

CONFORMED COPY

LOAN NUMBER 3858 IN

Backstop Facility Loan Agreement

(Financial Sector Development Project)

between

INDUSTRIAL DEVELOPMENT BANK OF INDIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated March 24, 1995

LOAN NUMBER 3858 IN

LOAN AGREEMENT

AGREEMENT, dated March 24, 1995, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and INDUSTRIAL DEVELOPMENT BANK OF INDIA (IDBI) (the Borrower).

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

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

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

(D) the Guarantor has requested the Bank to provide assistance towards the financing of Part A of the Project and by an agreement of even date herewith between the Guarantor and the Bank (Capital Restructuring Loan Agreement), the Bank is agreeing to provide such assistance in an aggregate principal amount equivalent to three hundred and fifty million dollars (\$350,000,000) (the Capital Restructuring Loan);

(E) the Borrower 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 the Borrower 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);

(F) by an agreement of even date herewith between the Guarantor and the Bank (the Modernization and Institutional Development Guarantee Agreement), the Guarantor has agreed to guarantee the obligations of the Borrower 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; 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 Capital Restructuring Loan Agreement, the Modernization and Institutional Development Loan Agreement, the Modernization and Institutional Development Guarantee 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 for Single Currency Loans" of the Bank, dated February 9, 1993 (the General Conditions), constitute an integral part of this Agreement.

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

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

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

(c) "Pass Through Agreement (Backstop Facility Loan)" means the agreement to be entered into between the Borrower and RBI pursuant to Section 3.01(b) of this Agreement;

(d) "Eligible Bank" or "EB" means a bank or national financial institution, complying with the criteria set forth in paragraph 11 of Schedule 2 to the Project Agreement, to which RBI has issued a Commitment which has not been canceled;

(e) "Commitment" means a commitment issued by RBI to Eligible Banks pursuant to paragraph 12 of Schedule 2 to the Project Agreement;

(f) "Facility Draw Down Agreement" means an agreement between the Borrower and an EB pursuant to Section 3.01 (c) of this Agreement;

(g) "Backstop Loan" means a loan made by the Borrower to an EB out of the proceeds of the Loan, under a Facility Draw Down Agreement pursuant to Section 3.01 (c) (ii) of this Agreement;

(h) "Investment Enterprise" means an enterprise which complies with criteria set out in Schedule 4 to this Agreement to which an EB has made a Sub-loan;

(i) "Investment Project" means a specific development project which complies with criteria set out in Schedule 4 to this Agreement to be carried out by an Investment Enterprise utilizing a Sub-loan;

(j) "Sub-loan" means a loan made by an EB to an Investment Enterprise for an Investment Project under Part C of the Project in accordance with terms and conditions set out in Schedule 4 to this Agreement, reimbursed from or financed by the Loan;

(k) "rupees" or "Rs." means the currency of the Guarantor;

(l) "Charter" means the Guarantor's Industrial Development Bank of India Act,

1964, as amended to the date of this Agreement; and

(m) "Statement of Policy" means the statement of lending and investment policy of the Borrower, as amended to the date of this Agreement.

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 two hundred million dollars (\$200,000,000).

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 under Part C of the Project 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, 2002, or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower and Guarantor 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 Single Currency LIBOR, plus one-half of one percent ($1/2$ of 1%), plus or minus the Average Margin as provided in paragraph (b) (iv) below.

(b) For the purposes of this Section:

(i) "Interest Period" means the initial period from and including the date of this Agreement to but not including the first Interest Payment Date and thereafter the period from and including any Interest Payment Date to but not including the next Interest Payment Date.

(ii) "Interest Payment Date" means any date specified in Section 2.06 of this Agreement.

(iii) "Single Currency LIBOR" means the London interbank offered rate for dollar, expressed as a percentage per annum, reasonably determined by the Bank in accordance with Schedule 5 to this Agreement for the January 15 or July 15 on which an Interest Period commences (or, for the initial Interest Period, the January 15 or July 15 preceding the date of this Agreement or on which such Interest Period commences).

(iv) "Average Margin" means, for any Interest Period, the weighted average margin, for the Semester preceding the relevant January 15 or July 15, between: (A) the cost of the outstanding borrowings of the Bank or portions thereof allocated to the funding of single currency loans in all currencies, and (B) the specific London and, for French francs, Paris interbank offered rates or other such reference rates attributable to such borrowings in each such currency, all as reasonably determined by the Bank and expressed as a percentage per annum. For any Interest Period in which (A) exceeds (B), the Average Margin shall be added under paragraph (a) above. For any Interest Period in which (B) exceeds (A), the Average Margin shall be subtracted under paragraph (a) above.

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

(c) After the Bank shall have determined Single Currency LIBOR and the Average Margin for any Interest Period, the Bank shall promptly notify the Guarantor and the Borrower of such determination.

