

No. 8880

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
and
INDIA

Guarantee Agreement — *Seventh Industrial Credit and Investment Project* (with annexed Loan Regulations No. 4, as amended, and Loan Agreement between the Bank and the Industrial Credit and Investment Corporation of India Limited). Signed at Washington, on 19 September 1967

Official text: English.

Registered by the International Bank for Reconstruction and Development on 29 December 1967.

BANQUE INTERNATIONALE POUR
LA RECONSTRUCTION ET LE DÉVELOPPEMENT
et
INDE

Contrat de garantie — *Septième projet relatif au crédit et aux investissements industriels* (avec, en annexe, le Règlement n° 4 sur les emprunts, tel qu'il a été modifié, et le contrat d'emprunt entre la Banque et l'Industrial Credit and Investment Corporation of India Limited). Signé à Washington, le 19 septembre 1967

Texte officiel anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 29 décembre 1967.

No. 8880. GUARANTEE AGREEMENT¹ (*SEVENTH INDUSTRIAL CREDIT AND INVESTMENT PROJECT*) BETWEEN INDIA AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 19 SEPTEMBER 1967

AGREEMENT, dated September 19, 1967, 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 twenty-five million dollars (\$25,000,000), 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 ; 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 as amended February 9, 1967,³ 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.

¹ Came into force on 14 November 1967, upon notification by the Bank to the Government of India.

² See p. 174 of this volume.

³ See p. 172 of this volume.

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.

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 cables :

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 cables :

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 B. K. NEHRU
Authorized Representative

International Bank for Reconstruction and Development :

By J. Burke KNAPP
Vice President

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 4, DATED 15 FEBRUARY 1961,
AS AMENDED 9 FEBRUARY 1967

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

[Not published herein. See United Nations, Treaty Series, Vol. 598, p. 270.]

LOAN AGREEMENT

(SEVENTH INDUSTRIAL CREDIT AND INVESTMENT PROJECT)

AGREEMENT, dated September 19, 1967, 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, 1962,⁴ June 5, 1963⁵ and May 28, 1965,⁶ 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, November 23, 1964, June 8, 1965 and March 23, 1966, 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 Industrial Development Bank of India (hereinafter called the IDBI) has made loans to the Borrower for said program evidenced by debentures dated November 1, 1966 and May 22, 1967 between IDBI and the Borrower ;

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, October 26, 1959, July 31, 1965 and July 30, 1966, respectively ; 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 :

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 United Nations, *Treaty Series*, Vol. 552, p. 39.

Article I

LOAN REGULATIONS ; SPECIAL DEFINITIONS

Section 1.01. The parties to this Agreement accept all the provisions of Loan Regulations No. 4 of the Bank, dated February 15, 1961 as amended February 9, 1967,¹ with the same force and effect as if they were fully set forth herein, subject, however, to the modifications thereof set forth in Schedule 2 to this Agreement (said Loan Regulations No. 4, as so modified, being hereinafter called the Loan Regulations).

Section 1.02. Unless the context otherwise requires, the following terms wherever used in this Agreement have the following meanings :

(a) " Bank Loan Agreements " means the loan agreements dated March 14, 1955, July 15, 1959, October 28, 1960, February 28, 1962, June 5, 1963 and May 28, 1965, respectively, 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) " DLF Agreement " means 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) " Kreditanstalt Agreements " means the loan agreements dated April 26, 1963, July 29, 1964, November 23, 1964, June 8, 1965 and March 23, 1966, respectively, 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) " IDBI Agreements " means the debentures dated November 1, 1966 and May 22, 1967 between IDBI and the Borrower, as the same have been or may be amended from time to time by agreement between IDBI and the Borrower, or either of such debentures as so amended as the context may require ;

(e) " Government Agreements " means the agreements providing for loans or advances to the Borrower dated January 29, 1955, October 26, 1959, July 31, 1965 and July 30, 1966, 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 ;

(f) " First Government Agreement " means the agreement, dated January 29, 1955, between the Guarantor and the Borrower, as the same has been or may be amended from time to time by agreement between the parties and the Bank ;

(g) " sub-loan " means a loan made or proposed to be made by the Borrower out of the proceeds of the Loan to an Investment Enterprise for an Investment Project ;

¹ See p. 172 of this volume.

