ADB

Asian Development Bank

4 July 2007

Dr. D. Subba Rao
Secretary
Department of Economic Affairs
Ministry of Finance
Government of India
New Delhi, India
Fax: (91-11) 2309 4075

Dear Dr. Subbarao:

Re: Amendments to Rebate and Surcharge Provisions of Loan Agreements

1.   In October 2006, the Board of Directors of the Asian Development Bank (ADB) approved changes to the calculation of rebates and surcharges under ADB's LIBOR-based loans, as proposed in *Enhancements for the Asian Development Bank's Loan and Debt Management Products* (R221-06, 10 October 2006). These changes adopt a "forward" approach to rebate/surcharge application, providing that rebates and surcharges are to be applied to the upcoming interest period. Presently, ADB's LIBOR-based loans provide for retroactive rebate/surcharge application to the previous interest period.

2.   To give effect to the changes approved by the Board, it is necessary to amend each of the Loan Agreements between India and ADB (as amended or supplemented from time to time, the Loan Agreements) listed in Appendices 1 – 4 to this letter with the amendments set forth therein. It is also necessary to amend the Financing Agreement between India and ADB (as amended or supplemented from time to time, the Financing Agreement) listed in Appendix 5 to this letter with the amendments set forth therein. In all other respects, the Loan Agreements and the Financing Agreement remain unchanged.

3.   Please indicate your agreement to the amendments to each of the Loan Agreements and to the Financing Agreement by signing in the space indicated below on the two original counterparts of this letter. We request that you return one signed original counterpart to ADB, for the attention of Ms. Hazel Llemit, Senior Finance Assistant, Office of the General Counsel. Please retain the other signed original counterpart for your records.

4. The amendments will take effect as of 1 July 2007, following receipt by ADB of a signed original counterpart. If you have any questions, please contact Ms. Hazel Llemit, Senior Finance Assistant on +632-632-5077 or at hllemit@adb.org.

Sincerely,

Kunio Senga
Director General
South Asia Department

ACKNOWLEDGED AND AGREED:

Government of India

Signature
Name   RAVNEET KAUR
Designation DIRECTOR
Date   13-9-07

cc: Navin K. Chaudhary, Deputy Secretary, DEA-MOF Fax No. (91-11) 2309-3168
       Ravneet Kaur, Director (ADB), DEA-MOF Fax No. (91-11) 2309-2511
       K. Palachandran, Under Secretary (ADB-II), DEA-MOF, Fax No. (91-11) 2309-2229
       U. Chatterjee, Under Secretary (ADB-II), DEA, Fax No. (91-11) 2309-2229

Appendix 1

Amendments to Loan Agreements

Section 1.01 of the following Loan Agreements is deleted in its entirety and a new Section 1.01 as set forth below is substituted therefore:

Loan No.	Title	Date Signed
1839-IND	Western Transport Corridor Project	14 December 2001
1869-IND	Madhya Pradesh Power Sector Development Project	21 March 2002
1870-IND	West Bengal Corridor Development Project	10 December 2002
1944-IND	East-West Corridor Project	25 August 2003
1959-IND	Madhya Pradesh State Roads Sector Development Project	5 December 2002
1981-IND	Railway Sector Improvement Project	21 April 2004
2018-IND	Rural Roads Sector I Project	25 November 2004
2029-IND	National Highway Corridor (Sector) I Project	27 October 2004
2037-IND	Assam Power Sector Development Project	11 December 2003
2046-IND	Urban Water Supply and Environmental Improvement in Madhya Pradesh Project	9 March 2005
2050-IND	Chhattisgarh State Roads Development [Sector] Project	14 December 2004
2142-IND	Assam Governance and Public Resource Management Sector Development Project	16 December 2004
2151-IND	Multisector Project for Infrastructure Rehabilitation in Jammu and Kashmir	17 March 2005
2154-IND	National Highway Sector II Project	15 December 2005
2159-IND	Chhattisgarh Irrigation Development Project	20 March 2006
2226-IND	Kerala Sustainable Urban Development Project	8 December 2006
2248-IND	Rural Roads Sector II Investment Program – Project 1	29 August 2006
2293-IND	Kolkata Environmental Improvement Project - Supplementary	21 February 2007
2309-IND	Uttarakhand Power Sector Investment Program - Project I	22 February 2007
2323-IND	Madhya Pradesh Power Sector Investment Program - Project 1 [Transmission Capacity Expansion]	12 Apr 2007
2324-IND	Madhya Pradesh Power Sector Investment Program - Project 2 [Distribution Efficiency Enhancement]	12 April 2007

Section 1.01.   All the provisions of the Ordinary Operations Loan Regulations Applicable to LIBOR-Based Loans Made from ADB's Ordinary Capital Resources, dated 1 July 2001, 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 modifications thereof (said Ordinary Operations Loan Regulations as so modified being hereinafter called the Loan Regulations):

(a)   Section 3.06 of the Loan Regulations is deleted in its entirety and the following is substituted therefor:

Section 3.06. **Rebate.**

(a)   Following any announcement by ADB that the Fixed Spread applicable to new Loans shall be reduced, ADB shall provide a Rebate to any Borrower with an outstanding Loan on which a higher Fixed Spread is applicable. The amount of the Rebate shall be determined by multiplying (i) the difference between the Fixed Spread applicable to the outstanding Loan and the Fixed Spread that will be applied to new Loans (expressed as a percentage per annum), by (ii) the principal amount of the outstanding Loan on which the Borrower shall pay interest for all interest periods commencing on and after the effective date of the lower Fixed Spread that will be applied to new Loans.

(b)   Following any announcement by ADB that its Funding Cost Margin calculations with respect to any Loan Currency (or Approved Currency) in any Semester resulted in ADB achieving savings, ADB shall provide a Rebate to the Borrower. The amount of the Rebate shall be determined by multiplying (i) the Funding Cost Margin (expressed as a percentage per annum) by (ii) the principal amount of the Loan on which the Borrower shall pay interest for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated. ADB shall apply the amount of the Rebate against the interest payable by the Borrower for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated.

(b)   Section 3.07 of the Loan Regulations is deleted in its entirety and the following is substituted therefor:

Section 3.07. **Surcharge**.

(a)   Following any announcement by ADB that the Fixed Spread applicable to new Loans shall be increased, any Borrower with an outstanding Loan on which a lower Fixed Spread is applicable shall pay ADB a Surcharge. The amount of the Surcharge shall be determined by multiplying (i) the difference between the Fixed Spread that will be applied to new Loans and the Fixed Spread applicable to the outstanding Loan (expressed as a percentage per annum), by (ii) the principal amount of the outstanding Loan on which the Borrower shall pay interest for all interest periods commencing on and after the effective date of the higher Fixed Spread that will be applied to new Loans.

(b)   Following any announcement by ADB that its Funding Cost Margin calculations with respect to any Loan Currency (or Approved Currency) in any Semester resulted in ADB incurring additional costs, the Borrower shall pay ADB a Surcharge. The amount of the Surcharge shall be determined by multiplying (i) the Funding Cost Margin (expressed as a percentage per annum) by (ii) the principal amount of the Loan on which the Borrower shall pay interest for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated. ADB shall add the amount of the Surcharge to the interest payable by the Borrower for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated.