

Comment 1

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Methodology: AMSID Version 9 has been said to be used, however grid emission factor is as per Version 8. Please make corrections.

Baseline: Calculations/or some evidences need to be provided that boiler capacity is less than 45 MWthermal.

Fuel used in the plant:

Is woodchip renewable biomass?

Above points are normal errors which could be corrected, however there are some serious flaws in the project concept & addtionality which could not be corrected. I request DOE to look into following issues seriously to avoid such a free-rider project

1- PDD page 11: "The implementation of the biomass based cogeneration project activity is a voluntary step undertaken by RPML with no direct or indirect mandate by law. The main driving forces to this 'Climate change initiative' have been GHG reduction and subsequent carbon financing against sale consideration of carbon credits and Rural Development of the region by creating job opportunities for the local people."

However the truth is as stated by Rama Paper Chairman Mr. Pramod Kumar himself while presenting year 2003-04 results "Energy is main concern of every paper unit. Decline quality , irregular way of supply and ever increasing cost of power supplied by State Electricity Board had forced your company for conceptualizing a captive power plant of 6MW. Company is in process to tie up external as well as internal funds for this project the expected outlay on which on a rough estimation is about Rs 2000 lacs. A fair payback period of captive power plant works out to be 3 years and would ensures a sustained growth of your company."

Above statement clearly show that a) project is coming up due to high grid electricity cost and not for GHG reduction as stated in PDD
b) project is very attractive with a payback of only 3 years.

This text is available on Rama paper website. And also I have screenshots of the same with me, if DOE wishes I would be glad to send the same.

2- PDD claims (page 11, Investment Barrier)that

"In order to set up a cogeneration facility in the plant, RPML initiated dialogues with the financial institutions in June 2004 to finance the cogeneration power plant. However, due to RPML's poor financial background, the financial institutions were apprehensive and reluctant to finance the project. RPML continued to approach various financial institutions and subsequently in the year November 2005 borrowed the debt from the financial institution at a higher rate of interest as against the normal rate offered. This has lead to financial burden on RPML who is in the

process of recovering from its BIFR."

Above is a wrong fact as Company has applied for deregistration from BIFR in 2003-04 itself much before going for loans from banks/FIs, and as per annual report it was already out of BIFR before applying for loans from Banks/FIs.

Also the claim that company was in bad financial condition is also wrong as annual report provides following highlights of performance during 03-04 much before project started

"I am glad to inform you the tremendous exceptional performance during the year 2003-2004 has demonstrated its abilities and capabilities to cope with any emerging challenges. The highlights of the performance of your company in FY 2003-2004 are:

- Turnover reached to Rs 6211 lacs as compared to Rs 5096 lacs (FY 2002-2003) and Rs 4914 lacs (FY 2001-2002)
- Cash accruals from operations are Rs 330 lacs against cash losses of Rs 480 lacs (FY 2002-2003) and cash losses of Rs 577 lacs (FY 2001-02)
- Net profit after tax is Rs 534 lacs as compared to net loss of Rs 409 lacs (FY 2002-03) and net loss of Rs 708 lacs (FY 2001-02)
- Plant capacity utilization is 84% as compared to 72% in FY 2002-03 and 65% in FY 2001-02.
- Term loan reduced to Rs 1325 lacs as on March 2004 as compared to Rs 3737 lacs as on March 2003 and Rs 4289 lacs as on March 2002.
- Company is heading for debt free of existing debt by March 2006.
- Net worth of company became positive as on March'04 after remaining in red since 1999.
- 145% increase in sales and 116% growth in production over past five years.
- Company had already applied for de registration of its reference from BIFR, henceforth company is a non BIFR company."

3- PDD claims that company had an option of going ahead with coal as a fuel option but doesn't elaborate on this point regarding project cost, availability of coal etc. Uttar Pradesh where this project is based doesn't have coal mines, so in all probability coal would be costlier. Also confirm this fact if coal linkage is possible for such a small project in UP, as without coal linkage no coal power plant can come up.

4- Increased fuel prices: This is a flimsy logic, please provide annual average fuel prices and not max prices seen in any one year. Increasing biomass may also point toward shortage of biomass in the region. PDD should also include leakage that may occur due to usage of biomass in the plant.

5- Please show comparison of grid electricity prices with electricity cost in the project activity.

6- PDD talks about additional burden due to higher interest rate, but what is the interest rate it has not been shown. Please provide details of additional burden due to higher interest rate.