

CONFORMED COPY

LOAN NUMBER 3059 IN

(Export Development Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

and

THE INDUSTRIAL CREDIT AND INVESTMENT  
CORPORATION OF INDIA LIMITED

Dated May 26, 1989

LOAN NUMBER 3059 IN

LOAN AGREEMENT

AGREEMENT, dated May 26, 1989, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and THE INDUSTRIAL CREDIT AND INVESTMENT CORPORATION OF INDIA LIMITED (the Borrower).

WHEREAS: (A) India, acting by its President (the Guarantor) and the Borrower, having been satisfied 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 A (ii) of the Project;

(B) by an agreement (the Guarantee Agreement) of even date herewith between the Guarantor and the Bank, the Guarantor has agreed to guarantee the obligations of the Borrower in respect of the Loan;

(C) by an agreement (hereinafter called the Government Loan Agreement) of even date herewith between the Guarantor and the Bank, the Bank has agreed to make a loan to the Guarantor in an aggregate principal amount of \$120,000,000 to assist in the financing of Parts A (i), B and C of the Project on the terms and

conditions set forth in the Government Loan Agreement;

(D) the Guarantor is expected to receive from the Government of Japan a grant in an amount equivalent to \$2,700,000 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;

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 in Schedule 7 to this Agreement (the General Conditions) constitute an integral part of this Agreement.

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

(a) "Government Loan Agreement" means the agreement of even date herewith entered into between the Guarantor and the Bank for purposes of carrying out Parts A (i), B and C of the Project;

(b) "Prior Loan Agreement" means any outstanding loan agreement between the Bank and the Borrower and any outstanding loan agreement between the Guarantor and the Bank (pursuant to which the proceeds of such loan or part thereof were relented to the Borrower) dated before the date of this Agreement and "Prior Loan" means any loan provided for therein;

(c) "Charter" means the Memorandum of Association and the Articles of Association of the Borrower dated January 5, 1955, as amended to the date of this Agreement;

(d) "Financial and Operational Strategy" means the statement of lending, investment and resource mobilization policy of the Borrower approved by its Board on September 10, 1981, as the same may be amended from time to time with the prior concurrence of the Bank;

(e) "Sub-loan" means a loan made or proposed to be made by the Borrower out of the proceeds of the Loan to an Investment Enterprise for an Investment Project and "free-limit Sub-loan" means a Sub-loan pursuant to the provisions of Section 2.02 (b) of this Agreement;

(f) "Investment Enterprise" means any enterprise in the private sector, joint sector (private and public) or a cooperative which is eligible to receive a Sub-loan;

(g) "Investment Project" means an export-oriented development project supported by a strategic export development plan designed to significantly increase exports to be carried out by an Investment Enterprise utilizing the proceeds of Sub-loan;

(h) "Subsidiary" means any company of which a majority of the outstanding voting stock or other proprietary interest is owned or effectively controlled by the Borrower or by any one or more subsidiaries of the Borrower or by the Borrower and one or more of its subsidiaries;

(i) "Rupees" and "Rs" means the currency of the Guarantor;

(j) "Foreign Currency" means any currency other than the

currency of the Guarantor; and

(k) "Special Account" means the account referred to in Section 2.02 (c) 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 one hundred seventy-five million dollars (\$175,000,000) 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. (a) 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, for amounts to be paid) by the Borrower on account of withdrawals made by an Investment Enterprise under a Sub-loan to meet the reasonable foreign currency cost of goods and services required for the Investment Project in respect of which the withdrawal from the Loan Account is requested.

(b) A free-limit Sub-loan shall be a Sub-loan for an Investment Project, in an amount to be financed out of the proceeds of the Loan which shall not exceed the sum of \$8,000,000 equivalent when added to any other outstanding amounts financed or proposed to be financed out of the proceeds of the Loan or of any Prior Loan the proceeds of which have been or are being used for financing goods and services directly and materially related to such Investment Project, the foregoing amount being subject to change from time to time as determined by the Bank.

(c) The Borrower shall, for the purposes of Part A (ii) of the Project, open and maintain in dollars a special account in the Reserve Bank of India or the State Bank of India on terms and conditions satisfactory to the Bank. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 6 to this Agreement.

Section 2.03. (a) When presenting a Sub-loan (other than a free-limit Sub-loan) to the Bank for approval, the Borrower shall furnish to the Bank an application, in form satisfactory to the Bank, together with: (i) a description of the Investment Enterprise and an appraisal of the Investment Project, including a description of the expenditures proposed to be financed out of the proceeds of the Loan and the necessary domestic resource cost analyses; (ii) the proposed terms and conditions of the Sub-loan, including the schedule of amortization of the Sub-loan; (iii) the strategic export development plan of the Investment Enterprise; (iv) an analysis of the Investment Project showing the economic and financial rates of return which shall not, unless the Bank otherwise agrees, be less than 12% and 15%, respectively; and (v) such other information as the Bank shall reasonably request.

