

TERMS AND CONDITIONS OF THE BONDS

Public Security Status

Vide notification dated February 11, 1998 the Ministry of Finance, Department of Economic Affairs (Capital Market Division) has declared the Bond(s) (as hereinafter defined) as a security under section 20(f) of the Indian Trusts Act, 1882 (2 of 1882).

Government of Rajasthan has declared the Bond(s) (as defined hereinafter) as eligible security under section 2(10)(c) of the Rajasthan Public Trusts Act, 1959.

- Vide notification GK/2000/BPT/10200016/1084/E dated November 10, 2000, the Government of Gujarat has declared the Bond(s) (as defined hereinafter) as eligible security under section 2(12)(d) of the Bombay Public Trusts Act, 1950.
- Vide G.O.R.No.492 dated 23/02/1995 the Govt. of Andhra Pradesh has notified Bonds issued by ICICI Limited as eligible investments for endowment institutions / trusts.
- Vide Circular dated 26/10/1998 issued by the Office of the Commissioner, Encowments Dept., A.P., Hyderabad, 6(e) institutions have been instructed to invest surplus funds in bonds floated by ICICI Limited.

Status

Where the tenor of the non-marketable bonds in the nature of debentures ("Bond(s)") issued is greater than 5 years, the Bond(s) will be of subordinated nature. Where the tenor of the Bond(s) issued is less than or equal to 5 years, the Bond(s) will be of unsubordinated nature.

Where the Bond(s) issued are of unsubordinated nature, the Bond(s) will constitute direct, unsubordinated and unsecured obligations of the Company and shall rank *pari passu* inter se and (subject to any obligations preferred by mandatory provisions of the law prevailing from time to time) shall also, as regards amount invested and any benefits payable thereon by the Company out of its own funds, rank *pari passu* with all other existing direct, unsubordinated and unsecured borrowings of the Company.

Where the Bond(s) issued are of subordinated nature, the Bond(s) will constitute direct, unsecured and subordinated obligations of the Company and will be subordinated and postponed to the payments in respect of all prior obligations of the Company, whether for principal, interest, return or otherwise, except that they will rank *pari passu* amongst themselves and with all other present and future subordinated obligations of the Company.

Issue Date

All benefits relating to the Bond(s) will be available to the holders of the Bond ("Bondholder(s)") from the date of realisation of cheque(s)/draft(s) ("the Issue Date").

Tax Implications

The investment in the Bonds is an eligible investment for the purposes of section 115(vii) of the Income-tax Act, 1961 in the hands of the Trust.

Interest on bonds

Payment of interest will be subject to deduction of tax at source at the rates prevailing from time to time, under the provisions of the Income-tax Act, 1961 or any statutory modification or re-enactment thereof. To ensure lower or non-deduction of tax at source, as the case may be, the bondholder should furnish either (a) an evidence for total exemption from tax or, (b) a declaration (in duplicate in the prescribed form i.e. Form 15H which can be furnished by all bondholders (other than companies and firms) or (c) a certificate from the Assessing Officer of the bondholder, in the prescribed form i.e. Form 15AA, which can be obtained by all bondholder (including Companies and Firms). In case the Interest Payment Date falls on a day, which is a holiday for Banks in Mumbai ("Bank Holiday"), interest will be paid on the next working day.

In consequence of the interest payment being made on a day falling after the Interest Payment Date under this condition.

Interest Payment Dates

Monthly Interest

Where interest is payable monthly, interest will be payable on 07<sup>th</sup> of each month ("Interest Payment Dates"). The first interest payment will be made on November 07, 2001 and the last interest payment shall be made on redemption of the Bond(s). Payment of interest will be made as per the terms mentioned under "Interest on Bonds" herein above.

Quarterly Interest

Where interest is payable quarterly, interest will be payable on November 07, February 07, May 07 and August 07 every year ("Interest Payment Dates"). The first interest payment will be made on November 07, 2001 and the last interest payment shall be made on redemption of the Bond(s). Payment of interest will be made as per the terms mentioned under "Interest on Bonds" herein above.

Half-Yearly Interest

Where interest is payable half yearly, interest will be payable on February 07 and August 07 every year ("Interest Payment Dates"). The first interest payment will be made on February 07, 2002 and the last interest payment shall be made on redemption of the Bond(s). Payment of interest will be made as per the terms mentioned under "Interest on Bonds" herein above.

Annual Interest

Where interest is payable annually, interest will be payable annually on November 07 every year ("Interest Payment Date"). The first interest payment will be made on November 07, 2002 and the last interest payment shall be made on redemption of the Bond(s). Payment of interest will be made as per the terms mentioned under "Interest on Bonds" herein above.

