

CONFORMED COPY

LOAN NUMBER 3334 IN

(Industrial Pollution Control Project)

between

INDIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated July 8, 1991

LOAN NUMBER 3334 IN

LOAN AGREEMENT

AGREEMENT, dated July 8, 1991, between INDIA (the Borrower), acting by its President, and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS: (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to the Development Credit Agreement between the Borrower and the International Development Association (the Association) of even date herewith (the Development Credit Agreement as herein further defined), has requested the Bank to assist in the financing of Parts B.1 and B.2 (a) of the Project;

(B) the Borrower has also requested the Association to provide additional financial assistance towards the financing of Parts A, B.2, and C of the Project and by the Development Credit Agreement the Association is agreeing to provide such assistance in an aggregate

principal amount equivalent to twenty-three million four hundred thousand Special Drawing Rights (SDR 23,400,000);

(C) Parts A and C.1 of the Project will be carried out by the Borrower and Parts B.2 and C.2 of the Project will be carried out by Industrial Development Bank of India (IDBI as herein defined) with the assistance of the Borrower and, as part of such assistance, the Borrower will make available to IDBI a part of the proceeds of the Credit as provided in the Development Credit Agreement;

(D) Part B.1 of the Project will be carried out by IDBI and Industrial Credit and Investment Corporation of India Limited (ICICI as herein defined) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to IDBI and ICICI the proceeds of the Loan as provided herein; 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 and in the Project Agreement of even date herewith among the Bank, IDBI and ICICI;

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" of the Bank, dated January 1, 1985, with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) The last sentence of Section 3.02 is deleted.

(b) In Section 6.02, sub-paragraph (k) is relettered as sub-paragraph (l) and a new sub-paragraph (k) is added to read:

"(k) An extraordinary situation shall have arisen under which any further withdrawals under the Loan would be inconsistent with the provisions of Article III, Section 3 of the Bank's Articles of Agreement."

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

(a) "Development Credit Agreement" means the agreement of even date herewith between the Borrower and the Association for the Project, as such agreement may be amended from time to time, and such term includes the "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, as applied to such agreement, and all schedules and agreements supplemental to the Development Credit Agreement;

(b) "free-limit Sub-loan" means a Sub-loan, as so defined, which qualifies as a free-limit Sub-loan pursuant to the provisions of paragraph 2 (b) of the Schedule to the Project Agreement;

(c) "ICICI" means the Industrial Credit and Investment Corporation of India Limited, a company established and existing under the laws of India;

(d) "ICICI Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and ICICI pursuant to Section 3.02 (b) of this Agreement, as the same may be amended from time to time, and such term includes any schedules to the ICICI Subsidiary Loan Agreement;

(e) "IDBI" means Industrial Development Bank of India, a corporation established under the Industrial Development Bank of India Act, 1964 of the Borrower, as amended to the date of this Agreement;

(f) "IDBI Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and IDBI pursuant to Section 3.02 (b) of this Agreement, as the same may be amended from time to time, and such term includes any schedules to the IDBI Subsidiary Loan Agreement;

(g) "Investment Enterprise" means an enterprise to which IDBI or ICICI propose to make or have made a Sub-loan and/or a Sub-grant;

(h) "Investment Project" means a specific development project to be carried out by an Investment Enterprise utilizing the proceeds of a Sub-loan and/or a Sub-grant;

(i) "Project Agreement" means the agreement among the Bank, IDBI and ICICI of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement;

(j) "Special Account" means the account referred to in Section 3.01 (c) hereof;

(k) "Statement of Policy" means the statement of lending and investment policy approved by the Directors of IDBI and ICICI on December 9, 1987, and September 19, 1990, respectively, as amended to the date of this Agreement;

(l) "Sub-loan" means a loan made or proposed to be made by IDBI or ICICI out of the proceeds of the Loan to an Investment Enterprise for an Investment Project; and

(m) "Subsidiary Loan Agreements" mean the IDBI Subsidiary Loan Agreement and the ICICI Subsidiary Loan Agreement collectively.

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, various currencies that shall have an aggregate value equivalent to the amount of one hundred twenty-four million dollars (\$124,000,000), being the sum of withdrawals of the proceeds of the Loan, with each withdrawal valued by the Bank as of the date of such withdrawal.

Section 2.02. The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to the Development Credit Agreement for amounts paid (or, if the Bank shall so

agree, to be paid) by IDBI and ICICI on account of withdrawals made by an Investment Enterprise under a Sub-loan to meet the reasonable cost of goods and services required for the Investment Project in respect of which the withdrawal from the Loan Account is requested.

Section 2.03. The Closing Date shall be June 30, 1998 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower 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 the Cost of Qualified Borrowings determined in respect of the preceding Semester, plus one-half of one percent ($1/2$ of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rate applicable during such Interest Period.

(b) As soon as practicable after the end of each Semester, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Semester.

(c) For the purposes of this Section:

(i) "Interest Period" means a six-month period ending on the date immediately preceding each date specified in Section 2.06 of this Agreement, beginning with the Interest Period in which this Agreement is signed.

