

No. 4489

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

Guarantee Agreement—*Second Indian Iron and Steel Project* (with annexed Loan Regulations No. 4 and Loan Agreement—*Second Indian Iron and Steel Project*—between the Bank and The Indian Iron and Steel Company, Limited). Signed at Washington, on 19 December 1956

Official text : English.

Registered by the International Bank for Reconstruction and Development on 8 September 1958.

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

Contrat de garantie — *Deuxième projet indien relatif à la sidérurgie* (avec, en annexe, le Règlement n° 4 sur les emprunts et le Contrat d'emprunt — *Deuxième projet indien relatif à la sidérurgie* — entre la Banque et The Indian Iron and Steel Company, Limited). Signé à Washington, le 19 décembre 1956

Texte officiel anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 8 septembre 1958.

No. 4489. GUARANTEE AGREEMENT¹ (*SECOND INDIAN IRON AND STEEL PROJECT*) BETWEEN INDIA AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 19 DECEMBER 1956

AGREEMENT, dated December 19, 1956, between INDIA, acting by its President (hereinafter called the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS by an agreement of even date herewith between the Bank and The Indian Iron and Steel Company, Limited (hereinafter called 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 twenty million dollars (\$20,000,000), or the equivalent in other currencies, on the terms and conditions set forth in the Loan Agreement, but only on condition that the Guarantor agree to guarantee the obligations of the Borrower in respect of such loan as hereinafter provided ; and

WHEREAS the Guarantor, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed so to guarantee such obligations of the Borrower ;

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. 4 of the Bank dated June 15, 1956,³ subject, however, to the modifications thereof set forth in Schedule 3⁴ to said Loan 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. The terms defined in said Loan Agreement shall have the same meaning herein as if such definitions were fully set forth herein.

¹ Came into force on 2 July 1957, upon notification by the Bank to the Government of India.

² See p. 84 of this volume.

³ See p. 82 of this volume.

⁴ See p. 104 of this volume.

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 payment 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 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 will 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 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. 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 interferes with, or threatens 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. This Guarantee Agreement, the Loan 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 free from all restrictions imposed under 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 is designated as the authorized representative 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 to the Government of India
Ministry of Finance
New Delhi
India

Alternative address for cablegrams and radiograms :

Finance Ministry
New Delhi

For the Bank :

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

Alternative address for cablegrams and radiograms :

Intbafrad
Washington, D. C.

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 Eugene R. BLACK
President

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS N° 4, DATED 15 JUNE 1956

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

[Not published herein. See *United Nations, Treaty Series, Vol. 260, p. 376.*]

LOAN AGREEMENT
(SECOND INDIAN IRON AND STEEL PROJECT)

AGREEMENT, dated December 19, 1956, 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 laws of India (hereinafter called the Borrower).

WHEREAS (A) On December 18, 1952,¹ the Bank granted a loan (hereinafter called the first loan) to the Borrower of \$ 31,500,000, or the equivalent thereof in currencies other than dollars, for the purpose of financing a project for the expansion and modernization of its production facilities ;

(B) By the 1954 Trust Deed (as hereinafter defined), the Borrower created, as security for the first loan, a first fixed mortgage upon the immovable properties to which it then was or might thereafter become beneficially entitled and a first floating charge upon the remainder of its undertaking and assets, including uncalled capital, which mortgage and charge rank *pari passu* with a mortgage and charge constituted by the 1937 Trust Deed (as hereinafter defined), securing the Borrower's 4 ³/₄ % First Mortgage Debentures ;

(C) Pursuant to powers reserved to it under the 1937 Trust Deed, the Borrower has given notice of its intention to redeem on January 1, 1957, in advance of normal maturity, all of the said 4 ³/₄ % First Mortgage Debentures then outstanding ;

(D) The Bank has been requested to grant a second loan to the Borrower for the purpose of financing a project for the further expansion and modernization of its production facilities ;

(E) The said second loan is to be guaranteed as to payment of principal, interest and other charges by the Guarantor upon the terms of a Guarantee Agreement of even date herewith² and is to be secured by a first fixed mortgage upon the immovable properties to which the Borrower is or may become beneficially entitled and a first floating charge upon the remainder of the Borrower's undertaking and assets, including uncalled capital, which mortgage and charge are to rank *pari passu* with the mortgage and charge constituted by the 1954 Trust Deed ;

(F) The Borrower proposes shortly to enter into arrangements for the raising of not less than Rs. 35,000,000 by the issuance of ordinary share capital.

