

TERMS AND CONDITIONS OF THE BONDS

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").

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 on 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/Registrars or to such persons at such addresses as may be notified by the Company from time to time.

Payment on Redemption

Payment on redemption of the Bond(s) will be made by way of cheque/pay order etc., only on the surrender of the Bond(s)/Certificate(s), duly discharged by the Sole/all the 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 dispatching 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 Bond(s). However, in case the principal payment falls due on a Bank Holiday, the payment will be made on the preceding working day with interest adjusted at the applicable coupon rate for such period. Such interest will be computed on the basis of 365 days' year.

Put Option

Put Option if applicable shall mean an option that grants the Bondholder, the right (but not the obligation) to redeem the Bonds at par on the Option Exercise Dates indicated on Page 1 of the application form ("Relevant Dates"). Such option shall not be exercisable before the expiry of one year from the date of allotment of the 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 Registrars 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 the Put Option will be in the same manner as in case of Payment on Redemption as described herein above.

Call Option

Call Option if applicable shall mean an option that grants ICICI, the right (but not the obligation) to redeem the Bonds at par on the Option Exercise Dates indicated on Page 1 of the application form ("Relevant Dates"). Such option shall not be exercisable before the expiry of one year from the date of allotment of the bonds.

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

Tax Treatment of Bonds

For the purposes of tax treatment of Deep Discount Bonds (DDBs), CBDT clarification no. F.No.149/235/2001-TPL dated February 15, 2002 states that: (a) Every bondholder will have to offer to tax the difference between the market valuation made in accordance with the guidelines issued by RBI as on two successive valuation dates (i.e. March 31 each financial year) as interest income (where the bonds are held as investment) or business income (where the bonds are held as trading asset). For this purpose, market values of different instruments declared by the RBI or by the Primary Dealers Association of India jointly with the Fixed Income Money Market and Derivatives Association of India may be referred to. In a case where the bond is acquired during the year, the difference between the market value as on the valuation date and the acquisition cost, will be taxed as income. (b) On transfer of bond before maturity, the difference between the sale price and the cost will be taxable as short term capital gains or business income, as the case may be. For computing such gains, the cost of the bonds will be taken to be the cost of acquisition plus the income offered to tax in the earlier years as explained in clause 'a' above. (c) In case of redemption, the difference between the redemption price and the value as on the last valuation date immediately preceding the maturity date will be taxed as income. In case of an intermediate purchaser, the difference between the redemption price and cost of bond will be taxable as income. For this purposes, the cost of the bond will be taken to be the cost of acquisition plus the income offered to tax in the earlier years as explained in clause 'a' above. (d) A non-corporate investor holding DOBs upto an aggregate face value of Rs.1 lac may opt to offer income for tax in accordance with earlier CBDT clarification dated March 12, 1996 which states that the difference between the redemption price and subscription price would be treated as interest income assessable under the Income-tax Act in the year of maturity. This CBDT circular dated March 12, 1996 further states that on transfer of bonds before maturity, the difference between the sale price and issue price will be treated as capital loss/gains if held by the assessee as investments or as trading profit/loss if the assessee deals in purchase of sale of bonds, securities, etc.

An investor is advised to consult his tax advisor for the tax treatment applicable to the bonds held by him. The difference between the issue price and redemption price, will be subject to tax deduction at source under section 193 of the Income-tax Act, in the year of maturity as per the then prevailing provisions of the Income-tax Act, 1961.

Interest

The interest that would be received on the Bond(s) in the hands of the recipient will qualify for deduction under Section 80L of the Income Tax Act, 1961 in the hands of individuals and Hindu Undivided families (HUFs) subject to a maximum amount of Rs.9,000 in aggregate per year including other income specified under the said section in accordance with and subject to the provisions of the said section. The Company has been advised that the clarification dated May 10, 1993 issued by the CBDT stating that interest on ICICI - Bond(s) qualifies for deduction under Section 80L(1)(vi) of the Income Tax Act, 1961 is applicable to this issue of Bond(s). The Company would also apply to the Central Government for notifying these bonds under Section 80L(1)(ii) of the Income-tax Act, 1961.

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.

Notices

All notices to the Bondholder(s) required to be given by the Company or the Trustees (if any), shall be sent by ordinary post to the Registered Holders of the Bond(s) 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 transmittable 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 Sole/first Bondholder along with other joint-holders may nominate any one person, to whom, in the event of death of the sole or all the joint-holders as the case may be, the amount of the Bond(s) may be paid. Any change in the nomination may be made 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 Registered Office of the Company.

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 Directors, in their 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 demise of a 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:

- i) Documentary evidence should be submitted to the legacy cell 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.
- ii) 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 cages 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 applicant

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, *par 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

As per SEBI Guidelines, DFI's are required to maintain a desirable minimum Notional 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, in accordance with RBI guidelines. This ensures that mismatches on this account do not impair its ability to service loans

The various prudential guidelines stipulated by RBI and the requirement of minimum NDSCR which as mentioned above restricts dividend payments are deemed equivalent to an adequate DRR within the meaning of Section 117C of the Companies Act, 1956.

Applications under Power of Attorney

A certified copy of the Power of Attorney or the relevant authority as the case may be, along with the names and specimen signatures of all the authorised signatories and the tax exemption certificate/document, if any, must be lodged separately at the office of the Registrar simultaneously with the submission of the completed application form. Similarly any modifications/additions in the Power of Attorney or authority should also be notified to the office of the Registrar.

Issue of Bond Certificates

The Bond Certificates will be issued within three months from the Issue Date and will be dispatched at the applicant's risk, either by hand delivery or by Registered Post with Acknowledgement Due by the Registrar.