement (modifying the PPA) executed between Gulbarga Electricity Supply Company Ltd., and Ravikiran Power
5. Term loan sanction letters from funding institutions evidencing rate of interest on debt.
6. Project IRR and Benchmark analysis in soft copy (excel spreadsheet separately attached)



Government of Karnataka

176 NOV 2000

Karnataka Government Secretariat
Multistoreyed Building,
Bangalore-1, dated 7-9-2001

M/s. Ravikiran Power Projects (P) Limited,
No. 1183/8-3-430/1/23, St. No. 10,
Bellareddyguda,
Hyderabad - 500073.

Sir,

Sub : According to principle clearances
for setting up Biomass Power Generation
Plant by M/s. Ravikiran Power Projects (P)
Limited at Marlanahalli village, Gangavati
Taluk, Koppal District - reg.

Ref : Letter No. KREDD/03/BURPL/00/1176 Dtd. 9.11.2000
received from the Managing Director,
KREDD, Bangalore.

With reference to the subject and recommendation
of the Managing Director, Karnataka Renewable Energy Development
Limited, Bangalore cited under reference above, I am directed
to state that the Government are pleased to convey "No Objection"
for setting up of 6 MW Biomass based power plant to M/s.
Ravikiran Power Projects Private Limited at Marlanahalli
Village, Gangavati Taluk, Koppal District, subject to the
following conditions.

1. The Company shall obtain separate clearances from
Karnataka Power Transmission Corporation Limited,
in respect of evacuation of power.
2. The company shall enter into a Wheeling and
Banking Agreement with Karnataka Power Transmission
Corporation Limited in case of selling power
to third party and PPA in case of selling
power to KPTCL.
3. The Company shall obtain necessary statutory
clearances wherever required from the respective
Department/Organisation such as Forest Department,
Revenue Department, Karnataka State Pollution
Control Board for the Power Plant.

4. The Detailed Project Report (DPR) for the Power Plant shall be not approved by KREDL, before the commencement of the Power Plant.

B.K. Srinivasa Rao Yours faithfully,

B.K. SRINIVASA RAO
Joint Secretary to Government
Energy Department
(B.K. Srinivasa Rao)
Under Secretary to Government
Energy Department.

Copy to :

1. The Secretary to Government of India, Ministry of Non-Conventional Energy Sources, CGO Complex, New Delhi-3.
2. The Joint Secretary to Government of India, Ministry of Non-Conventional Energy Sources, CGO Complex, New Delhi-3.
3. The Principal Secretary to Government, Forest Ecology and Environment Department, H.S. Building, Bangalore.
4. The Principal Secretary to Government, Revenue Department, H.S. Building, Bangalore.
5. The Chairman and Managing Director, KPTCL, Convery Bhavan, Bangalore-9.
6. The Deputy Commissioner, Koppal District, Koppal.
7. The Managing Director, Karnataka Renewable Energy Development Limited, No. 1, Coffee Board Building, Dr. B.K. Ambedkar Veedhi, Bangalore-1.
8. The Chairman, Karnataka State Pollution Control Board, Utility Building, H.G. Road, Bangalore-1.
9. The P.O. to Minister of State for the Energy, Vidahana Bhavan, Bangalore-1.
10. Section Officer File.
11. Office Copy.
12. Spare Copies.

Annexure: IV

POWER PURCHASE AGREEMENT

BETWEEN

KARNATAKA POWER TRANSMISSION
CORPORATION LIMITED

AND

RAVIKIRAN POWER PROJECTS PRIVATE
LIMITED

DATED: 10/06/2002



THIS POWER PURCHASE AGREEMENT is made and entered into at Bangalore this Tenth day of June Two thousand two between KARNATAKA POWER TRANSMISSION CORPORATION LIMITED, incorporated in India under the Companies Act, 1956 and having its registered office located at Kaveri Bhavan, Bangalore, State of Karnataka (hereinafter referred to as the "Corporation" which expression shall, unless repugnant to the context or meaning thereof, include its successors and permitted assigns) as party of the first part, and RAVIKIRAN POWER PROJECTS PRIVATE LIMITED, a company formed and incorporated under the Companies Act, 1956, and a "Generating Company" under section 2(4-A) of the Electricity (Supply) Act, 1948 having its registered office at 494/A, (Part), Road No. 22, Jubilee Hills Hyderabad - 500 053, Andhra Pradesh, India hereinafter referred to as the "Company" (which expression shall, unless repugnant to the context or meaning thereof, include its successors and permitted assigns) as party on the second part.

