

No. 8610

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

Guarantee Agreement—*Fourth Indian Iron and Steel Project* (with annexed Loan Regulations No. 4 and Loan Agreement between the Bank and the Indian Iron and Steel Company, Limited). Signed at Washington, on 7 July 1966

Official text : English.

Registered by the International Bank for Reconstruction and Development on 12 April 1967.

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

Contrat de garantie — *Quatrième projet indien relatif à la sidérurgie* (avec, en annexe, le Règlement n° 4 sur les emprunts et le Contrat d'emprunt entre la Banque et l'Indian Iron and Steel Company, Limited). Signé à Washington, le 7 juillet 1966

Texte officiel anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 12 avril 1967.

No. 8610. GUARANTEE AGREEMENT¹ (*FOURTH INDIAN IRON AND STEEL PROJECT*) BETWEEN INDIA AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 7 JULY 1966

AGREEMENT, dated July 7, 1966, 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 in various currencies equivalent to thirty million dollars (\$ 30,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that the Guarantor agree to guarantee the payment of the principal, interest and other charges on 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 February 15, 1961,² subject, however, to the modifications thereof set forth in Schedule 3 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.

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

¹ Came into force on 16 March 1967, upon notification by the Bank to the Government of India.

² See p. 10 of this volume.

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 ; or (b) 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 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 im-

positions 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 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, Department of Economic Affairs
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.

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 P. K. BANERJEE
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

(*FOURTH INDIAN IRON AND STEEL PROJECT*)

AGREEMENT, dated July 7, 1966, 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) By a loan agreement dated December 18, 1952,¹ between the Bank and the Borrower, the Bank agreed to make a loan (hereinafter called the first loan) to the Borrower of \$31,500,000, or the equivalent thereof in currencies other than dollars,

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

for the purpose of financing a project for the expansion and modernization of its production facilities ;

(B) By a loan agreement dated December 19, 1956,¹ between the Bank and the Borrower, the Bank agreed to make a further loan (hereinafter called the second loan) to the Borrower of \$20,000,000, or the equivalent thereof in currencies other than dollars, for the further expansion and modernization of its production facilities (hereinafter called the second project) ;

(C) By a loan agreement dated December 22, 1961,² between the Bank and the Borrower, the Bank agreed to make a further loan (hereinafter called the third loan) to the Borrower of an amount in various currencies equivalent to \$19,500,000, for the purpose of financing a project for increasing its coal production capacity (hereinafter called the third project) ;

(D) The first loan, the second loan and the third loan were guaranteed as to payment of principal, interest and other charges by India, acting by its President (hereinafter called the Guarantor) ;

(E) By the 1966 Trust Deed (as hereinafter defined) the Borrower created, as security for the first loan, the second loan and the third 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 ;

(F) The Bank has been requested to make a fourth loan to the Borrower to be similarly guaranteed by the Guarantor upon the terms of a Guarantee Agreement of even date herewith ;

(G) The security constituted by the 1966 Trust Deed is to be appropriately modified and extended, as hereinafter in Section 5.03 provided, so that the first loan, the second loan, the third loan and such fourth loan shall rank *pari passu* in respect of such security as so modified ; and

(H) 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 1966 Trust Deed and it is intended that such securities be varied so as to permit the security for the said fourth loan also to rank in priority thereto ;

WHEREAS the Bank has 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. 4 of the Bank dated February 15, 1961,³ subject, however, to the modi-

¹ United Nations, *Treaty Series*, Vol. 310, p. 75.

² United Nations, *Treaty Series*, Vol. 481, p. 85.

³ See p. 10 of this volume.

fications thereof set forth in Schedule 3 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. Except where the context otherwise requires, the following terms have the following meanings wherever used in this Agreement or any schedule thereto :

(a) The term "1966 Trust Deed" means the Trust Deed dated 28th September, 1954 made between the Borrower and others, and Baring Brothers & Co., Limited (hereinafter called Barings), as trustees, and the Bank, securing mortgage bonds of the first loan in the principal amount of \$31,500,000, or the equivalent in various currencies, as modified and supplemented by the Supplemental Trust Deed dated 29th April, 1958 made between the same parties, securing the first loan, the second loan, and the bonds issuable in respect thereof, in the aggregate principal amount of \$51,500,000, or the equivalent in other currencies, and as further modified and supplemented by the Supplemental Trust Deed dated 27th May, 1966 made also between the Borrower and others, and Barings, as trustees, and the Bank, securing the first loan, the second loan, the third loan and the bonds issuable in respect thereof, all in the aggregate principal amount in various currencies equivalent to \$71,000,000, and (except where the context otherwise requires) shall include any deed or instrument supplemental thereto.

