

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

**Guarantee Agreement—*Eighth Industrial Credit and Investment Project* (with annexed General Conditions Applicable to Loan and Guarantee Agreements and Loan Agreement between the Bank and the Industrial Credit and Investment Corporation of India Limited). Signed at Washington on 3 June 1970**

*Authentic text: English.*

*Registered by the International Bank for Reconstruction and Development on 23 November 1970.*

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

**Contrat de garantie — *Huitième projet relatif au crédit et aux investissements* (avec, en annexe, les Conditions générales applicables aux contrats d'emprunt et de garantie et le Contrat d'emprunt entre la Banque et l'Industrial Credit and Investment Corporation of India Limited). Signé à Washington le 3 juin 1970**

*Texte authentique: anglais.*

*Enregistré par la Banque internationale pour la reconstruction et le développement le 23 novembre 1970.*

## GUARANTEE AGREEMENT<sup>1</sup>

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AGREEMENT, dated June 3, 1970, between INDIA, acting by its President (hereinafter called the Guarantor), and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS by the Loan Agreement of even date herewith<sup>2</sup> between the Bank and The Industrial Credit and Investment Corporation of India Limited (hereinafter called the Borrower), the Bank has agreed to make to the Borrower a loan in various currencies equivalent to forty million dollars (\$40,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that the Guarantor agrees to guarantee the payment of the principal of, and 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 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 the General Conditions Applicable to Loan and Guarantee Agreements of the Bank dated January 31, 1969,<sup>2</sup> 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 the Loan Agreement (said General Conditions Applicable to Loan and Guarantee Agreements, as so modified, being hereinafter called the General Conditions).

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

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<sup>1</sup> Came into force on 31 August 1970, upon notification by the Bank to the Government of India.

<sup>2</sup> See p. 54 of this volume.

## Article II.

*Section 2.01.* Without limitation or restriction upon any of the other covenants on its part in this Agreement contained, the Guarantor hereby unconditionally<sup>3</sup> 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, and the punctual performance of the obligations of the Borrower under Section 5.08 of the Loan Agreement.

## 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 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 pledge by the Reserve Bank of India of any of its assets in the ordinary course of its banking business to secure any debt 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 the performance by the Borrower of its obligations under the Loan Agreement and to matters relating to the purposes of the Loan and the maintenance of the service thereof. The Guarantor and the Bank shall promptly inform each other of any condition which shall arise that shall interfere with, or threaten 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 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, and free from all restrictions, 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.

*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 Guarantor covenants that it will not take or permit any of its political subdivisions or any of its agencies or any agency of any political subdivision to take any action which would prevent or interfere with the performance by the Borrower of any of the covenants, agreements and obligations of the Borrower in the Loan Agreement contained, and will take or cause to be taken all reasonable action which shall be necessary in order to enable the Borrower to perform such covenants, agreements and obligations.

*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 General Conditions, its

guarantee on any 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 8.10 (a) of the General Conditions.

*Article V*

*Section 5.01.* The following addresses are specified for the purposes of Section 10.01 of the General Conditions:

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 10.03 of the General Conditions.

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 MAHARAJAKRISHNA RASGOTRA  
Authorized Representative

International Bank for Reconstruction and Development:

By J. BURKE KNAPP  
Vice President

## INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

## GENERAL CONDITIONS, DATED 31 JANUARY 1969

## GENERAL CONDITIONS APPLICABLE TO LOAN AND GUARANTEE AGREEMENTS

[*Not published herein. See United Nations, Treaty Series, vol. 691, p. 300.*]

## LOAN AGREEMENT

AGREEMENT, dated June 3, 1970, 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,<sup>1</sup> July 15, 1959,<sup>2</sup> October 28, 1960,<sup>3</sup> February 28, 1962,<sup>4</sup> June 5, 1963,<sup>5</sup> May 28, 1965<sup>6</sup> and September 19, 1967,<sup>7</sup> respectively, all between the Bank and the Borrower, the Bank made loans to the Borrower to finance part of the Borrower's financing program.

