

13 July 2006

STRICTLY CONFIDENTIAL

**H.&R. Johnson (India) Ltd.
Windsor, 7th Floor,
Bandra-Kurla Complex,
Mumbai**

Attn: Mr. Vijay Agrawal, Managing Director

Dear Sir,

This letter will confirm Ernst & Young Pvt Ltd's ('E&Y') engagement to act as advisor to H&R Johnson (India) 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 H&R Johnson (India) 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 plans to implement/ has implemented following projects across its various facilities in India.

Phase-1 Projects

- Biomass Hot Air Generator for Spray Dryer at Kunigal.
- Biomass Hot Air Generator for Spray Dryer at Dewas.
- Combined Heat & Power Generation through GTG at Pen.

Phase-2 Projects

- Replacing batch smelter with continuous smelter at Karaikal enhancing energy efficiency.
- Wood charcoal gassifier for kiln at Dewas.
- Wood Charcoal HAG for Vertical Dryer at Dewas.
- Wood charcoal gassifier for Spray Dryer at Pen.

Phase-3 Projects

- Biomass based power generation at Kunigal.
- Biomass based power generation at Dewas.

These projects would help reducing Green House Gas (GHG) in either of the following ways.

- Use of renewable biomass fuels in place of fossil fuels helping into sequestration of CO₂.
- Use of more efficient smelter technology reducing specific energy consumption leading to reduction of emissions.