

CONFORMED COPY

LOAN NUMBER 4226 IN

Loan Agreement

(Coal Sector Rehabilitation Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

and

COAL INDIA LTD.

Dated March 19, 1998

LOAN NUMBER 4226 IN

LOAN AGREEMENT

AGREEMENT, dated March 19, 1998, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and COAL INDIA LTD. (the Borrower).

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

(B) by an agreement (the Guarantee Agreement) of even date herewith between the Guarantor and the Bank, the Guarantor has agreed to guarantee the obligations of the Borrower in respect of the Loan and to undertake such other obligations as set forth in the Guarantee Agreement;

(C) the Guarantor has requested the International Development Association (the Association) to provide assistance towards financing Part C of the Project, which shall be carried out by the Guarantor, and by an agreement of even date herewith between the Guarantor and the Association (the Development Credit Agreement), the Association is agreeing to provide such assistance in an aggregate principal amount equivalent to one million five hundred thousand Special Drawing Rights (SDR1,500,000) (the Credit); and

(D) the Borrower intends to contract from the Export Import Bank of Japan (Eximbank) a loan (Eximbank Loan), in an amount equivalent to five hundred thirty million dollars (\$530,000,000), to assist in financing the Project on terms and

conditions set forth in an agreement (Eximbank Loan Agreement) to be entered into between the Borrower and Eximbank; and WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan to the Borrower upon the terms and conditions set forth in this Agreement, the Development Credit Agreement and the Guarantee Agreement;

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 below (the General Conditions) constitute an integral part of this Agreement.

(a) Section 6.03 is modified to read:

"Section 6.03. Cancellation by the Bank. If (a) the right of the Borrower to make withdrawals from the Loan Account shall have been suspended with respect to any amount of the Loan for a continuous period of thirty days, or (b) at any time, the Bank determines, after consultation with the Borrower, that an amount of the Loan will not be required to finance the Project's costs to be financed out of the proceeds of the Loan, or (c) at any time, the Bank determines, with respect to any contract to be financed out of the proceeds of the Loan, that corrupt or fraudulent practices were engaged in by representatives of the Borrower or of a beneficiary of the Loan during the procurement or the execution of such contract, without the Borrower having taken timely and appropriate action satisfactory to the Bank to remedy the situation, and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Loan, or (d) at any time, the Bank determines that the procurement of any contract to be financed out of the proceeds of the Loan is inconsistent with the procedures set forth or referred to in the Loan Agreement and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Loan, or (e) after the Closing Date, an amount of the Loan shall remain unwithdrawn from the Loan Account, or (f) the Bank shall have received notice from the Guarantor pursuant to Section 6.07 with respect to an amount of the Loan, the Bank may, by notice to the Borrower and the Guarantor, terminate the right of the Borrower to make withdrawals with respect to such amount. Upon the giving of such notice, such amount of the Loan shall be canceled."

Section 1.02. 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) "BCCL" means Bharat Coking Coal Ltd., a subsidiary of the Borrower;
- (b) "CMPDI" means Coal Mining Planning and Design Institute;
- (c) "ECL" means Eastern Coalfields Ltd., a subsidiary of the Borrower;
- (d) "Environmental and Social Review Panel" means the panel of social and environmental experts appointed by the Borrower on April 11, 1997;
- (e) "ESMP" means the Coal Sector Environmental and Social Mitigation Project, Credit Number 2862-IN, being implemented pursuant to the ESMP Legal Agreements hereinafter defined;
- (f) "ESMP Legal Agreements" means the Development Credit Agreement dated June 5, 1996, between India, acting by its President, and the Association and a Project Agreement of even date therewith between the Association and the Borrower;
- (g) "Fiscal Year" and "FY" means the fiscal year of the Borrower and the Subsidiaries beginning on April 1 of a Calendar Year and ending on March 31 of the

following year;

(h) "Memoranda and Articles of Association" means, collectively, the Memorandum and Articles of Association of the Borrower and the Participating Subsidiaries, as amended to the date of this Agreement;