(G) By various instruments the Borrower has created in favor of the President of India and the State Bank of India certain mortgages and charges all of which rank subsequent to the security created by the 1954 Trust Deed and it is the intention that such securities should be varied so as to permit the security for the said second loan also to rank in priority thereto.

NOW THEREFORE, it is hereby agreed as follows :

¹ United Nations, *Treaty Series*, Vol. 201, p. 241.

² See p. 76 of this volume.

Article I

LOAN REGULATIONS ; SPECIAL DEFINITIONS

Section 1.01. The parties to this Loan Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated June 15, 1956, ¹ subject, however, to the modifications thereof set forth in Schedule 3^a 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 "1937 Trust Deed" means the Trust Deed dated March 12, 1937, made between the Borrower and others and the Indian and General Investment Trust Limited as trustees, securing the 4 ³/₄ % First Mortgage Debentures of the Borrower, and shall include any deed or instrument supplemental to the said Trust Deed dated March 12, 1937.

The term "1954 Trust Deed" means the Trust Deed dated September 28, 1954, made between the Borrower and Baring Brothers & Co., Limited (hereinafter called Barings), as trustees, and others securing mortgage bonds of the first loan in the principal amount of \$ 31,500,000, or the equivalent in other currencies, and (except where the context otherwise requires) shall include any deed or instrument supplemental to the said Trust Deed dated September 28, 1954.

The term "Trust Deed" means the Trust Deed to be executed by the Borrower in accordance with the provisions of Section 5.03 of this Agreement and shall include any deed or instrument supplemental thereto.

The term "subsidiary" means a company which is a subsidiary of the Borrower within the meaning of the Indian Companies Act 1956 (or any amendment thereof).

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 twenty million dollars (\$ 20,000,000), 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 ; provided, however, that, until the Borrower shall have complied with the provisions of Sections 5.03 and 5.04 of this Agreement and until the Borrower shall have received, or made arrangements satisfactory to the Bank for receiving, in cash not less than thirty-five million rupees (Rs. 35,000,000) from the issuance by it of new ordinary shares, no more than the equivalent of six million dollars (\$ 6,000,000) shall be withdrawn from the Loan Account, except as the Bank may otherwise agree.

¹ See p. 82 of this volume.

^a See p. 104 of this volume.

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.

Section 2.04. The Borrower shall pay interest at the rate of five per cent (5 %) 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 special commitments 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 any such special commitments outstanding from time to time.

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

Section 2.07. The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 1¹ to this Agreement.

Article III

USE OF PROCEEDS OF THE LOAN

Section 3.01. The Borrower shall apply the proceeds of the Loan exclusively to financing the cost of goods required to carry out the Project described in Schedule 2¹ to this Agreement. The specific goods to be financed out of the proceeds of the Loan and the methods and procedures for procurement of such goods shall be determined by agreement between the Bank and the Borrower, subject to modification by further agreement between them.

Section 3.02. The Borrower shall cause all goods financed out of the proceeds of the Loan to be imported into the territories of the Guarantor and there to be used exclusively in the carrying out of the Project.

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.

Section 4.02. Except as the Bank and the Borrower shall otherwise agree, 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, instead, within such period not less than

¹ See p. 102 of this volume.

60 days after the date of any request therefor as the Bank shall specify in such request, 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 be outstanding and unpaid at the date of such request and for which Bonds shall not theretofore have been so delivered or requested.

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 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. (a) The Borrower shall carry out the Project with due diligence and efficiency and in conformity with sound engineering and financial practices.

(b) The Borrower shall furnish to the Bank, promptly upon their preparation, the plans, specifications and construction schedules for the Project and any material modifications subsequently made therein, in such detail as the Bank shall from time to time request.

(c) The Borrower shall maintain records adequate to identify the goods financed 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 ; shall enable the Bank's representatives to inspect the Project, the goods and any relevant records and documents ; and shall furnish to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan, the Project, the goods, and the financial condition and operations of the Borrower.

Section 5.02. (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 interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof.

