

No. 2719

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
and
INDIA**

Guarantee Agreement—*Iron and Steel Project*—(with annexed Loan Regulations No. 4 and Loan Agreement—*Iron and Steel Project* — between the Bank and The Indian Iron and Steel Company, Limited). Signed at Washington, on 18 December 1952

Official text: English.

Registered by the International Bank for Reconstruction and Development on 20 November 1954.

**BANQUE INTERNATIONALE POUR
LA RECONSTRUCTION ET LE DÉVELOPPEMENT
et
INDE**

Contrat de garantie—*Projet relatif à la sidérurgie* — (avec, en annexe, le Règlement n° 4 sur les emprunts et le Contrat d'emprunt — *Projet relatif à la sidérurgie* — entre la Banque et The Indian Iron and Steel Company, Limited). Signé à Washington, le 18 décembre 1952

Texte officiel anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 20 novembre 1954.

No. 2719. GUARANTEE AGREEMENT¹ (*IRON AND STEEL PROJECT*) BETWEEN INDIA AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 18 DECEMBER 1952

AGREEMENT, dated December 18, 1952, between INDIA, acting by its President, (hereinafter called the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS an Agreement, as recited in the Loan Agreement (as hereinafter defined) is proposed to be entered into between the Guarantor and The Indian Iron and Steel Company, Limited (hereinafter called the Borrower) regulating the terms upon which necessary financial assistance, additional to the loan hereinafter referred to, will be furnished by the Guarantor to the Borrower; and

WHEREAS by an agreement of even date herewith between the Bank and the Borrower, which agreement and the schedules therein referred to are hereinafter called the Loan Agreement,² the Bank has agreed to make to the Borrower a loan in the aggregate principal amount of Thirty One Million Five Hundred Thousand dollars (\$31,500,000), or the equivalent in other currencies, on the terms and conditions set forth in the Loan Agreement, but only on condition that the hereinbefore recited agreement is duly completed and that the Guarantor agrees to guarantee the payment of the principal, interest and other charges on such loan; and

WHEREAS the Guarantor, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed to guarantee the payment of the principal, interest and other charges on such loan;

NOW THEREFORE the parties hereto hereby agree as follows :

Article I

Section 1.01. The parties to this Guarantee Agreement accept all the provisions of Loan Regulations No. 4³ of the Bank dated October 15, 1952 subject, however, to the modifications thereof set forth in Schedule 4⁴ to said Loan Agreement (said Loan Regulations No. 4 as so modified being hereinafter

¹ Came into force on 29 October 1954, upon notification by the Bank to the Government of India.

² See p. 248 of this volume.

³ See p. 274 of this volume.

⁴ See p. 268 of this volume.

called the Loan Regulations), with the same force and effect as if they were fully set forth herein. The terms defined in Section 1.02 of said Loan Agreement shall have the same meaning herein as if such Section were fully set forth herein.

Article II

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

Article III

Section 3.01. It is the mutual intention of the Guarantor and the Bank that no other external debt shall enjoy any priority over the Loan by way of a lien on governmental assets. To that end, the Guarantor undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Guarantor or of any of its political subdivisions or of any agency of the Guarantor or of any such political subdivision 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 the Bonds, and that in the creation of any such lien express provision shall be made to that effect; provided, however, that the foregoing provisions of this Section shall not apply to: (a) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property; (b) any pledge of commercial goods to secure debt maturing not more than one year after its date and to be paid out of the proceeds of sale of such commercial goods; or (c) any pledge by the Reserve Bank of India of any of its assets in the ordinary course of its banking business to secure any indebtedness maturing not more than one year after its date.

Section 3.02. (a) The Guarantor and the Bank shall cooperate fully to assure that the purposes of the Loan shall be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Loan. On the part of the Guarantor, such information shall include information with respect to financial and economic conditions in the territories of the Guarantor and the international balance of payments position of the Guarantor.

(b) The Guarantor and the Bank shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Loan and the maintenance of the service thereof. The Guarantor shall promptly inform the Bank of any condition which shall arise that shall interfere with, or threaten to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof.

(c) The Guarantor shall afford all reasonable opportunity for accredited representatives of the Bank to visit any part of the territories of the Guarantor for purposes related to the Loan.