(i) "Participating Subsidiaries" means, collectively, Central Coalfields Ltd., Mahanadi Coalfields Ltd., Northern Coalfields Ltd., South Eastern Coalfields Ltd., and Western Coalfields Ltd. and "Participating Subsidiary" means any of the Participating Subsidiaries;

(j) "Project Mines" means all the mines listed in Schedule 7 to this Agreement and "Project Mine" means any such mine except, for purposes of Schedule 9 to this Agreement, where "Project Mines" and "Project Mine" have the meanings set forth in the ESMP Legal Agreements;

(k) "Project Preparation Advance" means the project preparation advance granted by the Bank to the Guarantor pursuant to an exchange of letters dated January 4, 1994 and February 4, 1994 between the Guarantor and the Bank;

(l) "rupees" or "Rs." means the currency of the Guarantor;

(m) "Special Account" means the account referred to in Section 2.02(b) of this Agreement;

(n) "Subsidiaries" means, collectively, the Participating Subsidiaries, Bharat Coking Coal Ltd., Eastern Coalfields Ltd., Central Mining Planning and Design Institute, and any other corporation in which the Borrower on the date of this Agreement has or in the future may have majority ownership and "Subsidiary" means any one of the Subsidiaries;

(o) "Subsidiary Loan" means a loan to be made by the Borrower to a Participating Subsidiary under a Subsidiary Loan Agreement; and

(p) "Subsidiary Loan Agreements" means the agreements to be entered into between the Borrower and each of the Participating Subsidiaries pursuant to Section 3.01(c) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Loan Agreements.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, an amount equal to five hundred thirty million dollars (\$530,000,000).

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for Parts A and B of the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Loan.

(b) The Borrower may, for the purposes of the Project, open and maintain in dollars a special deposit account in the State Bank of India on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 6 to this Agreement.

(c) Promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be canceled.

Section 2.03. The Closing Date shall be June 30, 2003, or such later date as the

Bank shall establish. The Bank shall promptly notify the Borrower and the Guarantor of such later date.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.05. (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 occurring thereafter, and after the initial period, each period from and including an Interest Payment Date to, but excluding the next following Interest Payment Date.

(ii) "Interest Payment Date" means any date specified in Section 2.06 of this 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 Guarantor and 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 Section 2.05, 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 the Loan upon not less than six (6) months' notice to the Borrower of the new basis. The 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.

Section 2.06. Interest and other charges shall be payable May 15 and November 15 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, without any limitation or restriction upon any of its other obligations under the Loan Agreement, shall: (i) carry out Parts A and B of the Project, and take all action required on its part to cause the Participating Subsidiaries to carry out such Parts of the Project,

with due diligence and efficiency and in accordance with the appropriate administrative, environmental, financial, social and technical standards and practices, and to enable the Participating Subsidiaries to perform their obligations under the Subsidiary Loan Agreements; (ii) provide, promptly as needed, the funds, facilities, services and other resources required for the purpose; and (iii) not take or permit to be taken any action which would prevent or interfere with such performance.

(b) Without limitation upon the provisions of paragraph (a) of this Section and, except as the Bank and the Borrower shall agree otherwise, the Borrower shall carry out Parts A and B of the Project, or cause Parts A and B of the Project to be carried out, in accordance with the Implementation Program set forth in Schedule 5 to this Agreement.

(c) For the purpose of carrying out Parts A and B of the Project, the Borrower shall onlend the proceeds of the Loan to the Participating Subsidiaries under subsidiary loan agreements to be entered into between the Borrower and each of the Participating Subsidiaries, under the terms and conditions which shall have been approved by the Bank, and which shall include, without limitation, those set forth in Schedule 8 to this Agreement.

(d) The Borrower shall exercise its rights under the Subsidiary Loan Agreements in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan, and, except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive any of the Subsidiary Loan Agreements or any provision thereof.

Section 3.02. (a) Except as the Bank shall otherwise agree, procurement of goods, works and consultants' services required for Parts A and B of the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement.

