

No. 8049

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

Guarantee Agreement—*Sixth Industrial Credit and Investment Project* (with annexed Loan Regulations No. 4 and Loan Agreement between the Bank and the Industrial Credit and Investment Corporation of India Limited). Signed at Washington, on 28 May 1965

Official text: English.

Registered by the International Bank for Reconstruction and Development on 25 January 1966.

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

Contrat de garantie — *Sixième projet relatif au crédit et aux investissements industriels* (avec, en annexe, le Règlement n° 4 sur les emprunts et le Contrat d'emprunt entre la Banque et l'Industrial Credit and Investment Corporation of India Limited). Signé à Washington, le 28 mai 1965

Texte officiel anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 25 janvier 1966.

No. 8049. GUARANTEE AGREEMENT¹ (*SIXTH INDUSTRIAL CREDIT AND INVESTMENT PROJECT*) BETWEEN INDIA AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 28 MAY 1965

AGREEMENT, dated May 28, 1965, 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 Industrial Credit and Investment Corporation of India 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 various currencies equivalent to fifty million dollars (\$50,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition 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. 4 of the Bank dated February 15, 1961,³ subject, however, to the modifications thereof set forth in Schedule 2 to the 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.

Section 1.02. Wherever used in this Agreement, unless the context shall otherwise require, the several terms defined in the Loan Agreement shall have the respective meanings therein set forth.

¹ Came into force on 20 August 1965, upon notification by the Bank to the Government of India.

² See p. 48 of this volume.

³ See p. 46 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 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 will be made to that effect ; provided, however, that the foregoing provisions of this Section shall not apply to : (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property ; (ii) any pledge of commercial goods to secure a 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 (iii) 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 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 India 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 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 taxes on 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 India.

Section 3.04. This Agreement, the Loan Agreement and the Bonds shall be free from any taxes 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.

Section 3.06. The Guarantor shall not amend any of the Government Agreements.

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 :

Ecofairs
New Delhi

For the Bank :

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
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.

Section 5.03. If the Loan Agreement terminates pursuant to Section 7.02 thereof, this Guarantee Agreement and all obligations of the parties hereunder shall terminate.

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 Braj Kumar NEHRU
Authorized Representative

International Bank for Reconstruction and Development :

By George D. WOODS
President

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 4, DATED 15 FEBRUARY 1961

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

[Not published herein. See United Nations, Treaty Series, Vol. 400, p. 212.]

LOAN AGREEMENT

(SIXTH INDUSTRIAL CREDIT AND INVESTMENT PROJECT)

AGREEMENT, dated May 28, 1965, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and THE INDUSTRIAL CREDIT AND INVESTMENT CORPORATION OF INDIA LIMITED, a company duly incorporated under the Indian Companies Act, VII of 1913 (hereinafter called the Borrower).

WHEREAS by agreements dated March 14, 1955,¹ July 15, 1959,² October 28, 1960,³ February 28, 1962⁴ and June 5, 1963,⁵ respectively, all between the Bank and the Borrower, the Bank made loans to the Borrower to finance part of the Borrower's program of providing credits to, and making other productive investments in, private enterprises in India ;

WHEREAS by an agreement dated March 23, 1961, between the Development Loan Fund, an agency of the United States of America (hereinafter called the Development Loan Fund) and the Borrower, the Development Loan Fund made a loan to the Borrower for said program ;

WHEREAS by agreements dated April 26, 1963, July 29, 1964, and November 23, 1964, respectively, between the Kreditanstalt für Wiederaufbau, of Frankfurt-Main, Federal Republic of Germany (hereinafter called the Kreditanstalt), and the Borrower, the Kreditanstalt made loans to the Borrower for said program ;

WHEREAS the Government of India agreed to assist in financing part of said program by means of loans and advances pursuant to agreements with the Borrower dated January 29, 1955 and October 26, 1959, respectively ;

WHEREAS the Government of India and the Kreditanstalt have been negotiating additional loans for said program with the Borrower ; and

WHEREAS the Borrower has requested the Bank to make a further loan for said program ;

NOW THEREFORE the parties hereto hereby agree 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. 4 of the Bank dated February 15, 1961,⁶ subject, however, to the modifications thereof set forth in Schedule 2⁷ to this Agreement (said Loan Regulations No. 4

¹ United Nations, *Treaty Series*, Vol. 309, p. 129.

