

Extract from Power Purchase Agreement evidencing the tariff

KIND ATTN: Mr. Vinayak / Japan Vyas

9A

Total pages: 29 pages.

POWER PURCHASE AGREEMENT

BETWEEN

**KARNATAKA POWER TRANSMISSION
CORPORATION LIMITED**

AND

M/S. PIONEER GENCO LIMITED

DATED : XXXXXXXX

For PIONEER GENCO LTD.,
15/19

Authorised Signatory

ARTICLE 5

RATES AND CHARGES

- 5.1 **Monthly Energy Charges:** Corporation shall for the Delivered Energy pay, for the first 12 years from the Commercial Operation date, to the Company every month during the period commencing from the Commercial Operation Date at the rate of Rs. 2.90 [Rupees Two and Ninety paise only] per Kilowatt-hour [the base tariff] for energy delivered to the Corporation at the Metering Point with an escalation at a rate of 2% per annum over the base tariff every year. This shall mean that the annual escalation will be at the rate of Rs. 0.058 per Kwhr.
- 5.2a) From the 13th year onwards, from the date of Commercial Operation Date, till the validity of PPA the rate would be renegotiated between the Corporation and Company considering various factors, with due approval of the Commission.
- b) The company could be permitted to sell energy 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.
- 5.3 The Company shall agree to maintain the same power factor as that of the Grid System to which it is connected. In case of failure to do so, the Corporation shall charge at the rate of Rs. 0.40 per KVARH. Sample calculation shown in Schedule 7. Alternatively, the Company shall agree to pay to the Corporation, on or before signing of this Agreement, at the rate of Rs. 37,000/- [Rupees Thirty Seven Thousand only] per MW of Installed Capacity and for fractions thereof on a pro rata basis as a one time lumpsum payment for the sole purpose of providing the required MVAR capacity at the sub-station of the Corporation to which the Project is interconnected to supply the requisite reactive power to the Grid system.
- 5.4 In case Induction Generators are used for generation of energy for each KVARH drawn from the grid, the company shall pay at the rate of 40 paise for each KVARH drawn.

For PIONEER STEEL LTD.

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Authorized Signatory

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13/09/03

Extract from DPR evidencing PLF / Generation of the project activity

TCE CONSULTING ENGINEERS LIMITED

A TATA Enterprise



Preamble

A Detailed Project Report (DPR) for Someshwara Mini Hydel Project was prepared in November 2002 with a recommended installed capacity of 21 MW (3x7 MW). The scheme envisages utilisation of flows in Cauvery river about 2 km downstream of Shivasamudram village and a maximum head of about 19-m available at the project site (Refer Exhibit-1). The layout comprises a diversion structure across the river to divert the water to a 90-m long power canal. Subsequently, three number penstocks convey water from the power canal to the turbines accommodated in the powerhouse. After power generation, it was proposed to release the water back into the river through a 500-m long tailrace canal on the left bank of the river. A tailrace canal was proposed to utilise additional head available due to steep drop in riverbed downstream of the powerhouse. The layout was developed based on the topographical survey carried out in September 2002 when there were substantial flows in the river and deeper sections of the river gorge were not accessible for surveying.

The construction of the project was taken up in March 2003 when the water level in the river started receding due to onset of summer. It was noticed that riverbed levels were considerably lower than anticipated at the time of completion of DPR. The river was surveyed again to extend the contour maps up to the deepest portions that were inaccessible earlier. It was noted that an additional head of about 2-m is available which can be utilised for power generation. The layout of the project is revised to utilise the additional head as shown in Exhibit-2. The power studies indicate that it is possible to enhance the installed capacity of 21 MW (3x7 MW) that was envisaged in the DPR to 24.75 MW (3x 8.25 MW). The estimated average annual energy accordingly increases from 75 Mu projected in the DPR to 84 Mu. It is therefore proposed to enhance the installed capacity to 24.75 MW in lieu of 21 MW proposed in the DPR.

