
LOAN NUMBER 3521 - IND

LOAN AGREEMENT
(Ordinary Operations)
(Solar Transmission Sector Project)

between

POWER GRID CORPORATION OF INDIA LIMITED

and

ASIAN DEVELOPMENT BANK

DATED 05 April 2017

IND 49214

**LOAN AGREEMENT
(Ordinary Operations)**

LOAN AGREEMENT dated 05 April 2017 between POWER GRID CORPORATION OF INDIA LIMITED ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) the Borrower has applied to ADB for a loan for the purposes of the Project described in Schedule 1 to this Loan Agreement;

(B) by an agreement of even date herewith between ADB and the Borrower ("CTF Loan Agreement"), ADB has agreed to lend to the Borrower from the ADB Clean Technology Fund an amount of fifty million Dollars (\$50,000,000) ("CTF Loan", and together with the Ordinary Operations Loan, the "Loans") on the terms and conditions set forth in the CTF Loan Agreement;

(C) the Loans are to be guaranteed by India ("Guarantor") under the terms of the Guarantee Agreement of even date herewith between the Guarantor and ADB;

(D) the Borrower and ADB have developed the Action Plan for Safeguards and the Action Plan for Procurement for application in this Project; and

(E) ADB has agreed to make a loan to the Borrower from ADB's ordinary capital resources upon the terms and conditions set forth herein;

NOW THEREFORE the parties hereto agree as follows:

ARTICLE I

Loan Regulations; Definitions

Section 1.01. All the provisions of the Ordinary Operations Loan Regulations, dated 1 January 2017 ("Loan Regulations"), are hereby made applicable to this Loan Agreement with the same force and effect as if they were fully set forth herein, subject, however, to the following modification: Section 7.10(c) is deleted.

Section 1.02. Wherever used in this Loan Agreement, the several terms defined in the Loan Regulations have the respective meanings therein set forth unless modified herein or the context otherwise requires. Additional terms used in this Loan Agreement have the following meanings:

- (a) "Action Plan for Procurement" means the set of actions (to be) adopted by the Borrower for the procurement of Goods and Works under the Works and Procurement Policy and Procedures, as set out in Annexure 1 to the PAM;

- (b) "Action Plan for Safeguards" means the set of actions (to be) adopted by the Borrower to achieve the objectives and adhere to the policy scope, triggers and principles under the SPS, as set out in Annexure 3 to the PAM;
- (c) "CERC" means Central Electricity Regulatory Commission of the Guarantor;
- (d) "CPTD" means each Compensation Plan for Temporary Damages for a Subproject, including any update thereto, prepared and submitted by the Borrower if required, and cleared by ADB;
- (e) "CSS" means country safeguard systems within the meaning of the SPS;
- (f) "Environmental Assessment Management Plan" or "EAMP" means each environmental assessment management plan for a Subproject, including any update thereto, incorporated in an IEAR. EAMP is synonymous with EMP;
- (g) "Environmental Management Plan" or "EMP" means each environmental management plan for a Subproject, including any update thereto, incorporated in an IEAR. EMP is synonymous with EAMP;
- (h) "ESPP" means the Environmental and Social Policy & Procedures of the Borrower, including any amendments thereto, as assessed by ADB;
- (i) "Financial Year" means the fiscal year of the Borrower, which ends on 31 March of each year;
- (j) "Goods" means equipment and materials to be financed out of the proceeds of the Loans, including related services such as transportation, insurance, installation, commissioning, training, and initial maintenance, but excluding consulting services;
- (k) "Initial Environmental Assessment Report" or "IEAR" means each Initial Environmental Assessment Report for a Subproject, including any update thereto, prepared and submitted by the Borrower and cleared by ADB;
- (l) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2015, as amended from time to time);
- (m) "PAM" means the project administration manual for the Project dated 20 February 2017 and agreed between the Borrower and ADB, as updated from time to time in accordance with the respective administrative procedures of the Borrower and ADB;

- (n) "Procurement Guidelines" means ADB's Procurement Guidelines (2015, as amended from time to time);
- (o) "Procurement Plan" means the procurement plan for the Project, as agreed between the Borrower and ADB, as updated from time to time and included in the PAM;
- (p) "Project Executing Agency" for the purposes of, and within the meaning of, the Loan Regulations means the Borrower;
- (q) "RAP" means each Rehabilitation Action Plan for a Subproject, including any update thereto, prepared and submitted by the Borrower if required, and cleared by ADB;
- (r) "Safeguard Policy Statement" or "SPS" means ADB's Safeguard Policy Statement (2009);
- (s) "Safeguards Monitoring Report" means each report prepared and submitted by the Borrower to ADB that describes progress with implementation of and compliance with the IEAR, EAMP and SAMP (CPTD, RAP and/or TPDP, as applicable), including any corrective and preventative actions;
- (t) "SAMP" means each Social Assessment and Management Plan for a Subproject, including any update thereto, prepared and submitted by the Borrower if required, and cleared by ADB;
- (u) "Subproject" means a subproject under the Project that meets the subproject eligibility criteria set forth in the PAM;
- (v) "Tribal People Development Plan" or "TPDP" means each tribal development action plan for a Subproject, including any update thereto, prepared and submitted by the Borrower if required, and cleared by ADB;
- (w) "Works" means construction or civil works to be financed out of the proceeds of the Loans, including services such as drilling or mapping, and project related services that are provided as part of a single responsibility or turnkey contract, but excluding consulting services; and
- (x) "Works and Procurement Policy and Procedures" means the Borrower's procurement policy document, including any update thereof or amendments thereto, as assessed by ADB.