Section 2.06. Interest and other charges shall be payable on January 15 and July 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 C of the Project and conduct its operations and affairs in accordance with sound financial standards and practices, with qualified management and personnel, and in accordance with the Charter and the Statement of Policy; (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 enter into and carry out a Pass Through Agreement (Backstop Facility Loan) with RBI, on terms and conditions satisfactory to the Bank, setting out the Borrower's and RBI's respective responsibilities with regard to on-lending of the proceeds of the Backstop Facility Loan to EBs.

(c) The Borrower shall enter into Facility Draw Down Agreements with EBs upon terms and conditions satisfactory to the Bank, including the following:

(i) EBs shall pay an annual Facility Fee to the Borrower, which shall be a percentage, not less than 0.25% of the principal amount of the Backstop Loan to be provided by the Borrower to the concerned EB pursuant to the Facility Draw Down Agreement, to be determined through a competitive process based on offered price, satisfactory to the Bank; and

(ii) the Borrower shall make Backstop Loans to EBs, pursuant to the Facility Draw Down Agreements, on the basis of prior instructions in writing from RBI, on terms and conditions satisfactory to the Bank, including the following:

(aa) each Backstop Loan shall have a principal amount stipulated by the EB in its request to RBI for a Backstop Loan in a manner consistent with its Facility Draw Down Agreement;

(bb) each Backstop Loan shall have a maturity, not exceeding seven years, stipulated by the EB in its request to RBI for a Backstop Loan; and

(cc) each Backstop Loan shall carry a variable interest rate satisfactory to the Bank.

(d) Notwithstanding any other provision of this Agreement, the Borrower shall disburse proceeds of the Loan as Backstop Loans pursuant to Facility Draw Down Agreements only: (i) upon receiving instructions from the RBI that the event described in paragraph 12(a) (ii) of Schedule 2 to the Project Agreement has occurred with respect to the concerned EB; and (ii) only against Sub-loans made by EBs to Investment Enterprises on market terms for Sub-projects which shall comply with criteria set forth in Schedule 4 to this Agreement.

(e) Without prejudice to any other provision of this Agreement, the Borrower shall provide annual reports to the Bank on the status and implementation of all Facility Draw Down Agreements, including receipts of Facility Fees; and any payments of interest and repayment of principal under Backstop Loans.

Section 3.02. The Borrower shall carry out a mid-term review of Part C of the Project by September 30, 1997, with scope and content satisfactory to the Bank, discuss the results of such review with the Guarantor, the Bank and RBI and thereafter take necessary action to implement the findings and recommendations of such review.

Section 3.03. Except as the Bank shall otherwise agree, procurement of the goods, works and consultants' services required for Part C of 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 3.04. The Borrower shall exercise its rights in relation to each Investment Project and under each Facility Draw Down 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 Facility Draw Down Agreement or any provision thereof.

Section 3.05. Without limitation or restriction upon any of its other obligations under this Agreement, the Borrower shall perform all its obligations set forth in each Facility Draw Down Agreement.

Section 3.06. 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. The Borrower shall maintain, or cause to be maintained, procedures and records adequate to monitor and record the progress of Part C of the Project and of each Investment Project (including its cost and the benefits to be derived from it) to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of the Borrower.

Section 4.02 (a) The Borrower shall:

(i) have the records and accounts referred to in Section 4.01 of this Agreement, its accounts and financial statements (balance statements of income and expenses and related statements) and records for each fiscal year audited, in accordance with sound 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: (A) certified copies of said financial statements for such year as so audited; and (B) 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 the said records, accounts and financial statements and the audit thereof as the Bank shall from time to time reasonably request.

(b) 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 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 (a) 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.

Section 4.03. (a) The Borrower shall maintain on the average a Risk-Based Capital Adequacy Ratio satisfactory to the Bank.

(b) For purposes of this Section, the term "Risk-Based Capital Adequacy Ratio" means the ratio calculated according to criteria and methods satisfactory to the Bank.

(c) In the event RBI, or any other regulatory or supervising entity or agency shall enact regulations prescribing a higher level of capital for banks or financial institutions than that required by the Bank pursuant to sub-section (a) of this Section, any non-compliance by the Borrower with such regulations shall be deemed to constitute non-compliance with the provisions of this Section.

Section 4.04. 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 operations and financial condition of the Borrower and the Borrower shall furnish to the Bank all such information as the Bank shall reasonably request concerning the operations and financial condition of the Borrower.