Project cost and means of finance as per IDFC



B.	Financial Details	
8.	Net Sales	New Company – Not Applicable
9.	Gross Profit/loss	Same as above
10.	Operating profit/loss	Same as above
C.	Proposed Project	
12.	Name of the project	Someshwara Hydro power project
13.	Location <ul style="list-style-type: none"> • State • District • Village 	Karnataka Mandya Shivanasamudram
14.	Name of river	Cauvery
15.	Geographic Co-ordinates	
16.	Is the project located in the notified hilly area	N.A
17.	Cost of the Project	Rs in crores
	Land & site development	2.5
	Civil Works	40.2
	Plant & Machinery	45.8
	Technical Consulting	0.5
	Misc. Fixed Assets	0.2
	Preliminary Expenses	0.8
	Pre-operative Expenses	1.2
	Interest during con. period	2.1
	Conting & Margin Money	2.6
	Total	95.9
18.	Means of financing	Rs. In crores
	1. Promoters Contribution	32.0
	2. Term loans and name /address of the FIs providing it.	63.9
	3. Any other	-
	Total	95.9

Loan sanction letter –evidencing rate of interest



CONFIDENTIAL

July 11, 2003

Pioneer Genco Limited
703, Sriniketan Colony
Road No. 3, Banjara Hills
Hyderabad – 500 034

Dear Sirs,

Application for financial assistance

Please refer to your application for financial assistance and the subsequent correspondence / discussions your representatives had with us regarding financial assistance to provide rupee debt assistance to the extent of Rs. 58 crore for construction, erection and commissioning of 21 MW (3 x 7) run-of-the-river hydroelectric power project on the banks of the river Cauvery located near Shivanasamudram village, Malavalli Taluk in Mandya District of Karnataka.

The proposal has been considered and Infrastructure Development Finance Company Limited (IDFC) is in-principle agreeable to grant to you Rupee debt assistance upto the extent of Rs. 58 crores (hereinafter referred to as "the Rupee Debt").

1. All the appendices are deemed to be a part of this Letter of Intent.
2. The aforesaid Rupee Debt is subject to the terms and conditions set out in Appendix I hereto and would further be subject to the conditions set out in the Rupee Debt Agreement to be finalized at a later date.
3. In case the above terms and conditions are acceptable to you, you may furnish to us within 30 days from the date of receipt of this Letter of Intent two certified copies of the resolutions duly passed by your Board of Directors as per pro forma in Appendix II.

INFRASTRUCTURE DEVELOPMENT FINANCE COMPANY LIMITED

Ramon House, H. T. Parekh Marg, 169, Backbay Reclamation, Mumbai 400 020. Phone: 56339100. Fax: 022-22838158/9.

Registered Office: ITC Centre, 760 Anna Salai, Chennai 600 002. Phone: 28559440. Fax: 044-28547597.

4. Please note that this communication should not be construed as giving rise to any binding obligation on the part of IDFC unless a communication is received by IDFC within 30 days from the date of receipt of this Letter of Intent that the terms and conditions set out herein are acceptable to you and unless the Rupee Debt Agreement and other documents relating to above assistance are executed by you in such form as may be required by IDFC within 4 months from the date of this Letter of Intent or such further time as may be allowed by IDFC in its absolute discretion.

Meanwhile, kindly acknowledge the receipt of this Letter.

Yours faithfully,

For Infrastructure Development Finance Company Limited



Vinayak Mavinkurve

Head - Energy

Encl.: as above



Appendix 1

Indicative terms and conditions of sanction

A. Financial Terms

1. Financial Assistance

Rupee debt assistance to the extent of Rs.58 crore (Rupees fifty eight crore) (hereinafter referred to as "the Rupee Debt").

2. Project / Purpose

The proceeds of the Rupee Debt shall be utilized towards construction, erection and commissioning of the 21 MW Pioneer Genco Limited's (hereinafter referred to as the Company) hydro power project located on the banks of the Cauvery river near Shivanasamudram village, Malavalli Taluk in Mandya District of Karnataka (hereinafter referred to as "the Project").

3. Estimated project cost and means of finance

(Rs. in crore)

Particulars	Total
Project Cost	88.0
Means of finance	
- Equity	30.0
- Rupee debt from IDFC	58.0
Total	88.0

4. Interest

- (i). The Company shall pay to IDFC interest on the principal amounts of the Rupee Debt outstanding from time to time, quarterly in arrears on January 15, April 15, July 15 and October 15 each year (each an Interest Payment Date) at the rate of **11.50 % per annum**. Such interest shall be payable from the first Interest Payment Date falling after the date of first disbursement.
- (ii). IDFC shall have the right to reset aforesaid interest rate in respect of the Rupee Debt on the expiry of five years and one day from the date of first disbursement (the "Reset Date") by giving 60 days prior notice to the Company. The Company shall pay interest at such reset rate as may be notified by IDFC to the company.