Section 3.03. The principal of, and interest and other charges on, the Loan and the Bonds shall be paid without deduction for and free from any taxes (including duties, fees or impositions) imposed under the laws of the Guarantor or laws in effect in its territories; provided, however, that the provisions of this Section shall not apply to taxation of, or duties or fees or impositions levied upon, payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Guarantor.

Section 3.04. The Loan Agreement, the Guarantee Agreement, the Trust Deed and the Bonds shall be free from any taxes (including duties, fees or impositions) that shall be imposed under the laws of the Guarantor or laws in effect in its territories on or in connection with the execution, issue, delivery or registration thereof.

Section 3.05. The principal of, and interest and other charges on, the Loan and the Bonds shall be paid by the Borrower and the Guarantor free from all restrictions imposed by the laws of the Guarantor or laws in effect in its territories.

Article IV

Section 4.01. The Guarantor shall endorse, in accordance with the provisions of the Loan Agreement and of the Loan Regulations, its guarantee on the Bonds to be executed and delivered by the Borrower. A Secretary to the Government of India in the Ministry of Finance and such person or persons as he shall designate in writing are designated as the authorized representatives of the Guarantor for the purposes of Section 6.12 (b) of the Loan Regulations.

Article V

Section 5.01. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Guarantor : The Secretary, Ministry of Finance, Government of India, New Delhi, India.

For the Bank : International Bank for Reconstruction and Development, 1818 H Street, N.W., Washington 25, District of Columbia, United States of America.

Section 5.02. A Secretary to the Government of India in the Ministry of Finance is designated for the purposes of Section 8.03 of the Loan Regulations.

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 and delivered in the District of Columbia, United States of America, as of the day and year first above written.

India

By G. L. MEHTA

Authorized Representative

International Bank for Reconstruction and Development

By W. A. B. ILIFF

Assistant to the President

LOAN AGREEMENT (*IRON AND STEEL PROJECT*)

AGREEMENT, dated December 18, 1952, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and THE INDIAN IRON AND STEEL COMPANY, LIMITED, a company duly incorporated under the Indian Companies Act 1913 (hereinafter called the Borrower).

WHEREAS (A) By the Iron and Steel Companies Amalgamation Ordinance, 1952 of India provision has been made that the undertaking of The Steel Corporation of Bengal, Limited shall, with effect from January 1, 1953, be transferred to and amalgamated with that of the Borrower, and the provisions of said Ordinance are proposed to be enacted by Parliament;

(B) The Bank has been requested to grant a loan to the Borrower;

(C) The said loan is to be guaranteed as to payment of principal, interest and other charges by the Government of India upon the terms of a Guarantee Agreement of even date herewith and is to be secured by a First Fixed Mortgage upon the Borrower's immovable properties and a First Floating Charge upon the remainder of the Borrower's undertaking and assets, including uncalled capital, which Mortgage and Charge are to be constituted by the Trust Deed as hereinafter defined;

(D) The Mortgage and Charge to be constituted by the Trust Deed are to rank *pari passu* with a Mortgage and Charge constituted by the 1937 Trust Deed (as hereinafter defined) securing the Borrower's 4% First Mortgage Debentures, which Debentures by their terms mature for repayment on December 31, 1966;

(E) The holders of the Borrower's 4% First Mortgage Debentures have consented to modifications of the 1937 Trust Deed so as to permit the Mortgage and Charge to be constituted by the Trust Deed to rank *pari passu* with the Mortgage and Charge constituted by the 1937 Trust Deed upon terms (*inter alia*) that each of such holders receive an option to have his said Debentures repaid at par on December 31, 1961;

(F) An Agreement in the terms of the draft dated December 9, 1952, initialled on behalf of the Government of India and the Borrower is proposed to be entered into between the Government of India and the Borrower regulating the terms upon which necessary financial assistance, additional to the loan hereinafter provided for, will be furnished by the Government of India to the Borrower; and

WHEREAS the Bank has, upon the basis of the foregoing, agreed to make a loan to the Borrower upon the terms and conditions hereinafter set forth;

NOW THEREFORE, it is hereby agreed as follows :

Article I

LOAN REGULATIONS; SPECIAL DEFINITIONS

Section 1.01. The parties to this Loan Agreement accept all the provisions of Loan Regulations No. 4¹ of the Bank dated October 15, 1952, subject, however, to the modifications thereof set forth in Schedule 4² to this Agreement (said Loan Regulations No. 4 as so modified being hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein.