WHEREAS:

- i) The Govt. of Karnataka by its No. DE 176/NCE 2000, Bangalore dated 07.09.2001, has conveyed "No Objection" to the proposal of the Company for setting up 6 MW capacity Biomass based Power Generating Station near Marlanahalli Village, Gangavati Taluk, Koppal District in Karnataka and permitted Corporation to enter into an agreement with the Company for purchase of Electricity.
- ii) Pursuant to (i) the Company plans to develop, design, engineer, procure finance, construct, own, operate and maintain a Biomass based Power Generating Station, (hereinafter defined as the Project), with a Gross capacity of 6 MW near Marlanahalli Village, Gangavati Taluk, Koppal District and desires to sell Exportable Capacity (as hereinafter defined) to Corporation, and Corporation has agreed to purchase the Exportable Capacity from the company.
- iii) Corporation is engaged in the purchase, transmission, distribution and supply of electricity has agreed to purchase the Electricity (as hereinafter defined) from the company to be generated near Marlanahalli Village, Gangavati Taluk, Koppal District on the conditions set forth herein.

NOW THEREFORE IN VIEW OF THE FOREGOING PREMISES AND IN CONSIDERATION OF THE MUTUAL COVENANTS AND CONDITIONS HEREINAFTER SET FORTH, CORPORATION AND THE COMPANY, EACH TOGETHER WITH THEIR RESPECTIVE SUCCESSORS AND PERMITTED ASSIGNS, A PARTY AND COLLECTIVELY THE PARTIES, HEREBY AGREE AS FOLLOWS

[Signature]
Apharwal

[Signature]

ARTICLE 5
RATES AND CHARGES

5.1 Monthly Energy Charges: Corporation shall for the Delivered Energy pay, for the first 10 years from the date of signing of Agreement, to the Company every month during the period commencing from the Commercial Operation Date on the basis of the base price applicable for the year 1994-95 at the rate of Rs. 2.25 (Rupees Two and twenty five paise) per kilowatt-hour (the tariff) for energy delivered to the Corporation at the Metering Point with an escalation at a rate of 5% per annum over the tariff applicable for the previous year as per guidelines issued by the Ministry of Non-Conventional Energy Sources of the Govt.

5.2 From the 11th year onwards, from the date of signing of Agreement, Corporation shall pay to the Company for the energy delivered at the Metering Point at a rate agreed by mutual negotiations. In case the Parties do not arrive at a mutual agreement on the tariff, the Company shall be permitted to sell power to third parties and enter into a Wheeling and Banking Agreement with Corporation to sell power through the Corporation grid for which it shall pay wheeling charges to Corporation at the rates applicable from time to time in addition to banking charges at the rates applicable from time to time as approved by the Commission, based on the month end balance of the energy banked.

5.3 The Company shall be permitted to use equivalent energy of 10% of the installed capacity for startup, after inspection by the concerned officers of the Corporation and 115% of such energy provided by the Corporation for startup purposes shall be deducted from the energy pumped into the Grid by the Company for determining the amount to be paid by the Corporation to the Company. If energy over and above the above requirement is drawn from the Grid, the same will be billed under the tariff applicable to HT industries (presently HT-2 a) of the Corporation.

Nand Lal

M. S. Jindal

KARNATAKA POWER TRANSMISSION CORPORATION LTD.

Phone : 080-2215187
Fax : 080-2284023
Email : pmg_kptcl@sify.com



Corporate Office
4th Floor, A Block
Kaveri Bhavan
Bangalore - 560 009.

