

15 -ാം കേരള നിയമസഭ

11 -ാം സമ്മേളനം

നക്ഷത്ര ചിഹ്നം ഇല്ലാത്ത ചോദ്യം നം. 5943

09-07-2024 - ൽ മറുപടിയ്ക്ക്

കിഫ്ബി മസാല ബോണ്ട്

ചോദ്യം		ഉത്തരം	
ശ്രീ. സജീവ് ജോസഫ്		ശ്രീ കെ എൻ ബാലഗോപാൽ (ധനകാര്യ വകുപ്പ് മന്ത്രി)	
(എ)	കിഫ്ബി മസാല ബോണ്ട് ഇഷ്യൂ ചെയ്യുന്നതിനായി ഇറക്കിയ ഓഫറിന് സർക്കുലറിന്റെ പകർപ്പ് ലഭ്യമാക്കുമോ?	(എ)	കിഫ്ബി മസാല ബോണ്ട് ഇഷ്യൂ ചെയ്യുന്നതിനായി ഇറക്കിയ ഓഫറിന് സർക്കുലറിന്റെ പകർപ്പ് അനുബന്ധമായി നൽകുന്നു.

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Defining the Future

## Kerala Infrastructure Investment Fund Board

La body corporate constituted by the Kerala Infrastructure Investment Fund Act, 1999

### INR 50,000,000,000 Guaranteed Medium Term Note Programme

unconditionally and irrevocably guaranteed by

### The Government of Kerala

acting through the Finance Department of Kerala

INR 21,500,000,000 9.723 per cent. Fixed Rate Synthetic Senior Secured Guaranteed Notes due 29 March 2024

Issue Price 100 per cent.

The INR 21,500,000,000 per cent. Fixed Rate Synthetic Senior Secured Guaranteed Notes due 2024 (the "Notes") will be issued by Kerala Infrastructure Investment Fund Board (the "Issuer") under its INR 50,000,000,000 Guaranteed Medium Term Note Programme (the "Programme") as described in the original offering circular dated 19 September 2018 (the "Original Offering Circular").

For the purposes of the Notes only, this Note offering circular (the "Note Offering Circular") is supplemental to, and should be read in conjunction with, and construed on the basis of the Original Offering Circular. Certain provisions of the Original Offering Circular are incorporated by reference and form part of this Note Offering Circular. See "Documents incorporated by Reference" below. Words and expressions defined in the Original Offering Circular shall have the same meanings where used in this Note Offering Circular unless the context otherwise requires or unless otherwise stated herein.

In the event of any conflict between the description of the Notes in this Note Offering Circular and the description of the Notes in the Original Offering Circular, the description of the Notes in this Note Offering Circular shall prevail.

The Notes are secured obligations of the Issuer, at all times ranking pari passu and without any preference among themselves, secured in the manner described in Condition 5 (Security). The payments of all amounts due in respect of the Notes will be unconditionally and irrevocably guaranteed by the State Government, acting through the Finance Department of Kerala. The Notes shall, at all times, rank *pari passu*, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights and priority of claims. The Notes will settle in U.S. dollars. The Issue Price will be payable in U.S. dollars in the amount of US\$ 312,287,118.23 at the agreed conversion rate of INR 68.8469 per one U.S. dollar, such conversion rate reported by the FBIL and displayed on Reuters page "INRREF=FBIL" at approximately 1:30 p.m., Mumbai time (adjusted for 1 day forward rate adjustment as determined by the initial purchaser), on 26 March 2019.

The Notes mature on 29 March 2024. The Notes will bear interest on their principal amount from time to time outstanding from and including 29 March 2019 at the rate of 9.723 per cent. per annum payable in arrear on 29 March and 29 September in each year commencing on 29 September 2019. Although the Notes are denominated in INR, all payments of principal, interest on the Notes will be made in U.S. dollars without deduction for or on account of taxes imposed or levied by the Republic of India to the extent described under "Terms and Conditions of the Notes - Condition 10 (Taxation)".

Application has been made to the Singapore Exchange Securities Trading Limited (the "SGX-ST") for the listing and quotation of the Notes. Permission to list the Notes will be granted when the Notes have been admitted to the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein. Admission to the Official List of the SGX-ST and quotation of the Notes on the SGX-ST are not to be taken as an indication of the merits of the Issuer or the Notes. For so long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, such Notes will be traded on the SGX-ST in a minimum board lot size of S\$200,000 or its equivalent in other currencies.

Application has been made to the London Stock Exchange for the Notes to be admitted to the London Stock Exchange's International Securities Market (the "ISM"). The ISM is not a regulated market for the purposes of Directive 2004/39/EC.

The ISM is a market designated for professional investors. Notes admitted to trading on the ISM are not admitted to the Official List of the UKLA. The London Stock Exchange has not approved or verified the contents of this Note Offering Circular.

Investing in the Notes involves risks. See "Investment Considerations" and "Terms and Conditions of the Notes" in the Original Offering Circular and "Note Investment Considerations" on page 3 hereof for a discussion of certain factors to be considered in connection with an investment in the Notes.

The Programme has been rated "BB" by S&P Global Ratings ("S&P") and "BB" by Fitch Ratings Inc. ("Fitch").

The Notes are expected to be rated "BB" by S&P and "BB" by Fitch. Such ratings of the Notes do not constitute a recommendation to buy, sell or hold the Notes and may be subject to revision or withdrawal at any time by S&P and/or Fitch. Each such rating should be evaluated independently of any other rating of the Issuer's other securities or of the Issuer.

The Notes will initially be represented by beneficial interests in a global note (the "Global Note") in registered form which will be registered in the name of a nominee of a common depositary for Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream"). It is expected that delivery of the Global Note will be made on 29 March 2019 or such later date as may be determined by the Issuer and the Arrangers and Dealers (the "Issue Date").

For Indian regulatory purposes, the Notes constitute "Rupee denominated bonds" under the terms of the RBI Circular No. RBI/2018-19/109 A.P. (DIR Series) Circular No. 17 dated 16 January 2019, as updated and/or amended.

This Note Offering Circular has not been and will not be registered as a prospectus or a statement in lieu of a prospectus in respect of a public offer, information memorandum or private placement offer letter or any other offering material with the Registrar of Companies in India in accordance with the Companies Act, 1956, the Companies Act, 2013, (each as amended, supplemented or re-enacted from time to time) and the rules framed thereunder and other applicable Indian laws for the time being in force. This Note Offering Circular has not been and will not be reviewed or approved by any regulatory authority in India, including, but not limited to, the Securities and Exchange Board of India, any Registrar of Companies, the Reserve Bank of India or any stock exchange in India. This Note Offering Circular and the Notes are not and should not be construed as an advertisement, invitation, offer or sale of any securities whether to the public or by way of private placement to any person resident in India. The Notes have not been and will not be, offered or sold to any person resident in India.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") or any U.S. State securities laws and may not be offered or sold or delivered within the United States, absent registration or an applicable exemption from registration under the Securities Act. The Notes are being sold in an "offshore transaction" pursuant to and as defined in Regulation S ("Regulation S") under the Securities Act.

Arrangers and Dealers

Axis Bank

Standard Chartered Bank

The date of this Note Offering Circular is 29 March 2019.



This Note Offering Circular is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "*Documents Incorporated by Reference*"). This Note Offering Circular shall be read and construed on the basis that such documents are incorporated in, and form part of this Note Offering Circular. Where there is any inconsistency between the Original Offering Circular relating to the Programme, the language used in this Note Offering Circular shall prevail.

The Issuer accepts responsibility for the information contained in this Note Offering Circular. Having taken all reasonable care to ensure that such is the case, the information contained in this Note Offering Circular is, to the best of the Issuer's knowledge, in accordance with the facts and does not omit anything likely to affect its import.

Subject to the preceding paragraph, the Guarantor accepts responsibility for the information contained in the sections of this Note Offering Circular headed "*Information in relation to the Guarantor*". Having taken all reasonable care to ensure that such is the case, the information contained in the sections of this Note Offering Circular headed "*Information in relation to the Guarantor*" is, to the best of the Guarantor's knowledge, in accordance with the facts and contains no information likely to affect its import.

No person is or has been authorised by the Issuer or the Guarantor to give any information or to make any representation other than those contained in this Note Offering Circular or any other information supplied in connection with the Programme, the Guarantee (as defined in the Conditions) or the Notes and, if given or made by any other person, such information or representations must not be relied upon as having been authorised by the Issuer, the Guarantor, any of the Arrangers, the Dealers, the Trustee or the Agents (as defined in the Conditions) or any of their respective affiliates, directors, officers, employees, agents, representatives or advisers.

No representation, warranty or undertaking, express or implied, is made and, to the fullest extent permitted by law, no responsibility or liability is accepted by any of the Arrangers, the Dealers, the Trustee or the Agents or their respective affiliates, directors, officers, employees, agents, representatives or advisers or any of them as to the accuracy or completeness of the information contained or incorporated in this Note Offering Circular, or for any other statement, made or purported to be made by the Arrangers, a Dealer, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, agents, representatives or advisers or on their behalf in connection with the Issuer, the Guarantor or the Programme or any other information provided by the Issuer or the Guarantor in connection with the Programme. The Arrangers, the Dealers, the Trustee, the Agents and their respective affiliates, directors, officers, employees, agents, representatives and advisers accordingly disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) which they might otherwise have in respect of this Note Offering Circular or any such statement.

Neither this Note Offering Circular nor any other information supplied in connection with the Programme, the Guarantee or any Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Issuer, the Guarantor, any of the Arrangers, the Dealers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, agents, representatives or advisers that any recipient of this Note Offering Circular or any other information supplied in connection with the Programme or any Notes should purchase any of the Notes. Each investor contemplating purchasing Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and the Guarantor. Neither this Note Offering Circular nor any other information supplied in connection with the Programme, the Guarantee or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer, the Guarantor, any of the Arrangers, the Dealers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, agents, representatives or advisers to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Note Offering Circular nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer or the Guarantor is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Arrangers, the Dealers, the Trustee, the Agents and their respective affiliates, directors, officers, employees, agents, representatives and advisers expressly do not undertake to review the financial condition or affairs of the Issuer or the Guarantor during the life of the Programme or to advise any investor in the Notes of any information coming to their attention. Investors should review, *inter alia*, the most recently published documents incorporated by reference into this Note Offering Circular when deciding whether or not to purchase any Notes.



This Note Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Note Offering Circular and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer, the Guarantor, the Arrangers, the Dealers, the Trustee and the Agents and their respective affiliates, directors, officers, employees, agents, representatives and advisers do not represent that this Note Offering Circular may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Guarantor, any of the Arrangers, the Dealers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, agents, representatives or advisers which would permit a public offering of any Notes or distribution of this Note Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Note Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Note Offering Circular or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Note Offering Circular and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Note Offering Circular and the offer or sale of Notes in the United States, the European Economic Area (including the United Kingdom, Italy and The Netherlands), India, Singapore, Japan and Hong Kong, see "*Subscription and Sale*".

None of the Issuer, the Guarantor, the Arrangers, the Dealers, the Trustee or the Agents or their respective affiliates, directors, officers, employees, agents, representatives or advisers make any representation to any investor in the Notes regarding the legality of its investment under any applicable laws. Any investor in the Notes should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

There are restrictions on the offer and sale of the Notes in the United Kingdom. All applicable provisions of the Financial Services and Market Act 2000 ("**FSMA**") with respect to anything done by any person in relation to the Notes in, from or otherwise involving the United Kingdom must be complied with. See the section of this Note Offering Circular entitled "*Subscription and Sale*".

This document is for distribution only to persons who (i) are outside the United Kingdom, (ii) have professional experience in matters relating to investments, (iii) are persons falling within Article 49(2)(a) to (d) ("*high net worth companies, unincorporated associations etc.*") of the FSMA (Financial Promotion) Order 2005 (as amended), or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) in connection with the issue or sale of any Notes may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "**relevant persons**"). This document is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons.

In connection with the offering of any Series of Notes, each Dealer is acting or will act for the Issuer in connection with the offering and will not be responsible to anyone other than the Issuer for providing the protections afforded to clients of that Dealer nor for providing advice in relation to any such offering.

If a jurisdiction requires that the offering of any Notes be made by a licensed broker or dealer and the Dealers or any affiliate of the Dealers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by that Dealer or its affiliate on behalf of the Issuer in such jurisdiction.

This Note Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore and the Notes will be offered pursuant to the exemptions under the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"). Accordingly, this Note Offering Circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor pursuant to Section 274 of the SFA, (ii) to a relevant person under Section 275(1) of the SFA, or to any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.



In accordance with applicable provisions of Indian regulations, only investors from jurisdictions that are FATF or IOSCO compliant are eligible to purchase or subscribe to Rupee denominated Notes. Further, banks incorporated in India and overseas branches and subsidiaries of such banks are not permitted to purchase or hold Rupee denominated Notes in any manner whatsoever, save and except as underwriters or arrangers. By purchasing Rupee denominated Notes, each investor shall be deemed to have acknowledged, represented and agreed that such investor is eligible to purchase Rupee denominated Notes under applicable laws and regulations and is resident in a FATF or IOSCO-compliant jurisdiction and is not an overseas branch or subsidiary of an Indian bank or otherwise prohibited under any applicable law or regulation from acquiring, owning or selling Rupee denominated Notes and that so long as it holds any Rupee denominated Notes, it will continue to be resident in a FATF or IOSCO-compliant jurisdiction. Potential investors should seek independent advice and verify compliance with the requirements under the ECB Directions (as defined in this Note Offering Circular) prior to any purchase of Rupee denominated Notes.

The Notes are freely transferable, subject to the restrictions on the transferability of the Notes described under "*Subscription and Sale*". For a description of certain restrictions on offers, sales and transfers of the Notes and the distribution of this Note Offering Circular, see "*Subscription and Sale*".

#### PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Unless otherwise indicated, the financial information in this Note Offering Circular relating to the Issuer has been derived from the interim standalone financial results for the quarter and nine months ended 31 December 2018 (the "**Interim Financial Results**").

The financial year of the Issuer commences on 1 April of each calendar year and ends on 31 March of the following calendar year and, unless otherwise specified or if the context requires otherwise, all references to a particular "Fiscal Year" or "Fiscal" or "fiscal" or "financial year" or "FY" are to the 12 month period ended on 31 March of that year.

The Issuer publishes its financial statements in Indian Rupees. The Issuer is a body corporate constituted by the Kerala Infrastructure Investment Fund Act 1999, (the "**KIIF Act**") and is not a company incorporated under the Companies Act. Therefore, the Accounting Standards ("**AS**") issued by the Institute of Chartered Accountants of India (the "**ICAI**") and notified under the Companies Act are prima facie not applicable to the Issuer.

The Issuer prepares its financial statements in accordance with the generally accepted accounting principles in India, which differ in certain important respects from generally accepted accounting principles in other countries. The generally accepted accounting principles in India (the "**Indian GAAP**") differ in certain significant respects from the International Financial Reporting Standards (the "**IFRS**"). For a discussion on certain significant differences between Indian GAAP and IFRS, see "Summary of significant differences between Indian GAAP and IFRS" of the Original Offering Circular.

#### MIFID II PRODUCT GOVERNANCE/PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"), and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

#### NOTIFICATION UNDER SECTION 309B(1) OF THE SECURITIES AND FUTURES ACT (CHAPTER 289) OF SINGAPORE (THE SFA)

**Singapore SFA Product Classification:** In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), unless otherwise specified before an offer of Notes, the Issuer has



determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes shall be 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).



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## DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published or are published simultaneously with this Note Offering Circular and have been filed with SGX-ST and the ISM and shall be incorporated in, and form part of, this Note Offering Circular:

- (a) the Original Offering Circular dated 19 September 2018, other than information on the cover page thereof and the sections therein entitled "Summary of the Programme" and "General Information" which are not incorporated by reference herein, including the information set out at the following pages in particular:

Form of the Notes .....	Pages 19 to 21 (inclusive)
Use of Proceeds .....	Page 72
Investment Considerations .....	Pages 73 to 94 (inclusive)
Description of the State of Kerala .....	Pages 95 to 109 (inclusive)
The Kerala Economy .....	Pages 110 to 127 (inclusive)
Public Finance .....	Pages 128 to 155 (inclusive)
The Issuers Business .....	Pages 156 to 183 (inclusive)
Guarantee .....	Page 184
Taxation .....	Pages 192 to 195 (inclusive)

- (b) the Auditor's report and audited standalone annual financial statements of the Issuer as at and for the financial year ended 31 March 2017; and
- (c) the Auditor's report and audited standalone annual financial statements of the Issuer as at and for the financial year ended 31 March 2018.

The document outlined in paragraphs (b) and (c) above will be made available on the Issuer's website.

Copies of documents incorporated by reference in this Note Offering Circular will be available between 9:00 a.m. and 3:00 p.m. (Hong Kong time) on any weekday (Saturdays and public holidays exempted) from the specified office of the Principal Paying Agent and the Principal Paying Agent shall make the same available electronically, in either case upon prior written request and satisfactory proof of holding by Noteholders.

Any documents themselves incorporated by reference in the documents incorporated by reference in this Note Offering Circular shall not form part of this Note Offering Circular.

Any non-incorporated parts of a document referred to herein are either deemed not relevant for an investor or are otherwise covered elsewhere in this Note Offering Circular.



## SUITABILITY OF INVESTMENT

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

- (i) has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Note Offering Circular or any applicable supplement;
- (ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understands thoroughly the terms of the Notes and is familiar with the behaviour of any relevant indices and financial markets; and
- (v) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) Notes are legal investments for it, (ii) Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.



## NOTE INVESTMENT CONSIDERATIONS

Prospective investors in the Notes should consider carefully the information contained in this Note Offering Circular and the documents which are incorporated by reference herein and in particular should consider all the risks inherent in making such an investment, including the following Note Investment Considerations to be read in conjunction with the information in the section in the Original Offering Circular on pages 73 through 94 thereof entitled "*Investment Considerations*" (the "**Programme Investment Considerations**"), before making a decision to invest. The Issuer has identified in the Programme Investment Considerations a number of factors which could materially adversely affect its business and its ability to make payments due under the Notes. In addition, factors which are material for the purpose of assessing the market risks associated with the Notes are also described in the Programme Investment Considerations. References herein to "Notes" shall be construed as references to the Notes described in this Note Offering Circular.

In the event of any conflict between the descriptions under this "*Note Investment Considerations*" section in this Note Offering Circular and the Programme Investment Considerations, the following descriptions in this Note Offering Circular shall prevail.

The following Note Investment Considerations are supplemental to, and should be read in conjunction with the Programme Investment Considerations.

*Kerala has a revenue deficit and a fiscal deficit, both of which are not expected to turn into a surplus in the near future. Any adverse impact on Kerala's economy may have an impact on its financial operations and its ability to fulfil its obligations under the KIIF Act and under the Guarantee. Kerala's economy could be impacted by adverse economic and financial conditions.*

Kerala's primary revenues are from its own tax and non-tax resources. In addition to these, Kerala receives a share of taxes levied by the Central Government and also grants and other financial aid from the Central Government. Although there has been an increase in the tax revenue and non-tax revenue in Fiscals 2017-18 and 2018-19, from ₹46,459.61 crore and ₹11,199.61 crore to ₹53,110.58 crore and ₹12,991.97 crore respectively, Kerala has a revenue deficit of ₹13,026.98 crore and a fiscal deficit of ₹23,686.44 crore, representing 1.68 per cent. and 3.06 per cent. of its Gross State Domestic Product ("**GSDP**") for Fiscal 2019. Kerala's total debt is 30.49% per cent. of GSDP for Fiscal 2019. Kerala has set fiscal targets in the Medium Term Fiscal Policy as formulated by the Finance Department of Kerala to reduce (i) the revenue deficit to 1.33 per cent. of GSDP by 2020-21, (ii) the fiscal deficit to a level not exceeding 2.91 per cent. of GSDP by 2020-21 and (iii) its total debt to 29.70 per cent. of GSDP by 2020-21.

Kerala's GSDP is largely driven by the services sector which includes trade, tourism, real estate, transport and communication, while agriculture, traditional small-scale industries, mining and utilities form the other contributors. Kerala has also been characterised by a dynamic and sustained emigration pattern particularly to the Gulf Arab states and other western countries which is a result of historic, cultural, demographic and political factors. Consequently, Kerala receives a large share of the overall remittance flows to India. Therefore remittances, amongst others have played and continue to play a key role in the socio-economic development of Kerala.

Factors such as weather, including the recent floods in Kerala in August 2018, macroeconomic conditions of India and the state of the economy of the countries from which the remittances are generated have an impact on Kerala's economy. Foreign remittances are estimated to be around 30 per cent. of Kerala's GSDP.

Owing to a large part of its economy being dependent upon the informal sectors, Kerala has also been adversely affected by the Central Government's decision in November 2016 to withdraw the legal tender status of ₹500 and ₹1,000 denominations of banknotes ("**Demonetisation**") issued by the RBI. Demonetisation had at the time significantly impacted Kerala due to cash transactions being the predominant mode of exchange in Kerala's traditional agricultural, fishery and retail, transport and tourism sectors.

Similarly, the introduction of GST from August 2017 that incorporates several state and central taxes under a common platform across India may adversely affect Kerala. While Kerala is expected to benefit from this measure in the medium term due to its consumption driven economy in which the service sector is a significant contributor, there could be certain short term impacts during the implementation and stabilisation of the new tax regime.



Recent changes in government policy in countries that are part of the Gulf Cooperation Council has led to slower growth of foreign remittances to Kerala, which may have an impact on household consumption and cause slowdown in the real estate and construction sectors.

Health scares due to the outbreak of any infectious disease in Asia, India or Kerala or any other serious public health concerns relating to the region could have a negative impact on the tourism inflows.

There can be no assurance that factors such as those described above, or any other events not currently anticipated, will not negatively affect the economy and the financial condition of Kerala and its ability to fulfil its obligations under the Guarantee or its obligations under the KIIF Act.

*The Issuer's cash inflows (excluding funds raised from the capital market or financial institutions) are expected to be primarily composed of the cess levied on petroleum products pursuant to the additional sales tax levied on petroleum products under the Kerala General Sales Tax Act, 1963 ("Cess") and the motor vehicles tax receipts ("Motor Vehicles Tax").*

The Issuer is incorporated solely for the purpose of funding infrastructure projects in Kerala and to engage in activities incidental to or related to the funding of infrastructure projects in Kerala. The ability of the Issuer to successfully carry out its funding operations and to fulfil its financial obligations including in relation to the Notes will be partly dependent upon receiving its share of the Motor Vehicles Tax and Cess collected by the State Government.

As of 31 December 2018, the Issuer had received a sum of ₹ 6,008.12 crore (including corpus) from the State Government which comprised ₹1,371.11 crore on account of Cess, ₹2,001.74 crore on account of Motor Vehicles Tax and ₹2,635.27 crore as a grant from the State Government. Any material decrease in the amount of Motor Vehicles Tax or Cess collected by the State Government may have a material adverse effect on the Issuer's cash inflows.

The amount of Cess and Motor Vehicles Tax collected may be affected by a number of factors including:

- (a) actual sales volume of motor vehicles;
- (b) petrol and diesel consumption in Kerala;
- (c) global crude prices and consequent fuel prices in India;
- (d) affordability and efficiency of automobiles;
- (e) increasing popularity and availability of alternative fuel powered options for automobile users;
- (f) availability of alternative means of transportation, including rail networks and air transport;
- (g) growth of the Indian economy and that of Kerala;
- (h) adverse weather conditions; and
- (i) seasonal holidays.

For instance, any material decrease in the actual motor vehicle sales volume compared to the forecasted motor vehicle sales volume on account of inaccurate forecasting or (any other reason) may have a material adverse effect on the amount of Motor Vehicles Tax collected and consequently on the Issuer's cash inflows. Similarly, in the case of Cess, should there be a decrease in the consumption of petroleum products by consumers, there may be a material impact on the Issuer's cash inflows.

The factors which determine Cess and Motor Vehicles Tax receipts are therefore beyond the Issuer's control. Further, any change in the applicable policies or other applicable laws which affect the category of vehicle or fuel, may lead to an increase or a decrease in the Cess and Motor Vehicles Tax collected and may affect the Issuer's cash inflows. In the event of a significant decrease in sales volumes and/or consumption of petrol and diesel, the Issuer may experience a corresponding decrease in the cash inflows received from the State Government from these sources. Such a situation, if it arises may impact the Issuer's future expansion plans and its ability to fulfil its financial obligations, unless the State Government makes appropriate alternative budgetary allocations to the Issuer as provided by the KIIF Act.



## **Risks relating to the Security**

### ***Enforcing the rights of Noteholders under the Security Documents across multiple jurisdictions and enforcing foreign court judgment on the Issuer in India may prove difficult.***

The Notes will be issued and secured by the Issuer who is a body corporate established in India. While the Notes and the Trust Deed will be governed by English law, the Security Documents will be governed by Indian law. In the event of a bankruptcy, insolvency or similar event, proceedings could be initiated in England and India. Such multi-jurisdictional proceedings are likely to be complex and costly for creditors and otherwise may result in greater uncertainty and delay regarding the enforcement of a Noteholder's rights. The rights of Noteholders in respect of the Notes and the related Security Documents will be subject to the insolvency and administrative laws of several jurisdictions and there can be no assurance that Noteholders will be able to effectively enforce their rights in such complex multiple bankruptcy, insolvency or similar proceedings. In addition, the bankruptcy, insolvency, administrative and other laws of India may be materially different from, or be in conflict with, those with which Noteholders may be familiar, including in the areas of the rights of creditors, priority of governmental and other creditors, ability to obtain post-petition interest and duration of the proceedings. The application of these laws, or any conflict among them, could call into question whether any particular jurisdiction's laws should apply, adversely affect the ability of Noteholders to enforce their rights under the Notes and the related Security Documents in the relevant jurisdictions or limit any amounts that they may receive. Enforcement of security usually takes an inordinately long period of time in India and enforcement may be subject to delays and administrative requirements. The claims and remedies available under Indian law may not be as extensive as those available in other jurisdictions. While any judgment will be made under prevailing Indian laws and regulations, no assurance can be given that the Indian courts will protect the interests of Noteholders in the same manner or to the same extent as would courts in other countries. As a result, it may be difficult for Noteholders to effect service of process, including judgments, on the Issuer or its officers and directors, or to enforce judgments obtained in non-Indian courts against the Issuer or its officers and directors in India.

### ***The value of the Security in respect of the Notes may not be sufficient to satisfy the Issuer's obligations under the Notes.***

The obligations of the Issuer under the Notes will be secured by a first ranking exclusive charge over the Debt Service Reserve Account and the Sinking Fund Account (as defined in the Conditions). The Debt Service Reserve Account Required Balance (as defined in the Conditions) is the minimum amount required to satisfy scheduled interest payments under the Notes on the forthcoming interest payment date and the Required Sinking Fund Balance (as defined in the Conditions) is proposed to be maintained for an amount of 25.0 per cent. of the outstanding principal amount of the Notes. Such amounts will not be sufficient to satisfy its entire obligations in respect of the Notes.

### ***The decision to enforce the Security in respect of the Notes may be adverse to the interest of the non-consenting Noteholders.***

The Onshore Security Trustee is required to take action to enforce the Security for the Notes in accordance with the instructions of the Trustee given under and in accordance with the Trust Deed and the relevant Security Documents. The ability of the Trustee (on the instructions of the Noteholders in accordance with the Trust Deed) to enforce the relevant Security is restricted under the Trust Deed. If an Event of Default occurs under the Notes, the Majority Noteholders (as defined in the Conditions) may decide whether to take any enforcement action and may thereafter, through the Trustee in accordance with the Trust Deed, instruct the Onshore Security Trustee to take enforcement action against the Security. By virtue of the instructions given to the Onshore Security Trustee described above, actions may be taken in respect of the Security that may be adverse to other holders of the Notes who did not vote in favour of enforcement. In such event, the only remedy available to holders of the Notes would be to sue for payment under the Notes.

### ***The rights over the Security will not be granted directly to Noteholders.***

The rights over the Security securing the obligations of the Issuer in respect of the Notes and the Trust Deed have not been and will not be granted directly to the Noteholders, but will be granted only in favour of the Onshore Security Trustee. As a consequence, Noteholders will not have direct security and will not be entitled to take enforcement action in respect of the security for the Notes, except through the Onshore Security Trustee.



*The Security may in certain circumstances be voidable.*

The Security securing the Notes may be voidable under insolvency, bankruptcy, fraudulent transfer or similar laws of England and other jurisdictions, if and to the extent applicable. In the case of the Security being voidable under such laws in England, the relevant time period during which such security is voidable could be within six months of the date of the charge or, under some circumstances, it would be voidable within longer periods. If the Security were to be voided for any reason, holders of the Notes would have only an unsecured claim against the Issuer.

*The Security under the Notes will be subordinated to certain tax and other liabilities preferred by law.*

In the event of bankruptcy, liquidation or winding-up, the Secure Property may be available to pay obligations on the Notes only after all of those liabilities that rank senior to these Notes have been paid. In the event of bankruptcy, liquidation or winding-up, there may not be sufficient assets remaining, after paying amounts relating to these proceedings, to pay amounts due on the Notes.