(c) The Borrower shall cause each of its subsidiaries (if any) to 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 5.03. (a) The Borrower shall, as soon as practicable, execute and deliver, and shall cause all other necessary parties to execute and deliver, a Trust Deed, in favor of Barings (or such other trustees as the Bank may nominate) to constitute by way of security for the Loan and the Bonds : (i) a first fixed mortgage upon all the immovable properties to which the Borrower is now or may hereafter become beneficially entitled and (ii) 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 created or to be created by or pursuant to the 1954 Trust Deed, but otherwise in priority to any other mortgage, charge or lien upon any of such properties or assets ; provided, however, that the Borrower shall be entitled to create or allow to remain outstanding mortgages or charges (specific or floating) ranking in priority to the floating charge created or to be created under the Trust Deed and securing any indebtedness towards bankers incurred in the ordinary course of business and maturing not more than one year after the date upon which it is originally incurred, the amount of such indebtedness not to exceed fifty million rupees (Rs. 50,000,000) in principal amount at any one time outstanding. Such Trust Deed shall either be in form similar to the 1954 Trust Deed (subject to such changes as the Bank and the trustees of the Trust Deed may reasonably require), or shall be a Trust Deed (in such form as the Bank and the trustees thereunder may reasonably require) expressed to be supplemental to the 1954 Trust Deed and amending the 1954 Trust Deed in such manner that the 1954 Trust Deed and the Trust Deed shall together constitute security both for the Loan and the Bonds and for the first loan and the bonds issuable thereunder.

(b) Subject as aforesaid, the Borrower shall take all necessary steps and shall cause all necessary parties to take all necessary steps to ensure that all mortgages, charges and liens outstanding upon the property and assets to which it is beneficially entitled shall be discharged or be varied to the reasonable satisfaction of the Bank, and of the trustees under the Trust Deed, so as to ensure that full effect may be given to the foregoing provisions of this Section.

(c) The Borrower shall obtain all necessary consents for the valid execution and delivery of the Trust Deed and shall duly register, or cause to be registered, the Trust Deed, together with such other documents as may be necessary or proper in order to render the same fully effective in accordance with its terms.

Section 5.04. The Borrower shall, within six weeks after the completion of all action required to be taken pursuant to the provisions of the last preceding Section, furnish evidence thereof satisfactory to the Bank. As part of such evidence there shall be furnished an opinion or opinions satisfactory to the Bank of counsel acceptable to the Bank showing (a) that the Borrower and all other parties to the Trust Deed purporting thereunder to

mortgage or charge immovable property or interests therein have a good and marketable title to such property ; (b) that the Trust Deed has been duly authorized and executed and delivered on behalf of the Borrower and all other necessary parties thereto and creates a valid and effective mortgage and charge securing the Loan and the Bonds and enjoying priority in accordance with its terms and that no prior or *pari passu* security (other than as mentioned in the last preceding Section) exists on any part of the properties or assets to which the Borrower is then beneficially entitled.

Section 5.05. Except as the Bank and the Borrower shall otherwise agree, the Borrower shall not incur, and shall not permit any subsidiary to incur, indebtedness if at the time and as a result thereof the consolidated unimpaired capital and surplus of the Borrower and its subsidiaries, would be less than the consolidated indebtedness of the Borrower and its subsidiaries.

For the purposes of and in making any calculation pursuant to this Section :

- (a) The term "indebtedness" shall not include commercial and trade liabilities (including in such liabilities accrued liabilities to the Indian Iron and Steel Controller but not including in such liabilities obligations to bankers or in respect of deposits accepted by the Borrower) incurred in the ordinary course of business and payable not more than one year after the date as of which such calculation is required to be made for the purposes of this Section.
- (b) There shall be included in "capital and surplus", and excluded from "indebtedness", the amount then outstanding of the Government advance provided for in the Agreement dated July 15, 1953, between the President of India and the Borrower.
- (c) Amounts in currency other than currency of the Guarantor shall be converted into currency of the Guarantor at such rate as the Bank may determine for such other currency on the date on which the Borrower proposes to incur the debt in question.
- (d) The term "consolidated indebtedness" shall mean the total amount of indebtedness of the Borrower and all its subsidiaries (if any) excluding indebtedness owed by the Borrower to any subsidiary or by any subsidiary to the Borrower or to any other subsidiary.
- (e) The term "capital and surplus" shall mean capital and surplus determined in accordance with sound accounting procedures.
- (f) The term "consolidated capital and surplus" shall mean the total capital and surplus of the Borrower and all its subsidiaries after excluding such items of capital and surplus of the Borrower as shall represent equity interest of the Borrower in any subsidiary and after excluding such items of capital and surplus of any subsidiary as shall represent equity interest of that subsidiary in the Borrower or any other subsidiary.

