

CONFORMED COPY

LOAN NUMBER 3856 IN

Capital Restructuring
Loan Agreement

(Financial Sector Development Project)

between

INDIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated March 24, 1995

LOAN NUMBER 3856 IN

LOAN AGREEMENT

AGREEMENT, dated March 24, 1995, between INDIA, acting by its President, (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Bank to assist in the financing of Part A of the Project;

(B) Part A of the Project will be carried out by the Reserve Bank of India (RBI) with the Borrower's assistance;

(C) the Industrial Development Bank of India (IDBI) has requested the Bank to provide assistance towards the financing of Part B of the Project and by an agreement of even date herewith between IDBI and the Bank (Modernization and Institutional Development Loan Agreement), the Bank is agreeing to provide such assistance in an aggregate principal amount equivalent to one hundred and fifty million dollars (\$150,000,000) (the Modernization and Institutional Development Loan);

(D) by an agreement of even date herewith between the Borrower and the Bank (Modernization and Institutional Development Guarantee Agreement), the Borrower has agreed to guarantee the obligations of IDBI in respect of the

Modernization and Institutional Development Loan and to undertake such other obligations as are set forth in the Modernization and Institutional Development Guarantee Agreement;

(E) IDBI has requested the Bank to provide assistance towards the financing of Part C of the Project and by an agreement of even date herewith between IDBI and the Bank (Backstop Facility Loan Agreement), the Bank is agreeing to provide such assistance in an aggregate principal amount equivalent to two hundred million dollars (\$200,000,000) (the Backstop Facility Loan);

(F) by an agreement of even date herewith between the Borrower and the Bank (the Backstop Facility Guarantee Agreement), the Borrower has agreed to guarantee the obligations of IDBI in respect of the Backstop Facility Loan and to undertake such other obligations as are set forth in the Backstop Facility Guarantee Agreement; and

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan to the Borrower upon the terms and conditions set forth or referred to in this Agreement, the Modernization and Institutional Development Loan Agreement, the Modernization and Institutional Development Guarantee Agreement, the Backstop Facility Loan Agreement, the Backstop Facility Guarantee Agreement and the Project Agreement respectively;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements" of the Bank, dated January 1, 1985, with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) The last sentence of Section 3.02 is deleted.

(b) In Section 6.02, sub-paragraph (k) is re-lettered as sub-paragraph (l) and a new sub-paragraph (k) is added to read:

"(k) An extraordinary situation shall have arisen under which any further withdrawals under the Loan would be inconsistent with the provisions of Article III, Section 3 of the Bank's Articles of Agreement".

Section 1.02. Unless the context otherwise requires, the several terms defined in the Preamble to this Agreement, the General Conditions, the Modernization and Institutional Development Loan Agreement and the Backstop Facility Loan Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Project Agreement" means the Project Agreement of even date herewith between the Bank and RBI for the Project;

(b) "Participating Bank" or "PB" means (i) Allahabad Bank; (ii) Bank of India; (iii) Dena Bank; (iv) Indian Bank; (v) Indian Overseas Bank; and (vi) Syndicate Bank; and "Participating Banks" or "PBs" means all six Participating Banks;

(c) "Allahabad Bank" means the body corporate constituted under the Borrower's Banking Companies (Acquisition Act), 1970;

(d) "Bank of India" means the body corporate constituted under the Borrower's Banking Companies (Acquisition Act), 1970;

(e) "Dena Bank" means the body corporate constituted under the Borrower's Banking Companies (Acquisition Act), 1970;

(f) "Indian Bank" means the body corporate constituted under the Borrower's Banking Companies (Acquisition Act), 1970;

(g) "Indian Overseas Bank" means the body corporate constituted under the Borrower's Banking Companies (Acquisition Act), 1970;

(h) "Syndicate Bank" means the body corporate constituted under the Borrower's Banking Companies (Acquisition Act), 1970;

(i) "Performance Agreement" means an agreement between RBI and a PB, revised annually, in which performance targets for the PB are set out;

(j) "Business Plan" means an annual Business Plan of a PB;

(k) "Investment Enterprise" means an enterprise to which a Participating Bank has made a Sub-loan;

(l) "Investment Project" means a specific development project to be carried out by an Investment Enterprise utilizing a Sub-loan;