(h) “ investment ” means an investment, other than a loan, made or proposed to be made by the Borrower out of the proceeds of the Loan in an Investment Enterprise for an Investment Project ;

(i) “ Investment Enterprise ” means an enterprise to which the Borrower shall propose to make or shall have made a sub-loan, or in which it shall propose to make or shall have made an investment, in accordance with and as provided in Section 3.01 of this Agreement.

(j) “ Investment Project ” means a specific investment project to be carried out by an Investment Enterprise, as submitted to the Bank for approval pursuant to Section 3.03 (a) of this Agreement, or in respect of which a request for a credit to the Loan Account shall have been made pursuant to the provisions of Section 2.02 (a) (ii) of this Agreement ;

(k) “ subsidiary ” means a company which is a subsidiary of the Borrower within the meaning of the *Companies Act*, 1956 (or any amendment thereof), of the Guarantor ;

(l) “ rupees ” and the letters “ Rs. ” mean currency of the Guarantor ; and

(m) “ foreign currency ” means any currency other than currency of the Guarantor.

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

Article II

THE LOAN

Section 2.01. The Bank agrees to lend to the Borrower an amount in various currencies equivalent to twenty-five million dollars (\$25,000,000).

Section 2.02. (a) The Bank shall open a Loan Account on its books in the name of the Borrower. Except as the Bank and the Borrower shall otherwise agree, the amount of the Loan shall be credited to the Loan Account in installments as follows :

- (i) Upon approval by the Bank of any Investment Project as in Article III of this Agreement provided, there shall be credited, as of the date of dispatch of notice by the Bank to the Borrower relating thereto, such portion of the Loan as the Borrower shall have requested and the Bank shall have approved ; provided, however, that such portion of the Loan shall not exceed the estimated costs in foreign currency of such Investment Project.
- (ii) There shall also be so credited, as of the date of dispatch of notice by the Bank to the Borrower relating thereto, in respect of any Investment Project for which the Borrower is to make or has made a sub-loan and for which no application has been submitted pursuant to Section 3.03 (a) and no credit has been made to the Loan Account pursuant to sub-paragraph (i) of this Section, such portion of the Loan as the Borrower shall from time to time request ; provided, however, that such portion to be so credited in respect of any Investment Project shall

not by itself or together with any portion or portions previously credited for such Investment Project hereunder or under any of the Bank Loan Agreements exceed such limit as shall from time to time be determined by the Bank ; and provided further that such portion of the Loan shall not exceed the estimated costs in foreign currency of such Investment Project.

(b) Except as the Bank shall otherwise agree, no credit shall be made to the Loan Account pursuant to paragraph (a) (i) of this Section 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 and conditions of such investment and upon an amortization schedule for the repayment of such portion of the Loan by the Borrower to the Bank.

(c) Any amount credited to the Loan Account pursuant to paragraph (a) (i) or paragraph (a) (ii) of this Section may, by agreement between the Bank and the Borrower, be reduced, as of the date of dispatch of notice by the Bank to the Borrower relating thereto, by any amount which will not be required for the Investment Project in respect of which it was so credited. 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 Investment Projects 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 sub-loans for, or investments in, the respective Investment Project for which such amounts were credited to the Loan Account.

Section 2.04. Three-eighths of one per cent ($\frac{3}{8}$ of 1 %) per annum is specified for the purposes of Section 2.02 of the Loan Regulations as the rate of commitment charge payable on the unwithdrawn amount of the Loan.

Section 2.05. The Borrower shall pay interest on the principal amount of each part of the Loan withdrawn from the Loan Account and outstanding from time to time at such rate as shall have been notified by the Bank to the Borrower at the time when such part of the Loan was credited to the Loan Account, or at such other time or times as shall have been agreed upon between the Bank and the Borrower, as being the rate then generally applicable to new Bank loans of the same maturity to similar borrowers. Interest shall accrue from the respective dates on which amounts shall be so withdrawn.