Section 5.06. (a) The Borrower shall at all times take all steps necessary to maintain its corporate existence and right to carry on operations and shall, except as the Bank may otherwise agree, take all steps necessary to acquire such land, interests in land and properties and to acquire, maintain and renew such rights, powers, privileges and fran-

chises, as may be necessary or proper for the construction and operation of the Project and the conduct of its business.

(b) The Borrower shall carry on its operations and conduct its affairs in accordance with sound business, industrial and financial practices and shall operate, maintain, renew and repair its plants, machinery, equipment and property as required in accordance with sound engineering practices.

Section 5.07. The Borrower shall pay or cause to be paid all taxes or fees, if any, imposed under the laws of the Guarantor or laws in effect in the territories of the Guarantor on or in connection with the execution, issue, delivery or registration of this Agreement, the Guarantee Agreement, the 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, or fees 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 5.08. The Borrower shall pay or cause to be paid all taxes, if any, imposed under the laws of the United Kingdom or under the laws of the country or countries in whose currency the Loan and the Bonds are payable or imposed under laws in effect in the territories either of the United Kingdom or of 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 5.09. Except as shall be otherwise agreed between the Bank and the Borrower, the Borrower shall insure or cause to be insured the goods financed out of the proceeds of the Loan against risks incident to their purchase and importation into the territories of the Guarantor. Such insurance shall be consistent with sound commercial practice and shall be payable in dollars or in the currency in which the cost of the goods insured thereunder shall be payable.

Section 5.10. The Borrower shall not consent to any action taken at any meeting of bondholders or by written instrument pursuant to the provisions of the 1954 Trust Deed or 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. (i) If any event specified in paragraph (a), paragraph (b), paragraph (e) or paragraph (f) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of thirty days, or (ii) if the event specified in paragraph (j) of Section 5.02 of the Loan Regulations shall occur, or (iii) 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 day 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 Agreement, the Trust Deed or 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 (a) (ii) of the Loan Regulations :

(a) The President of India and the State Bank of India shall have agreed (in form satisfactory to the Bank) to subordinate the securities held by them respectively to the security to be created by or pursuant to the Trust Deed.

(b) The Borrower's 4 $\frac{3}{4}$ % First Mortgage Debentures and the security constituted by the 1937 Trust Deed shall have been duly paid off and discharged (or arrangements satisfactory to the Bank made therefor) and all necessary action shall have been taken to release the Borrower's properties and assets from any mortgage or charge created by or pursuant to the 1937 Trust Deed.

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

(a) That the Borrower's 4 $\frac{3}{4}$ % First Mortgage Debentures and the security constituted by the 1937 Trust Deed have been fully paid off and discharged (or due provision made therefor) and that all necessary action has been taken effectively to release the Borrower's properties and assets from any mortgage or charge created by or pursuant to the 1937 Trust Deed.

(b) That the Borrower has full power and authority to construct and operate the Project and has all necessary rights and powers in connection therewith and that all acts, consents and approvals necessary therefor have been duly and validly performed or given.

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, 1959.

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

Alternative address for cablegrams and radiograms :

Inisco
Calcutta

For the Bank :

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

Alternative address for cablegrams and radiograms :

Intbafrad
Washington, D.C.

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 Eugene R. BLACK
President

The Indian Iron and Steel Company, Limited :

By Biren MOOKERJEE
Authorized Representative

SCHEDULE I

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>
Oct. 15, 1959	—	\$ 20,000,000	April 15, 1964	\$ 1,257,000	\$ 9,728,000
April 15, 1960	\$ 1,032,000	18,968,000	Oct. 15, 1964	1,289,000	8,439,000
Oct. 15, 1960	1,058,000	17,910,000	April 15, 1965	1,321,000	7,118,000
April 15, 1961	1,084,000	16,826,000	Oct. 15, 1965	1,354,000	5,764,000
Oct. 15, 1961	1,111,000	15,715,000	April 15, 1966	1,388,000	4,376,000
April 15, 1962	1,139,000	14,576,000	Oct. 15, 1966	1,423,000	2,953,000
Oct. 15, 1962	1,167,000	13,409,000	April 15, 1967	1,458,000	1,495,000
April 15, 1963	1,197,000	12,212,000	Oct. 15, 1967	1,495,000	—
Oct. 15, 1963	1,227,000	10,985,000			

* 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.