Relevant extract from KERC tariff order indicating firm tariff without escalation

Before the Karnataka Electricity Regulatory Commission, Bangalore

Dated 18th January 2005

Present:

1. K.P. Pandey, Chairman
2. Sri H.S.Subramanya, Member
3. Sri S.D.Ukkali, Member

In the matter of Determination of Tariff in respect of Renewable Sources of Energy

ORDER

1. Section 62(1) of the Electricity Act 2003 empowers the Commission to determine the tariff for supply of electricity by a Generating Company to a Distribution Licensee in accordance with the provisions of the Act. Section 61 of the said Act further provides that the Commission shall specify the terms and conditions for the determination of tariff and in doing so shall be guided by the principles listed in clauses (a) to (i) of the said section. Accordingly and in pursuance of section 86(1)(e) read with section 181 of the Electricity Act 2003, the Commission has issued KERC (Power Procurement from Renewable Sources by Distribution Licensee) Regulations 2004 vide Notification No.S/03/1 dated 27.09.2004. The said regulations also specify the quantum of purchase of electricity from renewable sources of energy by a distribution licensee in his area of supply.

2. Clause 5.6 of the said regulations stipulates that the following procedure shall be followed by the Commission for determination of Tariff for renewable energy projects:

- i. Invite tariff proposals from Licensees/Generating companies for different categories of renewable energy projects.
- ii. Inviting Public response on the proposals of the Licensee/ Generating Companies.
- iii. Public hearing on the above
- iv. Issue order on the Tariff for the purchase of electricity from renewable sources

3. In pursuance of the above requirement, the Commission had invited tariff proposals for different categories of renewable projects from Licensees /Generating companies. The Commission had issued notice in the following newspapers inviting tariff proposals:

1. Times of India dated 5.10.2004.

REDAK Rs. 2.90 per unit with 2% annual escalation

Considering the parameters as approved by the Commission in the preceding paragraphs, the Commission has worked out tariff for mini hydel projects and the year wise tariff so worked out is indicated below.

Year	Tariff (Rs./unit)
1 st Year	3.24
2 nd Year	3.14
3 rd Year	3.04
4 th Year	2.93
5 th Year	2.83
6 th Year	2.73
7 th Year	2.63
8 th Year	2.53
9 th Year	2.43
10 th Year	2.33
Average Tariff for the above 10 years	2.79 rounded off to 2.80