(ii) "Cost of Qualified Borrowings" means the cost, as reasonably determined by the Bank and expressed as a percentage per annum, of the outstanding borrowings of the Bank drawn down after June 30, 1982, excluding such borrowings or portions thereof as the Bank has allocated to fund: (A) the Bank's investments; and (B) loans which may be made by the Bank after July 1, 1989 bearing interest rates determined otherwise than as provided in paragraph (a) of this Section.

(iii) "Semester" means the first six months or the second six months of a calendar year.

(d) On such date as the Bank may specify by no less than six months' notice to the Borrower, paragraphs (a), (b) and (c) (iii) of this Section shall be amended to read as follows:

"(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 Quarter equal to the Cost of Qualified Borrowings determined in respect of the preceding Quarter, plus one-half of one percent ($1/2$ of 1%). On each of the dates

specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rates applicable during such Interest Period."

"(b) As soon as practicable after the end of each Quarter, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Quarter."

"(c) (iii) 'Quarter' means a three-month period commencing on January 1, April 1, July 1 or October 1 in a calendar year."

Section 2.06. Interest and other charges shall be payable semiannually on February 15 and August 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 2 to this Agreement.

ARTICLE III

Execution of the Project

Section 3.01. (a) Subject to paragraph (b) of this Section, Sections 3.02 and 4.01 of the Development Credit Agreement and Schedules 1, 2, and 3 thereto are incorporated in the Loan Agreement, with the following modifications in said Sections and Schedules 2 and 3 unless the context otherwise requires:

- (i) the term "Association" shall be read as "Bank";
- (ii) the term "Credit" and "Credit Account" shall be read as "Loan" and "Loan Account"; and
- (iii) the term "this Agreement" shall, unless the context otherwise requires, be read as "the Loan Agreement".

(b) So long as any part of the Credit provided for under the Development Credit Agreement shall remain outstanding and unless the Borrower has been notified otherwise by the Bank:

- (i) all actions taken, including approvals given, by the Association pursuant to any of the Sections of, and Schedules to, the Development Credit Agreement enumerated in paragraph (a) of this Section, as well as pursuant to Section 2.02 (a) of the Development Credit Agreement, shall be deemed to be taken or given in the name and on behalf of both the Association and the Bank; and
- (ii) all information or documentation furnished by the Borrower to the Association pursuant to the provisions of any of such Sections of the Development Credit Agreement or Schedules thereto shall be deemed to be furnished to both the Association and the Bank.

(c) The Borrower shall, for the purposes of Part B (except sub-grants) of the Project, open and maintain in dollars a special deposit account in the Reserve Bank of India on terms and conditions satisfactory to the Bank.

Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 3 to this Agreement.

Section 3.02. (a) Without limitation or restriction upon any of its other obligations under this Agreement or the Development Credit Agreement, the Borrower shall cause IDBI and ICICI to perform all their respective obligations set forth in the Project Agreement, shall take or cause to be taken all actions, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable IDBI and ICICI to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) The Borrower shall relend the proceeds of the Loan to IDBI and ICICI under subsidiary loan agreements to be entered into between the Borrower and IDBI and the Borrower and ICICI respectively, under terms and conditions which shall have been approved by the Bank including those indicated in Schedule 1 to this Agreement.

(c) 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 Project, 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.

(d) The Borrower shall cause IDBI and ICICI to relend the proceeds onlent to them under the IDBI Subsidiary Loan Agreement and the ICICI Subsidiary Loan Agreement respectively to Investment Enterprises, in accordance with the terms and conditions set forth in Paragraph 1 (a) of the Schedule to the Project Agreement, to enable them to carry out the Investment Projects selected in accordance with the eligibility criteria laid down in Paragraph 1 (c) of the Schedule to the Project Agreement.

Section 3.03. The Borrower and the Bank hereby agree that the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Project Agreement and their respective Parts B and C.2 of the Project shall be carried out by IDBI and ICICI pursuant to Section 2.03 of the Project Agreement.

ARTICLE IV

Remedies of the Bank

Section 4.01. Pursuant to Section 6.02 (k) of the General Conditions, the following additional events are specified:

(a) IDBI or ICICI shall have failed to perform any of their respective obligations under the Project Agreement.

(b) As a result of events which have occurred after the date of the Development Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that IDBI or ICICI will be able to perform their respective obligations under the Project Agreement.

(c) The Industrial Development Bank of India Act, 1964 or the Memorandum and Articles of Association of ICICI dated January 5, 1955 (both as amended to the date of this Agreement) or the Statement of Policy shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the operations or the financial condition of IDBI or ICICI or their ability to carry out the Project or to perform any of their respective obligations under the Project Agreement.

(d) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of IDBI or ICICI or for the suspension of their respective operations.

Section 4.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional events are specified:

(a) any event specified in paragraph (a) of Section 4.01 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower; and

(b) any event specified in paragraphs (c) and (d) of Section 4.01 of this Agreement shall occur.

