

CONFORMED COPY

LOAN NUMBER 3344 IN

(Private Power Utilities (BSES) Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

and

BOMBAY SUBURBAN ELECTRIC SUPPLY LIMITED

Dated July 12, 1991

LOAN NUMBER 3344 IN

LOAN AGREEMENT

AGREEMENT, dated July 12, 1991, between  
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT  
(the Bank) and BOMBAY SUBURBAN ELECTRIC SUPPLY LIMITED  
(the Borrower).

WHEREAS (A) India, acting by its President (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;

(C) the Borrower intends to contract from  
International Finance Corporation (IFC) a loan (the IFC  
Loan) in an amount in aggregate equivalent to \$68,000,000  
comprising an A Loan for \$50,000,000 from IFC's own

account and a B Loan for \$18,000,000 through syndication to assist in financing the Project, on the terms and conditions set forth in an agreement (IFC Investment Agreement) or in any supplemental agreement to be entered into between the Borrower and IFC; 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;

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; and

(b) in Section 6.02, sub-paragraph (k) is re-lettered 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 purposes 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 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) "Existing Liens" means the liens referred to in Schedule 6 of this Agreement;

(b) "Subsidiary" means any company which is a subsidiary of the Borrower within the meaning of the Companies Act, 1956, as amended, of the Guarantor;

(c) "Rupees" and "Rs" mean the currency of India;

(d) "License" means The Bombay Suburban Electric License, 1926 duly assigned to the Borrower on May 30, 1930 and such term includes any and all amendments, extensions or renewals of the License;

(e) "Electricity Act" means the Electricity (Supply) Act, 1948, as amended from time to time, of the Guarantor;

(f) "Companies Act" means the Companies Act, 1956, as amended from time to time, of the Guarantor;

(g) "Second Debenture" means the proposed second debenture and/or equity issue of the Borrower for Rs 1500 million; and

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

#### 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 two hundred million dollars (\$200,000,000), 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. (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 the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Loan.

(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars a special deposit account in 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 5 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 1996 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 ( $\frac{3}{4}$  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 ( $\frac{1}{2}$  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 and the Guarantor 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 and the Guarantor 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 3 to this Agreement.

### ARTICLE III

#### Execution of the Project

Section 3.01. The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and public utility practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods and consultants' services required for 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.

Section 3.03. The Borrower shall establish and maintain a project management structure satisfactory to the Bank.

### ARTICLE IV

## Management and Operations of the Borrower

Section 4.01. The Borrower shall carry on its operations and conduct its affairs in accordance with sound administrative, financial and engineering practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 4.02. The Borrower shall 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 and financial practices.

Section 4.03. The Borrower shall 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.

Section 4.04. Except as the Bank shall otherwise agree, the Borrower shall not sell, lease, transfer or otherwise dispose of any of its properties or assets which shall be required for the efficient carrying on of its businesses and undertakings, including the Project, but the Borrower shall be at liberty to dispose of any of its properties or assets which are not so required.

Section 4.05. The Borrower shall cause its subsidiaries (if any) 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.

Section 4.06. The Borrower shall inform the Bank prior to making any major changes in its organizational structure or in the scope of activities handled by it.

Section 4.07. The Borrower shall, prior to the synchronization of the first unit to be constructed under the Project, conclude commercial agreements with the Maharashtra State Electricity Board and the Tata Electric Companies in respect of the plant operations by the Borrower.

## ARTICLE V

### Financial Covenants

Section 5.01. (a) The Borrower shall maintain records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition.

(b) The Borrower shall:

- (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;
- (ii) furnish to the Bank as soon as available, but in any case not later than four 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 or payment out of the Special 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 5.02. (a) The Borrower shall, subject to the provisions of paragraph (b) of this Section and to the priorities existing on charges created to the date of this Agreement, create in favor of the Bank an equitable mortgage/charge in such form as the Bank may reasonably require to constitute by way of security for the Loan:

