

Public Disclosure Authorized

CONFORMED COPY

LOAN NUMBER 7941-IN

Loan Agreement

(Mumbai Urban Transport Project-2A)

between

INDIA

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated July 23, 2010

LOAN AGREEMENT

AGREEMENT dated July 23, 2010, between INDIA (“Borrower”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”). The Borrower and the Bank hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — LOAN

- 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of four hundred thirty million Dollars (\$430,000,000) (“Loan”), to assist in financing the project described in Schedule 1 to this Agreement.
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount.
- 2.04. The interest payable by the Borrower for each Interest Period shall be at a rate equal to LIBOR for the Loan Currency plus the Variable Spread; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty (30) days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02(d) of the General Conditions.
- 2.05. The Payment Dates are June 15 and December 15 in each year.
- 2.06. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

- 2.07. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate to a Fixed Rate, or vice versa; and (iii) the setting of limits on the Variable Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on the Variable Rate.
- (b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a “Conversion”, as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.
- (c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar for which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 4.05(c) of the General Conditions up to the amount allocated from time to time for the purpose in the table in Section IV of Schedule 2 to this Agreement.

ARTICLE III — PROJECT

- 3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall, through the MOR, carry out the relevant activities under the Project and shall ensure that the relevant activities under the Project are carried out by Maharashtra and the MRVC, all in accordance with the provisions of Article V of the General Conditions and the Project Agreements.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — EFFECTIVENESS; TERMINATION

- 4.01. The Additional Conditions of Effectiveness consist of the following: the Maharashtra-MRVC SFA and the MOU with the ICF have been executed.
- 4.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

ARTICLE V — REPRESENTATIVE; ADDRESSES

- 5.01. The Borrower's Representative is the Secretary, or any Additional Secretary, Joint Secretary, Director, Deputy Secretary or Under Secretary of the Department of Economic Affairs in the Ministry of Finance of the Borrower.
- 5.02. The Borrower's Address is:

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

Cable:	Telex:	Facsimile:
ECOFAIRS New Delhi	953-31-66175 FINE IN	91-11-23094075

- 5.03. The Bank's Address is:

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

Cable address:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423(MCI) or 64145(MCI)	1-202-477-6391

AGREED at Mumbai, India, as of the day and year first above written.

INDIA

By /s/ Sudhakar Shukla
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Jerome F. Chevallier
Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to improve the passenger carrying capacity, operational efficiency, level of comfort of, and the institutional capacity of entities involved in, the suburban rail system of Mumbai Metropolitan area.

The Project consists of the following components:

Component 1. EMU Rolling Stock Fleet Increase

Acquisition of 864 additional EMU coaches (72 12-car trains), to be manufactured at the ICF.

Component 2. DC to AC Conversion

Conversion of three sections of CR located in the Mumbai Metropolitan Region (Chhatrapati Shivaji Terminus Mumbai (CSTM)-Thane, CSTM-Tilaknagar and Mahim-Vadala Road sections) from 1500V DC to 25KV AC traction, including: (i) modification of overhead catenaries; (ii) setting up of traction power substations at Sion, Chinchpokli, Wadala Road and Thane, along with switching stations; (iii) procurement of catenary maintenance equipment; (iv) modifications to signal and telecom systems; and (v) implementation of ancillary social, resettlement and environmental measures, if any.

Component 3. EMU Maintenance Facilities and Stabling Lines

Construction of new stabling lines and improvement of existing EMU maintenance facilities (maintenance sheds and workshops) on CR and WR, and the expansion of the maintenance shed at Virar, to accommodate the EMU trains acquired under Component 1, including implementation of ancillary social, resettlement and environmental measures, if any.

Component 4. Capacity Strengthening

Carrying out of strategic studies and programs for the benefit of the MOR and MRVC, including studies related to sustainable expansion of Mumbai suburban rail services, development of the IR long-term strategy for suburban rail, improvement of the financial situation of the Mumbai suburban rail operation, improvement of passenger convenience and information, safety and environmental management of rail operations, increased operational efficiency, and project management, implementation and monitoring.

SCHEDULE 2**Project Execution****Section I. Implementation, Institutional and Other Arrangements**

1. The Borrower shall carry out the relevant activities under the Project through the MOR, and shall ensure the relevant activities under the Project are carried out by Maharashtra, the MRVC.
2. The Borrower shall ensure that the Project is carried out in accordance with the provisions of the Implementation Manual, SMF, and EMPs, and in accordance with the provisions of the Anti-Corruption Guidelines, and shall ensure that the Implementation Manual, SMF, and EMPs are not materially revised, amended, waived, or abrogated without the prior consent of the Bank. If any provision of this Agreement is inconsistent with a provision of the Implementation Manual, SMF, or EMPs, the provision of this Agreement shall prevail.
3. To facilitate the carrying out of the Project, the Borrower shall: (a) make fifty percent (50%) of the proceeds of the Loan available to Maharashtra in accordance with Borrower's standard arrangements for developmental assistance to the States of India, for the purpose of Maharashtra making such funds available to MRVC, under the terms and conditions set out in the Maharashtra-MRVC SFA; and (b) acting through the MOR, make fifty percent (50%) of the proceeds of the Loan available to the MRVC, in accordance with the terms and conditions set out in the MOR-MRVC MOU. The Borrower shall, acting through the MOR, exercise its rights under the MOR-MRVC MOU in such manner as to protect the interests of the Borrower and the Bank, and to accomplish the purposes of the Project, and except as the Bank may otherwise agree, shall not assign, abrogate, or waive any of the terms or provisions of the MOR-MRVC MOU.
4. The Borrower shall ensure that the Project Implementing Entities implement the Project in accordance with the terms and conditions set out in the respective Project Agreements.
5. The Borrower shall protect the interests of the Borrower and the Bank to accomplish the purposes of the Loan.

