

14th April, 2006

Balaji Agro Oils Limited
Daveluru,
Kanigiri
Krishna District
Andhra Pradesh

Attn: Mr. Murthy, Director

Sub: Engagement Letter – Climate Change Advisory Services

Dear Sir,

This letter will confirm Ernst & Young Pvt Ltd's ('E&Y') engagement to act as advisor to Balaji Agro Oils Limited., regarding matters related to Kyoto Protocol under United Nation Framework Convention to Climate Change (UNFCCC). This letter shall constitute an engagement agreement ("*the Agreement*") between **Balaji Agro Oils Limited., ('the Company')** and Ernst & Young and sets out our understanding of the services you require us to provide. The Supplemental Terms and Conditions (Annexure-1) and Dispute Resolutions Procedures (Annexure-2), provide further details of our respective responsibilities and form part of this engagement letter.

1.0 Introduction

The Company has reported to have undertaken the following Green House Gas (GHG) abatement project:

- ❖ **Project:** 4.5 MW Biomass based, power plant.
- ❖ **Location:** Daveluru, Kanigiri, Krishna District , Andhra Pradesh, India

Hence the Company has approached M/s Ernst & Young, hereafter referred to as E&Y, to prepare Project Idea/Concept Note and Project Design Document as per the CDM requirements and Facilitate it in identification of the buyer for the above mentioned GHG abatement project as per the terms and conditions mentioned hereunder.

The Company hereby appoints E&Y to assist it in getting the potential benefits of the GHG abatement project(s) under the Clean Development Mechanism (CDM) of the Kyoto Protocol.

2.0 Scope of Services

Scope of services of E&Y is detailed below in this section

2.1 Preparation of Project Idea Note (PIN)

The PIN document will test in brief suitability of the project as a CDM project. The PIN document will be delivered to the Company.

2.2 Preparation of PDD

E&Y, together with staff of the Company who have the desired project expertise, shall prepare Project Design Document (PDD) based on the guidelines of the United Nations Framework Convention on Climate Change (UNFCCC). The Company would provide E&Y all the technical information/data required for preparing the PDD. Following documents would be prepared:

2.2.1 Baseline Study

E&Y would assist the Company in preparing baseline document as per the requirements of UNFCCC. The baseline study will cover issues like additionality, leakage and excel sheet based calculation for the emission reductions.

2.2.2 M & V protocol

Monitoring and Verification (M&V) protocol would be developed as per requirement of UNFCCC.

2.2.3 Environmental Impact

The Environmental Impact Assessment (EIA) documents and/or other environmental impact related documents shall be made available to E&Y for the preparation of the PDD. E&Y shall use these documents to prepare the document as per UNFCCC requirement outlining positive and/or negative environmental impacts.

2.2.4 Stakeholders' comments

With E&Y's assistance the Company would invite stakeholders' comments on the project. E&Y would assist in posting the PDD on Validator's website during the validation process for general comments. E&Y would help the Company to prepare answers to the queries posted by various parties, if any.

Deliverable: Project Design Document (PDD)

2.3 Validation of the project

E&Y would assist the Company to select appropriate validator(s). E&Y shall assist the Company to reply queries from validator and /or public.

The Company would directly pay the fee and associated costs for validation to the validator(s).

E&Y does not guarantee validation.

2.4 Identification of buyers of Certified Emission Reduction units (CERs)

E&Y will use its national and international reach to assist the Company in identifying potential buyers of the CERs. However, E&Y does not provide guarantee for such buyer identification.

2.5 Involvement of Ernst & Young after validation

The Company will receive CERs after submission of an independent verification statement by verification agency. Before each verification, E&Y would perform agreed-upon procedures to compare the data/information prepared by the Company to the requirements set out in the M&V protocol of the PDD, and communicate its findings to the Company.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

E&Y may perform the Services together with other member firms of Ernst & Young Global Limited and/or Ernst & Young International, Ltd. (all such member firms, including E&Y, the "E&Y Firms") or with subcontractors of the E&Y Firms. E&Y shall be solely responsible for the performance of the Services and all of the other liabilities and obligations of E&Y under this Agreement, whether or not performed, in whole or part, by E&Y, any other E&Y Firms, or any subcontractor or personnel of any E&Y Firms. The Company, its subsidiaries, affiliates and any other person for whose benefit the services were provided shall have no recourse and shall bring no claim against any E&Y Firms other than E&Y, or against any subcontractors, members, shareholders, directors, officers, managers, partners or employees of any E&Y Firms, with respect to any liability or obligations herein or in connection with the Services.