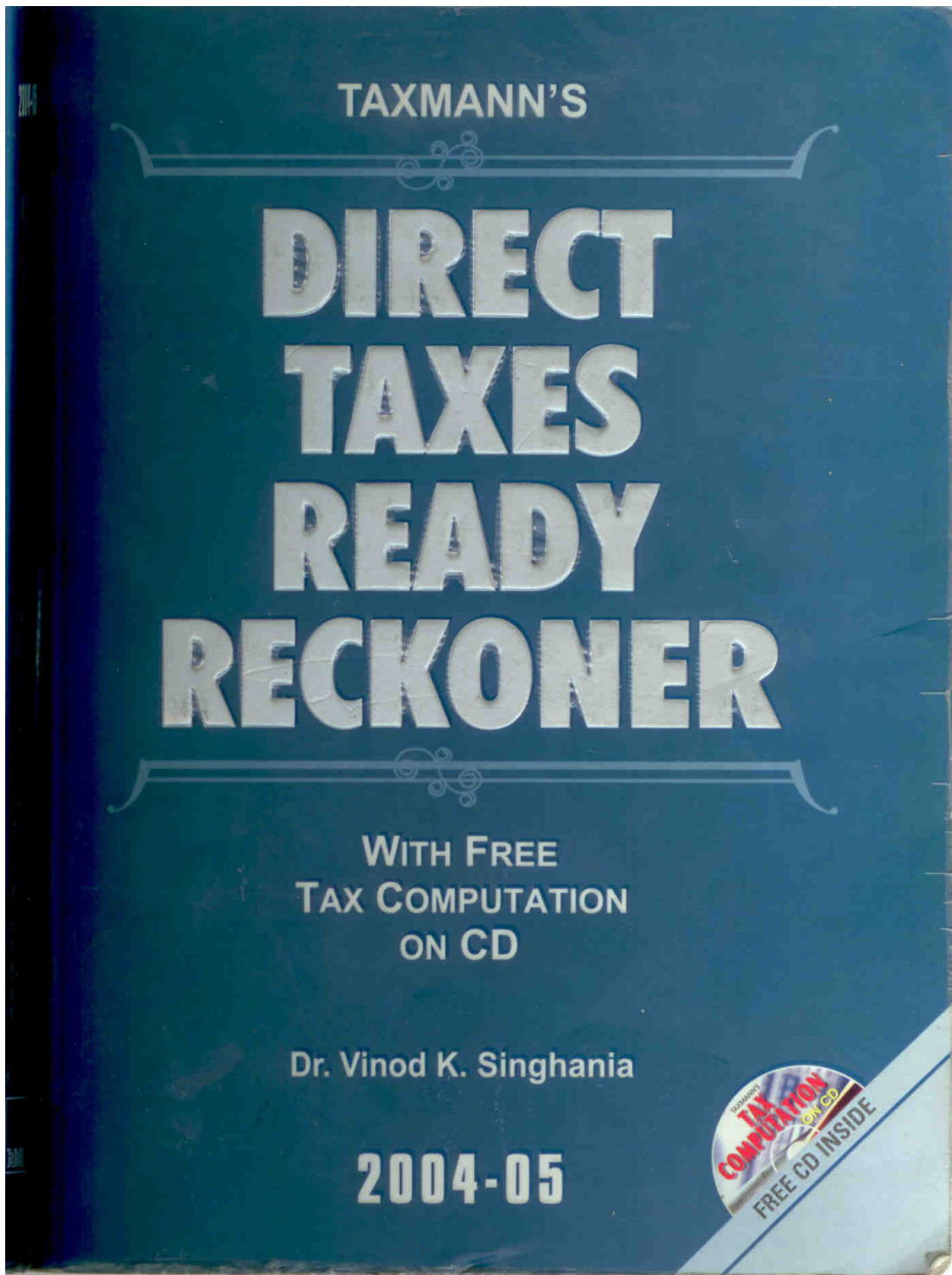
As seen from the above, the first year tariff is Rs. 3.24 per unit and would reduce from year to year and the 10th year tariff would be Rs.2.33 per unit and the average tariff for the 10-year period works out to Rs.2.80 per unit. The reduction in tariff from year to year is mainly on account of repayment of debts and also that there are no running costs other than O&M, which increases only marginally. The Commission opines that for mini hydel projects, varying tariff from year to year on a reducing scale is not appropriate and may not give good signal to the developers to attract new investment. Therefore, the Commission decides to have a uniform average tariff for the first 10-year period for the mini hydels. **Accordingly, the Commission determines the tariff for mini hydel projects at Rs.2.80 per unit without any escalation for the first 10 year period from the year of commercial operation of the plant.**

B. Wind Projects:

a) Project Cost :

KPTCL	Rs. 425 lakhs per MW
KREDL	Rs. 425-475 lakhs per MW
InWEA	Rs.475 to 500 lakhs per MW
IWPA	Rs.475 lakhs per MW

Documentary evidence in respect of dividend distribution tax assumed in WACC calculations (DDT)



3. Tax is not deductible under section 193, 194, 194A, or 194EE if the recipient makes a declaration in Form No. 15G/15H under the provisions of section 197A [see para 175.4].

4 Under section 197 the recipient can apply the Assessing Officer in Form No. 13 to get a certificate of lower/no tax deduction. This benefit is, however, not available if tax is deductible under section 194B, 194BB, 194E, 194EE, 194F, 196B, 196C or 196D [see para 175.5].

Rates for tax collection at source

0.7 During the financial year 2004-05, tax shall be collected under section 206C at the following rates—

Nature of goods/nature of contract or licence or lease	If the purchaser or licensee or lessee is an individual, HUF, AOP or BOI and the aggregate amount subject to tax collection does not exceed Rs. 8,50,000			If the purchaser or licensee or lessee is (a) an individual, HUF, AOP or BOI, and the aggregate amount subject to tax collection exceeds Rs. 8,50,000 or (b) an artificial juridical person			If the purchaser or licensee or lessee is a company, firm, co-operative society, or local authority			
	IT	SC	EC	IT	SC	EC	IT	SC	EC	Total
Alcoholic liquor for human consumption	1	Nil	0.02	1	0.1	0.022	1	0.025	0.0205	1.0455
Tendu leaves	5	Nil	0.1	5	0.5	0.11	5	0.125	0.1025	5.2275
Timber obtained under a forest lease	2.5	Nil	0.05	2.5	0.25	0.055	2.5	0.0625	0.05125	2.61375
Timber obtained by any mode other than under a forest lease	2.5	Nil	0.05	2.5	0.25	0.055	2.5	0.0625	0.05125	2.61375
Any other forest produce (not being timber or tendu leaves)	2.5	Nil	0.05	2.5	0.25	0.055	2.5	0.0625	0.05125	2.61375
Scrap	1	Nil	0.02	1	0.1	0.022	1	0.025	0.0205	1.0455
Parking lot, toll plaza, mining and quarrying (applicable from October 1, 2004)	2	Nil	0.04	2	0.2	0.044	2	0.05	0.041	2.091

