

**PROPOSAL FOR INVESTMENT
IN THE STATE OF MAHARASHTRA
(1250 KW)**

SUZLON ENERGY LTD.

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SEL/05-06/15022

Feberuary 12, 2006

To,

M/s Suma Ship Limited
"Suma Shilp" 93/5 - A,
Erandawane,
Pune - 411004

SUBJECT: INTRODUCTION OF SUZLON WINDMILL

Dear Sir,

We take this opportunity to offer you Suzlon make windmill for your proposed wind power project. In view of the same, we take this opportunity to introduce ourselves as a leading manufacturer and highly competitive supplier of latest innovative technology and higher power generation windmill.

Suzlon is an ISO 9001:2000 certified company having state-of-the-art manufacturing units at

- Daman, (WTG & Rotor Blades)
- Pondicherry (WTG & Rotor Blades)
- Gandhidham (Tower unit)
- Chakan (Generator)

Suzlon make wind turbine generator (WTG) are especially designed to suit the Indian climatic conditions. Some of the special features of Suzlon Windmill

- Higher efficiency Integrated Gearbox,
- Dual speed Generator, Maximum power factor, Grid friendly
- Aerodynamically optimized rotor blade, weather – resistant Nacelle cover.
- Microprocessor based Intelligent Control System,
- Highest safety standards, etc. makes it the most efficient and reliable windmill.



Suzlon is the pioneer of the Wind Park Concept in India. Today Suzlon has wind farms across all the major windy states of India viz. **Rajasthan, Gujarat, Maharashtra, Madhya Pradesh, Karnataka, Andhra Pradesh and TamilNadu.** In the state of Maharashtra Suzlon has commissioned more than 665 wind turbine generators aggregating more than 459 MW. Some of the Suzlon's already developed wind farms are as.

■ ■ SATARA

- ❖ Suzlon developed Asia's largest wind farm of more than 200 MW at a village name Vankusavade a hilly terrain 20 km from Satara town.
- ❖ 556 nos of Wind turbine generator of 350 KW capacity each
- ❖ 7 nos of 1 MW wind turbine generator
- ❖ We commissioned 3 nos of 1.25 MW Wind turbine generator for Maharashtra Energy Development Authority (MEDA)

■ ■ SUPA

- ❖ Supa Wind Farm is about 80 km from Pune and near to Ahmednagar developed by Suzlon in the year 2001.
- ❖ Supa wind Farm of 57 MW has 57 Nos. of Wind turbine generator having 1 MW capacity each

■ ■ DHULE

- ❖ At present Suzlon is developing the Asia's largest wind Farm estimated more than 500 MW.

■ ■ DHALGAON

- ❖ At present Suzlon is developing a wind farm estimated to be 200 MW at Dhalgaon, District Sangli, which is about 90 KM from Karad city
- ❖ We have already commissioned 33 Nos. of Wind turbine generator of 1.25 MW each aggregating to 41.25 MW



FEW MILESTONES:

Suzlon has many firsts to its credit

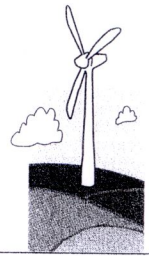
- ✓ First in Asia to rank among worlds top ten in the field.
- ✓ First in Asia to develop the largest Wind Park of over 200 MW.
- ✓ First in India to launch Mega Watt Class wind turbines.
- ✓ First in India to install largest wind turbine of 2 MW capacity.
- ✓ Total Installation of over 1488.69 MW till November 30, 2005.



CUSTOMER SATISFACTION:

We are proud of the fact that our existing clients have reposed their trust & confidence by placing repeat orders with Suzlon. (Please refer the table)

Sr. No.	Client name	Installed capacity (MW)	Repeat orders (No. of times)
1	MSPL	102.50	2
2	Bajaj Group	65.20	5
3	Tata Group	59.90	4
4	Essel Mining Industries	75.00	1
5	Ramco Group	32.85	2
6	Ajanta Group	29.95	8
7	Gujrat NRE Coke Ltd.	27.50	1
8	RRECL	26.25	1
9	Best & Co.	25.00	1
10	Shraddha Construction Group	25.65	4
11	Dhariwal Group	27.65	6
12	Ghodawat Group	24.45	6
13	REI Agro Ltd	20.00	1
14	Varroc Group of Companies	15.45	5