(b) Notwithstanding the above or anything provided in this Agreement, in the event that the Bank determines that there is a breach of any of the obligations set forth in Schedule 9 to this Agreement by any of the Participating Subsidiaries in respect of any one or more of the Project Mines, the Bank may decide not to finance from the proceeds of the Loan the portion of any contract for goods or works that was allocated to such Project Mine or Mines. The Bank shall notify the Borrower of such decision after the Bank receives the bid evaluation report pursuant to paragraph 2(c) of Appendix 1 to the Guidelines.

Section 3.03. For the purposes of Section 9.08 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, a plan for the future operation of the Project and designed to ensure the continued achievement of the Project's objectives; and

(b) afford the Bank a reasonable opportunity to exchange views with the Borrower on said plan.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain, and cause each of the Participating Subsidiaries to maintain, records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition.

(b) The Borrower undertakes to do the following and to cause each of the Participating Subsidiaries to do the same:

(i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) and the records and accounts for the Special Account for

each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;

with appropriate auditing auditors

(ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year: (A) certified copies of its financial statements for such year as so audited; and (B) the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and

(iii) furnish to the Bank such other information concerning said records, accounts and financial statements as well as the audit thereof as the Bank shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of statements of expenditure, the Borrower shall:

(i) maintain, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;

(ii) retain, until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(iii) enable the Bank's representatives to examine such records; and

(iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. (a) Except as the Bank shall otherwise agree:

(i) the Borrower shall cause BCCL and ECL not to incur any debt, if after the incurrence of such debt the ratio of debt to total capitalization shall be:

(A) greater than 70% during the period from FY 1998 through FY 2000; and

(B) greater than 60% after FY 2000; and

(ii) the Borrower shall not incur, and shall cause each Subsidiary other than BCCL and ECL, not to incur any debt, if after the incurrence of such debt the ratio of debt to total capitalization shall be greater than 60%.

(b) For purposes of this Section:

(i) The term "debt" means any indebtedness of the Borrower or the Subsidiary concerned maturing by its terms more than one year after the date on which it is originally incurred and includes redeemable shares with a fixed rate of return.

(ii) Debt shall be deemed to be incurred: (A) under a loan contract or agreement or other instrument providing for such debt or for the modification of its terms of payment on the date of such contract, agreement or instrument; and (B) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into.

(iii) The term "equity" means the sum of the total unimpaired paid-up

capital, retained earnings and reserves of the Borrower or the
Subsidiary concerned not allocated to cover specific liabilities.

(iv) The term "total capitalization" means debt plus equity.

(v) Whenever for the purposes of this Section it shall be necessary to value, in terms of the currency of the Guarantor, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange acceptable to the Bank.

Section 4.03. (a) Except as the Bank shall otherwise agree:

(i) the Borrower shall cause BCCL and ECL not to incur any debt, unless the net revenues of BCCL and ECL for the fiscal year immediately preceding the date of such incurrence or for a later twelve-month period ended prior to the date of such incurrence, whichever is the greater, shall from FY 2001 be at least 1.3 times the estimated maximum debt service requirements of BCCL and ECL for any succeeding fiscal year on all debt of BCCL and ECL, including the debt to be incurred;

(ii) the Borrower shall not incur any debt, and shall cause each Subsidiary other than BCCL, ECL and CMPDI not to incur any debt, unless the net revenues for the Borrower or the Subsidiary concerned for the fiscal year immediately preceding the date of such incurrence or for a later twelve-month period ended prior to the date of such incurrence, whichever is the greater, shall be at least 1.3 times the estimated maximum debt service requirements of the Borrower or the Subsidiary concerned for any succeeding fiscal year on all debt of the Borrower and the Subsidiary concerned, including the debt to be incurred;

(b) For the purposes of this Section:

(i) Debt shall be deemed to be incurred: (A) under a loan contract or agreement or other instrument providing for such debt or for the modification of its terms of payment on the date of such contract, agreement or instrument; and (B) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into.

