

				vi. Technological barriers have been further elaborated in PDD itself.	
3	Mr. Perumal Arumugam e-mail - perumal_ak@yahoo.co.in	25/11/2005	<p>Whether the financial analysis has taken the following into consideration:</p> <p>i. Tax holidays, accelerated depreciation, capital subsidy etc.</p> <p>ii. Why it has been done only for the crediting period when the entire life time of the facility is 20 years.</p> <p>iii. Does variable cost component has been taken care during computation?</p> <p>iv. Does the IRR consider all the benefits accruing from the project? In my opinion this should incase also include the value of tax breaks available to the project developer. To the best of my knowledge financial analysis in the PDD hasn't taken value of tax breaks into consideration, which in case of WE projects is very significant.</p>	<p>i. The windmill project in Maharashtra entitles BAL to sales tax incentives, capital subsidy, accelerated depreciation and certain income tax benefits.</p> <p>ii. Capital subsidy is restricted to Rs. 2 million for the entire project, which is insignificant keeping in mind the overall capital cost of the project.</p> <p>iii. BAL, for its core business of automobiles, has got two plants set up in the notified backward areas of Maharashtra. Any investment made by the company in backward area of Aurangabad entitles the company to unlimited sales tax benefits for a period of 18 years. Power plants (whether wind, coal or diesel) installed in the backward areas would also entail such benefits to the company. By investment in the windmill project, the company has compromised its sales tax benefits since sales tax incentives for windmill project are limited to the capital investment.</p> <p>iv. As regards, accelerated</p>	<p>It is true that the wind mill projects enjoy tax holidays, accelerated depreciation, capital subsidy, etc.</p> <p>However, the project participants, through documented evidence, have shown that in spite of these, the project was not the most financially attractive one.</p> <p>The comment is considered to be duly accounted for.</p>

				<p>depreciation and income tax benefits, the same have been taken on a stand alone basis. Automobile division would enjoy the benefits of the same.</p> <p>v. The income tax benefits and depreciation would be partially available, had the company invested in fossil fuel based power projects in the manufacturing plant itself.</p> <p>vi. IRR has been calculated for the entire lifetime of 20 years only. Whereas, Long term loans for investment proposal have repayment period of 10 years. Hence, Debt Service Coverage Ratio (DSCR) has been calculated for 10 years.</p> <p>vii. See below in Appendix BB the cost component structure of cost of grid and cost of wind power as taken in PDD.</p>	
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Appendix AA

Windpower Installed capacity (in MW) in State of Maharashtra

Year	Maharashtra	BAL
1997	0.77	