Section 1.02. The term "Trust Deed" means the Trust Deed to be executed by the Borrower in accordance with the provisions of Section 5.04(a) of Article V of this Agreement and shall include any deed supplemental thereto which shall be executed and delivered in accordance with the provisions of the Trust Deed.

The term "Government Agreement" means the hereinbefore recited Agreement proposed to be entered into between the Government of India and the Borrower subject to such changes as may be agreed by the parties thereto and the Bank.

The term "1937 Trust Deed" means the Trust Deed dated March 12, 1937 made between the Borrower of the first part, the Bengal Iron Company Limited (in liquidation) of the second part, Victor Charles Willett Pooley and Mills Findlay Anderson (as Liquidators) of the third part and The Indian and General Investment Trust Limited of the fourth part, securing an issue of £1,500,000 4% First Mortgage Debentures of the Borrower and shall include any Deed or Deeds supplemental to the said Trust Deed dated March 12, 1937.

The term "subsidiary" means a company which is a subsidiary of the Borrower within the meaning of the Indian Companies Act 1913 (or any amendment thereof).

¹ See p. 274 of this volume.

² See p. 268 of this volume.

Article II

THE LOAN

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in this Agreement set forth or referred to, the sum of Thirty-one Million, Five Hundred Thousand dollars (\$31,500,000), or the equivalent thereof in currencies other than dollars.

Section 2.02. The Bank shall open a Loan Account on its books in the name of the Borrower and shall credit to such Account the amount of the Loan. The amount of the Loan may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth in, the Loan Regulations.

Section 2.03. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent ($\frac{3}{4}$ of 1%) per annum on the principal amount of the Loan not so withdrawn from time to time. Such commitment charge shall accrue from the Effective Date or from a date being 90 days after the date of this Agreement, whichever shall be the earlier, to the respective dates on which amounts shall be withdrawn by the Borrower from the Loan Account as provided in Article IV of the Loan Regulations or shall be cancelled pursuant to Article V of the Loan Regulations.

Section 2.04. The Borrower shall pay interest at the rate of four and three fourths per cent ($4\frac{3}{4}\%$) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

Section 2.05. Except as the Bank and the Borrower shall otherwise agree, the charge payable for any special commitment entered into by the Bank at the request of the Borrower pursuant to Section 4.02 of the Loan Regulations shall be at the rate of one-half of one per cent ($\frac{1}{2}$ of 1%) per annum on the principal amount of such special commitment outstanding.

Section 2.06. Interest and other charges shall be payable semi-annually on April 15 and October 15 in each year.

Section 2.07. (a) The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 1¹ to this Agreement. Provided that if any of the holders of the 4% First Mortgage Debentures should fail to exercise their option to be repaid at par on December 31, 1961, then (i) an amount equal to two-thirds of the balance of monies which would but for such failure have been required to be applied by the Borrower in such repayment, or (ii) Seven Hundred and Fourteen Thousand dollars (\$714,000) or the equivalent in other currencies, whichever shall be the less, shall be used by the Borrower in additional amortization (without premium on prepayment) on April 15, 1962, of the Loan and the amortization schedule set forth in Schedule 1 to this Agreement shall to that extent be adjusted as the Bank shall determine. For the purpose of determining the equivalent of one currency in terms of another, the value of such currencies shall be as reasonably determined by the Bank. In order to give effect to the provisions of this Section, the Borrower shall, not later than January 31, 1962,

¹ See p. 264 of this volume.

inform the Bank of the nominal amount of 4% First Mortgage Debentures in respect of which option of redemption shall not have been exercised as aforesaid whereupon the Bank will, as soon as practicable thereafter, inform the Borrower of the necessary adjustment to the amortization schedule.

(b) The Borrower shall not, without the consent of the Bank, pay in advance of the due date any proportion of the principal of the consolidated loan referred to in the Government Agreement unless it shall at the same time pay in advance of the due date the same proportion of the principal amount of the Loan then outstanding. In the case of any such payment the amortization schedule set forth in Schedule 1 to this Agreement shall to such extent be adjusted as the Bank shall determine.

Article III

USE OF PROCEEDS OF THE LOAN

Section 3.01. The Borrower shall apply the proceeds of the Loan exclusively to the cost of goods which will be required for the carrying out of the Project described in Schedule 2¹ to this Agreement. The specific goods so to be purchased out of the proceeds of the Loan shall be determined by agreement between the Borrower and the Bank, and the list of such goods may be modified from time to time by agreement between them.