Section II. Project Monitoring Reporting and Evaluation**A. Project Reports**

The Borrower, through the MOR, shall, and shall ensure that Maharashtra and the MRVC shall, monitor and evaluate the progress of the Project, and cause the

Project Reports to be prepared in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of indicators agreed with the Bank. Each Project Report shall cover the period of one (2) Financial Year quarter, and shall be furnished to the Bank not later than forty-five (45) days after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Borrower shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.
2. The Borrower shall have the Financial Statements audited in accordance with the provisions of Section 5.09(b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one (1) Financial Year, commencing with the Financial Year in which the first withdrawal under the Project was made. The audited Financial Statements for each such period shall be furnished to the Bank not later than six (6) months after the end of such period.
3. Without limitation on the provisions of Part A of this Section, the Borrower shall cause the Project Implementing Entity to prepare and furnish to the Bank not later than forty-five (45) days after the end of each Financial Year quarter, interim unaudited financial reports for the Project, covering the quarter, in form and substance satisfactory to the Bank.

Section III. Procurement

A. General

1. **Goods, Including Supply and Installation.** All goods required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular contracts refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods. The Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Method
(a) National Competitive Bidding, and the additional provisions agreed between the Borrower and the Bank
(b) Shopping
(c) Direct Contracting

C. Particular Methods of Procurement of Consultants' Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.
2. **Other Methods of Procurement of Consultants' Services.** The following table specifies the methods of procurement, other than Quality- and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Method
(a) Quality-Based Selection
(b) Selection under a Fixed Budget
(c) Least Cost Selection
(d) Selection Based on the Consultants' Qualifications
(e) Single-Source Selection
(f) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants
(g) Sole Source Procedures for the Selection of Individual Consultants

D. Review by the Bank of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Bank's Prior Review. All other contracts shall be subject to Post Review by the Bank.

Section IV. Withdrawal of Loan Proceeds**A. General**

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank shall specify by notice to the Borrower (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan ("Category"), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

Category	Amount of the Loan Allocated (expressed in USD)	Percentage of Expenditures to be financed (inclusive of Taxes)
(1) Goods, including Supply and Installation:		
(a) under Component 1 of the Project	355,696,000	100%
(b) under Component 2 of the Project	55,155,000	100%
(c) under Component 4 of the Project	1,513,000	100%

Category	Amount of the Loan Allocated (expressed in USD)	Percentage of Expenditures to be financed (inclusive of Taxes)
(2) Consultants' Services, and Training	12,894,000	100%
(3) Front-end Fee	1,075,000	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07(b) of the General Conditions
(4) Premia for Interest Rate Cap or Interest Rate Collar	-0-	Amount payable pursuant to Section 2.07(c) of this Agreement in accordance with Section 4.05(c) of the General Conditions
(5) Unallocated	3,667,000	
TOTAL AMOUNT	430,000,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed \$86,000,000 equivalent may be made for payments prior to this date but on or after March 1, 2010, for Eligible Expenditures under Categories (1)(b), (1)(c), and (2).
2. The Closing Date is June 15, 2015.

SCHEDULE 3

Amortization Schedule

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (“Installment Share”). If the proceeds of the Loan have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) Withdrawn Loan Balance as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayable amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

Principal Payment Date	Installment Share (Expressed as a Percentage)
On each June 15 and December 15 Beginning December 15, 2015 Through June 15, 2040	2%

2. If the proceeds of the Loan have not been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:
- (a) To the extent that any proceeds of the Loan have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.
- (b) Any amount withdrawn after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (“Original Installment Share”) and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. (a) Amounts of the Loan withdrawn within two (2) calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.
 - (b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, if at any time the Bank adopts a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.
4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the Withdrawn Loan Balance to an Approved Currency, the amount so converted in the Approved Currency that is repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to the Conversion by either: (i) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.
5. If the Withdrawn Loan Balance is denominated in more than one (1) Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

