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DOCUMENTS

LOAN NUMBER 9153 -IN

Loan Agreement

(MSME Emergency Response Development Policy Loan)

between

INDIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

LOAN AGREEMENT

AGREEMENT dated as of the Signature Date between INDIA ("Borrower") and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank") for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement). The Bank has decided to provide this financing on the basis, inter alia, of: (i) the actions which the Borrower has already taken under the Program and which are described in Section I of Schedule 1 to this Agreement; and (ii) the Borrower's maintenance of an adequate macroeconomic policy framework. The Borrower and the Bank therefore hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

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

ARTICLE II — LOAN

- 2.01. The Bank agrees to lend to the Borrower the amount of Seven Hundred and Fifty Million Dollars (\$ 750,000,000), as such amount may be converted from time to time through a Currency Conversion ("Loan").
- 2.02. The Front-end Fee is one quarter of one percent (0.25%) of the Loan amount.
- 2.03. The Commitment Charge is one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.
- 2.04. The interest rate is the Reference Rate plus the Variable Spread or such rate as may apply following a Conversion; subject to Section 3.02(e) of the General Conditions.
- 2.05. The Payment Dates are January 15 and July 15 in each year.
- 2.06. The principal amount of the Loan shall be repaid in accordance with Schedule 2 to this Agreement.
- 2.07. (a) If on any given day, the Total Exposure exceeds the Standard Exposure Limit (as said terms are defined in sub-paragraphs (b)(ii) and (b)(iii) of this Section), the Borrower shall pay to the Bank a surcharge at the rate of one half of one percent (0.5%) per annum of the Allocated Excess Exposure Amount (as defined in sub-paragraph (b)(i) of this Section) for each said day ("Exposure Surcharge"). The Exposure Surcharge (if any) shall be payable semi-annually in arrears on each Payment Date.

(b) For purposes of this Section the following terms have the meanings set forth below:

(i) "Allocated Excess Exposure Amount" means for each day during which the Total Exposure exceeds the Standard Exposure Limit, the product of: (A) the total amount of said excess; and (B) the ratio of all (or, if the Bank so determines, a portion) of the Loan to the aggregate amount of all (or the equivalent portions) of the loans made by the Bank to the Borrower, and to other borrowers guaranteed by the Borrower that are also subject to an exposure surcharge, as said excess and ratio are reasonably determined from time to time by the Bank.

(ii) "Standard Exposure Limit" means the standard limit on the Bank's financial exposure to the Borrower which, if exceeded, would subject the Loan to the Exposure Surcharge, as determined from time to time by the Bank.

(iii) "Total Exposure" means for any given day, the Bank's total financial exposure to the Borrower, as reasonably determined by the Bank.

- 2.08. Without limitation upon the provisions of Section 5.05 of the General Conditions, the Borrower shall promptly furnish to the Bank such information relating to the provisions of this Article II as the Bank may, from time to time, reasonably request.

ARTICLE III — PROGRAM

- 3.01. The Borrower declares its commitment to the Program and its implementation. To this end, and further to Section 5.05 of the General Conditions:
- (a) the Borrower and the Bank shall from time to time, at the request of either party, exchange views on the Borrower's macroeconomic policy framework and the progress achieved in carrying out the Program;
 - (b) without limitation upon paragraph (a) of this Section, the Borrower shall promptly inform the Bank of any situation that would have the effect of materially reversing the objectives of the Program or any action taken under the Program including any action specified in Section I of Schedule 1 to this Agreement.

ARTICLE IV — REMEDIES OF THE BANK

- 4.01. The Additional Event of Suspension consists of the following, namely that a situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Condition of Effectiveness consists of the following, namely, that the Bank is satisfied with the progress achieved by the Borrower in carrying out the Program and with the adequacy of the Borrower's macroeconomic policy framework.
- 5.02. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Borrower's Representative is any one of the following officials: Secretary, Additional Secretary, Joint Secretary, Director, Deputy Secretary, or Under Secretary of the Department of Economic Affairs in the Ministry of Finance of the Borrower.

