

CONFORMED COPY

OTF GRANT NUMBER TFO23789

Ozone Projects Trust Fund Grant Agreement

(CFC Production Sector Gradual Phase-Out Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

acting as Trustee of the Ozone Projects
Trust Fund

and

INDUSTRIAL DEVELOPMENT BANK OF INDIA

Dated June 30, 2000

OTF GRANT NUMBER TF023789

OZONE PROJECTS TRUST FUND GRANT AGREEMENT

AGREEMENT dated June 30, 2000, between the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT, acting as Trustee of grant funds provided for the Ozone Projects Trust Fund (OTF) by Parties to the Montreal Protocol on Substances that Deplete the Ozone Layer (the Trustee) and the INDUSTRIAL DEVELOPMENT BANK OF INDIA (IDBI) (the Recipient) of the other part (the OTF Grant Agreement).

WHEREAS (A) The International Bank for Reconstruction and Development (the Bank) pursuant to Resolution No. 91-5 of March 14, 1991, of the Executive Directors of the Bank (the Resolution), established a Facility, including the OTF, to assist in the protection of the global environment and promote thereby environmentally sound and sustainable economic development;

(B) The Parties to the Montreal Protocol on Substances that Deplete the Ozone Layer, and to the Vienna Convention for the Protection of the Ozone Layer have established the Multilateral Fund (the Fund) for the Implementation of the Montreal Protocol to operate under the authority of the said Parties to provide the financing of agreed incremental costs to

enable the Parties operating under paragraph 1 of Article 5 of the Protocol to comply with control measures provided for in the Protocol;

(C) The Executive Committee of the Fund (the Executive Committee) and the Bank have entered into an agreement effective on July 9, 1991, pursuant to which the Executive Committee has agreed to provide funds into the OTF to be administered by the Bank as Trustee in accordance with the provisions of the said agreement and the Resolution;

(D) The Executive Committee and India (India) have entered into an agreement dated October 1, 1999 (the Consensus Agreement), whereby the Executive Committee has agreed to make available to India grant funding for carrying out the Project described in Schedule 2 to this Agreement;

(E) India and the Recipient, having satisfied themselves as to the feasibility and priority of the said Project, have requested that grant funding for the Project be provided through the resources of the OTF, and the Trustee has determined that such arrangements would be in accordance with the provisions of the Resolution;

(F) India and the Recipient represent that there are no impediments, under the laws of India, for the Recipient to carry out the Project and perform its obligations under this Agreement;

(G) The Project will be carried out by India through its Ministry of Environment and Forests (MOEF) with the assistance of the Recipient, and the Trustee has entered into a Project Agreement with India (the Project Agreement); and

(H) India has requested the United Nations Environment Programme (UNEP) to execute the technical assistance required in support of the Project, and the Trustee has entered into a Memorandum of Agreement (MOA) with UNEP.

WHEREAS the Trustee has agreed, on the basis, inter alia, of the foregoing, to extend a grant (the OTF Grant) to the Recipient upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. (a) The following provisions of the General Conditions Applicable to Loan and Guarantee Agreements for Currency Pool Loans, dated January 1, 1985 (as amended through October 6, 1999) (the General Conditions) constitute an integral part of this Agreement:

- (i) Article I;
- (ii) Sections 2.01 (1), (2), (3), (4),

(6), (8), (9), (10), (15), and (20) 2.02 and 2.03;

(iii) Section 3.01;

(iv) Section 4.01 and the first sentence of Section 4.09;

(v) Sections 5.01, 5.05, 5.06, 5.07, 5.08, and 5.09;

(vi) Sections 6.02 (c), (d), (e), and (p); and 6.06;

(vii) Section 8.01 (b);

(viii) Sections 9.01 (a), 9.05, 9.06 and 9.07;

(ix) Sections 10.01, 10.03 and 10.04;

(x) Article XI; and

(xi) Sections 12.03 and 12.04.

(b) The General Conditions shall be modified as follows:

(i) the term "Bank", wherever used in the General Conditions, other than in Sections 2.01 (8) and 6.02 (f) thereof and the second use of such term in Section 5.01 thereof, means the Trustee except that in Section 6.02, the term "Bank" shall also include the International Bank for Reconstruction and Development acting in its own capacity;

(ii) the term "Borrower", wherever used in the General Conditions, means the Recipient;

(iii) the term "Loan Agreement", wherever used in the General Conditions, means this Agreement;

(iv) the term "Loan" and "loan" wherever used in the General Conditions, means the OTF Grant;

(v) the term "Loan Account" wherever used in the General Conditions, means the OTF Grant Account;

(vi) Section 4.01 is modified to read:

"Except as the Trustee and the Recipient shall otherwise agree, withdrawals from the OTF Grant Account shall be made in the currency of the CFC Phase-out Account specified in Section 2.02 (b) of this Agreement;" and

(vii) a new sub-paragraph is added after sub-paragraph (j) in Section 6.02 of the General Conditions, as follows: "an extraordinary situation shall have arisen

in which any further disbursement under the OTF Grant would exceed the resources available for disbursement from the OTF Grant for the Project."

Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Agency Service Fee" means the fee referred to in Article 2.05 for the services carried out by the Recipient, as a financial intermediary.

(b) "Annual Performance Audit" means the audit of the implementation of an Annual Program as referred to in Paragraph 3(a) of Schedule 3 to this Agreement.

(c) "Annual Performance Audit Report" means the report of the audit of the implementation of an Annual Program as referred to in Paragraph 3(a) of Schedule 3 to this Agreement and Part A.5(b) of the Schedule to the Project Agreement between India and the Bank (the Project Agreement).

(d) "Annual Program" means a program of actions aimed at reducing CFC Production in the course of a Program Year, as referred to in Part B.9 of the Schedule to the Project Agreement.

(e) "Annual Program Amount" means the part of the proceeds of the OTF Grant approved by the Executive Committee as part of the said Committee's approval of an Annual Program, and to be disbursed for the carrying out of the said Annual Program in accordance with this Agreement.

(f) "Beneficiaries" means the four CFC production enterprises which are legal entities established under the Companies Act of India, 1956: (i) Chemplast Sanmar Ltd.; (ii) Gujarat Fluorochemicals Ltd.; (iii) Navin Fluorine Industries Ltd.; and (iv) SRF Ltd., and their successors or assigns.

(g) "Country Program" means India's Country Program for the Phase Out of Ozone Depleting Substances under the Montreal Protocol, dated September, 1993, as approved by the Executive Committee in November, 1993, and amended from time to time.

(h) "CFC" means chlorofluorocarbons 11, 12, 113, 114, and 115.

(i) "CFC Production" means the production of CFCs for both domestic consumption and exports.

(j) "CFC Phase-out Account" means the account referred to in Section 2.02 (b) of this Agreement.

(k) "EMP" means an Environmental Management Plan to be submitted by each Beneficiary prior to modification, or partial or complete dismantling of a

CFC or HCFC production line, after cessation of CFC and HCFC production.

(l) "HCFC" means hydrochlorofluorocarbons.

(m) "MOA" means the Memorandum of Agreement of even date herewith entered into between the Trustee and UNEP.

(n) "MOEF" means the Ministry of Environment and Forests.

(o) "ODS" means any ozone depleting substance or substances.

(p) "ODS Regulations" means the regulations notified for public comments on January 25, 2000, and to be issued under the Environment (Protection) Act, 1986, for controlling and monitoring the production and use of ODS.

(q) "Performance Agreement" means the agreement referred to in Part A.4 of the Schedule to the Project Agreement, to be entered into between MOEF and each of the Beneficiaries outlining the obligations of the Beneficiaries;

(r) "Program Year" means a period of one calendar year covered by an Annual Program.

(s) "Project Agreement" means the agreement of even date herewith entered into between India and the Trustee.

(t) "Project Implementation Manual" means the manual dated April 20, 2000, setting out the detailed operational, financial, administrative, disbursement, accounting, auditing, and monitoring procedures governing the implementation of the Project, as revised from time to time in agreement with the Trustee.

(u) "Project Management Unit" (PMU) means the Unit to be established by MOEF with the specific responsibility of implementing the Project.

(v) "Quota Order" means an order issued by India on March 2, 2000, through MOEF for implementation of a quota system for the production of CFCs.

(w) "Sub-Grant Agreement" means the agreement referred to in section 3.03 hereof, to be entered into between the Recipient and each of the Beneficiaries, outlining the terms under which payments out of the OTF Grant shall be made to each of the Beneficiaries for phasing out production of CFCs.

(x) "Technical Assistance" means the activities to be carried out by PMU with the assistance of UNEP, as specified in Annex I of the MOA.

ARTICLE II

The OTF Grant

Section 2.01. The Trustee agrees to make available to the Recipient, on the terms and conditions set forth or referred to in this Agreement, the OTF Grant in an amount not exceeding eighty million eight hundred thousand United States Dollars (US\$80,800,000) inclusive of the Agency Service Fee of eight hundred thousand United States Dollars US\$800,000 (the OTF Grant).

