



Rural Electrification Corporation Limited

A Government of India Enterprise

Registered Office: Core – 4, SCOPE Complex, 7, Lodhi Road, New Delhi – 110 003.

Tel.: 24365161 Fax: 24360644 E-Mail: reccorprecl.nic.in Gram: RECTRIC

COMPANY SECRETARY'S DIVISION

No.: SEC-1/8(1)/2003/1058

Dated: 9.6.2009

LOAN POLICY CIRCULAR –No.006 /2009

Subject: Securities to be furnished by the Borrowers for availing of REC Term Loans including for projects under Accelerated Power Development and Reforms Programme (APDRP).

Ref.: REC's Loan Policy Circular No. SEC-1/8(1)/2002/ Dated: 29th November, 2002.
REC's Loan Policy Circular No. SEC-1/8(1)/2003/61 Dated: 7th March, 2003.

This is in continuation of REC's Loan Policy Circular dated 7.3.03 on the above subject wherein it was inter alia notified in Para 4 that in respect of State Govt. Guarantee, the total value of securities to be provided shall be 120% of the loan amount sanctioned to cover the loan amount and interest thereon and accordingly the Individual Government Guarantee Deed (IGD) as approved, has been put on the REC's website.

It has been inter alia decided that upon introduction of the new format of Individual Government Guarantee Deed in respect of State Govt. Guarantee (copy enclosed*), the total value of security to be provided shall be 100% of the loan amount which shall also cover the interest, penal interest and other charges thereon.

All other terms and conditions as contained in REC's Loan Policy Circulars dated 29th November, 2002 and 7th March, 2003, will remain unchanged.

Yours faithfully,

Sd/-
(B.R. Raghunandan)
GM (Law) & CS

*Encl: as above

GUARANTEE DEED

THE GUARANTEE DATED _____ IS MADE BY THE GOVERNOR OF -----
(hereinafter the "Guarantor") IN FVAOUR OF RURAL ELECTRIFICATION
CORPORATION LTD. A Company incorporated under the Companies Act, 1956, having
its Registered Office at Core-4, SCOPE Complex, 7, Lodi Road, New Delhi-110003
(hereinafter called "the Corporation").

WHEREAS by a Memorandum of Agreement dated _____ between -----
----- (hereinafter called the "Borrower") and the Corporation. The Corporation has
agreed, on the terms and conditions set-forth in the Loan Agreement, to lend to the Borrower
a sum of Rs. _____ (_____) under term loan for part funding of
_____ Project (_____ MW) at _____ District _____ but only on
the condition that the Guarantor agrees to guarantee the obligations of the Borrower in
respect of such loan as hereinafter provided; and

WHEREAS the Guarantor, in consideration of the Corporation entering into the Loan
Agreement with the Borrower and from time to time making advances there under, has
agreed so to guarantee such obligations of the Borrower NOW THEREFORE THE
GUARANTOR agrees as follows:

DEFINITIONS

1. In this Guarantee and the recitals unless the context otherwise requires:

(a) **"Guaranteed indebtedness"** means all indebtedness of the Borrower outstanding
from time to time under the Loan Agreement including principal, interest, interest-tax as may
be applicable from time to time, service charges, commitment fee/charges, penal interest,
interest on penal interest, costs, charges, expenses, losses and other money, and/or any
additional amount(s) including the liquidated damages that become payable under the Loan
Agreement in respect thereof:

(b) **"Loan Agreement"** means the Memorandum of Agreement dated _____ between
the Borrower and the Corporation, along with annexure, providing for a loan of
Rs. _____ (_____) by the Corporation to the Borrower.

2. The Guarantor represents and warrants to the Corporation as of the date hereof that:

(a) the entering into and the performance of the terms of this Guarantee by the Guarantor
are within the powers of the Governor of -----(State) and have been duly
authorized by all necessary constitutional, legislative, executive and other actions; and

(b) The Guarantee constitutes direct, legal, valid and binding obligations of the
Guarantor, enforceable against the Guarantor in accordance with its terms.

3. The Guarantor acknowledges to the Corporation that:

(a) The Guarantor has received a copy of the Loan Agreement and is familiar with all the
terms and provisions thereof and

(b) It is a condition of the Loan Agreement that the Guarantor delivers to the Corporation a valid and binding guarantee on the terms hereof, of the Guaranteed indebtedness.

4. The Guarantor hereby unconditionally and irrevocably guarantees, as primary obligor and not merely as surety, payment to the Corporation of the guaranteed indebtedness and promises to pay to the Corporation forthwith without demur and upon the written demand of the Corporation therefore in accordance with the terms of the Loan Agreement, all the Guaranteed indebtedness as and when the same shall, at maturity, by acceleration or otherwise become due and payable in accordance with the terms of the Loan Agreement.

5. The Guarantor shall be held and bound to the Corporation in respect of the payment of any amount payable under the Loan Agreement and claimed by the Corporation in any demand by the Corporation for payment of an amount guaranteed there under. The Guarantor agrees that the obligation of the Guarantor under this Guarantee shall not be discharged, released or otherwise terminated except by payment in full to the Corporation of the guaranteed indebtedness.

6. The obligation and liability of the Guarantor hereunder shall not be released, discharged, terminated or in any way affected by :

(i) An extension of time for payment of any amounts due to the Corporation pursuant to the Loan Agreement.

(ii) Any compromise, agreement or plan of reorganization affecting the Borrower.

(iii) Any forbearance, waiver or concession whatsoever, whether as to time, performance or otherwise.

(iv) Any assertion of, or failure to assert, or delay in asserting, any right, power or remedy against the Borrower or with respect to any security for the Guaranteed indebtedness.