Section 3.02. The Borrower shall cause all goods purchased with the proceeds of the Loan to be imported into the territories of the Guarantor and there to be used exclusively in carrying out the Project and for the purposes of carrying on the Borrower's business.

Article IV

BONDS

Section 4.01. The Borrower shall execute and duly deliver Bonds (in registered or bearer form as the Bank shall request) representing the principal amount of the Loan of the form, tenor and purport prescribed in the Trust Deed and as provided thereby and in the Loan Regulations. All Bonds shall have the Guarantee of the Guarantor endorsed thereon substantially in the form set forth in Schedule 3² to the Loan Regulations.

Section 4.02. Except as the Bank and the Borrower shall otherwise agree in writing, the Borrower shall, against payment by the Bank of any amount to be withdrawn from the Loan Account pursuant to Article II of this Agreement, execute and deliver to or on the order of the Bank, Bonds in the aggregate principal amount so paid, provided that the Bank may, at its option, require the Borrower, as soon as practicable and within 60 days after the date of the request or within such other period as may be agreed between the Borrower and the Bank, to execute and deliver to or on the order of the Bank, Bonds in the aggregate principal amount specified in such request, not exceeding, however, the aggregate principal amount of the Loan which shall have been withdrawn and shall

¹ See p. 266 of this volume.

² See p. 268 of this volume.

be outstanding and unpaid at the date of such request and for which Bonds shall not theretofore have been executed and delivered.

Section 4.03. Any one of the Directors for the time being of the Borrower and such other person or persons (acting jointly or severally as may be specified) as it may appoint in writing are designated as authorized representatives of the Borrower for the purposes of Section 6.12(a) of the Loan Regulations. The signature of any such authorized representative shall be countersigned by the Managing Agents of the Borrower so long as the Articles of Association of the Borrower shall so require.

Section 4.04. The Borrower shall effect any original issue of any of the Bonds only as herein provided or to the Government of India to evidence payments made by it under Clause 1(i) or the first paragraph of Clause 1 (vi) of the Government Agreement to the extent to which Bonds shall not theretofore have been issued by the Borrower, but not otherwise.

Section 4.05. The Bank and the Borrower shall be at liberty to make such arrangements as they may from time to time mutually agree as to procedure for the issue, authentication and delivery of Bonds and such arrangements may be in addition to or in substitution for any of the provisions of this Agreement or of the Loan Regulations.

Article V

PARTICULAR COVENANTS

Section 5.01. The Borrower shall carry out and complete the Project and operate its undertaking with due diligence and efficiency and in conformity with sound engineering and financial practices.

Section 5.02. (a) The Borrower shall furnish to the Bank, promptly upon their preparation, the general plans and specifications for the Project, the construction schedule and any material modifications subsequently made therein.

(b) The Borrower shall maintain records adequate to identify the goods purchased out of the proceeds of the Loan, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the financial condition and operations of the Borrower.

(c) The Borrower shall enable the Bank's representatives to inspect any and all goods purchased out of the proceeds of the Loan and the sites, works and construction included in the Project and to examine any relevant records and documents.

(d) The Borrower shall furnish to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan, the use of the goods purchased therewith, the progress of the Project and the operations and financial condition of the Borrower.

Section 5.03. (a) The Bank and the Borrower shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Loan.

(b) The Bank and the Borrower shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Loan and the maintenance of the service thereof. The Borrower shall promptly inform the Bank of any condition which shall arise that shall, in its reasonable opinion, interfere with, or threaten to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof or shall increase, or threaten to increase, the estimated cost of the Project materially over the estimated cost set forth in Schedule 3 to this Agreement.

(c) The Borrower shall procure that each of its subsidiaries (if any) shall observe and perform the obligations of the Borrower hereunder to the extent to which the same may be applicable thereto as though such obligations were binding upon each of such subsidiaries.