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, March 23, 1966, November 3, 1967, June 11, 1968 and April 11, 1969, 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, May 10, 1967, November 27, 1968 and June 18, 1969, between IDBI and the Borrower;

WHEREAS the Borrower has made two debenture issues, dated October 27, 1967 and January 12, 1969, respectively, to obtain additional funds for said program;

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<sup>1</sup> United Nations, *Treaty Series*, vol. 309, p. 129.

<sup>2</sup> *Ibid.*, vol. 355, p. 95.

<sup>3</sup> *Ibid.*, vol. 406, p. 27.

<sup>4</sup> *Ibid.*, vol. 447, p. 3.

<sup>5</sup> *Ibid.*, vol. 481, p. 191.

<sup>6</sup> *Ibid.*, vol. 552, p. 39.

<sup>7</sup> *Ibid.*, vol. 615, p. 165.

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:

### *Article I*

#### LOAN REGULATIONS; SPECIAL DEFINITIONS

*Section 1.01.* The parties to this Agreement accept all the provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank dated January 31, 1969,<sup>1</sup> 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 General Conditions Applicable to Loan and Guarantee Agreements, as so modified, being hereinafter called the General Conditions).

*Section 1.02.* Wherever used in this Agreement unless the context otherwise requires, the several terms defined in the General Conditions have the respective meanings therein set forth, and the following additional terms 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, May 28, 1965 and September 19, 1967, 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, March 23, 1966, November 3, 1967, June 11, 1968 and April 11, 1969, 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, May 10, 1967, November 27, 1968 and June 18, 1969, between IDBI and the Borrower, as the same have been or may be amended from time to time by

<sup>1</sup> See p. 54 of this volume.

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 or credit made or proposed to be made by the Borrower out of the proceeds of the Loan to an Investment Enterprise for an Investment Project;

(h) "investment" means an investment, other than a sub-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 proposes to make or has made a sub-loan or in which it proposes to make or has 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 and to be financed out of the proceeds of the Loan by means of a sub-loan or an investment;

(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 rupees in the currency of the Guarantor; and

(m) "foreign currency" means any currency other than 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 the Loan Agreement set forth or referred to, an amount in various currencies equivalent to forty million dollars (\$40,000,000).

*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, the Loan Agreement.



*Section 2.03.* (a) Subject to the provisions of this Section, the Borrower shall be entitled to withdraw from the Loan Account:

- (i) amounts expended for the reasonable cost of goods and services required for carrying out the Investment Project in respect of which the withdrawal is requested; and
- (ii) 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 and services.

(b) No amount shall be withdrawn from the Loan Account in respect of an Investment Project unless it shall have been approved by the Bank, provided, however, that such withdrawals may be made in respect of such sub-loans to, or investments in Investment Enterprises, as shall have been described to and authorized by the Bank for financing hereunder in accordance with the provision of Section 3.02 (b) of this Agreement, but only up to an amount in respect of each such Investment Project which, when added to any outstanding amounts previously approved or authorized for withdrawal for such Investment Project under the Loan Agreement and such other amounts as are being or will be financed by the Borrower out of funds other than the proceeds of the Loan shall not exceed the equivalent of \$4,000,000 or such other limit as shall from time to time be determined by the Bank.

(c) Except as the Bank and the Borrower shall otherwise agree, no withdrawals shall be made on account of expenditures made by any Investment Enterprise for any Investment Project subject to the Bank's approval more than ninety days prior to the date on which the Bank shall have first received in respect of such Investment Project the application required under Section 3.02 (a) of this Agreement or, in the case of any other Investment Project, more than ninety days prior to the date on which the Bank shall have received the description thereof pursuant to Section 3.02 (b) of this Agreement.

*Section 2.04.* The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one percent ( $\frac{3}{4}$  of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

*Section 2.05.* The Borrower shall pay interest at the rate of seven percent (7%) per annum on the principal amount of the Loan withdrawn from the Loan Account and outstanding from time to time.

*Section 2.06.* Interest and other charges shall be payable semi-annually on May 1 and November 1 in each year.