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 January 1 and July 1 in each year.

Section 2.08. (a) The Borrower shall repay the principal amount of the Loan withdrawn from the Loan Account in accordance with the amortization schedule

set forth in Schedule 1 to this Agreement as such Schedule shall be amended from time to time by the Bank and as reasonably required: (i) to conform in relevant part substantially to the aggregate of the amortization schedules applicable to the sub-loans and investments in respect of which amounts have been credited to the Loan Account pursuant to Section 2.02 of this Agreement; and (ii) to take into account any cancellations pursuant to Section 2.10 of this Agreement or Article V of the Loan Regulations, any reductions under Section 2.02 (c) of this Agreement and any payments made by the Borrower under Section 2.09 of this Agreement, except that payments due hereunder shall be made on January 1 and July 1 in each year. Such amendments of said Schedule 1 shall include amendments of the premiums on prepayments and redemption if required.

(b) The amortization schedules applicable to the Investment Projects shall provide for appropriate periods of grace, and, unless the Bank and the Borrower shall otherwise agree, (i) shall not extend beyond fifteen years from the date when the corresponding amounts are credited to the Loan Account and (ii) shall provide for approximately equal aggregate semi-annual, or more frequent, payments of principal plus interest or approximately equal semi-annual, or more frequent, payments of principal.

Section 2.09. Unless the Bank and the Borrower shall otherwise agree:

(a) If a sub-loan or any portion thereof shall be repaid to the Borrower in advance of maturity, or if the Borrower shall sell, transfer, assign or otherwise dispose of a sub-loan or investment or any portion thereof, the Borrower shall promptly notify the Bank and shall repay to the Bank on the next following interest payment date an amount of the Loan equivalent to the amount withdrawn from the Loan Account and at the time outstanding in respect of such sub-loan or investment, or to such portion thereof, as the case may be, together with the premium specified in Schedule 1 to this Agreement or in any amendment thereof under Section 2.08 (a). The policy stated in Section 2.05 (c) of the Loan Regulations with respect to premiums shall apply to any such repayment.

(b) Any amount so repaid by the Borrower shall be applied by the Bank to the maturity or maturities of the principal amount of the Loan corresponding to the maturity or maturities of the sub-loan or investment or portion thereof so repaid or disposed of.

Section 2.10. The amount of the Loan not credited to the Loan Account by the date specified in, or agreed upon pursuant to, paragraph (c) of Section 3.03 of this Agreement may at any time thereafter be cancelled by the Bank by notice to the Borrower.

Article III

DESCRIPTION OF THE PROJECT; USE OF PROCEEDS OF THE LOAN

Section 3.01. The Project for which the Loan is granted is the financing by the Borrower of development in India through loans for productive purposes to enterprises in India which are or will be controlled by private capital, and through other productive investments in such enterprises, for specific development projects,

all in accordance 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. Except as the Bank and the Borrower shall otherwise agree : (a) the proceeds of the Loan shall be applied exclusively to the foreign currency cost of goods required to carry out Investment Projects in respect of which amounts shall have been credited to the Loan Account pursuant to the provisions of Section 2.02 of this Agreement ; and (b) no withdrawals shall be made on account of expenditures made by any Investment Enterprise for any such Investment Project more than 90 days prior to the date on which the Bank shall have received the application for approval under Section 3.03 (a) of this Agreement or the request for credit to the Loan Account under Section 2.02 (a) (ii) of this Agreement.

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) (i) of this Agreement and for credits to the Loan Account pursuant to the provisions of Section 2.02 (a) (ii) of this Agreement shall be submitted on or before March 31, 1970.

Article IV

BONDS

Section 4.01. If and as the Bank shall from time to time request, the Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in Article VI of 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 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, the sub-loans and investments, 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.