(m) "Subordinated Loan" means a loan made by the Borrower to a Participating Bank under Part A of the Project, pursuant to Section 3.01 (b) of this Agreement;

(n) "Subordinated Loan Agreement" means an agreement between the Borrower and a PB pursuant to which a Subordinated Loan is made by the Borrower to a PB;

(o) "Reserve Bank of India" or "RBI" means the Borrower's central bank, established under the Reserve Bank of India Act, 1934;

(p) "rupees" or "Rs." means the currency of the Borrower; and

(q) "Sub-loan" means a loan made by a PB to an Investment Enterprise for an Investment Project under Part A of the Project, and reimbursed from or financed by the Loan.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, various currencies that shall have an aggregate value equivalent to the amount of three hundred and fifty million dollars (\$350,000,000), being the sum of withdrawals of the proceeds of the Loan, with each withdrawal valued by the Bank as of the date of such withdrawal.

Section 2.02. The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for amounts paid (or, if the Bank shall so agree, to be paid) by the Borrower on account of withdrawals made by an Investment Enterprise under a Sub-loan to meet the reasonable cost of goods and services required for the Investment Project in respect of which the withdrawal from the Loan Account is requested.

Section 2.03. The Closing Date shall be October 31, 2000, or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

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

Section 2.05. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Interest Period equal to the Cost of Qualified Borrowings determined in respect of the preceding Semester, plus one-half of one percent (1/2 of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rate applicable during such Interest Period.

(b) As soon as practicable after the end of each Semester, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Semester.

(c) For the purposes of this Section:

(i) "Interest Period" means a six-month period ending on the date immediately preceding each date specified in Section 2.06 of this Agreement, beginning with the Interest Period in which this Agreement is signed.

(ii) "Cost of Qualified Borrowings" means the cost, as reasonably determined by the Bank and expressed as a percentage per annum, of the outstanding borrowings of the Bank drawn down after June 30, 1982, excluding such borrowings or portions thereof as the Bank has allocated to fund: (A) the Bank's investments; and (B) loans which may be made by the Bank after July 1, 1989 bearing interest rates determined otherwise than as provided in paragraph (a) of this Section.

(iii) "Semester" means the first six months or the second six months of a calendar year.

(d) On such date as the Bank may specify by no less than six months' notice to the Borrower, paragraphs (a), (b) and (c) (iii) of this Section shall be amended to read as follows:

"(a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Quarter equal to the Cost of Qualified Borrowings determined in respect of the preceding Quarter, plus one-half of one percent (1/2 of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rates applicable during such Interest Period."

"(b) As soon as practicable after the end of each Quarter, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Quarter."

"(c) (iii) 'Quarter' means a three-month period commencing on January 1, April 1, July 1 or October 1 in a calendar year."

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

Section 2.07. The Borrower shall repay the principal

amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, without any limitation or restriction upon any of its other obligations under the Loan Agreement, shall (i) carry out Part A of the Project in accordance with sound financial standards and practices; (ii) cause RBI to perform in accordance with the provisions of the Project Agreement all the obligations of RBI therein set forth; (iii) take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable RBI to perform such obligations; and (iv) not take or permit to be taken any action which would prevent or interfere with such performance.

(b) The Borrower shall on-lend the proceeds of the Loan to each PB, under a Subordinated Loan Agreement with each PB, on terms and conditions satisfactory to the Bank including the following: the Subordinated Loan shall be provided through promissory notes to be issued by each PB to the Borrower, which shall (i) be denominated in rupees; (ii) be required to be paid at par at the expiry of twelve years from the date of issue; (iii) not be redeemable at the instance of holders for five years; and thereafter be so redeemable only with the consent of RBI (until the mandatory redemption after twelve years as specified above); (iv) carry an interest rate which shall be 0.5% over the average rate on Government of India 364 day T-Bills for the previous two quarters, with interest being paid at half-yearly intervals; (v) constitute direct, unsecured and subordinated obligations of the concerned PB, subordinate to the claims of all other creditors and depositors of the PB regarding repayment of principal and payment of interest by the PB out of its own resources to such creditors and depositors; (vi) not provide holders any rights or privileges of shareholders; (vii) not be converted into shares; (viii) be transferable by endorsement and delivery; and (ix) not limit the right of the PB to borrow or change its capital structure without the consent of, or intimation to the holder of any such note.