- (i) a first specific charge upon all of its immovable assets together with all rights and interests appertaining to or necessary for said assets to which the Borrower is now or may hereafter become beneficially entitled, such mortgage to rank in point of security equally and ratably with mortgages/charges upon the said assets in respect of Existing Liens but prior to any other lien upon the assets of the Borrower, now existing or hereafter created;
- (ii) an assignment by way of mortgage of the Licenses, together with any extensions, amendments or renewals thereof such assignment to rank in point of security equally and ratably with the

mortgages/charges upon the Licenses in respect of the Existing Liens but prior to any other lien upon the Licenses now existing or herein-after created; and

- (iii) a first specific charge upon all movable assets of the Borrower, now existing or subsequently added thereto, together with all rights and interests appertaining to or necessary for said assets to which the Borrower is now or may hereafter become beneficially entitled such charge to rank in point of security equally and ratably with the Existing Liens upon the said assets but prior to any other liens upon such assets, now existing or hereafter created.

(b) Pursuant to the provisions of Section 9.03 (b) of the General Conditions, it is agreed that the Borrower may:

- (i) (A) create liens, ranking in point of security equally and ratably with the assignment of the Licenses under sub-section (a) (ii) of this Section and the first specific charge referred to in sub-section (a) (i) of this Section, upon all the assets mentioned in said sub-section together with all rights and interests appertaining to or necessary for said assets to which the Borrower is now or may hereafter become beneficially entitled; and
- (B) create liens, ranking in point of security equally and ratably with the first specific/floating charge referred to in sub-section (a) (iii) of this Section, upon all or any assets of the Borrower referred to in said sub-section;

for securing debts or borrowings up to an aggregate under sub-paragraphs (A) and (B) of this paragraph, of Rupees 11,000 million or such other amount acceptable to the Bank for the purposes of financing or refinancing capital investments including the investments required for the Project; and

- (ii) create liens, including hypothecations, ranking in priority to the security provided for in paragraph (a) of this Section on current assets (stores, spare parts and fuel, including coal) securing debts or borrowings maturing not more than one year (at a time) from their respective dates and incurred to bankers in the ordinary course of business, in an amount not exceeding in the aggregate at any one time Rupees 1,000 million or such other amount acceptable to the Bank.

(c) The Borrower undertakes that no subsidiary (if any) of the Borrower shall at any time without the

consent of the Bank create any lien on its undertakings or assets (including uncalled capital) or any part thereof otherwise than in favor of the Borrower and that all liens created by any subsidiary of the Borrower in favor of the Borrower shall be retained by the Borrower and shall not be sold, transferred or otherwise disposed of by it and that it will not sell, transfer or otherwise dispose of any shares for the time being held by it in any subsidiary.

(d) The Borrower shall:

- (i) take all necessary steps and shall require all other necessary parties to take all necessary steps to ensure that all liens, including the Existing Liens, outstanding upon the assets and all liens upon such assets to be created under this Section 5.02 shall be discharged or be varied to the reasonable satisfaction of the Bank so as to ensure that full effect may be given to the foregoing provisions of this Section; and
- (ii) obtain all necessary consents for the valid creation of aforesaid security and shall duly register or file, or cause to be duly registered or filed, as necessary, such security in accordance with the Companies Act, together with such other documents as may be necessary or proper in order to render the same fully effective in accordance with its terms.

(e) The Borrower shall secure all necessary permissions from the Government of the State of Maharashtra to enable it to carry out its obligations under this Section.

(f) Notwithstanding the foregoing provisions of this Section, the Borrower shall, if required by the Bank, convert the equitable mortgage to be created in accordance with paragraph (a) of this Section, into a legal mortgage in English form by way of a Trust Deed in favor of such trustees and in such form as the Bank may reasonably require to constitute by way of security for the Loan substantially in accordance with the foregoing provisions of this Section 5.02. To this end, the Borrower shall execute in favor of the Bank an irrevocable power of attorney authorizing the Bank, inter alia, to execute on behalf of the Borrower a legal mortgage in English form as aforesaid.

Section 5.03. Except as the Bank may otherwise agree, if the Borrower shall directly or indirectly pay or otherwise settle for a consideration, before maturity, part or all of any outstanding secured debt, the Borrower shall repay a proportionate part, or all, as the case may be, of the Loan.