ARTICLE II

The Loan

Section 2.01. (a) ADB agrees to lend to the Borrower from ADB's ordinary capital resources an amount of one hundred seventy five million Dollars (\$175,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.06 of this Loan Agreement.

(b) The Loan has a principal repayment period of 15 years, and a grace period as defined in subsection (c) hereinafter.

(c) The term "grace period" as used in subsection (b) hereinabove means the period prior to the first Principal Payment Date in accordance with the amortization schedule set forth in Schedule 2 to this Loan Agreement.

Section 2.02. The Borrower shall pay to ADB 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 sum of:

- (a) LIBOR; and
- (b) 0.60% as provided by Section 3.02 of the Loan Regulations less a credit of 0.10% as provided by Section 3.03 of the Loan Regulations.

Section 2.03. The Borrower shall pay a commitment charge of 0.15% per annum. Such charge shall accrue on the full amount of the Loan (less amounts withdrawn from time to time), commencing 60 days after the date of this Loan Agreement.

Section 2.04. Interest and other charges on the Loan shall be payable semiannually on 15 May and 15 November in each year.

Section 2.05. The Borrower shall repay the principal amount of the Loan withdrawn from the Loan Account in accordance with the provisions of Schedule 2 to this Loan Agreement.

Section 2.06. (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, whether withdrawn and outstanding 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 Floating Rate to a Fixed Rate, or vice versa; and

- (iii) the setting of limits on the Floating 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 said Floating Rate.

(b) Any conversion requested pursuant to subsection (a) hereinabove that is accepted by ADB shall be considered a "Conversion", as defined in Section 2.01(f) of the Loan Regulations, and shall be effected in accordance with the provisions of Article V of the Loan Regulations and the Conversion Guidelines.

ARTICLE III

Use of Proceeds of the Loan

Section 3.01. The Borrower shall cause the proceeds of the Loan to be applied to the financing of expenditures on the Project in accordance with the provisions of this Loan Agreement.

Section 3.02. The proceeds of the Loan shall be allocated and withdrawn in accordance with the provisions of Schedule 3 to this Loan Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and ADB.

Section 3.03. Except as ADB may otherwise agree, the Borrower shall procure, or cause to be procured, the items of expenditure to be financed out of the proceeds of the Loan in accordance with the provisions of Schedule 4 to this Loan Agreement.

Section 3.04. Except as ADB may otherwise agree, the Borrower shall cause all items of expenditure financed out of the proceeds of the Loan to be used exclusively in the carrying out of the Project.

Section 3.05. The Loan Closing Date for the purposes of Section 9.02 of the Loan Regulations shall be 31 May 2022 or such other date as may from time to time be agreed between the Borrower and ADB.

ARTICLE IV

Particular Covenants

Section 4.01. In the carrying out of the Project and operation of the Project facilities, the Borrower shall perform, or cause to be performed, all obligations set forth in Schedule 5 to this Loan Agreement.

Section 4.02. (a) The Borrower shall (i) maintain separate accounts and records for the Project; (ii) prepare annual financial statements for the Project

in accordance with financial reporting standards acceptable to ADB; (iii) have such financial statements audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with auditing standards acceptable to ADB; (iv) as part of each such audit, have the auditors prepare a report, which includes the auditors' opinion(s) on the financial statements and the use of the Loan proceeds, and a management letter (which sets out the deficiencies in the internal control of the Project that were identified in the course of the audit, if any); and (v) furnish to ADB, no later than 6 months after the close of the fiscal year to which they relate, copies of such audited financial statements, audit report and management letter, all in the English language, and such other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request.

(b) ADB shall disclose the annual audited financial statements for the Project and the opinion of the auditors on the financial statements within 14 days of the date of ADB's confirmation of their acceptability by posting them on ADB's website.