*The decision to enforce the Security in respect of the Notes may be adverse to the interest of the non-consenting Noteholders.*

The Onshore Security Trustee is required to take action to enforce the Security for the Notes in accordance with the instructions of the Trustee given under and in accordance with the Trust Deed and the relevant Security Documents. The ability of the Trustee (on the instructions of the holders of the Notes) to enforce the relevant Security is restricted under the Trust Deed. If an Event of Default occurs under the Notes, the Majority Noteholders may decide whether to take any enforcement action and may thereafter, through the Trustee in accordance with the Trust Deed, instruct the Onshore Security Trustee to take enforcement action against the Security. By virtue of the instructions given to the Onshore Security Trustee described above, actions may be taken in respect of the Security that may be adverse to other holders of the Notes who did not vote in favour of enforcement. In such event, the only remedy available to holders of the Notes would be to sue for payment under the Notes.



## THE ISSUER'S BUSINESS

1. The paragraph entitled "*Major Infrastructure Projects*" of the section entitled "*The Issuer's Business*" of the Original Offering Circular shall be deleted in its entirety and shall be replaced by the following section:

### MAJOR INFRASTRUCTURE PROJECTS

As of 31 December 2018:

- (a) Approved projects: ₹413.59 billion
- (b) Funds disbursed to projects by the Issuer: ₹10.74 billion
- (c) Projects undergoing appraisal: ₹17.5 billion
- (d) Planned expenditure through the Issuer over the next five years: ₹500 billion
- (e) Projected fund requirement over the next two years: ₹140 billion

### KEY SANCTIONED PROJECTS: COSTS AS OF 31 DECEMBER 2018

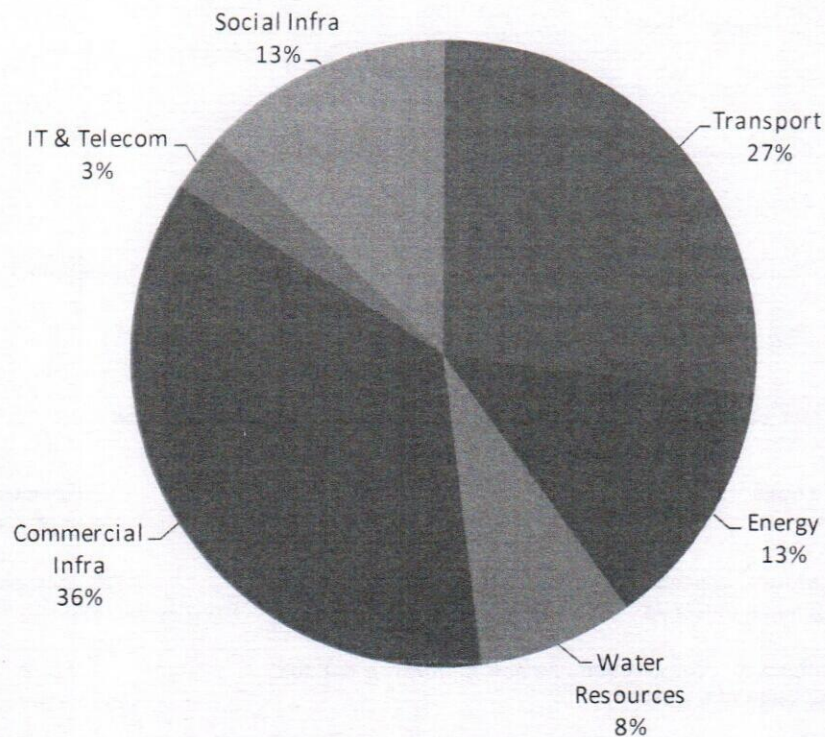
Project Detail	Estimated Cost (₹ Crore)
Hill highway – construction of a new highway to link the north and south of Kerala	1,506.25 approved (total estimated project cost of 3,500)
Coastal highway – construction of a new highway to link the north and south of Kerala	52.78 (under appraisal)
Transgrid – construction of intra-state high capacity corridors across Kerala	5,200
K-Fone – building a new core optical fibre network across Kerala	823
IT parks – construction of new IT facilities across Kerala	351
Cancer hospitals (Malabar Cancer Center; Cancer Hospital & Research Center, Kochi) – upgrade of existing cancer hospital at Malabar and construction of new facility in Kochi	554
Upgrade of State Government hospitals – upgrade of State Government health care centres across Kerala	764
City and town road development – improvement of existing road network	7,264
Hi-tech classrooms – upgrade of State Government schools across Kerala	493
Kannur Industrial Park	12,240

The below chart illustrates the total amount of projects that have been approved by the Issuer as of 31 December 2018.



## PROJECTS BY SECTORS

INR 413.59 Billion  
Across 512 Projects



1. The paragraph entitled "*Financing*" of the section entitled "*The Issuer's Business*" of the Original Offering Circular shall be deleted in its entirety and shall be replaced by the following section:

### FINANCING

The Issuer has the power, with prior sanction of the State Government, to borrow and lend any sum required for the purposes of the KIIF Act, pursuant to section 8 of the KIIF Act. For this purpose, the Issuer may issue any financial instrument including general obligation bonds, revenue obligation bonds or any other appropriate financial instruments or raise funds through any financial structures including revenue bonds with structured repayment mechanisms, land bonds and any other appropriate financial instruments or by making arrangements with banks, multilateral funding agencies or institutions approved by the State Government. The Issuer may also act as a sponsor for setting up infrastructure investment structures (including AIF, infrastructure investment trust, mutual funds and infrastructure development funds), as may be required for facilitating the mobilisation of resources for a project or group of projects.

#### *Rupee term loans*

The Issuer has a ₹565 crore term loan outstanding from the National Bank for Agriculture and Rural Development ("**NABARD**") granted under NABARD Infrastructure Development Assistance ("**NIDA**") dated 28 July 2017 (the "**NABARD Term Loan**"). The NABARD Term Loan is to fund (i) the improvement and upgrade of 15 roads in Kozikode, Alappuzha, Thiruvananthapuram and Kannur and (ii) the widening of a highway in the Thiruvananthapuram district. The interest rate is 9.3 per cent. per annum and the term is 12 years. As of 31 December 2018, ₹100.8 crore has been drawn down under the NABARD Term Loan.



The Issuer has no other outstanding term loans as at 31 December 2018.

### ***Market borrowing***

The Issuer is authorised to raise funds through the issue of bonds in both domestic and international capital markets. The Board, in its meetings held on 7 November 2016 and 30 November 2017, approved the raising of rupee denominated bonds worth ₹3,500 crore and ₹5,000 crore in the domestic and international market respectively.

Other than as described below in the section entitled "*Floating of non-resident Keralites 'chitty' in association with KSFE*", the Issuer has no outstanding bond issues as at 31 December 2018.

### ***Setting up of Infrastructure Fund Management Company***

Section 8(3) of the KIIF Act empowers the Board to act as sponsor for setting up infrastructure investment structures such as AIFs, infrastructure development funds and infrastructure investment trusts as required for facilitating the mobilisation of resources for infrastructure projects in Kerala. The regulations issued by the SEBI require a corporate entity for sponsoring such investment structures. To comply with the SEBI regulations and to ensure functional autonomy, a fund management company is required to be set up under the sponsorship of the Issuer. Accordingly, pursuant to a government order 8409/2016/Fin. dated 24 October 2016, the Additional Chief Secretary (Planning and Economic Affairs) was appointed as special officer for preparing a project report for setting up such fund management company. Subsequently, the Board approved a proposal for sponsoring a fund management company in its 27<sup>th</sup> meeting and the recommendations of the report were thereafter approved by the Board. The Board appointed India Infrastructure Finance Company Limited to assist with incorporation of the new fund management company.

On 13 November 2018, Kerala infrastructure fund management Ltd. ("**KIFML**") was incorporated with an authorised share capital of ₹5 crore and paid up share capital of ₹1 crore. The first board meeting of KIFML was held on 7 December 2018.

The Board has also set up a trust - the Kerala Infrastructure Fund - and has appointed KIFML as the investment manager. The trust has applied to be registered with the SEBI.

### ***Floating of non-resident Keralites 'chitty' in association with KSFE***

The Kerala State Financial Enterprises Limited ("**KSFE**") is a non-banking finance company wholly owned by the State Government. KSFE specialises in a form of financial activity called a "*chitty*" which is a scheme incorporating the aspects of a recurring deposit and an advance. In a chitty, the subscriber can bid for and obtain an advance from KSFE which will be made up of monies paid by subscribers each month.

In July 2018, KSFE launched an online "*chitty*" (the "**Pravasi Chitty**") for non-resident Keralites ("**NRKs**") which included an insurance and pension cover package. The Pravasi Chitty was formally opened to subscribers on 25 October 2018. Subscription was restricted in the first phase to NRKs residing in the United Arab Emirates, but has subsequently been expanded to NRKs residing in all Gulf Cooperation Council countries.

As of 31 January 2019, the total number of customers registered for the Pravasi Chitty was 20,420. As of 31 December 2018, KIIFB has issued bonds worth ₹33,260,000 (the "**KIIFB-KSFE Bonds**") to KSFE to cover the security amount received from customers. The KIIFB-KSFE Bonds have a tenor of 5 years.

The proceeds of the Pravasi Chitty will be used by the Issuer for the purposes of investment in infrastructure projects in Kerala.

For example, in a chitty with 10 subscribers for a term of 40 months, where the monthly subscription amount is ₹100, each month a subscriber can bid for the total money collected each month which in this case would be 10 x 100. This will occur for the 40 months. The money collected each month is



kept by the chit fund manager, KSFE. The money received by KSFE from the chit subscribers can only be placed in bank accounts or other secure instruments such as government guaranteed bonds. The Chit Fund Act, 1982 provides that such funds can be invested only in instruments in which a trust can investment its money under the Indian Trust Act, 1882. The funds collected by KSFE as part of the non-resident Keralites chitty is proposed to be invested in bonds issued by the Issuer and guaranteed by the State Government.

#### *Issuing land bonds for facilitating land acquisition*

The special investment plan announced under the second recession package in the 2016-17 revised state budget speech announced that ₹8,000 crore worth of land acquisition in Kerala is planned. The special investment plan comprising of infrastructure projects is being implemented by the Issuer. The Board, in its 27<sup>th</sup> meeting, resolved to authorise the Chief Executive Officer to prepare a scheme for the issue of land bonds. Discussions have been held with revenue authorities and State Government departments requiring land acquisition for their infrastructure projects. 20 approved projects require urgent land acquisition in an amount of 617 acres. A conference was held with the Revenue Minister, the Additional Chief Secretary (Finance), Additional Chief Secretary (Taxes), Inspector General of Registration and district collectors to discuss the ways in which land acquisition can be facilitated through the Issuer's funding. It was resolved that the Issuer would finance the acquisition of the 20 approved urgent projects through funds already available to it, prior to land bonds being issued.

#### **SUMMARY OF INDEBTEDNESS**

The following table sets forth the details of the Issuers' indebtedness as of the dates mentioned:

	<b>31 March 2016 (₹ in crore)</b>	<b>31 March 2017 (₹ in crore)</b>	<b>31 March 2018 (₹ in crore)</b>	<b>31 December 2018 (₹ in crore)</b>
<b>Long Term Borrowings</b>				
₹565 crore NABARD Term Loan	0	0	100.80	100.80
KIIFB-KSFE 5 year bonds				3.32
<b>Total</b>	<b>0</b>	<b>0</b>	<b>100.8</b>	<b>104.12</b>



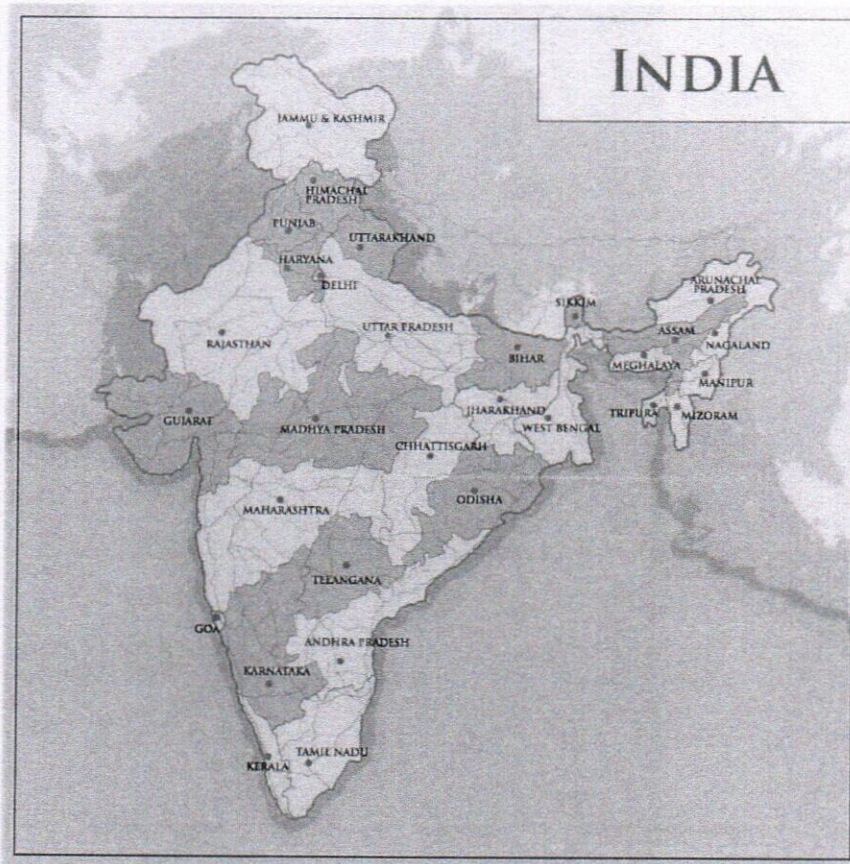
## INFORMATION ABOUT THE GUARANTOR

1. The paragraph entitled "*General Description: Geography and demography*" of the section entitled "*Description of the State of Kerala*" of the Original Offering Circular shall be deleted in its entirety and shall be replaced by the following section:

### General Description

#### *Geography and demography*

Kerala is located in the south-west of the Republic of India ("India"). The state of Karnataka lies to the north and the state of Tamil Nadu to the south and east. To the west lies the Arabian Sea which meets Kerala's approximately 580 km of coastline. Nine out of Kerala's fourteen districts are on the coast.



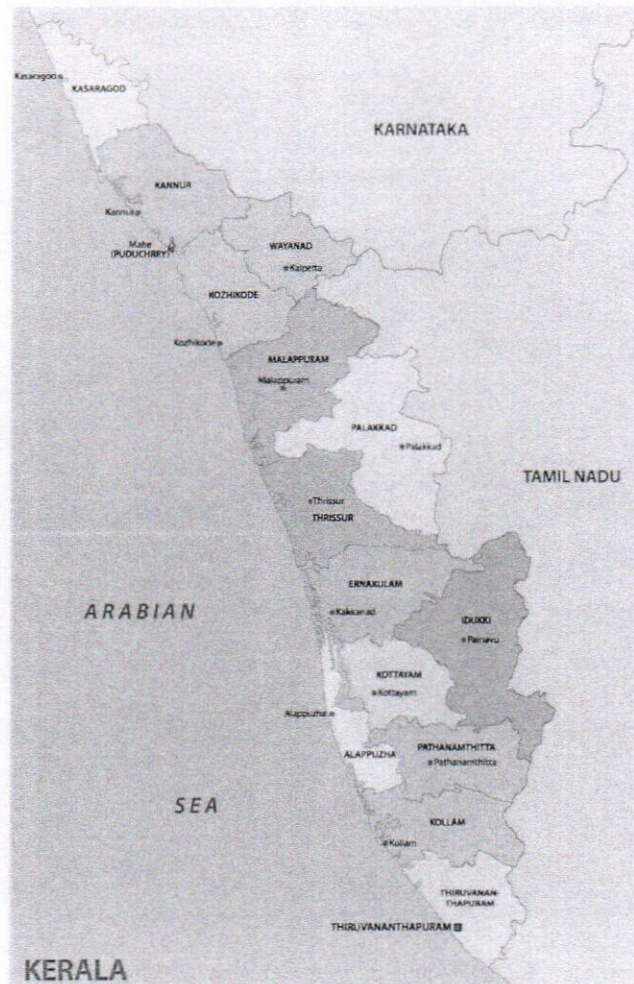
Kerala is located on the trans-national trade corridor connecting Europe and the Pacific, accessible through an international seaport at Kochi and four international airports each located at Thiruvananthapuram, Kochi, Kannur and Calicut. During April 2017 to February 2018, passenger traffic through Kochi and Thiruvananthapuram airport stood at 92.3 lakh and 40.2 lakh respectively, and freight traffic stood at 68,896 tonnes and 26,241 tonnes respectively. Kerala has 18 ports; one major port in Kochi, 3 intermediate ports in Neendakara, Alappuzha and Kozhikode and 14 minor ports. The Cochin Port handled 290 lakh tonnes of cargo in 2017-18.

Located within humid equatorial longitudes, Kerala comprises three climatically distinct regions: the eastern highlands (rugged and cool mountainous terrain), central midlands (rolling hills) and the western lowlands (coastal plains). Whilst these regions experience significant variations in annual rainfall, the state-wide annual rainfall averages 3,107 mm with between 120-140 days of rain per year being influenced by the seasonal heavy rains of the southwest summer monsoon.



Being located towards the southernmost tip of the Indian subcontinent, Kerala is situated near the centre of the Indian tectonic plate. Accordingly, Kerala experiences comparatively little seismic or volcanic activity.

The eastern part of Kerala comprises of large mountains and 'gorges and deep-cut valleys' on the coastal side where the vast majority of Kerala's rivers originate. The central part of Kerala has mountainous terrain and midland plains with rolling hills and valleys of significantly lower elevation. Kerala's western coastal belt is generally flat with a wide-ranging network of interconnected canals, lakes, estuaries and rivers dominating the area. The majority of Kerala's major cities including Kochi, Thiruvananthapuram, Kozhikode (Calicut), Thrissur and Kollam are situated to the Western Coastal belt.



Kerala has been promoted as a tourism destination by the State Government. Kerala has abundant natural beauty in the form of green landscapes, mountain ranges, beaches, backwaters and lagoons. Kerala has a diverse demography and ecology. Kerala also has a rich culture including ancient forms of martial arts such as "*kalaripayattu*", dance forms such as "*Kathakali*" and "*Mohiniyattam*", sports such as "*Vallam Kali*" (boat racing), health tourism in the form of "*ayurveda*" and multiple religious and cultural festivals.

Particulars	Kerala
Capital	Thiruvananthapuram



Particulars	Kerala
Geographical Area (Sq. Km)	38,863
Administrative Districts	14
Population Density (per Sq.Km)	860
Total Population (lakh)	334.1
Male : Female Population %	48% : 52%
GDP (2017-18)	₹6.9 trillion
GDP Growth Rate (2017-18)	7.18%
Main Language	Malayalam
Main Religions	Hindus / Muslims / Christians
Climate	Moderate Tropical
Literacy Rate (2011 consensus)	93.9%

Source: Census of India 2011; Kerala State Budget documents, Government of Kerala website

1. The following paragraph in the section entitled "*General Description: Social Development Indicator*" of the section entitled "*Description of the State of Kerala*" of the Original Offering Circular shall be deleted in its entirety and shall be replaced by the following section:

Kerala has the highest human development index amongst all the states in India. Kerala has achieved improvements in material conditions of living, reflected in indicators of social development such as low levels of infant mortality, maternal mortality and population growth, high levels of literacy and life expectancy, and favourable social progress, health indices and sex ratio. Kerala emerged as the leading state in India in the Sustainable Development Goals India Index (the "**SDG Index**") baseline report released by the NITI Aayog in December 2018. The SDG Index attempts to map the progress achieved by the states towards the SDG adopted by the United Nations in 2015. Kerala emerged as the top state in areas like health care, reducing hunger, achieving gender equality and providing quality education. (Source: *SDG India Index - Baseline Report 2018, Niti Aayog*).

2. The paragraph entitled "*Poverty alleviation and decentralised governance*" of the section entitled "*Description of the State of Kerala*" of the Original Offering Circular shall be deleted in its entirety and shall be replaced by the following section:

***Poverty alleviation and decentralised governance***

Amongst the states in India, Kerala has the second lowest percentage of population below the poverty line. The poverty line is the minimum level of income deemed adequate in a particular country to meet a person's daily basic needs. According to the latest data from the RBI in 2011-12, Kerala had 7.05 per cent. of its population falling below the poverty line as opposed to India's national average of 21.92 per cent. Such low rates of poverty in Kerala can be attributed to Kerala's commitment to land reforms, education, health care, pension schemes, public distribution system and decentralisation of governance.

Kerala also runs a successful poverty eradication and women empowerment programme entitled "*Kudumbashree*". This programme was set up in 1997 by the State Poverty Eradication Mission of the Government of Kerala following the recommendations of a three member task force appointed by the



State Government. Kudumbashree consists of a three tier structure with neighbourhood groups ("NHG") at the primary level, area development societies ("ADS") at the ward level and community development societies ("CDS") at the local government level. It is one of the largest women's networks in the world, with 2.77 lakhs NHGs, almost 20,000 ADSs and over 1,000 CDSs participating. Kudumbashree is the largest women movement in Asia with a membership of 41 lakhs. Kudumbashree supports women from poor backgrounds by providing microcredit loans and women empowerment initiatives including vocation training, education and healthcare.

Kerala's local governments receive development funds from the state's plan allocation using a formula based approach for implementing schemes developed at a local level. The allocation of funds from the State Government to local governments is divided into three categories – general sector, scheduled caste sub plan and tribal sub plan. The local governments have absolute discretion in developing and implementing projects subject to the State Government's plan guidelines. Allocation of funds to local governments is decided by the State Government based on the recommendations of the State Finance Commissions. State Finance Commissions are set up every five years.

Local Government	Number
Municipal Corporation	6
Municipalities	87
District Panchayat	14
Block Panchayats	152
Grama Panchayats	941
<b>Total</b>	<b>1,200</b>

Source: Economic Survey 2017, Kerala State Planning Board, Budget Govt. of Kerala

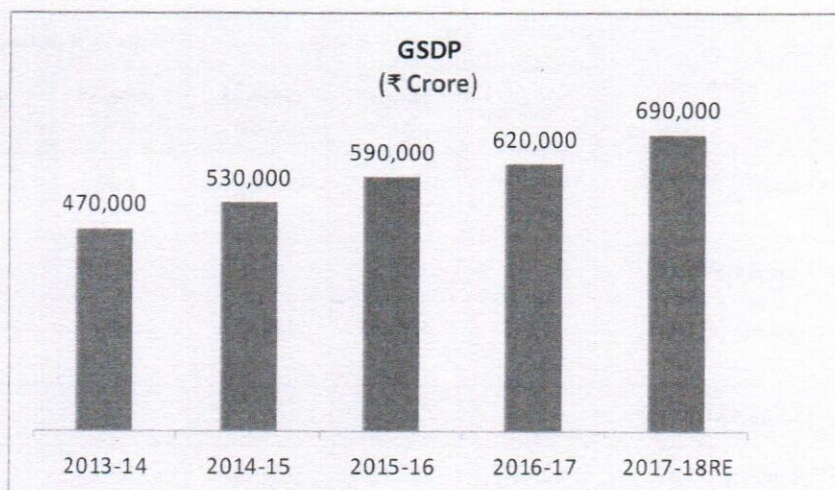
3. The paragraph entitled "Gross State Domestic Product" of the section entitled "The Kerala Economy" of the Original Offering Circular shall be deleted in its entirety and shall be replaced by the following section:

#### **Gross State Domestic Product**

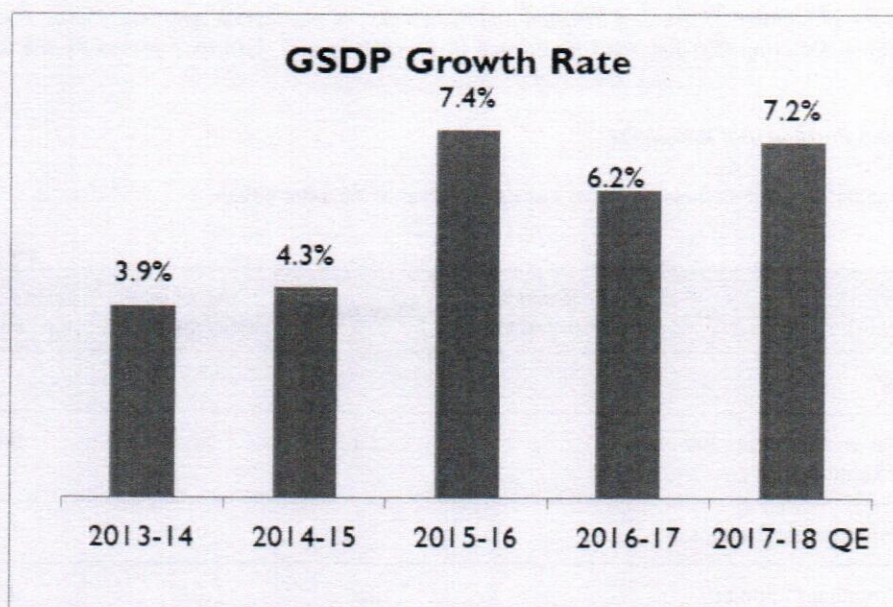
The quick estimate of Gross State Domestic Product (GSDP) at constant (2011-12) prices (the "Constant Prices") is ₹5,13,69,589 lakh in 2017-18 as against the provisional estimate of ₹4,79,28,990 lakh in 2016-17, registering a growth rate of 7.18 per cent in 2017-18 compared to 6.22 per cent in 2016-17 (Figure 1.1). At current prices, the GSDP is estimated at ₹6,86,76,443 lakh (quick estimate) in 2017-18 as against the provisional estimate of ₹6,16,35,704 lakh in 2016-17 showing a growth rate of 11.42 per cent.

The quick estimate of Net State Domestic Product (NSDP) at factor cost at Constant Prices is ₹4,69,88,233 lakh in 2017-18 compared to the provisional estimate of ₹4,38,39,422 lakh in 2016-17, recording a growth rate of 7.18 per cent in 2017-18. At current prices, the NSDP is estimated at ₹6,19,23,259 lakh (quick estimate) in 2017-18 compared to the provisional estimate of ₹5,55,95,370 lakh in 2016-17. The growth rate of NSDP at current prices is 11.38 per cent in 2017-18 compared to 9.89 per cent in 2016-17.





Source: Economic Review 2017, Kerala State Planning Board, Budget, Government of Kerala: GSDP - Gross State Domestic Product



Source: Economic Survey 2017, Kerala State Planning Board, Budget Govt. of Kerala

Sl. No	Item	Income (₹ Lakh)			Growth Rate (in per cent)	
		2015-16	2016-17 (PE)	2017-18 (QE)	2016-17 (PE)	2017-18 (QE)
1	Gross State Domestic Product					
1.1	At Constant (2011-12) Prices	45,121,002	47,928,990	51,369,589	6.22	7.18
2	Net State Domestic Product					



Sl. No	Item	Income (₹ Lakh)			Growth Rate (in per cent)	
		2015-16	2016-17 (PE)	2017-18 (QE)	2016-17 (PE)	2017-18 (QE)
2.1	At Constant (2011-12) Prices	41,115,015	43,839,422	46,988,233	6.63	7.18
<b>3</b>	<b>Per Capita GSDP (₹)</b>					
3.1	At Constant (2011-12) Prices	132,116	139,645	148,927	5.70	6.65
<b>4</b>	<b>Per Capita NSDP (₹)</b>					
4.1	At Constant (2011-12) Prices	120,387	127,729	136,225	6.10	6.65

Sources: Department of Economics and Statistics; Government of Kerala: PE - Provisional Estimate, QE - Quick Estimate, BE - Budgeted Estimate

4. The paragraph entitled "*Financial Position and Resources*" of the section entitled "*Public Finance*" of the Original Offering Circular shall be deleted in its entirety and shall be replaced by the following section:

***Financial Position and Resources***

The financial position and resources of Kerala is shown in the table below.