² United Nations, *Treaty Series*, Vol. 355, p. 95.

³ United Nations, *Treaty Series*, Vol. 406, p. 27.

⁴ United Nations, *Treaty Series*, Vol. 447, p. 3.

⁵ United Nations, *Treaty Series*, Vol. 481, p. 191.

⁶ See p. 46 of this volume.

⁷ See p. 68 of this volume.

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. Wherever used in this Loan Agreement or any Schedule thereto :

(a) the term "Bank Loan Agreements" shall mean the loan agreement dated March 14, 1955, the loan agreement dated July 15, 1959, the loan agreement dated October 28, 1960, the loan agreement dated February 28, 1962 and the loan agreement dated June 5, 1963, all between the Bank and the Borrower, as the same have been or may be amended from time to time by agreement between the Bank and the Borrower, or any one or more of such agreements as so amended as the context may require ;

(b) the term "DLF Agreement" shall mean the loan agreement dated March 23, 1961, between the Development Loan Fund and the Borrower, as the same has been or may be amended from time to time by agreement between the parties thereto ;

(c) the term "Kreditanstalt Agreements" shall mean the loan agreements dated April 26, 1963, July 29, 1964 and November 23, 1964 and the loan agreement referred to in Section 7.01(b) of this Agreement, all between the Kreditanstalt and the Borrower, as the same have been or may be amended from time to time by agreement between the parties thereto, or any one or more of such agreements as so amended as the context may require ;

(d) the term "Government Agreements" shall mean the agreements providing for loans or advances to the Borrower dated January 29, 1955 and October 26, 1959 and the agreement referred to in Section 7.01 (a) of this Agreement, respectively, all between the Guarantor and the Borrower, as the same have been or may be amended from time to time by agreement between the parties thereto and the Bank, and any other agreements providing for borrowings by the Borrower from the Guarantor ;

(e) the term "Investment Enterprise" shall mean an enterprise to which the Borrower shall have granted a credit, or in which it shall have made an investment, in accordance with and as provided in Section 3.01 of this Agreement ;

(f) the term "Investment Project" shall mean a specific development project to be carried out by an Investment Enterprise as shall be approved by the Bank or in respect of which amounts shall have been credited to the Loan Account pursuant to the provisions of Section 2.02 (b) of this Agreement ;

(g) the term "subsidiary" shall mean a subsidiary of the Borrower within the meaning of the Companies Act, 1956 (or any amendment thereof) of the Guarantor ;

(h) the term "foreign currency" shall mean any currency other than currency of the Guarantor ; and

(i) the letters "Rs." shall mean rupees in the currency of the Guarantor.

Words importing the singular number shall include the plural number and vice versa.

Article II

THE LOAN

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in this Loan Agreement set forth or referred to, an amount in various currencies equivalent to fifty million dollars (\$50,000,000).

Section 2.02. The Bank shall open a Loan Account on its books in the name of the Borrower. The amount of the Loan shall be credited to the Loan Account in installments as follows :

(a) When any Investment Project shall be approved by the Bank as in Section 3.02 of this Agreement provided, there shall be credited to the Loan Account, subject to the provisions of paragraph (d) of this Section, in respect of the estimated foreign currency cost of such Investment Project, such part of the Loan as the Bank shall approve.

(b) There shall be so credited, in respect of the estimated foreign currency cost of any Investment Project for which the Borrower is to grant a credit, such part of the Loan as the Borrower shall from time to time request, but not exceeding, with respect to any Investment Project such limit as shall from time to time be agreed by the Bank. Each request by the Borrower for credit to the Loan Account pursuant to this paragraph (b) shall state the Investment Project for which the part of the Loan to be credited is requested.