Section 2.02. (a) The OTF Grant may be withdrawn from the OTF Grant Account for payments to be made to the Beneficiaries for reduction in CFC Production, and the Agency Service Fee in accordance with the provisions of Schedule 1 to this Agreement.

(b) The Recipient shall, for the purposes of the Project open and maintain a Project account (the CFC Phase-out Account) in a commercial bank on terms and conditions satisfactory to the Trustee, including appropriate protection against set off, seizure or attachment. All withdrawals from the OTF Grant Account shall be deposited by the Trustee into the CFC Phase-out Account in United States Dollars. Deposits into, and payments out of, the CFC Phase-out Account shall be made in accordance with the provisions of Schedule 3 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 2011, or such later date as the Trustee shall establish. The Trustee shall promptly notify the Recipient of such later date.

Section 2.04. The Trustee shall not be obligated to make any payment under this Agreement except to the extent it shall have received funds for the purposes of the Project from the Executive Committee.

Section 2.05. The Trustee shall pay to the Recipient, in consideration of the services provided by the Recipient under this Agreement, 1% of the payments to be disbursed to the Beneficiaries, such fee to be paid out of the proceeds of the OTF Grant in installments proportionate to each disbursement made by the Recipient to the Beneficiaries, payable only after such disbursement is made to the Beneficiaries.

ARTICLE III

Execution of the Project

Section 3.01. The Recipient declares its commitment to the objective of the Project as set forth in Schedule 2 to this Agreement and to this end shall carry out its responsibilities as a financial intermediary in conformity with appropriate financial and administrative practices, and in accordance with Schedule 3 to this Agreement.

Section 3.02. The Recipient shall collaborate closely with MOEF in the implementation of the Project, and shall take all the necessary actions to enable MOEF to carry out its obligations under the Project.

Section 3.03. The Recipient shall enter into a Sub-Grant Agreement with each of the Beneficiaries. The Recipient shall submit to the Bank for its review

and approval a draft of the Sub-Grant Agreement, and ensure that the Bank receives a copy of the fully executed Sub-Grant Agreements entered into with each of the Beneficiaries. No disbursement of funds shall take place to any Beneficiary who has not entered into a Sub-Grant Agreement with the Recipient and a Performance Agreement with MOEF as specified in Section 2.01(c) of the Project Agreement.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Recipient shall maintain a financial management system, including records and accounts, and prepare financial statements in a format acceptable to the Bank, adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures related to the Project.

(b) The Recipient shall:

(i) have the records and accounts referred to in paragraph (a) of this Section including those for the CFC Phase-out Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Trustee;

(ii) furnish to the Trustee as soon as available, but in any case not later than six months after the end of each such year, the report of such audit by said auditors, of such scope and in such detail as the Trustee shall have reasonably requested; and

(iii) furnish to the Trustee such other information concerning said records and accounts and the audit thereof as the Trustee shall from time to time reasonably request.

ARTICLE V

Remedies of the Trustee

Section 5.01. Pursuant to Section 6.02 (p) of the General Conditions, the following additional events are specified:

(a) India or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of the Recipient or for the suspension of its operations.

(b) India or any other authority shall have taken any action, including the enactment or issuance of legislation or regulations, which, in the opinion of the Trustee, may adversely affect, prevent, or interfere with the carrying out of the Project or the performance by the Recipient of any of its obligations under this Agreement.

(c) India shall have failed to meet the CFC production phase-out targets agreed with the Executive Committee of the Multilateral Fund.

(d) India: (i) shall have been suspended from membership in, or ceased to be a member of the Bank; or (ii) shall have ceased to be a member of the International Monetary Fund.

ARTICLE VI

Effectiveness; Termination

Section 6.01. This Agreement shall enter into force and effect upon its execution by both parties, and the execution of the Project Agreement.

Section 6.02. This Agreement shall continue in effect until the OTF Grant has been fully disbursed and the parties to this Agreement have fulfilled all their obligations hereunder.

ARTICLE VII

Representative of the Recipient; Addresses

Section 7.01. The Chairman and Managing Director, or any Executive Director of the Recipient is designated as representative of the Recipient for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Recipient:

Industrial Development Bank of India
IDBI Tower, Cuffe Parade
Mumbai - 400005
India

Telex:

0118-2193

For the Trustee:

International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

Telex:

248423 (MCI) or
64145 (MCI)

INTBAFRAD
Washington, D.C.

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have

caused this Agreement to be signed in their respective names, in New Delhi, India, as of the day and year first above written.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
as Trustee of the Ozone Projects
Trust Fund

By /s/ Joelle Chassard-Manibog
Acting Country Director, India

INDUSTRIAL DEVELOPMENT BANK OF
INDIA

By /s/ M. M. Haque
Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Grant

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Grant, the allocation of the amounts of the Grant to each Category, and the percentage of expenditures to be financed in each Category:

% of Expenditures Category to be Financed	Amount of the Grant (Expressed in US Dollars)
(1) Payments to Beneficiaries 100%	80,000,000
(2) Agency Service Fee 100%	800,000

2. The term "Agency Service Fee" means the fee payable to the Recipient for its services as financial intermediary, as provided under Article 2.05 of this Agreement.

SCHEDULE 2

Description of the Project

The objective of the Project is to assist India in implementing its Country Program for phasing-out CFC production within its territory.

The Project consists of the following, subject to such modification thereof as India, the Trustee, and the Recipient may agree upon from time to time to achieve the objective:

Reduction of CFC Production through preparation and implementation of Annual Programs.

* * *

The Project is expected to be completed by December 31, 2010.

SCHEDULE 3

CFC Phase-out Account

1. For the purposes of this Schedule, the term "eligible payments" means payments to the Beneficiaries for reduction in CFC Production and the Agency Service Fee, to be financed out of the proceeds of the OTF Grant, in accordance with Schedule 1 to this Agreement. Eligible payments shall be specified in an Annual Program, and shall not include payments incurred prior to the date of this Agreement.

2. Payments out of the CFC Phase-out Account shall be made exclusively for eligible payments in accordance with the provisions of this Schedule.

3. After the Trustee has received evidence satisfactory to it that the CFC Phase-out Account has been duly opened, withdrawals from the OTF Grant Account in respect of any Annual Program shall be made based on requests by the Recipient for deposits into the CFC Phase-out Account as follows:

(a) The amounts allocated in such Annual Program for CFC Reduction and the Agency Service Fee may be withdrawn by the Recipient only after receiving confirmation from the Trustee that:

(i) an Annual Performance Audit by MOEF has been carried out through PMU to ensure that the Beneficiaries have met the phase-out targets set out in the Annual Program for the preceding Program Year using monitoring indicators that are satisfactory to the Trustee, and an Annual Performance Audit Report has been prepared; and

(ii) the information provided in the Annual Performance Audit Report prepared by MOEF through PMU in (i) above has been verified by the Trustee, and the Executive Committee has approved the Annual Program and associated funding for disbursements to the Beneficiaries;

(b) The Agency Service Fee may be disbursed from the CFC Phase-out Account only after the disbursements to the Beneficiaries have taken place, as specified in paragraph 3(a) above.

(c) The Trustee shall have received copies of fully executed Sub-Grant Agreements entered into between the Recipient and each of the Beneficiaries, and Performance Agreements entered into between MOEF and each of the Beneficiaries, pursuant to which CFC Production is to be reduced to at least the target set forth in the said Annual Program;

(d) The Recipient shall have submitted to the Trustee the audited financial reports for each Program Year, referred to in Article IV of this Agreement; and

(e) Other conditions for disbursements, as set forth in the said Annual Program, have been met, as confirmed by the Trustee.

4. On the basis of such request or requests, the Trustee shall withdraw from the OTF Grant Account and deposit into the CFC Phase-out Account such amount or amounts as the Recipient shall have requested, provided that the applicable conditions set forth or referred to in paragraph 3(a), (c), (d) and (e) of this Schedule 3 have been met to the satisfaction of the Trustee.

5. For each payment made by the Recipient out of the CFC Phase-out Account, the Recipient shall, at such time as the Trustee shall reasonably request, furnish to the Trustee such documents and other evidence showing that such payment was made exclusively for eligible payments.

6. If the CFC production levels of any of the Beneficiaries under the Grant exceed the phase-out targets as set forth in the Annual Program, as verified by the Trustee:

(a) The Trustee shall require that no further payments under the Grant be made, with respect to the defaulting Beneficiary until such corrective measures as shall be necessary have been effected, and the subsequent Program Year's production of the defaulting beneficiary is reduced, as set forth in the Annual Program; and

(b) The Trustee shall require that the amount payable to the defaulting Beneficiary be reduced by \$1,000 per metric ton of CFC production above the target set forth in the Annual Program for the Program Year.

7. (a) If the Trustee shall have determined at any time that any payment out of the CFC Phase-out Account was inconsistent with the provisions of paragraph 3 of this Schedule, the Recipient shall, promptly upon notice from the Trustee deposit into the CFC Phase-out Account (or, if the Trustee shall so request, refund to the Trustee) an amount equal to such payment.

(b) Refunds to the Trustee made pursuant to paragraph 7 (a) of this Schedule 3 shall be credited to the OTF Grant Account for subsequent withdrawal or

for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

