

CONFORMED COPY

LOAN NUMBER 4226 IN

Guarantee Agreement

(Coal Sector Rehabilitation Project)

between

INDIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Dated March 19, 1998

LOAN NUMBER 4226 IN

GUARANTEE AGREEMENT

AGREEMENT, dated March 19, 1998, between India, acting by its President (the Guarantor), and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Guarantor and Coal India Ltd. (the Borrower), having been satisfied as to the feasibility and priority of the Project described in Schedule 2 to the Loan Agreement, have requested the Bank to assist in the financing of the Project;

(B) by the Loan Agreement of even date herewith between the Bank and the Borrower, the Borrower has agreed to carry out Parts A and B of the Project and for that purpose the Bank has agreed to extend to the Borrower a loan equal to five hundred thirty million dollars (\$530,000,000) on the terms and conditions set forth in the Loan Agreement, but only on condition that the Guarantor agree to guarantee the obligations of the Borrower in respect of such loan as provided in this Agreement;

(C) by a Development Credit Agreement (the Development Credit Agreement) of even date herewith between the Guarantor and the International Development Association (the Association), Guarantor has agreed to carry out Part C of the Project and for that purpose, the Association has agreed to provide assistance in an aggregate principal amount equivalent to one million five hundred thousand Special Drawing Rights (SDR1,500,000) (the Credit) on the terms and conditions set forth in the Development Credit Agreement; and

WHEREAS the Guarantor, in consideration of the Bank's entering into the Loan

Agreement with the Borrower, has agreed so to guarantee such obligations of the Borrower;

NOW THEREFORE the parties hereto hereby agree as follows:

#### ARTICLE I

##### General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements for Single Currency Loans" of the Bank, dated May 30, 1995, with the modifications set forth in Section 1.01 of the Loan Agreement (the General Conditions) constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions, the Preamble to this Agreement, the Preamble to and Section 1.02 of the Loan Agreement have the respective meanings therein set forth.

#### ARTICLE II

##### Guarantee

Section 2.01. The Guarantor declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Loan Agreement, and, to this end, without limitation or restriction upon any of its other obligations under the Guarantee Agreement, the Guarantor hereby unconditionally guarantees, as primary obligor and not as surety merely, the due and punctual payment of the principal of, and interest and other charges on, the Loan, and the premium, if any, on the prepayment of the Loan, and the punctual performance of all the other obligations of the Borrower, all as set forth in the Loan Agreement.

#### ARTICLE III

##### Other Covenants

Section 3.01. (a) The Guarantor shall not take, or cause or permit any of its constituent States and Union Territories or any agency of any such constituent States and Union Territories to take, any action which would prevent or interfere with the performance of the Borrower of its obligations contained in the Loan Agreement and will take or cause to be taken all reasonable action necessary or appropriate to enable the Borrower to perform such obligations.

(b) The Guarantor shall carry out Part C of the Project in accordance with the Implementation Program set forth in Schedule 3 to the Development Credit Agreement.

#### ARTICLE IV

##### Representatives of the Guarantor; Addresses

Section 4.01. Any Secretary, Additional Secretary, Joint Secretary, Director, Deputy Secretary or Under Secretary of the Department of Economic Affairs in the Ministry of Finance of the Guarantor is designated as representative of the Guarantor for the purposes of Section 11.03 of the General Conditions.

Section 4.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Guarantor:

Secretary to the Government of India  
Department of Economic Affairs  
Ministry of Finance  
New Delhi, India

Cable address:

Telex:

ECOFAIRS  
New Delhi

953-3166175

For the Bank:

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

Cable address:

INTBAFRAD  
Washington, D.C.

Telex:

248423 (MCI) or  
64145 (MCI)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

INDIA

By /s/ Sudhakar Rao

Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Robert Drysdale

Acting Regional Vice President  
South Asia