Section 5.04. (a) Except as the Bank shall otherwise agree, the Borrower shall: (i) set its tariffs at levels sufficient to achieve the prescribed return on its capital base and to recover, through special appropriations, inter alia, the aggregate amount of repayments of principal of its debt for that year, as permissible under the Electricity Act; and (ii) not incur any debt if after the incurrence of such debt the aggregate principal amount of debt of the Borrower then incurred and outstanding would be greater than 2.5 times



the equity of the Borrower.

(b) For the purposes of this Section:

- (i) The term "debt" means any indebtedness of the Borrower maturing by its terms more than one year after the date on which it is originally incurred.
- (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 but only to the extent that the guaranteed debt is outstanding.
- (iii) Capital base of the Borrower shall be calculated in the manner prescribed in paragraph XVII of the Sixth Schedule to the Electricity Act.
- (iv) The term "special appropriations" means the appropriations allowed in accordance with the provisions of paragraph XVII of the Sixth Schedule to the Electricity Act.
- (v) The term "equity of the Borrower" means the sum of the total unimpaired paid-up capital, retained earnings and reserves of the Borrower not allocated to cover specific liabilities.
- (vi) 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.

(c) The Borrower shall, by November 30 of each year, furnish to the Bank its financial projections covering its current and next four financial years projected performance, indicating the actions, if any, required to be taken to meet the foregoing provisions of this Section.

Section 5.05. The Borrower shall, not later than June 30, 1994, complete subscription of the Second Debenture, underwritten to the extent of public issue.

#### 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) the Memorandum or the Articles of Association

of Borrower as at the date of this Agreement shall have been amended without the prior consent of the Bank;

(b) the License shall have been amended, abrogated, waived, assigned, suspended or revoked without prior consent of the Bank; and

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

(A) The right of the Borrower to withdraw the proceeds of any loan made to the Borrower for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor; or

(B) any such 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 pre-maturing is not caused by the failure of the Borrower to perform any of its obligations under such 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) any event specified in paragraphs (a) or (b) of Section 6.01 of this Agreement shall occur; and

(b) the event specified in paragraph (c) (i) (B) of Section 6.01 of this Agreement shall occur, subject to the proviso of paragraph (c) (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) a valid security in favor of the Bank, in form and substance satisfactory to the Bank, has been created to secure the Loan;

(b) the power of attorney referred to in Section 5.02 (f) of this Agreement has been executed;

(c) the validity of the License has been extended at least up to August 15, 2011; and

(d) all conditions precedent to disbursement of the proceeds of the IFC Loan specified in Section 5.01 of the IFC Investment Agreement, except for those related to the

effectiveness of this Agreement, have been fulfilled.

Section 7.02. The following is 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 all action necessary or proper in order to create a valid security in favor of the Bank, in form and substance satisfactory to the Bank, has been taken to secure the Loan.

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 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 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:

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

For the Borrower:

Bombay Suburban Electric Supply Limited  
Nagin Mahal, 6th Floor  
82 V.N. Road  
Bombay, 400020  
India

Cable address:

SUPERPOWER  
Bombay

Telex:

11-85808 BSES IN

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/ Heinz Vergin  
Acting Regional Vice President  
Asia

BOMBAY SUBURBAN ELECTRIC SUPPLY LIMITED

By /s/ M. L. Shishoo  
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 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 Dollar Equivalent)	% of Expenditures to be Financed
(1) Equipment	186,300,000	100% of foreign expenditures and 100% of local expenditures (ex-factory cost)
(2) Consultants' services	3,700,000	100%
(3) Unallocated	10,000,000	
TOTAL	200,000,000 =====	

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; and

(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.

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 except that withdrawals, in an aggregate amount not exceeding the equivalent of \$30,000,000, may be made on account of payments made for expenditures before that date but after January 31, 1991.

SCHEDULE 2

Description of the Project

The objective of the Project is to assist in the least-cost development program for the Western Region interconnected power system in India.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the

Bank may agree upon from time to time to achieve such objectives:

Part A: Power Plant

The acquisition and installation of two 250 MW coal-fired turbo-generating units at Dahanu in the State of Maharashtra including steam generators; turbo-generator sets complete with auxiliaries; once-through circulating water system; a coal handling plant; an ash handling plant; a water treatment plant; an oil handling plant; power station switchyard, electrical and mechanical equipment, environmental safeguard equipment; associated civil works and consulting services.

