

GUARANTEE AGREEMENT
(Ordinary Operations)
(National Grid Improvement Project)

between

INDIA

and

ASIAN DEVELOPMENT BANK

DATED 30 MARCH 2012

GUARANTEE AGREEMENT (Ordinary Operations)

GUARANTEE AGREEMENT dated 30 March 2012 between INDIA, acting by its President, ("Guarantor") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) by a Loan Agreement of even date herewith between ADB and Power Grid Corporation of India Limited ("Borrower"), ADB has agreed to make to the Borrower from ADB's ordinary capital resources a loan of five hundred million Dollars (\$500,000,000) on the terms and conditions set forth in the Loan Agreement, but only on condition that the Guarantor agrees to guarantee the obligations of the Borrower in respect of such loan as set forth herein; and

(B) the Guarantor, in consideration of ADB's entering into the Loan Agreement with the Borrower, and having arrived at an understanding on terms mutually agreed with the Borrower, has agreed to guarantee such obligations of the Borrower;

NOW THEREFORE the parties hereto agree as follows:

ARTICLE I

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, ("Loan Regulations") are hereby made applicable to this Guarantee Agreement with the same force and effect as if they were fully set forth herein subject, however, to the modifications thereof set forth in the Loan Agreement.

Section 1.02. Wherever used in this Guarantee Agreement, the several terms defined in the Loan Agreement and in the Loan Regulations shall have the respective meanings set forth therein unless the context otherwise requires.

ARTICLE II

Section 2.01. Without limitation or restriction upon any of the other covenants on its part in this Guarantee Agreement contained, the Guarantor hereby unconditionally guarantees, as primary obligor and not as surety merely, the due and punctual payment of the principal of, and the interest and other charges on, the Loan, the premium, if any, on the prepayment of the Loan, and the punctual performance of all the covenants and agreements of the Borrower, all as set forth in the Loan Agreement.

Section 2.02. The Guarantor shall not take any action, or permit any of its political subdivisions or agencies or any agency of any such political subdivisions to take any action, which would prevent or interfere with the successful carrying out of the Project or the successful operation of the Project facilities, or the performance by the Borrower of its obligations under the Loan Agreement.

Section 2.03. (a) The Guarantor shall from time to time take such action as may be necessary or appropriate on its part to ensure prompt performance by the Borrower of its obligations under the Loan Agreement.

(b) The Guarantor shall perform all the obligations set forth in the Loan Agreement to the extent that they are applicable to the Guarantor.

Section 2.04. (a) It is the mutual intention of the Guarantor and ADB that no other external debt shall have any priority over the Loan by way of a lien on the assets of the Guarantor. To that end, the Guarantor undertakes (i) that, except as ADB may otherwise agree, if any lien shall be created on any assets of the Guarantor as security for any external debt, such lien will ipso facto equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan; and (ii) that the Guarantor, in creating or permitting the creation of any such lien, will make express provision to that effect.

(b) The provisions of subsection (a) hereinabove shall not apply to (i) any lien created on property, at the time of purchase thereof, solely as security for payment of the purchase price of such property; or (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

(c) The term "assets of the Guarantor" as used in subsection (a) hereinabove includes assets of any political subdivision or any agency of the Guarantor and assets of any agency of any such political subdivision, including the Reserve Bank of India and any other institution performing the functions of a central bank for the Guarantor.

ARTICLE III

Section 3.01. Each of the Secretary, Additional Secretary, Joint Secretary, Director, or Deputy Secretary, Ministry of Finance, Department of Economic Affairs, of the Guarantor is designated as representative of the Guarantor for the purposes of Section 12.02 of the Loan Regulations.

Section 3.02. The following addresses are specified for the purposes of Section 12.01 of the Loan Regulations:

For the Guarantor

The Secretary to the Government of India
Ministry of Finance
Department of Economic Affairs
North Block

New Delhi – 110 001
India

Facsimile Numbers:

+91 11 2309-2477
+91 11 2309-2511.

For ADB

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

Facsimile Numbers:

+63 2 636-2444
+63 2 636-2338.

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Guarantee 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.

INDIA

By



VENU RAJAMONY
Joint Secretary (MI)
Department of Economic Affairs

ASIAN DEVELOPMENT BANK

By



RANA HASAN
Officer-in-Charge
India Resident Mission