Any controversy or claim arising out of or relating to services covered by this letter or hereafter provided by us for the Company or at its request (including any such matter involving any parent, subsidiary, affiliate, successor in interest, or agent of the Company or of E&Y, or involving any person or entity for whose benefit the services in question are or were provided), shall be submitted first to voluntary mediation, and if mediation is not successful, then to binding arbitration, in accordance with the dispute resolution procedures set forth in the Annexure 2 to this letter. Judgment on any arbitration award may be entered in any court having jurisdiction.

6.0 Agreement of Terms

The general terms of business as per Annexure 1 & 2 holds good. We hereby agree to this engagement letter and request E&Y to start this engagement.

Sudipta Das
Partner
For, Ernst & Young Pvt. Ltd.

We accept the above Terms & Conditions

For Balaji Agro Oils Limited,

[Signature]
Mr. Ch. S. R. C. Murthy
Director – Finance
Date:

SUPPLEMENTAL TERMS AND CONDITIONS

A. Proprietary and Related Rights

1. Company Property All data or information supplied by the Company to Ernst & Young Pvt Ltd ('E&Y') in connection with the services being provided by E&Y ('the Services') shall remain the property of the Company or its licensors. All deliverables to the extent prepared by E&Y hereunder for delivery to the Company ('the Deliverables') shall be the property of the Company.

2. E&Y Property In connection with performing the Services, E&Y may use certain data, modules, components, designs, utilities, subsets, objects, program listings, tools, models, methodologies, programs, systems, analysis frameworks, leading practices and specifications ('Technical Elements'). Certain Technical Elements were owned or developed by E&Y prior to, or independently from, its engagement hereunder and are the sole and exclusive property of E&Y and E&Y retains all rights thereto, as well as to all modifications, enhancements and derivative works of such Technical Elements created, developed or prepared by E&Y during the performance of the Services. Certain other Technical Elements consist of third party works and products that E&Y has acquired the rights to use. In addition E&Y retains the right to use its knowledge, experience and know-how, including processes, ideas, concepts, and techniques developed in the course of performing the Services, in providing services to other clients. The Company shall have no rights in the Technical Elements. All working papers prepared by E&Y in connection with the Services shall remain the property of E&Y.

3. Use of Deliverables and Services The Deliverables and E&Y's Services (including any related recommendations and advice) are intended solely for the information and use of the Company's management, officers, directors and employees and may not be disclosed to any other person without the prior written consent of E&Y (other than the Company's external auditors, subject to their agreement that none of the Deliverables, or any portion thereof, shall be further disclosed to any other person or entity except as required by law or professional obligation and that such auditors shall in no event make any claims against E&Y arising out of or in connection with the Deliverables). If the Deliverables or Services (including any portion, abstract or summary thereof, whether oral or in writing) is disclosed to an unauthorized third party, Company agrees to indemnify and hold harmless E&Y, its partners, employees, agents and advisors from and against all claims, causes of action, liabilities, losses, damages, costs, and expenses (including, without limitation, reasonable attorneys' fee) resulting from such disclosure.

4. Systems Unless E&Y has expressly agreed to do so in writing in this Agreement, the Services do not involve identifying, addressing or correcting any errors or defects in computer systems, other devices, or components thereof ('Systems'), due to imprecise or ambiguous entry, storage, interpretation, processing or reporting of data, including dates, and E&Y shall have no responsibility or liability for any defect or problem arising out of or related to processing in any Systems. However, during the performance of our engagement, we may become aware of issues with respect to your 'Systems'. These findings will be communicated to you in our individual reports.

B. Confidential Information

1. Confidentiality Except as otherwise expressly provided in the text of the engagement letter, one party receiving Confidential Information, as defined below, in connection with the provision of the Services shall not disclose such Confidential Information outside of its organization or use it for any purpose other than in connection with the Services. 'Confidential Information' means all information in which a party has rights that is not generally known to the public and that under all the circumstances should reasonably be treated as confidential or proprietary, whether or not the material is specifically marked as confidential. Notwithstanding the foregoing, Confidential Information does not include information that: (i) is, as of the time of its disclosure, or thereafter becomes, part of the public domain through a source other than the receiving party; (ii) was known to the receiving party as of the time of its disclosure; (iii) is independently developed by the receiving party without reference to the Confidential Information; or (iv) is subsequently

learned from a third party not known by the receiving party to be subject to an obligation of confidentiality with respect to the information disclosed.