Payment of Interest

Payment of interest on the Bond(s) will be made to those Bondholder(s) whose names appear in the register of Bondholder(s) (or to first holder in case of joint holders) as on record date/book closure to be fixed by the Company for this purpose from time to time. Bondholder(s) are advised to send the Bond(s)/Certificate(s) to the Company/Registrar in the issue ("Registrar") or to such persons as may be notified by the Company from time to time along with a duly executed transfer deed for registration of transfer of the Bond(s).

Procedure for Redemption by Bondholder(s)

The Bond(s) Certificate(s), duly discharged by the Sole/all joint-holders (signed on the reverse of the Bond(s) Certificate(s)) to be surrendered for redemption on maturity or in exercise of put/call option should be sent by the Bondholder(s) by Registered Post with Acknowledgment Due or by hand delivery to the Company/Registrar or to such persons at such addresses as may be notified by the Company from time to time.

Put/Call Option

Put/Call Option, if applicable, shall mean an option that grants the Bondholder/ICICI, the right (but not the obligation) to redeem the Bonds at par as per the terms mentioned in page 1 of the form ("Relevant Dates"). However, such options shall not be exercisable before the expiry of one year from the date of allotment of bonds.

Procedure for exercising the put option

Bondholder(s) desirous of exercising the Put Option on the respective Relevant Dates, should submit their requests in writing to Registrar or to such persons at such addresses as may be notified by ICICI from time to time, along with the Bond Certificate(s) duly discharged by Sole/all the joint-holder(s) (signed on the reverse of the Bond Certificate(s)), not less than 30 days in writing before the Relevant Date. The Bondholder will be entitled to receive the applicable Deemed Face Value only if the request is received in writing along with the Bond Certificate duly discharged within the specified time aforesaid. The payment on the exercise of Put Option shall be made on the next working day after the Relevant Date. On Redemption as described herein above.

Procedure for exercising the call option

If ICICI is desirous of exercising the Call Option on the respective Relevant Dates, ICICI will give a notice of the same in writing not less than 30 days before the Relevant Date to the investor. The

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payment on the exercise of the Call Option will be in the same manner as in case of Payment on Redemption as described herein below.

#### Payment on Redemption

Payment on redemption of the Bond(s) will be made to those bondholder(s) whose name appear in the register of bondholders (or to first holder in case of joint holders) as on record date / book closure date to be fixed by the Company for this purpose from time to time. The payment will be made by way of cheques/bank order only on the surrender of the Bond(s)/Certificate(s), duly discharged by the said joint holders (signed on the reverse of the Bond(s)/Certificate(s)), the Company's liability to such Bondholder(s) towards all their rights including for payment or otherwise shall stand extinguished from the due date of redemption in all events and on the Company despatching the redemption amount to the Bondholder(s). Further, the Company will not be liable to pay any interest, income or compensation of any kind from the date of such redemption of the Bonds. However, in case the principal payment falls due on a Bank Holiday, the payment will be made on the next working day with interest at the applicable coupon rate for the period overdue. Such interest will be computed on the basis of 365 days year.

#### Notices

Notices to be given by the Company or the Trustees (if any), shall be sent by ordinary post to those bondholder(s) whose names appear in the register of bondholder(s) (or to first holder in case of joint holders) as on record date / book closure date to be fixed by the Company for this purpose from time to time.

#### Transfer/Transmission of Bond(s)

The Bond(s), being in the nature of non-marketable securities, shall not be sold or transferred by the Bondholder(s) to any person on the stock exchange.

However, the Bond(s) may, where permitted, be transferable and transmissible in the same manner and to the same extent and be subject to the same restrictions and limitations as applicable to the existing Equity Shares of the Company. The provisions relating to transfer and transmission and other related matters in respect of Shares of the Company contained in the Articles of Association and the Companies Act, 1956 shall apply mutatis mutandis to the Bonds as well.

#### Nomination

The Solefirst Bondholder along with other joint-holders may nominate any one person, who in the event of death of the sole or all the joint-holders as the case may be, shall become entitled to the bond. A person being a nominee, on becoming entitled to the bond by reason of the death of the Bondholder(s), shall be entitled to the same rights to which he would be entitled if he were the registered holder of the bond. Any change in the nomination may be made during the tenure of the Bonds in the prescribed manner. A nomination shall stand rescinded upon sale of a Bond(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. When the Bond(s) is held by two or more persons, the nominee shall become entitled to receive the amount only on the demise of all the holders. Fresh nominations can be made only in the prescribed form available on request at the ICICI Infotech Services Limited.