(b) The term "Supplemental Indenture" means the deed or deeds and other instruments which shall be executed by the Borrower in accordance with the provisions of Section 5.03 of this Agreement in order to modify and extend the security of the 1966 Trust Deed as in said Section provided.

(c) The term "Trust Deed" means the 1966 Trust Deed as modified by the Supplemental Indenture and shall, except where the context otherwise requires, include each deed and other instrument included in the Supplemental Indenture and any deed or deeds supplemental to the 1966 Trust Deed as so modified which shall be executed and delivered in accordance with the provisions thereof.

(d) The term "Government Agreement" means the agreement between the Guarantor and the Borrower dated July 15, 1953, as supplemented by the agreement dated July 21, 1955 and as amended by the agreement dated May 31, 1966, both between the Guarantor and the Borrower, concerning funds advanced by the Guarantor to the Borrower.

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

(f) The term "rupees" and the letters "Rs." mean currency of the Guarantor.

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, an amount in various currencies equivalent to thirty million dollars (\$30,000,000).

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, this Loan Agreement; provided, however, that, until the Borrower shall have complied with the provisions of Sections 5.03 and 5.04 of this Agreement, no more than an amount equivalent to eight million dollars (\$8,000,000) shall be withdrawn from the Loan Account, except as the Bank may otherwise agree.

Section 2.03. The Borrower shall be entitled, subject to the provisions of the Loan Agreement, to withdraw from the Loan Account such amounts as shall have been paid for the reasonable cost of goods to be financed out of the proceeds of the Loan and, if the Bank shall so agree, such amounts as shall be required to meet payments to be made for the reasonable cost of such goods; provided, however, that except as the Bank and the Borrower shall otherwise agree no withdrawals shall be made on account of: (i) expenditures prior to the Effective Date, or (ii) expenditures in the territories of any country which is not a member of the Bank (other than Switzerland) or for goods produced in (including services supplied from) such territories.

Section 2.04. Withdrawals from the Loan Account in respect of expenditures in the currency of the Guarantor or for goods produced in (including services supplied from) the territories of the Guarantor shall be in dollars or such other currency or currencies as the Bank shall from time to time reasonably select.

Section 2.05. 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 principal amount of the Loan not so withdrawn from time to time.

Section 2.06. The Borrower shall pay interest at the rate of six per cent (6%) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

Section 2.07. 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 2.08. Interest and other charges shall be payable semi-annually on May 15 and November 15 in each year.

Section 2.09. The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 1 to this Agreement.

Section 2.10. For the purposes of facilitating the sale of portions of the Loan or Bonds, it is agreed that in connection with any such sale, notwithstanding the provisions of Sections 3.03 and 3.04 of the Loan Regulations, the Bank and the Borrower, with the consent of the Guarantor, may from time to time agree that any portion of the Loan repayable in one currency may be made repayable in one or more other currencies and

from the date specified in such agreement such portion of the Loan shall be repayable in such other currency or currencies.

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 2 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. Except as the Bank shall otherwise agree, the Borrower shall cause all goods financed out of the proceeds of the Loan to be used in the territories of the Guarantor 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 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 Borrower shall effect original issues of the Bonds only as in this Loan Agreement provided.

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, authen-

tication 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 industrial, engineering, financial and business practices.

(b) Except as the Bank shall otherwise agree, the Borrower shall, in carrying out the Project, employ consultants and contractors acceptable to, and to an extent and upon terms and conditions satisfactory to, the Bank and the Borrower.

(c) 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 request.

(d) 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 operations and financial condition of the Borrower ; shall enable the Bank's representatives to inspect the Project, the goods, all other plants, works, properties, equipment and operations of the Borrower and its subsidiaries, and any relevant books, 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 administration, operations and financial condition 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, the maintenance of the service thereof or the performance by the Borrower of its obligations under the Loan Agreement.