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:

(a) The Charter or the Statement of Policy shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the operations or the financial condition of the Borrower or its ability to carry out the Project or to perform any of its obligations under this Agreement;

(b) RBI shall have failed to perform any of its obligations under the Project Agreement;

(c) the Borrower or RBI shall have failed to perform any of its obligations under the Pass Through Agreement (Backstop Facility Loan);

(d) the Borrower or any EB shall have failed to perform any of its obligations under any Facility Draw Down Agreement;

(e) 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;

(f) 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;

(g) the Guarantor 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;

(h) the Guarantor or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of the Borrower 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 (b), (c) (d) or (e) 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 (a), (f), (g) or (h) 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:

(a) all conditions precedent to the effectiveness of the Capital Restructuring Loan Agreement, and the Modernization and Institutional Development Loan Agreement, other than those related to the effectiveness of this Agreement, have been fulfilled; and

(b) the Pass Through Agreement (Backstop Facility Loan) shall have been duly executed between the Borrower and RBI.

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 on 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. The Chairman and Managing Director, or any Executive Director, 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 Chairman
Industrial Development Bank of India
IDBI Tower, Cuffe Parade
Colaba, Bombay 400 005
India

Cable address:

INDBANK IN
Bombay

Telex:

118-2193
118-4812

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.

INDUSTRIAL DEVELOPMENT BANK OF 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 C	200,000,000	100% of amounts disbursed against Sub-loans
TOTAL	200,000,000	

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; and (b) in respect of payments made to or by any EB, unless the Bank shall have received legal opinions on behalf of the Borrower and such EB, satisfactory to the Bank, that the Borrower and the EB have entered into a Facility Draw Down Agreement in accordance with the provisions of this Agreement, and that such Facility Draw Down Agreement, having been duly executed and delivered on behalf of the Borrower and such EB, 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 its 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; and 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.

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
July 15, 2003	13,705,000
January 15, 2004	14,185,000
July 15, 2004	14,680,000
January 15, 2005	15,190,000
July 15, 2005	15,720,000
January 15, 2006	16,270,000
July 15, 2006	16,835,000
January 15, 2007	17,425,000
July 15, 2007	18,030,000
January 15, 2008	18,660,000
July 15, 2008	19,315,000
January 15, 2009	19,985,000

* The figures in this column represent the amount in dollars to be repaid, except as provided in Section 4.04 (d) of the General Conditions.

SCHEDULE 4

Terms and Conditions of Sub-loans and Investment Projects

1. (a) Each Backstop Loan shall be disbursed against Sub-loans for Investment Projects made by the concerned EB 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 EB, based on market conditions and its lending policies and set at levels not lower than prevailing minimum lending rates;

(ii) repayment terms of Sub-loans shall not exceed seven (7) years; and

(iii) Sub-loans shall be denominated in dollars.

(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 Eligible 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 (including a Sub-loan) or combination of loans shall exceed 25% of the capital (consisting of paid-up capital, reserves and surpluses) of the concerned EB;

(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 impact 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 Investment Enterprise on or after the date of this

Agreement; 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. Backstop Loans shall be disbursed only to EBs which shall have a financing gap in respect of dollar term loans made to enterprises that: (i) have a need for dollar loans to match revenues earned in dollars; (ii) are managed autonomously of the Guarantor and are expected by the Guarantor to service their debt from their own resources; and (iii) manage their risk associated with the foreign currency compositions of their assets and liabilities.

4. 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.

5. Sub-loans shall be made on terms whereby the EB 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 Invest-ment 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 EB.

SCHEDULE 5

Single Currency LIBOR Determination

1. Single Currency LIBOR for any Interest Period shall be the offered rate for deposits in dollars for a period of six months which appears on the display designated as page "3750" on the Telerate monitor (or such other page or service as may replace it for the purpose of displaying London interbank offered rates of major banks for dollar deposits), as of 11:00 a.m. (London time) on the second day on which banks and foreign exchange markets are open for business in London prior to the relevant January 15 or July 15 (the Interest Determination Date).

2. If such rate does not appear on the Telerate monitor or on such service as may replace it, the Bank shall request the London offices of four major banks to provide the Bank with the rate at which deposits in dollar are offered by such banks on the Interest Determination Date to leading banks in the London interbank market for a period of six months ending on the last day of such Interest Period. Single Currency LIBOR for such Interest Period shall be the arithmetic mean (rounded upwards if necessary to the fifth decimal place) of such offered quotations as determined by the Bank.

3. If not more than one major bank provides the Bank with such quotations under paragraph 2 above, Single Currency LIBOR shall be arithmetic mean (rounded upwards if necessary to the fifth decimal place) determined by the Bank of the rates quoted by at least two major banks in New York selected by the Bank on the Interest Determination Date for loans in dollar to leading European banks for a period of six months ending on the last day of such Interest Period. If fewer than two of the banks so selected are quoting such rates, Single Currency LIBOR shall be the single currency in effect for the last preceding Interest Period.

