

CONFORMED COPY

LOAN NUMBER 3119 IN

(Industrial Technology Development Project)

between

INDIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated December 8, 1989

LOAN NUMBER 3119 IN

LOAN AGREEMENT

AGREEMENT, dated December 8, 1989, 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 the Development Credit Agreement between the Borrower and the International Development Association (the Association) of even date herewith (the Development Credit Agreement), has requested the Bank to assist in the financing of the Project;

(B) the Borrower has also requested the Association to provide additional financial assistance toward the financing of the Project and by the Development Credit Agreement the Association is agreeing to provide such assistance in an aggregate principal amount equivalent to forty-four million two hundred thousand Special Drawing Rights (SDR 44,200,000) (the Credit);

(C) Part A of the Project will be carried out by the venture capital management companies for which the Borrower will make available an amount equivalent to \$45,000,000 out of the proceeds of the Loan as set forth in Schedule 2 to this Agreement;

(D) Part B of the Project will be carried out by ICICI and, as part of such assistance, the Borrower will make available to ICICI the proceeds of the Credit as provided in the Development Credit Agreement;

(E) Part C of the Project will be carried out by the Borrower;

(F) the Borrower is expected to receive from the Government of Japan a grant in an amount equivalent to \$2,500,000 to assist in financing Part D of the Project; 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 in this Agreement and in the ICICI and IDBI Project Agreements of even date herewith;

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 last sentence of Section 3.02 deleted (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 and in the Development Credit Agreement have the respective meanings therein set forth and the term "Development Credit Agreement" means the agreement of even date herewith between the Borrower and the Association for the Project, as such agreement may be amended from time to time, and such term includes the "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, as applied to such agreement, and all schedules and agreements supplemental to the Development Credit 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 one hundred forty-five million dollars (\$145,000,000), 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 the Development Credit Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to the Development Credit Agreement and to be financed out of the proceeds of the Loan.

Section 2.03. The Closing Date shall be December 31, 1995 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."

(e) Notwithstanding the provisions of paragraph (a) of this Section, the interest rate for the Interest Period commencing in the first Semester of 1989 shall be seven and sixty-five hundredths percent (7.65%).

Section 2.06. Interest and other charges shall be payable semi-annually on June 1 and December 1 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 1 to this Agreement.

ARTICLE III

Execution of the Project

Section 3.01. (a) Subject to paragraph (b) of this Section, Sections 2.02 (b), 3.01 and 4.01 of the Development Credit Agreement and Schedules 1, 2, 3, thereto are incorporated in the Loan Agreement, with the following modifications in said Sections and Schedule 2 unless the context otherwise requires:

- (i) the term "Association" shall be read as "Bank";
- (ii) the term "Credit" and "Credit Account" shall be read as "Loan" and "Loan Account"; and
- (iii) the term "this Agreement" or "the Development Credit Agreement" shall be read as "the Loan Agreement".

(b) So long as any part of the Credit provided for under the Development Credit Agreement shall remain outstanding and unless the Borrower has been notified otherwise by the Bank:

- (i) all actions taken, including approvals given, by the Association pursuant to any of the Sections of, and Schedules to, the Development Credit Agreement enumerated in paragraph (a) of this Section, as well as pursuant to Section 2.02 (a) of the Development Credit Agreement, shall be deemed to be taken or given in the name and on behalf of both the Association and the Bank; and
- (ii) all information or documentation furnished by the Borrower to the Association pursuant to the provisions of any of such Sections of the Development Credit Agreement or Schedules thereto shall be deemed to be furnished to both the Association and the Bank.

Section 3.02. (a) For the purpose of carrying out Part A of the Project, the Borrower shall relend an amount equivalent to \$45,000,000 out of the proceeds of the Loan to ICICI and IDBI under the Subsidiary Loan Agreements to be entered into between the Borrower and ICICI and IDBI, respectively, under terms and conditions which shall have been approved by the Bank which shall, except as the Bank may otherwise agree, include those set forth in Schedule 2 to this Agreement.

(b) The Borrower shall exercise its rights under the Subsidiary Loan Agreements 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 the Subsidiary Loan Agreements or any provision thereof.

Section 3.03. The Bank and the Borrower 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 ICICI and IDBI pursuant to the relevant provisions of their respective Project Agreements.

Section 3.04. The Borrower shall ensure that each VC Fund under the Project is able to: (i) invest in an Investment Enterprise without seeking the Borrower's or any of its Agencies' prior approval; (ii) sell its shares on the capital markets at prices it determines based on objective criteria disclosed to the public; and (iii) invest in the range of equity, quasi-equity and

quasi-loan financial instruments, as such VC Fund shall determine.

Section 3.05. The Borrower shall, by March 31, 1990, establish a mechanism satisfactory to the Bank centralizing the documentation required relating to the TDF.