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 2 years before maturity	1/4 %
More than 2 years but not more than 4 years before maturity	1 %
More than 4 years but not more than 6 years before maturity	1 3/4 %
More than 6 years but not more than 8 years before maturity	3 1/4 %
More than 8 years before maturity	5 %

SCHEDULE 2

DESCRIPTION OF PROJECT

The Project consists of a program for the modernization and expansion of the Borrower's production facilities at Burnpur. It is intended to increase the Borrower's designed capacity of finished and semi-finished steel products from 700,000 to 800,000 long tons per annum.

The Project comprises :

- (i) the addition of two stands to the billet mill to permit the use of 9' × 9' billets instead of the 7' × 7' billets now used ;
- (ii) the addition of one stand to the 34-inch structural mill in order to increase the output of rails and sections and to allow the production of wide flange beams up to 10' × 10' and ordinary beams up to 20' × 7' ;

- (iii) the installation of a new bar mill having an annual capacity of 180,000 long tons ;
- (iv) the installation of a 20,000 kw steam turbine generator and necessary boilers ;
- (v) the provision of all necessary auxiliary installations, equipment and services.

These works are expected to be completed by December 1, 1959.

SCHEDULE 3

MODIFICATIONS OF LOAN REGULATIONS No. 4

For the purposes of this Agreement the provisions of Loan Regulations No. 4 of the Bank, dated June 15, 1956, shall be deemed to be modified as follows :

(a) By the deletion of subparagraph (j) of Section 5.02 and the substitution thereof of the following subparagraph, namely :

“(j) If any lien securing any loan from the Bank, or securing any bonds issued or issuable thereunder, shall become enforceable.”

(b) By the deletion of Section 6.01.

(c) By the deletion of Section 6.03.

(d) By the deletion in Sections 6.05, 6.06 and 6.10 of the words “delivered pursuant to any request under Section 6.03” and of the words “in such request”, where those words severally occur.

(e) Section 6.07 is amended to read as follows :

“SECTION 6.07. *Form of Bonds.* (a) 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.

“(b) Notwithstanding any other provision of the Loan Agreement or these Regulations, if the Bank shall so require, the Borrower shall execute and deliver bonds pursuant to Section 4.02 of the Loan Agreement before the execution and delivery of the Trust Deed. The provisions of Section 6.07 of Loan Regulations No. 4

of the Bank, dated June 15, 1956, but before modification by subparagraph (a) of this Section, shall apply to the form of any such bonds, with appropriate changes therein satisfactory to the Bank, to provide for the exchange thereof, free of cost to the Bank, for Bonds of the same respective amounts, currencies and maturities issued under the Trust Deed, the Loan Agreement and these Regulations. All other provisions of the Loan Agreement, the Guarantee Agreement and these Regulations relating or referring to Bonds shall apply *mutatis mutandis* to such bonds except where such application would be clearly inconsistent with the requirements of this subparagraph.

“(c) All Bonds shall have the guarantee of the Guarantor endorsed thereon substantially in the form set forth in Schedule 3 to these Regulations.”

(f) By the addition at the beginning of Section 6.09 of the words following, namely:

“Except as the Bank and the Borrower shall otherwise agree, Bonds shall be dated as hereinafter in this Section provided.”

(g) By the addition in Section 6.11 of the following new subsection, 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.”

(h) By the deletion of Section 6.18.

(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.”, and the substitution therefor of the word “parties”.

(l) By the deletion of paragraph 6 of Section 10.01 and the substitution therefor of the following new paragraph, namely :

“6. The term ‘Borrower’ means the party to the Loan Agreement to which the Loan is made ; and the term ‘Guarantor’ means India, acting by its President.”

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

“The term ‘Bonds’ means Bonds issued and authenticated pursuant to the Trust Deed (except as otherwise provided in Section 6.07 (b), with the guarantee of the Guarantor endorsed thereon as provided in the Loan Agreement and the Guarantee Agreement.”