(c) Notwithstanding any other provision of this Agreement, the Borrower shall disburse Subordinated Loans only against Sub-loans made by PBs to Investment Enterprises on market terms for Sub-projects which shall comply with the criteria set forth in Schedule 4 to this Agreement.

(d) The Borrower shall exercise its rights in relation to each Investment Project and under each Subordinated Loan Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan, and, except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive any Subordinated Loan Agreement or any provision thereof.

(e) Without limitation or restriction upon any of its other obligations under this Agreement, the Borrower shall perform all its obligations set forth in each Subordinated Loan Agreement.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 1 to the Project Agreement.

Section 3.03. The Borrower shall ensure that each PB

shall issue equity shares to private shareholders, pursuant to public offerings, at levels, and in accordance with projections contained in the Business Plan of the PB as provided by the Borrower to the Bank in January, 1995.

Section 3.04. The Borrower shall ensure that the Board of Directors of each PB shall include the maximum number of directors representing private shareholders permissible under applicable laws and regulations, and that necessary action shall be taken to this end promptly after the issuance of shares to such shareholders.

Section 3.05. The Borrower shall ensure that the number of equity shares owned by the Borrower in each PB is not increased over the level prevailing as of March 31, 1995, except: (a) as may be required to comply with applicable laws of the Borrower; and (b) for: (i) Allahabad Bank; and (ii) Syndicate Bank, in respect of which such additional equity may be invested by the Borrower to permit these two PBs to comply on March 31, 1996, with the capital adequacy ratio prescribed by the RBI.

Section 3.06. Without prejudice to the generality of any provision of this Agreement, the Borrower shall, promptly upon withdrawing \$150,000,000 equivalent of the proceeds of the Loan, review with the Bank and RBI progress in implementation of Part A of the Project, including progress towards issuance of equity by PBs in accordance with the level and schedule stipulated pursuant to Section 3.03 of this Agreement.

Section 3.07. Without prejudice to the generality of any provision of this Agreement, the Borrower (i) shall first provide out of its own resources to each PB the full amount of each Subordinated Loan; and (ii) may subsequently withdraw from the proceeds of the Loan in accordance with the provisions of this Agreement: (aa) amounts totalling up to 50% of such Subordinated Loan until the concerned PB has issued equity in accordance with the level and schedule stipulated pursuant to Section 3.03 of this Agreement; and (bb) amounts up to 100% of such Subordinated Loan after the concerned PB has issued equity in accordance with the level and schedule stipulated pursuant to Section 3.03 of this Agreement.

Section 3.08. The Borrower and the Bank hereby agree that the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) shall be carried out by RBI pursuant to Section 2.03 of the Project Agreement.

Section 3.09. The Borrower shall carry out a mid-term review of the Project by September 30, 1997, with scope and content satisfactory to the Bank, shall discuss the results of such review with the Bank and thereafter take necessary action to implement the findings and recommendations of such review.

Section 3.10. The Borrower undertakes that, unless the Bank shall otherwise agree, Sub-loans shall be made in accordance with the procedures and on the terms and conditions set forth or referred to in Schedule 4 to this Agreement.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to monitor and record the progress of Part A of the Project and of each Investment Project (including its cost and the benefit to be derived from it) and to reflect in accordance with consistently maintained sound accounting practices the

operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;
- (ii) furnish to the Bank as soon as available, but in any case not later than nine months after the end of each such year, the report of such audit by 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 said records and accounts and the audit thereof as the Bank shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained in accordance with Section 4.01 (a) of this Agreement, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Bank's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional events are specified, namely, that:

- (a) RBI shall have failed to perform any of its obligations under the Project Agreement.
- (b) The Borrower or any PB shall have failed to perform any of its obligations under any Subordinated Loan Agreement.
- (c) Any PB shall have failed to carry out its Performance Agreement or Business Plan so as to affect materially and adversely the ability of the Borrower to achieve the objectives of Parts A or B of the Project.

