

PRESS INFORMATION BUREAU
GOVERNMENT OF INDIA

**INDIA SIGNS THREE LOAN AGREEMENTS WITH ADB WORTH US \$826
MILLION FOR FACILITATING POWER TRANSMISSION WITHIN INDIA**

New Delhi: Chaitra 10, 1934
March 30, 2012

The Asian Development Bank (ADB) and the Government of India today signed three loan agreements worth \$826 million aimed at shoring up power transmission systems to help India efficiently transfer electricity from surplus regions to power-deficit regions.

A \$500 million sovereign-guaranteed loan and a \$250 million non-sovereign corporate loan will establish a 1,300-plus kilometer interregional transmission link to allow the bulk transfer of electricity from independent power producers in the western state of Chhattisgarh to areas of high demand in the north, including the National Capital Territory Region of Delhi. The third loan of \$76 million (sovereign) will connect the western grid region to the union territories of Daman and Diu and Dadra and Nagar Haveli.

Mr. Venu Rajamony, Joint Secretary (Multilateral Institutions) in the Department of Economic Affairs, Ministry of Finance, signed guarantee agreements on behalf of Government of India and Mr. R.N. Nayak, Chairman and Managing Director, POWERGRID signed the loan agreements. Mr. Rana Hasan, Principal Economist, India Resident Mission, signed the guarantee and loan agreements on behalf of ADB.

Speaking on the occasion, Shri Rajamony said that this is a pioneering initiative to club a non-sovereign loan of US\$ 250 million with a sovereign loan of US\$ 500 million in one financing package. The combined loan will significantly strengthen Power Grid's corporate credit capabilities and access to future foreign commercial borrowings in the international capital market, he said. He added that this loan sets a benchmark for future commercial lending not only to Power Grid but all Central Public Sector Undertakings.

Mr. Rana Hasan from ADB stated that the Project will strengthen the national power grid through achieving enhanced transmission capacity and reliability of supply. At the same time, they will cater to the growing demands in the Western and Northern regions of India through facilitating electricity transfer from surplus regions to power-deficient regions, he said.

The first two loans to the central transmission utility, Power Grid Corporation of India Limited (POWERGRID), are bundled together to help leverage interest from foreign commercial lenders and move POWERGRID from sovereign funding to more market-based capital raising. The non-sovereign loan of up to 15 years will be POWERGRID's first large-scale foreign commercial term borrowing without government credit support.

The sovereign loans will have a 25-year term, including a five-year grace period with an annual interest rate determined in accordance with ADB's LIBOR-based lending facility.

POWERGRID plans to invest about \$22 billion to more than double the size of its transmission network between now and 2017, thereby expanding its funding base from the present sources of domestic bonds and government-guaranteed loans to the new foreign commercial borrowing.

SS/GN