No. KPTCL/BS/SEE (P&M)/AEEE4/4495-05

Dated 25.06.2003

The Managing Director
M/s. Ravi Kiran Power Projects Pvt. Ltd.,
No. 494/4 (Part), Road No. 22,
Jubilee Hills,
Hyderabad - 500 033.

Sir,

Sub: Termination of Power Purchase Agreement.

This is to inform that the Power Purchase Agreement entered into with your company on 10.06.2002 in respect of purchase of power from your proposed 6 MW capacity Biomass based Power project at Marlanahalli Village, Gangavathi Taluk, Koppal District, has been terminated with immediate effect.

In case you intend to continue to develop the project and sell power to KPTCL, you are requested to enter into a fresh agreement as per the following tariff, terms and conditions approved by KPTCL by submitting necessary relevant documents.

A. Tariff: Rs. 2.80 per Kwhr., with an annual escalation of 2% on base tariff of Rs. 2.80 per Kwhr.

B. Terms and Conditions:

1. The tariff proposed above will be applicable for the next 10 years and after which the tariff for purchase of power from Biomass projects will be based only on operating cost and some incentives.
2. Financial Closure shall be achieved within three (3) months of signing of Power Purchase Agreement.
3. Construction work should commence at site within three (3) months of date of achievement of Financial Closure.
4. In case of failure to achieve Financial Closure / commence construction work within the time allotted, the Power Purchase Agreement shall automatically become null & void.

Biomass/Termination

5. Benefits accruing on account of Carbon credits shall be shared between KPTCL and the Company in the ratio of 70:30.
6. The Power factor at which the project is operated shall be at the same level as that of KPTCL grid falling which compensation at the rate of Rs. 0.40 per KVARH shall be charged.
7. In case any of the developers desire to wheel the electricity generated by them to the third party they will be permitted to do so as per the provisions of the Tariff Order issued by KERC.

Receipt of this letter may please be acknowledged.

Yours faithfully,

General Manager (Technical)
KPTCL, Kaveri Bhavan, Bangalore.

Copy for information and needful to:-

1. The Chief Engineer, Electy., Planning & Co-ordination, KPTCL, Bangalore.
2. The Chief Engineer, Electy., Transmission Zone, KPTCL, Gulbarga.
3. The Chief Engineer, Electy., Load Despatch Centre, KPTCL, Bangalore.
4. The Chief Engineer, Electy., Regulatory Affairs, KPTCL, Bangalore.
5. The Financial Advisor (A&R), KPTCL, Bangalore.
6. The Superintending Engineer, Elect., Works & Maintenance Circle, KPTCL, Munirabad.
7. The Superintending Engineer, Elect., RT Circle, KPTCL, Bangalore.
8. The Superintending Engineer, Elect., P&M, KPTCL, Bangalore.
9. The Executive Engineer, Elect., O&M Division, GESOM, Koppal.
10. The Executive Engineer, Elect., RT Division, KPTCL, Bellary.

SUPPLEMENTAL AGREEMENT

THIS DRAFT SUPPLEMENTAL AGREEMENT modifying the PPA dated 10-06-2002 is made at Bangalore this 29th day of November Two thousand and Five between **GULBARGA ELECTRICITY SUPPLY COMPANY LIMITED**, a company formed and incorporated in India under the Companies Act, 1956 with its registered office located at Station Main Road, Gulbarga, GESCO, Karnataka State, hereinafter referred to as the "**GESCO**" represented by the Managing Director (which expression shall, unless repugnant to the context or meaning thereof, include its successors and permitted assigns) as party of the first part,

AND


M/s. Ravikiran Power Project Private Limited, a company formed and incorporated under the Companies Act, 1956 having its registered office at Plot No. 494/A(Part), Road No.22, Jubilee Hills, Hyderabad - 500 033, Andhra Pradesh India hereinafter referred to as the "**Company**" represented by the Managing Director (which expression shall, unless repugnant to the context or meaning thereof, include its successors, and permitted assigns) as party of the second part, each a Party and together the Parties,

