

## RETURN ON EQUITY

19. As per clause (iii) of Regulation 56 of the 2004 regulations, return on equity shall be computed on the equity base determined in accordance with regulation 54 @ 14% per annum. Equity invested in foreign currency is to be allowed a return in the same currency and the payment on this account is made in Indian Rupees based on the exchange rate prevailing on the due date of billing.

20. For the reasons already recorded, equity as given the table under para 18 above has been considered. However, tariff for the years 2004-05 has been allowed pro rata on average equity. Accordingly, return on equity allowed each year is given as under:

(Rs. in lakh)

Return on equity				
2004-05	2005-06	2006-07	2007-08	2008-09
387.42	387.51	387.51	387.51	387.51

## INTEREST ON LOAN

21. Clause (i) of regulation 56 of the 2004 regulations *inter alia* provides that,

(a) Interest on loan capital shall be computed loan wise on the loans arrived at in the manner indicated in regulation 54.

(b) The loan outstanding as on 1.4.2004 shall be worked out as the gross loan in accordance with Regulation 54 minus cumulative repayment as admitted by the Commission or any other authority having power to do so, up to 31.3.2004. The repayment for the period 2004-09 shall be worked out on a normative basis.

(c) The transmission licensee shall make every effort to re-finance the loan as long as it results in net benefit to the beneficiaries. The costs associated with such re-financing shall be borne by the beneficiaries.

(d) The changes to the loan terms and conditions shall be reflected from the date of such re-financing and benefit passed on to the beneficiaries.

(e) In case of dispute, any of the parties may approach the Commission with proper application. However, the beneficiaries shall not withhold any payment ordered by the Commission to the transmission licensee during pendency of any dispute relating to re-financing of loan.

(f) In case any moratorium period is availed of by the transmission licensee, depreciation provided for in the tariff during the years of moratorium shall be treated as repayment during those years and interest on loan capital shall be calculated accordingly.



(g) The transmission licensee shall not make any profit on account of re-financing of loan and interest on loan.

(h) The transmission licensee may, at its discretion, swap loans having floating rate of interest with loans having fixed rate of interest, or vice versa, at its own cost and gains or losses as a result of such swapping shall accrue to the transmission licensee.

Provided that the beneficiaries shall be liable to pay interest for the loans initially contracted, whether on floating or fixed rate of interest."

22. The petitioner has arrived at the notional loan amount on the basis of 50% of gross block as on 1.4.2004. On the basis of actual rate of interest on actual average loan, the weighted average rate of interest on loan has been worked out for various years and the weighted average rate of interest on loan for respective years as per above has been multiplied to arrive at interest on loan.

23. The petitioner has furnished the supporting documents indicating the outstanding Government of India loan amount as on 31.3.2004. This outstanding amount figure has been considered for calculating the interest on loan.

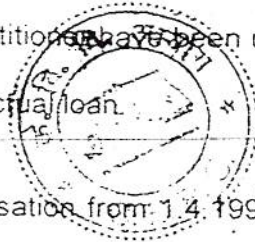
24. The notional loan repayment for 2006-07 and onwards is zero. Hence, depreciation has been spread over to the remaining useful life of the asset.

25. The petitioner has considered cumulative repayment of loan up to 31.3.2004, which appears has been arrived at by considering depreciation amount as repayment up to 2001 and further repayment thereafter.

26. In our calculation, the interest on loan has been worked out as detailed below:

(i) Gross amount of loan, repayment of instalments and rate of interest as per the loan allocation details submitted by the petitioner have been used to work out weighted average rate of interest on actual loan.

(ii) Notional loan corresponding to additional capitalisation from 1.4.1992 to has been added to the loan amount as on 1.4.1992 to arrive at total



notional loan. This adjusted gross loan has been considered for tariff calculation.

- (iii) Tariff has been worked out considering normative loan and normative repayments. Normative repayments are worked out by the following formula :

$$\frac{\text{Actual repayment of actual loan during the year}}{\text{Opening balance of actual loan during the year}} \times \text{Opening balance of normative loan during the year}$$

- (iv) Weighted average rate of interest on actual loan worked out as per (i) above has been applied on the average loan during the year to arrive at the interest on loan;
- (v) The notional loan repayment for 2008-09 onwards is nil. Therefore, depreciation has been spread over to the remaining useful life of the asset.