We would also like to draw your kind attention on present fiscal incentives offered by the Central Government and the State Government for the development of wind power projects in Maharashtra:

■ **MAHARASHTRA POLICY –ADVANTAGES IN BRIEF :**

- **Power Purchase Agreement:** Rs 3.5/kwh for the 1st year from the date of commissioning of the project with annual escalation of 15 paise/unit for a period of 13 years.
- **Accelerated Depreciation benefit 80% allowed**
- **Carbon Credit:** the wind power project is a Green House Gas abatement initiative and thus contributes to the sustainable development. Such projects are eligible for Carbon Credit through the Clean Development Mechanism (CDM) of UNFCCC. The same has been considered in the financial computation.
- **Captive/Third Party/Sale to Electricity Board allowed.**
- **Payment Security:** MSEB will release the payment within 45 days. In case of delay they will pay interest on the delayed amount as per SBI short term lending rates.
- **100% tax holiday** for 10 consecutive years, on the net profit from wind power plant under section 80 IA of Income Tax Act.

We would like to highlight that once the entire investment is recovered over a period of 7 years then the power generated for the next 20 years is at a very low cost as there is no fuel required. Considering lucrative fiscal benefits offered by the Government, we strongly feel that your Company should consider this project positively and take the advantage of this package of various Incentives

Suzlon offers **100 % turnkey services** right from site selection to complete commissioning of the wind power project and even beyond that we operate and maintain the whole wind farm complex. In short the objective is to do the efficient



planning of the whole project at each and every micro level, which is not possible in case of small-small capacity individual projects.

We are enclosing herewith our offer for supply of:

- 1) **12 nos.** of **SUZLON S 70-1.25 MW** windmill, totaling to **15 MW** wind power project with 100% turnkey services.(Annexure1)

We request you to give us an appointment to meet your good self to discuss our proposal in detail. We look forward to your positive response in the matter and an opportunity to develop a model wind farm for your esteemed organization.

Mean time, if you require any further information / clarification on the subject matter, we shall be happy to furnish the same.

Thanking you,

For, **SUZLON ENERGY LIMITED**


Santosh Mahadik
Dy.General Manager-Marketing
(Mobile: 98220 62859)

PLEASE VISIT US AT **WWW.SUZLON.COM** FOR MORE INFORMATION



Annexure I

A. TERMS AND CONDITIONS:

(i) **Project Size**

- **15 MW** (12 Nos Wind Turbine Generators - WTGs of 1250 kW capacity each, Model S-70)

(ii) **Site**

- In state of Maharashtra

(iii) **Delivery**

- We shall commence **delivery only after** receipt of Advance payment.
- The indicative time frame for completion of the project is 9 months from the date execution of purchase order and receipt of advance.
- The Supply of the above goods as defined in the scope shall be from our manufacturing units in India on ex – works basis. However, we shall arrange for transportation of goods on your behalf which are included in the above quotation. The delivery schedule will be decided mutually. The above supply will be made in parts and will be delivered at project site in more than one consignment and will be invoiced accordingly.
- Adherence to the delivery schedule shall be subject to release of all payments as per agreed terms, timely submission of TIN No. and necessary road permits and any other relevant details required for the dispatches.
- No claim whatsoever shall be entertained for any delay in supply at the site caused by any issues related to statutory clearances from various Govt. / Semi Govt. authorities.
- The packing for the goods will be as per the industry's prevailing standards. We will assure proper care of goods for safe delivery at your project site.



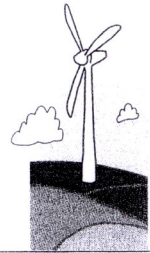
(iv) **Total Project Cost**

- A total price of Rs.7560 Lacs for 12 Nos of WTG (Supply of Materials, Labour and Services, Identification, Selection and Allocation of Land, Obtaining all Government Permissions etc.).
- Service Tax shall be charged extra.
- The above Project Cost is inclusive of relevant Govt. Fees/ Charges applicable as on date.
- In case of any increase in Govt. Fees/ Charges/ Levies shall be paid extra by you.

