

## Regulatory Announcement

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KSK Power Ventur plc  
("KSK" or "the Company")

### **Business Update by the listed Indian subsidiary**

KSK Power Ventur plc (AIM: KSK.L) ("KSKPV"), the power project company listed on the AIM market of the London Stock Exchange, with interests in multiple power plants across India, has received the following Business update by its listed Indian subsidiary, KSK Energy Ventures Limited ("KSKEV"), the equity shares in which are listed and traded on the National Stock Exchange of India Limited ("NSE") and the Bombay Stock Exchange Limited ("BSE"). KSKPV holds 55.24% of the shares of KSKEV.

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For Immediate Release

9<sup>th</sup> June 2009

## **KSK Energy Ventures Limited**

("KSK", the "Company")

### **Business Update**

KSK Energy Ventures Limited (Bloomberg: KSK.IN), the power project development company in India with interests in several power plants across India, is pleased to announce the following Business Update.

The period since the Company IPO has seen the company making progress, both with respect to continuing construction and development of specific power projects as well as consolidating existing opportunities being pursued.

As part of its strategy of securing fuel access prior to setting up power plants, the company has initiated steps for collaboration with various government corporations. The company is pleased to announce that, subsequent to a competitive selection, the company has progressed in its collaboration with Goa Industrial Development Corporation (GIDC). The company has now entered into a fuel supply agreement with GIDC, who has been allotted Gare Pelma sector-III coal block in Chhattisgarh (such allotment to GIDC by Government of India), a fully explored block with estimated geological coal reserves of 215 million tons. This provides coal for pursuit of additional power generation capacity in Chhattisgarh.

### **Wardha Chhattisgarh Project**

With the availability of additional fuel from Gare Pelma sector-III coal block in Chhattisgarh, the company has decided to expand its project in Chhattisgarh through a fast track development of an additional 1800 MW of power generation capacity in the same location of Nariyara, where the company is currently involved in setting up a 1800 MW power plant based on coal supplies from Morga-II block by GMDC. The company has received consent from the government of Chhattisgarh for enhancement of the capacity to 3600 MW in the same location and the requisite Implementation Agreement is expected to be executed shortly.

The company anticipates that the entire 3600 MW execution would involve a total project size of approx Rs 16,200 crores to be funded 75:25 by debt and equity respectively. With the availability of IPO proceeds raised in June 2008 to pay the initial EPC mobilization advances, the company would seek to raise further equity in the coming months. However, the requirement of additional equity is expected to be marginal since the Company plans to fund a major portion from additional internal accruals and other sources. The initial response to the Company's plans to raise the money as a combination of equity and preference shares has been encouraging and the company is confident of securing the necessary equity participation. The company anticipates to tie up the projects equity requirement in time before drawal of project debt commences in early 2010. In this context, it would be necessary to point out that in May 2009, the Company has been informed by its promoter i.e. London Stock exchange listed KSK Power Ventur Plc ("KSK plc") that KSK plc raised equity of £ 32.5 million to finance its various initiatives in the power sector and also plans to move to the Official list of the London Stock exchange and thereby broaden its base of investors. The enhanced capacity project is expected to significantly increase the operating asset profile of the group in a reasonable period of time and ensure KSK emerges as one of the leading private power plant developers in India by 2011-12. A detailed update on the same would be presented upon attainment of substantial and definitive progress on the same.

The company has awarded Turnkey EPC contract with respect to the 3600 MW capacity to SEPCO Electric Power Construction Corporation, (a 100% subsidiary of Shandong Electric

Nuclear Power Construction Group Corp.), a leading EPC contractor from China engaged in power plant design and construction. SEPCO has a track record of constructing around 71,300 MW of Power project between year 2000 and 2008 and around 25,000 MW prior to that and the company has secured multiple orders from Indian clients in the recent past. SEPCO has committed to a unit wise commissioning of 600 MW each for the project. The company has released initial advance to SEPCO and SEPCO has initiated necessary activities as required under the contract.

Over the last three quarters, the Company has initiated steps to establish the infrastructure necessary for its projects.

- a. The Company has acquired substantial part of its land requirement for the power plants. The Company anticipates that by end June, not only necessary land acquisition would be fully complete but also adequate progress on environmental clearance for the project would have been made.
- b. Initiatives have been taken up on Non-EPC works of water infrastructure for the power plant as well effort of evacuation and railway siding.
- c. As part of ongoing efforts to address the human resources challenge in execution issues, a large team of senior industry professionals have been hired by the group, to supplement the project implementation and monitoring expertise, and the Company has initiated steps to acquire new resources / undertake necessary reorganization of its corporate structure and senior management resources to enable focused efforts on the Chhattisgarh project execution.

The Company is pleased to announce that Government of Chhattisgarh has identified the Company, as the lead developer, to setup a railway common infrastructure, in the south corridor, for transportation of coal from coal blocks to the respective power plants. The Company has utilized the services of premier agency Rail India Technical and Economic Services (RITES) for a high level feasibility study of proposed project. Details on the same would be updated upon further progress.