(c) The Borrower hereby covenants that, except as the Bank and the Borrower shall otherwise agree : (i) no credit shall be made pursuant to paragraph (a) of Section 2.02 of the loan agreements between the Bank and the Borrower dated July 15, 1959, October 28, 1960, February 28, 1962 and June 5, 1963, respectively, or of this Agreement for any Investment Project in respect of which a credit has been made pursuant to paragraph (b) of any such Section ; and (ii) no credit shall be made pursuant to paragraph (b) of any such Section for an Investment Project in respect of which a credit has been made pursuant to paragraph (a) of any such Section.

(d) Except as the Bank shall otherwise agree, no credit shall be made to the Loan Account pursuant to paragraph (a) of this Section : (i) in respect of any portion of the Loan the proceeds of which are to be re-loaned by the Borrower to an Investment Enterprise, until the Bank and the Borrower shall have agreed upon an amortization schedule for repayment of such proceeds by such Investment Enterprise to the Borrower ; or (ii) in respect of any portion of the Loan the proceeds of which are to be invested by the Borrower other than by way of loan, until the Bank and the Borrower shall have agreed upon the terms of such investment and upon an amortization schedule for the repayment of such portion of the Loan by the Borrower to the Bank.

(e) The Loan Account may, by agreement between the Bank and the Borrower, be reduced by any amount credited thereto pursuant to paragraph (a) or paragraph (b) of this Section. No such reduction shall be deemed *ipso facto* to be a cancellation of any portion of the Loan.

Section 2.03. Amounts credited to the Loan Account in respect of an Investment Project may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth in, the Loan Agreement, and shall be applied

exclusively for credits for, or investments in, the Investment Project in respect of which such amounts were credited to the Loan Account.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-eighths of one per cent ($\frac{3}{8}$ of 1%) per annum on the amount of each part of the Loan standing to the credit of the Borrower from time to time in the Loan Account. Such commitment charge shall accrue from the several dates on which amounts shall be credited to the Loan Account, or from such other date or dates as shall have been agreed upon between the Bank and the Borrower, to the respective dates on which (a) they are withdrawn from the Loan Account or are cancelled pursuant to Article V of the Loan Regulations or (b) the Loan Account is reduced in respect of such amounts pursuant to the provisions of Section 2.02 (e) of this Agreement.

Section 2.05. The Borrower shall pay interest at the rate of five and one-half per cent ($5\frac{1}{2}$ %) per annum on the principal amount of each part of the Loan withdrawn from the Loan Account and outstanding from time to time.

Section 2.06. 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 2.07. Interest and other charges shall be payable semi-annually on February 1 and August 1 in each year.

Section 2.08. The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 1 to this Agreement; provided, however, that said amortization schedule shall be amended from time to time to conform substantially to the aggregate of the amortization schedules applicable to the Investment Projects for which parts of the Loan have been credited to the Loan Account and, in the case of investments in Investment Projects other than loans, of the amortization schedules agreed between the Bank and the Borrower pursuant to Section 2.02 (d) (ii) of this Agreement. Such amendments of the amortization schedule shall include amendments of the premiums on prepayment and redemption if this is required. The amortization schedules applicable to the Investment Projects shall be satisfactory to the Bank, and, unless the Bank and the Borrower shall otherwise agree, shall not extend beyond 15 years from the date when the corresponding amounts are credited to the Loan Account.

Article III

DESCRIPTION OF THE PROJECT ; USE OF PROCEEDS OF THE LOAN

Section 3.01. The Project for which the Loan is granted is a program to contribute to the industrial development of India by providing credits for productive purposes to enterprises in India which are or will be controlled by private capital, and by making other productive investments in such enterprises, all for specific development projects, in accord-

ance with the Memorandum and Articles of Association of the Borrower, as amended from time to time, and in furtherance of the corporate purposes of the Borrower as therein set forth.