Dividend tax under section 115-O

0.8 During the financial year 2004-05, dividend tax shall be charged as follows :

Dividend* [other than deemed dividend under section 2(22)(e)] Deemed dividend under section 2(22)(e)**	Dividend tax			Total
	IT	SC	EC	
	12.5	0.3125	0.25625	13.06875
	NA	NA	NA	NA

*Not taxable in the hands of shareholders [sec. 10(34)].

**Taxable in the hands of shareholders under section 56, without claiming any deduction under section 80L or 80M. The payer of such deemed dividend is liable to deduct tax at source under section 194.

Tax on income distributed by UTI/Mutual Fund under section 115R

0.9 Tax on income distributed by UTI/Mutual fund¹ shall be charged during the financial year 2004-05 as follows—

Documentary evidence in respect of Stock market Index

Nifty Index as on April, 2002	- 1139
Nifty Index as on March, 2005	- 2036

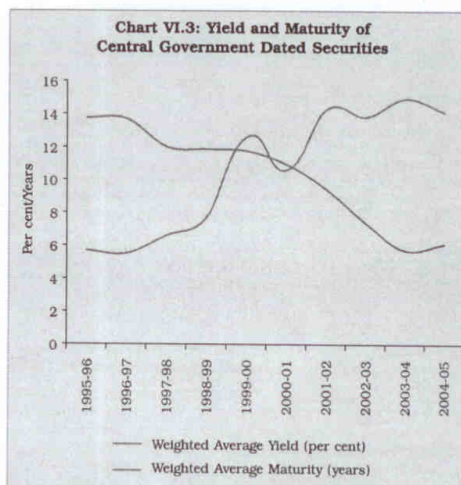
Soft copy in Excel downloaded from www.nseindia.com evidencing the above figures is furnished.

Evidence in respect of Return on Govt. Securities (%) – 7% - Annual Report, RBI 2005, Page 155; the YTM of primary issues over 10 years

PUBLIC DEBT MANAGEMENT

year, when there was no devolvement on the Reserve Bank and PDs. During 2004-05, securities amounting to Rs.350 crore were privately placed with the Reserve Bank as against Rs.21,500 crore (including Rs.16,500 crore on account of prepayment of external debt) in the previous year. The Reserve Bank continued to pursue the policy of elongation of the maturity profile of Government debt while keeping in view investor response. Of the 20 primary issuances under the market borrowing programme during 2004-05, eight securities issued were with residual maturity of more than 20 years. The seven new issues included five issues of FRBs.

VI.11 According to the issuance calendar for the first half (April-September) of 2004-05, dated securities for face value of Rs.59,000 crore were to be issued through auctions. As against this, auctions of dated securities amounting to Rs.54,000 crore were conducted; the auction of Rs.5,000 crore scheduled in April 2004 was cancelled. On September 20, 2004, an indicative calendar for issue of dated securities for the second half (October - March) of 2004-05 for Rs.44,000 crore was issued; of this, Rs.26,000 crore were auctioned, while the balance scheduled auctions for Rs.18,000 crore were cancelled. The weighted average yield of the dated securities issued during 2004-05 worked out to 6.11 per cent as compared with 5.71 per cent during the previous year. The weighted average maturity of the dated securities issued during 2004-05 worked out to 14.13 years as compared with 14.94 years during 2003-04 (Chart VI.3).



VI.12 The weighted average coupon on the outstanding stock of government securities continued to decline during 2004-05. On the other hand, the weighted average maturity of the outstanding securities, which had been rising since 1999-2000, fell marginally to 9.63 years as on March 31, 2005 (Table 6.4).

