Managing Director
Bhagyanagar Gas Limited
Parishram Bhawan, APIDC
Building Basheer Bagh
Hyderabad-500004

Dated: July 28, 2009


Sir,

This has reference to our letter No: PNGRB/08 Dated 22.10.08 and all other correspondence on this subject including your letter No: Nil dated July 25, 2009 wherein you have submitted Performance Bank Guarantee for Vijaywada CGD Network vide BG No: PBG 3/2009 Dated 25th July ‘2009 for an amount Rs 4,00,00,000 (Rupees Four Crores).

The Petroleum & Natural Gas Regulatory Board in view of the authorization given by the Central Government vide letter Ref: 16019/05/08-GP dated July 9th, 2008, hereby grants exclusivity for 5 years from the date of issue of Performance Bank Guarantee to M/s BGL for Vijaywada CGD Network as requested by BGL vide letter No: letter No: Nil Dated 18th July, 2008, subject to the terms and conditions mentioned below:

1) M/s BGL shall abide by the provisions of the PNGRB Act, 2006 and relevant regulations including amendments thereof and regulations, if any, framed from time to time.

2) M/s BGL shall abide by the Technical Standards and specifications including Safety Standards (T4S) for, city and/or Local Natural Gas Distribution Networks Regulations 2008 including the Emergency Response & Disaster Management Plan (ERDMP).

3) The BGL shall abide to Quality of Service standards as per regulations framed under PNGRB Act, 2006.

4) M/s BGL shall abide by the regulations covering exclusivity for marketing of gas from the purview of Contract Carrier & Common Carrier as specified in the Petroleum and Natural Gas Regulatory Board (Exclusivity for City or Local Natural Gas Distribution Network) Regulation, 2008

5) The Geographical Area & Charge Area accepted for CGD Network Authorization for Vijaywada GA is as per submitted map duly signed by M/s BGL & PNGRB(Copy enclosed). The project milestones for the above CGD Network development shall be as per Annex-1.

Violation of any condition/conditions mentioned in clauses 1 to 5 shall be treated as default and shall be dealt as per the provisions of the PNGRB Act, 2006.

M/s BGL shall submit the Network Tariff and Compression Charge for CNG as per the Petroleum & Natural Gas Regulatory Board (Determination of Network Tariff for City or Local Natural Gas Distribution Networks and Compression Charge for CNG) Regulations, 2008 for the approval of the Board separately within 30 days of the issue of this letter.

The receipt of this letter may please be acknowledged.

Yours faithfully,

(Ratan P. Watat)
Secretary, PNGRB

Encl: a/a
Mile Stones for Geographical Area

1. Geographical Area: VIJAYAWADA

2. Charge Areas: As defined in the enclosed Map.

3. Year wise Domestic PNG Connections Commitment during the Exclusivity Period of 5 Years:

<table>
<thead>
<tr>
<th></th>
<th>Existing upto 31.03.09</th>
<th>FY 2009-10</th>
<th>FY 2010-11</th>
<th>FY 2011-12</th>
<th>FY 2012-13</th>
<th>FY 2013-14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year Wise connections (Nos.)</td>
<td>NIL</td>
<td>500</td>
<td>18500</td>
<td>24900</td>
<td>25500</td>
<td>26867</td>
</tr>
<tr>
<td>Cumulative Connections (Nos.)</td>
<td>NIL</td>
<td>500</td>
<td>20000</td>
<td>44900</td>
<td>70400</td>
<td>97267</td>
</tr>
</tbody>
</table>

4. Year wise Steel Pipeline length commitment during the Exclusivity period of 5 Years:

<table>
<thead>
<tr>
<th></th>
<th>Existing upto 31.03.09</th>
<th>FY 2009-10</th>
<th>FY 2010-11</th>
<th>FY 2011-12</th>
<th>FY 2012-13</th>
<th>FY 2013-14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Steel Pipeline Length (Inch-KM)</td>
<td>NIL</td>
<td>18</td>
<td>377</td>
<td>240</td>
<td>NIL</td>
<td>NIL</td>
</tr>
</tbody>
</table>

5. Year wise Compression Capacity commitment during the Exclusivity Period of 5 Years:

<table>
<thead>
<tr>
<th></th>
<th>Existing upto 31.03.09</th>
<th>FY 2009-10</th>
<th>FY 2010-11</th>
<th>FY 2011-12</th>
<th>FY 2012-13</th>
<th>FY 2013-14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year Wise CNG Compression Capacity (Kgs/Day)</td>
<td>47000</td>
<td>36000</td>
<td>54000</td>
<td>54000</td>
<td>36000</td>
<td>0</td>
</tr>
<tr>
<td>Cumulative CNG Compression Capacity (Kgs/Day)</td>
<td>47000</td>
<td>83000</td>
<td>137000</td>
<td>191000</td>
<td>227000</td>
<td>227000</td>
</tr>
</tbody>
</table>

Non Achievement of any of the above project milestones shall lead to revocation of the specific performance Bond Bank Guarantee.

The period of exclusivity shall start from the date of issue of specific performance Bank Guarantee. The project Milestones as mentioned above shall be on year to year basis from the date of issue of PBG.