(in ₹ crore)				
	Notes to Accounts	Statement	As at 31 March 2018	As at 31 March 2017
<b>Assets<sup>1</sup></b>				
(i) Cash in Treasuries and Local Remittances		21	36.73	44.03
(ii) Departmental Balances		21	-0.15	1.18
(iii) Permanent Imprest		21	0.42	0.41
(iv) Cash Balance Investments		21	891.03	1944.50
(v) Deposits with Reserve Bank of India	Para 2(v)	21	-80.81	-91.73
(vi) Investments from Earmarked Funds		22	18856.66 <sup>(*)</sup>	1751.94
<b>Capital Expenditure</b>				
(i) Investments in shares of Companies, Corporations etc		5 & 19	8211.47 <sup>(a)</sup>	7262.16 <sup>(b)</sup>
(ii) Other Capital Expenditure		16	56161.42	48391.14 <sup>(c)</sup>



	Notes to Accounts	Statement	As at 31 March 2018	As at 31 March 2017
Contingency Fund (unrecouped)	Para 3(viii)	21	-	-
<b>Loans and Advances</b>	<b>Para 3(ii)</b>	<b>7 &amp; 18</b>	<b>15066.84</b>	<b>13877.23<sup>(d)</sup></b>
Advances with departmental officers		21	0.43	0.43
Remittance Balances	Para 3(vii)	21	1147.62	981.64
Cumulative excess of expenditure over receipts <sup>2</sup>			134078.45	117150.10 <sup>(e)</sup>
<b>Total</b>			<b>217399.11</b>	<b>191313.03</b>
<b>Liabilities<sup>1</sup></b>				
<b>Borrowings (Public Debt)</b>				
(i) Internal Debt		6, 17	135500.53	118268.72
(ii) Loans and Advances from Central Government				
Non-Plan Loans		6, 17	16.21	18.12
Loans for State Plan Schemes		6, 17	7461.93	7594.85
Loans for Central Plan Schemes		6, 17	(*)	(*)
Loans for Centrally Sponsored Plan Schemes		6, 17	-	-
Other loans		6, 17	5.85	1.16
<b>Contingency Fund (Corpus)</b>		<b>21</b>	<b>100.00</b>	<b>100.00</b>
<b>Liabilities on Public Account</b>				
(i) Small Savings, Provident Funds, etc.	Para 3(xii)	6, 21	67777.85	60571.01
(ii) Deposits	Para 2(iv)	6, 21	3158.25	2892.35
(iii) Reserve Funds	Para 3(vi)	6, 21	2483.26	2174.28
(iv) Remittance Balances		21	-	-
(v) Suspense and Miscellaneous Balances <sup>3</sup>	Para 3(vii)	21	89523	-307.416
<b>Total</b>			<b>217399.11</b>	<b>191313.03</b>

Source: Finance Accounts 2017-2018, Volume I, Government of Kerala



1. The figures of assets and liabilities are cumulative figures. Please also see note 1(ii) in the section 'Notes to Accounts'.
2. The cumulative excess of expenditure over receipts is different from and not the fiscal/revenue deficit and includes the amount adjusted on account of disinvestment/retirement of capital which is shown separately in the Report on State Finances.

\* Includes ₹1.86 crore being the amount available with RBI for investment under Sinking Funds

(a)(i) Includes ₹231.27 arm being expenditure incurred for equity participation in Smart City Project (₹31.20 crore), State Institute for Hotel Management at Kottayam (₹0.01 crore), setting up of Electronic Fabrication Laboratory (₹3.55 crore), seed capital for NBCFDC and NMDFC schemes (₹4.50 crore), Capital Assistance given to companies producing Neera (₹6.86 crore) and various schemes under Water Supply and Sanitation (₹185.15 crore).

(ii) Decreased *pro forma* by ₹29.28 crore due to proceeds of retirement of share capital transferred to capital receipts

(b) Increased *pro forma* by ₹22.13 crore consequent on conversion of loan in aspect of Traco Cable company Limited (₹12.64 crore) and Sitaram Textiles (₹9.49 crore) into equity

(c) Decreased *pro forma* by ₹20.65 crore due to adjustment of cost of land allotted for industrial purpose on loan basis

(d)(i) Decreased *pro forma* by ₹1.48 crore *vide* foot notes (b) and (c) of this statement

(ii) Increased *pro forma* by ₹0.77 crore consequent on reclassification of expenditure incurred for Kaivalya Scheme into Loan.

(e) Decreased *pro forma* by ₹0.77 crore *vide* foot note (d(ii)) of this statement.

3. In this statement the line item 'Suspense and Miscellaneous Balances' does not include 'Cash Balance Investment Account', 'Departmental Balances' and 'Permanent Cash Imprest' which are included separately above, though they form part of this sector elsewhere in these Accounts.

(\*) Amount negligible

5. The paragraph entitled "*Income and Expenditure*" of the section entitled "*Public Finance*" of the Original Offering Circular shall be deleted in its entirety and shall be replaced by the following section:

#### ***Income and Expenditure***

The income and expenditure accounts of Kerala are shown in the below table.

(₹ in thousand)				
Revenue	Accounts 2017-18	Budget Estimate 2018-19	Revised Estimate 2018-19	Budget Estimate 2019-20
<b>A. TAX REVENUE</b>				
(a) Goods and Services Tax	139475329427	270010000	303066900	376163400
(b) Taxes on Income and Expenditure	95138948540	110279733	104633620	119893900
(c) Taxes on Property and capital transactions	38013624514	41188817	43370293	49374899
(d) Taxes on Commodities and Services other than Goods and Services Tax	360298992484	363728547	279357714	340389911
<b>B. NON TAX REVENUE</b>				
(a) Interest Receipts, Dividends and Profits	2709777504	3552134	3142919	3633625



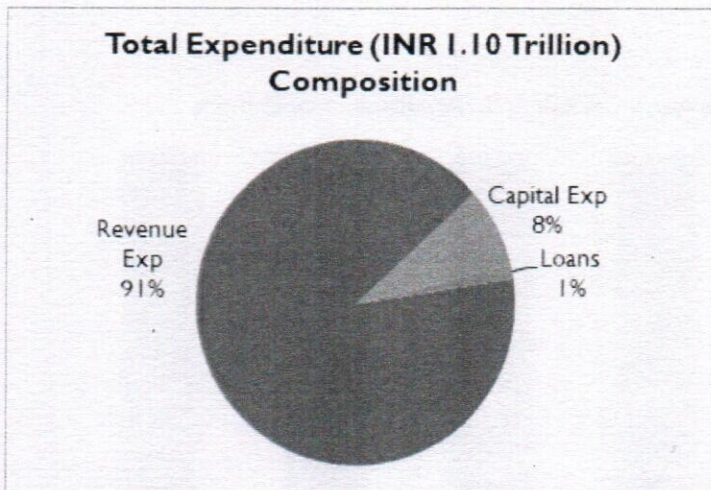
Revenue	Accounts 2017-18	Budget Estimate 2018-19	Revised Estimate 2018-19	Budget Estimate 2019-20
<b>A. GENERAL SERVICES</b>				
(a) Organs of State	9894042423	10877684	10607587	12361341
(b) Fiscal Services	17920985337	19148422	19307169	18906798
(c) Interest payment and Servicing of Debt	151199297594	149377068	156264487	172012842
(d) Administrative Services	54462350357	61168569	57053249	62172542
(e) Pension and Miscellaneous General Services	221761015994	264553232	284098757	302868074
<b>B. SOCIAL SERVICES</b>	<b>358762711827</b>	<b>388170074</b>	<b>390627154</b>	<b>388211837</b>
<b>C. ECONOMIC SERVICES</b>				
(a) Agriculture and Allied activities	55284580278	72721828	65906623	74306989
(b) Rural Development	14454501973	44777408	18983550	47004420
(c) Other Non-Tax Revenue				
(i) General Services	96156922510	120282654	110178456	127987931
(ii) Social Services	4842157954	7231100	6674706	7796966
(iii) Economic Services	8287250863	11645482	9923628	11282178
<b>C. GRANTS-IN-AID AND CONTRIBUTIONS</b>	<b>85278439473</b>	<b>100093900</b>	<b>139717603</b>	<b>117024300</b>
<b>TOTAL- REVENUE</b>	<b>830201443269</b>	<b>1028012367</b>	<b>1000065839</b>	<b>1153547110</b>
Excess Expenditure over Revenue or Deficit	169282095067	128598084	130269830	87702864
<b>GRAND TOTAL</b>	<b>999483538336</b>	<b>1156610451</b>	<b>1130335669</b>	<b>1241249974</b>



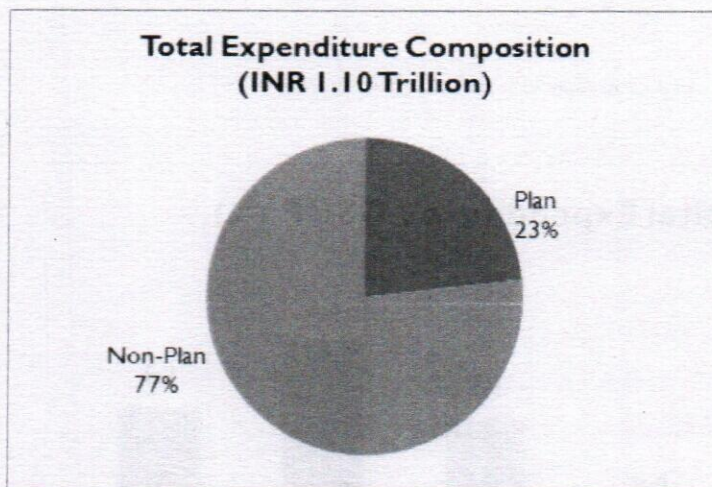
Revenue	Accounts 2017-18	Budget Estimate 2018-19	Revised Estimate 2018-19	Budget Estimate 2019-20
(a) Special Area Programmes	-54648984	1260800	793620	937301
(b) Irrigation and Flood Control	5961420419	5882810	6096891	5928969
(c) Energy	1153964771	1536995	1145952	4825479
(d) Industry and Minerals	6116269148	6003442	5574524	6131038
(e) Transport	22553752079	27530980	28420588	33780725
(f) Science Technology and Environment	1483144411	3615889	2389187	3772924
(i) General Economic Services	6557819467	8686490	8376840	8544480
<b>D. GRANT-IN-AID AND CONTRIBUTIONS</b>	<b>71972331242</b>	<b>91298760</b>	<b>74689491</b>	<b>99484215</b>
<b>TOTAL - EXPENDITURE ON REVENUE ACCOUNT</b>	<b>999483538336</b>	<b>1156610451</b>	<b>1130335669</b>	<b>1241249974</b>
<b>Excess of Revenue over Expenditure or Surplus</b>				
<b>GRAND TOTAL</b>	<b>999483538336</b>	<b>1156610451</b>	<b>1130335669</b>	<b>1241249974</b>

Source: Annual Financial Statement (Budget) 2019-20, Finance Department of Kerala, Thiruvananthapuram

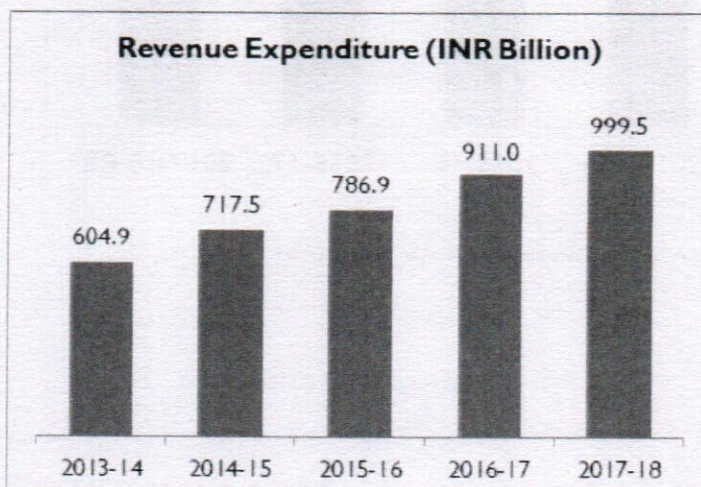




Source: Economic Survey 2017, Kerala State Planning Board, Budget Govt. of Kerala

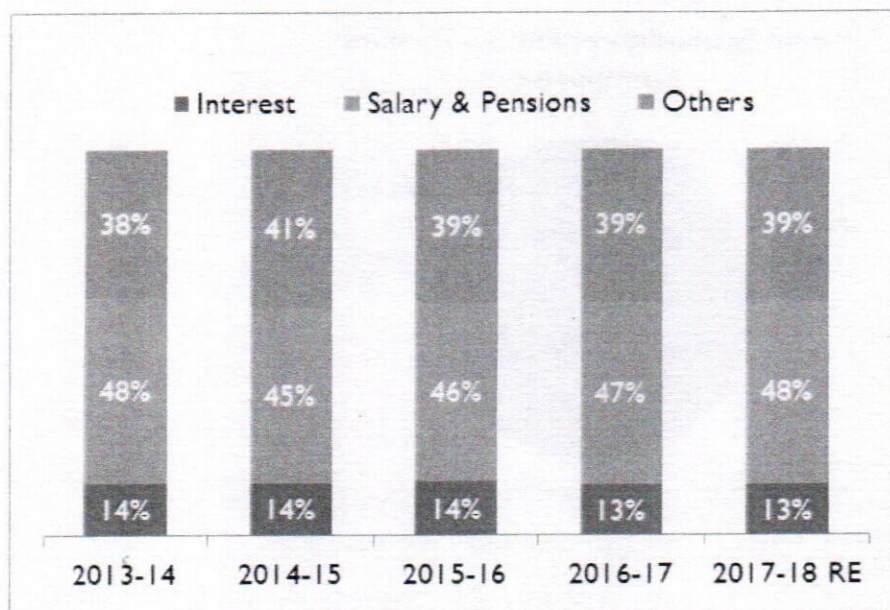


Source: Economic Survey 2017, Kerala State Planning Board, Budget Govt. of Kerala

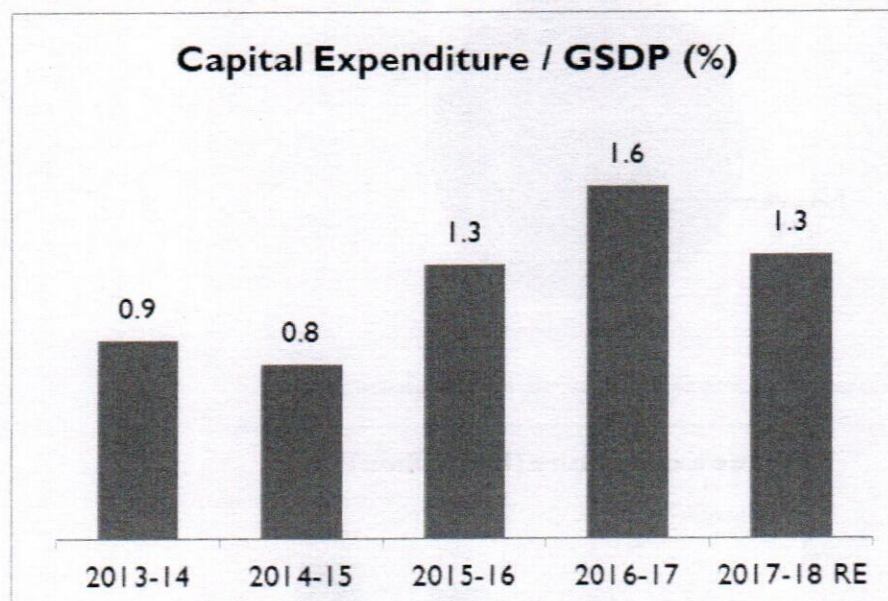


Source: Economic Survey 2017, Kerala State Planning Board, Budget Govt. of Kerala



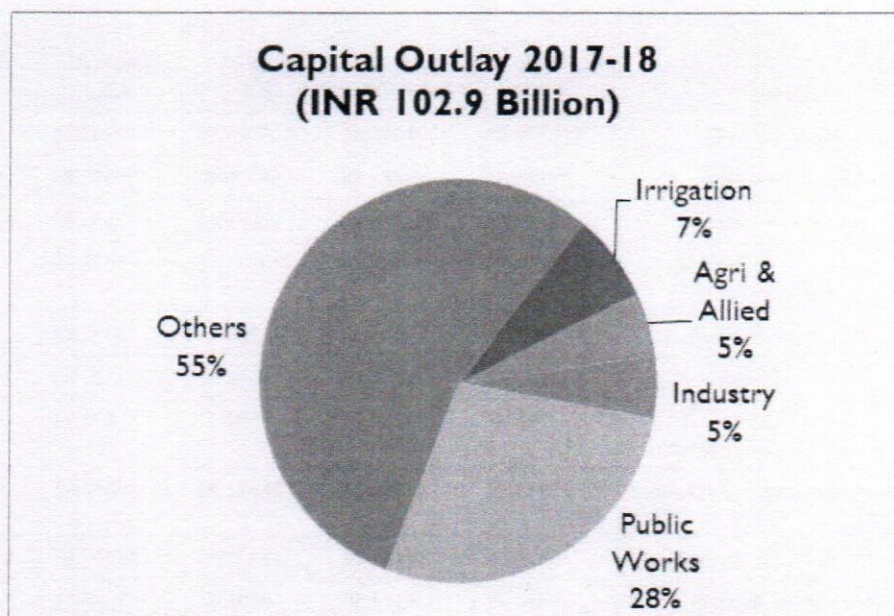


Source: Economic Survey 2017, Kerala State Planning Board, Budget Govt. of Kerala



Source: Economic Survey 2017, Kerala State Planning Board, Budget Govt. of Kerala





Source: Economic Survey 2017, Kerala State Planning Board, Budget Govt. of Kerala

6. The paragraph entitled "*Budget of the State Government*" of the section entitled "*Public Finance*" of the Original Offering Circular shall be deleted in its entirety and shall be replaced by the following section:

***Budget of the State Government***

The following table provides an overview of the budget of the State Government from 2016-17 to 2019-20:

Items	2016-17 Accounts	2017-18 Accounts	2018-19 B.E.	2018-19 R.E.	(₹ crore) 2019-20 B.E.
<b>A Revenue Receipts</b>	<b>75611.72</b>	<b>83020.14</b>	<b>102801.24</b>	<b>100006.58</b>	<b>115354.71</b>
1 State Own Tax Revenue	42176.38	46459.61	58588.44	53110.58	65784.60
2 State Own Non-Tax Revenue	9699.98	11199.61	14271.14	12991.97	15070.07
3 Central Govt. Transfers	23735.37	25360.92	29941.66	33904.03	34500.04
i) Share of Central Taxes	15225.02	16833.08	19932.27	19932.27	22797.61
ii) Grant-in- Aid	8510.35	8527.84	10009.39	13971.76	11702.43
<b>B Capital Receipts</b>	<b>26762.51</b>	<b>27221.29</b>	<b>24216.55</b>	<b>24235.71</b>	<b>26600.46</b>
1 Recoveries of Loans	292.24	350.97	297.12	947.60	292.19
2 Other Receipts	30.24	29.28	38.02	38.26	42.84
3 Borrowings and Other Liabilities	26440.03	26841.03	23881.40	23249.86	26265.44
i) Public Debt (Net)	16151.89	17101.67	22288.87	19191.16	23235.73
ii) Public Account (Net)	10288.15	9739.36	1592.53	4058.70	3029.70



Items	2016-17 Accounts	2017-18 Accounts	2018-19 B.E.	2018-19 R.E.	(₹ crore) 2019-20 B.E.
<b>C Total Receipts (A+B)</b>	<b>102374.23</b>	<b>110241.43</b>	<b>127017.79</b>	<b>124242.30</b>	<b>141955.17</b>
<b>D Non Plan Expenditure</b>	<b>79569.30</b>	<b>84681.58</b>	<b>98470.46</b>	<b>99862.26</b>	<b>111323.15</b>
1 On Revenue Account	77603.96	83766.62	96239.69	97466.46	104387.22
a. Of which Interest Payments	12116.50	15119.93	14937.71	15626.45	17201.28
2 On Capital Account	1965.34	914.96	2230.77	2395.80	6935.93
i) Capital outlay	1180.30	755.19	1636.05	1522.86	5910.20
ii) Loan Disbursements	785.05	159.77	594.72	872.94	1025.73
<b>E Plan Expenditure (including CSS)</b>	<b>22813.25</b>	<b>25556.23</b>	<b>28622.99</b>	<b>24816.62</b>	<b>30657.17</b>
1 On Revenue Account	13492.35	16181.74	19421.36	15567.10	19737.78
2 On Capital Account	9320.90	9374.50	9201.63	9249.51	10919.39
i) Capital outlay	8945.65	7993.68	8694.26	8287.85	10359.18
ii) Loan Disbursements	375.25	1380.82	507.37	961.66	560.21
<b>F Total Expenditure (D+E)</b>	<b>102382.55</b>	<b>110237.81</b>	<b>127093.45</b>	<b>124678.88</b>	<b>141980.32</b>
1 On Revenue Account	91096.31	99948.35	115661.05	113033.57	124125.00
2 On Capital Account	11286.25	10289.46	11432.40	11645.31	17855.32
i) Capital outlay	10125.95	8748.87	10330.31	9810.71	16269.38
ii) Loan Disbursements	1160.30	1540.59	1102.09	1834.61	1585.94
<b>G Revenue surplus(+)/deficit(-) (A-F(1))</b>	<b>-15484.59</b>	<b>-16928.21</b>	<b>-12859.81</b>	<b>-13026.98</b>	<b>-8770.29</b>
<b>H Fiscal Deficit (A+B(1)+B(2))-F</b>	<b>-26448.35</b>	<b>-26837.41</b>	<b>-23957.06</b>	<b>-23686.44</b>	<b>-26290.58</b>
<b>I Primary Deficit (H-D(1a))</b>	<b>-14331.85</b>	<b>-11717.48</b>	<b>-9019.36</b>	<b>-8059.99</b>	<b>-9089.30</b>
<b>J Gross State Domestic Product (GSDP)</b>	<b>616357</b>	<b>686764</b>	<b>772894</b>	<b>774995</b>	<b>875514</b>
Revenue Deficit as % of GSDP	-2.51%	-2.46%	-1.66%	-1.68%	-1.00%
Fiscal Deficit as % of GSDP	-4.29%	-3.91%	-3.10%	-3.06%	-3.00%
Primary Deficit as % of GSDP	-2.33%	-1.71%	-1.17%	-1.04%	-1.04%

As per the accounts maintained by the Accountant General, GST compensation from Government of India is shown under Grant-in-Aid (3 (ii)). Accordingly GST compensation of Rs.1772 Crore and Rs.2100 Crore is accommodated in Grant-in-Aid for 2017-2018 Accounts and 2018-2019 RE respectively.

7. The paragraph entitled "Composition of outstanding liabilities of Kerala" of the section entitled "Public Finance" of the Original Offering Circular shall be deleted in its entirety and shall be replaced by the following section:



### Composition of outstanding liabilities of Kerala

The debt outstanding of Kerala from 2016-17 and 2017-18 and estimates for 2018-19 and 2019-20 are shown in the table below.

(in ₹ crore)

Sl. No	Item					
		2016-17 Accounts	2017-18 Accounts	2018-19 BE	2018-19 RE	2019-20 BE
<b>A</b>	<b>Public Debt</b>	125882.86	142984.53	168575.74	162175.68	185411.42
1	Internal Debt	118268.72	135500.53	159061.07	154050.10	175976.05
	of which					
	(i) Market Borrowings	99531.74	115734.98	137918.72	133469.01	154702.97
	(ii) Special securities issued to NSSF	13508.81	14556.54	15449.37	15487.02	16265.28
	(iii) Loans from banks and FIs	4776.78	4624.63	5234.98	4534.08	4468.72
	(iv) Others	451.39	584.39	458.00	560.00	539.08
2	Loans and advances from the Centre	7614.14	7483.99	9514.67	8125.58	9435.37
	of which					
	(i) Loans for Non-Plan Schemes	18.12	16.21	16.41	14.30	12.43
	including EAP	7594.86	7466.63	9496.32	8107.61	9419.27
	(ii) Others	1.16	1.15	1.94	3.67	3.67
<b>B</b>	<b>Small Savings, Provident Fund etc.</b>					
	(i) State Provident Funds	24530.95	28803.70	29153.22	29613.71	30413.93
	(ii) State Treasury Deposits	30876.65	32900.10	33148.26	37844.44	41367.17



Sl. No	Item					
		2016-17 Accounts	2017-18 Accounts	2018-19 BE	2018-19 RE	2019-20 BE
	(iii) Insurance Pension Funds and Others	5163.40	6074.03	6388.57	6674.03	7266.77
	Total Outstanding Debt of the State Government (A+B)	186453.86	210762.36	237265.79	236307.86	264459.28
	Total Debt as a percentage of GSDP	30.25%	30.69%	30.70%	30.49%	30.21%

Source: Budget in Brief 2019-2020, Department of Finance, Government of Kerala



8. The paragraph entitled "*Fiscal roadmap*" of the section entitled "*Public Finance*" of the Original Offering Circular shall be deleted in its entirety and shall be replaced by the following section:

#### **Fiscal roadmap**

##### ***Fiscal deficit and revenue deficit***

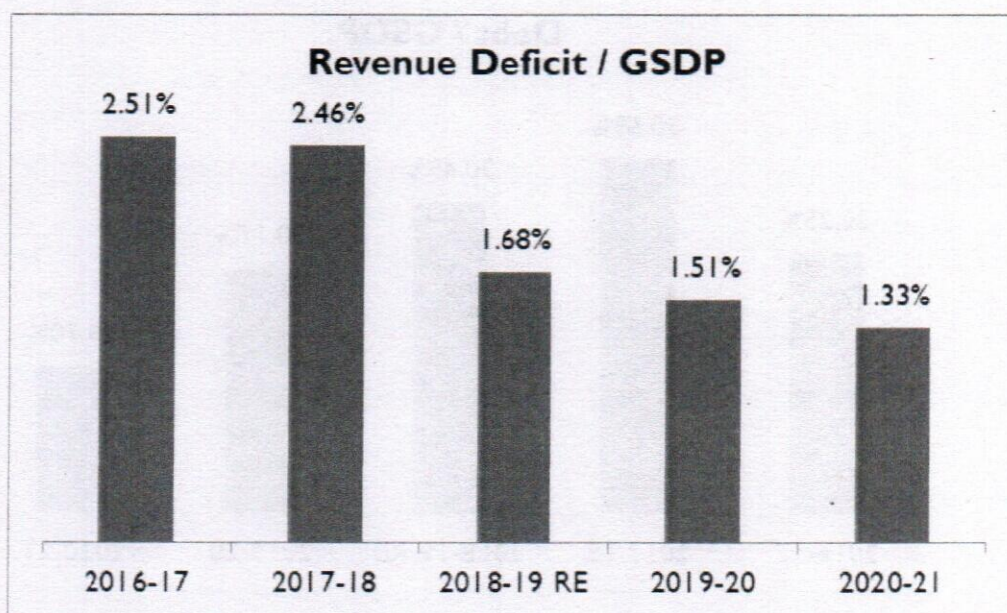
In Fiscal 2017-18, Kerala had a revenue deficit of ₹16,928.21 crore and a fiscal deficit of ₹26,837.41 crore representing 2.46 per cent. and 3.91 per cent. of its GSDP. In Fiscal 2016-17, Kerala had a revenue deficit of ₹15,484.59 crore and a fiscal deficit of ₹26,448.35 crore. Kerala has set fiscal targets in the Medium Term Fiscal Policy as formulated by the Finance Department of Kerala, to reduce (i) the revenue deficit to 1.33 per cent. of the GSDP by 2020-21 and (ii) the fiscal deficit to a level not exceeding 2.91 per cent. of the GSDP by 2020-21. Revenue deficit and fiscal deficit are projected to be 1.66 per cent. and 3.10 per cent., respectively, in 2018-19 (BE).

The following table provides an overview of the fiscal deficit and revenue deficit of the Kerala from 2016-17 to 2019-20:

(₹ crore)

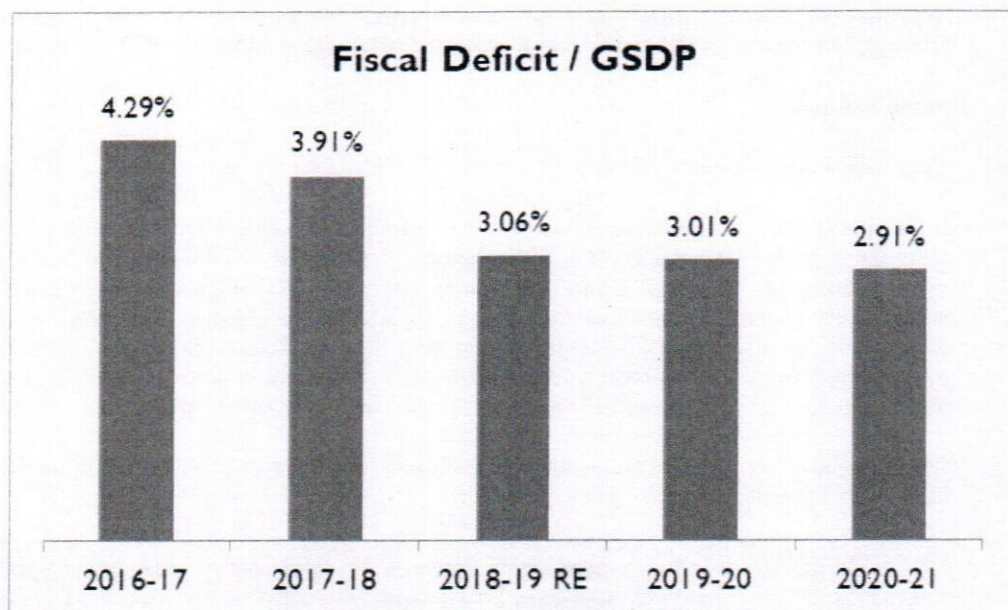
Items	2016-17 Accounts	2017-18 Accounts	2018-19 BE	2018-19 RE	2019-20 BE
1	2	3	4	5	6
<b>A. Revenue surplus/deficit</b>	-15484.59	-16928.21	-12859.81	-13026.98	-8770.29
<b>B. Fiscal Deficit</b>	-26448.35	-26837.41	-23957.06	-23686.44	-26290.58

Source: Budget in Brief 2018-2019, Department of Finance, Government of Kerala.  
BE = Budget estimate; RE = Revised Estimate.