*Section 2.07.* (a) The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 1 to this Agreement as such Schedule shall be amended from time to time as determined by the Bank and as reasonably required to: (i) conform in relevant part substantially to the aggregate of the amortization schedules applicable to the sub-loans and investments in respect of which withdrawals from the Loan Account shall have been approved or authorized by the Bank pursuant to this Agreement and (ii) take into account any cancellation pursuant to Article VI of the General Conditions, and

any repayments made by the Borrower under Section 2.08 of this Agreement, except that repayments due hereunder shall be made on May 1 and November 1 in each year. Such amendments of said Schedule 1 shall include amendments to the table of premiums on prepayment and redemption, if required.

(b) The amortization schedule applicable to each Investment Project shall provide for an appropriate period of grace, and, unless the Bank and the Borrower shall otherwise agree, (i) shall not extend beyond fifteen years from the date of approval by the Bank of such Investment Project or of authorization by the Bank to make withdrawals from the Loan Account in respect of such Investment Project, and (ii) shall provide for approximately equal semi-annual, or more frequent, aggregate payments of principal and interest or approximately equal semi-annual, or more frequent, payments of principal.

*Section 2.08.* Unless the Bank and the Borrower shall otherwise agree:

(a) If a sub-loan or any part thereof shall be repaid to the Borrower in advance of maturity or if a sub-loan or an investment or any part thereof shall be sold, transferred, assigned or otherwise disposed of for a consideration, the Borrower shall promptly notify the Bank and shall pay to the Bank on the next following interest payment date, together with the premiums specified in Schedule 1 to this Agreement or in any amendment thereof under Section 2.07 (a) of this Agreement, an amount of the Loan equal to: (i) in the case of a sub-loan, the amount withdrawn from the Loan Account in respect of such sub-loan, or the said part thereof; or (ii) in the case of an investment, the excess, if any, of the amount withdrawn from the Loan Account in respect of such investment, or the said part thereof, over the amount of the Loan theretofore repaid to the Bank in respect of such investment. The policy stated in Section 3.05 (c) of the General Conditions with respect to premiums shall apply to any such repayment.

(b) Any amount so repaid by the Borrower shall be applied by the Bank as follows: (i) in the case of a sub-loan, to payment of the maturity or maturities of the principal amount of the Loan in amounts corresponding to the amounts of the maturity or maturities of the sub-loan so repaid or disposed of, and (ii) in the case of the disposition of an investment, to the *pro rata* payment of the unpaid amounts of the maturity or maturities of the Loan reflecting the amount of such investment.

(c) The first sentence of Section 3.05 (b) of the General Conditions shall not apply to any repayment made under paragraph (a) of this Section.

### 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 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.* (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, together with a description of the Investment Project (including a description of the expenditures proposed to be financed out of the proceeds of the Loan) and the Investment Enterprise, the terms and conditions of the sub-loan to or investment in the Investment Enterprise, including the schedule of amortization proposed therefor, a financial and economic analysis thereof, and such other information as the Bank shall reasonably request.

(b) Each request by the Borrower for authorization to make withdrawals from the Loan Account in respect of a sub-loan or an investment for an Investment Project not requiring approval by the Bank shall contain a summary description of the Investment Enterprise and the Investment Project (including a description of the expenditures proposed to be financed out of the proceeds of the Loan) for which such authorization is requested, a summary economic analysis thereof, and of the terms and conditions of the sub-loan or investment for such Investment Project, including the schedule of amortization of such sub-loan or the proposed amortization schedule applicable for such investment.

(c) Except as the Bank and the Borrower shall otherwise agree, applications for approval of Investment Projects pursuant to the provisions of Section 3.02 (a) of this Agreement and requests for authorizations to withdraw from the Loan Account pursuant to the provisions of Section 3.02 (b) of this Agreement shall be submitted on or before December 31, 1972.

#### *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 VIII of the General Conditions.

*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 8.10 of the General Conditions. 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, and shall enable the Bank's representatives to examine such records.

(c) The Borrower shall: (i) have its accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited by independent auditors acceptable to the Bank in accordance with sound auditing principles consistently applied; (ii) furnish to the Bank as soon as available but in any case not later than four months after the end of each such year, certified copies of its audited financial statements for such year and an audit report by the said auditors of such scope and in such detail as the Bank shall have reasonably requested; and (iii) furnish to the Bank such other information concerning the accounts and financial statements of the Borrower and the audit thereof as the Bank shall from time to time reasonably request.