ARTICLE V

Effective Date; Termination

Section 5.01. 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 IDBI and the Borrower and ICICI respectively; and

(b) all conditions precedent to the effectiveness of the Development Credit Agreement shall have been fulfilled, other than those related to the effectiveness of this Agreement.

Section 5.02. The following are specified as additional matters, 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:

(a) that the Project Agreement has been duly authorized or ratified by IDBI and ICICI, and is legally binding upon IDBI and ICICI in accordance with its terms; and

(b) that the Subsidiary Loan Agreements have been duly authorized or ratified by the Borrower and IDBI and the Borrower and ICICI respectively and are legally binding upon the Borrower and IDBI and the Borrower and ICICI in accordance with their respective terms.

Section 5.03. 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.

Section 5.04. If the Development Credit Agreement terminates prior to the termination of this Agreement, the provisions of the Development Credit Agreement referred to in this Agreement shall continue in full force and effect between the Borrower and the Bank.

ARTICLE VI

Representatives of the Borrower; Addresses

Section 6.01. Any Secretary, Additional Secretary, Joint Secretary, Director, Deputy Secretary or Under Secretary of the Department of Economic Affairs in the Ministry of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

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

Cable address:

ECOFAIRS
New Delhi

Telex:

953-3166175

For the Bank:

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

Cable address:

INTBAFRAD
Washington, D.C.

Telex:

248423 (RCA)
82987 (FTCC)
64145 (WUI) or
197688 (TRT)

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

INDIA

By /s/ Anil Kumar
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Marianne Haug
Acting Regional Vice President
Asia

SCHEDULE 1

Terms and Conditions of Subsidiary Loan Agreements
The Subsidiary Loan Agreements shall, inter alia,

provide for the following terms and conditions:

- (a) Subsidiary loan amount shall be \$74,000,000 equivalent in local currency for IDBI and \$50,000,000 equivalent in local currency for ICICI.
- (b) Relending rate to IDBI and ICICI shall be 2% below their commercial lending rate. The Borrower shall bear the foreign exchange risk.
- (c) Onlending rate to Investment Enterprises shall, unless revised by the Borrower, in consultation with the Bank, be 15%.
- (d) Repayment terms of Sub-loans shall not exceed fifteen (15) years inclusive of up to four years of grace.
- (e) Repayments by IDBI and ICICI to the Borrower shall not exceed twenty (20) years inclusive of up to five years of grace. IDBI and ICICI shall bear the Sub-loan repayment risk.

SCHEDULE 2

Amortization Schedule

Date Payment Due dollars)*	Payment of Principal (expressed in
February 15, 1997	2,260,000
August 15, 1997	2,350,000
February 15, 1998	2,440,000
August 15, 1998	2,535,000
February 15, 1999	2,630,000
August 15, 1999	2,735,000
February 15, 2000	2,840,000
August 15, 2000	2,950,000
February 15, 2001	3,065,000
August 15, 2001	3,180,000
February 15, 2002	3,305,000
August 15, 2002	3,430,000
February 15, 2003	3,565,000
August 15, 2003	3,700,000
February 15, 2004	3,845,000
August 15, 2004	3,995,000
February 15, 2005	4,150,000
August 15, 2005	4,310,000
February 15, 2006	4,475,000
August 15, 2006	4,650,000
February 15, 2007	4,830,000
August 15, 2007	5,015,000
February 15, 2008	5,210,000
August 15, 2008	5,410,000
February 15, 2009	5,620,000
August 15, 2009	5,835,000
February 15, 2010	6,060,000
August 15, 2010	6,295,000
February 15, 2011	6,540,000
August 15, 2011	6,775,000

* The figures in this column represent dollar equivalents determined as of the respective dates of withdrawal. See General Conditions, Sections 3.04 and 4.03.

Pursuant to Section 3.04 (b) of the General Conditions, the premium payable on the principal amount of any maturity of the 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 3
Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Category" means the Category (2) (excluding Sub-grants) set forth in the table in paragraph 1 of Schedule 1 to the Development Credit Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for Part B of the Project and to be financed out of the proceeds of the Loan allocated from time to time to the eligible Category in accordance with the provisions of Schedule 1 to the Development Credit Agreement, provided, however, that notwithstanding the provisions of paragraph 2 (b) of Schedule 1 to the Project Agreement, payments for expenditures to be financed out of the proceeds of free-limit Sub-loans may be made out of the Special Account before the Bank shall have authorized withdrawals from the Loan Account in respect thereof. Such expenditures, however, shall qualify as eligible expenditures only if the Bank shall subsequently authorize such withdrawals; and

(c) the term "Authorized Allocation" means an amount equivalent to \$6,000,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

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 a deposit or deposits 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 in 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 paragraph 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 eligible Category, and in the 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 Section 2.02 of the Loan Agreement and Article V of the General Conditions applicable thereto; or

(b) once the total unwithdrawn amount of the Loan allocated to the eligible Category for the Project, less the amount of any outstanding special commitment 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 Category for the Project 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, 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 the Loan Agreement, including the General Conditions applicable thereto.