Source: Economic Review 2017 - Kerala State Planning Board, Budget Government of Kerala

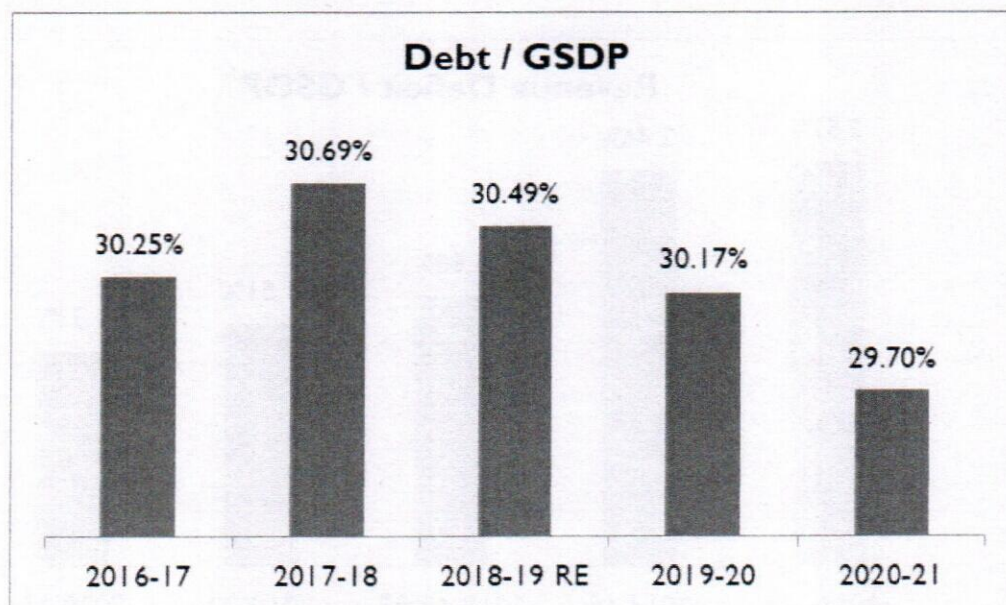




Source: Economic Review 2017 - Kerala State Planning Board, Budget Government of Kerala

**Debt outstanding to GSDP Ratio**

The debt to GSDP ratio for Kerala as of 2018-2019 is at 30.49 per cent, according to the Economic Review. According to the Economic Review, the debt to GSDP ratio is expected to decrease to 29.70 per cent. by 2020-21.



Source: Economic Review 2017, Kerala State Planning Board Budget, Government of Kerala



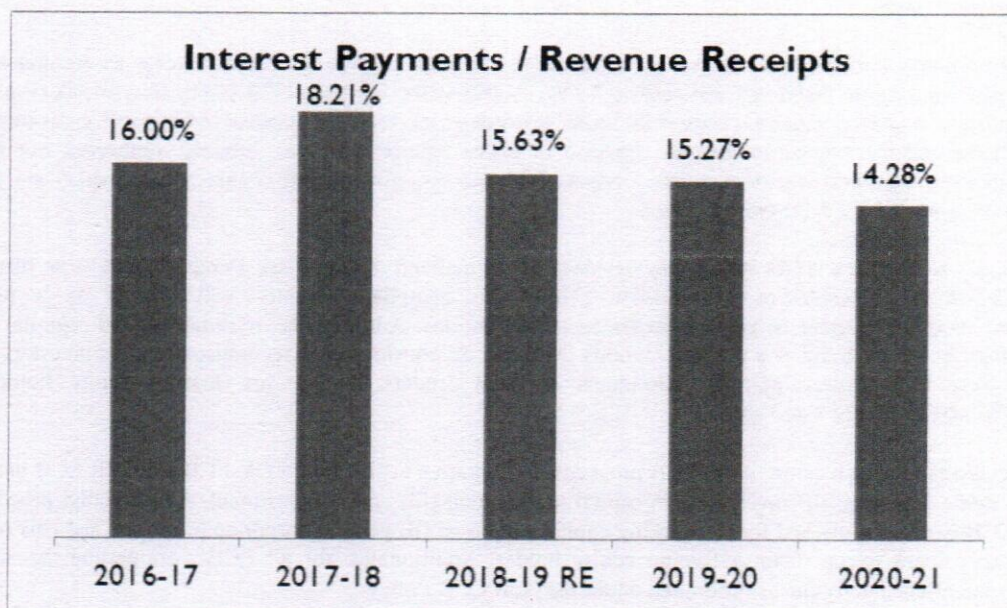
### Interest payment to revenue receipts

The following table provides an overview of the expenditure of Kerala on the revenue account, including interest payments, from 2016-17 to 2019-20:

(₹ crore)

Items	2016-17 Accounts	2017-18 Accounts	2018-19 BE	2018-19 RE	2019-20 BE
1	2	3	4	5	6
A. Non-Plan Expenditure	79569.30	84681.58	98470.46	99862.26	111323.15
I. On Revenue Account	77603.96	83766.62	96239.69	97466.46	104387.22
a. Of which Interest Payments	12116.50	15119.93	14937.71	15626.45	17201.28

Source: Budget in Brief 2019-2020, Department of Finance, Government of Kerala; Medium Term Fiscal Policy & Strategy Statement with Medium Term Fiscal Plan for Kerala 2018-19 to 2020-21, Government of Kerala.  
BE = Budget estimate; RE = Revised Estimate.



Source: Economic Review 2017 - Kerala State Planning Board, Budget Government of Kerala



## RECENT INDIAN REGULATORY DEVELOPMENTS

The section entitled "*Regulation and Policies: Laws in relation to external commercial borrowing*" in the Original Offering Circular shall be deleted in its entirety and shall be replaced by the following section:

### **Laws in relation to external commercial borrowing**

#### *External Commercial Borrowings*

The laws relating to ECBs as applicable to the issue of Notes are embodied in the Foreign Exchange Management Act, 1999, the Foreign Exchange Management (Borrowing and Lending) Regulations, 2018 and the rules and regulations issued by the RBI in relation to ECBs including the External Commercial Borrowings (ECB) Policy – New ECB Framework, issued by the RBI on 16 January 2019 ("**New ECB Policy**"). ECBs can be accessed under two routes: (i) the automatic route; and (ii) the approval route. The automatic route does not require a borrower to obtain any RBI approvals, whereas the approval route requires a prior RBI approval. The New ECB Policy classify ECBs under the following categories:

- (i) foreign currency denominated ECBs ("**FCY ECB**"); and
- (ii) Indian Rupee denominated ECBs ("**INR ECB**").

#### *Automatic route*

In accordance with the New ECB Policy, all entities that are eligible to receive foreign direct investment are classified as eligible borrowers for availing ECBs. Additionally, the New ECB Policy also allows (i) port trusts; (ii) units in a special economic zone; (iii) Small Industries Development Bank of India; (iv) Export Import Bank of India; and (v) registered entities engaged in micro-finance activities, namely, registered not for profit companies, registered societies, trusts, cooperatives and non-government organisations (which are permitted only to raise INR ECB) to raise ECBs.

Pursuant to the New ECB Policy any resident of a Financial Action Task Force ("**FATF**") or International Organisation of Securities Commission ("**IOSCO**") compliant country will qualify as a recognised lender/investors eligible to provide ECBs to Indian entities. Additionally, multilateral and regional financial institutions where India is a member country will also be considered as recognised lenders/investors. Further, the New ECB Policy permits individuals as ECB lenders if they are foreign equity holders or if bonds/debentures are listed abroad.

In relation to the utilisation of the ECB proceeds, the negative list for both FCY ECB and INR ECB includes: (i) real estate activities; (ii) investment in capital market; and (iii) equity investment. Additionally, proceeds from an ECB cannot be utilised for (i) working capital purposes; (ii) general corporate purposes; and (iii) repayment of rupee loans except from a foreign equity holder. Additionally, for all ECBs, on-lending for any of the abovementioned activities is prohibited under the New ECB Policy.

The maximum amount which can be raised every fiscal year by an eligible borrower under the automatic route is U.S.\$750 million or its equivalent. The all-in cost (which includes rate of interest, other fees and expenses in foreign currency or Indian Rupees but does not include commitment fees, payments for withholding tax in Rupees), for both FCY ECB and INR ECB is benchmark rate plus 450 basis points spread. As per the New ECB Policy, various components of all-in-cost have to be paid by the ECB borrower without taking recourse to the drawdown of ECB, i.e. ECB proceeds cannot be used for payment of interest or charges.



### *Approval route*

All ECBs falling outside the automatic route limits are considered by the RBI under the approval route.

### *Filing and Regulatory Requirements in relation to Issuance of Notes*

An ECB borrower is required to obtain a loan registration number ("**LRN**") from the RBI before an issuance of Notes is effected. To obtain this, ECB borrowers are required to submit a completed Form ECB certified by a company secretary or a chartered accountant to the Authorised Dealer Bank ("**AD Bank**") of the ECB borrower.

The AD Bank is then required to forward the completed Form ECB to the RBI. An ECB borrower is required to submit an ECB-2 Return on a monthly basis via its AD Bank to the RBI.

### *Procedure in relation to any change to the Terms and Conditions of the Notes*

Any change in the terms and conditions of the Notes after obtaining the LRN requires the prior approval of the RBI or AD Bank, as the case may be. The designated AD Bank may under delegated authority from the RBI approve requests from ECB borrowers for changes in respect of ECBs (except for foreign currency convertible bonds/ foreign currency exchangeable bonds) if the changed terms and conditions complies with the prevailing ECB norms and is with the consent of the existing ECB lenders/investors. Any redemption of the Notes which is not in compliance with the minimum average maturity period set out in the New ECB Policy, including on the occurrence of an Event of Default or for taxation reasons (as further described in the Terms and Conditions) may require the prior approval of the RBI.

### *Regulatory Requirements in relation to issuance of Indian Rupee denominated Notes overseas*

Pursuant to the New ECB Policy, any entity which can accept foreign direct investment, can issue Rupee denominated ECBs in the form of overseas bonds with a three-year minimum maturity period. In addition to the above, the New ECB Policy also permits (i) port trusts; (ii) units in special economic zones; (iii) Small Industries Development Bank of India; (iv) Export Import Bank of India; and (v) registered entities engaged in micro-finance activities, namely, registered not for profit companies, and registered societies, trusts, cooperatives and non-government organisations to raise Rupee denominated ECBs.

The Notes can be subscribed or purchased by any recognised lender as detailed above. An offshore branch or subsidiary of an Indian bank is not permitted to subscribe but can participate as an arranger/underwriter/market maker/trader for rupee denominated bonds issued overseas (except when the issuer is another Indian bank).

The foreign currency to Rupee conversion will be at the market rate on the settlement date. Furthermore, investors are allowed to hedge their Rupee exposure through permitted derivative products with an AD Bank in India. The ECB lenders can also access the domestic market through branches/subsidiaries of Indian banks abroad or branches of foreign banks with Indian presence on a back-to-back basis.



## **USE OF PROCEEDS**

The net proceeds from each issue of Notes will be applied by the Issuer for its infrastructure project related activities in accordance with Condition 15 (*Use of proceeds and other provisions*) and the ECB Directions and such other directions specified by the RBI.



## TERMS AND CONDITIONS OF THE NOTES

*As of the date of this note offering circular prepared in connection with the Notes (the "Note Offering Circular"), the Issuer is only permitted to issue Indian Rupee denominated bonds overseas. The Issuer reserves the right to issue notes in other currencies overseas as and when permitted by the Reserve Bank of India (the "RBI").*

*The following, subject to alteration and except for the paragraphs in italics, are the Terms and Conditions of the Notes (the "Conditions") which will be incorporated by reference into the Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions.*

*For any redemption that would be in breach of the minimum maturity requirements as set out in the Foreign Exchange Management (Borrowing or Lending) Regulations, 2018, as amended and the circular bearing reference number AP (DIR Series) Circular No. 17 on External Commercial Borrowings (ECB) Policy – New ECB Framework dated January 16, 2019 ("ECB Directions") under the Conditions (as defined below) including, but not limited to, an Issuer Tax Call, Investor Put upon Change in Control, Investor Put upon Change of Law or Investor Put upon Non-Satisfactory Integrity Review (each as defined below), the Issuer is required to obtain the prior approval of the Reserve Bank of India or the designated authorised dealer category I bank, appointed in accordance with the ECB Directions (the "AD Bank"), as the case may be, in accordance with the ECB Directions, before providing notice for or effecting a redemption in breach of the minimum maturity requirements as set out in the ECB Directions and such approval may not be provided. See "Investment Considerations – Risks Relating to an Investment in the Notes – Approval of the RBI or an AD Bank, as the case may be, is required for redemption of Notes prior to maturity, including upon an Event of Default (as defined in the Terms and Conditions of the Notes)" of the Original Offering Circular.*

*The issuance of, and Conditions in relation to, the Notes are subject to applicable laws including the ECB Directions. The Notes will be offered, sold and transferred only to investors who are eligible to purchase Notes under applicable laws and regulations and in respect to Rupee denominated Notes, investors who are residents of an FATF or IOSCO-compliant jurisdiction (as defined in the Base Offering Circular).*

This INR 21,500,000,000 9.723 per cent. Fixed Rate Synthetic Senior Secured Guaranteed Notes due 29 March 2024 (the "Notes") is issued by the Kerala Infrastructure Investment Fund Board (the "Issuer" is constituted by a trust deed dated 19 September 2018 (as supplemented by a supplemental trust deed dated 29 March 2019 (the "Supplemental Trust Deed") and as further modified and/or supplemented and/or restated from time to time, the "Trust Deed") made between the Issuer, The Government of Kerala acting through the Finance Department of Kerala (the "Guarantor") and The Hongkong and Shanghai Banking Corporation Limited (the "Trustee" which expression shall include any person from time to time as trustee or co-trustee under the Trust Deed) and Axis Trustee Limited (the "Onshore Security Trustee", which expression shall include any successor as Onshore Security Trustee). The Issuer will enter into the Security Documents (as defined below) to secure performance of the Issuer's obligations under the Notes.

The Notes have the benefit of an agency agreement dated 19 September 2018 (as supplemented by a supplemental Agency Agreement dated 29 March 2019 (the "Supplemental Agency Agreement") and as further modified and/or supplemented and/or restated from time to time, the "Agency Agreement" and made between the Issuer, the Guarantor, the Trustee, The Hongkong and Shanghai Banking Corporation Limited as principal paying agent (in that capacity, the "Principal Paying Agent", which expression shall include any successor principal paying agent) and the other paying agents named therein (together with the Principal Paying Agent, the "Paying Agents" which expression shall include any additional or successor paying agents and The Hongkong and Shanghai Banking Corporation Limited as transfer agent (in that capacity, the "Transfer Agent", which expression shall include any substitute or any additional transfer agents appointed in accordance with the Agency Agreement) and as registrar (in that capacity, the "Registrar", which expression shall include any successor registrar and together with the Paying Agents and Transfer Agents the "Agents").

Copies of the Trust Deed, the Agency Agreement and the Security Documents are available for inspection between 9:00am and 3:00pm (Hong Kong time) on any weekday (Saturdays and public holidays exempted) at the specified office for the time being of the Principal Paying Agent upon prior written request and satisfactory proof of holding by Noteholders. The Noteholders are deemed to have notice of, and are entitled to the benefit of, and are bound by,



all the provisions of the Trust Deed, the Security Documents and those provisions of the Agency Agreement (together with the Trust Deed and the Security Documents, the "**Transaction Documents**") which are applicable to them. The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, the Security Documents and the Agency Agreement.

References herein to the "**Notes**" shall mean:

- (a) in relation to any Notes represented by a registered global Note (the "**Global Note**"), units of each Specified Denomination payable in U.S. dollars; and
- (b) registered definitive notes without receipts, coupons or talons attached ("**Definitive Notes**"), whether or not issued in exchange for a Global Note.

Any reference to "**Noteholders**" or "**holders**" in relation to any Notes shall mean the persons in whose names the Notes are registered and shall, in relation to any Notes represented by the Global Note, be construed as provided below. The Trustee acts for the benefit of the Noteholders, in accordance with the provisions of the Trust Deed.

## 1. DEFINITIONS

Words and expressions defined in the Trust Deed, the Security Documents and/or the Agency Agreement shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Trust Deed, the Security Documents and/or the Agency Agreement, terms defined in the Trust Deed will prevail.

In addition:

"**Account Bank**" means Axis Bank Limited;

"**Annual Financial Statements**" has the meaning given to such term in Condition 12.1(a) (*Financial Statements*);

"**Auditor Criteria**" means an independent auditing firm which has:

- (a) at least 15 partners;
- (b) presence in three of the Tier 1 Cities or Tier 2 Cities;
- (c) at least 50 professional staff who are audit and articled clerks with expertise in book-keeping and accountancy and are engaged in external audit;
- (d) had at least one full-time Fellow Chartered Accountant for at least 20 continuous years;
- (e) at least seven years of statutory audit experience of undertakings by either the State Government or the Central Government; or
- (f) at least three years of central statutory audit experience of public sector banks,

*provided*, that it shall provide the following declaration to the Issuer in writing:

- (1) None of the disqualifications under section 226 of the Companies Act, 1956 applies to it and it is qualified for appointment as statutory auditors of the Issuer;
- (2) It, its partners and its proprietor on the records of the Institute of Chartered Accountants of India are not subject to any adverse remarks or disciplinary proceedings, which would make it ineligible for appointment as auditors; and
- (3) None of its partners, its proprietor on the records of the Institute of Chartered Accountants of India or their spouse, dependent children, wholly- or mainly-dependent



parents, brothers, sisters or any undertaking controlled by the foregoing persons has been declared as a wilful defaulter by any bank or other financial institutions;

**"Authorisation"** means any consent, license, approval, registration, notarization, certificate or exemption from, by or with any Authority, whether given or withheld by express action or deemed given or withheld by failure to act within any specified time period and all corporate, shareholders', creditors' and any other third party approvals or consents;

**"Authority"** means any supranational, national, regional or local government or political subdivision thereof, or any governmental, administrative, executive, legislative, arbitral, regulatory, fiscal or judicial body, department, commission, authority, tribunal or agency, or any superintendence, monetary authority or central bank, and any person, whether or not government-owned and howsoever constituted or called, that exercises the functions of any such entity or has jurisdiction over such matters;

**"Blacklist"** means the entities blacklisted by the State Government or the Central Government;

**"Cash"** means, at any time, cash in hand or at bank and (in the latter case) credited to an account in the name of the Issuer and to which the Issuer is alone beneficially entitled and for so long as:

- (a) that cash is repayable on demand;
- (b) repayment of that cash is not contingent on the prior discharge of any other indebtedness of the Issuer or of any other person whatsoever or on the satisfaction of any other condition;
- (c) there is no security over that cash except for any security or set-off arrangements in the ordinary course of the Issuer's banking arrangements; and
- (d) the cash is freely and immediately available to be applied in repayment or prepayment of the Notes;

**"Cash Equivalent Investments"** means at any time:

- (a) certificates of deposit issued by a bank or financial institution;
- (b) any investment in marketable debt obligations issued or guaranteed by the Central Government or by an instrumentality or agency of the Central Government having an equivalent credit rating and not convertible or exchangeable to any other security;
- (c) any investment in money market funds or liquid mutual funds in India which (i) have the highest possible investment grade credit rating from CARE, CRISIL and/or ICRA, (ii) which invest substantially all their assets in securities of the types described in paragraphs (a) to (b) above and (iii) can be turned into cash on demand;

**"Central Government"** means the Government of India;

**"Change in Control"** has the meaning given to such term in Condition 9.3 (*Redemption upon Change in Control (Investor Put upon Change in Control)*);

**"Companies Act"** means the Indian Companies Act, 2013, as amended from time to time;

**"Debt Service Reserve Account"** means the account bearing account number 918020105137773, designated as Kerala Infrastructure Investment Fund Board MTNI-DSRA, established by the Issuer with the Account Bank for maintaining the Debt Service Reserve Account Required Balance in accordance with the Security Documents;



**"Debt Service Reserve Account Required Balance"** means, for any six-month period following the most recent Interest Payment Date, the minimum amount required to satisfy scheduled interest payments under the Notes on the Interest Payment Date immediately following the most recent Interest Payment Date;

**"E&S Appraisal Process"** means the process of distinguishing the Issuer's projects by E&S Risk Category by applying the E&S Criteria;

**"E&S Criteria"** means the criteria to be established within nine months of the Issue Date for the purpose of categorizing projects by E&S Risk Category, including, but not limited to project size, sector, population displacement, deforestation, biodiversity, and impact on water reserves, *provided*, that such criteria shall be agreed in writing between the Issuer and the Trustee (acting on the instructions of the Majority Noteholders);

**"E&S Inspection"** means the inspection of the adequacy of the environmental and social impact assessments and the related management plans and the addressing of issues that arise therefrom;

**"E&S Risk Category"** means any category in the environmental and social categorization as set forth by the IFC, as may be amended from time to time, for the review of environmental and social risks and impacts of a proposed investment, comprising "Category A," "Category B" and "Category C";

**"E&S Risk Framework"** means a risk management framework that substantially complies with the Equator Principles and pursues the following objectives:

- (a) if an environmental and social impact study is required under Indian law for a project, the Issuer would enhance such study so that it conforms with the IFC's 10 performance standards, such as pollution prevention through abatement during construction; and
- (b) if an environmental and social impact study is not required under Indian law for a project, the Issuer would establish an environmental and social impact check list to screen the smaller or low-impact projects, and will use this check list in the E&S Appraisal Process and in the E&S Inspection;

**"Eligible Project"** means infrastructure projects in the following list of sectors, provided that such projects do not present significant adverse environmental or social risks and/or impacts that are diverse, irreversible or unprecedented:

- (a) roads, flyovers, overpasses and associated public works;
- (b) medical facilities;
- (c) educational facilities;
- (d) industrial parks;
- (e) water sanitation and distribution projects;
- (f) power transportation and distribution networks; and
- (g) IT networks;

**"Escrow Account"** means the account established by the Issuer for the purpose of collecting the MVT and Cess received from State of Kerala in accordance with the KIIF Act;

**"Excluded Activity"** means any participation by the Issuer in the construction and/or development any IFC Category A Projects, coal-fired thermal plants or mining projects, public-private partnerships, prisons or military facilities or the acquisition or leasing of any aircraft or the acquisition, investment or other projects in any real estate (to the extent it is not related to any Eligible Project);



**"Financial Debt"** means any indebtedness for or in respect of:

- (a) moneys borrowed and debit balances at banks or other financial institutions;
- (b) any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;
- (c) the amount of any liability in respect of finance leases;
- (d) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);
- (e) the actual amount of any Hedging Transaction that is due as a result of the termination or close-out of that Hedging Transaction) shall be taken into account;
- (f) any counter-indemnity obligation in respect of a guarantee, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution in respect of (i) an underlying liability of an entity which is not the Issuer or its subsidiary which liability would fall within one of the other paragraphs of this definition or (ii) any liabilities of the Issuer and its subsidiaries relating to any post-retirement benefit scheme;
- (g) any amount raised by the issue of shares which are redeemable (other than at the option of the issuer) before the stated maturity date of the Notes or are otherwise classified as borrowings under the accounting principles;
- (h) any amount of any liability under an advance or deferred purchase agreement if (i) one of the primary reasons behind entering into the agreement is to raise finance or to finance the acquisition or construction of the asset or service in question or (ii) the agreement is in respect of the supply of assets or services and payment is due more than 180 days after the date of supply;
- (i) any amount raised under any other transaction (including any forward sale or purchase, sale and sale back or sale and leaseback agreement) having the commercial effect of a borrowing or otherwise classified as borrowings under the accounting principles; and
- (j) the amount of any liability in respect of any guarantee for any of the items referred to in paragraphs (a) to (i) above;

**"Financial Quarter"** means the period commencing on the day following one Quarter Date and ending on the next Quarter Date;

**"Financial Year"** means the annual accounting period of the Issuer ending on 31 March in each year;

**"FTAC Certificate"** means the fidelity certificate issued by the Fund Trustee and Advisory Commission semi-annually under the KIIF Act;

**"IFC"** means International Finance Corporation;

**"IFC Category A Project"** means any business activity falling under the definition of "Category A" under the E&S Risk Categories;

**"Integrity Disclosure Report"** means the integrity disclosure report to be delivered by the Issuer to the Trustee under Condition 14.2 (*Integrity Disclosure Report*) as described in the Trust Deed;

**"Integrity Due Diligence Firms"** means accredited firms proposed by the Trustee (acting on the instructions of the Majority Noteholders) in advance of any Integrity Review;



**"Integrity Review"** means an independent audit of the Issuer's Integrity Disclosure Report, carried out by the relevant Integrity Due Diligence Firms upon the request of the Trustee in accordance with Condition 14.2(b) (*Integrity Disclosure Report*);

**"Issue Date"** means 29 March 2019;

**"KIIFB Code of Conduct"** means the code of conduct of the Issuer;

**"Long-Term Debt"** is defined as Financial Debt that has a maturity of 12 months or longer;

**"Majority Noteholders"** means one or more persons holding or representing not less than 50 per cent. in nominal amount of the Notes for the time being outstanding;

**"Material Subsidiary"** means any subsidiary that meets any of the following conditions:

- (a) the Issuer's and its subsidiaries' investments in and advances to the subsidiary exceed 10.0 per cent. of the total assets of the Issuer and its subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year;
- (b) the Issuer's and its subsidiaries' proportionate share of the total assets (after intercompany eliminations) of the subsidiary exceeds 10.0 per cent. of the total assets of the Issuer and its subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year; or
- (c) the Issuer's and its subsidiaries' equity in the income from continuing operations before income taxes, extraordinary items and cumulative effect of a change in accounting principle of the subsidiary exceeds 10.0 per cent. of such income of the Issuer and its subsidiaries on a consolidated basis for the most recently completed fiscal year;

**"Non-Satisfactory Integrity Review"** means the failure by the Trustee (acting on the instructions of the Majority Noteholders) to arrive at a satisfactory conclusion following discussions with the Issuer as to the results of the Integrity Review, provided, that, for the avoidance of doubt, the Trustee (acting on the instructions of the Majority Noteholders) shall have the sole discretion to determine whether the results of the Integrity Review are satisfactory;

**"Prohibited Practice"** means any of the following:

- (a) production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, pcb, wildlife or products regulated under cites;
- (b) production or trade in weapons and munitions;
- (c) production or trade in alcoholic beverages (excluding beer and wine);
- (d) production or trade in tobacco;
- (e) gambling, casinos and equivalent enterprises;
- (f) production or trade in radioactive materials (other than the purchase of medical equipment, quality control (measurement) equipment and any equipment where the IFC considers the radioactive source to be trivial and/or adequately shielded);
- (g) production or trade in unbonded asbestos fibers. this does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%;
- (h) drift net fishing in the marine environment using nets in excess of 2.5 km. in length;



- (i) production or activities involving harmful or exploitative forms of forced labor/harmful child labour;
- (j) commercial logging operations for use in primary tropical moist forest;
- (k) production or trade in wood or other forestry products other than from sustainably managed forests;
- (l) production or activities involving harmful or exploitative forms of forced labour/harmful child labour;
- (m) production, trade, storage, or transport of significant volumes of hazardous chemicals, or commercial scale usage of hazardous chemicals. hazardous chemicals include gasoline, kerosene, and other petroleum products; and
- (n) production or activities that impinge on the lands owned, or claimed under adjudication, by indigenous peoples, without full documented consent of such peoples;

**"Project Report"** means a summary report on the infrastructure projects, whether or not funded by the proceeds of the Notes, which shall include, *inter alia*:

- (a) the name and nature of the relevant project;
- (b) the location of the relevant project;
- (c) the sector within which the project operates;
- (d) all amounts disbursed under the project;
- (e) the E&S Risk Category;
- (f) the following financial information in relation to the project:
  - (i) the Issuer's total financial commitment to the project;
  - (ii) the outstanding balance due to the Issuer; and
  - (iii) any other financial information relevant to the project;

**"Quarter Date"** means each of 31 March, 30 June, 30 September and 31 December;

**"Quarterly Financial Statements"** has the meaning given to such term in Condition 12.1(b) (*Financial Statements*);

**"Required Sinking Fund Balance"** means (i) 5.0 per cent. of the outstanding principal amount of the Notes on the Sinking Fund Commencement Date, (ii) 10.0 per cent. of the outstanding principal amount of the Notes on the date that is six months after the Sinking Fund Commencement Date, (iii) 15.0 per cent. of the outstanding principal amount of the Notes on the date that is 12 months after the Sinking Fund Commencement Date, (iv) 20.0 per cent. of the outstanding principal amount of the Notes on the date that is 18 months after the Sinking Fund Commencement Date and (v) 25.0 per cent. of the outstanding principal amount of the Notes on the date that is 24 months after the Sinking Fund Commencement Date;

**"Review Representative"** means the person or persons appointed by the Trustee acting on the instructions of the Majority Noteholders in relation to the undertakings of the Issuer as set out in Condition 14.3(p);

**"Sanctionable Practice"** means, with respect to the Issuer, any of its Subsidiaries and any of their respective officers, employees or any Person acting on behalf of the Issuer:



- (a) the offering, giving, receiving or soliciting, directly or indirectly, of anything of value to influence improperly the actions of another party.
- (b) act or omission, including a misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial or other benefit or to avoid an obligation;
- (c) impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of the party to influence improperly the actions of a party;
- (d) entering into an arrangement with another party which is designed to achieve an improper purpose, including to influence improperly the actions of another party;
- (e) deliberately destroying, falsifying, altering or concealing of evidence material to the investigation or making of false statements to investigators, in order to materially impede an investigation into allegations of a corrupt, fraudulent, coercive or collusive practice, and/or threatening, harassing or intimidating any party to prevent it from disclosing its knowledge of matters relevant to the investigation or from pursuing such investigation; or
- (f) any Prohibited Practice.