*Section 5.03.* (a) The Borrower shall exercise its rights in relation to each Investment Project financed in whole or in part with the proceeds of the Loan in such manner as to protect the interests of the Bank and of the Borrower.

(b) The Borrower undertakes that any sub-loan or investment will be made on terms whereby the Borrower shall obtain, by written agreement or other appropriate legal means, rights adequate to protect the interests of the Bank and the Borrower, including, in the case of any such sub-loan and, to the extent that it shall be appropriate in the case of any such investment: (i) the right to require the Investment Enterprise to carry out and operate the Investment Project with due diligence and efficiency and in accordance with sound technical, financial and management standards and to maintain adequate records; (ii) the right to require that the goods and services to be financed with the proceeds of the Loan shall be used exclusively in the carrying out of the Investment Project; (iii) the right of the Bank to inspect, jointly with the Borrower, such goods, and the sites, works, plants and construction included in the Investment Project, the operation thereof, and any relevant records and documents; (iv) the right to require that the Investment Enterprise shall take out and maintain such insurance,

against such risks and in such amounts, as shall be consistent with sound business practice 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 any indemnity thereunder shall be payable in a currency freely usable by the Investment Enterprise to replace or repair such goods; (v) the right to obtain all such information as the Bank or the Borrower shall reasonably request relating to the foregoing and to the administration, operations and financial condition of such Investment Enterprise; and (vi) the right of the Borrower to suspend or terminate access by the Investment Enterprise to the use of the proceeds of the Loan upon failure by such Investment Enterprise to perform its obligations under its agreement with the Borrower.

(c) The Borrower shall at all times take such steps satisfactory to the Bank as shall be necessary to protect itself against risk of loss resulting from changes in the rate of exchange between the various currencies (including rupees) used in its operations.

*Section 5.04.* (a) The Bank and the Borrower shall co-operate 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 debt if, after the incurrence of any such debt, the consolidated debt 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) "debt" means any debt incurred by the borrower or a subsidiary maturing more than one year after the date on which it is originally incurred.

(b) Debt 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) "consolidated debt of the Borrower and all its subsidiaries" means the total amount of debt of the Borrower and all its subsidiaries excluding debt 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) "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 latest of the dates of all outstanding maturities of the sub-loans, or the schedules of amortization for investments 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.* Subject to the exemptions conferred by the provisions of

Sections 3.03 and 3.04 of the Guarantee Agreement<sup>1</sup> 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 the IDBI Agreements, or the agreements dated October 27, 1967 and December 1, 1969 under which the Borrower issued debentures, 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; AMENDMENT OF BANK LOAN AGREEMENTS

*Section 6.01.* If any event specified in Section 7.01 of the General Conditions or in Section 6.02 of this Agreement shall occur and shall continue for the period, if any, therein set forth, then at any subsequent time during the continuance thereof, the Bank, at its option, may by notice to the Borrower declare the principal of the Loan and of all the Bonds then outstanding to be due and payable immediately, together with the interest and other charges thereon; and upon any such declaration such principal, interest and charges shall become due and payable immediately, anything to the contrary in the Loan Agreement or in the Bonds notwithstanding.

*Section 6.02.* The following additional events are specified for the purposes of Section 7.01 of the General Conditions:

- (a) demand shall have been made for repayment in advance of maturity of any part of the principal amount of any loan with an original maturity of one year or more by reason of any default on the part of the Borrower or otherwise as

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<sup>1</sup> See p. 46 of this volume.

provided in the relative contractual instruments, or any security constituted thereunder shall have become enforceable;

- (b) an order is made or a resolution passed for the winding up of the Borrower; and
- (c) 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, an event referred to in paragraph (d) of Section 7.01 of the General Conditions 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 such Agreement.

## Article VII

### MISCELLANEOUS

*Section 7.01.* The Closing Date shall be September 30, 1974, or such other date as shall be agreed between the Bank and the Borrower.

*Section 7.02.* The date of September 1, 1970 is hereby specified for the purposes of Section 11.04 of the General Conditions.

*Section 7.03.* The following addresses are specified for the purposes of Section 10.01 of the General Conditions:

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.