(d) As a result of events which have occurred after the date of the Loan Agreement, an extraordinary situation shall have arisen which shall make it improbable that RBI will be able to perform its obligations under the Project Agreement.

(e) The RBI Act, 1934, shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of RBI to perform any of its obligations under the Project Agreement.

(f) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of RBI or for the suspension of its operations.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional events are specified, namely, that:

(a) the event specified in paragraph (a), (b), (c) or (d) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower; and

(b) the events specified in paragraphs (e) or (f) of Section 5.01 of this Agreement shall occur.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of this Loan Agreement within the meaning of Section 12.01 (b) of the General Conditions, namely, that all conditions precedent to the effectiveness of the Modernization and Institutional Development Loan Agreement and the Backstop Facility Loan Agreement, other than those related to the effectiveness of this Agreement, have been fulfilled.

Section 6.02. The following is specified as an additional matter, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank, namely, that the Project Agreement has been duly authorized or ratified by RBI, and is legally binding upon RBI in accordance with its terms.

Section 6.03. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representatives of the Borrower; Addresses

Section 7.01. Any Secretary, Additional Secretary, Joint Secretary, Director, Deputy Secretary or Under Secretary of the Department of Economic Affairs in the Ministry of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

The Secretary to the Government of
India
Ministry of Finance
Department of Economic Affairs

New Delhi, India

Cable address: ECOFAIRS
New Delhi

Telex: 953-3166175

For the Bank:

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

Cable address: INTBAFRAD
Washington, D.C.

Telex: 197688 (TRT),
248423 (RCA),
64145 (WUI) or
82987 (FTCC)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

INDIA

By /s/ N. Valluri
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ H. Vergin
Acting Regional Vice President
South Asia

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
Sub-loans under Part A	350,000,000	100% of amounts disbursed under Sub-loans
TOTAL	350,000,000 =====	

2. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made: (a) in respect of payments made for

expenditures prior to the date of this Agreement, except that withdrawals may be made up to \$70,000,000 equivalent on account of payments made on or after April 1, 1994; and (b) in respect of payments made to or by any PB, unless the Bank shall have received legal opinions on behalf of the Borrower and such PB, satisfactory to the Bank, that the Borrower and the PB have entered into a Subordinated Loan Agreement in accordance with the provisions of this Agreement, and that, such Subordinated Loan Agreement, having been duly executed and delivered on behalf of the Borrower and such PB, has become binding on each of them in accordance with its terms.

3. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures for (a) goods and works; and (b) services and training under contracts not exceeding \$100,000 equivalent for employment of consulting firms and \$50,000 equivalent for employment of individual consultants respectively, all under such terms and conditions as the Bank shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The main objectives of the Project are to foster greater competition, allocative efficiency, and market-orientation in India's financial system and contribute to meeting the long-term financing needs of Indian investors as a means of stimulating economic growth. The Project will assist the Borrower in sustaining financial liberalization, institutional development of public sector commercial banks and integration into global capital markets. The Project will facilitate expansion of private equity ownership in public sector commercial banks and development of term foreign exchange lending.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Bank may agree upon from time to time to achieve such objectives:

Part A: Capital Restructuring

Capital restructuring of PBs so as to achieve capital adequacy norms established by RBI, including by provision of Subordinated Loans by the Borrower to PBs for the financing of specific development projects through Sub-loans to Investment Enterprises, and the public issue of shares by PBs.

Part B: Modernization and Institutional Development of Participating Banks

Implementation of a modernization program for PBs to build their financial strength and long-term competitiveness in a more liberalized business and banking environment consisting, inter alia, of:

(i) Strategic Planning: Strengthening strategic planning functions of PBs, inter alia, by developing capacity to articulate goals for the future and plan operations accordingly; development of marketing plans to bring marketing practices to bear on depositor and client relationships; identification of actions required to meet revenue and funding targets; and development of market research and product development plans;

(ii) Automation and Computerization: Automation and computerization of payment and accounting systems to improve customer service; internal controls; decision-making; and productivity and profitability, including by fully automating selected branches, computerizing functions such as credit management, strengthening treasury and asset-liability

management and management information systems; establishing electronic communication capabilities within each PB and with outside entities; installing automatic teller machines where warranted by market conditions; and providing computer training to staff;