Section 5.04.(a) The Borrower shall, as soon as practicable, execute and deliver and shall procure all other necessary parties to execute and deliver a Trust Deed in favor of such Trustees and in such form as the Bank may reasonably require to constitute by way of security for the Loan a First Fixed Mortgage upon all the immovable properties to which the Borrower is now or may hereafter become beneficially entitled and a First Floating Charge upon the remainder of the Borrower's undertaking and assets (including uncalled capital) such Mortgage and Charge to rank *pari passu* in point of security with the Mortgage and Charge constituted by the 1937 Trust Deed, but otherwise in priority to any other mortgage, charge or lien upon any of the Borrower's properties or assets, save only that the Borrower shall be entitled so as to rank in priority to or *pari passu* with the said Floating Charge in favor of the Bank, to maintain existing mortgages or charges or to create mortgages or charges upon any investments or securities of the Borrower or any goods manufactured or in process of manufacture by the Borrower or the proceeds of sale thereof or the bills of lading or mercantile documents relating thereto or any consumable stores belonging to the Borrower so far as such mortgages or charges shall be intended as security for loans from Bankers and others or as security for any other liability of the Borrower to its Bankers provided that except with the consent of the Trustees and of the Bank the aggregate amount outstanding at any one time of such loans and liabilities shall not exceed Rs. 50,000,000. The Trust Deed shall provide (*inter alia*) that no subsidiary of the Borrower shall at any time create any mortgage, charge or security on its undertaking, properties or assets (including uncalled capital) or any part thereof otherwise than in favor of the Borrower and that all mortgages, charges or securities created by any subsidiary in favor of the Borrower shall be retained by the Borrower and shall not be sold, transferred or otherwise disposed of by it and that it will not sell, transfer or otherwise dispose of any shares for the time being held by it in any subsidiary.

(b) Subject as aforesaid, the Borrower shall take all necessary steps and shall procure all other necessary parties to take all necessary steps to ensure that all mortgages and charges (other than the Mortgage and Charge constituted by the 1937 Trust Deed) outstanding upon the property and assets to which it and The Steel Corporation of Bengal, Limited are beneficially entitled shall be discharged or be varied to the reasonable satisfaction of the Bank so as to provide that the Mortgage and Charge constituted by the

Trust Deed shall rank first in point of security upon such property and assets (but subject to the rights of the holders of the Borrower's 4% First Mortgage Debentures as herein-before recited).

Section 5.05. The Borrower shall pay or cause to be paid all taxes (including duties, fees or impositions), if any, imposed under the laws of the Guarantor or laws in effect in its territories on or in connection with the execution, issue, delivery or registration of the Loan Agreement, the Guarantee Agreement, Trust Deed or the Bonds, or the payment of principal, interest or other charges thereunder; provided, however, that the provisions of this Section shall not apply to taxation of (including duties levied in respect of, or fees or impositions upon) payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Guarantor.

Section 5.06. The Borrower shall pay or cause to be paid all taxes (including duties, fees and impositions), if any, imposed under the laws of the United Kingdom or the country or countries in whose currency the Loan and the Bonds are payable or laws in effect in the territories of the United Kingdom or such country or countries on or in connection with the execution, issue, delivery or registration of the Loan Agreement, the Guarantee Agreement, the Trust Deed or the Bonds.

Section 5.07. Except as shall be otherwise agreed between the Bank and the Borrower, the Borrower shall insure or cause to be insured with responsible insurers all goods purchased with the proceeds of the Loan. Such insurance shall cover such marine, transit and other hazards incident to delivery of the goods into the territories of the Guarantor, and shall be for such amounts, as shall be consistent with sound commercial practice. Each contract of insurance shall be payable in dollars or in the currency in which the cost of the goods insured thereunder shall be payable.

Section 5.08. The Borrower shall not consent to any action taken at any meeting of bondholders or by written instrument pursuant to the provisions of the Trust Deed which would change the terms of the Bonds or adversely affect the holders thereof unless the Bank shall have expressed in writing its approval of such action or such consent.

Article VI

REMEDIES OF THE BANK

Section 6.01. If any event specified in paragraph (a) or paragraph (b) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of thirty days, or if the security constituted by the Trust Deed shall become enforceable, or if any event specified in paragraph (c) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower, then at any subsequent time during the continuance thereof, the Bank, at its option, may declare the principal of the Loan and of all the Bonds then outstanding to be due and payable immediately, and upon any such declaration such principal shall become due and payable immediately, anything in this Loan Agreement, the Trust Deed or in the Bonds to the contrary notwithstanding.

Article VII

EFFECTIVE DATE; TERMINATION

Section 7.01. The following events are specified as additional conditions to the effectiveness of this Agreement within the meaning of Section 9.01 (c) of the Loan Regulations :

(a) That the Government Agreement shall have been duly executed and have become fully effective and binding upon the parties thereto in accordance with its terms.