(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 execute and deliver, and shall cause all other necessary parties to execute and deliver, all such deeds and other instruments, in such

form, as the Bank may reasonably require to cause the 1966 Trust Deed to be so modified and extended that as so modified and extended it will constitute by way of security for the principal of, interest on and premium on prepayment, if any, on the Loan, the Bonds, the first loan and the bonds issuable in respect thereof, the second loan and the bonds issuable in respect thereof and the third loan and the bonds issuable in respect thereof, all of which shall rank *pari passu inter se* in respect of such security : (1) a first fixed mortgage upon all the properties now owned or hereafter acquired by the Borrower and expressed in the 1966 Trust Deed to be the specifically mortgaged premises thereunder and (2) a first floating charge upon all the property and assets expressed in the 1966 Trust Deed to be charged or intended so to be by the first floating charge created thereby, such mortgage and charge to rank in point of security prior to any other mortgage, charge or lien upon any of the properties or assets of the Borrower, now existing or hereafter created, provided, however, that the Trust Deed shall empower the Borrower to create or allow to remain outstanding mortgages or charges (specific or floating) ranking in priority to the floating charge existing, or to be created, under or pursuant to the Trust Deed and securing any indebtedness towards bankers incurred in the ordinary course of business and maturing on demand or not more than one year after the date upon which it is originally incurred, the aggregate amount of such indebtedness not to exceed two hundred million rupees (Rs. 200,000,000) in principal amount at any one time outstanding.

(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 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 Supplemental Indenture and shall duly register, or cause to be duly registered, the Supplemental Indenture and 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) in respect to all immovable property or interests therein which by the terms of the Trust Deed is charged or is intended to be charged under the first fixed mortgage, that the Borrower and all other necessary parties for the purpose of effecting such charge have a good and marketable title to such property ; (b) that the Supplemental Indenture has been duly authorized and executed and delivered on behalf of the Borrower and all other necessary parties thereto, that the Trust Deed constitutes a valid and effective mortgage and charge securing the Loan, the Bonds, the first loan and the bonds issuable in respect thereof, the second loan and the bonds issuable in respect thereof and the third loan and the bonds issuable in respect thereof 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 incurred in the ordinary course of business and payable on demand or 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) The term "incur" with reference to any indebtedness shall include any modification of the terms of payment of such indebtedness. Indebtedness shall be deemed to be incurred (i) under a contract or loan agreement, on the date it is drawn down pursuant to such contract or loan agreement and (ii) under a guarantee agreement, on the date the agreement providing for such guarantee shall have been entered into.
- (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, maintain and renew such rights, powers, privileges and franchises, 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, under the supervision of qualified and experienced management, and shall operate, maintain, renew and repair its plants,

machinery, equipment and property as required in accordance with sound engineering practices.

Section 5.07. Subject to such exemption as shall be conferred by the provisions of Sections 3.03 and 3.04 of the Guarantee Agreement, 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 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 (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 5.08. 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. (a) The Borrower shall take out and maintain with responsible insurers or make other provision satisfactory to the Bank for insurance against such risks and in such amount as shall be consistent with sound practice.

(b) Without limiting the generality of the foregoing, the Borrower undertakes to insure the imported goods to be financed out of the proceeds of the Loan against marine, transit and other hazards incident to acquisition, transportation and delivery thereof to the place of use or installation and for such insurance any indemnity shall be payable in a currency freely usable by the Borrower to replace or repair such goods.

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 1966 Trust Deed or of the Supplemental Indenture 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.

Section 5.11. Except as the Bank and the Borrower shall otherwise reasonably agree the Borrower shall not until the completion of the Project undertake, or make any investment in, any additions to, or expansion of, its existing facilities (other than the Project and the third project) or any new venture, project or enterprise, if the total aggregate estimated cost of all the foregoing would exceed Rs. 10 million or its equivalent, except

in accordance with a financial plan approved in advance by the Bank. This limitation shall not apply to normal replacement and repairs of existing facilities.

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 any event specified in paragraphs (b), (c) or (d) of Section 6.02 of this Agreement 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, the Trust Deed or the Bonds to the contrary notwithstanding.

Section 6.02. Pursuant to paragraph (j) of Section 5.02 of the Loan Regulations, the following are specified as additional events for the purposes of said Section :

- (a) failure by the Borrower to fulfill an obligation to make payment of principal or interest or any other payment required under this Loan Agreement or any other loan agreement between the Borrower and the Bank or under any bond delivered pursuant to any such agreement even though such payment has been made by other persons ;
- (b) the Government Agreement or the loan agreement providing for the loan referred to in paragraph (d) of Section 8.01 of this Agreement shall be amended or cancelled without the consent of the Bank ;
- (c) any lien securing any loan from the Bank to the Borrower, or securing any bonds issued or issuable thereunder, shall become enforceable ; and
- (d) 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 Agreement.