Section 3.02. The proceeds of the Loan shall be applied exclusively to the cost of goods required to carry out such Investment Projects as shall from time to time be approved by the Bank or in respect of which amounts have been credited to the Loan Account pursuant to the provisions of Section 2.02 (b) of this Agreement. Notwithstanding the provisions of Section 4.01 of the Loan Regulations, except as the Bank and the Borrower shall otherwise agree, no withdrawals shall be made on account of expenditures made for any such Investment Project more than ninety days prior to the submission of the Investment Project to the Bank for approval or, in the case of credits to the Loan Account pursuant to the provisions of Section 2.02 (b) of this Agreement, more than ninety days prior to the request for credit to the Loan Account.

Section 3.03. (a) When submitting an Investment Project to the Bank for approval, the Borrower shall furnish to the Bank an application, in form satisfactory to the Bank, containing a description of such Investment Project and such other information as the Bank shall reasonably request.

(b) Within 30 days from the date on which the Loan Account shall have been credited pursuant to the provisions of Section 2.02 (b) of this Agreement in respect of an Investment Project, the Borrower shall, if it has not already done so, furnish to the Bank a brief description, in form satisfactory to the Bank, of such Investment Project and of the terms and conditions of the Borrower's credit for such Investment Project.

(c) Except as the Bank and the Borrower shall otherwise agree, requests for approval of Investment Projects pursuant to the provisions of Section 2.02 (a) of this Agreement and for credits to the Loan Account pursuant to the provisions of Section 2.02 (b) of this Agreement shall be submitted on or before December 31, 1968.

Article IV

BONDS

Section 4.01. The Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in the Loan Regulations.

Section 4.02. Any two Directors for the time being of the Borrower are hereby designated as authorized representatives of the Borrower for the purposes of Section 6.12 (a) of the Loan Regulations. The foregoing shall be in addition to any other designation by the Borrower for such purpose.

Article V

PARTICULAR COVENANTS

Section 5.01. The Borrower shall carry out the Project and conduct its operations and affairs in accordance with sound financial and investment standards and practices,

under the supervision of qualified and experienced management and in accordance with its Memorandum and Articles of Association, as amended from time to time.

Section 5.02. (a) The Borrower shall exercise its rights in relation to each Investment Project financed in whole or in part out of the proceeds of the Loan in such manner as to protect the interests of the Bank and the Borrower.

(b) The Borrower undertakes that any credit granted by it to, or other investment made by it in, an Investment Enterprise for an Investment Project to be financed out of the proceeds of the Loan will be granted or made on terms whereby the Borrower shall obtain, by the written agreement of such Investment Enterprise or other appropriate legal means, rights adequate to protect the interests of the Bank and the Borrower, including the right to require such Investment Enterprise to carry out and operate the Investment Project with due diligence and efficiency and in accordance with sound engineering and financial standards, including the maintenance of adequate records; the right to require that the goods to be financed with the proceeds of the Loan shall be used exclusively in the carrying out of such Investment Project; the right of the Bank and the Borrower to inspect such goods and the sites, works and construction included in such Investment Project, the operation thereof and any relevant records and documents; the right to require that such Investment Enterprise shall take out and maintain such insurance, against such risks and in such amounts, as shall be consistent with sound industrial and business practices, and that, except as the Bank may otherwise agree, insurance covering marine and transit hazards on the goods financed out of the proceeds of the Loan shall be payable in freely convertible currencies or in the currency in which the cost of the goods insured thereunder shall be payable; and the right to obtain all such information as the Bank and the Borrower shall reasonably request relating to the foregoing and to the operations and financial condition of such Investment Enterprise. Such rights shall include appropriate provision whereby further access by such enterprise to use of the proceeds of the Loan may be suspended or terminated by the Borrower upon failure by such Investment Enterprise to carry out the terms of such credit or other investment.

Section 5.03. (a) 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 Project, the Investment Enterprises, the Investment Projects and the administration, operations and financial condition of the Borrower.

(b) The Borrower shall maintain records adequate to record the progress of the Project and of each Investment Project (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of the Borrower. The Borrower shall enable the Bank's representatives to examine such records.

Section 5.04. (a) The Bank and the Borrower shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end the Bank and the Borrower shall from time to time, at the request of either party, exchange views through their representatives with regard to the progress of the Project, the performance by the Borrower of its obligations under the Loan Agreement, the administration, operations and

financial condition of the Borrower and any other matters relating to the purposes of the Loan.