(c) In addition to annual audited financial statements referred to in subsection (a) hereinabove, the Borrower shall (i) provide its annual financial statements prepared in accordance with financial reporting standards acceptable to ADB; (ii) have its financial statements audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with auditing standards acceptable to ADB; (iii) as part of each such audit, have the auditors prepare the auditors' opinion(s) on the financial statements and compliance with financial covenants of the Loan Agreement; and (iv) furnish to ADB, no later than 1 month after approval by the relevant authority, copies of such audited financial statements and auditors' opinion(s), all in the English language, and such other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request.

(d) The Borrower shall enable ADB, upon ADB's request, to discuss the financial statements for the Project and the Borrower and its financial affairs where they relate to the Project with the auditors appointed by the Borrower pursuant to subsections (a)(iii) and (c) hereinabove, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB. This is provided that such discussions shall be conducted only in the presence of an authorized officer of the Borrower, unless the Borrower shall otherwise agree.

Section 4.03. The Borrower shall enable ADB's representatives to inspect the Project, the Goods and Works, and any relevant records and documents.

Section 4.04. (a) The Borrower shall, promptly as required, take all action within its powers to maintain its corporate existence, to carry on its operations and to acquire, maintain and renew all rights, properties, powers, privileges and franchises which are necessary in the carrying out of the Project or in the conduct of its business.

(b) The Borrower shall at all times conduct its business in accordance with sound technical, financial, business and development practices, and under the supervision of competent and experienced management and personnel.

(c) The Borrower shall at all times operate and maintain its plants, equipment and other property, and from time to time, promptly as needed, make all

necessary repairs and renewals thereof, all in accordance with sound applicable technical, financial, business, development, operational and maintenance practices.

Section 4.05. Except as ADB may otherwise agree, the Borrower shall not sell, lease or otherwise dispose of any of its assets which shall be required for the efficient carrying on of its operations or the disposal of which may prejudice the ability of the Borrower to perform satisfactorily any of its obligations under this Loan Agreement.

ARTICLE V

Suspension; Acceleration of Maturity

Section 5.01. The following are specified as additional events for suspension of the right of the Borrower to make withdrawals from the Loan Account for the purposes of Section 9.01(m) of the Loan Regulations:

- (a) any change shall have been made in the memorandum and articles of association of the Borrower, which may, in the reasonable opinion of ADB, materially and adversely affect the financial condition, operations, or ability of the Borrower to perform any of its obligations under this Loan Agreement;
- (b) a subsidiary or any other entity shall have been created, acquired, or taken over by the Borrower, if such creation, acquisition or taking over, in the reasonable opinion of ADB, may materially and adversely affect the conduct of its business or its financial condition or the efficiency of its management and personnel or the carrying out of the Project; and
- (c) the CTF Loan shall have become liable for suspension or cancellation or shall have become repayable prior to its agreed maturity date.

Section 5.02. The following is specified as an additional event for acceleration of maturity for the purposes of Section 9.07(a)(iv) of the Loan Regulations: any of the events specified in Section 5.01 of this Loan Agreement shall have occurred.

ARTICLE VI

Effectiveness

Section 6.01. The following is specified as an additional condition to the effectiveness of this Loan Agreement for the purposes of Section 10.01(f) of the Loan Regulations: the CTF Loan Agreement shall have been duly executed and delivered on behalf of the Borrower, and all conditions precedent to its effectiveness (other than the condition requiring the effectiveness of this Loan Agreement) shall have been fulfilled.

Section 6.02. A date 90 days after the date of this Loan Agreement is specified for the effectiveness of this Loan Agreement for the purposes of Section 10.04 of the Loan Regulations.

ARTICLE VII

Miscellaneous

Section 7.01. Each of the Executive Director (Corporate Planning) and the General Manager (Corporate Planning) of the Borrower is designated as representative of the Borrower for the purposes of Section 12.02 of the Loan Regulations.

Section 7.02. The following addresses are specified for the purposes of Section 12.01 of the Loan Regulations:

For the Borrower

Power Grid Corporation of India Limited
"SAUDAMINI" Plot No. 2, Sector-29
Gurgaon – 122007
Haryana

Facsimile Numbers:

+91 124 257-1959
+91 124 257-1961

For ADB

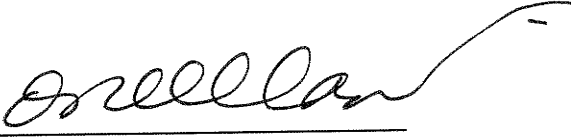
Asian Development Bank
6 ADB Avenue
Mandaluyong City
1550 Metro Manila
Philippines

Facsimile Numbers:

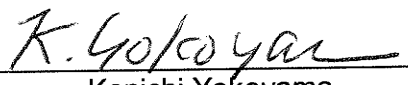
(632) 636-2444
(632) 636-2338.

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names as of the day and year first above written and to be delivered at the principal office of ADB.