2. Exceptions Nothing in this Agreement shall limit the ability of a party in possession of the Confidential Information of the other to disclose such Confidential Information, and such party shall have no liability for such disclosure, if such disclosure is: (i) required to be disclosed pursuant to law, regulation, professional responsibility, government authority, duly authorized subpoena or court order whereupon the disclosing party will provide notice to the other party prior to such disclosure; (ii) required to be disclosed to a court or other tribunal in connection with the enforcement of such party's rights under this Agreement; or (iii) is approved for disclosure by the prior written consent of the other party.

3. Survival of Restrictions The terms of this Section B will survive the termination of this Agreement and will continue in full force and effect for a period of twelve months from the date of such termination or as otherwise required by law or regulation.

4. Conflict of Interest: Subject to confidentiality restrictions set forth herein, E&Y and its affiliates shall have the right to render similar services to any third parties, even if such parties are in competition with the Company, provided that, in the event the Company has given E&Y prior notice of a potential conflict, E&Y shall either obtain a waiver of both parties or in the absence of such waiver (which should not be unreasonably withheld or delayed), refrain from rendering similar services in a manner which would create a conflict with respect to such circumstances.

C. Management responsibilities

Management of the Company is responsible for establishing and maintaining the Company's system of internal control. The Company's management and the Audit Committee are responsible for the following:

- Determining the scope, risk, and frequency of activities performed by us
 - Evaluating the findings and results arising from the activities performed by us
 - Evaluating the adequacy of the procedures performed by us and the findings resulting from those activities
- including actions by management, if any, necessary to respond to the findings and among other things, obtaining reports from us
- Avoiding reliance on our procedures as the primary basis for determining the adequacy of the system of internal control
 - Ensuring that all information provided to us is accurate and complete in all material respects contains no material omissions and is updated on a prompt and continuous basis. E&Y shall be entitled to rely on all information provided by and decisions and approvals of the Company in connection with our work. E&Y will not be responsible if any information provided by the Company is not complete, accurate or current. In addition, the Company will also be responsible for obtaining all third-party consents and security clearances required to enable E&Y to access and use any third-party products necessary to our performance.

D. Relationship of Parties

1. Independent Contractor Nothing herein contained will be construed to imply a joint venture, partnership, principal-agent relationship or co-employment or joint employment between the Company and E&Y. E&Y, in furnishing services to the Company hereunder, is acting only as an independent contractor. E&Y does not

undertake by this Agreement or otherwise to perform any obligation of the Company, whether regulatory or contractual, or to assume any responsibility for the Company's business or operations. The parties agree that, to the fullest extent permitted by applicable law, E&Y has not, and is not, assuming any duty or obligation that the Company may owe to its customers or any other person.

2. Concerning Employees Personnel supplied by either party will be deemed employees of such party and will not for any purpose be considered employees or agents of the other party. Except as may otherwise be provided in this Agreement, each party shall be solely responsible for the supervision, daily direction, and control of its employees and payment of their salaries (including withholding of appropriate payroll taxes), workers' compensation, disability benefits, and the like.

E. Testing Services

1. If the Services include testing, penetration, intrusion or analysis of the Company's information systems or enterprise whether by using intrusive or passive techniques and software tools ('Testing Services'), the provisions of this Section E shall apply and the Company hereby consents to E&Y performing the Testing Services.

2. If the testing services involve third party service providers, the Company shall obtain all necessary consents of third party service providers. This consent shall be in the form attached to this letter.

3. The Company understands that Testing Services may result in disruptions of and/or damage to Client's or third party's information systems and the information and data contained therein, including but not limited to denial of access to a legitimate system user, automatic shutdown of information systems caused by intrusion detection software or hardware, or failure of the information system. The Company is solely responsible for understanding the testing steps that will be performed as part of the Testing Services and for arranging alternative means of operation should such disruptions or failures occur and for all damage caused by the Testing Services. E&Y shall have no responsibility or liability for, and the Company shall have no recourse against, E&Y or its partners, employees, agents or consultants for any damages as a result of such Testing Services.

