

January 5, 2009

Jaypee Karcham Hydro Corporation Limited
'JA House' 63, Basant Lok
Vasant Vihar
New Delhi – 110 057

Kind Attn.: Mr. D.P.Goyal, Managing Director

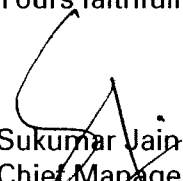
Dear Sir,

**Reg: 1000 MW Karcham Wangtoo hydroelectric power project,
Himachal Pradesh**

We write to confirm that the project lenders had appraised the captioned project and the capital cost for the project was estimated to be Rs. 56.00 billion. The detailed project cost and means of finance is provided in Annexure I.

Further, as per the terms of the financial assistance provided by the project lenders, the first repayment installment is payable after 6 months from the commercial operations date of the project or June 15, 2012, whichever is later. The financial assistance is repayable over 15 years in 75 equal installments.

Yours faithfully,



Sukumar Jain
Chief Manager
Infrastructure Finance Group

Annexure I

The estimated capital cost of the project is Rs. 56.00 billion. The details of the project cost are mentioned below:

<i>(in Rs. million)</i>	
Item	Total Cost
Land	251.8
Building & civil works	31,193.1
Plant and Machinery	10,192.4
Tools and Plants	58.8
Environmental costs	635.9
Establishment charges	644.4
Total hard costs	42,976.4
Insurance	300.0
Financing charges & Interest during construction	9,885.0
Preoperative expenses	300.0
Margin money for working capital	465.3
Contingencies	2,073.3
Total costs	56,000.0

The capital cost per MW of the project works out to Rs. 56.0 million.

The total project cost is based on a 72 months construction schedule. Further, the company had obtained Techno Economic Clearance (TEC) from Central Electricity Authority (CEA) on March 31, 2003 at an estimated project cost of Rs. 59.10 billion. It may be noted that the CEA cost does not include the margin money on working capital and contingencies.

Building and civil works

The building and civil works include cost of river diversion works, concrete gravity dam and spillway, intake, head race tunnel, trough and desilting basin, road works, forebay, bypass channel, surge tank, surface penstocks, powerhouse, tail race channel and coffer dam.

Plant and machinery (indigenous & imported)

The cost includes expenditure towards four Francis turbine sets including all piping, governors, cooling water system, dewatering drainage system; synchronous generator sets including excitation system; seven generator transformers; switchyard including breakers, isolators, switchgear etc.; all auxiliary electrical system including 11 kV switchgear, DC system, earthing & lighting, and auxiliary transformers.

Tools and plants

The cost includes the expenses to be incurred by the company towards maintaining tool and spare parts on the site during project construction period.

Environment cost

Costs to be incurred by the company towards environment management control form a part of the environment costs. The company has retained National Environmental Engineering Research Institute (NEERI) to assess the potential environmental impact of the project on the Kinnaur region.

Establishment charges

Cost to be incurred by the company towards general administrative expenses during the construction period.

Preliminary and pre-operative expenses

These would include the expenses towards company formation, preparation of Detailed Project Report, carrying out the geological surveys, hydrological studies and administrative expenses during the construction period.

The proposed means of financing for the project is as follows:

Particulars	(Rs. in million)
Equity	16,800.0
Debt	39,200.0
Total	56,000.0

Debt

The entire debt requirement of the project of Rs 39.20 billion, representing 70% of the total project cost, has been tied up with various banks / financial institutions by way of long term rupee loan.

Equity

An amount of Rs. 8.50 billion has already been contributed into the company by Jaiprakash Associates Limited (JAL) towards equity contribution. The balance amount of Rs 8.30 billion is proposed to be contributed by Jaiprakash group of companies.