27. Based on above, revised year-wise interest on loan has been worked out as under.

Details	(Rs. in lakh)					
	Up to 31.3.2004	2004-05	2005-06	2006-07	2007-08	2008-09
Opening Gross Loan as on 1.4.1992	2719.15					
Addition due to additional capital expenditure up to 31.3.2004	47.54					
Gross Normative loan	2766.69					
Opening Gross Normative Loan		2766.69	2769.58	2769.58	2769.58	2769.58
Cumulative Repayment up to Previous Year/date of commercial operation		2049.56	2228.28	2407.96	2587.63	2769.58
Net Loan-Opening		717.12	541.30	361.63	181.95	0.00
Addition due to Additional Capitalisation		2.90				
Repayment during the year		178.71	179.68	179.68	181.95	0.00
Net Loan-Closing		541.30	361.63	181.95	0.00	0.00
Average Loan		629.21	451.47	271.79	90.98	0.00
Weighted Average Rate of Interest on Loan		17.00%	17.00%	17.00%	17.00%	0.00%
Interest		106.97	76.75	46.20	15.47	0.00

- (ii) Depreciation for the period 2004-05 onwards has been considered on the capital expenditure as per para above.

31. The petitioner has claimed the depreciation on the capital cost and additional capital expenditure. Depreciation allowed has been worked out as below:

	(Rs. in lakh)					
	up to 31.3.2004	2004-05	2005-06	2006-07	2007-08	2008-09
Gross block as on 31 <sup>st</sup> March of the year		5537.51	5537.51	5537.51	5537.51	5537.51
Rate of Depreciation		2.702%	2.701%	2.701%	2.701%	2.701%
Depreciable Value		4971.55	4973.41	4973.41	4973.41	4973.41
Balance Useful life of the asset						15
Remaining Depreciable Value		2107.90	1960.22	1810.67	1661.13	1511.58
Depreciation		149.54	149.55	149.55	149.55	100.77
Cumulative Depreciation/ Advance against Depreciation	2863.65	3013.19	3162.74	3312.28	3461.83	3562.60

#### ADVANCE AGAINST DEPRECIATION

32. As per sub-clause (b) of clause (ii) of Regulation 56 of the 2004 regulations, in addition to allowable depreciation, the transmission licensee is entitled to Advance Against Depreciation, computed in the manner given hereunder:

$$\text{AAD} = \text{Loan repayment amount as per regulation 56 (i) subject to a ceiling of } 1/10\text{th of loan amount as per regulation 54 minus depreciation as per schedule}$$

33. It is provided that Advance Against Depreciation shall be permitted only if the cumulative repayment up to a particular year exceeds the cumulative depreciation up to that year. It is further provided that Advance Against Depreciation in a year shall be restricted to the extent of difference between cumulative repayment and cumulative depreciation up to that year.

34. The petitioner has not claimed Advance Against Depreciation, and therefore, Advance Against Depreciation has not been considered.



## OPERATION & MAINTENANCE EXPENSES

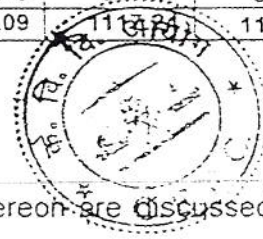
35. In accordance with clause (iv) of Regulation 56 the 2004 regulations, the following norms are prescribed for O & M expenses

	Year				
	2004-05	2005-06	2006-07	2007-08	2008-09
O&M expenses (Rs in lakh per ckt-km)	0.227	0.236	0.246	0.255	0.266
O&M expenses (Rs in lakh per bay)	28.12	29.25	30.42	31.63	32.90

36. The petitioner by its affidavit dated 17.9.2007 has submitted that the transmission voltage in all the regions except NER was 400 kV and 220 kV and very few lines are of 132 kV voltage level, and keeping this in view, while working out total number of bays and the unit O & M rates for NER, the outgoing line feeders of voltage level up to 132 kV only were considered. It is mentioned that in NER generally the main transmission lines are of 132 kV level with 132/33 kV ICTs. Due to omission of 33 kV voltage level outgoing line bays, the total number of bays for the purpose of tariff were less. Further, inadvertently, a few of 132 kV voltage level outgoing feeders were also not considered in the calculations submitted in the petition. Accordingly, the petitioner has revised the statement of the total number of bays under operation in NER.