(iii) The term "net revenues" means the difference between: (A) the sum of revenues from all sources related to operations adjusted to take account of the Borrower's prices in effect at the time of the incurrence of debt even though they were not in effect during the twelve-month period to which such revenues relate and net non-operating income; and (B) the sum of all expenses related to operations including administration, maintenance, taxes and payments in lieu of taxes, but excluding provision for depreciation, other non-cash operating charges and interest and other charges on debt.

(iv) The term "net non-operating income" means the difference between: (A) revenues from all sources other than those related to operations; and (B) expenses, including rates and payments in lieu of taxes, incurred in the generation of revenues in (A) above.

(v) Whenever for the purposes of this Section it shall be necessary to value, in terms of the currency of the Guarantor, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange acceptable to the Bank.

ARTICLE V

Management and Operations of the Borrower and the Participating Subsidiaries

Section 5.01. The Borrower shall, and shall cause each of the Participating Subsidiaries to:

(a) carry on its operations and conduct its affairs in accordance with sound administrative, environmental, financial, social and technical practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers;

(b) at all times operate and maintain its plants, machinery, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound engineering, financial and technical practices;

(c) take out and maintain with responsible insurers, or make other provision satisfactory to the Bank for, insurance against such risks and in such amounts as shall be consistent with appropriate practice; and

(d) inform the Bank prior to making any major changes in its organizational structure or in the scope of activities handled by it, which would substantially affect the Project objectives or implementation.

Section 5.02. Except as the Bank shall otherwise agree, the Borrower shall not, and shall cause each of the Participating Subsidiaries not to, sell, lease or transfer or otherwise dispose of any of its properties or assets which shall be required for the efficient carrying out of its businesses and undertakings, including the Project.

Section 5.03. The Borrower shall cause the Participating Subsidiaries to observe and perform the obligations of the Borrower under this Agreement to the extent to which the same may be applicable thereto as though such obligations were binding upon each such subsidiary.

ARTICLE VI

Remedies of the Bank

Section 6.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional events are specified:

(a) As a result of events which have occurred after the date of the Loan Agreement, an extraordinary situation shall have arisen which shall make it improbable that any of the Participating Subsidiaries will be able to perform their obligations under the Subsidiary Loan Agreements.

(b) Any of the Memoranda and Articles of Association shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the operations and financial condition of the Borrower or the Participating Subsidiary or its ability to carry out the Project or to perform any of its obligations under this Agreement or the Subsidiary Loan Agreement.

(c) The Guarantor, or any other authority having jurisdiction, shall have taken any action for the dissolution or disestablishment of the Borrower or any of the Participating Subsidiaries or for the suspension of its operations.

(d) Any of the Participating Subsidiaries shall have failed to perform any of their respective obligations under the Subsidiary Loan Agreements.

(e) The Borrower shall have failed to perform any of the obligations set forth in Schedule 9 to this Agreement.

(f) The Borrower or the Guarantor shall have failed to perform any of the obligations set forth in the ESMP Legal Agreements.

(g) The Guarantor shall have failed to perform any of the obligations set

forth in the Development Credit Agreement.

(h) (i) Subject to subparagraph (ii) of this paragraph:

(A) the right of the Borrower to withdraw the proceeds of the Eximbank Loan shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the Eximbank Loan Agreement, or

(B) the Eximbank Loan shall have become due and payable prior to the agreed maturity thereof.

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Bank that: (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under the Eximbank Loan Agreement; and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 6.02. Pursuant to Section 7.01(h) of the General Conditions, the following additional events are specified:

(a) the events specified in paragraphs (a) through (g) of Section 6.01 of this Agreement shall occur; and

(b) the event specified in paragraph (h)(i) of Section 6.01 of this Agreement shall occur, subject to the proviso in paragraph (h)(ii) of that Section.

ARTICLE VII

Effective Date; Termination

Section 7.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 12.01(c) of the General Conditions:

(a) the Subsidiary Loan Agreements have been executed on behalf of the Borrower and the Participating Subsidiaries;

(b) the Eximbank Loan Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Borrower to make withdrawals thereunder, except only the effectiveness of the Loan Agreement, have been fulfilled;

(c) the Development Credit Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Guarantor to make withdrawals thereunder, except only the effectiveness of the Loan Agreement, have been fulfilled; and

(d) the Borrower is, on the date on which this Loan is declared effective, in compliance with: (i) all obligations under the ESMP Legal Agreements; and (ii) all obligations set forth in Schedule 9 to this Agreement that are due on such date.

