

CONFORMED COPY

LOAN NUMBER 3907- IN  
(Amendment)

Agreement Amending  
Loan Agreement

(Second Madras Water Supply Project)

between

INDIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

Dated June 12, 1997

LOAN NUMBER 3907 IN  
(Amendment)

AGREEMENT AMENDING  
LOAN AGREEMENT

AGREEMENT, dated June 12, 1997, between INDIA, acting by its President (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS (A) by the Loan Agreement dated November 20, 1995, as amended to date, (hereinafter called the Loan Agreement) between the Borrower and the Bank, the Bank has agreed to make available to the Borrower an amount in various currencies equivalent to two hundred seventy five million eight hundred thousand dollars (\$275,800,000) to carry out the Project described in Schedule 2 to the Loan Agreement;

(B) by a Project Agreement dated November 20, 1995, between the Bank and Tamil Nadu (hereinafter called the Tamil Nadu Agreement), Tamil Nadu has agreed to undertake certain obligations in respect of the carrying out of the Project;

(C) Tamil Nadu has advised the Bank that the name "Madras" has been changed to "Chennai" and "Madras Metropolitan Water Supply and Sewerage Board" has been changed to "Chennai Metropolitan Water Supply and Sewerage Board," and the Bank has taken note of these changes;

(D) by a Project Agreement dated November 20, 1995, (hereinafter called the Project Agreement) among the Bank, Madras Metropolitan Water Supply and Sewerage Board (now Chennai Metropolitan Water Supply and Sewerage Board) (hereinafter called Metro Water) and Tamil Nadu Water Supply and Sewerage Board (hereinafter called TWAD), Metro Water and TWAD have agreed to undertake certain obligations in respect of the carrying out of the Project;

(E) by the Amendment Letter between the Borrower and the Bank dated May 17, 1996, the terms of a portion of the Loan equivalent to \$269,800,000 have been amended to be the same as applicable to Single Currency Loans;

(F) the Borrower and Tamil Nadu (i) have requested the Bank to amend the description of the Project to drop the component concerning the laying of the pipeline from Veeranam Lake to Madras and to drop TWAD as one of the executing agencies to the Project, and (ii) notified the Bank to cancel, as a result, \$189.3 million out of the proceeds of the Loan; and

(G) the Bank, after due consideration, has agreed to this request;

NOW THEREFORE the parties hereto, hereby agree to the following amendments to the Loan Agreement:

1. PREAMBLE

Delete the reference to "TWAD."

2. ARTICLE I, Section 1.02

1. Delete the reference to TWAD in paragraph (e)
2. Delete paragraph (g) and renumber paragraph (h) as (g)

3. ARTICLE II

Section 2.01 is deleted and replaced with the following section:

"Section 2.01. (a) The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement: (i) various currencies that shall have an aggregate value equivalent to the amount of six million dollars (\$6,000,000); and (ii) an amount equal to two hundred sixty nine million eight hundred thousand dollars (\$269,800,000).

(b) Notwithstanding the provisions of Section 2.05 of the Loan Agreement, for the Loan amount of \$269,800,000, the conditions set forth or referred to in Schedule 5 to this Agreement shall apply."

4. ARTICLES III, V AND VI

Delete all the references to TWAD.

5. SCHEDULE 1

1. The table in Schedule 1 is deleted and replaced by the table in Schedule 1 to this Agreement.

2. A new paragraph 5 is added to Schedule 1 to this Agreement.

6. SCHEDULE 2

Schedule 2 is deleted and replaced by Schedule 2 to this Agreement.

7. SCHEDULE 3

Schedule 3 is deleted and replaced by Schedule 3 to this Agreement.

8. SCHEDULE 4

Paragraph 1. (c) is deleted and replaced with the following:

"(c) the term "Authorized Allocation" means an amount equivalent to \$6 million to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule."

9. Entry into Force and Effect

This Agreement shall enter into force and effect as of the date first written above upon signature by the authorized representatives of the Borrower and the Bank.

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

INDIA

By /s/ Sudhakar Rao

Authorized Representative

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

By /s/ Richard Skolnik

Acting Director Country Department II  
South Asia Region

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

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

(Expressed in Category	Amount of the Loan Allocated Loan allocated Dollar Equivalent)	Amount of the Expenditures (Expressed in Dollars)	% of to be Financed
(1) Civil works	4,000,000	64,400,000	64%
(2) Equipment and materials	1,000,000	4,000,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 80% of local expenditures for other items procured locally
(3) Consultants' services	1,000,000	12,000,000	100%
(4) Training	_____	100,000	100%
Canceled as of November 27, 1996	_____	189,300,000	
TOTAL	6,000,000	269,800,000	

2. A new paragraph 5 is added and reads as follows:

"5. Notwithstanding the provisions of paragraphs 1 and 4 of the Loan Agreement, withdrawals in an aggregate amount not exceeding the equivalent of \$1,550,000 may be made in respect of Part (iv) of the Project on account of expenditures made before the date of this Agreement, but after May 31, 1996."

