



Aavishkaar
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October 25, 2003

Shareholders
Aavishkaar International Private Limited

Dear

Aavishkaar India makes its third investment on 25 September 2003

I am pleased to inform you that on 25 September 2003, Aavishkaar India Micro Venture Capital Fund made its third investment. The Board of Trustees of Aavishkaar India handed over a cheque for INR 5.0 lakhs (Rupees Five lakhs only) to the entrepreneurs of TIDE Technocrats Private Limited (TTPL). Rs.5.0 lakhs equals approximately USD11,000 at current exchange rates.

About the Enterprise

TIDE Technocrats Pvt. Ltd. (TTPL) was established in January 1995 and is located in Bangalore, Karnataka. TTPL intends to operate in the niche area of renewable energy based power generation technologies such as micro hydel projects for electricity generation, bio-methanation digesters and Gasifier technologies for Industrial Boilers using biomass waste.

TTPL as an investment opportunity is about a combination of ideas that may have a long-term impact on rural India. There are few, if any, professionally managed businesses in the country operating in the areas of Micro Hydel Systems (MHS) and processed biomass.

Micro-hydel, at a conceptual level is an established technology. However, the market opportunity for Micro Hydel Installations is scattered. TTPL reckons that there are about

Nurturing ventures into enterprises

700 large plantations in Karnataka of which about 45% have indicated interest in adopting Micro Hydel technology.

The processing of coconut fronds as biomass adds value to local unused material and the rides on its calorific value to find industrial end users. Sugar Factories in Karnataka are potential markets. 38 Sugar Factories and 40 biomass based Independent Power Producers are the identified markets for processed biomass.

The promoters of the company have extensive experience of working in the identified technological niche through their involvement with Technology Informatics Design Endeavour (TIDE, a not for profit society, operational in the renewable energy space since 1993, promoted by the same set of people as TTPL).

The strength of TTPL lies in its promoters. The two promoters are young, enthusiastic and transparent individuals. Both possess good academic records and come from reputed Institutions (IRMA and INSEAD, France) and have a strong desire to operate within the rural and renewable energy domain.

The other major strength of TTPL is its strong link with Indian Institute of Sciences and TIDE. TTPL has board members from both institutions and share strong linkages professionally and personally.

About the funding

Aavishkaar India decided to invest 17.25 lakhs by subscribing to 44100 equity share at Rs 39.10 per share. (INR10 per share plus a premium of INR 29.10 per share). The first tranche of Rupees 5 Lakhs was against 13.5% ownership of TTPL. The second tranche of subscription is to be made in the first week of December if detailed criteria laid out in the subscription agreement are met. The third instalment would be some time in September 2004. Post-money, Aavishkaar India would hold a 35% stake in the entity.

Aavishkaar India's stake in TTPL would be matched by a concessionally priced loan of the same size from Winrock International India. Winrock International India (WII) is a non-profit organization working in the areas of natural resource management, clean energy and climate change. The mission of WII is to "develop and implement solutions

that balance the need for food, income and environmental quality." Will focuses on the following areas: Energy and Environment, Natural Resources Management and Climate Change. The first tranche of Rs.10.0 lakhs (out of a total loan of Rs.17.0 lakhs) would be disbursed within the next ten days.

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Other developments:

- (1) The Indian Institute of Management Lucknow (IIML) will be writing a case study on Aavishkaar India for use in their MBA programme. The first draft of the case study has been sent to Aavishkaar India for our comments.
- (2) Aavishkaar India has at least three to four other projects that are in an advanced stage of consideration. By the end of the calendar year 2003, Aavishkaar India will have made between five to six investments. It hopes to consolidate the existing portfolio in the course of the first two to three quarters of next year.
- (3) Aavishkaar India's first two investments are making steady progress. We hope to provide more concrete feedback by the end of 2003.

Yours sincerely,

V. Anantha Nageswaran