WHEREAS

- (i) The Government of Karnataka permitted **M/s. Ravikiran Power Project Private Limited** to set up a Bio mass power project with a gross capacity of 6MW and Exportable capacity up to 6MW at Marlanahalli Village, Gangavathi Taluk, Koppal District in Karnataka vide G.O No: DE 176 NCE 2000 dated 07-09-2001.
- (ii) Pursuant to the above a Power Purchase Agreement dated 10-06-2002 ("The Agreement") was entered into between Karnataka Power Transmission Corporation Limited and the Company for sale and purchase of Electricity, Generated by their 6MW capacity Biomass based electric power Generating station (the project).
- (iii) The Power Purchase Agreement dated 10-06-2002 was terminated by KPTCL during 2003, for the reasons stated therein.
- (iv) The Company disputed the validity of the termination of the Agreement by KPTCL filing the writ petition No. 11266/2004 before Hon'ble High Court of Karnataka and the Hon'ble High Court of Karnataka vide its order dated 12-04-2004 has stayed the termination order issued by the Corporation, pending Writ Petition.
- (v) The Government of Karnataka vide its Order No.EE 253 NCE 2002, dated 28-09-2002 accorded sanction to the company for enhancement of their Biomass power plant Capacity from 6.0MW to 7.5MW.
- (vi) The Company has obtained the revised evacuation approval for evacuating the enhanced Capacity of 7.5MW from their Biomass power plant vide

For **Ravikiran Power Projects Pvt. Ltd.**


Managing Director.


Director (Procurement)
JPECC, GOK, Bangalore

letter no. CEE (P&C)/SEE(PLG)/EE(PSS)/F-117/cys-80 dated 26-06-2003
of Chief Engineer Electy. (P&C).

- (vii) During the pendency of the Writ Petition it has been agreed to reinstate the terminated contract subject to the condition that the company agrees to sell electricity at the rate of Rs. 3.10/unit for proportionate energy exported corresponding to the earlier capacity of 6.0 MW and at the rate of Rs. 2.85/unit for balance energy over and above 6.0MW and up to 7.5 MW (Presently agreed Capacity) and with escalation at 2% per annum is payable.
- (viii) M/s. Ravikiran Power Project Private Limited has accepted the above and based on the same they have commissioned the project as enhanced on 01.06.2005.
- (vi) As per Electricity Act 2003 KPTCL is barred from trading electricity with effect from 10-06-2005. Hence the PPA dated 10-06-2002 in respect of M/s. Ravikiran Power Project Private Limited was assigned to GESCOM by GOK vide its order dated 31-08-2005. For the enhanced capacity the supplemental Agreement with the Tariff as mutually accepted need to be executed between the parties.
- (vii) Negotiations have been held between the Parties and they have arrived at a mutually acceptable settlement.

NOW THEREFORE, in view of the foregoing premises and in consideration of the mutual covenants and conditions hereinafter set forth, the Parties hereby agree to amend/modify the Agreement dated 10-06-2002 as follows;

1) Parties agree that the Power Purchase Agreement dated 10-06-2002 shall stand revived subject to the following modifications and approval by the Karnataka Electricity Regulatory Commission.

1) Article 1: "Definitions"

The following definitions in the Power Purchase Agreement shall stand modified as follows

- a) "GESCOM" means Gulbarga Electricity Supply Company or its successor Entity.
- b) "GESCOM's Electrical System" means which includes the GESCOM's power distribution lines, Transformers, Circuit Breakers, CT's, PT's, relays, towers, structures and associated equipments involved in the transmission of Electrical energy.
- c) "Installed Capacity" means the capacity of the Project at the generating terminal(s) and shall be equal to one unit of 7.5 MW

d) "Project" means a Biomass based/Agricultural Residue Based Power Station to be established by the Company in Koppal District, in the State of Karnataka

For Ravi Kiran Power Projects Pvt. Ltd.,

Venkata Managing Director.

Director (Procurement)
SPFCC, GOK, Bangalore

comprising of a Unit with an Installed capacity of 7.5 MW and shall include land, buildings, plant, machinery, ancillary equipment, material, switch-gear, transformers, protection equipment and the like necessary to deliver the Electricity generated by the Project to the Corporation at the Delivery Point.