(iii) Human Resource Development: Designing and developing human resource development (HRD) plans for PBs, including reviewing changes required in current human resource development capabilities; designing improved internal training programs in areas in which expertise is not available in-house for each PB; and identifying extramural training needs in new functional and business areas such as automation, computerization, merchant banking, credit analysis and management, marketing, product pricing, lending in new sectors, treasury management, asset-liability management, foreign exchange, management information systems, strategic planning and auditing of computerized processes;

(iv) Organizational Improvements: Reviewing the organizational structures of PBs in the light of emerging business priorities and their strategic plans, to rationalize zone-region-branch configurations as well as head office functions to eliminate excess costs, improve customer services; rationalize chronic, loss-making branches; and open new branches for specialized functions such as export credit and leasing;

(v) Asset-Liability and Treasury Management: Strengthening asset-liability and treasury management to control overall balance sheet risk and liquidity volatility, inter alia, by establishing automated management information systems (MIS) for asset-liability management with capacity to gather all relevant data on loans, deposits, liquidity positions, margins, maturity gaps, and interest rate gaps; and evaluating use of certificates of deposits (CDs), inter-bank funds and similar instruments to manage liability positions and improve foreign exchange management capabilities; and

(vi) Credit Management: Strengthening evaluation of credit risk, in particular to enhance incorporation of environmental impact assessment in the loan appraisal processes; pricing credit in relation to risk; streamlining loan documentation and approval procedures; improving identification of risk concentrations and opportunities at the sectoral level; preparation of credit aspects of strategic plans; formulation of credit policies; and development of financial products.

Part C: Backstop Facility

Providing eligible banks liquidity assurance to assist in an orderly development of the foreign currency lending market in India by offering them an option to borrow funds, under stipulated conditions, during financial market disruption, for the financing of specific development projects through Sub-loans to Investment Enterprises.

* * *

Parts A and B of the Project are expected to be completed by April 30, 2000 and Part C of the Project is expected to be completed by April 30, 2002.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
November 15, 2000	6,730,000
May 15, 2001	6,970,000
November 15, 2001	7,215,000

May 15, 2002	7,470,000
November 15, 2002	7,735,000
May 15, 2003	8,010,000
November 15, 2003	8,295,000
May 15, 2004	8,590,000
November 15, 2004	8,895,000
May 15, 2005	9,210,000
November 15, 2005	9,535,000
May 15, 2006	9,875,000
November 15, 2006	10,225,000
May 15, 2007	10,585,000
November 15, 2007	10,960,000
May 15, 2008	11,350,000
November 15, 2008	11,750,000
May 15, 2009	12,170,000
November 15, 2009	12,600,000
May 15, 2010	13,045,000
November 15, 2010	13,510,000
May 15, 2011	13,985,000
November 15, 2011	14,485,000
May 15, 2012	14,995,000
November 15, 2012	15,530,000
May 15, 2013	16,080,000
November 15, 2013	16,650,000
May 15, 2014	17,240,000
November 15, 2014	17,850,000
May 15, 2015	18,460,000

* The figures in this column represent dollar equivalents determined as of the respective dates of withdrawal. See General Conditions, Sections 3.04 and 4.03.

Premiums on Prepayment

Pursuant to Section 3.04 (b) of the General Conditions, the premium payable on the principal amount of any maturity of the Loan to be prepaid shall be the percentage specified for the applicable time of prepayment below:

Time of Prepayment	Premium
	The interest rate (expressed as a percentage per annum) applicable to the Loan on the day of prepayment multiplied by:
Not more than three years before maturity	0.15
More than three years but not more than six years before maturity	0.30
More than six years but not more than 11 years before maturity	0.55
More than 11 years but not more than 16 years before maturity	0.80
More than 16 years but not more than 18 years before maturity	0.90
More than 18 years before maturity	1.00

Terms and Conditions
of Sub-loans and Investment Projects

1. (a) Each Subordinated Loan shall be disbursed against Sub-loans for Investment Projects made by the concerned PB under terms and conditions satisfactory to the Bank, including those set out in this Schedule:

- (i) on-lending rates for Sub-loans to Investment Enterprises shall be determined by the concerned PB, based on market conditions and its lending policies and set at levels not lower than prevailing minimum lending rates; and
- (ii) repayment terms of Sub-loans shall not exceed 12 years, inclusive of up to 2 years of grace.