(b) That the Borrower and The Steel Corporation of Bengal, Limited shall have been validly amalgamated by an Act of Parliament to be enacted in the substantive terms of The Iron and Steel Companies Amalgamation Ordinance, 1952 of India, or otherwise upon the same terms.

(c) The Trust Deed shall have been duly executed and delivered and have become fully effective in accordance with its terms and (except as the Bank may otherwise agree) all documents required to be registered under Indian law shall have been duly registered.

(d) That the requirements of Section 5.04 (b) hereof shall have been validly complied with.

(e) The Borrower shall have furnished to the Bank a certificate as to its financial condition in the same terms (subject to such amendments as the Bank may agree) as the certificate furnished to the Bank upon the signing hereof.

Section 7.02. The following are specified as additional matters, within the meaning of Section 9.02 (d) of the Loan Regulations, to be included in the opinion or opinions to be furnished to the Bank :

(a) That the Borrower and The Steel Corporation of Bengal, Limited have been validly amalgamated by an Act of Parliament to be enacted in the substantive terms of The Iron and Steel Companies Amalgamation Ordinance, 1952 of India, or otherwise upon the same terms.

(b) That the Government Agreement has become validly effective and binding upon the parties thereto in accordance with its terms.

(c) That the Borrower and all other parties to the Trust Deed purporting to mortgage or charge immovable property thereunder have a good and marketable title to such property under Indian Law.

(d) That the Trust Deed has been duly authorized and executed and delivered on behalf of the Borrower and all other necessary parties thereto and constitutes a valid and effective Mortgage and Charge enjoying priorities in accordance with its terms and that no prior or *pari passu* charges or encumbrances (other than as mentioned in Section 5.04(b) hereof) then exist on any part of the property or assets of the Borrower.

Section 7.03. A date 90 days after the date of this Agreement is hereby specified for the purposes of Section 9.04 of the Loan Regulations.

Article VIII

MISCELLANEOUS

Section 8.01. The Closing Date shall be December 31, 1957.

Section 8.02. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations.

For the Borrower : The Indian Iron and Steel Company, Limited, 12, Mission Row, Calcutta, 1, India.

For the Bank : International Bank for Reconstruction and Development, 1818 H Street, N.W., Washington 25, D.C., United States of America.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names and delivered in the District of Columbia, United States of America as of the day and year first above written.

International Bank for Reconstruction and Development
By W. A. B. LIFF
Assistant to the President

The Indian Iron and Steel Company, Limited
By Biren MOOKERJEE
Authorized Representative

SCHEDULE 1

AMORTIZATION SCHEDULE

<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars) *</i>	<i>Principal Amount Outstanding After Each Payment (expressed in dollars) *</i>	<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars) *</i>	<i>Principal Amount Outstanding After Each Payment (expressed in dollars) *</i>
October 15, 1958 .	—	\$31,500,000	October 15, 1963 .	\$1,814,000	\$16,148,000
April 15, 1959 . .	\$1,311,000	30,189,000	April 15, 1964 . .	1,857,000	14,291,000
October 15, 1959 .	1,342,000	28,847,000	October 15, 1964 .	1,901,000	12,390,000
April 15, 1960 . .	1,374,000	27,473,000	April 15, 1965 . .	1,946,000	10,444,000
October 15, 1960 .	1,406,000	26,067,000	October 15, 1965 .	1,992,000	8,452,000
April 15, 1961 . .	1,440,000	24,627,000	April 15, 1966 . .	2,039,000	6,413,000
October 15, 1961 .	1,474,000	23,153,000	October 15, 1966 .	2,088,000	4,325,000
April 15, 1962 . .	1,690,000**	21,463,000	April 15, 1967 . .	2,137,000	2,188,000
October 15, 1962 .	1,730,000	19,733,000	October 15, 1967 .	2,188,000	—
April 15, 1963 . .	1,771,000	17,962,000			

* To the extent that any part of the Loan is repayable in a currency other than dollars (see Loan Regulations, Section 3.02) the figures in these columns represent dollar equivalents determined as for purposes of withdrawal.