(b) Each request by the Borrower for authorization to make withdrawals from the Loan Account in respect of a free-limit 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 out of the proceeds of the Loan, the necessary domestic resource cost analyses, the strategic export development plans of the Investment Enterprise and the economic and financial rates of return of the Investment Project; and (ii) the terms and conditions of the Sub-loan, including the schedule of amortization therefor.

(c) Applications and requests made pursuant to the provisions of sub-paragraphs (a) and (b) of this paragraph shall be presented to the Bank on or before March 31, 1993.

Section 2.04. The Closing Date shall be March 31, 1996 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower and the Guarantor of such later date.

Section 2.05. 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 2.06. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time at a rate per annum for each Interest Period equal to one-half of one percent per annum above the Cost of Qualified Borrowings for the last Semester ending prior to the commencement of such Interest Period.

(b) As soon as practicable after the end of each Semester, the Bank shall notify the Guarantor and the Borrower of the Cost of Qualified Borrowings for such Semester.

(c) For purposes of this Section:

- (i) "Interest Period" means the six-month period commencing on each date specified in Section 2.07 of this Agreement, including the Interest Period in which this Agreement is signed.
- (ii) "Cost of Qualified Borrowings" means the cost of the outstanding borrowings of the Bank drawn down after June 30, 1982, expressed as a percentage per annum, as reasonably determined by the Bank.
- (iii) "Semester" means the first six months or the second six months of a calendar year.

Section 2.07. Interest and other charges shall be payable semi-annually on June 1 and December 1 in each year.

Section 2.08. 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 Management and Operations of the Borrower

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, shall carry out Part A (ii) of the Project with due diligence and efficiency and in conformity with appropriate administrative, industrial, and financial practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project under the supervision of qualified and experienced management assisted by competent staff in adequate numbers and in accordance with the Charter.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods, and services required for Part A (ii) of the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement.

Section 3.03. (a) The Borrower undertakes that, unless the Bank shall otherwise agree, Sub-loans will be made in accordance with the procedures and on the terms and conditions set forth or referred to in Schedule 5 to this Agreement.

(b) The Borrower shall exercise its rights in relation to each Investment Project in such manner as to: (i) protect the

interests of the Bank and of the Borrower; (ii) comply with its obligations under this Agreement; and (iii) achieve the purposes of the Project.

Section 3.04. Without limitation to the provisions of Section 9.07 (a) (iii) of the General Conditions, the Borrower shall furnish to the Bank quarterly and semi-annual reports, of such scope and in such detail as the Bank shall reasonably request, on the progress of Part A (ii) of the Project, such reports to be furnished within three months after the end of each reporting period.

#### ARTICLE IV

##### Financial Covenants

Section 4.01. (a) The Borrower shall maintain procedures and records adequate to monitor and record the progress of Part A (ii) of the Project and of each Investment Project and accounts adequate to reflect in accordance with sound accounting practices the operations and financial condition of the Borrower.

(b) The Borrower shall:

- (i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) and the records and accounts for the Special Account 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 four months after the end of each such year: (A) certified copies of its 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 said records, accounts and financial statements as well as 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, in accordance with paragraph (a) of this Section, 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.

Section 4.02. Except as the Bank shall otherwise agree, the Borrower shall: (a) conduct its operations and affairs in such manner as shall be necessary to maintain, at all times, its debt/equity ratio within the limit referred to in Section 4.03 (a) (ii) of this Agreement; and (b) if such ratio shall, for reasons beyond the Borrower's control, be exceeded, promptly take all such reasonable action as shall be necessary or advisable to bring such ratio within such limit.