POWER GRID CORPORATION OF
INDIA LIMITED

By 
K. Sreekant
Director (Finance)

ASIAN DEVELOPMENT BANK

By 
Kenichi Yokoyama
Country Director

SCHEDULE 1

Description of the Project

1. The objective of the Project is expanded supply of clean power to the national transmission system.
2. The Project shall comprise: (a) improving the capacity of interstate transmission network, particularly for transmission of electricity generated from new solar parks to the national grid; and (b) improving the Borrower's capacity to manage safeguard and procurement systems autonomously and based on its own policies and procedures, in a manner satisfactory to ADB.
3. The Project is expected to be completed by 31 December 2021.

SCHEDULE 2**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 shall 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 ADB by multiplying: (a) the total principal amount of the Loan withdrawn and outstanding as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayment amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<u>Payment Due</u>	<u>Installment Share</u> (Expressed as a %)
15 May 2022	3.333333
15 November 2022	3.333333
15 May 2023	3.333333
15 November 2023	3.333333
15 May 2024	3.333333
15 November 2024	3.333333
15 May 2025	3.333333
15 November 2025	3.333333
15 May 2026	3.333333
15 November 2026	3.333333
15 May 2027	3.333333
15 November 2027	3.333333
15 May 2028	3.333333
15 November 2028	3.333333
15 May 2029	3.333333
15 November 2029	3.333333
15 May 2030	3.333333
15 November 2030	3.333333
15 May 2031	3.333333
15 November 2031	3.333333
15 May 2032	3.333333
15 November 2032	3.333333
15 May 2033	3.333333
15 November 2033	3.333333
15 May 2034	3.333333
15 November 2034	3.333333
15 May 2035	3.333333
15 November 2035	3.333333
15 May 2036	3.333333
15 November 2036	<u>3.333343</u>
TOTAL	100.000000

2. If the proceeds of the Loan shall not 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 as follows:
- (a) To the extent that any proceeds of the Loan shall have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the amount withdrawn and outstanding as of such date in accordance with paragraph 1 of this Schedule.
 - (b) Any withdrawal made 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 ADB by multiplying the amount of each such withdrawal by a fraction, the numerator of which shall be the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (the Original Installment Share) and the denominator of which shall be the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such repayment amounts to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.
3. Withdrawals made within two 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.
4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the withdrawn principal amount of the Loan to an Approved Currency, the amount so converted in said Approved Currency that shall be repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by ADB by multiplying such amount in its currency of denomination immediately prior to said Conversion by either: (i) the exchange rate that reflects the amounts of principal in said Approved Currency payable by ADB under the Currency Hedge Transaction relating to said Conversion; or (ii) if ADB so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.
5. If the principal amount of the Loan withdrawn and outstanding from time to time shall be denominated in more than one 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.

SCHEDULE 3

Allocation and Withdrawal of Loan Proceeds

General

1. The table attached to this Schedule sets forth the Categories of items of expenditure to be financed out of the proceeds of the Loan and the allocation of the Loan proceeds to each such Category ("Table").

Basis for Withdrawal from the Loan Account

2. Except as ADB may otherwise agree, the proceeds of the Loan shall be disbursed on the basis of the withdrawal percentage for each item of expenditure set forth in the Table.

Reallocation

3. Notwithstanding the allocation of Loan proceeds and the withdrawal percentages set forth in the Table,

- (a) if the amount of the Loan allocated to any Category appears to be insufficient to finance all agreed expenditures in that Category, ADB may, in consultation with and by notice to the Borrower, (i) reallocate to such Category, to the extent required to meet the estimated shortfall, amounts of the Loan which have been allocated to another Category but, in the opinion of ADB, are not needed to meet other expenditures, and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the withdrawal percentage applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made; and
- (b) if the amount of the Loan allocated to any Category appears to exceed all agreed expenditures in that Category, ADB may, in consultation with and by notice to the Borrower, reallocate such excess amount to any other Category.

Disbursement Procedures

4. Except as ADB may otherwise agree, the Loan proceeds shall be disbursed in accordance with the Loan Disbursement Handbook and detailed arrangements agreed upon between ADB and the Borrower.

Retroactive Financing

5. Withdrawals from the Loan Account may be made for reimbursement of eligible expenditures incurred under the Project before the Effective Date, but not earlier than 12 months before the date of this Loan Agreement subject to a maximum amount equivalent to 20% of the Loan amount.

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS			
Number	Item	Total Amount Allocated for ADB Financing (\$) Category	Basis for Withdrawal from the Loan Account
1	Goods and Works	151,400,000	100% of total expenditure claimed*
2	Unallocated	23,600,000	
	TOTAL	175,000,000	

* Exclusive of local taxes and duties imposed within the territory of the Guarantor.