(v) **Terms of Payment**

The terms of payment for the scope of supply as mentioned in this offer are as follows:-

- 30% of project cost as interest free advance along with the order
- Balance 70% for each WTG, with the progress of the project up to commissioning of the WTGs on pro-rata basis, as follows :
 - i. 20% towards supply of Tower Material at site
 - ii. 20% towards supply of Nacelle at site
 - iii. 20% towards supply of Rotor Blades at site
 - iv. 10% on completion of Erection of WTGs
- In case of delay in payment, the interest @ 15% p.a. is applicable, with monthly rest on all outstanding payments from the due date till the date of actual payment.
- The Commissioning of the project will be subject to release of payments as per Terms of Payment.
- All the Guarantees and Warrantees shall be null and void if the payment are not released in time as per the terms of payments



(vi) **Taxes and Duties**

- The prices mentioned included present duties, taxes, cess and other levies as applicable. In case, there is statutory rate variation or introduction of new duties, taxes, cess and other levies or any difference in interpretation by the competent authorities, effect of the same will be reimbursed by you at actual.
- The applicable Service Tax shall be extra.
- You need to obtain the local VAT/TIN Registration nos.
- In case applicable, the supplies are against issue of 'C' Form. The 'C' Form shall be issued latest by **45 days** from the date of invoice. In case, the inability of issue of 'C' Form within stipulated time, the Local Sales Tax @ 10% or General Sales Tax whichever is higher is applicable.
- Income tax TDS at applicable rate at the time of payment / credit whichever is earlier (present rate 2.244%) shall be deducted by us and deposited with Central Government for which TDS certificate will be issued in your favor .
- The Tax impact due to any special requirement of documentation from your side shall be payable extra.

(vii) **Insurance / Risk**

- The risk liability up to the Erection and Commissioning of WTGs including the transit insurance is inclusive in the price.
- From the date of Commissioning the insurance towards Fire and Other peril, Earthquake, Theft and Third party risk policy needs to be arranged by you.

Short settlement of insurance claim, if any, would be on your account



(viii) **Operation & Maintenance charges:**

- We shall provide free Operation, Maintenance & Security with spares and consumables for the first year of operation.
- We shall Operate and Maintain the WTGs for the first year of operation from date of commissioning, free of cost to you. This shall also include the provision of necessary spares and consumables.
- We will enter in to an agreement **before** commissioning of the project which will be effective from 2nd year onwards.
- From 2nd year to 6th year, the O & M charges with spares & consumables will be **Rs. 12 Lacs per WTG** with 10% annual escalation each year. VAT & Service tax extra.
- We shall provide a set of Operation & Maintenance Manual.
- We shall **facilitate** for necessary arrangements for a Complete Operation, Maintenance and Security Contract with the facility provider from the start of 2nd year of operation from the date of commissioning to the end of 20th year at the anticipated rates as mentioned below :-
- From beginning of 6th year to the end of 20th year from the date of commissioning, the rates for above services shall be decided as per mutual agreement, time to time in a block of 5 years.
- The Service Tax and VAT / LST on the Operation & Maintenance Services in not inclusive in the rates mentioned above and are extra.
- During the tenure of Operation & Maintenance Services, we shall ensure minimum **95%** annual Machine Availability for the Wind Farm through O&M Service provider.

(ix) **Generation Guarantee**

- Generation Guarantee 28 Lacs units per WTG p.a. at Controller at 100% grid availability totaling to 336 lacs units for 12 Nos of WTGs measured at WTG Controller at 100% grid availability.
- This guarantee is for the first year of operation commencing from 61 days after the date of commissioning.
- Any shortfall in the guaranteed generation will be calculated after grid, load shedding and 10% wind variation adjustment and will be reimbursed by us at the rate of MSEB power purchase rate.



a) Power Curve Performance

- The power curve of the WTG we have offered for your project is tested for power curve performance as per IEC Standard 61400-12.
- In case your project size is more than 50 MW and if you wish to verify the power curve of the offered WTG, then you may do the same at your cost. We will provide all the support for the same.

b) Machine Availability Guarantee

We will ensure annual average 95% machine availability guarantee for the project through the O & M service provider. This machine availability on an annual basis will be calculated as follows:

$$\% \text{ Machine Availability} = \frac{(\text{No. of WTGs}) * (\text{Recorded Hours}) * 100}{(\text{No. of WTGs}) * [8760 - (\text{GF} + \text{FM})]}$$