Section 4.03. (a) Except as the Bank shall otherwise agree, the Borrower shall:

- (i) not incur or permit any subsidiary to incur any debt if, after the incurring of such debt, the consolidated debt of the Borrower and all its subsidiaries then incurred and outstanding would be greater than twelve times the consolidated capital and surplus of the Borrower and all its subsidiaries; and
  - (ii) ensure that at all times its consolidated internal cash generation for each year shall be at least 1.2:1 times the consolidated debt service requirements of its consolidated debt for that year.
- (b) For the purposes of this Section:
- (i) The term "debt" means any debt incurred by the Borrower or any subsidiary maturing more than one year after the date on which it is originally incurred; provided, however, that current repayments of such debt due and payable within one year shall be excluded therefrom.
  - (ii) Debt shall be deemed to be incurred: (A) under a loan contract or agreement or other instrument providing for such debt or for the modification of its terms of payment, on the date, and to the extent, the amount of such debt has become outstanding pursuant to such loan contract, agreement or instrument; and (B) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into but only to the extent that the guaranteed debt is outstanding.
  - (iii) The term "equity" means the sum of the total unimpaired paid-up capital, retained earnings and reserves of the Borrower not allocated to cover specific liabilities.
  - (iv) Whenever for the purposes of this Section it shall be necessary to value in terms of Rupees, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable by the Borrower for the purposes of servicing such debt; or, in the absence of such rate, on the basis of a rate of exchange acceptable to the Bank.
  - (v) The term "consolidated debt of the Borrower and all its subsidiaries" means the total amount of debt of the Borrower and all its subsidiaries, excluding any debt owed by the Borrower to any subsidiary or by any subsidiary to the Borrower or to any other subsidiary.
  - (vi) The term "consolidated capital and surplus of the Borrower and its subsidiaries" means the aggregate of the total unimpaired paid-up capital, surplus and free reserves of the Borrower and all its sub-

subsidiaries after excluding therefrom such amounts as shall represent equity interests of the Borrower in any subsidiary or of any such subsidiary in the Borrower or in any other subsidiary.

Section 4.04. The Borrower shall not make any repayment in advance of maturity in respect of any outstanding debt of the Borrower which would materially affect the Borrower's ability to meet its financial obligations.

Section 4.05. The Borrower shall take such steps satisfactory to the Bank as shall be necessary to protect itself against risk of loss resulting from changes in the rates of exchange between the currencies (including Rupees) used in its operations.

Section 4.06. 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 administration, 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 administration, operations and financial condition of the Borrower.

## ARTICLE V

### Remedies of the Bank

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

(a) Any part of the principal amount of any loan to the Borrower having an original maturity of one year or more shall, in accordance with its terms, have become due and payable in advance of maturity as provided in the relative contractual instruments, or any security for any such loan shall have become enforceable.

(b) A material change shall have been made in the Charter which would materially and adversely affect the operations or the financial condition of the Borrower.

(c) A change shall have been made in the Financial and Operational Strategy without the Bank's prior consent.

(d) A Subsidiary or any other entity shall have been created or acquired or taken over by the Borrower, if such creation, acquisition or taking over would adversely affect the conduct of the Borrower's business or the Borrower's financial condition or the efficiency of the Borrower's management and personnel or the carrying out of the Project.

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

(a) any event specified in paragraphs (a), (b) or (c) of Section 5.01 shall occur; and

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

## 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 Government Loan Agreement, except for the effectiveness of this Agreement, have been fulfilled.

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.

#### ARTICLE VII

##### Representatives of the Borrower; Addresses

Section 7.01. The Chairman and Managing Director of the Borrower (or such other person as the Borrower shall designate in writing), 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 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)

For the Borrower:

Industrial Credit and Investment  
Corporation of India Limited  
163 Backbay Reclamation  
Bombay 400 020, India

Cable address:

CREDCORP  
Bombay

Telex:

11 3062 ICICI IN

Fax: 2046582

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.

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Bilsel Alisbah  
Acting Regional Vice President  
Asia

THE INDUSTRIAL CREDIT AND INVESTMENT  
CORPORATION OF INDIA LIMITED

By /s/ Anil Kumar  
Authorized Representative



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
(1) Sub-loans for Investment Projects under Part A (ii) of the Project	175,000,000	100% of foreign expenditures or 80% of loans for Investment Projects
TOTAL	175,000,000	

2. For the purposes of this Schedule, the term "foreign expenditures" means expenditures in the currency of any country other than that of the Guarantor for goods or services supplied from the territory of any country other than that of the Guarantor.

3. The disbursement percentage for Category (1) has been calculated in compliance with the policy of the Bank that the proceeds of the Loan shall not be disbursed on account of payments for the acquisition of land, taxes or duties; on this basis, if the cost of land, taxes or duties represents more than 50% of the total cost of the concerned Investment Project, the Bank may, by notice to the Borrower, decrease the disbursement percentages then applicable to Category (1) as required to be consistent with the aforementioned policy of the Bank.