For purposes of this definition:

- (a) **"Person"** means any natural person or any company, partnership, joint venture, firm, corporation, voluntary association, trust, enterprise, unincorporated organization or other corporate body or any Authority or any other entity whether acting in an individual, fiduciary or other capacity.
- (b) **"Subsidiary"** means, in relation to any person, any entity which is controlled directly or indirectly by that person and any entity (whether or not so controlled) treated as a subsidiary in the latest financial statements of that person from time to time, and control for this purpose means "Control" as such term is defined in Condition 9.3 (*Redemption upon Change in Control (Investor Put upon Change in Control)*);

**"Sanctioned High Risk Countries"** means the Crimea region of Ukraine, Cuba, Iran, North Korea, Sudan and Syria;

**"Sanctioned Country"** means, at any time, a country or territory which is, or whose government is, the target of comprehensive Sanctions (as of the date of these Conditions being the Sanctioned High Risk Countries);

**"Sanctioned Person"** means any person that is:

- (a) listed on, or owned or controlled (as such terms are defined and interpreted by the relevant Sanctions) by a person listed on any Sanctions List;
- (b) a government of a Sanctioned Country; or
- (c) resident or located in, incorporated under the laws of, or acting on behalf of, a person located in or organised under the laws of a Sanctioned Country,

*provided* that in each case, a person shall not be deemed to be a Sanctioned Person if the relevant transactions or dealings with such person are not prohibited under applicable Sanctions or are permitted under a licence, licence exception, or other authorisation of a Sanctions Authority applicable to the relevant parties provided that no such licence, licence exception, or other authorisation will permit any transactions or dealings with a Sanctioned High Risk Country;

**"Sanctions"** means any economic, trade or financial sanctions laws, regulations, embargoes or restrictive measures imposed, enacted, administered or enforced from time to time by any Sanctions Authority;



**"Sanctions Authority"** means (a) the United States, (b) the United Nations Security Council, (c) the European Union and any EU member state, (d) the United Kingdom and (e) the respective governmental institutions of any of the foregoing which administer Sanctions, including OFAC, the US State Department and the US Department of the Treasury;

**"Sanctions List"** means the "Specially Designated Nationals and Blocked Persons" list issued by OFAC, the EU Consolidated List of Financial Sanctions Targets, the Consolidated List of Financial Sanctions Targets issued by Her Majesty's Treasury, or any similar list issued or maintained and made public by any of the Sanctions Authorities as amended, supplemented or substituted from time to time;

**"Security Documents"** has the meaning given to such term in Condition 5.1 (*Security Interests*);

**"Security Interest"** means a mortgage, charge or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect;

**"Secured Parties"** has the meaning given to such term in Condition 5.1 (*Security Interests*);

**"Secured Property"** has the meaning given to such term in Condition 5.1 (*Security Interests*);

**"Sinking Fund"** means the fund apportioned by the Issuer as a sinking fund in relation to the Issuer's obligations under the Notes and reflected as such in the Issuer's financial statements in accordance with Condition 14.1 (*Sinking Fund*);

**"Sinking Fund Account"** means the account bearing account number 918020105137760, designated as Kerala Infrastructure Investment Fund Board MTN1-SINKING FUND, established by the Issuer with an Account Bank for maintaining the Sinking Fund in accordance with the Security Documents;

**"Stakeholder Engagement Process"** means a process for engaging land owners, families and neighbourhood communities impacted by the Issuer's projects, including a grievance mechanism for higher risk projects;

**"State Government"** means the Government of Kerala;

**"Tier 1 Cities"** mean cities in India with a population greater than one million;

**"Tier 2 Cities"** mean cities in India with a population greater than five hundred thousand;

**"Hedging Transactions"** means any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price;

**"Voting Stock"** has the meaning given to such term in Condition 9.3 (*Redemption upon Change in Control (Investor Put upon Change in Control)*); and

**"Whistle-Blowing Policy"** means a whistle-blowing policy that includes a whistle-blowing communication channel reporting to a sub-group of the independent members of the board of directors of the Issuer on an anonymous basis for the purpose of reporting suspected wrongdoings or breaches to the KIIFB Code of Conduct.

## **2. FORM, DENOMINATION AND TITLE**

The Notes are in registered form and, in the case of Definitive Notes, will be serially numbered and are issued in amounts of Indian Rupee ("**INR**") 10 million and integral multiples of INR 10 million in excess thereof (the "**Specified Denomination**"), and shall be payable in U.S. dollars. Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

Subject as set out below, title to the Notes will pass upon registration of transfers in the Register (as defined below) in accordance with the provisions of the Agency Agreement. The Issuer, the Guarantor, the Trustee, the Paying Agents, the Registrar and the Transfer Agent will (except as otherwise ordered by a



court of competent jurisdiction or required by law) deem and treat any person in whose are registered as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon (save for the endorsed form of transfer) or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held by a common depositary or its nominee on behalf of Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking S.A. ("**Clearstream, Luxembourg**"), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Guarantor, the Trustee, the Paying Agents, the Registrar and the Transfer Agent as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the registered holder of the relevant Global Note shall be treated by the Issuer, the Guarantor, the Trustee, the Paying Agents, the Registrar and the Transfer Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions "**Noteholder**" and "**holder**" in relation to any such Notes and related expressions shall be construed accordingly. In determining whether a particular person is entitled to a particular nominal amount of Notes, as aforesaid, the Trustee may call for any certificate or other document to be issued or given by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person, which shall, in the absence of manifest error, be conclusive and binding for all purposes.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be. References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system as may otherwise be approved by the Issuer, the Trustee, the Principal Paying Agent and the Registrar.

### **3. TRANSFERS OF NOTES**

#### **3.1 Transfers of Interests in Global Notes**

Transfers of beneficial interests in the Global Note will be effected by Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in the Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be exchangeable for Definitive Notes or for a beneficial interest in another Global Note only in the Specified Denomination and only in accordance with the rules and operating procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Trust Deed and the Agency Agreement.

#### **3.2 Transfers of Notes Generally**

Upon the terms and subject to the conditions set forth in the Trust Deed and the Agency Agreement, a Definitive Note may be transferred in whole or in part (in the Specified Denomination and provided, in the case of a transfer in part, that the amount not transferred is also a Specified Denomination). In order to effect any such transfer: (i) the holder or holders must (a) deliver the Definitive Note for registration of the transfer of the Definitive Note (or the relevant part of the Definitive Note) at the specified office of the Registrar or any Transfer Agent, with the form of transfer endorsed on it (or such other form of transfer as may be obtained from the Registrar or any Transfer Agent) duly completed and executed by the holder or holders thereof and (b) complete and deposit such other documents, evidence and information (including, but not limited to, a Transfer Certificate (as applicable) as defined in the Agency Agreement) as may be required by the relevant Transfer Agent or the Registrar and (ii) the Registrar or, as the case may be, the relevant Transfer Agent being satisfied with the proof of title of the person making the request and subject to such regulations (the "**Regulations**") as may from time to time be prescribed (the initial such regulations



being set out in Schedule 3 (*Register and Transfer of Registered Notes*) to the Agency Agreement). The Regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee or by the Registrar with the prior written approval of the Trustee. Subject as provided above, the Registrar or, as the case may be, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar or, as the case may be, the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations) authenticate and deliver at its specified office to the transferee or (at the risk of the transferee) send by mail to such address as the transferee may request, a new Definitive Note of a like aggregate nominal amount to the Definitive Note (or the relevant part of the Definitive Note) transferred. In the case of the transfer of part only of a Definitive Note, a new Definitive Note in respect of the balance of the Definitive Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

### 3.3 Costs of Registration

Registration of transfers will be effected without charge by or on behalf of the Issuer, the Registrar or the relevant Transfer Agent, but upon payment by the transferee (or the giving of such indemnity by the transferee as the Registrar and/or the relevant Transfer Agent may reasonably require in advance of the registration of transfers) in respect of any tax or other governmental charges which may be imposed in relation to it provided that the Issuer shall not be responsible for any documentary stamp tax payable on the transfer effected in the Republic of India unless the Issuer is the counterparty directly liable for that documentary stamp tax.

## 4. STATUS OF THE NOTES AND GUARANTEE

### 4.1 Status of the Notes

The Notes are secured obligations of the Issuer, at all times ranking *pari passu* and without any preference among themselves, secured in the manner described in Condition 5 (*Security*).

### 4.2 Status of the Guarantee

The Guarantor has, in the Trust Deed, unconditionally and irrevocably guaranteed the due and punctual payment of all sums from time to time due and payable by the Issuer in respect of the Notes. The guarantee (the "**Guarantee**") constitutes direct, general, unconditional, unsubordinated and unsecured obligations of the Guarantor which will at all times rank at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Guarantor, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights and priority of claims.

## 5. SECURITY

### 5.1 Security Interests

The obligations of the Issuer under or in connection with the Notes and the Transaction Documents shall be secured by way of a first ranking exclusive charge over the Debt Service Reserve Account and the Sinking Fund Account, which shall be a first ranking floating rate charge in the case of the security on the Sinking Fund Account, in the name of the Issuer created in favour of the Onshore Security Trustee (for itself, the Trustee and the Noteholders (together, the "**Secured Parties**")) pursuant to an account charge deed and any other document executed in relation to the creation of security over the Debt Service Reserve Account and the Sinking Fund Account (together, as may be amended or supplemented from time to time, the "**Security Documents**") as set forth below. On the Issue Date, the Issuer shall take all requisite steps under applicable laws and other customary procedures in connection with the granting and perfection (if relevant) of the Security (as defined below) over the Secured Properties (as defined below).

The properties specified above, together with any other property and assets held by and/or charged in favour of and/or assigned to the Onshore Security Trustee (for itself and the other Secured Parties pursuant to the Security Documents and/or any deed or document supplemental thereto) are referred to in these Conditions as the "**Secured Properties**" and the security created thereby is referred to as the "**Security**".



## **5.2 Release of Secured Property**

Upon written notice from the Trustee to the Issuer and the Onshore Security Trustee of the purchase and cancellation or redemption in full in accordance with these Conditions of the Notes and payment of all other amounts then due in respect of the Notes (including to the Trustee and the Onshore Security Trustee) under any Transaction Document, the relevant Security shall be terminated and the related Secured Property shall be released in accordance with the terms of the Security Documents at the cost of the Issuer. Any such notice shall be based upon the information available to the Trustee at the time at which the notice is provided and the Trustee may rely conclusively on such information and shall bear no responsibility or liability to the Noteholders or any other person.

## **5.3 Enforcement of Security**

Subject to the provisions of the Security Documents and the Trust Deed, the Security shall become enforceable in respect of the Notes:

- (a) upon notice being given by the Trustee to the Issuer and the Onshore Security Trustee that such Notes are due and payable pursuant to Condition 16 (*Events of Default and Enforcement*);
- (b) if the Issuer shall have failed to make payment of any amount due in respect of the redemption of such Notes when due and payable pursuant to these Conditions; or
- (c) in the circumstances specified in the relevant Security Documents.

If the Security becomes enforceable, the Trustee may at its discretion and without further notice or formality and shall, if so requested in writing by the Majority Noteholders or if so directed by an Extraordinary Resolution (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction) direct the Onshore Security Trustee to enforce all or any of the relevant Security subject as provided below. The Onshore Security Trustee may at its discretion appoint a receiver who shall be deemed an agent of the Issuer and/or take possession of and/or realise all or any part of the Secured Properties and/or take action or proceedings against any person liable in respect of all or any part of the Secured Properties and/or any rights in relation to the Security Documents and take any step, action or proceedings provided for in or pursuant, and/or subject to, the Transaction Documents, but without any liability to any person as to the consequences of such step, action or proceedings and without having regard to the effect of such action or proceedings on the Issuer or individual Noteholders, and provided that the Trustee shall not be required to take any action, step or proceedings that would involve any personal liability or exposure without first being indemnified and/or secured and/or prefunded to its satisfaction.

Following any realisation of the Secured Properties in accordance with the foregoing provisions of this Condition 5.3 and in accordance with applicable law, the Onshore Security Trustee will, following conversion into U.S. dollars by the Onshore Security Trustee, pay to the Trustee all funds received as a result of such realisation and the Trustee will procure that the proceeds are applied pursuant to clause 9 (*Application of Moneys*) of the Trust Deed.

For the avoidance of doubt, to enforce the rights of Secured Parties under the Security Documents, the Trustee shall have the right to instruct the Onshore Security Trustee to sell any Secured Property that is capable of being sold in accordance with the provisions set out in the Security Documents. Any dispute arising under the Security Documents among any of the parties will be resolved by the courts of India, under Indian law as provided in the Security Documents.

## **6. NEGATIVE PLEDGE**

So long as the Notes remain outstanding (as defined in the Trust Deed), (i) the Issuer will not create or permit to subsist any Security Interest upon the whole or any part of the Debt Service Reserve Account or the Sinking Fund Account and (ii) subject to clause (i) the Issuer will not create or permit to subsist any Security Interest upon the whole or any part of its undertaking, assets or revenue, present or future, to secure any future indebtedness of the Issuer or to secure any guarantee or indemnity in respect of any



future indebtedness of the Issuer, unless, at the same time or prior thereto, the Issuer's obligations under the Notes and the Trust Deed (a) are secured equally and rateably therewith to the satisfaction of the Trustee (acting on the instructions of the Majority Noteholders), or (b) have the benefit of such other security, or other arrangement as the Trustee in its absolute discretion shall deem to be not materially less beneficial to the Noteholders or as shall be approved by an Extraordinary Resolution of the Noteholders. Without prejudice to the preceding sentence and for the avoidance of doubt, the Issuer is not required under this Condition 6 (*Negative Pledge*) to seek the consent of the Trustee to incur any financial indebtedness including on a secured basis or to secure any guarantee or indemnity in respect of any financial indebtedness in compliance with the preceding sentence.

So long as the Notes remain outstanding Conditions of the Notes shall not rank inferior to the terms of any other lenders or creditors or bond holders of the Issuer and in the event any more favourable terms are offered by the Issuer to any other lenders or creditors or bond holders of the Issuer, the Issuer shall ensure that the Issuer's obligations under the Notes and the Trust Deed are offered equally and rateably with such terms so provided to such lenders or creditors or bondholders (subject to applicable law (including without limitation the requirements under the ECB Directions)).

## **7. INTEREST**

All interest payable on the Notes shall be subject to applicable laws including but not limited to the ECB Directions.

### **7.1 Interest on the Notes**

Each Note bears interest on its outstanding nominal amount semi-annually from (and including) 29 March 2019 (the "**Issue Date**") at the rate of 9.723 per cent. per annum (the "**Rate of Interest**"). Interest will be payable in arrear (subject as provided in Condition 17) on 29 March and 29 September in each year (an "**Interest Payment Date**") up to (and including) 29 March 2024 (the "**Maturity Date**"); provided that the Issuer shall pay interest on overdue principal, interest and additional amounts payable under Condition 10 (*Taxation*) at a rate that is 2.0 per cent. per annum higher than the Rate of Interest on the Notes.

Interest on the Notes will accrue from (and including the Issue Date) or, if paid on the immediately preceding Interest Payment Date, from (and including) such immediately preceding Interest Payment Date to, but excluding, the next succeeding Interest Payment Date. Each period beginning on (and including) the Interest Payment Date following the Issue Date and ending on (but excluding) the next Interest Payment Date is called a "**Regular Period**".

Where interest is to be calculated for a Regular Period, it shall be paid at a fixed amount of INR 486,150 per Calculation Amount payable in U.S. dollars by applying the following formula:

INR 486,150 divided by the Reference Rate (as defined in Condition 8.1 (*Payments of principal and interest in respect of the Notes*)) and rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

Where interest is to be calculated in respect of a period which is not a Regular Period, the interest to be payable in respect of the Notes shall be calculated by applying the Rate of Interest to the Calculation Amount on the basis of a 360 day year comprising twelve 30 day months and, in the case of an incomplete month, the number of days elapsed. The resulting INR interest amount per Calculation Amount shall then be divided by the Reference Rate and the amount will be payable in U.S. dollars.

### **7.2 Accrual of Interest**

Subject as provided in Condition 17 each Note will cease to bear interest (if any) from and including the date of its redemption unless, upon due presentation thereof, payment of principal is withheld or refused on the date it is due, in such event, interest will continue to accrue until whichever is the earlier of:

- (a) the date on which all amounts due in respect of such Note have been paid; and



(b) as provided in the Trust Deed.

### 7.3 Definitions

In these Conditions, (x) if there is no numerically corresponding day on the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day, provided that the number of days in each Regular Period shall be calculated as if the Interest Payment Date determining the end of such Regular Period were not subject to such postponement.

In these Conditions,

**"Business Day"** means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in New York, London, New Delhi, Singapore and Mumbai and the city where the specified office of the Principal Paying Agent is located and, in the case of surrender of a Definitive Note, in the place in which the Definitive Note is presented.

**"Calculation Amount"** means INR 10 million.

## 8. PAYMENTS

### 8.1 Payments of principal and interest in respect of the Notes

Payments of principal (other than instalments of principal prior to the final instalment) in respect of each Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Note appearing in the register of holders of the Notes maintained by the Registrar (the **"Register"**) (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. For these purposes, **"Designated Account"** means the account maintained by a holder with a Designated Bank and identified as such in the Register and **"Designated Bank"** means any bank which processes payments in U.S. dollars.

Payments of interest and payments of instalments of principal (other than the final instalment) in respect of each Note (whether or not in global form) will be made by transfer on the due date to the Designated Account of the holder (or the first named of joint holders) of the Note appearing in the Register (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the fifteenth day (whether or not such fifteenth day is a Business Day) before the relevant due date (the **"Record Date"**). Payment of the interest due in respect of each Note on redemption and the final instalment of principal will be made in the same manner as payment of the principal amount of such Note.

Payments of principal and interest in respect of each Note shall be payable in U.S. dollars. The amount of principal and interest will be determined by the Calculation Agent from Indian Rupees and translated by the Calculation Agent from Indian Rupees to U.S. dollars at the Reference Rate for conversion of Indian Rupees to U.S. dollars on the applicable Rate Fixing Date in respect of an Interest Payment Date or the Maturity Date.

Where:

**"Calculation Agent"** means the Principal Paying Agent in its capacity as Calculation Agent.



**"Reference Rate"** means the rate used on each Rate Fixing Date which will be the USD/INR spot rate, expressed as the amount of Indian rupees per one U.S. dollar, for settlement in two Fixing Business Days (as defined below), reported by the Financial Benchmarks India Pvt. Ltd ("**FBIL**"), which is displayed on Reuters page "**INRREF=FBIL**" (or any successor page) at approximately 1:30pm, Mumbai time, on each Rate Fixing Date.

If a Price Source Disruption Event occurs on the Scheduled Rate Fixing Date, then the Reference Rate for such Scheduled Rate Fixing Date shall be determined by the Calculation Agent in accordance with the Fallback Provisions set out below.

**"Rate Fixing Date"** means the Scheduled Rate Fixing Date, subject to Valuation Postponement.

**"Scheduled Rate Fixing Date"** means the date which is two Fixing Business Days prior to the Interest Payment Date or the Maturity Date or such other date on which an amount in respect of the Notes is due and payable.

If the Scheduled Rate Fixing Date is an Unscheduled Holiday, the Rate Fixing Date shall be the next following Fixing Business Day, subject to the provisions relating to the Deferral Period for Unscheduled Holiday set out herein.

**"Unscheduled Holiday"** means a day that is not a Fixing Business Day and the market was not aware of such fact (by means of a public announcement or by reference to other publicly available information) until a time later than 9:00 a.m. local time in Mumbai, two Fixing Business Days prior to the relevant Rate Fixing Date.

#### **Adjustments to Interest Payment Date and the Maturity Date**

If a Scheduled Rate Fixing Date is adjusted for an Unscheduled Holiday or if Valuation Postponement applies, then the Interest Payment Date or the Maturity Date relating to such Scheduled Rate Fixing Date shall be two Payment Business Days after the date on which the Reference Rate for such Interest Payment Date or the Maturity Date is determined.

If any Interest Payment Date or the Maturity Date is adjusted in accordance with the preceding sentence, then such adjustment (and the corresponding payment obligations to be made on such dates) shall apply only to such Interest Payment Date or the Maturity Date, as applicable, and no further adjustment shall apply to the amount of interest payable.

#### **Fallback Provisions**

Where:

**"Price Source Disruption Event"** shall occur if, in the opinion of the Calculation Agent, it becomes impossible to obtain the Reference Rate on a Rate Fixing Date.

#### **Applicable Price Source Disruption Fallbacks**

In the event of a Price Source Disruption Event, the Calculation Agent shall apply each of the following Price Source Disruption Fallbacks for the determination of the Reference Rate, in the following order, until the Reference Rate can be determined:

1. *first*, Valuation Postponement (as defined below);
2. *secondly*, Fallback Reference Price SFEMC Indicative Survey (INR02) INR Rate;
3. *thirdly*, Fallback Survey Valuation Postponement (as defined below); and
4. *fourthly*, Determination of Reference Rate by the Calculation Agent.



**"Cumulative Events"** has the following meaning: Notwithstanding anything to the contrary, in no event shall the total number of consecutive calendar days during which either (i) valuation is deferred due to an Unscheduled Holiday, or (ii) a Valuation Postponement shall occur (or any combination of (i) and (ii)), exceed 14 consecutive calendar days in the aggregate. Accordingly, (i) if, upon the lapse of any such 14 calendar day period, an Unscheduled Holiday shall have occurred or be continuing on the day following such period that otherwise would have been a Fixing Business Day, then such day shall be deemed to be a Rate Fixing Date, and (ii) if, upon the lapse of any such 14 calendar day period, a Price Source Disruption Event shall have occurred or be continuing on the day following such period on which the Reference Rate otherwise would be determined, then Valuation Postponement shall not apply and the Reference Rate shall be determined in accordance with the next applicable Price Source Disruption Fallback.

**"Valuation Postponement"** means that the Reference Rate will be determined on the Fixing Business Day first succeeding the day on which the Price Source Disruption Event ceases to exist, unless the Price Source Disruption Event continues to exist (measured from the date that, but for the occurrence of the Price Source Disruption Event, would have been the Rate Fixing Date) a consecutive number of calendar days equal to the Maximum Days of Postponement. In such event, the Reference Rate will be determined on the next Fixing Business Day after the Maximum Days of Postponement (which will, subject to the provisions relating to Fallback Survey Valuation Postponement, be deemed to be the applicable Rate Fixing Date) in accordance with the next applicable Price Source Disruption Fallback.

**"Maximum Days of Postponement"** means 14 calendar days.

**"SFEMC INR Indicative Survey Rate (INR02)"** means that the Reference Rate for a given Rate Fixing Date will be the Indian Rupee/U.S. dollar Specified Rate for U.S. dollars, expressed as the amount of Indian Rupees per one U.S. dollar, for settlement in two Fixing Business Days, as published on the web site of the Singapore Foreign Exchange Market Committee ("SFEMC") (such website being [www.sfemc.org](http://www.sfemc.org)) at approximately 3:30 p.m. (Singapore time), or as soon thereafter as practicable, on such date. The Reference Rate shall be calculated by SFEMC (or a service provider SFEMC may select in its sole discretion) pursuant to the SFEMC INR Indicative Survey (as defined below) for the purpose of determining the SFEMC INR Indicative Survey Rate (INR02).

**"SFEMC INR Indicative Survey"** means a methodology, dated as of 1 December 2004, as amended from time to time, for a centralised industry wide survey of financial institutions that are active participants in the Indian Rupee/U.S. dollar markets for the purpose of determining the SFEMC INR Indicative Survey Rate (INR02).

**"Fallback Survey Valuation Postponement"** means that, in the event that the Fallback Reference Price is not available on or before the third Fixing Business Day (or day that would have been a Fixing Business Day but for an Unscheduled Holiday) succeeding the end of either (i) Valuation Postponement for Price Source Disruption, (ii) Deferral Period for Unscheduled Holiday, or (iii) Cumulative Events, as applicable, then the Reference Rate will be determined in accordance with the next Applicable Price Source Disruption Fallback on such day (which will be deemed to be the applicable Rate Fixing Date). For the avoidance of doubt, Cumulative Events, if applicable, do not preclude postponement of valuation in accordance with this provision.

**"Payment Business Day"** means any day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in London, New York, Mumbai, and the city in which the specified office of the Principal Paying Agent is located.

**"Fixing Business Day"** means any day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in Mumbai, New York, London, and the city in which the specified office of the Calculation Agent is located.

#### **Fallback Provisions**



The Issuer shall agree any Reference Rate provided by the Calculation Agent, including the process, methodology and source website in relation to any Applicable Price Source Disruption Fallback, and under no circumstances shall the Calculation Agent be liable to any person as a result of the Calculation Agent having acted on any such quotations, or having taken or not taken any action in relation to any Applicable Price Source Disruption Fallback, which subsequently may be found to be incorrect, or to have delayed the determination of the Reference Rate.

#### **Deferral Period for Unscheduled Holiday**

In the event the Scheduled Rate Fixing Date is postponed due to the occurrence of an Unscheduled Holiday, and if the Rate Fixing Date has not occurred on or before the 14th calendar day after the Scheduled Rate Fixing Date (any such period being a "**Deferral Period**"), then the next day after the Deferral Period that would have been a Fixing Business Day but for the Unscheduled Holiday, shall be deemed to be the Rate Fixing Date.

No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Notes.

None of the Issuer, the Guarantor, the Trustee or any Agent will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Global Note or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

### **8.2 General provisions applicable to payments**

The holder of the Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer or, as the case may be, the Guarantor will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer or, as the case may be, the Guarantor in respect of such Global Note to, or to the order of, the holder of such Global Note.

*So long as the Global Note is held on behalf of Euroclear, Clearstream or any other clearing system, each payment in respect of the Global Note will be made to the person shown as the holder in the Register at the close of business of the relevant clearing system on the Clearing System Business Date before the due date for such payments, where "Clearing System Business Day" means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.*

### **8.3 Payment Day**

If the date for payment of any amount in respect of any Note is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. In these Conditions, "**Payment Day**" means any day which (subject to Condition 16 (*Events of Default and Enforcement*)) is a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:

- (a) in the case of Notes in definitive form only, the relevant place of presentation; and
- (b) New York, Hong Kong, London and Mumbai.

### **8.4 Interpretation of principal and interest**

Any reference in these Conditions to principal in respect of the Notes shall be deemed to include, as applicable:



- (a) any additional amounts which may be payable with respect to principal under Condition 10 (*Taxation*) or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed; and
- (b) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

#### **8.5 Payments Subject to Fiscal and Other Laws**

Payments will be subject in all cases, to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 10 (*Taxation*), and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or any treaty, law, regulation or guidance implementing an intergovernmental approach thereto.

### **9. REDEMPTION AND PURCHASE**

*ECB Directions require the Issuer to obtain the prior approval of the RBI or designated authorised dealer category I bank appointed in accordance with the ECB Directions, as the case may be, before providing notice for or effecting such a redemption in breach of the minimum maturity requirements as set out in the ECB Directions and such approval may not be forthcoming.*

#### **9.1 Redemption at Maturity**

Unless previously redeemed or purchased and cancelled as specified below, each outstanding Note will be redeemed by the Issuer at their principal amount outstanding on the Maturity Date.

#### **9.2 Redemption for Tax Reasons (Issuer Tax Call)**

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time on giving not less than 30 nor more than 60 days' notice to the Trustee and the Principal Paying Agent and, in accordance with Condition 20 (*Notices*), the Noteholders (which notice shall be irrevocable), if the Issuer satisfies the Trustee immediately before the giving of such notice that:

- (a) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 10 (*Taxation*) or the Guarantor would be unable for reasons outside its control to procure payment by the Issuer and in making payments itself would be required to pay such additional amounts, in each case as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 10 (*Taxation*)) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the Notes; and
- (b) such obligation cannot be avoided by the Issuer or, as the case may be, the Guarantor taking reasonable measures available to it,

*provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due.*

Prior to the publication of any notice of redemption pursuant to this Condition 9.2, the Issuer or, as the case may be, the Guarantor shall deliver to the Trustee to make available at its specified office (during the hours of 9:00am to 3:00 p.m. (Hong Kong time), Mondays to Fridays (except public holidays)) to the Noteholders (1) a certificate signed by the Chief Executive Officer of the Issuer or, as the case may be, an authorised signatory of the Guarantor stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and (2) an opinion of independent legal advisers of recognised standing to the effect



that the Issuer or, as the case may be, the Guarantor has or will become obliged to pay such additional amounts as a result of such change or amendment and the Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders.

Notes redeemed pursuant to this Condition 9.2 will be redeemed at their principal amount outstanding together (if appropriate) with interest accrued to (but excluding) the date of redemption.

### **9.3 Redemption upon Change in Control (Investor Put upon Change in Control)**

Immediately following the occurrence of any Change in Control, the Issuer or the Guarantor will give notice to the Noteholders, the Trustee and the Principal Paying Agent in accordance with Condition 20 (*Notices*) stating that a Change in Control has occurred.