- e) "State Load Despatch Center" means the State Load Despatch Center located at Bangalore. The definition of Corporation Load Despatch center as defined in The Agreement dated 10-06-2002, herein after be replaced with State Load Despatch Center.

2) Article 5.1 and 5.2 shall stand replaced as follows.

"Article 5: Rates and Charges

5.1. Monthly Energy Charges: GESCOM shall for the Delivered Energy pay, for the first 10 years with effect from 10-06-2002, (the date of signing of "The Agreement") to the Company for the period commencing from the Commercial Operation Date, every month at the rate of Rs. 3.10 (Rupees Three and Ten paise only) per kilowatt-hour ("base tariff") for the proportionate energy corresponding to the earlier capacity of 6.0 MW and at the rate of Rs. 2.85 (Rupees Two and Eighty Five Paise only) Per Kilowatt-hour ("base tariff") for the energy over and above the Capacity of 6.0MW and upto 7.5 MW(Presently agreed capacity), delivered to GESCOM at the Metering Point with a respective escalation at the rate of 2% per annum over respective "base tariffs" every year. This shall mean that the annual escalation will be at the rate of Rs.0.062 per Kwhr and Rs. 0.057 per Kwhr. respectively.
For the purpose of clarity, the following is the calculation of energy

$$\text{Energy to be billed at Rs.3.10/Kwhr in MU (Y)} = \frac{\text{Net energy exported to the grid X 6.0MW}}{7.5 \text{ MW}}$$

$$\text{Energy to be billed at Rs.2.85/unit in MU} = (\text{Net energy exported to the grid} - Y)$$

5.2. From the 11th year onwards, from the date of signing of ("The Agreement"), GESCOM shall pay to the Company for the energy delivered at the Metering Point at a rate to be determined by the Commission. In case the GESCOM is unwilling to purchase the power at the rates determined by the Commission, the Company shall be permitted to sell energy to third parties and enter into a Wheeling and Banking Agreement with GESCOM/Corporation to sell power for which it shall pay transmission and other charges to GESCOM/ Corporation at the rates applicable from time to time.

5.4. The Company shall agree to pay to the GESCOM, on or before signing of this supplemental Agreement, at the rate of Rs. 37,000/- [Rupees Thirty Seven Thousand only] per MW of installed Capacity of 7.5 MW and for fractions thereof on a pro rata basis as a one time lump sum payment for the sole purpose of providing the required MVAR capacity at the sub-station of the KPTCL/GESCOM to which the Project is interconnected to supply the requisite reactive power to the "Grid system." KPTCL/GESCOM shall install the capacitors of required capacity at the substation of the Corporation/GESCOM to which the project is interconnected before Commercial Operation Date of the Project.

3) This Supplemental Agreement shall form and be construed as a Part of the Agreement dated 10-06-2002, and all other terms and conditions and clauses as

For Ravi Kiran Power Projects Pvt. Ltd.,


Naveena
Managing Director.

[Signature]
3
Director (Procurement)
PPCC, GOK, Bangalore



contained in the Agreement dated 10-06-2002, shall remain unaltered and enforceable and binding on the Parties.

IN WITNESS WHEREOF, the Parties hereto have caused this Supplemental Agreement to be executed by their fully authorized representatives, and copies delivered to each Party, as of the day and year first above stated.

FOR AND ON BEHALF OF GESCOM

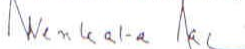

(Sri. S. PRATAP KUMAR)
Director (Procurement)
SPPCC, GOK, Bangalore, GOK.

WITNESSES

1. 
George Lin
CEE SPPCC Bangalore.
2. 
(C. SUJATHA)
Asst SPPCC Bangalore



FOR AND ON BEHALF OF COMPANY

For Ravikiran Power Projects Pvt. Ltd.,


(Sri. R. VENKATARAMAN) Managing Director.