4. The Company shall have no recourse against, and shall bring no claim (in the nature of contribution or otherwise) against, E&Y, its subcontractors or their respective partners, officers, directors, agents, consultants and employees with respect to (i) any third-party claim (from all causes of action of any kind, including contract, tort or otherwise) against the Company or its subsidiaries or affiliates related to or arising out of the Testing Services provided hereunder, or (ii) any losses, liabilities, damages or expenses (including attorneys' fee and expenses) incurred by the Company or its subsidiaries or affiliates as a result of any such third-party claim. In addition, the Company shall indemnify and hold harmless E&Y, its subcontractors and their respective partners, officers, directors, agents, consultants and employees ("E&Y Indemnitees") from and against (i) all claims and causes of action of any kind, including contract, tort or otherwise, by any third party related to or arising out of the Testing Services provided hereunder, and (ii) any losses, liabilities, damages and expenses (including, but not limited to, reasonable attorneys' fee and expenses incurred by the E&Y Indemnitees in any action or proceeding between an E&Y Indemnatee and any third party or otherwise) that are incurred by the E&Y Indemnitees as a result of any such claims or causes of action. The Company shall reimburse the E&Y Indemnitees for such Indemnified Costs as they are incurred by the E&Y Indemnitees. The Company's subsidiaries and affiliates are deemed a third party as that term is used in this section E.

F. Other Provisions

1. Applicable Law; Severability: This Agreement shall be governed by the laws of the Union of India. If any portion of this Agreement is held to be void, invalid, or otherwise unenforceable, in whole or part, the remaining portions of this Agreement shall remain in effect.

2. Assignment: Neither this Agreement, nor any rights or obligations hereunder, may be assigned, in whole or in part, by either party without the prior written permission of the other party; provided that, upon written notice to the other, either party may assign this Agreement to a corporation or legal entity that acquires substantially all of or a controlling interest in that party ('Change of Control'), and E&Y may assign this Agreement to any member or affiliated firm of Ernst & Young Global Limited or Ernst & Young International, Ltd.

3. Entire Agreement; Applicable Law: This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all agreements and understandings between the Company and E&Y with respect to the subject matter hereof made prior to the date of this Agreement. Each of the Company and E&Y confirms that it has the right, power and authority to execute and deliver this Agreement and that it will be enforceable in accordance with its terms.

4. Term: The term of this Agreement shall commence on the date of the Engagement Letter ("Effective Date of contract") and shall continue up to the completion of the engagement ("Term") until terminated by either party through prior notice.

5. Transition After Termination: Upon the termination of this Agreement, E&Y shall, subject to the timely payment to it of all amounts owed hereunder, and the payment during the period of transition of its fee at its then-applicable hourly rate and its expenses, cooperate with the Company in the orderly transition of its responsibilities to its successor, whether that be personnel employed by the Company or an entity retained by the Company for such purpose. In connection with such transition, E&Y will (a) continue to provide services contemplated hereunder for a reasonable period of time and, should the Company desire, provide such services in coordination with the successor; and (b) make its personnel available at times mutually agreeable to discuss its work and transition issues with the Company and the successor.

6. Non-Solicitation of Personnel: The Company shall not solicit for employment or hire any E&Y employee who is involved in the performance of this Agreement during the term of this Agreement and for a period of twelve months following its termination except as may be agreed to in writing by both parties. In case the Company does so, it will have to pay E&Y a sum equivalent to twelve months Cost to Company of such employee.

7. Indemnity and Hold Harmless: The Company shall indemnify and hold harmless EY and its personnel and subcontractors (collectively, the 'Indemnified Parties') from and against any loss, cost, damage and expense (including but not limited to attorneys' fee) incurred by any Indemnified Party relating to any claims arising out of or in any way relating to the Services or this agreement. This provision shall survive the termination of this agreement for any reason.

8. Changes and Delays: Changes in the type or extent of the services requested by the Company or that are required for any other reason including any change in applicable law, professional standards or schedule delays or other events beyond a party's reasonable control (collectively, 'Unexpected Events'), may require fee and / or date of performance revisions to be agreed upon by both parties. If either party's performance is delayed or suspended as a result of Unexpected Events, and without its fault or negligence, then the period during which the services are to be performed shall be extended to the extent of such delay and neither party shall incur any liability to the other party as a result of such delay or suspension.

9. Conflict and survival: In the event if any conflict, ambiguity or inconsistency between this Annexure, the main engagement letter and any other document to which this Annexure 1 may be annexed or which may be annexed to this Annexure 1, including any terms and conditions on the Company's purchase orders or otherwise, the terms and conditions of this Annexure 1 shall govern. The provisions of this Agreement that give the parties rights beyond termination of this Agreement will survive any termination of this Agreement.

10. Use of E&Y's name: Except as may be expressly permitted by this Agreement, the Company shall not use or publicise E&Y's name, trademark, service mark or logo in connection with the Services, without the prior written consent of E&Y, which may be subject to certain conditions, in E&Y's discretion.