Following the occurrence of a Change in Control, each Noteholder will have the right to require the Issuer to redeem any of the Notes held by such Noteholder at their nominal amount outstanding together with interest (including additional amounts pursuant to Condition 10 (*Taxation*) if any) accrued to (but excluding) the date of redemption.

To exercise the right to require redemption of any Notes, the holder of the Notes must deliver such Notes at the specified office of any Transfer Agent or the Registrar during normal business hours on any business day (being, in relation to any place, a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in that place) at the place of such specified office falling within the notice period, accompanied by a duly signed and completed notice of exercise in the form (for the time being current and which may, if this Note is held in a clearing system, be any form acceptable to the clearing system delivered in a manner acceptable to the clearing system) obtainable on any business day as aforementioned from the specified office of the Transfer Agent or the Registrar (a "**Put Notice**") and in which the holder must specify a bank account to which payment is to be made under this paragraph accompanied by such Notes or evidence satisfactory to the relevant Transfer Agent or the Registrar, as the case may be, that such Notes will, following the delivery of the Put Notice, be held to its order or under its control.

Subject to Condition 17 (*Repayment Mechanism*), the Issuer is obliged to redeem any such Notes on the first business day in the place where such redemption notice is deposited falling 30 days after such deposit.

A Put Notice given by a holder of any Note shall be irrevocable and no Note deposited with a Transfer Agent or the Registrar pursuant to this Condition 9.3 may be withdrawn without the prior written consent of the Issuer.

The right of any Noteholder to require the Issuer to redeem any Note upon a Change in Control is not conditional upon a Change in Control notice having been given by the Issuer, but will, if such notice is given by the Issuer, be exercised by such Noteholder within 45 days of the giving of such notice.

A "**Change in Control**" will have occurred if the State Government will at any time cease to have Control of the Issuer.

In this Condition 9.3:

"**Control**" means (i) the right to appoint and/or remove all or the majority of the members of the Issuer's board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by contract or otherwise or (ii) holding a majority of the total voting power of the Voting Stock of the Issuer; and

"**Voting Stock**" means capital stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of the Issuer.

### **9.4 Redemption upon Change of Law (Investor Put upon Change of Law)**



Within 15 days following any Change in Law, the Issuer or the Guarantor will give notice to the Noteholders, the Trustee and the Principal Paying Agent in accordance with Condition 20 (*Notices*) stating that a Change in Law has occurred.

Following the occurrence of a Change in Law, each Noteholder will have the right to require the Issuer to redeem any of the Notes held by such Noteholder at their nominal amount outstanding together with interest (including additional amounts pursuant to Condition 10 (*Taxation*) if any) accrued to (but excluding) the date of redemption.

To exercise the right to require redemption of any Notes, the holder of the Notes must deliver such Notes at the specified office of any Transfer Agent or the Registrar during normal business hours on any business day (being, in relation to any place, a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in that place) at the place of such specified office falling within the notice period, accompanied by a duly signed and completed Put Notice and in which the holder must specify a bank account to which payment is to be made under this paragraph accompanied by such Notes or evidence satisfactory to the relevant Transfer Agent or the Registrar, as the case may be, that such Notes will, following the delivery of the Put Notice, be held to its order or under its control.

Subject to Condition 17 (*Repayment Mechanism*), the Issuer is obliged to redeem any such Notes on the first business day in the place where such redemption notice is deposited falling 30 days after such deposit.

A Put Notice given by a holder of any Note shall be irrevocable and no Note deposited with a Transfer Agent or the Registrar pursuant to this Condition 9.4 may be withdrawn without the prior written consent of the Issuer.

The right of any Noteholder to require the Issuer to redeem any Note upon a Change in Law is not conditional upon a Change in Law notice having been given by the Issuer, but will, if such notice is given by the Issuer, be exercised by such Noteholder within 45 days of the giving of such notice.

A "**Change in Law**" will have occurred if there is any amendment to the KIIF Act that could have a Material Adverse Effect.

In this Condition 9.4:

"**Material Adverse Effect**" means a material adverse effect on:

- (a) the business, operations, property, condition (financial or otherwise) or prospects of the Issuer or the Guarantor; or
- (b) the ability of the Issuer or the Guarantor to perform its obligations under the Transaction Documents; or
- (c) the validity or enforceability of, or the effectiveness or ranking of the Guarantee, or the failure of the Guarantee at any time to apply to all sum from time to time due and payable by the Issuer in respect of the Notes, whether as a result of applicable law, regulation or otherwise; or
- (d) the rights or remedies of any Noteholder under any of the Transaction Documents; or
- (e) the mandate of the Funds Trust Advisory Commission.

#### **9.5 Redemption upon Non-Satisfactory Integrity Review (Investor Put upon Non-Satisfactory Integrity Review)**

Upon the occurrence of a Non-Satisfactory Integrity Review, each Noteholder will have the right to require the Issuer to redeem any of the Notes held by such Noteholder at their principal amount outstanding together with interest (including additional amounts pursuant to Condition 10 (*Taxation*) if any) accrued to (but excluding) the date of redemption.



To exercise the right to require redemption of any Notes, the holder of the Notes must deliver such Notes at the specified office of any Transfer Agent or the Registrar during normal business hours on any business day (being, in relation to any place, a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in that place) at the place of such specified office falling within the notice period, accompanied by a duly signed and completed Put Notice and in which the holder must specify a bank account to which payment is to be made under this paragraph accompanied by such Notes or evidence satisfactory to the relevant Transfer Agent or the Registrar, as the case may be, that such Notes will, following the delivery of the Put Notice, be held to its order or under its control.

Subject to Condition 17 (*Repayment Mechanism*), the Issuer is obliged to redeem any such Notes on the first business day in the place where such redemption notice is deposited falling 30 days after such deposit.

A Put Notice given by a holder of any Note shall be irrevocable and no Note deposited with a Transfer Agent or the Registrar pursuant to this Condition 9.5 may be withdrawn without the prior written consent of the Issuer.

The right of any Noteholder to require the Issuer to redeem any Note upon a Non-Satisfactory Integrity Review will be exercised by such Noteholder within 45 days of the Non-Satisfactory Integrity Review.

#### **9.6 Purchases**

The Issuer, or the Guarantor may at any time purchase Notes at any price in the open market or otherwise subject to applicable laws. Such Notes may be held, reissued, resold or, at the option of the Issuer or the Guarantor surrendered to the Registrar for cancellation.

#### **9.7 Cancellation**

All Notes which are redeemed will forthwith be cancelled. All Notes so cancelled and any Notes purchased and cancelled pursuant to Condition 9.6 (*Purchases*) shall be forwarded to the Principal Paying Agent (which shall notify the Registrar of such cancelled Notes) and may not be reissued or resold.

#### **9.8 No verification by Trustee**

Neither the Trustee nor any of the Agents shall be responsible for calculating or verifying the calculations of any amount payable under any notice of redemption nor shall they be asked to verify the content of any Compliance Certificate (including but not limited to Liability Service Coverage Ratio and Sinking Fund) or Integrity Disclosure Report, and shall not be liable to the Noteholders or any other person for not doing so.

### **10. TAXATION**

#### **10.1 Payment without Withholding**

All payments of principal and interest (including, for the avoidance of doubt, the difference between the issue price of the Notes and the final redemption price of the Notes, if applicable) in respect of the Notes by the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature ("**Taxes**") imposed or levied by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law. In such event, the Issuer or, as the case may be, the Guarantor will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes after such withholding or deduction shall equal the respective amounts of principal and interest (including, for the avoidance of doubt, the difference between the issue price of the Notes and the final redemption price of the Notes, if applicable) which would otherwise have been receivable in respect of the Notes in the absence of such withholding or deduction (the "**Additional Amounts**"), except that no such Additional Amounts shall be payable with respect to the Notes:

- (a) to a holder who is liable for such taxes or duties in respect of such Note by reason of their having some connection with a Tax Jurisdiction other than the mere holding of such Note; or



- (b) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an Additional Amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 8.3 (*Payment Day*)); or
- (c) presented for payment by or on behalf of a holder of such Note who, at the time of such presentation, is able to avoid such withholding or deduction by making a declaration of non-residence or other similar claim for exemption and does not make such declaration or claim; or
- (d) where such withholding or deduction is required on income in respect of such Note in the form of capital gains under Indian law; or
- (e) where such withholding or deduction is required pursuant to: (i) an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder or any official interpretations thereof; or (ii) any treaty, law, regulation or other official guidance required in any other jurisdiction, or relating to any intergovernmental agreement between the United States and any other jurisdiction, which (in either case) facilitates the implementation of (i) above.

The Issuer has in the Trust Deed agreed, subject to the receipt of reasonably appropriate written evidence in respect thereof, in respect of any holder of a Note (or any person having a beneficial interest therein), other than a holder falling within paragraph (a) above, to compensate and indemnify, defend and hold harmless each Noteholder and its officers, directors, employees, agents and authorised representatives (if any) from and against any and all taxes and any resultant losses, liabilities, damages, demands, expenses (including interests and penalties with respect thereto, out-of-pocket expenses and reasonable attorneys' and accountants' fees), claims, assessments, interest and penalties, based upon or, arising out of, or in relation to, or in connection with, amounts payable by the Issuer to the holder pursuant to a holder's investment in the Notes in respect of any interest income (including the difference between the issue price of the Notes and the redemption price, if applicable). This indemnity shall cover any taxes that a holder may be required or be liable to pay to the Republic of India as a result of the Notes being issued at an amount below 100 per cent. of the principal amount of the Notes. For the avoidance of doubt, this indemnity shall survive any redemption of the Notes in accordance with the Conditions and shall remain in full force and effect.

*Any payments made by the Issuer are required to be within the all-in-cost ceilings prescribed under the ECB Directions and in accordance with any specific approvals from the RBI in this regard.*

## 10.2 Interpretation

As used herein:

- (a) "**Relevant Date**" means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Trustee or the Principal Paying Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 20 (*Notices*); and
- (b) "**Tax Jurisdiction**" means India or any political subdivision or any authority thereof or therein having power to tax in respect of payments made by the Issuer of principal and interest in respect of the Notes.

## 10.3 Transfers or Sales

The Issuer has agreed to indemnify any transferor or transferee of a Note (or any beneficial interest therein), other than a transferor or transferee who is liable to Indian tax by reason of his having a connection with India apart from the mere holding of a Note, against any loss resulting from the imposition of Indian income or capital gains tax on the transfer or sale of a Note outside India.



*The Issuer will first obtain approval from the RBI prior to making any payments under such indemnity, if required.*

#### **10.4 Additional Amounts**

Any reference in these Conditions to any amounts in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under this Condition 10 or under any undertakings given in addition to, or in substitution for, this Condition 10 pursuant to the Trust Deed.

#### **10.5 Trustee and Agents not responsible for tax**

Neither the Trustee nor any Agent shall be responsible for paying any tax, duty, charge, withholding or other payment referred to in this Condition 10 or for determining whether such amounts are payable or the amount thereof, and none of them shall be responsible or liable for any failure by the Issuer, any Noteholder or any third party to pay such tax, duty, charge, withholding or other payment in any jurisdiction or to provide any notice or information to the Trustee or any Agent that would permit, enable or facilitate the payment of any principal, premium (if any), interest or other amount under or in respect of the Notes without deduction or withholding for or on account of any tax, duty, charge, withholding or other payment imposed by or in any jurisdiction.

### **11. PRESCRIPTION**

The Notes will become void unless presented for payment within a period of ten years (in the case of principal) and five years (in the case of interest) after the Relevant Date therefor.

### **12. INFORMATION COVENANTS**

#### **12.1 Financial Statements**

The Issuer shall supply to the Trustee:

- (a) as soon as they are available, but in any event within 120 days after the end of each of its Financial Years, its audited financial statements for that Financial Year ("**Annual Financial Statements**");
- (b) as soon as they are available, but in any event within 60 days (or 90 days in the case of the fourth Financial Quarter) after the end of each Financial Quarter of each of its Financial Years its unaudited financial statements for that Financial Quarter ("**Quarterly Financial Statements**");

#### **12.2 Compliance Certificate**

- (a) The Issuer shall supply a Compliance Certificate to the FTAC and the Trustee, with respect to second and fourth Financial Quarters, within 60 days (or 90 days in the case of the fourth Financial Quarter) of the end of such Financial Quarters.
- (b) The Compliance Certificate shall, amongst other things, set out (in reasonable detail if applicable):
  - (i) computations as to compliance with Condition 13 (*Financial Covenants*);
  - (ii) a budget of sources and uses in a form customarily followed by the Issuer;
  - (iii) the balance of the Debt Service Reserve Account as at the Business Day immediately prior to the date of the relevant Compliance Certificate and a confirmation that such balance satisfies the Debt Service Reserve Account Required Balance;
  - (iv) with respect to each Compliance Certificate required to be delivered by the Issuer after the Sinking Fund Commencement Date, the mark-to-market value of the Sinking Fund.



as a standalone figure and as a percentage of the principal amount outstanding of the Notes, as at the Business Day immediately prior to the date of the relevant Compliance Certificate; and

- (v) a ledger showing the application of the proceeds of the Notes.
- (c) Each Compliance Certificate shall be signed by the Chief Executive Officer of the Issuer and shall certify that the Issuer has delivered an FTAC Certificate in accordance with Condition 12.3(c).
- (d) Any failure by the Issuer to comply with Condition 13 (*Financial Covenants*) shall be set out by the Issuer in the relevant Compliance Certificate.

### **12.3 Other information covenants**

Unless the Trustee (acting on the instructions of the Majority Noteholders) otherwise agrees in writing, the Issuer shall:

- (a) notify the Trustee of the occurrence of a Change in Control in accordance with Condition 9.3 (*Redemption upon Change in Control (Investor Put upon Change in Control)*) immediately upon the occurrence of such Change in Control;
- (b) upon written request by the Trustee, provide information within 48 hours of such request on any significant incident in any infrastructure project which is being funded by the Issuer (including but not limited to deaths on any construction site, natural disasters or allegations of corruption);
- (c) provide to the Trustee, as soon as practicable after publication, each FTAC Certificate;
- (d) provide to the Trustee, with each set of its Annual Financial Statements, a numerical comparison of such Annual Financial Statements against the same Annual Financial Statements prepared in accordance with Ind-AS, such comparison to be prepared by an external auditor in India appointed in accordance with the Auditor Criteria, *provided* that such comparison shall not be prepared as a recasting or restatement of the Issuer's Annual Financial Statements and shall be provided by the Issuer as an indicative comparison only;
- (e) provide to the Trustee, as of the end of the second and fourth Financial Quarters of each Financial Year to the Trustee, within 60 days (or 90 days in the case of the Fourth Quarter) after the end of such Financial Quarters, such information as any Noteholder may reasonably require with respect to the operating expenses of the Issuer for the 12 month period ending as of the end of such Financial Quarters, including a comparison against the budgeted operating expenses for such period if applicable; and
- (f) provide a Project Report as of the end of the fourth Financial Quarter of each Financial Year to the Trustee (acting on the instructions of the Majority Noteholders), within 60 days after the end of such Financial Quarter, and provide, upon a written request by the Trustee, any information on the Issuer's infrastructure projects that is reasonably requested by the Trustee (acting on the instructions of the Majority Noteholders).

## **13. FINANCIAL COVENANTS**

### **13.1 Liability Service Coverage Ratio**

The Issuer shall ensure that, in respect of any Relevant Period, the Liability Service Coverage Ratio for such Relevant Period shall not be less than 1.0:1.0, provided that a failure to do so will not give rise to an Event of Default if, on the immediately following Quarter Date, the Issuer delivers an updated Compliance Certificate to the FTAC and the Trustee setting out the Issuer's compliance with this Condition 13 as of the relevant Quarter Date.

For purposes of this Condition 13:



"**Liability Service Coverage Ratio**" means the ratio of Cashflow to Liability Service;

"**Relevant Period**" means the period ending 12 months from the end of the most recent Financial Quarter prior to the delivery of a Compliance Certificate;

"**Cashflow**" means, with respect to any Relevant Period, the aggregate of (a) the Issuer share of MVT, (b) Petroleum Cess, (c) any other amount appropriated by the State Government for the Issuer's sole usage, (d) any other payments to the Issuer other than proceeds from any indebtedness, (e) the aggregate available but undrawn amount of any loans and lines of credit to the Issuer at the end of the most recent Financial Quarter prior to the delivery of a Compliance Certificate and (f) the total amount of Cash and Cash Equivalent Investments controlled by the Issuer at the end of the most recent Financial Quarter prior to the delivery of a Compliance Certificate (excluding any Debt Service Reserve Account (except when any principal amounts are immediately payable under the Notes in accordance with its terms) and Sinking Fund (except when any principal amounts are immediately payable under the Notes in accordance with its terms)); and

"**Liability Service**" means, with respect to the Relevant Period, the aggregate of (a) all scheduled payments (including balloon payments) on account of principal of Long-Term Debt and interest and other charges on all Financial Debt and (b) any payment made or required to be made to any debt service account under the terms of any agreement providing for Financial Debt;

#### 14. GENERAL UNDERTAKINGS

##### 14.1 Sinking Fund

- (a) Amounts standing to the credit of the Sinking Fund Account may be held by the Issuer as:
  - (i) Cash;
  - (ii) bonds issued by the Central Government; and
  - (iii) mutual funds that only invest in bonds issued by the Central Government.
- (b) On the date which is two and a half years following the Issue Date (the "**Sinking Fund Commencement Date**") and every six months thereafter from the Sinking Fund Commencement Date until and including the date on which the mark-to-market value of the Sinking Fund is at least 25.0 per cent. of the outstanding principal amount of the Notes, the Issuer shall deposit 5.0 per cent. of the outstanding principal amount of the Notes into the Sinking Fund Account, provided that, to the extent the mark-to-market value of the Sinking Fund would be less than the Required Sinking Fund Balance, the Issuer shall deposit additional amounts such that the mark-to-market value of the Sinking Fund would equal the Required Sinking Fund Balance every six months after the Sinking Fund Commencement Date.
- (c) The Issuer shall be permitted to withdraw the Sinking Funds from the Sinking Fund Account only for the purpose of repaying the principal of the Notes on the final maturity date of the Notes, provided, however, that to the extent the mark-to-market value of the Sinking Fund exceeds the Required Sinking Fund Balance, the Issuer may withdraw any actualised gains from investments standing to the credit of the Sinking Fund Account up to such excess value of the Sinking Fund.
- (d) The Issuer shall provide computations, in reasonable detail, as to the valuation of the Sinking Fund in accordance with Condition 12.2(b)(iv) (*Compliance Certificate*).

##### 14.2 Integrity Disclosure Report

- (a) The Issuer shall provide to the Trustee:
  - (i) before the first anniversary of the Issue Date, an Integrity Disclosure Report; and



- (ii) no less than annually thereafter,
  - (A) an updated Integrity Disclosure Report; or
  - (B) written confirmation that the Issuer's Integrity Disclosure Report remains unchanged from the previous version delivered by the Issuer to the Noteholders under this Condition 14.2.
- (b) Upon the request of the Trustee at any time (acting on the instructions of the Majority Noteholders), the Issuer shall deliver to the Trustee an updated Integrity Disclosure Report within 30 days of such request.
- (c) Within 15 days of a request by the Trustee (acting on the instructions of the Majority Noteholders) to carry out an Integrity Review, the Trustee shall (acting on the instructions of the Majority Noteholders) provide a list of three Integrity Due Diligence Firms. The Issuer may not propose any Integrity Due Diligence Firms but may, within 15 days of receiving such list, object to the engagement of any Integrity Due Diligence Firm (and request a further list of three Integrity Due Diligence Firms from the Trustee, if it has objected to all Integrity Due Diligence Firms on the list on the basis set forth below) on the basis that such Integrity Due Diligence Firm:
  - (i) appears on:
    - (A) the World Bank Listing of Ineligible Firms & Individuals;
    - (B) the Central Government Blacklist; or
    - (C) the State Government Blacklist;
  - (ii) is currently engaged on another matter involving the State Government; or
  - (iii) has ongoing disputes with either the Issuer or the State Government.
- (d) The Trustee (acting on the instructions of the Majority Noteholders) shall then select the Integrity Due Diligence Firms from the list. For the avoidance of doubt, the Trustee may select any Integrity Due Diligence Firm (except any Integrity Due Diligence Firm that appears on any of the lists mentioned in this Condition 14.2(c)(i)) if the Issuer objected to all of the Integrity Due Diligence Firms provided by the Trustee (acting on the instructions of the Majority Noteholders).
- (e) In case none of the Integrity Due Diligence Firms provided to the Issuer and selected by the Trustee (acting on the instructions of the Majority Noteholders) in accordance with Conditions 14.2(c) and (d) accepts to conduct the Integrity Review, the Trustee (acting on the instructions of the Majority Noteholders) shall then provide other Integrity Due Diligence Firms to the Issuer in accordance with Condition 14.2(c) until an Integrity Due Diligence Firm selected by the Trustee (acting on the instructions of the Majority Noteholders) in accordance with Condition 14.2(d) accepts to conduct the Integrity Review.
- (f) Upon selection of an Integrity Due Diligence Firm by the Trustee, the Issuer shall provide all assistance such that the Integrity Review is concluded within three months of engagement of the relevant Integrity Due Diligence Firm.
- (g) If the Majority Noteholders do not exercise the right to require the Issuer to redeem their Notes under Condition 9.5 (*Redemption upon Non-Satisfactory Integrity Review (Investor Put upon Non-Satisfactory Integrity Review)*) upon receipt of the results of the Integrity Due Diligence Firm, then the sharing and discussion of the results of the Integrity Due Diligence Firm with the Issuer shall be subject to the sole discretion of the Trustee (acting on the instructions of the Majority Noteholders).



- (h) If the Majority Noteholders intend to exercise the right to require the Issuer to redeem their Notes under Condition 9.5 (*Redemption upon Non-Satisfactory Integrity Review (Investor Put upon Non-Satisfactory Integrity Review)*) upon (i) receipt of the results of the Integrity Due Diligence Firm or (ii) the non-completion of an Integrity Review within three months of engagement of the relevant Integrity Due Diligence Firm as a result of the action or inaction of the Issuer or a failure on the Issuer's part to cooperate in relation to the Integrity Review, then the Trustee (acting on the instructions of the Majority Noteholders) shall share the results of the Integrity Due Diligence Firm with the Issuer and, the Review Representative will discuss with the Issuer prior to any exercise of the Investor Put upon Non-Satisfactory Integrity Review.

### 14.3 Other Affirmative Undertakings

Unless the Trustee (acting on the instructions of the Majority Noteholders) otherwise agrees in writing, the Issuer shall:

- (a) procure that its statutory auditors are rotated periodically in accordance with the timeframes set out in the Companies Act;
- (b) procure that its audit mechanism for the supervision of internal controls is subject to review by an external auditor appointed in accordance with the Auditor Criteria no less than annually;
- (c) (i) by no later than the first anniversary of the Issue Date, procure that all employees and managers (whether permanent or contracted) are governed by the Kerala Government Servants' Conduct Rules or the All India Service Conduct Rules or the KIIFB Code of Conduct, (ii) procure that all contracted employees read and provide written acceptance of the KIIFB Code of Conduct (a) on entry into employment and/or execution of any contract of or for services and (b) upon renewal of such employment or contract, and (iii) procure that the KIIFB Code of Conduct will be at least as comprehensive as the Kerala Government Servants' Conduct Rules with respect to corruption matters;
- (d) implement and advertise a Whistle-Blowing Policy for employees by no later than nine months from the Issue Date and at all times thereafter comply, and use reasonable endeavours to procure that its employees comply, with such Whistle-Blowing Policy in all material respects;
- (e) implement an asset and liability management strategy by no later than 31 December 2019 and make reasonable endeavours to comply with such strategy and supply an asset and liability manual to the Trustee as soon as reasonably practicable and in any case no later than 30 days after the implementation of the asset and liability management strategy;
- (f) consistent with its business and customer profile, institute, within nine months of the Issue Date, internal policies, procedures and controls for anti-money laundering and combating the financing of terrorism (AML/CFT) that are in compliance with national laws and regulations and in furtherance of applicable international AML/CFT best practice and make reasonable endeavours to comply with such policies, procedures and controls;
- (g) institute, maintain and comply with internal policies, procedures and controls consistent with its business and customer profile, for the purpose of ensuring that it will not enter into any transaction (i) with, or for the benefit of, any of the persons or entities named on the Black List, the World Bank Listing of Ineligible Firms & Individuals or lists promulgated by, or (ii) related to any activity prohibited by, the United Nations Security Council or its committees pursuant to any resolution under Chapter VII of the United Nations Charter;
- (h) within nine months of the Issue Date, implement a Stakeholder Engagement Process, to be available to investors on the Issuer's website;
- (i) (i) within four months of the Issue Date, hire and maintain in its employment at least two experts (or, in lieu thereof, procure the secondment of experts from any agency) who will have responsibility in (A) the E&S Appraisal Process and (B) the E&S Inspection, (ii) within 30 days



of the Issue Date, initiate the process for the hiring or procuring of such experts, (iii) prior to such experts being hired or procured, exercise its best judgment to distinguish by E&S Risk Category the Issuer's projects to which any proceeds of the Notes have been invested and (iv) after such experts are hired or procured, cause such experts to review and verify the E&S Risk Category of the projects to which any proceeds of the Notes were invested prior to such experts being hired or procured;

- (j) ensure that adequate insurance coverage for the Issuer's business and properties is in place at all times;
- (k) ensure that in the case of any Event of Default which has occurred and is continuing, the Noteholders shall have a *pari passu* charge, together with any other creditors, on the balance available in the Escrow Account as at the date of such Event of Default;
- (l) procure that its internal systems are subject to a cyber-penetration test undertaken by an accredited cyber security firm no less than once per year and implement any recommendations proposed by such firm;
- (m) procure that no substantial change is made to the general nature of the business of the Issuer from that carried on by the Issuer as at the Issue Date;
- (n) maintain in force and comply with all Authorisations, approvals, permits and consents from the RBI, the Central Government and any other relevant authorities which are necessary for the carrying out of the Issuer's business and operations generally, including, without limitation, the issuance of the Notes and the compliance by the Issuer with all its obligations hereunder;
- (o) on a best efforts basis, and over a period not exceeding five years from the Issue Date, implement an ESG Risk Management Framework; and
- (p) upon a request by the Trustee (acting on the instructions by the Majority Noteholders) and subject to reasonable prior notice (except following the occurrence of an Event of Default that is continuing), facilitate the visit by a Review Representative or their consultants (i) of the Issuer's funded projects and any premises where the Issuer's business is conducted and (ii) of all facilities of the Issuer and provide such copies or abstracts of the Issuer's books of account and records (subject to any confidentiality obligations applicable or restrictions under applicable law) as may be reasonably requested including, in each case, records pertaining to compliance with any Sanctionable Practices.

#### 14.4 Negative Undertakings

Unless the Trustee (acting on the instructions of the Majority Noteholders) gives prior written approval, the Issuer shall not:

- (a) enter into any transaction with any person except on arm's length terms and for full market value;
- (b) (i) commit or engage in, nor authorise any subsidiary or other person acting on behalf of the Issuer to commit or engage in, with respect to any infrastructure project or transaction, any Sanctionable Practice or (ii) be included on any Indian or Kerala State recognized Sanctions Lists;
- (c) enter into infrastructure project-related transactions, directly or indirectly, with any firm included on the Blacklist;
- (d) to finance any budgetary obligation of the State Government, either directly or indirectly (except as may be required by applicable law or as may be consistent with the permitted use of proceeds of the Notes under Condition 15 (*Use of Proceeds and Other Provisions*)); or



- (e) issue additional notes under the Trust Deed in such principal amount that would, together with the notes previously issued and outstanding under the Trust Deed, cause the aggregate principal amount of the notes outstanding under the Trust Deed to exceed INR 2672.80 Crores.

## 15. USE OF PROCEEDS AND OTHER PROVISIONS

- (a) The proceeds of the Notes shall be applied by the Issuer in accordance with the relevant ECB Directions and exclusively to finance Eligible Projects.
- (b) None of the proceeds of the Notes may be used, directly or indirectly, by the Issuer:
  - (i) to service its operational expenses; or
  - (ii) to finance any Excluded Activity; or
  - (iii) except as may be required by applicable law, to provide financing to any of its subsidiaries; or
  - (iv) to enter into infrastructure project-related transactions with any firm included on the Blacklist; or
  - (v) to finance any budgetary obligations of the State Government (except as may be consistent with the permitted use of proceeds of the Notes) under this Condition 15.
- (c) If, on the date falling 24 months after the Issue Date, amounts represented by the proceeds of the Notes are yet to be applied in good faith by the Issuer in accordance with Condition 15(a) above, the Issuer shall be entitled to invest the remaining proceeds of the Notes in accordance with the Issuer's Investment Management Policy, so long as such remaining proceeds are invested in debt securities (which shall include fixed income instruments or fixed deposits) maturing no later than the Maturity Date. The Issuer shall notify the Trustee of any amounts so invested as soon as reasonably practicable thereafter.
- (d) The Trustee shall not be responsible for monitoring the application of the proceeds of the Notes by the Issuer.