(b) 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, the maintenance of the service thereof or the performance by the Borrower of its obligations under the Loan Agreement.

Section 5.05. The Borrower undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Borrower as security for any 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: (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property; (ii) any lien on commercial goods to secure a debt maturing not more than one year after the date on which it is originally incurred and to be paid out of the proceeds of sale of such commercial goods; or (iii) any lien arising in the ordinary course of banking transactions to secure a debt maturing not more than one year after its date.

Section 5.06. Except as shall be otherwise agreed between the Bank and the Borrower, the Borrower shall not incur or permit any subsidiary to incur any indebtedness if, after the incurring of any such indebtedness, the consolidated indebtedness of the Borrower and all its subsidiaries then incurred and outstanding would be greater than four times the consolidated capital and surplus of the Borrower and all its subsidiaries.

For the purposes of this Section:

- (a) The term "indebtedness" means any indebtedness incurred by the Borrower or a subsidiary maturing more than one year after the date on which it is originally incurred, including indebtedness assumed or guaranteed by the Borrower or a subsidiary but not including indebtedness of the Borrower to the Guarantor, under agreements dated January 29, 1955 and October 26, 1959 and under the agreement referred to in Section 7.01 (a) of this Agreement, in a total amount of Rs. 275,000,000.
- (b) Indebtedness shall be deemed to be incurred on the date when (i) such indebtedness becomes outstanding and repayable in accordance with the agreement providing therefor, or (ii) the Borrower or any subsidiary shall have contracted with a third party to re-lend the proceeds of such indebtedness, or (iii) in the case of the guarantee or assumption of such indebtedness, the Borrower or a subsidiary shall have entered into an agreement providing for such guarantee or assumption.
- (c) Whenever in connection with this Section it shall be necessary to value in terms of Indian currency debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt.
- (d) The term "consolidated indebtedness" shall mean the total amount of indebtedness of the Borrower and of all its subsidiaries 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 of the Borrower" shall mean the aggregate of (i) the unimpaired capital of the Borrower ; (ii) the amount at the time outstanding but not yet due for payment of the advance under the agreement dated January 29, 1955 between the Guarantor and the Borrower ; and (iii) the surplus and free reserves of the Borrower, that is to say, reserves not set apart for any specific purpose.
- (f) The term "consolidated capital and surplus" shall mean the total amount of capital and surplus of the Borrower and of all its subsidiaries after excluding such items of capital and surplus as shall represent equity interest by the Borrower or any subsidiary in the Borrower or any subsidiary.

Section 5.07. The Borrower shall pay or cause to be paid all taxes, 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 this Loan Agreement, the Guarantee Agreement 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 taxes on 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 India.

Section 5.08. The Borrower shall pay or cause to be paid all taxes, if any, imposed under the laws of the country or countries in whose currency the Loan and the Bonds are payable or laws in effect in the territories of such country or countries on or in connection with the execution, issue, delivery or registration of this Loan Agreement, the Guarantee Agreement or the Bonds.

Section 5.09. The Borrower shall not amend its Memorandum or Articles of Association or abrogate, waive, or amend, or agree to the amendment of any provision of any of the Government Agreements, the DLF Agreement or the Kreditanstalt Agreements without the approval of the Bank.

Section 5.10. Without the approval of the Bank no payment shall be made in respect of the loans and advances under any of the Government Agreements, the DLF Agreement or the Kreditanstalt Agreements, except at the times and in the amounts therein provided.

Section 5.11. 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 5.12. The Borrower shall duly perform all obligations to be performed by it under the Government Agreements, the DLF Agreement and the Kreditanstalt Agreements.

Article VI

REMEDIES OF THE BANK

Section 6.01. (a) (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 any event specified for the purposes of 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 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 Agreement or in the Bonds to the contrary notwithstanding.