11. Internet e-mail: The Company acknowledges that: (i) E&Y, the Company and others participating in this engagement may correspond or convey documentation via Internet e-mail unless the Company expressly requests otherwise, (ii) no party has control over the performance, reliability, availability, or security of Internet e-mail, and (iii) E&Y shall not be liable for any loss, damage, expense, harm or

inconvenience resulting from the loss, delay, interception, corruption, or alteration of any Internet e-mail due to any reason beyond E&Y's reasonable control.

12. Validation: Initial Validation may be in the form of Pre-validation considering there are very few Designated Operational Entities from UNFCCC. Hence in this proposal term validation is synonymous to pre-validation.

13. Barriers: The Company shall provide an explanation to show that each project activity would not have occurred anyway due to at least one of the following barriers:

- (a) Investment barrier: a financially more viable alternative to the project activity would have led to higher emissions;
- (b) Technological barrier: a less technologically advanced alternative to the project activity involves lower risks due to the performance uncertainty or low market share of the new technology adopted for the project activity and so would have led to higher emissions;
- (c) Barrier due to prevailing practice: prevailing practice or existing regulatory or policy requirements would have led to implementation of a technology with higher emissions;
- (d) Other barriers: without the project activity, for another specific reason identified by the Company, such as institutional barriers or limited information, managerial resources, organizational capacity, financial resources, or capacity to absorb new technologies, emissions would have been higher.

DISPUTE RESOLUTION PROCEDURES

The following procedures shall be used to resolve any controversy or claim ('dispute') as provided in our engagement letter to which this annexed. If any of these provisions are determined to be invalid or unenforceable, the remaining provisions shall remain in effect and binding on the parties to the fullest extent permitted by law.

Mediation

A dispute shall be submitted to mediation by written notice to the other party or parties. The mediator shall be selected by agreement of the parties and any mediator so designated must be acceptable to all parties. If the parties cannot agree on a mediator, a mediator shall be designated by the Indian Council of Arbitration ('ICA') at the request of a party. Any mediator so designated must be acceptable to all parties.

The mediation shall be conducted as specified by the mediator and agreed upon by the parties. The parties agree to discuss their differences in good faith and to attempt, with facilitation by the mediator, to reach an amicable resolution of the dispute. The mediation shall be treated as a settlement discussion and therefore shall be confidential. The mediator may not testify for either party in any later proceeding relating to the dispute. No recording or transcript shall be made of the mediation proceedings.

Each party shall bear its own costs in the mediation. The fee and expenses of the mediator shall be shared equally by the parties.

Arbitration

If a dispute has not been resolved within 90 days after the written notice beginning the mediation process (or a longer period, if the parties agree to extend the mediation), the mediation shall terminate and the dispute shall be settled by arbitration. The arbitration will be conducted in accordance with the procedures in this document and the Rules of the Indian Council of Arbitration ('Rules') as in effect on the date of the engagement letter, or such other rules and procedures as the parties may designate by mutual agreement. In the event of a conflict, the provisions of this document will control.

The arbitration will be conducted before a panel of three arbitrators to be designated by the parties. Any issue concerning the extent to which any dispute is subject to arbitration, or concerning the applicability, interpretation, or enforceability of these procedures, including any contention that all or part of these procedures are invalid or unenforceable, shall be governed by the currently applicable Indian Arbitration & Conciliation Act and resolved by the arbitrators. No potential arbitrator shall be appointed unless he or she has agreed in writing to abide and be bound by these procedures.

The arbitration body shall have no power to award non-monetary or equitable relief of any sort. It shall also have no power to award (a) damages inconsistent with any applicable agreement between the parties or (b) punitive damages or any other damages not measured by the prevailing party's actual damages; and the parties expressly waive their right to obtain such damages in arbitration or in any other forum. In no event, even if any other portion of these provisions is held to be invalid or unenforceable, shall the arbitration panel have power to make an award or impose a remedy that could not be made or imposed by a court deciding the matter in the same jurisdiction.

Discovery shall be permitted in connection with the arbitration only to the extent, if any, expressly authorized by the arbitration panel upon a showing of substantial need by the party seeking discovery.

All aspects of the arbitration shall be treated as confidential. The parties and the arbitration panel may disclose the existence, content or results of the arbitration only as provided in the Indian Arbitration & Conciliation Act. Before making any such disclosure, a party shall give written notice to all other parties and shall afford such parties a reasonable opportunity to protect their interests.

The result of the arbitration will be binding on the parties, and judgment on the arbitration award may be entered in any court having jurisdiction in India.