ARTICLE IV

Particular Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices and the operations, resources and expenditures in respect of Part C of the Project of the departments or agencies of the Borrower responsible for carrying out Part C of the Project.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section for each financial 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 six months after the end of each such year, a certified copy of 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, accounts and the audit thereof as the Bank shall from time to time reasonably request.

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (k) of the General Conditions, the events set out in Section 5.01 of the Development Credit Agreement are specified as additional events, provided, however, that the term "Association" wherever it appears in such Section shall be read as "Bank".

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the events set out in Section 5.02 of the Development Credit Agreement are specified as additional events, provided, however, that the term "Association" wherever it appears in such Section shall be read as "Bank".

ARTICLE VI

Effective Date; Termination

Section 6.01. The following event is specified as an additional condition to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions, namely, that all conditions precedent to the effectiveness of the Development Credit Agreement shall have been fulfilled, other than those related to the effectiveness of this Agreement.

Section 6.02. 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.

Section 6.03. If the Development Credit Agreement terminates prior to the termination of this Agreement, the provisions of the Development Credit Agreement referred to in this Agreement shall

continue in full force and effect between the Borrower and the Bank.

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
Department of Economic Affairs
Ministry of Finance
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:

440098 (ITT)
248423 (RCA) or
64145 (WUI)

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/ Anil Kumar

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Attila Karaosmanoglu

Regional Vice President
Asia

SCHEDULE 1

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
June 1, 1995	1,820,000
December 1, 1995	1,895,000
June 1, 1996	1,965,000
December 1, 1996	2,040,000
June 1, 1997	3,895,000
December 1, 1997	4,050,000
June 1, 1998	4,205,000
December 1, 1998	4,365,000
June 1, 1999	4,535,000
December 1, 1999	4,710,000
June 1, 2000	4,895,000
December 1, 2000	5,080,000
June 1, 2001	5,280,000
December 1, 2001	5,485,000
June 1, 2002	5,695,000
December 1, 2002	5,915,000
June 1, 2003	6,145,000
December 1, 2003	6,385,000
June 1, 2004	6,630,000
December 1, 2004	6,890,000
June 1, 2005	7,155,000
December 1, 2005	7,440,000
June 1, 2006	4,200,000
December 1, 2006	4,365,000
June 1, 2007	4,530,000
December 1, 2007	4,710,000
June 1, 2008	4,890,000
December 1, 2008	5,080,000
June 1, 2009	5,275,000
December 1, 2009	5,475,000

* 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	0.80

more than 16 years before maturity	
More than 16 years but not more than 18 years before maturity	0.90
More than 18 years before maturity	1.00

SCHEDULE 2

Terms and Conditions of Subsidiary Loan Agreements

1. Interest shall be charged at not less than 12% per annum.
2. Repayments shall be made over a period of 16 years.
3. Grace period shall be 7 years.
4. Interest during grace period will be capitalized.
5. Total amount of \$45,000,000 will be made available as follows:

(a) To ICICI	\$20,000,000
(b) To IDBI	\$13,500,000

The balance of \$11,500,000 shall be made available to ICICI, and CanBank, APIDC and GIIC through IDBI, on a first-come first-served basis, after the commitments of the initial allocation have been made.
6. ICICI shall invest the proceeds of the Loan received under the ICICI Subsidiary Loan Agreement in a Venture Capital Fund to be managed by the TDICI.
7. IDBI shall make available the proceeds of the Loan received under the IDBI Subsidiary Loan Agreement to CanBank, APIDC and GIIC under the Financial Agreements approved by the Bank to be entered into between IDBI and CanBank, APIDC and GIIC, respectively, as follows:

(a) To CanBank	\$5,250,000
(b) To APIDC	\$3,000,000
(c) To GIIC	\$5,250,000
8. Funds from IDBI to CanBank, APIDC and GIIC shall be made available on the same terms and conditions as IDBI receives the proceeds of the Loan from the Borrower, and, in the event of delay in the transfer of resources from the Special Account, IDBI will advance the required amount to APIDC and GIIC from its own resources.
9. Withdrawals, in respect of VCF in accordance with the provisions of Schedule 1 to the Development Credit Agreement, will be made as follows:

(a) ICICI:	Up to \$6,000,000 until the commitment level reaches \$18,000,000, upto \$13,000,000 until the commitment level reaches \$39,000,000, and the balance thereafter.
(b) CanBank:	Up to \$2,000,000 until the commitment level reaches \$6,000,000, upto \$3,000,000 until the commitment level reaches \$9,000,000, and the balance thereafter.

- (c) APIDC: Up to \$1,000,000 until the commitment level reaches \$3,000,000, upto \$2,000,000 until the commitment level reaches \$6,000,000, and the balance thereafter.
- (d) GIIC: Up to \$2,000,000 until the commitment level reaches \$6,000,000, upto \$3,000,000 until the commitment level reaches \$9,000,000, and the balance thereafter.

10. The transfer of funds to ICICI and IDBI in accordance with the foregoing provisions of this Schedule will be made promptly after the Borrower has received a request for disbursement.