(c) The Borrower shall have its financial statements (balance sheet and related statement of earnings and expenses) certified annually by an independent accounting firm acceptable to the Bank and shall promptly after their preparation and not later than four months after the close of the fiscal year to which they apply transmit to the Bank certified copies of such statements and a signed copy of the accounting firm's report.

Section 5.03. (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) Any sub-loan granted by the Borrower to an Investment Enterprise for an Investment Project to be financed out of the proceeds of the Loan shall be granted 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 Borrower and the Bank, 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 technical 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, without any limitation upon the foregoing, such insurance shall cover marine, transit and other hazards incident to acquisition, transportation and delivery of the goods financed out of the proceeds of the Loan to the place of use or installation, and that, except as the Bank shall otherwise agree, any indemnity thereunder 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 administration, 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.

(c) The Borrower shall at all times make adequate provision to protect itself against any loss resulting from changes in the rate of exchange between rupees and the currency or currencies in which the Borrower shall be obligated to make repayments of the principal of the Loan and the Bonds and payments of interest and other charges thereon.

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. 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 nine 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 debt incurred by the Borrower or a subsidiary maturing more than one year after the date on which it is originally incurred, including debts assumed or guaranteed by the Borrower or a subsidiary.
- (b) The term “ incur ” with reference to any indebtedness includes 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) Whenever in connection with this Section it shall be necessary to value in terms of rupees 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 of the Borrower and all its subsidiaries ” means the total amount of indebtedness of the Borrower and all its subsidiaries excluding indebtedness owed by the Borrower to any subsidiary or by any subsidiary to the Borrower or to any other subsidiary and excluding indebtedness referred to in paragraph (e) (ii) of this Section.

- (e) The term “ consolidated capital and surplus of the Borrower and all its subsidiaries ” means the aggregate of : (i) the total unimpaired capital, surplus and free reserves of the Borrower and all its subsidiaries after excluding such items of capital, surplus and reserves as shall represent equity interest by the Borrower or any subsidiary in the Borrower or any subsidiary ; and (ii) the amount of the advance under the First Government Agreement payable after the date of the last outstanding maturity of any sub-loan or investment made by the Borrower out of the proceeds of the Loan or of any of the loans provided for in the Bank Loan Agreements.

Section 5.06. The Borrower undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Borrower or of any of its subsidiaries 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 and securing a debt maturing not more than one year after its date.

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 the 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 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 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 the 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, the Kreditanstalt Agreements or the IDBI 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, the Kreditanstalt Agreements or the IDBI Agreements, except at the times and in the amounts therein provided.

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

Article VI

REMEDIES OF THE BANK

Section 6.01. (i) If any event specified in paragraph (a), 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 a default shall occur in the payment of principal or interest or any other payment required under any other loan agreement between the Bank and the Borrower or under any bond delivered pursuant thereto or under any credit agreement between the Association and the Borrower and such default shall continue for a period of thirty days ; or (iii) if a default shall occur in the payment of principal or interest or any other payment required under any loan agreement or under any guarantee agreement between the Guarantor and the Bank or under any bond delivered pursuant to any such agreement or under any credit agreement between the Association and the Guarantor under circumstances which would make it unlikely that the Guarantor would meet its obligations under the Guarantee Agreement and such default shall continue for a period of thirty days ; or (iv) if any event specified in Section 6.02 of this Agreement shall occur ; or (v) 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.

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

- (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 ; and
- (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 6.03. The Bank and the Borrower hereby agree that for the purposes of each of the Bank Loan Agreements and this Loan Agreement, respectively, 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.

Article VII

MODIFICATION OF BANK LOAN AGREEMENT

Section 7.01. Section 5.06 of the Loan Agreement between the Bank and the Borrower dated May 28, 1965 is hereby amended to conform to Section 5.05 hereof.

Article VIII

MISCELLANEOUS

Section 8.01. The Closing Date shall be December 31, 1971, or such later date as may be agreed by the Bank.

Section 8.02. If this Agreement shall not have come into force and effect by November 15, 1967, this 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.