Section 7.02. The following are specified as an additional matter, within the meaning of Section 12.02 (c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank, namely, that the Subsidiary Loan Agreements have been duly authorized or ratified by the Borrower and the Participating Subsidiaries and are legally binding upon the Borrower and the Participating Subsidiaries in accordance with their terms.

Section 7.03. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VIII

Representative of the Borrower; Addresses

Section 8.01. The Chairman and Managing Director of the Borrower or such other person or persons as the Chairman and Managing Director shall designate in writing is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 8.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Coal India Ltd.
Coal Bhawan
10 Netaji Subhas Road
Calcutta 700001
India

Cable address:

COAL INDIA
Calcutta, India

Telex:

021 7180 (CIL-IN)

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.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Robert Drysdale

Acting Regional Vice President
South Asia

COAL INDIA LTD.

By /s/ Sudhakar Rao

Authorized Representative

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 and to each Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Loan Allocated (Expressed in Dollars)	% of Expenditures to be Financed
(1) Turnkey works	25,500,000	90%
(2) Equipment and materials	446,600,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 80% of local
expendi- for other items		tures procured locally
(3) Consultants' services for Part B of the Project	5,000,000	100%
(4) Refunding of Project Preparation Advance	2,000,000	Amounts due pursuant to Section 2.02 (c) of this Agreement
(5) Unallocated	50,900,000	
	<hr/>	
TOTAL	530,000,000 =====	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Guarantor for goods or services supplied from the territory of any country other than that of the Guarantor;

(b) the term "local expenditures" means expenditures in the currency of the Guarantor or for goods or services supplied from the territory of the Guarantor; and

(c) the term "turnkey works" means works carried out under a contract for the design, supply of equipment and construction of four coal handling plants.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures for: (a) equipment and materials under contracts costing less than \$5,000,000 equivalent each; (b) services under contracts costing less than \$200,000 equivalent each for employment of consulting firms; and (c) services under contracts costing less than \$50,000 equivalent each for employment of individual consultants, all under such terms and conditions as the Bank shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objectives of the Project are to support the Guarantor's market-oriented reforms in the coal sector and to provide financial and technical support for the Borrower's efforts to make itself commercially viable and self-sustaining.

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

Part A: Improving and Maintaining the Commercial Viability of Project Mines

Increasing and sustaining productivity in the Project Mines through investments in: (i) mining and telecommunications equipment; and (ii) mining surface infrastructures, such as coal handling plants and roads and water supply systems.

Part B: Institutional Development

1. The following parts of the Project will be carried out through the provision of technical assistance:

(a) Commercializing the Borrower's coal sales through the development and improvement of the Borrower's coal supply contracts;

(b) Enhancing the Borrower's capability to prepare and analyze financial models as part of the Borrower's ongoing commercialization and restructuring process and to implement the restructuring process;

(c) Improving the design practices of the Central Mining Planning and Design Institute ("CMPDI"), a wholly-owned subsidiary of the Borrower, by reviewing such practices and developing a time-bound improvement program;

(d) Improving the Subsidiaries' equipment utilization ratios;

(e) Developing and enhancing the Borrower's procurement capabilities;

(f) Supervising the implementation of the Project in the Project Mines;

(g) Improving the quality of coal produced by conducting 4 pilot projects under different mining conditions to: (i) test the selective mining method; (ii) determine the target sites for use of such method; and (iii) identify and provide the equipment required by such method; and

(h) Developing and improving the skills of the Borrower's managers in commercial mining operations through the provision of training.

Part C: Improving the Coal Industry's Regulatory Framework

Improving the coal industry's regulatory framework and bringing it in line with international best practices through a study on the rules and regulations governing such industry and implementing the recommendations of such study.

* * *

The Project is expected to be completed by December 31, 2002.