SCHEDULE 4**Procurement of Goods and Works**General

1. Except as set out in paragraph 2 below or otherwise agreed with ADB, the procurement of Goods and Works shall be subject to and governed by the Procurement Guidelines. All terms used in this Schedule and not otherwise defined in this Loan Agreement have the meanings provided in the Procurement Guidelines, as applicable.

Use of Agency Procurement System

2. Upon notification from ADB to the Borrower that ADB has approved the use of the Borrower's procurement systems, the Borrower may follow the Works and Procurement Policy and Procedures for procurement of Goods and Works, provided that it conducts such procurement in accordance with the Action Plan for Procurement.

3. The Borrower shall promptly notify ADB of any proposed changes to its Works and Procurement Policy and Procedures or its conduct of procurement pursuant thereto. If, in the reasonable opinion of ADB, the change(s) could have the effect that procurement is no longer undertaken in a manner consistent with the principles of the Procurement Guidelines and sound procurement practice, ADB may (a) require such additional changes to the Action Plan for Procurement as it considers necessary to ensure consistency with such principles and practice, or (b) withdraw its approval for the use of the Borrower's procurement systems and financing of related Subprojects.

Eligible Source of Procurement

4. Procurement under the Project by the Borrower may also be from non-member countries of ADB.

Goods and Works

5. Except as ADB may otherwise agree, Goods and Works shall be procured on the basis of the procurement methods set forth below:

- (a) international competitive bidding; and
- (b) direct contracting.

6. The method of procurement is subject to, among other things, the detailed arrangements and threshold values set forth in the Procurement Plan. The Borrower may only modify the method of procurement or threshold values with the prior agreement of ADB, and modifications must be set out in updates to the Procurement Plan.

Domestic Preference

7. The Borrower may grant a margin of preference in the evaluation of bids under international competitive bidding in accordance with paragraphs 2.55(a) and 2.56 of the Procurement Guidelines for domestically manufactured Goods.

Conditions for Commencement of Contract

8. The Borrower shall not commence any major civil works which involves environmental impacts until the Borrower has incorporated the relevant provisions from the IEAR and EAMP into the contract.

9. The Borrower shall not commence any major civil works which involves involuntary resettlement impacts or indigenous peoples/tribal peoples impacts, until the Borrower has prepared a SAMP (CPTD, RAP and/or TPDP, as applicable), as applicable and satisfactory to ADB, for the relevant sections covered under the Works contract.

Industrial or Intellectual Property Rights

10. (a) The Borrower shall ensure that all Goods and Works procured (including without limitation all computer hardware, software and systems, whether separately procured or incorporated within other goods and services procured) do not violate or infringe any industrial property or intellectual property right or claim of any third party.

(b) The Borrower shall ensure that all contracts for the procurement of Goods and Works contain appropriate representations, warranties and, if appropriate, indemnities from the contractor or supplier with respect to the matters referred to in subparagraph (a) of this paragraph.

SCHEDULE 5**Execution of Project; Financial Matters**Implementation Arrangements

1. The Borrower shall ensure that the Project is implemented in accordance with the detailed arrangements set forth in the PAM. Any subsequent change to the PAM shall become effective only after approval of such change by the Borrower and ADB. In the event of any discrepancy between the PAM and this Loan Agreement, the provisions of this Loan Agreement shall prevail.
2. The Borrower shall ensure that towards smooth implementation of the Project, grievances if any from stakeholders, relating to Project implementation or use of funds are addressed effectively and efficiently.

Accounting

3. Notwithstanding the generality of Section 4.02, the Borrower shall ensure that its financial accounts are maintained in accordance with accounting standards notified by the Government of India. The Borrower shall inform ADB within 60 days of adoption of any changes in accounting practices, but in no case later than the date of any financial reporting required under this Loan Agreement.
4. In addition to the requirements of Sections 4.02 of this Loan Agreement, the Borrower shall continue the existing practice of engaging independent chartered accountants as statutory auditors to audit its annual financial statements and annual Project accounts, together with the memorandum on issues identified during the audit process.

Financial

5. Except as ADB may otherwise agree, the Borrower shall continue with the practice which is in place, in relation to the transmission operations undertaken directly by it or by its subsidiaries each Financial Year during the term of this Loan Agreement, to ensure that it:
 - (a) maintains corporate accounts receivables (excluding such amounts for which billing has not been approved by CERC but including for those assets for which a provisional tariff approval has been granted and allowed by CERC) not exceeding the previous 3 months invoicing amounts;
 - (b) obtains and holds irrevocable letters of credit from all customers in an aggregate amount equivalent to 105% of the average monthly billings of the previous Financial Year, in a form deemed acceptable by the Borrower and as allowed by CERC; and
 - (c) exercises, inter alia, its rights promptly to effect the reduction/stoppage in supply, reallocation of charges, and/or replacement of defaulting customers as permitted under its commercial agreements with

generators, state transmission utilities/departments, bulk consumers, and any other entity or person benefitting from Borrower's transmission services.

6. Except as ADB may otherwise agree, the Borrower shall for each Financial Year during the term of this Loan Agreement, generate cash from internal sources equivalent to not less than 20% of the average of Borrower's capital expenditures incurred, or expected to be incurred, for the current Financial Year, the previous Financial Year, and the next Financial Year. For the purposes of this paragraph,

- (a) the term "cash from internal sources" means the difference between (i) the sum of cash flows from all sources related to operations, plus cash generated from consumer deposits and consumer advances of any kind, sale of assets, cash yield of interest on investments, extraordinary gains, and net non-operating income, decrease in working capital other than cash, and other cash inflows; and (ii) the sum of all expenses related to operations, including administration, adequate maintenance, and current taxes and payments in lieu of taxes (excluding provision for depreciation, other non-cash operating charges and taxes), debt service requirements, extraordinary losses, all cash dividends paid and other cash distributions of surplus, increase in working capital other than cash and other cash outflows other than capital expenditures;
- (b) the term "net non-operating income" means the difference between (i) revenues from all sources other than those related to operations, after making adequate provisions for uncollectible debts; and (ii) expenses, including taxes and payments in lieu of taxes, incurred in the generation of revenues in (i) hereinabove;
- (c) the term "working capital other than cash" means the difference between current assets excluding cash and current liabilities at the end of each Financial Year;
- (d) the term "current assets excluding cash" means all assets other than cash which could in the ordinary course of business be converted into cash within 12 months, including accounts receivable, marketable securities, inventories and prepaid expenses properly chargeable to operating expenses within the next Financial Year;
- (e) the term "current liabilities" means all liabilities which shall become due and payable or could under circumstances then existing be called for payment within 12 months, including accounts payable, customer advances, debt service requirements taxes and payments in lieu of taxes, and dividends;
- (f) the term "debt" means any indebtedness of the Borrower maturing by its terms more than 1 year after the date on which it is originally incurred;

- (g) the debt shall be deemed to be incurred: (i) under a loan contract or agreement, or conditional sale or transfer or financing lease 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 (ii) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into. Financial liabilities incurred by the Borrower who is a lessee under finance leasing agreements may also be included as debt;
- (h) the term "debt service requirements" means the aggregate amount of all repayments (including sinking fund payments, and lease payments under finance leases if any), whether or not actually paid, and interest and other charges on debt. Interest charges which are incurred in financing capital expenditures during development are excluded, if such charges are capitalized;
- (i) the term "capital expenditures" means all expenditures incurred on account of fixed assets related to operations, including interest charged to construction;
- (j) the projections for the "next Financial Year" shall be based on the Borrower's 10-year financial projections, updated at least annually, and shall include its investment program, financial plan, income statements, cash flow and balance sheets with all its assumptions, provided annually to ADB as of 30 September of each Financial Year;
- (k) the terms "operations" or "operating" refers to all the businesses of the Borrower, including without limitation its transmission operations, telecom operations, consultancy operations and any other businesses in which the Borrower is engaged; and
- (l) in the event cash from internal resources is less than 20% as required hereinabove, any grant provided by the Government of India or additional equity capital raised by the Borrower (including any share premium) in the current and/or the previous Financial Year to the extent paid up but not utilized for capital expenditures, may also be added to the cash from internal resources for purposes of computing such financial ratio.

7. Except as ADB may otherwise agree, the Borrower shall for each Financial Year during the term of this Loan Agreement, ensure that the free cash flows of the Borrower: (a) for the current Financial Year shall be at least 1.2 times the debt service requirements of the Borrower for the same period on all debt; and (b) for the current Financial Year, the previous Financial Year, and the next Financial Year shall on average be at least 1.3 times the debt service requirements of the Borrower for the current Financial Year on all debt. For the purposes of this paragraph:

- (a) the term "free cash flows" means the difference between: (i) the sum of revenues from all sources related to operations, after making adequate provisions for uncollectible debts, adjusted to take account of the

Borrower's rates, dues or other such receivables accrued at the time of the incurrence of debt, and net non-operating income; and (ii) the sum of all expenses related to operations, including administration, maintenance, current taxes and payments in lieu of current taxes (but excluding provision for depreciation, other non-cash operating charges, and deferred taxes), and movements in working capital other than cash; and

- (b) the terms "net non-operating income", "working capital other than cash", "debt", "debt service requirements", "next Financial Year", and "operations", shall have the same meanings as defined in subparagraphs 6(b), 6(c), 6(f), 6(h), 6(j), and 6(k) hereinabove, respectively.