Where, Recorded Hours = $[8760 - (\text{GF} + \text{FM} + \text{S} + \text{U})]$

8760 = Number of total hours for a machine in an year (i.e. 24 x 365 Days)

GF = Grid Failure hours

FM = Force Majeure hours

S = Scheduled Maintenance Hours for a machine

U = Unscheduled or Forced Maintenance Hours for a machine

Compensation shall be paid as, for every 1% shortfall in annual average machine availability below 95%, we shall compensate 2% of the annual O&M Charges or pro-rata thereof subject to a maximum of 10% of annual O&M Charges.

In case of short fall in Machine Availability being resulted from a local unrest and / or thefts, we shall not be liable for any damages for lower Machine Availability.

Penalty if any, shall be adjusted in the annual O&M Charges of the next year.

(x) Warranty

- We will provide one-year warranty effective from the date of commissioning against all defects in components, material and engineering. We will undertake all repairs/replacements of the WTG parts as required during the warranty period free of cost to you.
- These warranty provisions will be null & void if the WTG units are opened in the absence of our engineers / authorized persons or without our prior consent.
- This Warranty will not cover damages caused due to lightning, over voltage & normal wear & tear. The above warranty is subject to full payment received by us as per agreed terms.



- We reserve the right to assign this warranty to any other party on the same terms and conditions.

(xi) Land Documentation

- In case of forest land or government revenue land, the lease deed will be executed in favour of the Customer or land use permission in favour of the customer will be obtained after commissioning of the Project as per the Government procedures and guidelines
- In case of private free hold land, the registered sale deed shall be executed in favour of the customer before the commissioning of the project. Balance all other documents like 7/12 extracts, NA permissions, etc shall be obtained after the commissioning of the project as per the government procedures and guidelines.
- Accordingly the customer should inform their bankers for timely sanction and disbursement of term loan so as to adhere to the Terms of Payment

(xii) Evacuation Arrangement and Grid Availability

We shall arrange for adequate evacuation facilities for your project. The timely completion of permanent power evacuation arrangement depends on various permissions from Government / Nodal Agency / EB and also the Right of Way (ROW) by the local villagers. Accordingly, in case of any delay in the completion of permanent power evacuation arrangement, we shall arrange for temporary power evacuation for commissioning of your project.

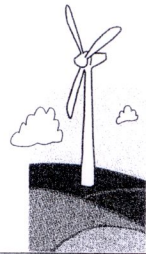
Till the time the permanent power evacuation facilities are commissioned, we shall not be responsible for any loss of generation to you due to this reason.

(xiii) Validity

- The Validity of this Term sheet is **30 days** from the date of this proposal. Thereafter, the same shall be valid as per our written confirmation.

(xiv) Force Majeure

- Neither party hereto shall be responsible for any delay or failure to perform any or all the obligations imposed upon such party caused by Force Majeure. In such a case, the time for performance of such



obligations and the obligations of the party to the extent that they are directly affected by such occurrence will be extended by a period equal to that time.

- Notification of a circumstance of Force Majeure shall be given by courier/ email/ fax addressed to the other party within 30 working days of its occurrence. This shall be confirmed by a letter dispatched within one week, along with a certificate of the relevant Chamber of Commerce, confirming the existence of the circumstance of the Force Majeure.
- Only the following shall be considered as Force Majeure if they intervene before contractual delivery date and impede performance: Wars, Revolutions, Fire, Floods, Epidemics, Earthquakes, Quarantine Restriction, Freight Embargoes, Acts of Government, Local Unrest, Thefts, Robbery, Strikes and Lockouts which directly affect the performance. We shall continue to perform our obligations under this Contract as far as practical, and seek all reasonable alternative means for that performance prevented by the Force Majeure event.

- **Excused Performance:**

Any suspension of performance as a result of Force Majeure shall be of no greater scope and of no longer duration than is reasonably required. The affected Party: (a) shall exercise all reasonable efforts to mitigate or limit damages to the other Party, (b) shall use commercially reasonable efforts to continue to perform its obligations hereunder and to correct or cure the event or condition excusing performance, and (c) when able to resume performance of the affected obligations under this Agreement, in whole or in part, shall give the Party written notice to that effect.