37. The petitioner has claimed O & M expenses for 784.19 ckt km and 29 bays which has been allowed. Accordingly, the petitioner's entitlement to O & M expenses has been worked out as given hereunder:

	Year				
	2004-05	2005-06	2006-07	2007-08	2008-09
O&M expenses for 784.19 ckt kms line length	178.01	185.07	192.91	199.97	208.59
O&M expenses for 29 bays	815.48	848.25	882.18	917.27	954.10
Total	993.49	1033.32	1075.09	1117.24	1162.69



## INTEREST ON WORKING CAPITAL

38. The components of the working capital and the interest thereon are discussed hereunder:

(i) **Maintenance spares**

Regulation 56(v)(1)(b) of the 2004 regulations provides for maintenance spares @ 1% of the historical cost escalated @ 6% per annum from the date of commercial operation. In the present case, the capital expenditure as on 1.4.1992 is Rs. 4901.65 lakh and cumulative depreciation is 536.65 lakh so the gross block as on 1.4.1992 is Rs. 5438.30 lakh, which has been considered as the historical cost for the purpose of the present petition and maintenance spares have been worked out accordingly by escalating 1% of the historical cost @ 6% per annum. In this manner, the value of maintenance spares works out to Rs.109.43 lakh as on 1.4.2004.

(ii) **O & M expenses**

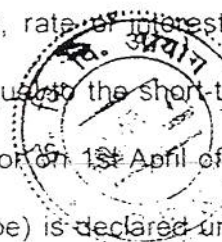
Regulation 56(v)(1)(a) of the 2004 regulations provides for operation and maintenance expenses for one month as a component of working capital. The petitioner has claimed O&M expenses for 1 month of the respective year in the petition. This has been considered in the working capital.

(iii) **Receivables**

As per Regulation 56(v)(1)(c) of the 2004 regulations, receivables will be equivalent to two months average billing calculated on target availability level. The petitioner has claimed the receivables on the basis of 2 months' transmission charges. In the tariff being allowed, receivables have been worked out on the basis 2 months' transmission charges.

(iv) **Rate of interest on working capital**

As per Regulation 56(v)(2) of the 2004 regulations, rate of interest on working capital shall be on normative basis and shall be equivalent to the short term Prime Lending Rate of State Bank of India as on 1.4.2004 or on 1st April of the year in which the project or part thereof (as the case may be) is declared under commercial operation, whichever is later. The interest on working capital is



payable on normative basis notwithstanding that the transmission licensee has not taken working capital loan from any outside agency. The petitioner has claimed interest on working capital @ 10.25% based on SBI PLR as on 1.4.2004, which is in accordance with the 2004 regulations and has been allowed.

39. The necessary computations in support of interest on working capital are appended hereinbelow.

(Rs. in lakh)

	2004-05	2005-06	2006-07	2007-08	2008-09
Maintenance Spares	109.43	116.00	122.95	130.33	138.15
O & M expenses	82.79	86.11	89.59	93.10	96.89
Receivables	280.99	282.90	284.89	287.01	284.03
Total	473.21	484.91	497.43	510.45	519.07
Rate of Interest	10.25%	10.25%	10.25%	10.25%	10.25%
Interest	48.50	49.70	50.99	52.32	53.20

#### TRANSMISSION CHARGES

40. The transmission charges being allowed for the transmission system are summarised below:

(Rs. in lakh)

	2004-05	2005-06	2006-07	2007-08	2008-09
Depreciation	149.54	149.55	149.55	149.55	100.77
Interest on Loan	106.97	76.75	46.20	15.47	0.00
Return on Equity	387.42	387.51	387.51	387.51	387.51
Advance against Depreciation	0.00	0.00	0.00	0.00	0.00
Interest on Working Capital	48.50	49.70	50.99	52.32	53.20
O & M Expenses	993.49	1033.32	1075.09	1117.24	1162.69
Total	1685.92	1696.83	1709.34	1722.08	1704.18

41. The petitioner has been paid UCPTT for the period up to 31.3.2007 based on various order of the Commission, and thereafter the transmission charges in accordance with the order dated 19.2.2008. The petitioner shall recover from the beneficiaries the additional transmission charges in three monthly instalments. The petitioner has also sought reimbursement of filing fee paid. The Commission by its separate general order dated 11.9.2008 in Petition No. 129/2005 has decided that the petitioner shall not be allowed reimbursement of the petition filing fee.



