

**PRESS INFORMATION BUREAU
GOVERNMENT OF INDIA**

INDIA AND ADB SIGN \$350 MILLION LOAN FOR MADHYA PRADESH POWER TRANSMISSION AND DISTRIBUTION SYSTEM IMPROVEMENT PROJECT TO HELP MADHYA PRADESH MEET POWER NEEDS BETTER

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The Government of India and Asian Development Bank (ADB) signed here yesterday a \$350 million loan for selective transmission and distribution system improvements critical for meeting the growing demand of power in Madhya Pradesh.

The project will carry-out physical upgrades to increase capacity and deliver power more efficiently. It will fund about 1,800 circuit kilometers of transmission lines and more than 3,100 circuit kilometers of distribution lines, as well as building or upgrading transmission and distribution substations.

The signatories to the loan were Shri Nilaya Mitash, Joint Secretary (Multilateral Institutions), Department of Economic Affairs, Ministry of Finance, on behalf of the Government of India and Ms. M. Teresa Kho, Country Director (INRM), ADB on behalf of Asian Development Bank (ADB). The project agreements were signed by Shri Rajesh Chaurasia, Deputy Secretary, GoMP, Shri S.K.Yadav , Chief Engineer, East Discom, Shri Rajnish Kumar Reja , DGM Rural, Central Discom, Shri Virendra Kumar Goel, Project Director ADB, West Discom and Shri Ravi Sethi , Chief Engineer Planning & Design, TRANSCO.

Speaking on the occasion, Shri Mitash said that the loan will help improve reliability of electricity supply in Madhya Pradesh and boost efforts to provide good quality power 24 hours a day. Ms. Kho, Country Director, ADB said that despite impressive network gains in recent years, demand for power in Madhya Pradesh is outstripping supply, and the quality and reliability of electricity – especially in rural areas – needs further improvements. She further said that the project will help increase capacity and operational efficiency in the electricity transmission and distribution system in Madhya Pradesh.

Madhya Pradesh, whose economy is growing at a quicker rate than the national average, is expected to see its demand for electricity rise by about 11% a year between fiscal years 2013 and 2017, resulting in a potential transmission and distribution capacity gap of about 20%. The mismatch between supply and demand has caused regular load shedding in the past, and currently only about two-thirds of all households are connected to the system.

Training and other support will be given to staff of the Madhya Pradesh Power Transmission Company, as well as three state distribution companies, to strengthen their management capabilities and to make the companies more financially sustainable and service oriented.

The project will build on previous ADB investments in the state's power sector — including transmission and distribution assets — totaling more than \$1.3 billion since 2001. Along with ADB's loan from ordinary capital resources, the Government of India will provide \$150 million for a total investment cost of \$500 million. The project will run for about four and a half years with an estimated completion date of December 2018.

The loan from the ordinary capital resources of ADB has a 25-year term including a grace period of 5 years, commitment charge of 0.15% per year (on un-drawn balance), Maturity Premium of 0.10% (by straight line method) and interest rate to be determined in accordance with ADB's LIBOR-based lending facility.