8. The Borrower shall maintain a corporate debt to equity ratio of not more than 3 to 1 during the term of this Loan Agreement. For purposes of this paragraph:

- (a) the term "equity" means the sum of the total unimpaired paid-up capital, retained earnings and reserves of the Borrower not allocated to cover specific liabilities; and
- (b) the term "debt" shall mean any outstanding indebtedness of the Borrower, but excluding any amount due for payment within 1 year of the date as of which this ratio is computed.

9. (a) Before 28 February of each Financial Year, the Borrower shall, on the basis of forecasts prepared by the Borrower, satisfactory to ADB, review whether it shall meet the requirements set forth in these covenants in respect of such Financial Year and the following Financial Year, and shall furnish to ADB a copy of such review.

(b) The Borrower shall forward to ADB, with each set of audited annual financial statements, a compliance certificate signed by its statutory auditors and/or Director (Finance) of the Borrower setting out computations as to compliance with the financial covenants described above.

(c) Whenever for the purposes of this Loan Agreement, it shall be necessary to value, in terms of the currency of India, 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 ADB.

Subprojects Selection Criteria

10. The Borrower shall ensure, to ADB's satisfaction, prior to any disbursement of Loan proceeds for the relevant Subproject, the following requirements, as outlined in the PAM: (a) each Subproject meets the Subprojects selection criteria for ADB appraisal; (b) project relevant information of each of the Subprojects is disclosed to affected persons during consultation and prior to ADB appraisal; (c) draft and final IEAR, EAMP and SAMP (CPTD, RAP and/or TPDP, as

applicable) are submitted to ADB for its review; (d) satisfactory draft, final, and any updated IEAR, EAMP, and SAMP (CPTD, RAP and/or TPDP, as applicable) are disclosed on the Borrower's website; and (e) submit the same to ADB for disclosure on ADB website.

Safeguards

Safeguards and agency-level CSS

11. The Borrower shall use agency-level CSS to assess, categorize and address any environmental or social impacts under the Project in accordance with the ESPP, the agreed Action Plan for Safeguards, and the provisions set out in paragraphs 12 through 17 of this Schedule,

12. The Borrower shall adopt and implement the Action Plan for Safeguards in a timely manner so as to ensure that its ESPP achieve and maintain full equivalence with the objectives, policy scope, principles and triggers of SPS throughout Project implementation.

13. The Borrower shall promptly notify ADB of any proposed changes to its ESPP or its safeguards implementation practices pursuant thereto. If, in the reasonable opinion of ADB, the change(s) could have the effect that environmental or social impacts under the Project are no longer assessed, categorized or addressed in a manner consistent with the objectives, policy scope, principles and triggers of SPS, ADB may (i) require such additional changes to the Action Plan for Safeguards or other remedial actions as it considers necessary to maintain such consistency or (ii) withdraw its approval for the use of CSS and financing of related Subprojects.

Environment

14. The Borrower shall ensure that the preparation, design, construction, implementation, operation and decommissioning of the Project and all Project facilities, including their associated facilities, comply with (a) all applicable laws and regulations of the Guarantor and the relevant States relating to environment, health and safety; (b) the ESPP; (c) the Action Plan for Safeguards; and (d) all measures and requirements set forth in the respective IEAR, EAMP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

Land Acquisition and Involuntary Resettlement

15. The Borrower shall ensure, or cause to be ensured, that all land and all rights-of-way required for the Project are made available to the works contractor in accordance with the schedule agreed under the related works contract and all land acquisition and resettlement activities are implemented in compliance with (a) all applicable laws and regulations of the Guarantor and the relevant States relating to land acquisition and involuntary resettlement; (b) the ESPP; (c) the Action Plan for Safeguards, and (d) all measures and requirements set forth in the respective SAMP (CPTD, RAP and/or TPDP, as applicable), and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

16. Without limiting the application of the ESPP, the Action Plan for Safeguards and the relevant SAMP, the Borrower shall ensure that no displacement takes place in connection with the Project until compensation and other entitlements have been provided to affected people. In the case of temporary damages, the Borrower shall apply the provisions of the CPTD. In the case of involuntary land acquisition, the Borrower shall apply the provisions of the RAP.

Indigenous Peoples

17. Subject to the provisions of paragraph 11 of this Schedule, in the event of any significant or related impacts on indigenous peoples, the Borrower shall prepare and implement a TPDP equivalent to an indigenous peoples plan under the SPS in accordance with (a) the applicable laws and regulations of the Guarantor and the relevant States; (b) the ESPP; (c) the Action Plan for Safeguards; and (d) any corrective and preventive actions set forth in a Safeguards Monitoring Report.