Section 8.03. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Bank :

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

For the Borrower :

The Industrial Credit and Investment Corporation of India Limited
163, Backbay Reclamation
Bombay 1, India
Cable address :
Credcorp
Bombay

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Agreement to be signed in their respective names and to be 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 J. Burke KNAPP
Vice President

The Industrial Credit and Investment Corporation of India Limited:

By H. T. PAREKH
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>
January 1, 1970	\$200,000	January 1, 1977	\$1,000,000
July 1, 1970	640,000	July 1, 1977	1,000,000
January 1, 1971	1,000,000	January 1, 1978	1,000,000
July 1, 1971	1,000,000	July 1, 1978	1,000,000
January 1, 1972	1,000,000	January 1, 1979	1,000,000
July 1, 1972	1,000,000	July 1, 1979	1,000,000
January 1, 1973	1,000,000	January 1, 1980	1,000,000
July 1, 1973	1,000,000	July 1, 1980	1,000,000
January 1, 1974	1,000,000	January 1, 1981	1,000,000
July 1, 1974	1,000,000	July 1, 1981	1,000,000
January 1, 1975	1,000,000	January 1, 1982	1,000,000
July 1, 1975	1,000,000	July 1, 1982	800,000
January 1, 1976	1,000,000	January 1, 1983	360,000
July 1, 1976	1,000,000		

* 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>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

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, as amended February 9, 1967, shall be deemed to be modified as follows :

(a) By the deletion of Sections 2.01 and 2.03.

(b) 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. ”

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

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

(e) 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 : (i) any cancellation pursuant to this Article of amounts credited to the Loan Account and any reduction of the Loan Account pursuant to Section 2.02 (c) of the Loan Agreement, in respect of any part of the Loan credited to the Loan Account, shall be applied *pro rata* to the principal amounts of the several maturities which reflect such part of the Loan as set forth in the amortization schedule to the Loan Agreement, except that the principal amount so cancelled of any such maturity shall not exceed the amount of such maturity remaining after deducting therefrom 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 ; and (ii) any cancellation pursuant to Section 2.10 of the Loan Agreement or this Article of any amount of the Loan not credited to the Loan Account shall be applied *pro rata* to the principal amounts of the several maturities of the Loan as set forth in the amortization schedule to the Loan Agreement, except that the principal amount so cancelled of any maturity of

the Loan shall not exceed the amount of such maturity remaining after deducting the principal amount of any part or parts of the Loan reflected in such maturity.”

(f) By the deletion of Section 6.04 and the substitution therefor of the following Section :

“ SECTION 6.04. *Interest on Bonds ; Service Charge.* The Bonds shall bear interest at such rate as the Bank shall request, not in excess, however, of the rate of interest on the portion of the Loan represented by such Bonds. If the rate of interest on any Bond shall be less than the rate of interest on the portion of the Loan represented by such Bond, the Borrower shall, in addition to the interest payable on such Bond, pay to the Bank a service charge on the principal amount of such portion of the Loan at a rate equal to the difference between the interest rate on such portion of the Loan and the interest rate on such Bond. Such service charge shall be payable on the dates on which and in the currency in which such interest is payable. ”

(g) By the deletion of paragraph (a) of Section 6.11 and the substitution therefor of the following :

“ (a) Bonds representing a portion of the Loan and bearing interest at one rate may be exchanged for Bonds bearing interest at any other rate not in excess of the rate of interest on such portion of the Loan. ”

(h) By the deletion of paragraph (b) of Section 6.16 and the substitution therefor of the following paragraph :

“ (b) If any Bond so to be redeemed shall bear interest at a rate less than the rate of interest on the portion of the Loan represented by such Bond, the Borrower shall pay to the Bank on the date fixed for redemption the service charge provided for in Section 6.04 accrued and unpaid at such date on the principal amount of such portion of the Loan represented by such Bond. ”

(i) 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. ”

(j) 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. ”

(k) 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. ”

(l) 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. ”

(m) 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. ”

(n) 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. ”