(v) Any variation/amendment to the terms and provisions of the Loan Agreement provided that any variation/amendment which affects the financial terms or conditions of the loan under the Loan Agreement (except as provided in the Loan Agreement) shall have been consented to by the Guarantor.

(vi) Any failure of the Borrower to comply with requirement of any law, regulation or order.

(vii) The advancing of the loan by the Corporation to the Borrower where a default or an event or circumstance which, after notice or lapse of time or both, would constitute default, is continuing under the Loan Agreement.

(viii) Any invalidity, illegality or enforceability of the Loan Agreement or of the outstanding obligations of the Borrower there under.

(ix) The Guarantor agrees that this Guarantee shall be unaffected by, and that the rights of the Corporation hereunder shall not be prejudiced by, any change of the name, business,

powers, objects, organization or management of the Borrower. It being understood that this Guarantee extends to and secures all indebtedness and liabilities of the Borrower under the Loan Agreement at any time owing by the person or persons, corporation or entity for the time being and from time to time carrying on the business of the borrower, notwithstanding any reorganization of the borrower, its amalgamation with another or others or the sale or disposal of its business in whole or in part to another or others.

7. The Guarantor agrees that this Guarantee is a continuing Guarantee (which will remain outstanding until full and final payment or repayment of the Guaranteed indebtedness to the Corporation) which secures all unpaid Guaranteed indebtedness to the Corporation and notwithstanding any other thing whatsoever done, suffered or permitted, a fresh cause of action hereunder shall be deemed to arise in respect of each default of the Borrower under the Loan Agreement.

8. The Guarantor further agrees and undertakes that:

- (a) The Borrower shall not sell/transfer or abandon the project at any stage in any manner whatsoever without prior written consent of the Corporation.
- (b) In case of sale/transfer/abandonment of the project or assets, the entire outstanding due from the Borrower shall be paid to the Corporation in one instalment before such transfer is affected.

9. (a) The Guarantor hereby waives any requirement that the Corporation, in the event of default by the Borrower under the Loan Agreement, make demand upon or seek to enforce remedies against the Borrower before demanding payment under, or seeking to enforce this Guarantee, and the Corporation shall not be bound to exhaust its recourse against the Borrower before demanding or being entitled to payment from the Guarantor.

(b) The Guarantor hereby expressly waives the benefits of all privileges and defenses which now or hereafter may be available to sureties or guarantors and hereby waives diligence, presentment, demand (other than a demand relating to payment under this Guarantee) project and notice of every kind.

10. Until all sums owing to the Corporation by the Borrower under the Loan Agreement have been paid in full, the Guarantor shall not, with respect to any payment made by the Guarantor hereunder:

- (i) Be entitled and shall not claim to rank as creditor in the bankruptcy or liquidation of the Borrower in competition with the Corporation.
- (ii) Receive, claim or have the benefit of any payment or distribution from or on account of the Borrower.

11. The Corporation shall be under no obligation to procure evidence of or to otherwise satisfy itself with respect to the powers of the Borrower or its directors/members or representatives acting or purporting to act on behalf of the Borrower and monies, advances, renewals or credits in fact borrowed or obtained from the Corporation under and in accordance with the provisions of the Loan Agreement in the purported exercise of such powers, shall be deemed to form part of the Guaranteed indebtedness even though the borrowing of obtaining of such monies, advances, renewals or credits was irregularly,

fraudulently, defectively or informally effected or was in excess of the powers of the Borrower or of the members/directors or representatives thereof.

12. The Guarantor covenants and agrees with the Corporation that unless compliance has been waived by the Corporation, it will:

- (a) ensure that sufficient funding will be available to the Borrower on a timely basis to meet the cost of construction/implementation of the project/scheme and cost over/runs in connection with construction/implementation of the project/scheme; and
- (b) take such administrative/financial measures as may be necessary for the timely completion/commissioning of the project.

13. The Guarantor agrees to make any payment required of it hereunder within 30 days of receipt by the Guarantor of the written demand of the Corporation without set-off or counterclaim at New Delhi for the credit of Rural Electrification Corporation Ltd. Current account No. _____ with _____ Bank at _____ or at such other place on account as the Corporation may notify the Guarantor in a demand for payment.

14. Every notice, demand, request, consent, approval, waiver or agreement to be given or made hereunder shall, save as otherwise herein specifically provided, be in writing and in the English Language and shall be delivered by hand or sent by mail (Registered Post) or by telex or cable and shall be deemed to have been given and received, if delivered by hand, upon deliver, if sent by mail the 3rd day (excluding Saturday, Sunday and other closed days) following the date of mailing, and it sent by telex or cable, the 2nd day (excluding Saturday, Sunday and other closed days) following the date of transmission. The mailing address, telex number and cable address of the Guarantor and the Corporation for purposes shall respectively.

For the GUARANTOR:

Govt. of -----
Finance (P&I) Department
.....(STATE)

For RURAL ELECTRIFICATION CORPORATION LTD.

Core – 4, SCOPE Complex, 7, Lodi Road,
New Delhi-110003.

or such other mailing or cable address or telex number as to which the Guarantor or the Corporation may, for itself, from time to time notify the other as aforesaid.

15. This Guarantee shall be binding upon the Guarantor and its successors and assigns, and the benefit hereof shall extend to the Corporation and its successors and assigns. The Guarantor may not assign or transfer all or any part of its rights or obligations hereunder.

In witness, whereof the Guarantor has signed and delivered this Guarantee.

For and on behalf of THE GOVERNOR OF -----(State)

by.....

Name in full.....
(in Capital Letters)

Designation.....

Address.....

Witnesses:

1. Sign.....

Name

Address.....

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2. Sign.....

Name

Address.....

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