Not only has the power projects substantially progressed on enhanced capacity basis, this power project initiative by the Company has emerged as a truly indigenous Private Public Partnership (PPP) model, by a private sponsor, with government corporations having underlying coal supply obligations, associated equity participation rights and associated power off take arrangements and potential participation of large strategic government companies in the areas of power generation / mining activities.

The Sep-Dec 2009 and Jan-Mar 2010 quarters would be important in achievement of some of the planned milestones.

### **Wardha Warora Project**

The project witnessed significant construction progress and expected to have unit wise commissioning during last two quarters of 2009-10 as notified earlier. Considering the balance uncommitted portion of the anticipated power generation as well as deferment of consumption, temporary or long term, by certain industrial customers and export oriented businesses in the current global scenario, the company has participated in competitive bids by local utility and emerged the lowest bidder. The company executed a short term power purchase agreement (PPA) in May 2009 with Maharashtra State Electricity Distribution Company Limited for supply of its power in gradually increasing quantities between November 2009 and October 2010. The PPA provides for differential tariffs during monsoon and non-monsoon periods.

## **VS Lignite Project**

In the light of difficulties encountered by the EPC contractor in securing necessary work permits for larger commissioning teams from abroad, the company has now engaged services of two reputed local firms, in concurrence with EPC contractor, for assisting in supervision and witnessing commissioning trials. The company is now hopeful that by August, 2009 the plant would be operational.

During April 2009, the mining activity at Gurha (E) crossed a significant milestone of 1.25 million cubic meters of Overburden removal and Lignite seam reached. This commencement of lignite production not only heralds the largest private captive lignite mine (outside the government sector) in India but also the fastest development of the mine by a private corporate, spread over a vast area, with active support of the Government of Rajasthan.

## **Arasmeta Expansion**

With significant progress with respect to majority of the awarded packages, the company expects that power generation of the plant could commence before end of the current financial year.

## **Other Projects**

The progress on JR Power has been continual with PIPDIC progressing towards obtainment of the reports from CMPDI and subsequent application for prospecting license thereto. In so far execution of FSA by KSK Narmada with MPSC for supplies from Morga-I, post the unilateral termination of the MOU by MPSC, the same has been contested by the Company in the High Court and the issue is currently sub-judice.

As regards KSK Dibbin, the Company's first hydel project in the state of Arunachal Pradesh, geo technical studies have taken considerable time and the TEC clearance on the same is expected shortly. The company anticipates that within six months of obtaining such clearance, financial closure as well as release of orders for equipment would be initiated.

## **KSK Power Trading**

The company plans to incorporate a subsidiary with an explicit business objective of engaging in the business of power trading. Such subsidiary would shortly apply for the necessary Trading license, as applicable under the current Indian regulations, and could look at long term opportunities of trading in surplus power of not only KSK sponsored power plants but also any additional planned / unplanned surplus of other power developers.

## **Collaboration with KSK Energy Company**

KSK Energy Company Private Limited, a 100% subsidiary of London Stock Exchange listed KSK plc, is a promoter company and actively engaged along with its parent KSK plc in the business of pursuing multiple mineral resources, both domestic and overseas coal reserves.

Given, the Company's interest in securing fuel supplies for various new projects, augmenting additional coal supplies over and above the actual delivery levels from current fuel linkages, as well as participation in potential upsides of mining activity interests, a broad collaboration is under consideration between our company and KSK Energy Company Private Limited. The key term of such collaboration being the sharing of resources and credentials, Company is seeking first right with respect to any new fuel linkages / resources obtained by KSK Energy Company pursuant to

the collaboration and could entail joint investments by both the companies, to be approved on case to case basis, with respect to such opportunities. The Company would come to the shareholders for approvals, if necessary on finalization of the terms of the Agreement between the companies.

*Commenting on the business developments, Sri T L Sankar, Non-Executive Chairman of KSK said:*

"The period after the company IPO and listing in July 2008 saw one of the most turbulent times of the recent past in world financial and stock markets at the global level and associated lags on government approvals, corporate business decision making ,contract finalisation and activity progress. While the company has witnessed its own set of challenges on these fronts, we are happy to note that the effort by the company on underlying projects has continued as anticipated and infact further improved. In fact, we expect 2009 to be a substantial year with expected commencement of power production by three of the power projects under construction and therefore taking total installed capacity under the company to 862 MW by March 2010. Further, the company anticipates that with the short term power sales by Wardha warora project, significant cash flows and internal accruals will commence for further equity commitments of the Company with respect to the projects.

The pursuit of enhanced 3600 MW Power project at Chhattisgarh not only reinforces the Company's confidence on the Indian power sector market opportunity and underlying unfulfilled demand for new generation capacity creation but also reinforces KSK's commitment to the generation assets based on collaboration and commitment of its various government stakeholders in meeting the fuel requirements, off take arrangements and power plant investments.

The company believes that while the above asset would have its own financing and execution challenges, this asset would create shareholder value in the longer term. Also, the initiative on additional capacity, akin to a brownfield expansion, is expected to enable synergizing on the Groups resource base and enable a Premier position for the Company in the energy space in India".

This information is provided by RNS  
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