We will not be responsible, if during the continuance of this supply, the performance in whole or in part of any obligation under this Scope of Supply, is prevented or delayed by the causes mentioned above.

In such cases neither party shall be entitled to cancel the order, nor shall any claims be made for such damages against the other party in respect of such delay or non-performance and the performance and delivery of the order will be resumed only after such eventualities have come to an end or ceased to exist.



(xv) ARBITRATION

If at any time any question, dispute or difference shall arise between us in relation and in connection with all or any way arising out of this contract, either party may give to the other notice in writing of the existence of such question, dispute or difference and the same shall be referred to arbitration of one person mutually agreed upon between the parties or of two arbitrators to be appointed by each, who before entering the arbitration shall appoint an Umpire. The decision of the arbitrator or Umpire as the case may be shall be final and binding on the parties. This clause shall be deemed to be a submission to arbitration within the meaning of the rules/bye laws or arbitration of the Indian Arbitration and reconciliation Act, 1996.

(xvi) Jurisdiction

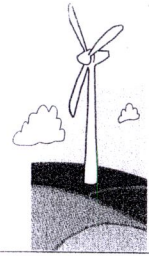
- Any disputes relating to this Contract shall be subject to the court of competent jurisdiction situated exclusively within the limits of city of Mumbai.

(xvii) Resolution of Disputes

- Both parties shall make every effort to resolve amicably, by direct informal negotiations any disagreement(s) or dispute(s), if any arising between us either under or in connection with this Contract.
- If after 30 days from the commencement of such informal negotiations, both parties have been unable to resolve the dispute amicably, either party may require that the dispute be referred for resolution to arbitration of one person appointed by each party who, before entering upon the arbitration shall appoint an umpire. The decision of the arbitrator(s) or umpire as the case may be shall be final and binding on the parties. The arbitration proceedings shall be governed by the provisions of the Arbitration Act, 1996 and the rules there under.

(xviii) Cancellation

- Purchase Order once placed will not be cancelled except with our consent and after compensating the loss, if any to us.



(xix) Effectiveness of Order

The Purchase Order shall come into full force and effect on the date when all of the following conditions have been fulfilled.

- This offer is duly accepted along with such changes as is mutually acceptable in the final order and signed by you.
- We have received in our account the advance payment(s) in accordance with payment terms mutually agreed as per this offer or subsequently agreed in writing.
- If the order has not become effective pursuant to above and due to reasons not attributable to us, both of us shall discuss and agree on an equitable adjustment to the order value and the Time for completion and/or other relevant conditions of the order.
- Unless and until the final contracts are executed and advance is received by us, there is no binding commitment by either party on each other.

(xx) CONFIDENTIALITY

You acknowledge that certain Confidential Information including the information pertaining to the wind mill projects and working of our company may disclosed to you and therefore you hereby agree to keep all such information strictly confidential and shall not use the same for any purpose other than for evaluation of the projects.

"Confidential Information" for the purposes of this offer means any and all information (whether marked as confidential or not), whether past, present or future, disclosed by us to you directly or indirectly, orally or in writing or in any form or through any medium including without limitation information relating to (i) existing or contemplated structure, business proposal, operations, marketing, intellectual property or management, employees, contractors, our consultants, (ii) trade secrets, (iii) all data, materials, processes, operations, manuals, business plans, marketing plans, financial information, and other information regarding the business, operations, management or affairs (iv) other proprietary information, and (v) information relating to our clients

(xxi) OWNERSHIP OF INFORMATION

You agree and acknowledge that our company is the sole and exclusive owner of all the rights, title and interest in any and all intellectual property and/or proprietary rights, in the information / details provided by us pursuant to this offer and you shall not have or claim any right, title or



interest in the same in any manner howsoever and it shall not use the said information for any purpose other than for evaluation of the proposal.

(xxii) VALIDITY OF THE ORDER

The order pursuant to acceptance of this offer along with such changes as are mutually acceptable in writing will be in existence for a period of 1 year from the date of the purchase order and ceases to exist thereafter unless expressly extended mutually in writing.

(xxiii) Wholeness of the Order

Our offer is based on the scope of supplies mentioned above. Any change in the scope of supplies will be subject to our written confirmation and correction in price due to such deviation.