Human and Financial Resources to Implement Safeguards Requirements

18. The Borrower shall make available necessary budgetary and human resources to fully implement the ESPP; the Action Plan for Safeguards; and each EAMP and SAMP (CPTD, RAP and/or TPDP, as applicable); and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

Safeguards-Related Provisions in Bidding Documents

19. The Borrower shall ensure that all bidding documents and contracts for works contain provisions that require contractors to:

- (a) comply with the measures relevant to the contractor set forth in the relevant IEAR, EAMP, and SAMP (CPTD, RAP and/or TPDP, as applicable), (to the extent they concern impacts on affected people during construction), and any corrective or preventative actions set forth in the Action Plan for Safeguards and Safeguards Monitoring Report;
- (b) make available a budget for all such environmental and social measures and monitoring activities;
- (c) provide the Borrower with a written notice of (i) any unanticipated environmental, resettlement or indigenous peoples risks or impacts that arise during construction, implementation or operation of the Project that were not considered in the relevant IEAR, EAMP, and SAMP (CPTD, RAP and/or TPDP, as applicable), and (ii) any corrective or preventative actions set forth in the Action Plan for Safeguards and Safeguards Monitoring Report;
- (d) adequately record the condition of roads, agricultural land and other infrastructure prior to starting to transport materials and construction; and

- (e) reinstate pathways, other local infrastructure, and agricultural land to at least their pre-project condition upon the completion of construction.

Safeguards Monitoring and Reporting; Monitoring of Action Plan for Safeguards

20. The Borrower shall do the following, consistent with Action Plan for Safeguards:

- (a) disclose Safeguards Monitoring Reports on the Borrower's website, and submit the same for disclosure on ADB website, on a semiannual basis;
- (b) disclose satisfactory revisions and updates of IEAR, EAMP, and SAMP (CPTD, RAP and/or TPDP, as applicable), prepared during Subproject implementation, if any, on the Borrower's website, and submit these to ADB for disclosure on ADB website, and provide relevant information to affected people and other stakeholders in a timely manner and in a form and language understandable to them;
- (c) if any unanticipated environmental and/or social risks and impacts arise during construction, implementation or operation of the Project that were not considered in the relevant IEAR, EAMP, and SAMP (CPTD, RAP and/or TPDP, as applicable), promptly inform ADB of the occurrence of such risks or impacts, with detailed description of the event and proposed corrective action plan;
- (d) report any actual or potential breach of compliance with the measures and requirements set forth in the relevant EAMP, and SAMP (CPTD, RAP and/or TPDP, as applicable) promptly after becoming aware of the breach; and
- (e) in the event unexpected significant safeguard impacts are identified, promptly engage qualified and experienced external expert or agency under terms of reference intimated to ADB, to verify information produced through the Project monitoring process, and facilitate the carrying out of any verification activities by such external experts.

21. To allow ADB to monitor and report on greenhouse gas emission reductions in connection with the Subprojects, the Borrower shall provide to ADB data on the annual power supply transmitted in million/billion units upon the commissioning of a Subproject financed by the CTF Loan proceeds.

Prohibited List of Investments

22. The Borrower shall ensure that no proceeds of the Loans are used to finance any activity included in the list of prohibited investment activities provided in Appendix 5 of the SPS.

Labor Standards, Health and Safety

23. The Borrower shall ensure that Works contracts under the Project follow all applicable labor laws of India and the relevant States and that these further include provisions to the effect that contractors follow and implement all statutory provisions on labor (including not employing or using children as labor, equal pay for equal work), health, safety, welfare, sanitation, and working conditions.

Gender and Development

24. The Borrower shall ensure that the principles of gender equity are followed during implementation of the Project, including equal pay to men and women for work of equal value, and enabling working conditions for women workers.

Stakeholder Communications Strategy

25. The Borrower shall ensure that the Project is undertaken in conformity with the stakeholder communication strategy as agreed between ADB, the Guarantor, and the Borrower, as referred in the PAM.

Governance and Anticorruption

26. The Borrower shall comply with all statutory requirements and the provisions of the listing agreement with the Securities and Exchange Board of India relating to corporate governance.

27. The Borrower shall (a) comply with ADB's Anticorruption Policy (1998, as amended to date) and acknowledge that ADB reserves the right to investigate directly, or through its agents, any alleged corrupt, fraudulent, collusive or coercive practice relating to the Project; and (b) cooperate with any such investigation and extend all necessary assistance for satisfactory completion of such investigation.

28. The Borrower shall ensure that the anticorruption provisions acceptable to ADB are included in all bidding documents and contracts, including provisions specifying the right of ADB to audit and examine the records and accounts of the executing and implementing agencies and all contractors, suppliers, consultants, and other service providers as they relate to the Project.

Project Review of Action Plan for Safeguards and Action Plan for Procurement

29. Notwithstanding the generality of mid-term Project review to be undertaken no later than 30 June 2019, such review to be undertaken by ADB and the Borrower shall include a review of the performance and compliance with the provisions of this Loan Agreement, and in particular with respect to environmental and social safeguards and the procurement of Goods and Works.