## 16. EVENTS OF DEFAULT AND ENFORCEMENT

### 16.1 Events of Default

The Trustee at its discretion may, and if so requested in writing by the holders of not less than one-quarter in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to being indemnified and/or secured and/or prefunded by the Noteholders to its satisfaction), give notice to the Issuer (copied to the Onshore Security Trustee) and the Guarantor at the specified office of the Guarantor that the Notes are, and they shall accordingly thereby become, immediately due and repayable at their principal amount, together with accrued interest as provided in the Trust Deed, in any of the following events (each, an "**Event of Default**");

#### (a) Non-payment

a default is made in the payment of any principal or interest due in respect of the Notes or any of them and such failure continues for a period of (5) Business Days; or

#### (b) Breach of covenants or other obligations

the Issuer or the Guarantor does not perform or comply with one or more of its covenants or other obligations in the Notes, the Guarantee or the Trust Deed which default is in the opinion of the Trustee incapable of remedy or, if in the opinion of the Trustee capable of remedy, is not in the opinion of the Trustee remedied within 30 days after written notice of such default shall have



been given to the Issuer or the Guarantor (as the case may be) by the Trustee (provided that, in each such case, if the default is incapable of remedy or has not been remedied within 30 days after such written notice, the Trustee shall have certified in writing to the Issuer that such default is, in its opinion, materially prejudicial to the interests of the Noteholders, it being acknowledged that the Trustee is under no obligation to provide such certification and if such certification is provided, it shall be binding and conclusive on the Issuer, Guarantor and the Noteholders); or

(c) **Misrepresentation**

Any representation or statement made or deemed to be made by the Issuer in the Trust Deed or any other document delivered by or on behalf of the Issuer under or in connection with any Transaction Document is or proves to have been incorrect or misleading when made or deemed to be made and, if in the opinion of the Trustee is capable of remedy, is not in the opinion of the Trustee remedied within 30 days after written notice of such misrepresentation shall have been given to the Issuer or the Guarantor (as the case may be) by the Trustee (provided that, in each such case, if the misrepresentation is incapable of remedy or has not been remedied within 30 days after such written notice, the Trustee shall have certified in writing to the Issuer that such misrepresentation is, in its opinion, materially prejudicial to the interests of the Noteholders, it being acknowledged that the Trustee is under no obligation to provide such certification and if such certification is provided, it shall be binding and conclusive on the Issuer, Guarantor and the Noteholders)

(d) **Insolvency**

the Issuer or the Guarantor (as the case may be) is (or is deemed by law or a court to be) insolvent or bankrupt or unable to pay a material part of its debts, or stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all or a material part of (or all of a particular type of) its debts (or of any part which it will or might otherwise be unable to pay when due), proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any part of (or of a particular type of) the debts of the Issuer or the Guarantor (as the case may be); or

(e) **Cross-Default**

if:

- (i) any present or future indebtedness for borrowed money of the Issuer or the Guarantor becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or
- (ii) any such indebtedness for borrowed money is not paid when due or, as the case may be, within any applicable grace period, or
- (iii) the Issuer or the Guarantor (as the case may be) fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised,

*provided* that the aggregate amount of the relevant indebtedness, any moneys borrowed or raised, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 16.1(e) have occurred equals or exceeds (i) US\$25,000,000 in the case of the Issuer, or (ii) US\$100,000,000 in the case of the Guarantor, in each case, or its equivalent (applying the exchange rate as of the Issue Date); or



(f) **Enforcement proceedings**

a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any material part of the property, assets or revenues of the Issuer or the Guarantor (as the case may be) and is not discharged or stayed within 30 days; or

(g) **Winding-up and disposals**

an order is made or an effective resolution passed for the winding-up or dissolution, judicial management or administration of the Issuer, or the Issuer ceases or threatens to cease to carry on all or substantially all of its business or operations; or

(h) **Security enforced**

an encumbrancer takes possession or an administrative or other receiver or an administrator is appointed of the whole or any substantial part of the property, assets or revenues of the Issuer or the Guarantor (as the case may be) and is not discharged within 30 days; or

(i) **Unlawfulness**

it is or will become unlawful for the Issuer or the Guarantor to perform or comply with any one or more of its obligations under any of the Notes, the Trust Deed or the Security Documents; or

(j) **Expropriation**

any step is taken by a governmental authority or agency or any other competent authority with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or a material part of the assets of the Issuer; or

(k) **Analogous Events**

any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in paragraphs (d) to (j) above; or

(l) **Breach of Trust Deed or Security Document**

- (i) except as expressly permitted by the applicable Security Documents and the Trust Deed, any covenant of the Issuer in any Security Document is breached by the Issuer, any Security Document at any time for any reason shall cease to be in full force and effect, or the Issuer shall cease to give the Onshore Security Trustee on behalf of the Secured Parties a first ranking exclusive floating charge (to the extent required by the Trust Deed and the Security Documents) in any Secured Property or the rights, powers, privileges and priority purported to be created thereby, and such failure continues unremedied for 30 consecutive days after the earlier of (i) the Issuer obtaining knowledge thereof or (ii) the Trustee giving written notice thereof to the Issuer; or
- (ii) the Issuer, directly or indirectly, contests the effectiveness, validity, binding nature or enforceability of the Trust Deed or any Security Document or any representation or warranty made by the Issuer in any Security Document fails to be true in all material respects and such failure continues unremedied for 30 consecutive days after the Trustee has given written notice thereof to the Issuer; or

(m) **Cessation of Guarantee**

the Guarantee ceases to be, or is claimed by the Issuer or the Guarantor not to be, in full force and effect; or



(n) **Litigation**

a final non-appealable judgment, order or arbitral award is rendered against the Issuer, any Material Subsidiary or any of their respective property for an amount in excess of the INR-equivalent of US\$25,000,000 (applying the exchange rate as of the Issue Date) and is not removed, vacated, discharged or satisfied for a period of 60 days thereafter, *provided* that no such event shall constitute an Event of Default if such judgment, order or arbitral award is covered by insurance and the relevant insurer has acknowledged liability therefor.

(o) **Material Adverse Effect**

any event or circumstance occurs which has or is reasonably likely to have a Material Adverse Effect or a change in any Indian law or Kerala state law that could have a Material Adverse Effect; or

(p) **FTAC**

the failure of the Issuer to remedy any deficiency in the funds of the Issuer to meet its debt obligations, within three months of the date of the FTAC Certificate which does not confirm the adequacy of funds; or

(q) **Sanctions**

The Issuer, any of its officers, employees or any of its agents acting on behalf of the Issuer, or any party to a tripartite agreement executed with The Government of Kerala and the Issuer in relation to the execution of any of the Issuer's projects:

(i) is or becomes (or, in the case of the members of the senior management of the Issuer, is charged by the relevant authorities as being) a Sanctioned Person; or

(r) (ii) directly or indirectly engages in any transaction, activity or conduct that could reasonably be expected to result in its being designated as a Sanctioned Person.

(s) **Sanctionable Practices**

a final non-appealable judgment or order in relation to Sanctionable Practices is rendered by an Authority against or any senior manager or any employee of the Issuer, in each case acting on behalf of the Issuer.

In this Condition 16.1, "**indebtedness for borrowed money**" means any present or future indebtedness (whether being principal, premium, interest or other amounts) for or in respect of (i) money borrowed, (ii) liabilities under or in respect of any acceptance or acceptance credit or (iii) any notes, bonds, debentures, debenture stock, loan stock or other securities, issued or distributed whether by way of public offer, private placing, acquisition consideration or otherwise and whether issued for cash or in whole or in part for a consideration other than cash.

Neither the Trustee nor any Agents shall be obliged to take any steps to ascertain whether an Event of Default or Potential Event of Default has occurred or to monitor the occurrence of any Event of Default or Potential Event of Default, and shall not be liable to the Noteholders or any other person for not doing so.

## 16.2 **Enforcement**

The Trustee may at any time, at its discretion and without notice, take such proceedings as it may think fit against or in relation to the Issuer to enforce the provisions of the Trust Deed or the Notes, or direct the Onshore Security Trustee to enforce the relevant Security in accordance with Condition 5.3 (*Enforcement of Security*) but it shall not be bound to take any such proceedings or any other action in relation to the Trust Deed, the Notes, the Security or the Security Documents unless (i) it shall have been so directed by



an Extraordinary Resolution of the Noteholders or so requested in writing by the Majority Noteholders and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

No Noteholder shall be entitled to proceed directly against the Issuer to enforce the provisions of the Trust Deed, the Security Documents or the Notes unless the Trustee or the Onshore Security Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

The Trustee may refrain from taking any action in any jurisdiction if the taking of such action in that jurisdiction would, in its opinion based upon legal advice in the relevant jurisdiction, be contrary to any law of that jurisdiction. Furthermore, the Trustee may also refrain from taking such action if it would otherwise render it liable to any person in that jurisdiction or if, in its opinion based upon such legal advice, it would not have the power to do the relevant thing in that jurisdiction by virtue of any applicable law in that jurisdiction or if it is determined by any court or other competent authority in that jurisdiction that it does not have such power.

*Payments of any amounts outside India by the Issuer under an indemnity clause may require the prior approval of the RBI.*

#### **17. REPAYMENT MECHANISM**

If the Issuer is required to redeem or repay the Notes in accordance with Condition 9 (*Redemption and Purchase*) or Condition 16 (*Events of Default*) or otherwise and to pay all other amounts payable under the Conditions but such redemption or repayment to the Trustee would be in breach of the minimum maturity requirements prescribed under the ECB Directions:

- (a) the Issuer shall notify the Trustee immediately in writing; and
- (b) shall be entitled to defer redemption or repayment until receipt by the Issuer of the necessary RBI approvals for payment by it to the Noteholder Account(s) ("**RBI Approval**").

Upon receipt by the Issuer of RBI Approval, the Issuer shall immediately redeem and repay the Notes and pay all other amounts payable under the Trust Deed for the credit of the accounts of the Noteholders (the "**Noteholders' Accounts**") (in accordance with the Trust Deed and Agency Agreement).

Notwithstanding any other provision of these Conditions or the Trust Deed the Notes shall be deemed to be redeemed or repaid, as applicable, only when the Noteholders receive the amounts required for redemption or repayment (together with all other amounts due and payable to it under these Conditions and the Trust Deed), for the credit of the Noteholders' Accounts.

Interest and all other amounts payable under the Trust Deed shall continue to accrue in the manner specified under the Trust Deed and shall be paid by the Issuer to the Noteholders in the manner provided in the Trust Deed until all amounts required to be paid to the Noteholders are paid to the Noteholders for the credit of the Noteholders' Accounts.

#### **18. REPLACEMENT OF NOTES**

Should any Note be mutilated or defaced or alleged to be lost, stolen or destroyed, it may be replaced subject to applicable laws, regulations and relevant stock exchange regulations at the specified office of the Registrar upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer, the Guarantor and the Registrar may reasonably require. Mutilated or defaced Notes must be surrendered before replacements will be issued.

#### **19. PAYING AGENTS, REGISTRAR AND TRANSFER AGENTS**

The names of the initial Paying Agents, the initial Registrar and the initial Transfer Agent and their initial specified offices are set out below.



The Issuer is entitled, with the prior written approval of the Trustee, to vary or terminate the appointment of the Principal Paying Agent, Paying Agent, Registrar or Transfer Agent and/or appoint additional or other Paying Agents, Registrar or Transfer Agents and/or approve any change in the specified office through which any Agent acts, provided that:

- (a) so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, in the event that a Global Note is exchanged for Notes in definitive form, the Issuer shall appoint and maintain a Paying Agent in Singapore, where the Notes in definitive form may be presented or surrendered for payment or redemption. In addition, in the event that a Global Note is exchanged for Notes in definitive form, an announcement of such exchange shall be made by or on behalf the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the Notes in definitive form, including details of the paying agent in Singapore;
- (b) there will at all times be a Principal Paying Agent and a Registrar; and
- (c) so long as the Notes are listed on any stock exchange, there will at all times be a Paying Agent, which may be the Principal Paying Agent, and Transfer Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange (or any other relevant authority).

In addition, the Issuer shall immediately appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 8.2 (*General provisions applicable to payments*).

Any variation, termination, appointment or change in Paying Agents shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice to the Noteholders by the Issuer in accordance with Condition 20 (*Notices*).

In acting under the Agency Agreement, the Paying Agents, Registrar and the Transfer Agents act solely as agents of the Issuer, the Guarantor and, in certain circumstances specified therein, of the Trustee and do not assume any obligation to, or relationship of agency or trust with, any Noteholders. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

## **20. NOTICES**

Notices to holders of Notes will be deemed to be validly given if sent by first class mail or (if posted to an overseas address) by air mail to them at their respective addresses as recorded in the Register and will be deemed to have been validly given on the fourth day after the date of such mailing and, in addition, for so long as the Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules. So long as the Notes are listed on the SGX-ST or the ISM and the rules of the SGX-ST or the ISM, as the case may be, so require, if a Global Certificate is exchanged for a Definitive Note, announcement of such exchange shall be made by or on behalf of the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the Definitive Note, including details of the paying agent in Singapore.

Until such time as any Definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) or such mailing the delivery by electronic mail of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange and the rules of that stock exchange (or any other relevant authority) so require, such notice will be published in a daily newspaper of general circulation in the place or places required by the rules of that stock exchange (or any other relevant authority). Any such notice shall be deemed to have been given to the holders of the Notes on the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg.



Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Registrar. Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Registrar through Euroclear and/or Clearstream, Luxembourg, in such manner as the Registrar and Euroclear and/or Clearstream, Luxembourg, may approve for this purpose.

## **21. MEETINGS OF NOTEHOLDERS, MODIFICATION AND WAIVER**

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes or any of the provisions of the Trust Deed, the Agency Agreement or the Security Documents. Such a meeting may be convened by the Issuer, the Guarantor or the Trustee and shall be convened by the Issuer if required in writing by one or more Noteholders holding not less than one-tenth in nominal amount of the Notes for the time being outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes or the Trust Deed (including, *inter alia*, (i) reduction or cancellation of the amount payable or, where applicable, modification, except where such modification is in the opinion of the Trustee bound to result in an increase, of the method of calculating the amount payable or modification of the date of payment or, where applicable, of the method of calculating the date of payment in respect of any principal or interest in respect of the Notes, (ii) any reduction or increase of the Rate of Interest on the Notes, (iii) alteration of the currency in which payments under the Notes and the Guarantee are to be made, (iv) to modify or cancel the Guarantee, and (v) alteration of the majority required to pass an Extraordinary Resolution), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in nominal amount of the Notes for the time being outstanding. The Trust Deed provides that: (i) a resolution passed at a meeting duly convened and held in accordance with the Trust Deed by a majority consisting of not less than three fourths of the votes cast on such resolution; (ii) a resolution in writing signed by or on behalf of the holders of not less than three fourths in nominal amount of the Notes for the time being outstanding; or (iii) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Trustee) by or on behalf of the holders of not less than three fourths in nominal amount of the Notes for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Noteholders. An Extraordinary Resolution passed by the Noteholders will be binding on all the Noteholders, whether or not they are present at any meeting and whether or not they voted on the resolution.

The Trustee may without the consent or sanction of the Noteholders, at any time and from time to time concur with the Issuer, and the Guarantor and (in the case of the Security Documents) direct the Onshore Security Trustee to agree and concur with the Issuer in making any modification to the Notes, the Trust Deed, the Agency Agreement and/or the Security Documents if in the opinion of the Trustee such modification is of a formal, minor or technical nature or to correct a manifest error or an error which in the opinion of the Trustee is proven or to comply with mandatory provisions of law.

Any such modification may be made on such terms and subject to such conditions (if any) as the Trustee may determine, shall be binding upon the Noteholders and, unless the Trustee agrees otherwise, shall be notified by the Issuer to the Noteholders in accordance with Condition 20 (*Notices*) as soon as practicable thereafter.

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution and giving any directions to the Onshore Security Trustee), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political subdivision thereof and the Trustee shall not



be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer, the Guarantor, the Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders except to the extent already provided for in Condition 10 (*Taxation*) pursuant to the Trust Deed.

The Trustee may rely, without liability to Noteholders, on a report, confirmation, opinion or certificate or any advice of any lawyers, accountants, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely (without further investigation or enquiry) on any such report, confirmation, opinion or certificate or advice and such report, confirmation or certificate or advice shall be binding on the Issuer, the Guarantors, the Trustee and the Noteholders.

Any such modification, waiver, authorisation, determination or substitution shall be binding on the Noteholders and, unless the Trustee otherwise agrees, any such modification or substitution shall be promptly notified to Noteholders by the Issuer in accordance with Condition 20 (*Notices*).

## **22. INDEMNIFICATION OF THE TRUSTEE AND TRUSTEE CONTRACTING WITH THE ISSUER**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or prefunded to its satisfaction.

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with the Issuer and the Guarantor and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer or the Guarantor, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

*Repatriation of proceeds outside India by the Issuer under an indemnity clause may require the prior approval of the RBI in accordance with applicable laws, including the ECB Directions.*

## **23. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Notes, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

## **24. GOVERNING LAW AND SUBMISSION TO JURISDICTION**

### **24.1 Governing law**

The Trust Deed, the Agency Agreement, the Notes, and any non-contractual obligations arising out of or in connection with the Trust Deed, the Agency Agreement and the Notes are governed by, and shall be construed in accordance with, English law.

The Security Documents are governed by, and shall be construed in accordance with, Indian law.

### **24.2 Submission to jurisdiction**

- (a) Subject to Condition 24.2(c), the English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Trust Deed and the Notes, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection



with the Trust Deed and the Notes (a "**Dispute**") and all Disputes will be submitted to the exclusive jurisdiction of the English courts.

- (b) For the purposes of this Condition 24.2, the Issuer waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.
- (c) This Condition 24.2 is for the benefit of the Trustee and the Noteholders only. To the extent allowed by law, the Trustee and the Noteholders may, in respect of any Dispute or Disputes, take (i) proceedings in any other court with jurisdiction; and (ii) concurrent proceedings in any number of jurisdictions.

#### **24.3 Appointment of Process Agent**

- (a) The Issuer irrevocably appoints TMF Global Services (UK) Limited at its specified office for the time being at 6 St Andrew Street, 5th Floor, London EC4A 3AE, United Kingdom as its agent for service of process in any proceedings before the English courts in relation to any Dispute, and agrees that, in the event of TMF Global Services (UK) Limited being unable or unwilling for any reason so to act, it will immediately appoint another person approved by the Trustee as its agent for service of process in England in respect of any Dispute, failing which after 30 days the Trustee shall be entitled to appoint such a person by notice to the Issuer and service on such person shall be as effective as if appointed by the Issuer. The Issuer agrees that failure by a process agent to notify it of any process will not invalidate service. Nothing herein shall affect the right to serve process in any other manner permitted by law.
- (b) The Guarantor irrevocably appoints TMF Global Services (UK) Limited at its specified office for the time being at 6 St Andrew Street, 5th Floor, London EC4A 3AE, United Kingdom as its agent for service of process in any proceedings before the English courts in relation to any Dispute, and agrees that, in the event of TMF Global Services (UK) Limited being unable or unwilling for any reason so to act, it will immediately appoint another person approved by the Trustee as its agent for service of process in England in respect of any Dispute, failing which after 30 days the Trustee shall be entitled to appoint such a person by notice to the Issuer and service on such person shall be as effective as if appointed by the Issuer. The Issuer agrees that failure by a process agent to notify it of any process will not invalidate service. Nothing herein shall affect the right to serve process in any other manner permitted by law.

#### **24.4 Security Documents**

In relation to any legal action or proceeding arising out of or in connection with the Security Documents, the Issuer has in the relevant Security Document agreed that it has irrevocably submitted to the exclusive jurisdiction of Indian courts. The submission by the Issuer to such jurisdiction shall not (and shall not be construed so as to) limit the right of any of the Trustee, the Security Trustee or the Noteholders to commence any action or proceeding arising out of or in connection with the Security Documents in any jurisdiction whatsoever it may deem fit nor shall the commencement of any such legal action or proceeding in one jurisdiction preclude any of the Trustee, the Security Trustee or the Noteholders from commencing any further or other legal action or proceeding in the same or any other jurisdiction.

#### **24.5 Waiver of immunity**

To the fullest extent permitted by law each of the Issuer and the Guarantor irrevocably and unconditionally:

- (a) submits to the jurisdiction of the English courts in relation to any Dispute and waives and agrees not to claim any sovereign or other immunity from the jurisdiction of the English courts in relation to any Dispute (including to the extent that such immunity may be attributed to it), and agrees to ensure that no such claim is made on its behalf;
- (b) submits to the jurisdiction of the English courts and the courts of any other jurisdiction in relation to the recognition of any judgment or order of the English courts or the courts of any other



jurisdiction in relation to any Dispute and waives and agrees not to claim any sovereign or other immunity from the jurisdiction of the English courts or the courts of any other jurisdiction in relation to the recognition of any such judgment or court order and agrees to ensure that no such claim is made on its behalf; and

- (c) consents to the enforcement of any order or judgment made or given in connection with any Dispute and the giving of any relief in the English courts and the courts of any other jurisdiction whether before or after final judgment including, without limitation: (i) relief by way of interim or final injunction or order for specific performance or recovery of any property; (ii) attachment of its assets; and (iii) enforcement or execution against any property, revenues or other assets whatsoever (irrespective of their use or intended use) and waives and agrees not to claim any sovereign or other immunity from the jurisdiction of the English courts or the courts of any other jurisdiction in relation to such enforcement and the giving of such relief (including to the extent that such immunity may be attributed to it), and agrees to ensure that no such claim is made on its behalf.

#### **24.6 Currency indemnity**

The Issuer shall indemnify the Trustee and the Noteholders and keep them indemnified against:

- (a) any loss, deficiency or liability incurred by any of them arising from (i) the non-payment by the Issuer or the Guarantor of any amount due to a Paying Agent, the Trustee or the holders of the Notes under the Conditions or the Security Documents or (ii) the non-payment by the Trustee or a Paying Agent to the Noteholders due to the absence of the requisite permit or consent required by the Issuer or any other party for the making of payment (including from the RBI), in each case by reason of any variation in the rates of exchange between those in effect as of the date the relevant amount became due and those prevailing at the date of receipt of the relevant amount by the relevant party; and
- (b) any deficiency arising or resulting from any variation in rates of exchange between:
  - (i) the date as of which the amounts due or contingently due under these Conditions (other than this Condition) is calculated for the purposes of any bankruptcy, insolvency or liquidation of the Issuer; and
  - (ii) the final date for ascertaining the amount of claims in such bankruptcy, insolvency or liquidation. The amount of such deficiency shall be deemed not to be reduced by any variation in rates of exchange occurring between the said final date and the date of any distribution of assets in connection with any such bankruptcy, insolvency or liquidation.

The above indemnity shall constitute an obligation of the Issuer separate and independent from its obligations under the other provisions of the Conditions and shall apply irrespective of any indulgence granted by the Trustee or the Noteholders from time to time and shall continue in full force and effect notwithstanding the judgment or filing of any proof or proofs in any bankruptcy, insolvency or liquidation of the Issuer for a liquidated sum or sums in respect of amounts due under the Conditions (other than this Condition). Any such deficiency as aforesaid shall be deemed to constitute a loss suffered by the Noteholders and no proof or evidence of any actual loss shall be required by the Issuer or its liquidator or liquidators.



## SUBSCRIPTION AND SALE

The section entitled "*Subscription and Sale – India*" in the Original Offering Circular shall be deleted in its entirety and shall be replaced by the following section.

### India

Each Dealer has represented and acknowledged that (a) this Offering Circular has not been and will not be registered, produced or published as an offer document (whether a prospectus in respect of a public offer or information memorandum or other offering material in respect of any private placement under the Companies Act, 1956, as amended by the Companies Act, 2013, as amended and the rules framed thereunder or any other applicable Indian laws) with the Registrar of Companies, the Securities and Exchange Board of India, the RBI, any Indian stock exchange or any other statutory or regulatory body of like nature in India, save and except for any information from any part of this Offering Circular which is mandatorily required to be disclosed or filed in India under any applicable Indian laws, including but not limited to, the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations 2015, as amended, and under the listing agreement with any Indian stock exchange pursuant to the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015 or pursuant to the sanction of any regulatory and adjudicatory body in India, and (b) the Notes have not been and will not be offered or sold in India by means of this Offering Circular or any document, other than to persons permitted to acquire the Notes under Indian law, whether as a principal or an agent, and (c) this Offering Circular or any other offering document or material relating to the Notes has not been and will not be circulated or distributed, directly or indirectly, to any person or to the public or any member of the public in India or otherwise generally distributed or circulated in India which would constitute an advertisement, invitation, offer, sale or solicitation or an offer to subscribe for or purchase any securities in violation of applicable Indian laws, and (d) this Offering Circular or any material relating to the Notes has not been and will not be circulated or distributed to any prospective investor who is not a resident of a FATF or IOSCO compliant jurisdiction or to any offshore branch or subsidiary of an Indian bank, and (e) the Notes will not be offered or sold or transferred and have not been offered or sold or transferred to any person who is not a resident of a FATF or IOSCO compliant jurisdiction or to any offshore branch or subsidiary of an Indian bank.

For the purposes of this section, FATF compliant jurisdiction and IOSCO compliant jurisdiction shall have the following meaning:

**FATF compliant country** - A country that is a member of Financial Action Task Force (FATF) or a member of a FATF-style Regional Body; and should not be a country identified in the public statement of the FATF as (a) a jurisdiction having a strategic anti-money laundering or combating the financing of terrorism deficiencies to which counter measures apply; or (b) a jurisdiction that has not made sufficient progress in addressing the deficiencies or has not committed to an action plan developed with the Financial Action Task Force to address the deficiencies.

**IOSCO compliant country** – a country whose securities market regulator is a signatory to the International Organisation of Securities Commission's (IOSCO's) Multilateral Memorandum of Understanding (Appendix A Signatories) or a signatory to bilateral Memorandum of Understanding with the Securities and Exchange Board of India for information sharing arrangements.

Each Dealer has represented and agreed that, to the best of its knowledge and belief, the Notes are only being issued and sold to a person who is a resident of a FATF or IOSCO compliant jurisdiction and have not been issued or sold to a person resident in India or any offshore branch or subsidiary of an Indian bank. Further, this Offering Circular or any other material relating to the Notes has not been and will not be circulated or distributed to any prospective investor who is not a resident of a FATF or IOSCO compliant jurisdiction and who is a person resident in India or any offshore branch of an Indian bank.

### *Eligibility of holders of the Notes*

Holders and beneficial owners of the Notes shall be responsible for compliance with restrictions on the ownership of the Notes imposed from time to time by applicable laws or by any regulatory authority or otherwise. In this context, holders and beneficial owners of Notes shall be deemed to have acknowledged, represented and agreed that such holders and beneficial owners are eligible to purchase the Notes under



applicable laws and regulations and are not prohibited under any applicable law or regulation from acquiring, owning or selling the Notes.

*Disclosure of information relating to holders of the Notes*

Holders and beneficial owners of the Notes shall be responsible for compliance with restrictions on the ownership and transfer of the Notes imposed from time to time by applicable laws, Indian laws or by any regulatory authority or otherwise. In this context, holders and beneficial owners of Notes shall be deemed to have acknowledged, represented and agreed that such holders and beneficial owners are eligible to purchase the Notes under applicable laws and regulations and are not prohibited under any applicable law or regulation from acquiring, owning, transferring or selling the Notes.

The holders and beneficial owners of Notes shall be deemed to confirm that for so long as they hold any Notes, they will be a resident of a FATF or IOSCO compliant jurisdiction and will not be a bank incorporated within India or overseas branches or subsidiaries of such Indian banks, except where overseas branches or subsidiaries of such Indian banks hold the Notes pursuant to their underwriting obligations. Further, all Noteholders represent and agree that the Notes will not be offered or sold on the secondary market to any person who is not a resident of a FATF or IOSCO compliant jurisdiction or which is an offshore branch or subsidiary of an Indian bank.

To comply with applicable laws and regulations, the Issuer or its duly appointed agent may from time to time request Euroclear and Clearstream, Luxembourg to provide them with details of the accountholders within Euroclear and Clearstream, Luxembourg, as may be appropriate, that hold the Notes and the amount of Notes held by each such accountholder. Euroclear and Clearstream, Luxembourg participants which are holders of the Notes or intermediaries acting on behalf of such Noteholders would be deemed to have hereby authorised Euroclear and Clearstream, Luxembourg, as may be appropriate, to disclose such information to the Issuer or its duly appointed agent.



## GENERAL INFORMATION

### Authorisation

1. The issue of the Notes has been duly approved by resolutions of the Board dated 26 August 2018 and 22 March 2019.

### Listing

2. The Original Offering Circular was approved by the SGX-ST on 19 September 2018. Application will be made to the SGX-ST for the listing and quotation of the Notes. Permission to list the Notes will be granted when the Notes have been admitted to the Official List of the SGX-ST.

The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein. Admission to the Singapore Official List and quotation of any Notes on the SGX-ST are not to be taken as an indication of the merits of the Issuer, the Programme or the Notes. So long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer shall appoint and maintain a paying agent in Singapore, where the Notes may be presented or surrendered for payment or redemption. In the event that any of the Global Notes are exchanged for definitive Notes, an announcement of such exchange shall be made by or on behalf of the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore.