Section 6.03. The Bank and the Borrower hereby agree that for the purposes of the loan agreements between the Bank and the Borrower dated December 18, 1952, December 19, 1956 and December 22, 1961, the events referred to in paragraphs (b) and (d) of Section 6.02 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 loan agreements.

*Article VII*MODIFICATIONS OF LOAN AGREEMENTS DATED DECEMBER 18, 1952,
DECEMBER 19, 1956 AND DECEMBER 22, 1961

Section 7.01. For the purposes of the Loan Agreement dated December 18, 1952, between the Bank and the Borrower, paragraph (c) of Section 5.02 of Loan Regulations No. 4 of the Bank, dated October 15, 1952 is amended to read :

“(c) A default shall have occurred in the performance of any other covenant or agreement on the part of the Borrower or the Guarantor under the Loan Agreement, the Guarantee Agreement or the Bonds, or under the Loan Agreement dated July 7, 1966, the Guarantee Agreement of even date therewith, or the bonds therein provided for.” ;

and the term “Loan Regulations” as used for the purposes of the said Loan Agreement shall mean Loan Regulations No. 4 of the Bank, dated October 15, 1952, as amended by said Loan Agreement and as further amended hereby.

Section 7.02. For the purposes of the Loan Agreement dated December 19, 1956, between the Bank and the Borrower, paragraph (c) of Section 5.02 of Loan Regulations No. 4 of the Bank, dated June 15, 1956 is amended to read :

“(c) A default shall have occurred in the performance of any other covenant or agreement on the part of the Borrower or the Guarantor under the Loan Agreement, the Guarantee Agreement or the Bonds, or under the Loan Agreement dated July 7, 1966, the Guarantee Agreement of even date therewith, or the bonds therein provided for.” ;

and the term “Loan Regulations” as used for the purposes of the said Loan Agreement shall mean Loan Regulations No. 4 of the Bank, dated June 15, 1956,¹ as amended by said Loan Agreement and as further amended hereby.

Section 7.03. For the purposes of the Loan Agreement dated December 22, 1961, between the Bank and the Borrower, paragraph (c) of Section 5.02 of Loan Regulations No. 4 of the Bank, dated February 15, 1961 is amended to read :

“(c) A default shall have occurred in the performance of any other covenant or agreement on the part of the Borrower or the Guarantor under the Loan Agreement, the Guarantee Agreement or the Bonds, or under the Loan Agreement dated July 7, 1966, the Guarantee Agreement of even date therewith,² or the bonds therein provided for.” ;

and the term “Loan Regulations” as used for the purposes of said Loan Agreement shall mean Loan Regulations No. 4 of the Bank, dated February 15, 1961,³ as amended by said Loan Agreement and as further amended hereby.

¹ United Nations, *Treaty Series*, Vol. 260, p. 376.

² See p. 4 of this volume.

³ See p. 10 of this volume.

Article VIII

EFFECTIVE DATE ; TERMINATION

Section 8.01. 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 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 constituted by the Trust Deed or intended so to be ;

(b) the Borrower shall certify in writing to the Bank that, as of a date to be agreed between the Borrower and the Bank, there has been no material adverse change in its condition since the date of this Agreement ;

(c) the Borrower has satisfied the Bank that the Borrower will be able to acquire all land, interests in land, properties, adequate electric power supply and all such rights, privileges and franchises as shall be necessary for the diligent carrying out of the Project and for its operation ; and

(d) the Borrower has contracted a long-term loan, on terms and conditions satisfactory to the Bank, of Rs. 50 million.

Section 8.02. The following are specified as additional matters, within the meaning of Section 9.02 (c) of the Loan Regulations, to be included in the opinion or opinions to be furnished to the Bank :

(a) that the Borrower has full power and authority to construct and operate the Project and that all corporate and governmental acts, consents and approvals necessary therefor have been duly and validly performed or given ;

(b) that the Government Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Guarantor and the Borrower and constitutes a valid and binding obligation of the parties thereto in accordance with its terms ; and

(c) that the loan agreement providing for the Loan referred to in paragraph (d) of Section 8.01 of this Agreement has been duly authorized or ratified by, and executed and delivered on behalf of the Borrower and the lender and constitutes a valid and binding obligation of the parties in accordance with its terms.

Section 8.03. If this Loan Agreement shall not have come into force and effect by November 30, 1966 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 IX

MISCELLANEOUS

Section 9.01. The Closing Date shall be June 30, 1971, or such other date as shall be agreed upon by the Borrower and the Bank.