** This and subsequent maturities are subject to adjustment in accordance with Section 2.07 of the Loan Agreement.

PREMIUMS ON PREPAYMENT AND REDEMPTION

The following percentages are specified as the premiums payable on repayment in advance of maturity of any part of the principal amount of the Loan pursuant to Section 2.05(b) of the Loan Regulations or on the redemption of any Bond prior to its maturity pursuant to Section 6.16 of the Loan Regulations :

<i>Time of Prepayment or Redemption</i>	<i>Premium</i>
Not more than 5 years before maturity	½%
More than 5 years but not more than 10 years before maturity	1%
More than 10 years before maturity	1¾%

SCHEDULE 2

DESCRIPTION OF PROJECT

The project is a planned expansion and modernisation of the production facilities of The Indian Iron and Steel Company, Limited (following its amalgamation with The Steel Corporation of Bengal, Limited) at Burnpur, Kulti and Gua in West Bengal. It is intended to increase between 1953 and 1957 the designed production capacity of iron from 640,000 to 1,400,000 tons and of finished steel from 350,000 to 700,000 tons. The Project includes :

(a) at the Burnpur Works

(i) the modernisation and expansion of coke oven facilities by the installation of two batteries of 78 ovens each, and the scrapping of the existing 40 oven battery, which is obsolete; all ovens are to be arranged to use blast furnace gas, and the by-products plant is to be increased to service the new ovens;

(ii) the addition of two new blast furnaces, each having a daily output of 1200 tons of iron, together with the necessary new stoves, steam-driven blowers and gas cleaning equipment;

(iii) the extension of the converter house and the installation of a third 25-ton acid-lined converter;

(iv) the addition of a second melting shop consisting of two 240-ton tilting basic open hearth furnaces, together with necessary cranes, ladles, and scrap cars;

(v) the addition of four soaking pits, raising the number from 8 to 12; and the extension of the finishing departments of both the 34-inch and 18-inch mills to handle the increased tonnages;

(vi) the expansion of ancillary services such as water, gas, power and steam.

(b) at Kulti Works

(i) the installation of gas cleaning equipment;

(ii) the installation of a 5,000 kw. steam turbine generator to permit the use of excess blast furnace gas as fuel;

(iii) the modernisation of blast furnaces.

(The existing coke ovens at Kulti will be scrapped, and coke will in future be obtained from Burnpur.)

(c) at Gua

the expansion and mechanisation of the Borrower's ore mines at Gua, to enable the Borrower to obtain its requirements from its own mines.

SCHEDULE 3

ESTIMATED COST OF PROJECT

(Expressed in thousands of US dollars)

<i>Items</i>	<i>Foreign Exchange Expenditures</i>	<i>Local Currency</i>	<i>Total</i>
1. Equipment for Coke Ovens	5,250	6,930	12,180
2. Equipment for Blast Furnaces	6,100	7,970	14,070
3. Equipment for Ore Mines	3,250	950	4,200
4. Equipment for Bessemer Plant	545	820	1,365
5. Equipment for Melting Shop	2,700	6,435	9,135
6. Equipment for Rolling Mills	1,050	3,150	4,200
7. Equipment for Plant Services	3,050	2,830	5,880
8. Equipment for Kulti Plant	1,680	4,620	6,300
9. Engineering	1,260	—	1,260
10. Interest and Commitment Charge During Construction	4,200	2,625	6,825
11. Unallocated	2,415	5,649	8,064
	31,500	41,979	73,479

SCHEDULE 4

MODIFICATIONS OF LOAN REGULATIONS NO. 4¹

For the purposes of this Agreement, Loan Regulations No. 4 of the Bank dated October 15, 1952 shall be deemed to be modified as follows :

(a) by the deletion of Section 2.02;

(b) by the deletion of subparagraph (e) of Section 5.02 and the substitution thereof of the following subparagraph, namely :

“(e) If the security constituted by the Trust Deed shall become enforceable”;

(c) by the addition in Section 5.05, after the words “Loan Agreement”, of the words “subject to any necessary modification of such amortization schedule”;

(d) by the deletion of Section 6.03;

¹ See p. 274 of this volume.

(e) by the deletion of Sections 6.05 and 6.06 and the substitution therefor of the following sections, namely :

“*Section 6.05. Currency in Which Bonds are Payable.* The Bonds shall be payable as to principal and interest in the several currencies in which the Loan is repayable. Each Bond shall be payable in such currency as the Bank shall specify except that the aggregate principal amount of Bonds payable in any currency shall at no time exceed the outstanding amount of the Loan repayable in such currency.