42. In addition to the transmission charges, the petitioner shall be entitled to other charges like income-tax, incentive, surcharge and other cess and taxes in accordance with the 2004 regulations.

43. This order disposes of Petition No.90/2006.

*[Handwritten signatures]*  
(V.S.VERMA) (S.JAYARAMAN) (R.KRISHNAMOORTHY) (DR.PRAMOD DEO)  
MEMBER MEMBER MEMBER CHAIRPERSON  
New Delhi dated the 21<sup>st</sup> August 2009

**CERTIFIED TRUE COPY**  
*[Handwritten signature]*  
Authorised Signatory  
**CERC**





**Annexure**

Details of calculations in support of the weighted revised average rate of interest.

(Rs in lakh)

Details of Loan	2004-05	2005-06	2006-07	2007-08	2008-09
<b>1 NHPC BOND</b>					
Gross Loan opening	2.05	2.05	2.05	2.05	2.05
Cumulative Repayment upto DOCO/previous year	2.05	2.05	2.05	2.05	2.05
Net Loan-Opening	0.00	0.00	0.00	0.00	0.00
Additions during the year	0.00	0.00	0.00	0.00	0.00
Repayment during the year	0.00	0.00	0.00	0.00	0.00
Net Loan-Closing	0.00	0.00	0.00	0.00	0.00
Average Loan	0.00	0.00	0.00	0.00	0.00
Rate of Interest					
Interest	0.00	0.00	0.00	0.00	0.00
<b>2 GOI</b>					
Gross Loan opening	10.18	10.18	10.18	10.18	10.18
Cumulative Repayment upto DOCO/previous year	7.01	7.80	8.59	9.38	10.18
Net Loan-Opening	3.17	2.38	1.59	0.80	0.00
Additions during the year	0.00	0.00	0.00	0.00	0.00
Repayment during the year	0.79	0.79	0.79	0.80	0.00
Net Loan-Closing	2.38	1.59	0.80	0.00	0.00
Average Loan	2.78	1.99	1.20	0.40	0.00
Rate of Interest	17.00%	17.00%	17.00%	17.00%	17.00%
Interest	0.47	0.34	0.20	0.07	0.00
<b>Total Loan</b>					
Gross Loan opening	12.23	12.23	12.23	12.23	12.23
Cumulative Repayment upto DOCO/previous year	9.06	9.85	10.64	11.43	12.23
Net Loan-Opening	3.17	2.38	1.59	0.80	0.00
Additions during the year	0.00	0.00	0.00	0.00	0.00
Repayment during the year	0.79	0.79	0.79	0.80	0.00
Net Loan-Closing	2.38	1.59	0.80	0.00	0.00
Average Loan	2.78	1.99	1.20	0.40	0.00
Rate of Interest	17.00%	17.00%	17.00%	17.00%	0.00%
Interest	0.47	0.34	0.20	0.07	0.00

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Signature  
 Station of  
 Jargaon-122001



**ATS of Kopili-Khandong (Additional Transmission Gohpur-Itanagar - (ATGI) Tr. System)**

**Calculation of weighted av. Interest rate of GOI loan for 2007-08 which is replaced by LIC-III loan @ 10% as on 13.09.2007 :**

		Rs. In lakh					
GOI Loan as on 31.03.2007	0.80						
GOI loan repayment as on 01.04.2007	0.00						
GOI loan Balance as on 01.04.2007 replaced by LIC-III loan w.e.f.13.09.2007	0.80						
Loan repayment of LIC-III loan as on 31.03.2008 (11.35% G. LIC-III loan)	0.09						
Balance of LIC-III as on 31.03.2008	0.71						
Interest period		Rate of Intt. (1)	Loan Balance (2)	No. of days (3)	product (4=1*2*3)	dividing wt (5=2*3)	Wtd. Intt. rate 6= (4 / 5)
FROM	TO						
1-Apr-07	12-Sep-07	17.00	0.80	165	2244	132	
13-Sep-07	30-Mar-08	10.00	0.80	200	1600	160	
31-Mar-08	31-Mar-08	10.00	0.71	1	7	1	
				366	3851	293	13.1567%

