

PRIVATE AND CONFIDENTIAL
NOT FOR CIRCULATION



TERMS AND CONDITIONS OF THE BONDS

MDDBQ202

Status

Where the tenor of the 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 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.

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 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 below.

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 below.

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 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.

Tax Treatment of Bonds

As regards the difference between the discounted price at which the Bonds are issued ("Issue Price") and price on redemption of the Bonds, the Central Board of Direct Taxes (CBDT) vide its clarifications dated March 12, 1996 and May 23, 1996 has expressed the view that this will be treated as interest income assessable under the Income-tax Act, 1961. On transfer of the Bond(s) before maturity, the difference between the sale consideration and the Issue price will be treated as capital gains/loss if the assessee has purchased them by way of investment. However, in the case of an assessee who deals in purchase and sale of securities including bonds, the profit or loss shall be treated as trading profit or loss. The difference between the Issue price and the price of the Bond(s) on redemption will be treated as interest income assessable under the Income-tax Act, 1961, and therefore, tax will have to be deducted at source under the relevant provision of the Income-tax Act, 1961. However, the tax treatment of the difference between the face value and issue price will be in accordance with the income-tax laws prevailing at the time of their distribution or redemption, as the case maybe.

Interest

The interest that would be received on the Bond(s) (that is, the difference between the face value and issue price, in the year of redemption, if assessed in the nature of interest in the hands of the recipient) will qualify for deduction under Section 80L in the hands of individuals and Hindu Undivided families (HUFs) subject to a maximum amount of Rs.12,000 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)(vii) 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 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.

The address for all notices and communications in connection with the Bonds would be the last notified address in the records of the company, unless informed in writing to "the Registrar". The responsibility of communicating any new address would be on the bondholder/transferee. ICICI would be absolved of any liability by issuing any notice or communication to such last notified address.

Transfer/Transmission of Bond(s)

The Bond(s) shall 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 who in the event of death of the sole holder 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 Bond(s) 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 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 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) may be listed on any of the recognised stock exchanges at the sole discretion of the Company.

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, 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, DFIs 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.

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 awaiting clarification from the Department of Company Affairs in this regard.

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.

APPLICATION FORMS MAY BE SUBMITTED AT
ICICI INFOTECH SERVICE CENTRES