4. 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;

(b) in respect of a Sub-loan unless (i) the Sub-loan has been approved by the Bank; or (ii) the Sub-loan is a free-limit Sub-loan for which the Bank has authorized withdrawals from the Loan Account; and

(c) except as the Bank and the Borrower shall otherwise agree, on account of expenditures by an Investment Enterprise in respect of a Sub-loan subject to the Bank's approval if such expenditures shall have been made more than ninety days prior to the date on which the Bank shall have received in respect of such Sub-loan the application and information required by Section 2.03 (a) of this Agreement or, in respect of a free-limit Sub-loan, more than ninety days prior to the date on which the Bank shall have received in respect of such free-limit Sub-loan the request and information required by Section 2.03 (b) of this Agreement.

SCHEDULE 2

Description of the Project

The objective of the Project is to assist India's key financial institutions in carrying out a strategy of promoting the growth of exports.

The Project consists of the following Parts, as the same may be amended from time to time to achieve such objectives.

Part A: (the Borrower)

- (i) The carrying out of EDF Programs by the Borrower to finance part of the preparation and implementation of the export development plans of Investment Enterprises;
- (ii) financing of specific Investment Projects through Sub-loans to eligible export-oriented Investment Enterprises.

Part B: (Ex-Im Bank)

- (i) The carrying out of EDF Programs by Ex-Im Bank to finance part of the preparation and implementation of the export development plans of Investment Enterprises;
- (ii) financing of specific Investment Projects through Sub-loans to eligible export-oriented Investment Enterprises.

Part C: (PCBs)

- (i) The carrying out of EDF Programs by each PCB to finance part of the preparation and implementation of the export development plans of Investment Enterprises;
- (ii) financing of specific Investment Projects through Sub-loans to eligible export-oriented Investment Enterprises.

Part D: (TAF)

The carrying out of TAF Programs by the Borrower, Ex-Im Bank and PCBs to strengthen their capacity to appraise export oriented projects and advise Investment Enterprises on export strategy issues.

\* \* \*

The Project is expected to be completed by September 30, 1995.

### SCHEDULE 3

#### Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
December 1, 1994	3,215,000
June 1, 1995	3,335,000
December 1, 1995	3,465,000
June 1, 1996	3,595,000
December 1, 1996	3,735,000
June 1, 1997	3,875,000
December 1, 1997	4,025,000
June 1, 1998	4,180,000
December 1, 1998	4,340,000
June 1, 1999	4,505,000
December 1, 1999	4,675,000
June 1, 2000	4,855,000
December 1, 2000	5,040,000
June 1, 2001	5,235,000
December 1, 2001	5,435,000
June 1, 2002	5,640,000
December 1, 2002	5,855,000
June 1, 2003	6,080,000

December 1, 2003	6,315,000
June 1, 2004	6,555,000
December 1, 2004	6,805,000
June 1, 2005	7,065,000
December 1, 2005	7,335,000
June 1, 2006	7,615,000
December 1, 2006	7,910,000
June 1, 2007	8,210,000
December 1, 2007	8,525,000
June 1, 2008	8,850,000
December 1, 2008	9,190,000
June 1, 2009	9,540,000

\* 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

#### SCHEDULE 4

##### Procurement

###### Part A: International Competitive Bidding

Except as provided in Part C hereof, goods shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines).

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A hereof, goods manufactured in India may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Other Procurement Procedures

Contracts estimated to cost the equivalent of \$8,000,000 each or less may be procured in accordance with the standard procedures of the Borrower acceptable to the Bank for such procurement.

Part D: Review by the Bank of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract estimated to cost the equivalent of \$8,000,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Bank pursuant to said paragraph 2 (d) shall be furnished to the Bank prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, said procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Bank pursuant to said paragraph 3 shall be furnished to the Bank as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 6 to this Agreement.

(c) The provisions of the preceding sub-paragraphs (a) and (b) shall not apply to contracts on account of which the Bank has authorized withdrawals from the Loan Account on the basis of statements of expenditure. Such contracts shall be retained in accordance with Section 4.01 (a)(ii) of this Agreement.

2. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

SCHEDULE 5

Terms and Conditions of Sub-loans  
and Processing Procedures

1. Except as the Bank shall otherwise agree, the principal terms and conditions of Sub-loans shall provide, inter alia, that:

(a) in the event that the Borrower makes available the proceeds of the Loan to Investment Enterprises in foreign currencies, such proceeds shall be lent by the Borrower to Investment Enterprises at a rate of two percent (2%) above the variable interest rate of the Loan and the Investment Enterprises shall bear the foreign exchange risk. In the event that the Borrower makes available the proceeds of the Loan to Investment Enterprises denominated in Rupees, such proceeds shall be lent by the Borrower to Investment Enterprises at the ERAS rate prevailing at the time of disbursement;

(b) the aggregate amount of all Sub-loans made by the Borrower under the Loan or any Prior Loan for an Investment Project shall not exceed \$30 million equivalent either singly or

in consortium with any other financial institution;

(c) repayment periods for Sub-loans shall be at least three years but shall not exceed fifteen years including therein a grace period not exceeding 3 years; and

(d) investment Projects shall be connected with the establishment, expansion and/or balancing, modernization and replacement proposal of an Investment Enterprise.