6.02. For purposes of Section 10.01 of the General Conditions: (a) the Borrower's address is:

Secretary
Department of Economic Affairs
Ministry of Finance
Government of India
North Block
New Delhi 110 001
India; and

(b) the Borrower's Electronic Address is:

Facsimile:	E-mail:
+91-11-23094075	secy-dea@nic.in

6.03. For purposes of Section 10.01 of the General Conditions: (a) the Bank's address is:

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

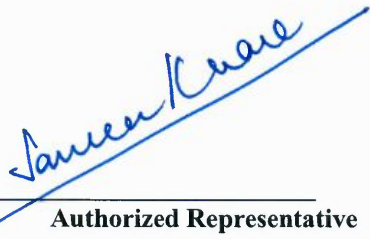
(b) the Bank's Electronic Address is:

Telex:	Facsimile:
248423(MCI) or 64145(MCI)	1-202-477-6391

AGREED as of the Signature Date.

INDIA

By


Authorized Representative

Name: SAMEER KUMAR KHARE

Title: ADDITIONAL SECRETARY

Date: JULY 6, 2020

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

By



Authorized Representative

Name: JUNAID KAMAL AHMAD

Title: COUNTRY DIRECTOR, INDIA

Date: JULY 6, 2020

SCHEDULE 1

Program Actions; Availability of Loan Proceeds

Section I. Actions under the Program

The actions taken by the Borrower under the Program include the following:

Pillar 1. Channeling financing flows to MSMEs

1. The Borrower through, Ministry of Finance, Government of India has notified (i) the Guaranteed Emergency Credit Line (GECL), supported by a 100 percent guarantee scheme, Emergency Credit Line Guarantee Scheme (ECLGS).
2. The Borrower through Ministry of Micro, Small and Medium Enterprises, Government of India, has taken various steps to strengthen the existing Credit Guarantee Fund Scheme (CGS) managed by the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) to incentivize MSME lending: (i) by withdrawing the one-time cap on utilizing guarantee cover and permitting its utilization multiple times within the overall limit of Rs.20 million and (ii) including fintech NBFCs in the scheme.

Pillar 2. Strengthening NBFCs

1. The Borrower' central bank, the Reserve Bank of India (i) has launched a liquidity window that utilizes TLTROs to channel liquidity through banks to purchase investment-grade debt issuances by corporates including NBFCs, and a second liquidity window (TLTRO 2.0) of Rs.500 billion exclusively for NBFCs, with specific targets for issuances by small and medium NBFCs; (ii) through SIDBI has approved a liquidity support facility of up to 1 year for NBFCs/Banks/ MFIs for on-lending to MSMEs during the COVID-19 crisis; and (iii) the Ministry of Finance, Government of India, has launched a Special Liquidity Scheme to guarantee the liabilities (short-term investment grade debt securities) of NBFCs/HFCs.
2. The Borrower through Ministry of Finance, Government of India has approved amendments to strengthen the existing Partial Credit Guarantee Facility by (i) including new eligible funding instruments such as bonds and commercial papers issued by NBFCs in the guarantee facility; (ii) increasing the risk coverage of PSBs up to 20 percent for the newly included debt securities; and (iii) including lower-rated NBFCs in the scheme.

Pillar 3. Incentivize the use of fintech and digital channels in MSME lending and payments

1. The Borrower's central bank, the Reserve Bank of India has issued guidelines to operationalize the RBI Fintech Regulatory Sandbox including the requisite governance arrangements, eligibility criteria and exit strategies with appropriate risk mitigation actions.

2. The Borrower, through its Department of Public Enterprises, Ministry of Heavy Industries & Public Enterprises, has notified that CPSEs should have their MSE vendors onboarded on the TReDS platform.
3. The Borrower through its Ministry of Finance has launched the PSB59 platform through the setting up of the PSB59 company to enable the fast processing and quick disbursement of MSME loans by select banks.

Section II. Availability of Loan Proceeds

- A. General.** The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of this Section and such additional instructions as the Bank may specify by notice to the Borrower.
- B. Allocation of Loan Amounts.** The Loan (except for amounts required to pay the Front-end Fee) is allocated in a single withdrawal tranche, from which the Borrower may make withdrawals of the Loan proceeds. The allocation of the amounts of the Loan to this end is set out in the table below:

Allocations	Amount of the Tranche Allocated (expressed in Dollar)
(1) Single Withdrawal Tranche	748,125,000
(2) Front-end Fee	1,875,000
(3) Amount due pursuant to Section 4.05 (c) of the General Conditions	0
TOTAL AMOUNT	750,000,000

C. Withdrawal Tranche Release Conditions.

No withdrawal shall be made of the Single Withdrawal Tranche unless the Bank is satisfied: (a) with the Program being carried out by the Borrower; and (b) with the adequacy of the Borrower's macroeconomic policy framework.