[Signature]



**Details of LIC Loan Drawn on 13.09.2007 to replace GOI loan as on 13.09.2007 pertaining to NER**

	Rs. in Lakhs
Name of the Project (Petition No.)	Loan from LIC on 13.09.2007 for Pre-payment of GOI Loan
Doyang Transmission System (89/2006)	2487.03
Additional Transmission Gopur - Itanagar (90/2006)	0.80
Ranganadi Transmission System (84/2006)	2444.00
<b>Total LIC Loan Drawn as on 13.09.2007</b>	<b>4931.83</b>
<b>Note :</b>	
1. Repayment for the year 2007-08 will consist of repayment as per schedule of repayment of GOI Loan from 01.04.2007 to 12.09.2007 and repayment of New LIC Loan from 13.09.2007 to 31.03.2008.	
2. Amortisation schedule of LIC Loan is as per 'Schedule B' of Loan agreement (page No. 20)	

*Handwritten signature/initials*





October 08, 2007

Ref: Investment/Project/ AP

Power Grid Corporation of India Limited,  
Saudamini Plot No. 2,  
Sector -29, Gurgaon 122 001

*Not ready*

Kind Attention: ~~Shri V.C. Jagannathan~~ - Addl. General Manager (Fin)

Dear Sir

Re: Term loan of Rs.49.31 crore

This is with reference to your letter dated September 20, 2007 wherein you had requested for extension of the loan drawal date. The competent authority has approved extension of the loan drawal date to 13/09/2007 to regularize the terms of the Loan Agreement dated 30/08/2007.

The rate of interest on the loan is, 10.00 % p.a. payable annually and the first annual interest instalment is payable on 31/03/2008 for the broken period and thereafter on 31st March every year.

Yours faithfully,

*[Signature]*  
Sudhansu Dhamane  
Secretary (Investment)

ATTESTED TRUE COPY

*[Signature]*

111.  
Sector-29, Gurgaon, Gurgaon-122001 (HARYANA)

**LOAN AGREEMENT**

**BETWEEN**

**POWER GRID CORPORATION OF INDIA LTD.**

**AS BORROWER.**

**AND**

**THE LIFE INSURANCE CORPORATION OF INDIA**

**AS THE LENDER**



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भारतीय गैर न्यायिक

एक सौ रुपये

रु. 100



सत्यमेव जयते

Rs. 100

ONE  
HUNDRED RUPEES

भारत INDIA  
INDIA NON JUDICIAL

दिल्ली DELHI

D 464308

LOAN AGREEMENT

THIS AGREEMENT made at N. Delhi <sup>3<sup>rd</sup></sup> day of August Two thousand Seven between Power Grid Corporation of India Ltd. a Company within the meaning of the Companies Act, 1956 (1 of 1956) and having its Registered Office at B-9, Qutab Institutional Area, Katwaria Sarai, New Delhi - 110 016. (hereinafter referred to as "the Borrower or POWERGRID", which expression shall unless it be repugnant to the subject or context thereof, include its successors and assigns);

AND

LIFE INSURANCE CORPORATION OF INDIA a statutory corporation constituted under the LIFE INSURANCE CORPORATION ACT 1956 (Act XXXI of 1956) and having its Central Office at 'Yogakshema', Jeevan Bima Marg, Mumbai - 400021 (hereinafter referred to as "the Lender or LIC" which expression shall unless be repugnant to the subject or context thereof, includes its successors and assigns);