For the Borrower:

The Industrial Credit and Investment Corporation of India Limited

163, Backbay Reclamation

Bombay 20, BR, India

Alternative address for cables:

Credcorp

Bombay

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in



their respective names and 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 S.S. MEHTA  
Authorized Representative

### SCHEDULE 1

#### AMORTIZATION SCHEDULE

<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>	<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>
May 1, 1973 . . . . .	255,000	November 1, 1980 . . . . .	2,090,000
November 1, 1973 . . . . .	770,000	May 1, 1981 . . . . .	1,920,000
May 1, 1974 . . . . .	1,295,000	November 1, 1981 . . . . .	1,505,000
November 1, 1974 . . . . .	1,845,000	May 1, 1982 . . . . .	1,050,000
May 1, 1975 . . . . .	2,170,000	November 1, 1982 . . . . .	580,000
November 1, 1975 . . . . .	2,245,000	May 1, 1983 . . . . .	360,000
May 1, 1976 . . . . .	2,315,000	November 1, 1983 . . . . .	375,000
November 1, 1976 . . . . .	2,395,000	May 1, 1984 . . . . .	385,000
May 1, 1977 . . . . .	2,480,000	November 1, 1984 . . . . .	400,000
November 1, 1977 . . . . .	2,570,000	May 1, 1985 . . . . .	415,000
May 1, 1978 . . . . .	2,540,000	November 1, 1985 . . . . .	425,000
November 1, 1978 . . . . .	2,395,000	May 1, 1986 . . . . .	380,000
May 1, 1979 . . . . .	2,235,000	November 1, 1986 . . . . .	280,000
November 1, 1979 . . . . .	2,080,000	May 1, 1987 . . . . .	170,000
May 1, 1980 . . . . .	2,020,000	November 1, 1987 . . . . .	55,000

\* To the extent that any portion of the Loan is repayable in a currency other than dollars (see General Conditions, Section 4.02), 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 portion of the principal amount of the Loan pursuant to Section 3.05 (b) of the General Conditions or on the redemption of any Bond prior to its maturity pursuant to Section 8.15 of the General Conditions:

<i>Time of Prepayment or Redemption</i>	<i>Premiums</i>
Not more than three years before maturity . . . . .	1 $\frac{1}{4}$ %
More than three years but not more than six years before maturity . . . . .	2 $\frac{1}{2}$ %
More than six years but not more than eleven years before maturity . . . . .	4%
More than eleven years but not more than thirteen years before maturity . . . . .	5 $\frac{3}{4}$ %
More than thirteen years before maturity . . . . .	7%

## SCHEDULE 2

### MODIFICATIONS OF THE GENERAL CONDITIONS

For the purpose of this Agreement, the provisions of the General Conditions shall be modified as follows:

(1) The following paragraph (*d*) is added to Section 3.05:

“(*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 paragraph (*b*) of Section 3.05 and in Section 8.15.”

(2) The words “Investment Projects” are substituted for the words “the Project” at the end of Section 5.03.

(3) Section 6.03 is deleted and replaced by the following new Section:

“SECTION 6.03. *Cancellation by the Bank.* If (*a*) the right of the Borrower to make withdrawals from the Loan Account shall have been suspended with respect to any amount of the Loan for a continuous period of thirty days, or (*b*) by the date specified in Section 3.02 (*c*) of the Loan Agreement no applications for approval or requests for authorization to withdraw from the Loan Account in respect of any portion of the Loan shall have been received by the Bank, or having been so received, shall have been denied, or (*c*) after the Closing Date an amount of the Loan shall remain unwithdrawn from the Loan Account, the Bank may by notice to the Borrower terminate the right of the Borrower to request such approvals and authorizations or to make withdrawals from the Loan Account, as the case may be, with respect to such amount or portion of the Loan. Upon the giving of such notice such amount or portion of the Loan shall be cancelled.”

(4) Paragraph (*d*) of Section 7.01 is amended to read as follows:

“(*d*) 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 any other loan agreement between the Borrower and the Bank or any guarantee agreement between the Guarantor and the Bank guaranteeing a loan to the Borrower, or under any bond issued pursuant to any such agreement, and such default shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower and the Guarantor.”