

Public Disclosure Authorized

CONFORMED COPY

LOAN NUMBER 7787-IN

Guarantee Agreement

(Fifth Power System Development Project)

between

INDIA

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated October 13, 2009

LOAN NUMBER 7787-IN

GUARANTEE AGREEMENT

AGREEMENT, dated October 13, 2009, entered into between INDIA (“Guarantor”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”) (“Guarantee Agreement”) in connection with the loan agreement of same date between the Bank and POWERGRID (“Borrower”) (“Loan Agreement”). The Guarantor and the Bank hereby agree as follows:

ARTICLE I – GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to the Loan 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 Loan Agreement.

ARTICLE II – GUARANTEE

- 2.01. The Guarantor declares its commitment to the objectives of the Project. To this end, without limitation or restriction upon any of its other obligations under the Guarantee Agreement, the Guarantor hereby unconditionally guarantees, as primary obligor and not as surety merely, the due and punctual payment of all Loan Payments payable by the Borrower pursuant to the Loan Agreement, and the punctual performance of all the other obligations of the Borrower set forth or referred to in the Loan Agreement.

ARTICLE III – OTHER COVENANTS

- 3.01. The Guarantor shall take all such measures as may be necessary or required to allow the Borrower to maintain its accounts receivable at a level not exceeding an amount equivalent to the proceeds of its transmission and other services for the three (3) preceding months.

ARTICLE IV – REPRESENTATIVE; ADDRESSES

- 4.01. The Guarantor's Representative is the Secretary, any Additional Secretary, Joint Secretary, Director, Deputy Secretary or Under Secretary of the Department of Economic Affairs in the Ministry of Finance of the Guarantor.

4.02. The Guarantor's Address is:

Department of Economic Affairs
Ministry of Finance
New Delhi 110 001
India

Facsimile:

91-11-23092477

4.03. 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:

Telex:

Facsimile:

INTBAFRAD
Washington, D.C.

248423 (MCI) or
64145 (MCI)

1-202-477-6391

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

INDIA

By /s/ Anup K. Pujari

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ N. Roberto Zagha

Authorized Representative