(b) Each of the following events is specified as an event for the purposes of paragraph (j) of Section 5.02 of the Loan Regulations :

- (i) demand shall have been made for repayment in advance of maturity of any loans or credits to the Borrower, having an original maturity of one year or more, by reason of any default specified in an agreement providing for any such loan or credit ;
- (ii) an order is made or a resolution passed for the winding up of the Borrower ;
- (iii) the Guarantor shall have taken any action under the Companies Act, 1956, as further amended by the Companies (Amendment) Act, 1963, to convert all or any part of advances or loans to the Borrower into shares in the Borrower at a time when the Borrower is duly performing its obligations under the Government Agreements.

Section 6.02. The Bank and the Borrower hereby agree (i) that for the purposes of each of the Bank Loan Agreements and this Loan Agreement an event referred to in paragraph (c) of Section 5.02 of the Loan Regulations No. 4 of the Bank applicable to any such Agreement shall be deemed to be an event under paragraph (c) of Section 5.02 of the Loan Regulations No. 4 of the Bank applicable to any other such Agreement and (ii) that for the purposes of each of the Bank Loan Agreements the event referred to in Section 6.01 (b) (iii) of this Agreement shall be deemed to be an event specified in paragraph (a) of Section 5.02 of the Loan Regulations No. 4 of the Bank applicable to such Agreement.

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) The Borrower and the Guarantor shall have entered into an agreement satisfactory to the Bank providing for a loan to the Borrower of Rs.100,000,000 ; and
- (b) The Borrower and the Kreditanstalt shall have entered into an agreement satisfactory to the Bank providing for a loan to the Borrower of 5,000,000 Deutsche Mark.

Section 7.02. If this Loan Agreement shall not have come into force and effect by August 31, 1965, this Loan Agreement and all obligations of the parties hereunder shall terminate, unless the Bank, after consideration of the reasons for the delay, establishes a later date for purposes of this Section. The Bank shall promptly notify the Borrower and the Guarantor of such later date.

Article VIII

MISCELLANEOUS

Section 8.01. The Closing Date shall be June 30, 1970, or such other date as shall be agreed upon between the Bank and the Borrower.

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

For the Bank :

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Alternative address for cablegrams and radiograms :

Intbafrad
Washington, D.C.

For the Borrower :

The Industrial Credit and Investment Corporation of India Limited
163, Backbay Reclamation
Bombay 1, India

Alternative address for cablegrams and radiograms :

Credcorp
Bombay

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 George D. WOODS
President

The Industrial Credit and Investment Corporation of India Limited :

By G. L. MEHTA
Authorized Representative

SCHEDULE 1

AMORTIZATION SCHEDULE

<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>	<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>
February 1, 1968	\$164,000	February 1, 1976	\$2,483,000
August 1, 1968	318,000	August 1, 1976	2,590,000
February 1, 1969	478,000	February 1, 1977	2,700,000
August 1, 1969	756,000	August 1, 1977	2,813,000
February 1, 1970	1,158,000	February 1, 1978	2,556,000
August 1, 1970	1,401,000	August 1, 1978	2,326,000
February 1, 1971	1,543,000	February 1, 1979	2,087,000
August 1, 1971	1,659,000	August 1, 1979	1,837,000
February 1, 1972	1,779,000	February 1, 1980	1,576,000
August 1, 1972	1,854,000	August 1, 1980	1,456,000
February 1, 1973	1,933,000	February 1, 1981	1,330,000
August 1, 1973	2,016,000	August 1, 1981	1,084,000
February 1, 1974	2,102,000	February 1, 1982	524,000
August 1, 1974	2,191,000	August 1, 1982	242,000
February 1, 1975	2,284,000	February 1, 1983	251,000
August 1, 1975	2,381,000	August 1, 1983	128,000

* To the extent that any portion of the Loan is repayable in a currency other than dollars (see Loan Regulations, Section 3.03), the figures in this column 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>Premiums</i>
Not more than three years before maturity	1/2 %
More than three years but not more than six years before maturity	1 1/2 %
More than six years but not more than eleven years before maturity	2 1/2 %
More than eleven years but not more than fourteen years before maturity	3 1/2 %
More than fourteen years but not more than sixteen years before maturity	4 1/2 %
More than sixteen years before maturity	5 1/2 %

SCHEDULE 2

MODIFICATIONS OF LOAN REGULATIONS No. 4

For the purposes of this Agreement, the provisions of Loan Regulations No. 4 of the Bank, dated February 15, 1961, shall be deemed to be modified as follows :

(a) By the deletion of Sections 2.01 and 2.02.