Section 9.02. 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 Indian Iron and Steel Company, Limited
12 Mission Row
Calcutta, 1, India

Alternative address for cablegrams and radiograms :

Inisco
Calcutta

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 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>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>
November 15, 1971	\$ 780,000	May 15, 1978	\$1,145,000
May 15, 1972	800,000	November 15, 1978	1,175,000
November 15, 1972	825,000	May 15, 1979	1,210,000
May 15, 1973	850,000	November 15, 1979	1,250,000
November 15, 1973	875,000	May 15, 1980	1,285,000
May 15, 1974	900,000	November 15, 1980	1,325,000
November 15, 1974	930,000	May 15, 1981	1,365,000
May 15, 1975	955,000	November 15, 1981	1,405,000
November 15, 1975	985,000	May 15, 1982	1,450,000
May 15, 1976	1,015,000	November 15, 1982	1,490,000
November 15, 1976	1,045,000	May 15, 1983	1,535,000
May 15, 1977	1,075,000	November 15, 1983	1,580,000
November 15, 1977	1,110,000	May 15, 1984	1,640,000

* To the extent that any part 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>Premium</i>
Not more than three years before maturity	½ %
More than three years but not more than six years before maturity	1½ %
More than six years but not more than eleven years before maturity	2½ %
More than eleven years but not more than fourteen years before maturity	3½ %
More than fourteen years but not more than sixteen years before maturity	5 %
More than sixteen years before maturity	6 %

SCHEDULE 2

DESCRIPTION OF PROJECT

The Project consists of a program to increase the Borrower's primary steel making capacity and to improve the utilization of its existing rolling mills and finishing lines. Output of saleable steel will be increased by about 248,000 tons per year.

The Project includes :

- (i) Improvements at iron ore mines and development of limestone deposits.
- (ii) Installation of steam and oil injection at the blast furnaces.
- (iii) Provision of oxygen lances for the open-hearth furnaces, a 200-ton per day oxygen plant and oxygen distribution, a 40-ton electric arc furnace, and scrap charging and material handling equipment.
- (iv) Installation of a continuous casting plant with a capacity of 300,000 tons per year and a bloom reheating furnace.
- (v) Modifications to rolling mills and installation of paint-coating facilities for sheets and welding equipment for special structural sections.
- (vi) Installation of two 150,000 lb per hour boilers with ancillary plant.
- (vii) Additions to railway, material handling and stocking facilities and general plant services.
- (viii) Provision of essential imported spare parts and replacements for maintenance purposes.

The Project is expected to be completed in the first half of 1970.

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 February 15, 1961, shall be deemed to be modified as follows :

- (a) By the deletion of the second sentence of Section 3.02, and of Section 4.01.
- (b) Paragraph (c) of Section 5.02 is amended to read as follows :

“(c) A default shall have occurred in the performance of any other covenant or agreement on the part of the Borrower or the Guarantor under the Loan Agreement, the Guarantee Agreement or the Bonds, or under the Loan Agreements dated December 18, 1952, December 19, 1956 and December 22, 1961, the respective Guarantee Agreements of even date therewith, or the bonds therein provided for.”.
- (c) By the deletion of Sections 6.01 and 6.03.
- (d) By the deletion in Sections 6.05, 6.06 and 6.10 of the words “under Section 6.03 or”.
- (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 (i) provide for payment of principal, interest and premium on redemption, if any, in such other currency, (ii) provide for such place of payment as the Bank shall specify, and (iii) 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 Supplemental Indenture. The provisions of Section 6.07 of Loan Regulations No. 4 of the Bank, dated February 15, 1961, 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 deletion in Section 6.11 of paragraph (c) thereof and the substitution of the following new paragraph (c) therefor :

“(c) Subject to the provisions of Sections 6.05 and 6.06 of these Regulations, Bonds payable in any currency may be exchanged 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 paragraphs (b) to (f) inclusive and (j) of Section 7.04 and the substitution therefor of the following paragraphs, 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 words “parties.”.

(l) By the deletion in Section 9.02 of part (ii) of paragraph (a).

(m) By the deletion of Section 9.04 and the substitution therefor of the following new Section, namely :

“SECTION 9.04. *Termination of Guarantee Agreement upon termination of Loan Agreement.* If, in accordance with the provisions thereof, the Loan Agreement shall be terminated for failure to become effective, the Guarantee Agreement and all obligations of the parties thereunder shall also terminate. The Bank shall promptly give notice of such termination to the Guarantor.”.

(n) 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.”.

(o) By the deletion of paragraph 9 of Section 10.01 and the substitution therefor of the following new paragraph, namely :

“9. 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.”.