APPENDIX**Section I. Definitions**

1. “AC” means alternating current.
2. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006.
3. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
4. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
5. “CR” means Central Railway under the MOR, or any successor or successors thereto.
6. “DC” means direct current.
7. “EMPs” means the generic and component-specific environmental management plans approved by the MRVC, and satisfactory to the Bank, describing the environmental management, mitigation, monitoring, reporting and institutional measures to be undertaken by the MRVC during the Project, as such plans may be revised from time to time with the prior no objection of the Bank.
8. “EMU” means electric multiple unit.
9. “Executing Agency” means the MMRDA, WR, CR, ICF, or RDSO, and “Executing Agencies” means two or more of the above entities.
10. “Financial Year” means the Borrower’s and Project Implementing Entities’ financial year beginning April 1 and ending March 31 the following year.
11. “GAAP” means the governance and accountability action plan included in the Implementation Manual, which sets out the Project specific key actions to strengthen governance, transparency, and accountability, as such plan may be amended from time to time with the prior no objection of the Bank.
12. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005 (as amended through February 12, 2008), with the modifications set forth in Section II of this Appendix.

13. “ICF” means Integral Coach Factory, Chennai, India, an entity under the MOR, or any successor or successors thereto.
14. “Implementation Manual” means the manual dated April 30, 2010, which sets out the terms, conditions, and procedures for Project implementation, and which includes the Procurement Plan, and GAAP, as such manual may be revised from time to time with the prior concurrence of the Bank.
15. “IR” means Indian Railways, or any successor or successors thereto.
16. “Maharashtra” means the State of Maharashtra of the Borrower, or any successor or successors thereto.
17. “Maharashtra-MRVC SFA” means the subsidiary financing agreement to be entered into between the Government of Maharashtra and MRVC, and satisfactory to the Bank, describing Maharashtra and MRVC rights and responsibilities under the Project, as such agreement may be revised from time to time, with the prior no objection of the Bank.
18. “MMRDA” means the Mumbai Metropolitan Region Development Authority, or any successor or successors thereto.
19. “MOR” means the Ministry of Railways of India, or any successor or successors thereto.
20. “MOR-MRVC MOU” means the memorandum of understanding entered between the MOR and MRVC, dated May 7, 2010, describing MRVC rights and responsibilities under the Project, as such memorandum may be revised from time to time, with the prior no objection of the Bank.
21. “MOU” means a memorandum of understanding entered between the MRVC and any of the Executing Agencies, and the “MOUs” means two or more of such memoranda, as such memoranda may be revised from time to time, with the prior no objection of the Bank.
22. “MRVC” means the Mumbai Railway Vikas Corporation Limited, a public sector undertaking jointly owned by the Borrower and Maharashtra, incorporated under the Borrower’s Companies Act, 1956, or any successor or successors thereto.
23. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October 2006.

24. “Procurement Plan” means the procurement plan for the Project, dated April 30, 2010, included in the Implementation Manual, and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
25. “Project Implementing Entity” means Maharashtra or the MRVC, and “Project Implementing Entities” means Maharashtra and the MRVC.
26. “RDSO” means Research, Design and Standards Organization, Lucknow, India, of the MOR, or any successor or successors thereto.
27. “R&R Policy” means the resettlement and rehabilitation policy adopted by Maharashtra on March 12, 1997 in connection with the Mumbai Urban Transport Project, setting forth the policies and procedures addressing adverse temporary or permanent social impacts resulting, or likely to result from, the carrying out of the Project, as such policy may be revised from time to time with the prior no objection of the Bank.
28. “SMF” means the social management framework adopted by the MRVC and detailed under the R&R Policy, and satisfactory to the Bank, setting forth the rules and procedures for carrying out any social, resettlement and rehabilitation activities under the Project, including identification, assessment and mitigation of potential environmental and social impacts arising from the Project, carrying out consultations, processing and redressing grievances, monitoring related impacts, and, if required, limited resettlement and rehabilitation action plans and other development and entitlement plans for people adversely affected as result of Project implementation, as such framework may be revised from time to time, with the prior no objection of the Bank.
29. “Training” means reasonable and necessary costs of training related to Project implementation, including the fees of educational or other institutions that provide training, costs related to attendance or organization of conferences, seminars, workshops, and study tours, and the trainees’ cost of travel, boarding, lodging and per diem allowances.
30. “WR” means Western Railway under the MOR, or any successor or successors thereto.

Section II. Modifications to the General Conditions

The modifications to the General Conditions are as follows:

1. Paragraph (l) of Section 7.02 is modified to read as follows:

“Section 7.02. *Suspension by the Bank*

....

(l) *Ineligibility.* The Bank or the Association has declared the Borrower (other than the Member Country) or the Project Implementing Entity ineligible to receive proceeds of any financing made by the Bank or the Association or otherwise to participate in the preparation or implementation of any project financed in whole or in part by the Bank or the Association, as a result of a determination by the Bank or the Association that the Borrower or the Project Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by the Bank or the Association.”

2. The definition of the term “Conversion Date” in the Appendix is modified to read as follows:

“‘Conversion Date’ means, in respect of a Conversion, the Execution Date (as herein defined) or such other date as requested by the Borrower and accepted by the Bank, on which the Conversion enters into effect, and as further specified in the Conversion Guidelines.”