SCHEDULE 3

Amortization Schedule

Date Payment Due	(Expressed in Dollars)*
May 15, 2003	11,085,000
November 15, 2003	11,420,000
May 15, 2004	11,770,000
November 15, 2004	12,125,000
May 15, 2005	12,490,000
November 15, 2005	12,870,000
May 15, 2006	13,260,000
November 15, 2006	13,660,000
May 15, 2007	14,075,000
November 15, 2007	14,505,000
May 15, 2008	14,940,000
November 15, 2008	15,395,000
May 15, 2009	15,860,000
November 15, 2009	16,340,000
May 15, 2010	16,835,000

November 15, 2010	17,350,000
May 15, 2011	17,875,000
November 15, 2011	18,415,000
May 15, 2012	18,975,000
November 15, 2012	19,550,000
May 15, 2013	20,140,000
November 15, 2013	20,750,000
May 15, 2014	21,380,000
November 15, 2014	22,025,000
May 15, 2015	22,695,000
November 15, 2015	23,380,000
May 15, 2016	24,090,000
November 15, 2016	24,820,000
May 15, 2017	25,570,000
November 15, 2017	26,355,000

* The figures in this column represent the amount in dollar to be repaid, except as provided in Section 4.04 (d) of the General Conditions.

SCHEDULE 4

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: General

Goods and works shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996 (the Guidelines) and the following provisions of this Section, as applicable.

Part B: International Competitive Bidding

1. (a) Goods and works shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

(b) The procurement for four coal handling plants under Part A of the Project shall be carried out on the basis of turnkey contracts, comprising the design, supply of equipment and construction of such plants.

2. The following provisions shall apply to goods and/or works to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

(a) Goods: Preference for domestically manufactured goods and domestic contractors

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Guarantor.

(b) Works: Dispute Review Board

Each contract for works estimated to cost \$50,000,000 equivalent or more shall include the provisions for a dispute review board set forth in the standard bidding documents for works referred to in paragraph 2.12 of the Guidelines.

(c) Notification and Advertising

The invitation to prequalify or bid for each contract estimated to cost \$10,000,000 equivalent or more shall be advertised in accordance with the procedures applicable to large contracts under paragraph 2.8 of the Guidelines.

Part C: Review by the Bank of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

2. Prior Review

With respect to: (i) each contract for equipment and material estimated to cost the equivalent of \$5,000,000 or more; and (ii) all turnkey works contracts, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply. 3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with the provisions of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 (the Consultant Guidelines) and the following provision of Section II of this Schedule.

Part B: Quality- and Cost-based Selection

1. Consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection consultants.

Part C: Review by the Bank of Procurement Decisions

1. Prior Reviews

With respect to all contracts, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a) and 5 of Appendix 1 to the Consultant Guidelines) shall apply.

SCHEDULE 5

Implementation Program

1. The Borrower shall not, and shall cause each Subsidiary not to, merge any of its Subsidiaries without the consent of the Bank.

2. Effective April 1, 1997, the Borrower shall, unless otherwise agreed with the Bank:

(a) conduct all financial transactions between itself and the Subsidiaries, and cause the Subsidiaries to conduct all financial transactions among themselves, based on written contracts;

(b) limit all financial transactions between the Borrower and the Subsidiaries, and cause all financial transactions among the Subsidiaries to be limited, to those relating to equity acquisition, loans and commitment, guarantee and service charges, which may be levied by the Borrower on the Subsidiaries and other incidental transactions, which are paid within a twelve-month period;

(c) not lend, or otherwise make available to any of the Subsidiaries other than BCCL or ECL, funds obtained by the Borrower from external sources: (i) for a time period different from that; and (ii) on terms more favorable than those, on which such funds shall have been so obtained by the Borrower; and

(d) limit its issuance of corporate guarantees, if any, to profit-making Subsidiaries.

3. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators acceptable to the Bank, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, on or about March 31, 2000, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph 3(a) of this Schedule, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Bank, by June 30, 2000, or such later date as the Bank shall request, the report referred to in paragraph 3(b) of this Schedule, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Bank views on the matter.