(b) By the deletion of sub-paragraph (b) of Section 2.05 and the substitution therefor of the following sub-paragraph :

“(b) The Borrower shall have the right, upon payment of all accrued interest and payment of the premium specified in the amortization schedule to the Loan Agreement, and upon not less than 45 days’ notice to the Bank, to repay in advance of maturity (i) all of the principal amount of any part of the Loan at the time outstanding or (ii) all of the principal amount of any one or more maturities of any part of the Loan, provided that on the date of such payment there shall not be outstanding any portion of such part of the Loan maturing after the portion to be prepaid. However, if Bonds shall have been delivered pursuant to Article VI in respect of any portion of any part of the Loan to be prepaid, the terms and conditions of prepayment of that portion of such part of the Loan shall be those set forth in Section 6.16 and in such Bonds.”

(c) By the addition to Section 2.05 of the following new sub-paragraph (d) :

“(d) The Bank and the Borrower may from time to time agree upon arrangements for prepayment and the application thereof in addition to, or in substitution for, those set forth in the provisions of paragraph (b) of Section 2.05 and Section 6.16 of these Regulations.”

(d) By the substitution in the second sentence of Section 4.03 of the words “Investment Projects” for the word “Project”.

(e) By the deletion in sub-paragraph (b) of Section 5.03 of the words “from the Loan Account”.

(f) By the deletion of Section 5.05 and the substitution therefor of the following Section :

“SECTION 5.05. *Application of Reduction of Loan Account and of Cancellation to Maturities.* Except as otherwise agreed between the Bank and the Borrower, any cancellation pursuant to this Article or any reduction of the Loan Account pursuant to Section 2.02 (e) of the Loan Agreement in respect of any part of the Loan credited to the Loan Account shall be applied *pro rata* to the several maturities of the principal amount of such part of the Loan as set forth in the amortization schedule to the Loan Agreement, except that the principal amount of any such maturity so cancelled shall not exceed the amount of such maturity remaining after deducting the principal amount of Bonds of such maturity theretofore delivered or requested pursuant to Article VI and the Bonds or portions of the Loan of such maturity theretofore sold or agreed to be sold by the Bank.”

(g) By the deletion of the following words in the fourth and fifth lines of paragraph (c) of Section 7.04 : “or, if they shall not agree, by the Guarantor.”

(h) By the deletion of Section 9.04.

(i) By the deletion of paragraph 4 of Section 10.01 and the substitution therefor of the following paragraph :

“4. The term ‘Loan’ means the loan provided for in the Loan Agreement, and the term ‘part of the Loan’ means the portion of the Loan credited to the Loan Account in respect of an Investment Project.”

(j) By the deletion of paragraph 6 of Section 10.01 and the substitution therefor of the following paragraph :

“6. The term ‘Borrower’ means The Industrial Credit and Investment Corporation of India Limited and the term ‘Guarantor’ means India, acting by its President.”

(k) By the deletion of paragraph 10 of Section 10.01 and the substitution therefor of the following paragraph :

“10. The term ‘Loan Account’ means the account on the books of the Bank to which the amount of each part of the Loan is to be credited as provided in the Loan Agreement.”

(l) By the deletion of paragraph 11 of Section 10.01 and the substitution therefor of the following paragraph :

“11. The term ‘Project’ means the project for which the Loan is granted, as described in Section 3.01 of the Loan Agreement and as the description thereof shall be amended from time to time by agreement between the Bank and the Borrower.”

(m) By the deletion of the first sentence of paragraph 12 of Section 10.01 and the substitution therefor of the following sentence :

“12. The term ‘goods’ means equipment, supplies and services required for the Investment Projects financed out of the proceeds of the Loan.”