Part B: Transmission Lines

The acquisition and installation of two double circuit 220 kV transmission lines of about 105 kilometers to transmit power from Dahanu to the Borrower's licensed area of operations, and the construction of three 220/33 kV receiving substations.

Part C: Subtransmission and Distribution System

The strengthening and extension of the Borrower's 33 kV and 11 kV subtransmission and distribution system.

\* \* \*

The Project is expected to be completed by December 31, 1995.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
February 15, 1997	3,645,000
August 15, 1997	3,790,000
February 15, 1998	3,935,000
August 15, 1998	4,085,000
February 15, 1999	4,245,000
August 15, 1999	4,410,000
February 15, 2000	4,580,000
August 15, 2000	4,755,000
February 15, 2001	4,940,000
August 15, 2001	5,130,000
February 15, 2002	5,330,000
August 15, 2002	5,535,000
February 15, 2003	5,750,000
August 15, 2003	5,970,000
February 15, 2004	6,200,000
August 15, 2004	6,440,000
February 15, 2005	6,690,000
August 15, 2005	6,950,000
February 15, 2006	7,220,000
August 15, 2006	7,495,000
February 15, 2007	7,785,000
August 15, 2007	8,085,000
February 15, 2008	8,400,000
August 15, 2008	8,725,000
February 15, 2009	9,060,000
August 15, 2009	9,410,000
February 15, 2010	9,775,000
August 15, 2010	10,155,000
February 15, 2011	10,545,000
August 15, 2011	10,965,000

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\* 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.

#### Premiums on Prepayment

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 4

##### Procurement and Consultants' Services

###### Section I. Procurement of Goods and Works

###### Part A: International Competitive Bidding

Except as provided in Part C hereof, goods and works shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines).

###### Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A hereof, goods manufactured in India may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

###### Part C: Other Procurement Procedures

Items or groups of items estimated to cost the

equivalent of \$200,000 or less per contract, up to an aggregate amount equivalent to \$4,000,000, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Bank.

Part D: Review by the Bank of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract estimated to cost the equivalent of \$2,000,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Bank pursuant to said paragraph 2 (d) shall be furnished to the Bank prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, said procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Bank pursuant to said paragraph 3 shall be furnished to the Bank as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 5 to this Agreement.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which the Bank has authorized withdrawals on the basis of statements of expenditure.

2. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

In order to assist the Borrower in carrying out the Project, the Borrower shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Bank on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) and (2) 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 \$13,000,000 to be withdrawn from the Loan Account and deposited in 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 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; or

(b) once the total unwithdrawn amount of the Loan allocated to the eligible Categories, 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 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; (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 have 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 6

##### Existing Liens

##### 1. DEBENTURES

	Rupees	Date of Redemption	Type of Mortgage
10,000-61.2% "A" Class	10,000,000	July 1, 1993	Legal mortgage
207,364-15% "C" Class	20,736,400)	At the expiry of 7th, 8th & 9th year from 1st June, 1986	-do-
7,818-15% "C" Class	784,800)		-do-
25,421-15% "D" Class	2,542,100)		-do-
24,579-15% "D" Class	2,457,900)		-do-
53,950-13.5% "E" Class	5,395,000)	July 1, 1992	-do-
16,050-13.5% "E" Class	4,605,000)		-do-
93,637-15% "F" Class	9,363,700	July 1, 1997	-do-
200,000-15% "G" Class	20,000,000	At expiry of 6th, 7th & 8th year from Aug. 31, 1989	Equitable mortgage

200,000-15% "H" Class	20,000,000	May 18, 1991	-do-
200,000-15% "I" Class	20,000,000	Oct. 11, 1992	-do-

2. TERM LOAN

Term loan from United Commercial Bank	9,500,000	Equitable mortgage
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3. CASH CREDIT FACILITY

United Commercial Bank (16%)	23,500,000)	Deed of Hypothecation
Canara Bank (16%)	17,500,000)	