SCHEDULE 6

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2) and (3) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Loan allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$25,000,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$15,000,000, the aggregate amount of withdrawals from the Loan Account plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of \$50,000,000.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Bank has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Bank the documents and other evidence required pursuant

to para graph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Bank from the Loan Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Borrower directly from the Loan Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

(b) if the Borrower shall have failed to furnish to the Bank, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Bank shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Loan Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Loan allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to the eligible Categories shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Bank shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

(c) The Borrower may, upon notice to the Bank, refund to the Bank all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Bank made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Loan Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including

the General Conditions.

SCHEDULE 7

List of Project Mines

Ananta
Belpahar
Bharatpur
Bina
Dhanpuri
Dipkia
Dudhichua
Durgapur
Gevra
Jagannath
Jayant
Jhingurdah
KD Hesalong
Kusmunda
Lakhanpur
Manikpur
Nigahi
Niljai
Padmapur
Parej East
Rajrappa
Samaleswari
Sasti
Umrer

SCHEDULE 8

Principal Terms and Conditions of the Subsidiary Loan Agreements

A. Terms

1. The principal amount of each Subsidiary Loan made by the Borrower to a Participating Subsidiary:

(a) shall be equal to the amount of Dollars withdrawn on account of a Participating Subsidiary's respective part of the Project; and

(b) shall be repaid in the currency of the Borrower in amounts equivalent (as of the date or respective dates of repayment) to the amount in dollars so made available. 2. The Participating Subsidiary concerned shall repay such principal amount over a period of twenty (20) years, inclusive of the grace period of five (5).

3. The Borrower shall charge: (i) interest on such principal amount, withdrawn and outstanding from time to time at a rate equal to the rate of interest applicable from time to time under the Loan pursuant to Section 2.05 of this Agreement; and (ii) a guarantee fee and service charge.

4. The Borrower shall charge a commitment charge on such principal amount, not withdrawn from time to time at the rate set forth in Section 2.04 of this Agreement.

B. Conditions

The Subsidiary Loan Agreements shall include the following provisions whereby:

1. Each Participating Subsidiary shall undertake to:

(a) carry out its respective part of the Project with due diligence and efficiency and in accordance with the appropriate administrative, environmental, financial, social and technical standards and practices; and

(b) without limitation on the foregoing take all measures necessary to ensure that its respective part of the Project shall be implemented in accordance with the Implementation Program set forth in Schedule 5 to this Agreement.

2. Each Participating Subsidiary shall agree that: (a) all procurement of goods, works and services to be financed out of the Subsidiary Loan shall be carried out by the Borrower on behalf of the Participating Subsidiaries and in accordance with the provisions of Schedule 4 to this Agreement; and (b) such goods, works and services shall be utilized exclusively in the carrying out of its respective part of the Project.

3. Each Participating Subsidiary shall undertake to enable the Borrower and the Bank to inspect such goods, works and services and the sites included in its respective parts of the Project, the operation thereof, and any relevant records and documents.

4. Each Participating Subsidiary shall undertake to take out and maintain with responsible insurers such insurance, against such risks and in such amounts, as shall be consistent with sound business practice, including, without limitation, such insurance to cover hazards incident to the acquisition, transportation and delivery of goods financed out of the proceeds of the Subsidiary Loan to the place of use or installation, any indemnity thereunder to be made payable in a currency freely usable by the Borrower to replace or repair such goods.

5. Each Participating Subsidiary shall undertake to comply with the obligations set forth in Sections 4.01, 4.02 and 4.03 and Sections 5.01 and 5.02 of this Agreement.

SCHEDULE 9

Obligations of the Borrower Relating to Environmental and Social Mitigation

1. The Borrower shall, in relation to each of the Project Mines, carry out the following or cause the following to be carried out unless otherwise agreed with the Bank:

(a) By: (i) March 31, 1998, have in place in the Project Mines and begin operation of seven (7) mobile sprinklers; (ii) March 31, 1999, have in place and begin operation of an additional twenty (20) mobile sprinklers; and (iii) March 31, 2000, have in place and begin operation of a further additional twenty (20) mobile sprinklers.