M/s. Ravikiran Power Project Pvt Limited

WITNESSES

1. 
(D. SRINANAYANA)
2. 
(T. RAJSHEKAR)



State Bank Of Indore
4-1-971/974, Triveni Complex
Abids Road, Hyderabad

Telefax : 040- 24754603
Tel : 040 - 24754898
e-mail- sbn3233@sbindore.co.in
Website : www.indorebank.org

12.04.2006

To
M/s.Ravikiran Power Projects(P) Ltd.,
Hyderabad.

Dear Sirs,

RE: SANCTION OF CREDIT FACILITIES: REVISED TERMS AND CONDITIONS

With reference to above, we have to inform you that the following credit facilities have been sanctioned to you, at your request, on the revised terms and conditions and shall be made available to you after execution of the required documents & on compliance of all the terms & conditions of sanction as mentioned below:

	Term Loan	Existing	Revised																																																																								
1	Limit	Rs.1000.00 lac	After repayment of 1 quarterly installment, the balance outstanding in the Term Loan is Rs.973.55 lac. Accordingly, the limit is reduced to Rs.973.55 lac.																																																																								
2	Interest	1.75% p.a above BPLR i.e.,10.75% p.a., effectively 12.50% p.a with monthly rests	1.25% p.a above BPLR i.e.,10.75% p.a., effectively 12.00% p.a with monthly rests.																																																																								
3	Repayment	Repayment to be made in 32 qtlly instalments, with a moratorium of 2 years. (Repayment in 1 st year Rs.105.77 lacs, 2 nd year Rs.132.21 lacs, 3 rd year Rs.137.02 lacs, 4 th year onwards Rs.125.00 lacs)	<table><tr><th>Date</th><th>Amt. (Rs. in lacs)</th><th>Date</th><th>Amt. (Rs. in lacs)</th><th>Date</th><th>Amt. (Rs. in lacs)</th></tr><tr><td>3-Jan-07</td><td>26.45</td><td>3-Oct-09</td><td>31.25</td><td>3-Jul-12</td><td>31.25</td></tr><tr><td>3-Apr-07</td><td>26.45</td><td>3-Jan-10</td><td>31.25</td><td>3-Oct-12</td><td>31.25</td></tr><tr><td>3-Jul-07</td><td>26.45</td><td>3-Apr-10</td><td>31.25</td><td>3-Jan-13</td><td>31.25</td></tr><tr><td>3-Oct-07</td><td>33.05</td><td>3-Jul-10</td><td>31.25</td><td>3-Apr-13</td><td>31.25</td></tr><tr><td>3-Jan-08</td><td>33.05</td><td>3-Oct-10</td><td>31.25</td><td>3-Jul-13</td><td>31.25</td></tr><tr><td>3-Apr-08</td><td>33.05</td><td>3-Jan-11</td><td>31.25</td><td>3-Oct-13</td><td>31.25</td></tr><tr><td>3-Jul-08</td><td>33.05</td><td>3-Apr-11</td><td>31.25</td><td>3-Jan-14</td><td>31.25</td></tr><tr><td>3-Oct-08</td><td>34.25</td><td>3-Jul-11</td><td>31.25</td><td>3-Apr-14</td><td>31.25</td></tr><tr><td>3-Jan-09</td><td>34.25</td><td>3-Oct-11</td><td>31.25</td><td>3-Jul-14</td><td>31.25</td></tr><tr><td>3-Apr-09</td><td>34.25</td><td>3-Jan-12</td><td>31.25</td><td>TOTAL</td><td>973.55</td></tr><tr><td>3-Jul-09</td><td>34.25</td><td>3-Apr-12</td><td>31.25</td><td></td><td></td></tr></table> <p>Interest to be paid as and when applied in the account.</p> <p>All other existing terms and conditions as advised to you earlier, shall remain unchanged.</p>	Date	Amt. (Rs. in lacs)	Date	Amt. (Rs. in lacs)	Date	Amt. (Rs. in lacs)	3-Jan-07	26.45	3-Oct-09	31.25	3-Jul-12	31.25	3-Apr-07	26.45	3-Jan-10	31.25	3-Oct-12	31.25	3-Jul-07	26.45	3-Apr-10	31.25	3-Jan-13	31.25	3-Oct-07	33.05	3-Jul-10	31.25	3-Apr-13	31.25	3-Jan-08	33.05	3-Oct-10	31.25	3-Jul-13	31.25	3-Apr-08	33.05	3-Jan-11	31.25	3-Oct-13	31.25	3-Jul-08	33.05	3-Apr-11	31.25	3-Jan-14	31.25	3-Oct-08	34.25	3-Jul-11	31.25	3-Apr-14	31.25	3-Jan-09	34.25	3-Oct-11	31.25	3-Jul-14	31.25	3-Apr-09	34.25	3-Jan-12	31.25	TOTAL	973.55	3-Jul-09	34.25	3-Apr-12	31.25		
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In token of having accepted the above terms & conditions, please arrange to get the duplicate of this letter and the special covenants enclosed herewith signed by all the Guarantors & the