VI.13 Securities over 10-year maturity constituted the largest share in the outstanding stock of securities as well as in new issuances (Table 6.5). Out of the 121 outstanding marketable securities amounting to

Table 6.4: Central Government's Market Loans - A Profile*

Year	YTM's at Primary Issues (%)			(Yield in per cent/Maturity in years)				
	Under 5 years	5-10 years	Over 10 years	Weighted Average Yield	Range of Maturities of New Loans	Weighted Average Maturity	Weighted Average Maturity of outstanding stock	Weighted Average Yield of outstanding stock
1997-98	10.85-12.14	11.15-13.05	-	12.01	3-10	6.60	6.50	..
1998-99	11.40-11.68	11.10-12.25	12.25-12.60	11.86	2-20	7.70	6.30	..
1999-00	-	10.73-11.99	10.77-12.45	11.77	5-19	12.60	7.10	..
2000-01	9.47-10.95	9.88-11.69	10.47-11.70	10.95	2-20	10.60	7.50	..
2001-02	-	6.98-9.81	7.18-11.00	9.44	5-25	14.30	8.20	10.84
2002-03	-	6.65-8.14	6.84-8.62	7.34	7-30	13.80	8.90	10.44
2003-04	4.69	4.62-5.73	5.18-6.35	5.71	4-30	14.94	9.80	9.30
2004-05	5.90	5.53-7.20	4.49-8.24	6.11	5-30	14.13	9.63	8.79
2005-06 @	-	6.80-7.06	6.91-7.98	7.28	5.29	13.76	9.57	8.75

* : Excludes issuances under MSS. YTM: Yield to Maturity .. : Not available. -: No Issues.
 @ : Up to August 12, 2005.

Documentary evidence with respect to Risk associated with Government securities / equity shares

48 How Good Are Mutual Funds :

products, each according to a specific criterion, i.e. safety, return and overall suitability (see Charts 4.1- 4.3).

4.6 The absolute number of votes have been converted into percentage of the total number of 'voters' under each

Table 4.1

PERCENTAGE OF RESPONDENTS WHO INCLUDED THE PARTICULAR INVESTMENT TYPE WITHIN FIRST FIVE RANKS FROM THE SPECIFIC ANGLE

Sl. No.	Investment Type	Safety angle	Return angle	Overall suitability angle
(1)	Equity shares	17.57 (52)	65.63 (189)	48.59 (138)
(2)	UTI's US-64 units	49.32 (140)	48.90 (141)	52.40 (140)
(3)	UTI equity schemes	19.93 (59)	36.46 (105)	23.94 (68)
(4)	Other MF equity sch.	11.82 (35)	40.28 (116)	29.58 (84)
(5)	UTI income sch.	35.81 (106)	35.76 (103)	33.45 (95)
(6)	Other N.F. income sch.	13.51 (40)	37.15 (107)	23.94 (68)
(7)	Non-Govt. co. bonds	7.43 (22)	23.26 (67)	13.03 (37)
(8)	PSU bonds (taxable)	36.15 (107)	14.24 (41)	16.20 (46)
(9)	PSU bonds (taxfree)	52.03 (154)	27.78 (80)	32.39 (92)
(10)	Govt. saving sch.	75.00 (222)	48.61 (140)	63.03 (179)
(11)	Bank FD	85.81 (254)	51.39 (148)	74.30 (211)
(12)	LIC policies	71.96 (213)	36.11 (104)	54.93 (156)
Total		100.00(296)	100.00(289)	100.00(284)

Note : Figures within brackets indicate the number of respondents who had given their ranking from the specific angle. The Appendix at the end of the study gives a copy of the Questionnaire used by us.

A Finer View of Preferences 49

criterion. Table 4.1 presents the results. Considering the safety criterion, for example, the investment type which got the highest percentage of votes was bank fixed deposit. It is thus the topmost according to safety criterion. Charts 4.1, 4.2 and 4.3 depict the results graphically from safety, return and over-all suitability criteria respectively.

II. The Findings

Safety angle

4.7 Let us look at the safety angle first (Table 4.1 and Chart 4.1). The three most safe investment products were bank fixed deposits, government savings schemes and LIC policies, in that order. Within these three, the differences are relatively small. Such differences may be due to liquidity, convenience and other considerations, which,

Chart 4.1

RANKING OF INVESTMENT TYPES BY PERCEIVED SAFETY (Percent of respondents who included the particular investment type among BEST FIVE in terms of safety)