D. Deposit of Loan Amounts.

The Borrower, within thirty (30) days after the withdrawal of the Loan from the Loan Account, shall report to the Bank: (a) the exact sum received into the account referred to in Section 2.03 (a) of the General Conditions; (b) the details of the account to which the Indian Rupees equivalent of the Loan proceeds will be credited; (c) the record that an equivalent amount has been accounted for in the Borrower's budget management systems; and (d) the statement of receipts and disbursement of the account referred to in Section 2.03 (a) of the General Conditions.

E. Closing Date. The Closing Date is June 30, 2021.

SCHEDULE 2

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").

Level Principal Repayments

Principal Payment Date	Installment Share
On each January 15 and July 15 Beginning July 15, 2025 through July 15, 2038	3.57%
On January 15, 2039	3.61%

APPENDIX

Section I. Definitions

1. "CGS" or "Credit Guarantee Fund Scheme" means the scheme launched by CGTMSE on August 30, 2000 to make available collateral free loans to the MSE sector.
2. "CGTMSE" or "Credit Guarantee Fund Trust for Micro and Small Enterprises" means the trust set up by the Government of India and SIDBI to operationalize the CGS.
3. "CPSE" means a central public sector enterprise as identified by the Department of Public Enterprises, Ministry of Heavy Industries & Public Enterprises and "CPSEs" shall mean all such central public sector enterprises.
4. "COVID-19" means the infectious coronavirus disease caused by the 2019 novel coronavirus (SARS-CoV-2).
5. "ECLGS" or "Emergency Credit Line Guarantee Scheme" means the scheme announced by the Finance Minister in May 2020 to provide 100% guarantee coverage by the NCGTC for the loans under GECL.
6. "GECL" or "Guaranteed Emergency Credit Line" means the scheme announced by the Finance Minister in May 2020 to provide top-up loans guaranteed by the ECLGS.
7. "General Conditions" means the "International Bank for Reconstruction and Development General Conditions for IBRD Financing, Development Policy Financing", dated December 14, 2018 .
8. "HFC" means housing finance corporation
9. "Indian Rupee" or "Rs" means the lawful currency of the Borrower.
10. "MFI" means micro-finance institution
11. "MSE" means micro and small enterprise.
12. "MSME" means micro, small and medium enterprises.
13. "NBFC" means non-banking financial institution.
14. "NCGTC" means the National Credit Guarantee Trustee Company incorporated as a trustee company under the Indian Companies Act, 1956 on March 28, 2014 by the Department of Financial Services, Ministry of Finance.
15. "PSB" means public sector banks where the majority stake is held by the government.
16. "PSB59" means the platform launched by the Borrower in September 2018 as a strategic initiative of a SIBDI led PSB consortium incubated under the aegis of Department of Financial Services (DFS), Ministry of Finance.

17. "Partial Credit Guarantee Facility" means the facility launched by the Borrower to enable PSBs to purchase pooled assets from NBFCs/HFCs.
18. "Program" means: the program of objectives, policies, and actions set forth or referred to in the letter dated June 16, 2020 from the Borrower to the Bank declaring the Borrower's commitment to the execution of the Program, and requesting assistance from the Bank in support of the Program during its execution and comprising actions taken, including those set forth in Section I of Schedule 1 to this Agreement, and actions to be taken consistent with the program's objectives.
19. "RBI" means the Reserve Bank of India, the Borrower's central bank, established and governed by the Reserve Bank of India Act, 1934, as amended from time to time since its enactment.
20. "RBI Fintech Regulatory Sandbox" means the framework launched by the RBI in August 2019 to enable live testing of new products or services in a controlled regulatory environment to foster responsible innovation in financial services.
21. "SIDBI" means the Small Industries Development Bank of India, a development financial institution established in April 2, 1990 vide the Small Industries Development Bank of India Act, 1989 as amended from time to time since its enactment.
22. "Signature Date" means the later of the two dates on which the Borrower and the Bank signed this Agreement and such definition applies to all references to "the date of the Loan Agreement" in the General Conditions.
23. "Single Withdrawal Tranche" means the amount of the Loan allocated to the category entitled "Single Withdrawal Tranche" in the table set forth in Part B of Section II of Schedule 1 to this Agreement.
24. "TReDS" means the Trade Receivable Discounting System, an online portal for facilitating the financing of trade receivables of MSMEs through multiple financiers.
25. "TLTRO" means targeted long term repo operations, a scheme introduced by the RBI to promote lending by banks to NBFCs and MFIs.