MD for Ravikiran Power Projects Pvt. Ltd.,
X *Nakula*
Managing Director.

(LAW/43/1995)

(Modified as of 12-9-2002)[b1]

Letter of offer (For Private Builders)

No. HUDCO/BRO/KAR/PB/RPPPL/2003-04/18019/2003/ 3885

24-6-2003

The Managing Director,
 M/s. Ravi Kiran Power Projects (Private) Limited,
 #494/A (Part), Road No. 22,
 Jubilee Hills,
 HYDERABAD - 500 033.

Dear Sir,

Ref:- Your loan application for Rs. 1080.00 lakhs for Setting Up of 7.5 MW Biomass Based Power Project at Gangawati, Koppal District, Karnataka (Scheme No. 18019) (A-2549).

Please refer to the loan application submitted by your Company for Setting Up of 7.5 MW Biomass Based Power Project at Gangawati, Koppal District for Rs. 1080.00 lakhs only. Your application has been processed and we are pleased to approve the project finance of Rs. 1080.00 lakhs for Setting Up of 7.5 MW Biomass Based Power Project at Gangawati, Koppal District subject to the terms and conditions stated below:-

1. PROJECT:-

Setting Up of 7.5 MW Biomass Based Power Project at Gangawati, Koppal District.

2. LOAN AMOUNT:

Rs.1080.00 Lakhs (Rupees One Thousand Eighty Lakhs only). The above sum of Rs. 1080.00 lakhs is sanctioned to your company as project finance.



3. SECURITY:

1. Pari-passu charge along with State Bank of Indore on all the properties of the company.
2. Mortgage of 9.17 acres of land and all the buildings to be constructed (present & future) in the project land.
3. Hypothecation of all movable and immovable assets including all equipments, plant and machinery of the project.
4. To furnish 25% of loan amount as collateral security to be accepted as per HUDCO norms.
5. Personal Guarantees of the Promoter-Directors.
6. Post Dated Cheques for the entire repayment period of HUDCO loan along with interest.
7. Operation of Escrow Account as per HUDCO norms.
8. Assignment of all contractual rights, insurance policies etc.,

4. (i) RATE OF INTEREST:

Interest will be charged @ 12.50% per annum or any other rate as per the prevailing current financing pattern of HUDCO. HUDCO shall have the right to increase the rate of interest on un-disbursed portion of loan subject to the conditions which may be imposed by HUDCO.

(ii) RIGHT TO RESET THE INTEREST RATE:-

Interest rates shall be reset at the rates as per prevailing financing pattern along with payment of one time reset charges @1% on the principal outstanding loan amount. Further, HUDCO shall also have the right to vary any of the conditions contained herein at the time of resetting of the interest rate. The Borrower will have the option to reset the interest rate once during the total repayment period for the scheme.

(iii) INTEREST TO BE PAID QUARTERLY:-

The interest shall be payable quarterly on or before 31st day of March, 30th day of June, 30th day of September and 31st day of December each year. The first payment of interest for a proportionate period, if any, shall be due and payable on the due date immediately following after the date of first disbursement against the loan.