2. No expenditures for goods or services required for an Investment Project shall be eligible for financing out of the proceeds of the Loan unless:

(a) the Sub-loan for such Investment Project shall have been approved by the Bank and such expenditures shall have been made not earlier than ninety days prior to the date on which the Bank shall have received the application and information required under paragraph (a) of Section 2.03 of this Agreement in respect of such Sub-loan; or

(b) the Sub-loan for such Investment Project shall have been a free-limit Sub-loan for which the Bank has authorized withdrawals from the Loan Account and such expenditures shall have been made not earlier than ninety days prior to the date on which the Bank shall have received the request and information required under paragraph (b) of Section 2.03 of this Agreement in respect of such free-limit Sub-loan.

3. Sub-loans shall be made on terms whereby the Borrower shall obtain, by 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) without limitation to the generality of the provisions of the preceding paragraph (a), require the Investment Enterprise to carry out and operate the Investment Project with due regard to applicable ecological, environmental and pollution control standards;

(c) require that: (i) the goods and services to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Schedule 4 to this Agreement; and (ii) such goods and services shall be used exclusively in the carrying out of the Investment Project;

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

(e) 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 out of the proceeds of 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;

(f) obtain all such information as the Bank or the Borrower shall reasonably request relating to the foregoing and to the administration, operations and financial condition of the Invest-

ment Enterprise and to the benefits to be derived from the Investment Project; and

(g) suspend or terminate the right of the Investment Enterprise to the use of the proceeds of the Loan upon failure by such Investment Enterprise to perform its obligations under its contract with the Borrower.

#### SCHEDULE 6

##### Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Category" means the Category set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for Part A (ii) of the Project and to be financed out of the proceeds of the Loan allocated from time to time to the eligible Category in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$15,000,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

(d) notwithstanding the provisions of paragraph 4 (b) and (c) of Schedule 1 to this Agreement, payments for expenditures to be financed out of the proceeds of free-limit Sub-loans may be made out of the Special Account before the Bank shall have authorized withdrawals from the Loan Account in respect thereof. Such expenditures, however, shall qualify as eligible expenditures only if the Bank shall subsequently authorize such withdrawals.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Bank has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Bank the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been made out of the Special Account for eligible expenditures.

All such deposits shall be withdrawn by the Bank from the Loan Account under the eligible Category, and in the equivalent amount, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Borrower directly from the Loan Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or

(b) once the total unwithdrawn amount of the Loan allocated to the eligible Category for Part A (ii) of the Project, less the amount of any outstanding special commitment entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to Part A (ii) of the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to the eligible Category for Part A (ii) of the Project shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Bank shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; (ii) was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

(c) The Borrower may, upon notice to the Bank, refund to the Bank all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Bank made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Loan Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

#### SCHEDULE 7

#### Modifications of General Conditions

For the purposes of this Agreement, the provisions of the General Conditions are modified as follows:

1. The last sentence of Section 3.02 is deleted.

2. The following subparagraph (d) is added to Section 3.04.

(d) The Bank and the Borrower may, from time to time, agree upon arrangements for prepayment of the Loan and the application of such prepayment in addition to, or in substitution for, those set forth in paragraph (b) of Section 3.04.

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

"Section 6.03. Cancellation by the Bank. If: (a) the right of the Borrower to make withdrawals from the Loan Account shall have been suspended with respect to any amount of the Loan for a continuous period of thirty days, or (b) by the date specified in paragraph (c) of Section 2.03 of the Loan Agreement no applications or requests permitted under paragraph (a) or paragraph (b) of such Section shall have been received by the Bank in respect of any portion of the Loan, or having been so received, shall have been denied; or (c) after the Closing Date an amount of the Loan shall remain undrawn from the Loan Account, or (d) the bank shall have received notice from the Guarantor pursuant to Section 6.07 with respect to an amount of the Loan, the Bank may by notice to the Borrower terminate the right of the Borrower to submit such applications or requests or to make withdrawals from the Loan Account, as the case may be, with respect to such notice such amount or portion of the Loan shall be cancelled."