“*Section 6.06. Maturities of Bonds.* The maturities of the Bonds shall correspond to the maturities of instalments of the principal amount of the Loan set forth in the amortization schedule to the Loan Agreement subject to any necessary modification of such amortization schedule. The Bonds shall have such maturities as the Bank shall specify except that the aggregate principal amount of Bonds of any maturity shall at no time exceed the corresponding instalment of the principal amount of the Loan.”;

(f) by the deletion of Section 6.07 and the substitution therefor of the following section, namely :

“*Section 6.07. Form of Bonds.* The Bonds shall be fully registered bonds without coupons (hereinafter sometimes called registered Bonds) or bearer bonds with coupons for semi-annual interest attached (hereinafter sometimes called coupon Bonds). Bonds delivered to the Bank shall be registered Bonds or coupon Bonds in such temporary or definitive form (authorized by the Trust Deed) as the Bank shall request. Registered Bonds and coupon Bonds payable in dollars and the coupons attached thereto shall be substantially in the forms respectively set forth in the Trust Deed. Bonds payable in any currency other than dollars shall be substantially in the forms respectively set forth in the Trust Deed, as the case may be, except that they shall (a) provide for payment of principal, interest and premium on redemption, if any, in such other currency, (b) provide for such place of payment as the Bank shall specify, and (c) contain such other modifications as the Bank shall reasonably request in order to conform to the laws or to the financial usage of the place where they are payable.”;

(g) by the deletion of Sections 6.08, 6.13 and 6.18 and Schedules 1 and 2;

(h) by the addition in Section 6.11 of the following new subparagraph, namely :

“(d) Subject to the provisions of Sections 6.05 and 6.06 of these Regulations, Bonds payable in any currency may be exchanged without charge to the Bank for Bonds of the same or an equivalent aggregate principal amount payable in the same or any other currency or currencies and having the same or any other maturity or maturities. For the purposes of determining the equivalent of one currency in terms of another the value of each shall be as determined by the Bank.”;

(i) by the addition in Section 7.01, after the words "Guarantee Agreement" where those words occur, of the words "the Trust Deed";

(j) by the deletion of subparagraphs (b) to (f) inclusive and (j) of Section 7.04 and the substitution therefor of the following subparagraphs, namely :

"(b) The parties to such arbitration shall be the Bank, the Borrower and the Guarantor.

"(c) The Arbitral Tribunal shall consist of three arbitrators, each to be agreed upon by the parties or, if and to the extent to which they shall not agree, to be appointed by the President of the International Court of Justice or, failing appointment by him, by the Secretary-General of the United Nations. In case any arbitrator shall resign, die or become unable to act, a successor arbitrator shall be selected or appointed in the same manner as herein prescribed for the selection or appointment of the original arbitrator and such successor shall have all the powers and duties of such original arbitrator.

"(d) An arbitration proceeding may be instituted under this Section upon notice by the party instituting such proceeding to the other parties. Such notice shall contain a statement setting forth the nature of the controversy or claim to be submitted to arbitration and the nature of the relief sought.

"(e) If, within 60 days after the giving of such notice instituting the arbitration proceeding, the parties shall not have agreed upon the three arbitrators, any party may request such appointment as is provided for in paragraph (c) of this Section.

"(f) The Arbitral Tribunal shall determine where and when it shall convene and sit.

"(j) The provisions for arbitration set forth in this Section shall be in lieu of any other procedure for the determination of controversies between the parties under the Loan Agreement and Guarantee Agreement or any claim by any such party against any other such party arising thereunder provided, however, that nothing herein shall be deemed to preclude any of the said parties from exercising, or instituting any legal or equitable action to enforce, any right or claim arising out of or pursuant to the Trust Deed or the Bonds, and submission to arbitration hereunder shall not be deemed to be a condition precedent or in any way to prejudice such exercise or other enforcement of any such right or claim.";

(k) by the deletion in Section 7.04(i) of the words "Bank on the one side and the Borrower and Guarantor on the other side.", and the substitution therefor of the word "parties.";

(l) by the deletion of Section 10.01, paragraph 10, and the substitution therefor of the following new paragraph, namely :

"The term 'Bonds' means bonds issued and authenticated pursuant to the Trust Deed, with the guarantee of the Guarantor endorsed thereon as provided in the Guarantee Agreement."

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 4, DATED 15 OCTOBER 1952

REGULATIONS APPLICABLE TO LOANS MADE BY THE BANK TO BORROWERS OTHER THAN
MEMBER GOVERNMENTS

[*Not published herein. See United Nations, Treaty Series, Vol. 172, p. 124*]