#### Succession

Where a nomination has not been made or the nominee predeceases the Bondholder(s) the provisions of this paragraph will apply. In the event of the demise of the sole holder of the Bond(s) or the last survivor, in case of joint holders the company will recognize the executor or administrator of the deceased Bondholder, or holder of the Succession Certificate or other legal representative as having title to the Bond(s). The Company shall not be bound to recognize such executor, administrator or holder of the Succession Certificate or legal representative unless such executor or administrator obtains Probate or Letter of Administration or is a holder of the Succession Certificate or other legal representation, as the case may be, from an appropriate Court in India. The Company at its absolute discretion, may, in any case, dispense with production of Probate or Letter of Administration or Succession Certificate or other legal representation.

Where on the death of the sole or last of the survivor of the joint-holders, who is a resident, an NRI becomes entitled to the Bond, the following steps will have to be complied with:

- Documentary evidence should be submitted to the legacy call of the RBI to the effect that the Bond(s) was acquired by the NRI as part of the legacy left by the deceased holder.
- Proof that the NRI is an Indian national or is of Indian origin. Such holding by the NRI will be on a non-repatriable basis.

#### Joint-holders

Where two or more persons are holders of any Bond(s), they shall be deemed to hold the same as joint tenants with benefits of

survivorship subject to other provisions contained in the Articles of Association of the Company.

#### Bondholder not a Shareholder

The Bondholder(s) will not be entitled to any of the rights and privileges available to the Shareholders.

#### Listing

The Bond(s) will not be listed and will not be capable of being sold on any of the recognised stock exchanges.

#### Issue of Duplicate Bond Certificate(s)

If any Bond Certificate(s) is/are mutilated or defaced or the pages for recording transfers of Bond(s) are fully utilized, the same may be replaced by the Company against the surrender of such Certificate(s). Provided, where the Bond Certificate(s) are mutilated or defaced, the same will be replaced as aforesaid only if the Certificate numbers and the distinctive numbers are legible.

If any Bond Certificate(s) is/are destroyed, stolen or lost, then upon production of proof thereof to the satisfaction of the Company and upon furnishing such indemnity/security and/or documents as the Company may deem adequate, duplicate Bond Certificate(s) shall be issued.

Any cost incurred for issuance of the duplicate Bond Certificate(s) will be borne by the Bondholder(s).

#### Future Borrowings

The Company will be entitled to borrow/raise loans or avail of financial assistance in whatever form as also issue debentures/bonds/other securities in any manner having such ranking, pari passu or otherwise and change the capital structure including the issue of shares of any class, on such terms and conditions as the Company may think appropriate, without the consent of, or intimation to, the Bondholder(s) in this connection.

#### Purchase

The Company may, at any time and from time to time purchase Bond(s) at discount, at par or at a premium from other Bondholder(s). Such Bond(s) may, at the option of the Company, be cancelled, held or resold at such a price and such terms and conditions as the Company may deem fit and as permitted by law.

#### Modification of rights

The rights, privileges, terms and conditions attached to the Bond(s) may be varied, modified, or abrogated with the consent in writing of those holders of the Bond(s) who hold at least three-fourth of the outstanding amount of the Bond(s) or with the sanction accorded pursuant to a Special Resolution passed at a meeting of the Bondholder(s). Provided that nothing in such consent or resolution shall be operative against the Company where such consent or resolution modifies or varies the terms and condition of the Bond(s), if the same are not acceptable to the Company.

#### Debenture Redemption Reserve

The company shall comply with the provisions of section 117 C of the Companies Act, regarding creation of Debenture Redemption Reserve (DRR), read with any clarification issued by the Department of Company Affairs in this regard. As per SEBI Guidelines, DFRs are required to maintain a desirable minimum National Debt Service Coverage ratio (NDSCR) of 1.2. If a DFI fails to meet this criterion, no dividend shall be declared by the DFI for the relevant year without the approval of the trustees and the rate of dividend shall not exceed 10%.

In addition to the NDSCR, the following measures are stipulated by Reserve Bank of India:

- Financial Institutions are required to maintain a minimum Capital Adequacy Ratio (CAR) of 9% as stipulated by the RBI. CAR measures capital against risk-weighted assets and hence evaluates sufficiency of capital to absorb unanticipated losses and ensure timely repayment of debt.
- Financial Institutions are also required to comply with asset classification and provisioning guidelines, which reflect the true value of the asset in terms of its repayment capacity.
- All Financial Institutions are expected to follow prudent and conservative Asset Liability Management practices with special emphasis on liquidity management, as outlined with RBI guidelines. This ensures that mismatches on this account do not impair its ability to service loans.

Considering the various prudential guidelines stipulated by RBI and the requirement of minimum NDSCR which as mentioned above restricts dividend payments, ICICI, in view of newly inserted section 117 C in the Act effective December 14, 2000, regarding creation of DRR, has made a representation to the Department of Company Affairs that the compliance with various prudential guidelines are deemed equivalent to an adequate DRR within the meaning of Section 117C. In the case of Public Financial Institutions defined under section 4A of the Act, The Company is