(b) By September 1, 1998, install and begin operation of dust extractors in existing drills.

(c) By December 1, 1998, install or refurbish and begin operation of sedimentation ponds.

(d) By December 1, 1998, install or refurbish and begin operation of mine discharge treatment plants.

(e) By January 1, 1998, submit to the Bank the results of the ongoing study on the disposal of oil/grease and water from workshop effluent, and by September 1, 1998, complete implementation of the guidelines recommended in such study.

(f) By June 30, 1998, submit to the Bank the results of the ongoing study on bio-contamination of subsoil water from domestic effluent, and by June 30, 1999, complete implementation of the recommendations, if any, of such study.

(g) Carry out tree planting in the Project Mines in accordance with the following schedule: (A) 670,000 trees by June 30, 1998; (B) an additional 670,000 trees by June 30, 1999; (C) an additional 670,000 trees by June 30, 2000; and (D) an additional 670,000 trees by June 30, 2001.

(h) In the event that the ongoing study on overburden dump safety and stability makes recommendations, begin implementation of such study recommendations by June 30, 1998, and complete the implementation by March 31, 2001.

2. The Borrower shall, in relation to the Indigenous People's Development Plans ("IPDP") defined in the ESMP, carry out the following or cause the following to be carried out unless otherwise agreed with the Bank:

(a) Submit to the Bank by October 31st each year, 24 detailed mine-specific annual IPDP implementation plans, the first set of 24 plans for calendar year 1998 to be submitted by March 31, 1998.

(b) For each of the 24 mines with villages targeted for IPDP activities (as defined in the Borrower's Community Development Plan dated September 1995), subject to paragraph (d) below, begin IPDP activities that are agreed with concerned villages:

(i) by September 30, 1998, in the number of villages specified below, depending on the number of targeted villages at each mine site:

5 or fewer targeted villages at least 1 village

(ii) by March 31, 2000, in the number of villages specified below, depending on the number of targeted villages at each mine site:

4 to 6 targeted villages more than 10 targeted villages Begin IPDP activities in: at least 3 villages

(c) Complete implementation of activities described in such IPDP implementation plans in accordance with a time schedule agreed between the Borrower and the Bank.

(d) Notify the Bank promptly if, as a result of inadequate participation by inhabitants of the targeted villages, implementation of IPDP activities is not carried out in accordance with subparagraph (b) above, and such notification shall be accompanied by a certification to the Bank by the Environmental and Social Review Panel that the Borrower has made adequate efforts to disseminate information to and consult with the concerned villages on IPDP activities.

3. The Borrower shall, in relation to the ESMP Project Affected Persons ("PAPs") defined in the Borrower's Resettlement and Rehabilitation Policy, April 1994, carry out the following or cause the following to be carried out unless otherwise agreed with the Bank:

(a) By April 30, 1998: (i) update and verify the list of PAPs compiled on the basis of the July 1994 census; and (ii) complete the issuance of photograph identification cards to entitled PAPs except for East Parej. For East Parej, a(i) and a(ii) will be completed by May 31, 1998.

(b) By April 30, 1998, complete a database of PAPs based on the updated and verified list of PAPs referred to in paragraph 3(a)(i) above except for East Parej. For East Parej, a database will be carried out by May 31, 1998.

(c) Conduct an initial market survey and identify job opportunities and training needs for purposes of rehabilitating eligible PAPs by March 31, 1998.

(d) Submit to the Bank for approval by November 30 of each year, 14 annual mine-specific rehabilitation plans taking into account the time schedule and actions referred to in subparagraph (e) below, the first set of 14 plans for calendar year 1998 to be submitted by May 31, 1998.

(e) By December 31 of the following year: (i) complete implementation of all activities described in such rehabilitation plans; and (ii) complete actions relating to resettlement and rehabilitation to the satisfaction of the Bank.

(f) By March 31, 1998, submit to the Bank a draft final report on strategy for the economic rehabilitation and sustainable income restoration for PAPs.