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**ARTICLE - I**

**DEFINITIONS**

1. The following terms shall have the following meanings:
- a) "Due Date" means in respect of :
    - i) an instalment of principal - The date on which the Instalment falls due as stipulated in *Schedule-B* hereto;
    - ii) interest - The date on which interest falls due as stipulated in *Section 2.3 hereto*;
  - b) 'Facility' means rupee term loan of Rs. 49,31,82,910/- (Rupees Forty nine crore thirty one lakh eighty two thousand nine hundred ten only) sanctioned by LICl to Power Grid Corporation of India Limited for prepaying the loan availed by POWERGRID from the Government of India.
  - c) "Loan Agreement" means the particulars of loan agreement and includes all schedules, annexures and amendments supplemental to the Loan Agreement.
  - d) "Loan" means the loan agreed to be provided under the Loan Agreement.
  - e) "Loan Application" means the application/s for the loan made by the borrower to Lender and all information, particulars and clarifications furnished by the borrower to Lender from time to time in respect thereof.
  - f) "Event of Default" means any of the events of default specified in Article X hereof.
  - g) "Applicable Rate" means 10.00% per annum payable annually.
  - h) "Borrower" means Power Grid Corporation of India Limited 'POWERGRID' (hereafter also called as "the Company").
  - i) "Lender" means the Life Insurance Corporation of India (LICl).
  - j) "General Conditions" means the General Conditions NO. GC-1-99 applicable to assistance provided by LICl to Power Grid Corporation of India Limited.





**ARTICLE II**

**AGREEMENT AND TERMS OF LOANS**

**2.1 General Conditions :**

The general conditions No.GC-1-99 are an integral part of this Agreement unless in variation with terms and conditions mentioned in this Agreement.

**2.2 AMOUNT AND TERMS OF LOAN :**

The Borrower agrees to borrow from the Lender and the Lender agrees to lend to the Borrower, on the terms and conditions contained herein, the sums to the maximum extent set out against its names in Schedule-A aggregating Rs. 49,31,82,910/- (Rupees Forty nine crore thirty one lakh eighty two thousand nine hundred ten only). The said sum/s is/are hereinafter collectively referred to as "The Loan" or "The Loans" as the context admits.

**2.3 INTEREST:**

**(i) Interest :**

The Company shall pay to Life Insurance Corporation of India (LIC), interest on the principal amount(s) of the loan outstanding from time to time at the rate of 10.00% p.a. payable annually. The dates of interest payment will be communicated at the time of disbursement of the loan. The first instalment of interest shall be payable for the broken period from the date of disbursement up to the immediately following interest payment date. The interest for the last broken period shall be payable together with the last instalment of repayment of the loan.

**(ii)** The Company shall pay to LIC additional interest @ 1% p.a. on the principal amount of the loan outstanding from time to time retrospectively from the date of first disbursement till creation of final security, if the same is not created within six months from the date of first disbursement.

**(iii) Further Interest :** All interest which shall become due during the currency of the loan or any part thereof and for the time being remaining unpaid, and all other monies which become payable by the Company to LIC, in case the same is not paid on the respective due dates shall carry further interest at the documented rate of interest computed from the respective due date(s) and all such interest and further interest which have become payable but not paid, shall become payable upon the footing of compound interest with Annual rests.

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**(iv) Liquidated Damages:**

A charge of 2% p.a. by way of liquidated damages will be levied for defaults in payment of principal, interest or other monies payable under the Loan Agreement(s). Arrears of liquidated damages shall carry interest at the applicable rate for normal loans.

**(v) Computation of Interest and Other Charges**

Interest and all other charges shall accrue from day to day and shall be computed on the basis of 365 days' year in the case of the rupee loans and the actual number of days elapsed.

**(vi) Interest Tax, Levies & Duties**

All rates mentioned herein are exclusive of interest tax and/or any such levies/duties to be payable to Govt. Such interest tax/other levies/duties, if any applicable, shall be payable by the Company to LIC over and above the rates mentioned above.

**(vii) Rating**

The Company shall have 'AAA' rating by CRISIL and ICRA for the borrowing program of 2007-08.

LICI shall also have a right to review the rate of interest every three years and in the event of a rating downgrade from AAA, LICI shall have the right to increase the interest rate by 25 basis points for each notch below AAA.

**(viii) Reset of Interest Rate**

The Borrower agrees that LICI has the right to reset the interest rate on the loan if the Government Equity in the company falls below 51% during the tenor of loan.

**2.4 PURPOSE OF LOAN**

The Company shall utilize the proposed corporate rupee loan for prepaying the loan availed by POWERGRID from the Government of India.

**2.5 LEGAL CHARGES**

The Company shall pay to LICI legal reasonable fees in connection with the investigation of title and / or carrying out searches, and other services to be undertaken by LICI, in respect of Company's properties. LICI will intimate the amount of such legal fees, separately.

