



पावर फाइनेंस कारपोरेशन लिमिटेड
POWER FINANCE CORPORATION LTD.

(भारत सरकार का उपक्रम)

(A Govt. of India Undertaking)

No.: 01:07:02:27:EIL

November 7, 2003

LOAN NO.: E0398001

SANCTION LETTER

Mr. Yogesh Mehra
Director
Enercon Wind Farms (Rajasthan) Ltd.
Kolsite House, Plot No.31
Shah Industrial Estate
Veera Desai Road, Andheri (West)
Mumbai-400053.

Sub: Sanction of Financial Lease Assistance to M/s Enercon Wind Farms (Rajasthan)
Private Ltd. (EWFRL)- 24 MW

Ref: Your letters dated 7th January, 2003 &
2nd May, 2003

Dear Sir,

With reference to your above referred letters, we are pleased to inform you that PFC is generally agreeable to sanction Financial Lease Assistance upto Rs.98.44 Crores (Rupees Ninety Eight Crores Forty Four Lakhs only) for procurement of equipment for setting up of a 24 MW Wind Farm at Themderai, Rajasthan to M/s Enercon Wind Farms (Rajasthan) Private Ltd. (EWFRL). The sanction is for a primary period of 10 years followed by a secondary period of 5 years. The primary lease period shall be fixed and Non cancellable.

1.0 - The Lease rentals at current rates work out to Rs. 41.96 per 1000 per quarter inclusive of lease tax over the primary lease period. However, the lease rentals as notified by the Corporation and applicable at the time of disbursement shall be applicable. The lease rentals during the primary lease period shall be paid on a quarterly basis based on applicable rates for RTL at the time of disbursement. The aforesaid calculations have been made based on the assumption that the leased assets will be entitled to full year depreciation in the 1st year. In case the leased assets are entitled to a lower depreciation in the 1st year on account of date of commissioning, the lease rentals will be recalculated accordingly. During the Secondary Lease period Lease Rentals shall be payable annually in advance @ 0.5% of the cost of the equipment financed.

2.0 Lease Management & Processing Fee:
A non refundable Lease management fee @ 1% of the lease value will be charged from the EWFRL at the time of signing of lease agreement. The lease management fee will not be adjusted against lease rental or any other dues payable under the agreement.

Additionally, processing fee @ 0.1% of the lease assistance of Rs. 98.44 Crs. shall be payable by EWFRL at the time of execution of documents.


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viii) The money to be released subsequent to the initial advance, shall be on the basis of the certification of the receipt of the material at site by a Lender's Engineer to be appointed by PFC.

ix) EIL as a developer shall establish infrastructure facilities for evacuation for the 24 MW project by February 2004 at its own cost. EIL shall provide a Corporate Guarantee to PFC for the timely completion of this evacuation arrangement.

x) The surplus funds, if any, shall be utilized by the EWFRLL for any purpose after the permission of PFC.

xi) PFC shall have the right to inspect the site with or without notice.

xii) EWFRLL/ EIL will provide an undertaking to make all arrangements for sale of power to third party(ies) in case of default by RRVPNL/Distribution Companies exceeding three months. ~~for this case we have pay - can we give the undertaking~~

xiii) Any tax/ statutory liability with respect to the transaction shall be borne by the EWFRLL or the promoters.

xiv) The net benefits of Carbon Credits shall be shared between PFC and promoters in the ratio of 82:18.

xv) The Corporation shall have the right to revise the lease rent on account of loss/delay in tax benefits in case the project is not commissioned on the scheduled date of commissioning.

xvi) Corporation shall have the right to revise the lease rent on account of denial of depreciation benefits / delay of corresponding tax benefits beyond 2 years to ensure that the net returns to PFC work out to be the same as it would be in the case of term loan at the time of disbursement.

xvii) A representative of PFC shall be inducted as a nominee director on the Board of the EWFRLL to represent the interest of PFC.

xviii) The Corporation shall charge interest on payments made to the manufacturer/ Supplier prior to the commencement date for rental. The interest, notified by the Corporation from time to time, shall be charged upto the date immediately preceding the rental commencement date.

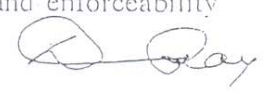
xix) EWFRLL shall bear all maintenance cost of the equipment as per O&M contract.

xx) The lessee shall bear all taxes (other than Lease Tax), impost charges and duties. Sales Tax. Service tax, turnover tax, if applicable shall be charged to the EWFRLL.

xxi) During the secondary period, the Corporation shall charge Lease rent equivalent to 0.5% of the original cost of equipment leased out, annually in advance.

xxii) EWFRLL shall obtain all consents, licenses, approvals etc. as are necessary for running the project or in connection with the execution, validity and enforceability of the agreement.

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PFC will charge interest @ 12% on payments made after commencement date for rental. The interest shall be charged upto the date immediately preceding "Rental Commencement Date". The first such interest installment in respect of each payment will be due and payable on the 15th day of the first month of the quarter immediately following the date of payment. The quarters for the purpose of interest payment shall be Jan-Mar, Apr-Jun, Jul-Sep, Oct-Dec of each year.

The EWFRL shall give effect to all modifications in the terms and conditions of lease agreement as notified by PFC from time to time.

The list of equipment proposed to be leased by PFC to EWFRL is enclosed at Annexure-I.

The sanction is subject to the approved Terms and Conditions as under:

- a) Pre Execution Conditions – Annexure- II
- b) Pre Disbursement Conditions – Annexure III
- c) Other General Conditions Annexure IV.

In addition, this assistance shall further be subject to the terms and conditions as laid down in the form of Memorandum of Agreement (MOA) to be executed between PFC & EWFRL as also the Standard Terms & Conditions which shall be sent shortly.

The offer as per the sanction letter shall stand revoked and canceled if :

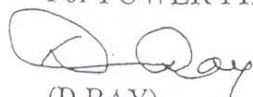
- i. There are material changes in the proposal for which the assistance is considered.
- ii. There are any material changes in the EWFRL's financial condition.
- iii. Any material facts concerning the EWFRL's profits or its ability to make payments under this arrangement, or any relevant aspects of its request for Lease facility are withheld, suppressed, concealed, not made known to PFC or are found to be incorrect or untrue.
- iv. PFC's letter of offer is not accepted within 15 days from the date thereof.
- v. The Lease Agreement, in the prescribed format, is not signed within one month from the date of this letter.

You are requested to indicate your consent by signing the duplicate copy (all the pages) of this letter.

Thanking you,

Yours faithfully,

For POWER FINANCE CORPORATION LIMITED



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ADDITIONAL GENERAL MANAGER (CBD)

PHONE NO.011 23323191

FAX NO. 011 23356075

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