(b) Investment Projects: All Investment Projects shall satisfy the following eligibility criteria:

- (i) the sponsoring Investment Enterprises shall meet financial benchmarks acceptable to the Bank with respect to debt-equity ratio, debt-service coverage, and liquidity ratio;
- (ii) Investment Projects shall be appraised by the concerned Participating Bank, including sub-sector level analysis when deemed necessary, and shall meet appropriate tests of financial and economic feasibility;
- (iii) except as the Bank shall otherwise agree, for any single Investment Enterprise, no loan or combination of loans (including Sub-loans) by such PB to the Investment Enterprise shall exceed 25% of the capital (consisting of paid up capital, reserves and surpluses) of the concerned PB;
- (iv) the concerned sub-borrower shall contribute, out of its own resources, a minimum of 25% of the cost of an Investment Project; and
- (v) the concerned sub-project shall comply with environmental standards consistent with the Bank's policies on environmental assessment, involuntary resettlement and indigenous peoples.

2. Notwithstanding any other provision of this Agreement: (a) no expenditures for goods or services required for an Investment Project shall be eligible for financing out of the proceeds of the Loan unless payments in respect of such expenditures shall have been made by the concerned Enterprise on or after April 1, 1994; and (b) no withdrawals shall be made in respect of expenditures for goods included in the following SITC groups or sub-groups, or any successor groups or sub-groups under future revisions to the SITC, as designated by the Bank by notice to the Borrower:

Group	Sub-group	Description of Items
112	-	Alcoholic beverages
121	-	Tobacco, unmanufactured, tobacco refuse
122	-	Tobacco, manufactured (whether or not containing tobacco substitutes)

525	-	Radioactive and associated materials
667	-	Pearls, precious and semi-precious stones, unworked or worked
718	718.7	Nuclear reactors, and parts thereof, fuel elements (cartridges), non-irradiated for nuclear reactors
728.43	-	Tobacco processing machinery
897	897.3	Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)
971	-	Gold, non-monetary (excluding gold ores and concentrates)

3. Each request by the Borrower for authorization to make withdrawals from the Loan Account in respect of a Sub-loan shall contain: (i) a summary description of the Investment Enterprise and the Investment Project, including a description of the expenditures proposed to be financed under the Loan, and (ii) the terms and conditions of the Sub-loan, including the schedule of amortization therefor.

4. Sub-loans shall be made on terms whereby the Participating Bank shall obtain by a written contract with the Investment Enterprise or by other appropriate legal means, rights adequate to protect the interests of the Bank and the Borrower, including, in the case of any Sub-loan the right to:

(a) 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 managerial standards and to maintain adequate records;

(b) require that: (i) the goods and services to be financed out of the Loan shall be purchased at a reasonable price, account being taken also of other relevant factors such as time of delivery and efficiency and reliability of the goods and availability of maintenance facilities and spare parts therefor, and, in the case of services, of their quality and the competence of the parties rendering them, procured in accordance with the provisions of Schedule 1 to the Project Agreement; and (ii) such goods and services shall be used exclusively in the carrying out of the Investment Project;

(c) inspect, by itself or jointly with representatives of the Bank if the Bank shall so request, such goods and the sites, works, plants and construction included in the Investment Project, the operation thereof, and any relevant records and documents;

(d) require that: (i) the Investment Enterprise shall take out and maintain with responsible insurers such insurance, against such risks and in such amounts, as shall be consistent with sound business practice; and (ii) without any limitation upon the foregoing, such insurance shall cover hazards incident to the acquisition, transportation and delivery of goods financed under the Loan to the place of use or installation, any indemnity thereunder to be made payable in a currency freely usable by the Investment Enterprise to replace or repair such goods;

(e) obtain all such information as the Bank or the Borrower or RBI shall reasonably request relating to the foregoing and to

the administration, operations and financial condition of the Investment Enterprise and to the benefits to be derived from the Investment Project; and

(f) suspend or terminate the right of the Investment Enterprise to financing under the Loan upon failure by such Investment Enterprise to perform its obligations under its contract with the concerned PB.