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist Madras in (i) improvements to the sources of supply, treatment, distribution and conservation of water, and (ii) expansion and rehabilitation of the sewage collection, conveyance, treatment and disposal system.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Bank may agree upon from time to time to achieve such objectives:

- (i) Construction of a checkdam to improve the source of water supply, and completion of the Redhills Water Treatment Plant.
- (ii) Carrying out of a program of strengthening and rehabilitation of water transmission and distribution system in Madras.
- (iii) Carrying out of a program of water conservation, including public awareness, leak detection and repairs, replacements, strengthening, bulk metering and introduction of domestic metering.
- (iv) Carrying out of improvements to sewage collection systems, about 16 sewage pumping stations and a sewage treatment plant.
- (v) Carrying out of studies relating to water supply, sewerage and environmental sanitation, including the preparation of a future project.
- (vi) Provision of consultants' services for project preparation and implementation management.
- (vii) Provision of computer and associated equipment and software.
- (viii) Training of Metro Water staff in planning, construction, operations and management of water supply, sewerage and environmental sanitation services.

\* \* \*

The Project is expected to be completed by December 31, 2001.

SCHEDULE 3

Amortization Schedule

	Payment of Principal (Expressed in Dollars)*	Payment of Principal Date Payment Due (Expressed in dollars)**
February 15, 2001	115,000	1,548,500
August 15, 2001	120,000	1,602,200
February 15, 2002	125,000	1,658,900
August 15, 2002	130,000	1,718,600
February 15, 2003	135,000	1,779,700
August 15, 2003	135,000	1,842,400
February 15, 2004	140,000	1,908,000
August 15, 2004	145,000	1,975,200
February 15, 2005	150,000	2,045,300
August 15, 2005	160,000	2,118,400
February 15, 2006	165,000	2,193,000
August 15, 2006	170,000	2,270,500
February 15, 2007	175,000	2,351,100
August 15, 2007	180,000	2,434,600
February 15, 2008	190,000	2,521,200
August 15, 2008	195,000	2,610,700
February 15, 2009	200,000	2,703,200
August 15, 2009	210,000	2,798,700
February 15, 2010	215,000	2,897,100
August 15, 2010	225,000	3,000,100
February 15, 2011	230,000	3,107,500
August 15, 2011	240,000	3,216,400

February 15, 2012	250,000	3,331,200
August 15, 2012	255,000	3,449,100
February 15, 2013	265,000	3,571,400
August 15, 2013	275,000	3,698,200
February 15, 2014	285,000	3,829,500
August 15, 2014	295,000	3,965,300
February 15, 2015	305,000	4,105,500
August 15, 2015	320,000	4,248,500

\* The figures in this column represent dollar equivalents determined as of the respective dates of withdrawal. See General Conditions Applicable to Loan and Guarantee Agreements dated January 1, 1985, Sections 3.04 and 4.03.

\*\* The figures in this column represent the amount in dollars to be repaid, except as provided in Section 4.04 (d) of the General Conditions Applicable to Loan and Guarantee Agreements for Single Currency Loans dated May 30, 1995.

#### Premiums on Prepayment

Pursuant to Section 3.04 (b) of the General Conditions Applicable to Loan and Guarantee Agreements, the premium payable on the principal amount of any maturity of the currency pool Loan to be prepaid shall be the percentage specified for the applicable time of prepayment below:

Time of Prepayment	Premium
	The interest rate (expressed as a percentage per annum) applicable to the Loan on the day of prepayment multiplied by:
Not more than three years before maturity	0.15
More than three years but not more than six years before maturity	0.30
More than six years but not more than 11 years before maturity	0.55
More than 11 years but not more than 16 years before maturity	0.80
More than 16 years but not more than 18 years before maturity	0.90
More than 18 years before maturity	1.00

#### SCHEDULE 5

##### Terms and Conditions for the Single Currency Loan

1. The "General Conditions Applicable to Loan and Guarantee Agreements for Single Currency Loans" of the Bank, dated May 30, 1995 (the General Conditions) constitute an integral part of this Agreement.

2. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Interest Period equal to LIBOR Base Rate plus LIBOR Total Spread.

(b) For the purposes of this Section:

(i) "Interest Period" means the initial period from and

including the date of this Agreement to, but excluding, the first Interest Payment Date.

- (ii) "Interest Payment Date" means any date specified in Section 2.06 of the Loan Agreement.
- (iii) "LIBOR Base Rate" means, for each Interest Period, the London interbank offered rate for six-month deposits in dollars for value the first day of such Interest Period (or, in the case of the initial Interest Period, for value the Interest Payment Date occurring on or next preceding the first day of such Interest Period), as reasonably determined by the Bank and expressed as a percentage per annum.
- (iv) "LIBOR Total Spread" means, for each Interest Period:  
(A) one-half of one percent (1/2 of 1%); (B) minus (or plus) the weighted average margin, for such Interest Period, below (or above) the London interbank offered rates, or other reference rates, for six-month deposits, in respect of the Bank's outstanding borrowings or portions thereof allocated by the Bank to fund single currency loans or portions thereof made by it that include the Loan; as reasonably determined by the Bank and expressed as a percentage per annum.

(c) The Bank shall notify the Borrower of LIBOR Base Rate and LIBOR Total Spread for each Interest Period, promptly upon the determination thereof.

(d) Whenever, in light of changes in market practice affecting the determination of the interest rates referred to in this Schedule, the Bank determines that it is in the interest of its borrowers as a whole and of the Bank to apply a basis for determining the interest rates applicable to the Loan other than as provided in said Section, the Bank may modify the basis for determining the interest rates applicable to amounts of the Loan not yet withdrawn upon not less than six (6) months' notice to the Borrower of the new basis. The new basis shall become effective on the expiry of the notice period unless the Borrower notifies the Bank during said period of its objection thereto, in which case said modification shall not apply to the Loan.