3. Application will be made to the London Stock Exchange for the listing and quotation of Notes on the ISM. Notes so admitted to trading on the ISM are not admitted to the Official List of the UKLA. The London Stock Exchange has not approved or verified the contents of this Note Offering Circular.

### Clearing systems

4. The Notes to be issued under the Programme have been accepted for clearance through Euroclear and Clearstream, Luxembourg.

**ISIN:** XS1966673342

**Common code:** 196667334

5. The Issuer's Legal Entity Identifier is 213800Q188S952WWD51.

### No significant change

6. Save as disclosed in this Note Offering Circular, there has been no significant change in the financial or trading position of the Issuer since 31 December 2018 and no material adverse change in the financial position or prospects of the Issuer since 31 March 2018.
7. Save as disclosed in this Note Offering Circular, there has been no significant change in the financial information of the Guarantor in the section entitled "*Public Finance*" of the Original Offering Circular since 31 March 2018.

### Litigation

8. Save as disclosed in this Offering Circular, neither the Issuer nor the Guarantor is involved in any governmental, legal or arbitration proceedings (including any proceedings which are pending or threatened) of which it is aware, which may have or have had, in the 12 months preceding the date of this Offering Circular, a significant effect on the Issuer's or Guarantor's ability to meet its obligations to Noteholders.



## Accounts

9. The auditors of the Issuer in respect of the financial statements for Fiscals 2017 and 2018 were as follows:

Sridhar & Co, Sreenidhi T C 37/275 Padmatheertham North, Fort, Thiruvananthapuram, Kerala India

Such auditors have audited the Issuer's standalone financial statements, without qualification, in accordance with generally accepted auditing standards in India for each of the periods mentioned above.

Such auditors have also reviewed the unaudited interim standalone financial results of the Issuer for the quarter period and nine month period ended 31 December 2018.

## Documents Available

10. So long as Notes are capable of being issued under the Programme, copies of the following documents will, when published, be available between 9:00 am and 3:00 pm (Hong Kong time) on any weekday (Saturdays and public holidays exempted) from the specified office of the Principal Paying Agent, and the Principal Paying Agent shall make the same available electronically in either case, upon prior written request and satisfactory proof of holding by Noteholders:

- (a) the Issuer's audited standalone financial statements in respect of the financial years ending 2017 and 2018;
- (b) the Issuer's unaudited interim standalone financial statements as of the quarter ended 30 June 2018;
- (c) the most recently published audited standalone annual financial statements of the Issuer and the most recently published audited or reviewed, as the case may be, standalone interim financial results of the Issuer;
- (d) the Programme Agreement, the Trust Deed, the Agency Agreement and the forms of the Global Notes, the Notes in definitive form, the Receipts, the Coupons and the Talons;
- (e) a copy of this Note Offering Circular;
- (f) a copy of the Original Offering Circular;
- (g) any future offering circulars, prospectuses, information memoranda and supplements, including Pricing Supplements (save that a Pricing Supplement relating to an unlisted Note will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Principal Paying Agent as to its holding of Notes and identity) to this Offering Circular and any other documents incorporated herein or therein by reference; and
- (h) in the case of each issue of listed Notes subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).



**UNAUDITED INTERIM FINANCIAL RESULTS FOR THE QUARTER AND NINE MONTHS ENDED  
31 DECEMBER 2018**



## Limited Review Report

We have reviewed the accompanying statement of unaudited financial results of **KERALA INFRASTRUCTURE INVESTMENT FUND BOARD** for the Quarter and nine Months period ended 31/12/2018. This statement is the responsibility of the Board's Management and has been approved by the Fund Manager. Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with the Standard on Review Engagement (SRE) 2400, Engagements to Review Financial Statements issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of Board's personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

Based on our review conducted as above, nothing has come to our attention that causes us to believe that the accompanying statement of unaudited financial results prepared in accordance with applicable accounting standards and other recognized accounting practices and policies has not disclosed the information required to be, including the manner in which it is to be disclosed, or that it contains any material misstatement.

**For SRIDHAR & CO ( FRN. 003978S)**  
**CHARTERED ACCOUNTANTS**

Thiruvananthapuram  
13.02.2019

*sd/-*  
**R.SRINIVASAN**  
**PARTNER (M.No.200969)**



**Kerala Infrastructure Investment Fund Board**  
2nd Floor, Felicity Square, MG Road, Statue, Trivandrum 695 001

**Balance Sheet**

	SCHEDULE	Reviewed as on 31.12.2018	Reviewed as on 31.12.2017
<b><u>I.SOURCES OF FUNDS</u></b>			
Capital Fund	I	75,00,000.00	75,00,000.00
Loan Funds	II	1,04,12,60,000.00	1,00,80,00,000.00
Grants from GOK	III	50,02,62,15,804.97	40,87,76,02,345.00
<b>TOTAL</b>		<b>51,07,49,75,804.97</b>	<b>41,89,31,02,345.00</b>
<b><u>II.APPLICATION OF FUNDS</u></b>			
Fixed Assets	IV	78,22,602.44	40,16,780.48
Non Current Assets	V	69,55,94,365.00	8,93,64,338.00
Investment in KIFML		1,00,00,000.00	-
<u>Current Assets, Loans and Advances</u>			
Cash & Bank Balances	VI	49,81,89,59,624.56	41,39,50,30,616.82
Other Current Assets	VII	69,46,65,656.43	3,80,19,063.91
<b>A</b>		<b>50,51,36,25,280.99</b>	<b>41,43,30,49,680.73</b>
<u>Less: Current Liabilities and Provisions</u>			
Liabilities	VIII	3,90,10,670.00	62,06,964.00
Provisions		15,25,64,251.51	9,46,22,065.88
<b>B</b>		<b>19,15,74,921.51</b>	<b>10,08,29,029.88</b>
Net Current Assets (A-B)		50,32,20,50,359.48	41,33,22,20,650.85
Profit & Loss Account	IX	3,95,08,478.05	46,75,00,575.67
<b>TOTAL</b>		<b>51,07,49,75,804.97</b>	<b>41,89,31,02,345.00</b>

For KERALA INFRASTRUCTURE INVESTMENT FUND BOARD

Sd/-

**Dr.K.M.ABRAHAM (CFA)**  
**FUND MANAGER**

Notes Attached

As per our report of even date attached  
**For SRIDHAR & CO ( FRN.003978S)**  
**CHARTERED ACCOUNTANTS**

Sd/-

**R.SRINIVASAN**  
**PARTNER(M.No 200969)**

Thiruvananthapuram  
13-02-2019



**Kerala Infrastructure Investment Fund Board**  
2nd Floor, Felicity Square, MG Road, Statue, Trivandrum 695 001

**Profit & Loss Account**

Particulars	SCH	Reviewed for the period 01.04.2018 to 31.12.2018	Reviewed for the period 01.04.2017 to 31.12.2017	Reviewed for the Quarter ended 31.12.2018	Reviewed for the Quarter ended 31.12.2017
<b>INCOME</b>					
Interest Received		78,27,18,558.61	31,49,67,602.44	43,68,96,536.28	24,21,61,912.50
Other Income		2,023.00	34.00	50.00	34.00
<b>TOTAL</b>		<b>78,27,20,581.61</b>	<b>31,49,67,636.44</b>	<b>43,68,96,586.28</b>	<b>24,21,61,946.50</b>
<b>EXPENDITURE</b>					
Auditors Remuneration					
Statutory Audit Fee		56,250.00	18,750.00	18,750.00	6,250.00
Tax Audit Fee		18,750.00	7,500.00	6,250.00	2,500.00
Depreciation	IV	26,91,949.00	12,85,992.00	9,12,773.50	3,49,716.50
Finance and Bank Charges	X	7,67,80,330.01	57.50	2,59,88,491.04	-
Personnel Expenses	XI	2,26,17,629.00	1,02,21,058.00	83,62,472.00	39,77,852.00
Professional and Consultancy Charges	XII	13,11,83,017.00	2,26,81,640.00	3,69,55,486.00	1,58,88,427.00
Promotional Expenses	XIII	9,88,95,943.00	65,72,875.00	7,01,79,126.00	41,34,471.00
Repairs and Maintenance	XIV	96,07,215.00	32,47,581.00	38,922.00	35,644.00
Utility Charges	XV	1,08,80,886.00	52,60,278.60	37,15,031.00	22,10,663.60
Other Administrative Expenses	XVI	47,81,668.59	19,53,772.00	13,99,179.00	2,86,607.00
<b>TOTAL</b>		<b>35,75,13,637.60</b>	<b>5,12,49,504.10</b>	<b>14,75,76,480.54</b>	<b>2,68,92,131.10</b>
Profit / -Loss before tax		42,52,06,944.01	26,37,18,132.34	28,93,20,105.74	21,52,69,815.40
Prior Period Adjustment Account		(2,10,32,685.00)	-	-	-
Less: Provision for taxation		15,25,64,251.51	9,46,22,065.88	10,38,08,053.94	7,72,38,809.77
<b>Profit /-Loss transferred to balance sheet</b>		<b>29,36,75,377.50</b>	<b>16,90,96,066.46</b>	<b>18,55,12,051.80</b>	<b>13,80,31,005.63</b>

For KERALA INFRASTRUCTURE INVESTMENT FUND BOARD

Sd/-

**Dr.K.M.ABRAHAM (CFA)**  
**FUND MANAGER**

Notes Attached

As per our report of even date attached  
**For SRIDHAR & CO ( FRN.003978S)**  
**CHARTERED ACCOUNTANTS**

Sd/-

**R.SRINIVASAN**  
**PARTNER(M.No 200969)**

Thiruvananthapuram  
13-02-2019



**Kerala Infrastructure Investment Fund Board**

**Schedules as on**

	<b>Reviewed 31.12.2018 (Amount Rs.)</b>	<b>Reviewed 31.12.2017 (Amount Rs.)</b>
<b>Schedule I</b>		
<b>Capital Fund</b>		
Fund from Contingency Fund of Government of Kerala	75,00,000.00	75,00,000.00
<b>Total (A)</b>	<b>75,00,000.00</b>	<b>75,00,000.00</b>
<b>Schedule II</b>		
<b>Loan Funds</b>		
<b>Secured Loans</b>		
NIDA Loan from NABARD secured by Govt. Guarantee	1,00,80,00,000.00	1,00,80,00,000.00
KSFE Security Bond	3,32,60,000.00	-
<b>Total</b>	<b>1,04,12,60,000.00</b>	<b>1,00,80,00,000.00</b>
<b>Schedule III</b>		
<b>Grant from Govt. of Kerala:</b>		
Opening balance	44,06,69,27,744.00	33,64,05,27,744.00
Add : Grant received during the year	16,00,68,00,000.00	10,42,64,00,000.00
<b>Total</b>	<b>60,07,37,27,744.00</b>	<b>44,06,69,27,744.00</b>
 Less: Grants Utilised	 10,04,75,11,939.03	 3,18,93,25,399.00
<b>Total</b>	<b>50,02,62,15,804.97</b>	<b>40,87,76,02,345.00</b>
<b>Schedule V</b>		
<b>Non Current Assets</b>		
<b>Project Spending</b>		
NABARD Projects, PWD 004-00	69,55,94,365.00	8,93,64,338.00
<b>Total</b>	<b>69,55,94,365.00</b>	<b>8,93,64,338.00</b>
<b>Schedule VI</b>		
<b>Cash and Bank Balances</b>		
Cash in Hand	8,581.00	3,096.00
Balance with Treasury	25,42,20,88,705.00	25,58,59,54,645.00
<b>Balance with Banks</b>		
in Term Deposits	23,63,92,99,733.14	7,18,86,94,109.95
in Other Deposits	75,75,62,605.42	8,62,03,78,765.87
<b>Total</b>	<b>49,81,89,59,624.56</b>	<b>41,39,50,30,616.82</b>
<b>Schedule VII</b>		
<b>Other Current Assets</b>		
Deposits	15,02,000.00	5,02,000.00
Advances and Receivables	50,30,17,405.04	80,57,564.00
Prepaid Expenses	30,53,671.00	5,38,191.00
Balance with Revenue Authorities	18,70,92,580.39	2,89,21,308.91
<b>Total</b>	<b>69,46,65,656.43</b>	<b>3,80,19,063.91</b>
<b>Schedule VIII</b>		
<b>Current Liabilities &amp; Provisions</b>		
Expenses Payable	3,68,63,300.00	37,73,933.00
Retention and Deposits	27,000.00	3,12,661.00
Other Payables	21,20,370.00	21,20,370.00
<b>Total</b>	<b>3,90,10,670.00</b>	<b>62,06,964.00</b>
<b>Schedule IX</b>		
<b>Profit &amp; Loss Account</b>		
Balance as per last Balance Sheet	33,31,83,855.55	63,65,96,642.13
Add: Loss/(Profit) for the year	(29,36,75,377.50)	(16,90,96,066.46)
<b>Total</b>	<b>3,95,08,478.05</b>	<b>46,75,00,575.67</b>



## Schedule IV

## Fixed Assets and Depreciation Statement For the period 01-04-2018 to 31-12-2018

PARTICULARS		GROSS BLOCK					DEPRECIATION					NET BLOCK	
SL. No.	ITEM	As on 01.04.2018	Additions		Deletion during the year	Total As on 31.12.2018	As on 01.04.2018	For the year	Deletion during the year	Up to 31.12.2018	WDV As On 31.03.2018	WDV As On 31.12.2018	
			Before 01.10.2018	On/After 01.10.2018									
A	Tangible Assets												
1	Plant & Machinery	2,10,839.00	-	-	-	2,10,839.00	94,902.27	34,776.00	-	1,29,678.27	1,15,936.73	81,160.73	
2	Furniture & Fittings	6,72,297.00	-	-	-	6,72,297.00	2,23,282.34	33,676.00	-	2,56,958.34	4,49,014.66	4,15,338.66	
3	Data Processing Equipments	49,14,071.00	37,27,129.96	2,31,849.00	-	88,73,049.96	25,04,541.91	15,49,169.00	-	40,53,710.91	24,09,529.09	48,19,339.05	
B	Intangible Assets												
1	Software	31,41,771.00	13,57,550.00	-	-	44,99,321.00	9,18,229.00	10,74,328.00	-	19,92,557.00	22,23,542.00	25,06,764.00	
	TOTAL	89,38,978.00	50,84,679.96	2,31,849.00	-	1,42,55,506.96	37,40,955.52	26,91,949.00	-	64,32,904.52	51,98,022.48	78,22,602.44	
	9 months ended 31.12.2017	18,08,946.00	33,32,633.00	10,59,618.00	-	62,01,197.00	8,98,424.52	12,85,992.00	-	21,84,416.52	9,10,521.48	40,16,780.48	
Fixed Assets and Depreciation Statement For the period 01-10-2018 to 31-12-2018													
PARTICULARS		GROSS BLOCK					DEPRECIATION					NET BLOCK	
SL. No.	ITEM	As on 01.10.2018	Additions		Deletion during the year	Total As on 31.12.2018	As on 01.10.2018	For the year	Deletion during the year	Up to 31.12.2018	WDV As On 30.09.2018	WDV As On 31.12.2018	
			Before 01.10.2018	On/After 01.10.2018									
A	Tangible Assets												
1	Plant and Machinery	2,10,839.00	-	-	-	2,10,839.00	1,18,085.77	11,592.50	-	1,29,678.27	92,753.23	81,160.73	
2	Furniture & Fittings	6,72,297.00	-	-	-	6,72,297.00	2,45,732.84	11,225.50	-	2,56,958.34	4,26,564.16	4,15,338.66	
3	Data Processing Equipments	86,41,200.96	-	2,31,849.00	-	88,73,049.96	35,21,864.91	5,31,846.00	-	40,53,710.91	51,19,336.05	48,19,339.05	
B	Intangible Assets												
1	Software	44,99,321.00	-	-	-	44,99,321.00	16,34,447.50	3,58,109.50	-	19,92,557.00	28,64,873.50	25,06,764.00	
	TOTAL	1,40,23,657.96	-	2,31,849.00	-	1,42,55,506.96	55,20,131.02	9,12,773.50	-	64,32,904.52	85,03,526.94	78,22,602.44	
	Quarter ended 31.12.2017	51,41,579.00	-	10,59,618.00	-	62,01,197.00	18,34,700.02	3,49,716.50	-	21,84,416.52	33,06,878.98	40,16,780.48	



## **NOTES ON ACCOUNTS FOR THE PERIOD 01-04-2018 TO 31-12-2018**

### **1. SIGNIFICANT ACCOUNTING POLICIES:**

#### **A. Basis of preparation of Financial Statements**

- (a) The Financial Statements have been prepared under the historical cost convention, in accordance with the generally accepted accounting principles.
- (b) The Board follows mercantile system of accounting and recognizes significant items of income and expenditure on accrual basis except pension contribution and gratuity.
- (c) The Board is established under an Act of Government of Kerala and is not undertaking any commercial or business activity, the provisions of mandatory accounting standards issued by The Institute of Chartered Accountants of India are not applicable for the board as such.
- (d) The Government Grants received in the nature of promoters contribution from Government of Kerala (GOK) is treated as Capital Fund and disclosed accordingly in the Financial Statements.
- (e) Grants received for the purpose of meeting the objectives of the Board are shown under GOK Grants and the utilizations are reduced from such Grants and the net balance is shown in the financial statements.
- (f) Amounts utilized from Loan funds for the purpose of meeting the objectives of the Board are shown as project spending under Non-Current Assets and are treated as utilization against the GOK Grants in proportion to the repayments of these loan funds at the time of repayment.

#### **B. Fixed Assets and Depreciation:**

- a) Fixed Assets: Fixed Assets are recorded at cost of acquisition or construction. Cost comprises of purchase price, duties, levies, and any direct attributable cost of bringing the asset to its working condition for the intended use.
- b) Depreciation: Depreciation has been provided on Written down Value Method at the rates prescribed in appendix to the income tax rules.
- c) Expenses: On the basis of information made available, all material known liabilities are accounted for in the accounts.



2. The Board received Rs. 100.80 crore out of Rs. 565/- crores Loan funds sanctioned by NABARD under NIDA assistance scheme for development of 16 roads in 4 Districts of Kerala vide sanction letter no. NB(Kerala) No. SPD/139/NIDA/2017-18 dated 17/04/2017. Out of the said 100.80 crore Rs. 69,55,94,365/- is shown under Non-Current Assets in accordance with the accounting policy followed by the Board.
3. Prior period adjustments include additional audit fee for 2017-18 of Rs.83,000/- and Excess Guarantee Commission provided in 2017-18 of Rs.2,11,15,685/- reversed based on the lower claim from the Government.
4. Previous period figures are regrouped or reclassified in accordance with the current year classification.
5. Contingent Liabilities - NIL

**For Kerala Infrastructure Investment Fund Board**

*Sd/-*

**Dr.K.M.ABRAHAM (CFA,IAS)**  
**FUND MANAGER**

As per our Limited Review Report of even date attached.

**For SRIDHAR & CO ( FRN. 003978S)**  
**CHARTERED ACCOUNTANTS**

Thiruvananthapuram,  
13-02-2019

*Sd/-*  
**R.SRINIVASAN**  
PARTNER (M.No.200969)



#### THE ISSUER

**Kerala Infrastructure Investment  
Fund Board**

2<sup>nd</sup> Floor, Felicity Square  
MG Road, Statue  
Thiruvananthapuram 695001  
Kerala, India

#### THE GUARANTOR

**The Government of Kerala acting  
through the Finance Department of  
Kerala**

Government Secretariat  
MG Road, Statue  
Thiruvananthapuram 695001  
Kerala, India

#### ARRANGERS AND DEALERS

**Axis Bank Limited,  
Singapore Branch**  
9 Raffles Place, Republic Plaza  
#48-01, Singapore 048619

**Standard Chartered Bank**  
8 Marina Boulevard, Level 20  
Marina Bay Financial Centre Tower 1  
Singapore 018981

#### TRUSTEE

**The Hongkong and Shanghai  
Banking Corporation Limited**  
Level 30, HSBC Main Building  
1 Queen's Road Central, Hong Kong

#### ONSHORE SECURITY TRUSTEE

**Axis Trustee Services Limited**  
Axis House, Bombay Dyeing Mills  
Compound  
Pandurang Budhkar Marg Worli  
Mumbai 400 025, India

#### PRINCIPAL PAYING AGENT

**The Hongkong and Shanghai  
Banking Corporation Limited**  
Level 30, HSBC Main Building  
1 Queen's Road Central, Hong Kong

#### REGISTRAR AND TRANSFER AGENT

**The Hongkong and Shanghai  
Banking Corporation Limited**  
Level 30, HSBC Main Building  
1 Queen's Road Central, Hong Kong

#### LEGAL ADVISERS

*To the Trustee as to English Law*

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160 Aldersgate Street  
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United Kingdom

*To the Dealers as to English Law*

**DLA Piper UK LLP**  
160 Aldersgate Street  
London  
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United Kingdom

*To the Issuer as to Indian law*

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5th Floor, Peninsula Chambers  
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#### SINGAPORE LISTING AGENT

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#### INDEPENDENT AUDITORS

**Sridhar & Co.**  
Sreenidhi T C 37/275 Padmatheertham  
North, Fort, Thiruvananthapuram, Kerala  
India



## **For Recipients in Canada**

*This Note Offering Circular constitutes an offering of the securities described herein only in those Canadian jurisdictions and to those persons where and to whom they may be lawfully offered for sale, and therein circumstances is to be construed as, an advertisement or a public offering of the securities described herein. No prospectus has been filed with any securities commission or similar regulatory authority in Canada in connection with the offering of the securities described herein. No securities commission or similar authority in Canada has reviewed or in any way passed upon this document or the merits of the securities described herein, and any representation to the contrary is an offence under applicable securities laws. This Note Offering Circular is not, and under no circumstances is it to be construed as, an offer to sell the securities described herein or a solicitation of an offer to buy the securities described herein in any jurisdiction where the offer or sale of these securities is prohibited. The information contained within this Note Offering Circular is furnished on a confidential basis to prospective investors solely to enable such investors to evaluate the securities described herein. By accepting delivery of this Note Offering Circular, each such prospective investor agrees that they will not transmit, reproduce or otherwise make this Note Offering Circular, or any information contained herein, available to any other person, other than those persons, if any, retained by such prospective investor to advise the investor with respect to the securities, without the prior written consent of the Dealers (as defined below).*

## **Kerala Infrastructure Investment Fund Board**

*(a body corporate constituted by the Kerala Infrastructure Investment Fund Act, 1999)*

### **INR 50,000,000,000 Guaranteed Medium Term Note Programme**

**unconditionally and irrevocably guaranteed by**

**The Government of Kerala  
acting through the Finance Department of Kerala**

**Private Placement in Quebec**

**March 2019**



The offering of Notes in Canada is being made only on a private placement basis pursuant to the accredited investor exemption in section 2.3 (the "**Accredited Investor Exemption**") of National Instrument 45-106 - *Prospectus Exemptions* ("**NI 45-106**") of the Canadian Securities Administrators and section 43 of the *Securities Act* (Quebec). Accordingly, the distribution is exempt from the prospectus requirements under applicable securities law in Canada that the Issuer prepare and file a prospectus with the relevant Canadian securities regulatory authorities. This Note Offering Circular remains subject to completion or amendment. The offering in Canada is being made solely by this Note Offering Circular and any decision to purchase the Notes should be made solely on the information contained herein. No person has been authorized to give any information or to make any representations concerning the offering other than those contained in this Note Offering Circular. Investing in the Notes involves risks. Canadian investors should refer to the section entitled "Risk Profile" in the Appendix to this Note Offering Circular for additional information.

The offering in Canada is being made only in the Province of Quebec.

All references to currency in this Note Offering Circular are to Indian Rupees (INR), unless otherwise indicated. The Notes are denominated in Indian Rupees and not in Canadian dollars. Accordingly, the Canadian dollar value of the Notes will fluctuate with changes in the rate of exchange between the Indian Rupee and the Canadian dollar.

#### *Resale Restrictions*

The distribution of the Notes in Canada is being made on a private placement basis and is therefore exempt from the requirement that the Issuer prepares and files a prospectus with the relevant Canadian securities regulatory authorities. The Issuer is not a reporting issuer in any province or territory in Canada, the Notes are not listed on any stock exchange in Canada and the Issuer does not intend to become a reporting issuer or to list the Notes on any stock exchange in Canada. Accordingly, any resale of the Notes must be made in accordance with applicable Canadian securities laws, which will vary depending on the relevant jurisdiction, and which may require resales to be made in accordance with exemptions from the prospectus requirements of applicable securities laws, which vary depending on the province and include those pertaining to resales outside Canada. Investors in the Notes are advised to seek legal advice prior to any resale of the Notes.

These resale restrictions may under certain circumstances apply to resales of the Notes outside Canada. Canadian purchasers are advised to seek legal advice prior to any resale of the Notes, both within and outside Canada.

The Issuer is not, and may never be, a "reporting issuer", as such term is defined under applicable Canadian securities legislation, in any province or territory of Canada and there currently is no public market for any of the securities of the Issuer in Canada, including the Notes, and one may never develop. Canadian investors are advised that under no circumstances will the Issuer be required to file a prospectus or similar document with any securities regulator or regulatory authority in Canada qualifying the resale of the Notes to the public in any province or territory of Canada. Canadian investors are also advised that the Issuer currently has no intention to file a prospectus or similar document with any securities regulator or regulatory authority in Canada qualifying the resale of the Notes to the public in any province or territory in Canada. Accordingly, the Notes may be subject to an indefinite hold period under applicable Canadian securities laws unless resales are made in accordance with applicable prospectus requirements or pursuant to an available exemption from such prospectus requirements.



Canadian investors are advised to consult with their own legal advisers for additional information on Canadian resale restrictions prior to any resale of the Notes.

The offering of the Notes in Canada is being made in Québec. No person has been authorised to give any information or to make any representations concerning this Offering other than those contained herein and, if given or made, any such information or representation may not be relied upon. Statements made within this Note Offering Circular are as of the date of this Note Offering Circular unless expressly stated otherwise. Neither the delivery of this Note Offering Circular at any time, nor any other action with respect hereto, shall under any circumstances create an implication that the information contained herein is correct as of any time subsequent to such date.

This Note Offering Circular is for the confidential use of only those persons to whom it is delivered by the Dealers in connection with the Offering in Québec. The Dealers reserve the right to reject all or part of any offer to purchase the Notes for any reason and to allocate to any purchaser less than all of the Notes for which it has subscribed.

In addition, the investor acknowledges that the certificate, or ownership statement under a direct registration system or other book-entry system, representing the Notes will bear the following legend:

“UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE THE DATE THAT IS 4 MONTHS AND A DAY AFTER THE LATER OF (I) ISSUE DATE AND (II) THE DATE THE ISSUER BECAME A REPORTING ISSUER IN ANY PROVINCE OR TERRITORY.”

*Representations and Agreements by Investors*

Each investor in the Issuer in Canada who purchases the Notes will be deemed to have represented and warranted to and agreed with the Issuer and the Dealers participating in the offer and sale of the Notes that:

- (a) the investor is resident in the province of Québec and is entitled under applicable Canadian securities laws to acquire the Notes without the benefit of a prospectus qualified under such securities laws, and an “accredited investor” as defined in section 1.1 of NI 45-106 and is not a person created or being used solely to purchase or hold securities as an “accredited investor” as described in paragraph (m) of the definition of “accredited investor” in section 1.1 of NI 45-106;
- (b) the investor is purchasing the Notes through Axis Bank Limited, Singapore Branch and Standard Chartered Bank (collectively, the “Dealers”) who are relying on certain dealer registration exemptions in the province where the investor is resident and the investor is a “permitted client” as defined in section 1.1 of National Instrument 31-103 - *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (“NI 31-103”) and as defined in section 1 of Multilateral Instrument 32-102 - *Registration Exemptions for Non-Resident Investment Fund Managers*;
- (c) the investor is entitled under applicable securities laws to purchase such Notes without the benefit of a prospectus prepared and filed in accordance with such securities laws;
- (d) the investor is basing its investment decision solely on this Note Offering Circular and not on any other information concerning the Notes or the Issuer or the offering in Canada or elsewhere and none of the Issuer or the Dealers or any person representing the Issuer or the Dealers has made



any representations to it with respect to the Issuer, the offering or sale of the Notes, other than the information contained in this Note Offering Circular which has been delivered to the investor;

- (e) the investor will, if required by applicable securities laws, execute, deliver and file or assist the Issuer in obtaining and filing such reports, undertakings and other documents relating to the purchase of the Notes by the investor as may be required by applicable securities laws, any securities commission or other regulatory authority;
- (f) where required by law, such investor is, or is deemed to be, purchasing the Notes as principal in accordance with the applicable securities laws of the province in which such investor is resident for its own account and not as agent for the benefit of another person or as trustee;
- (g) the investor has reviewed and acknowledges the terms referred to above under the heading "Resale Restrictions" and agrees not to sell the Notes except in accordance with any applicable Canadian resale restrictions; and
- (h) the offer and sale of the Notes in Canada was made exclusively through this final version of this Notes Offering Circular and was not made through an advertisement of the Notes in any printed media of general and regular paid circulation, radio, television or telecommunications, including electronic display, or any other form of advertising in Canada.

#### *Indirect Collection of Personal Information*

The investor's name, address, telephone number and other specified information, including without limitation, the number of Notes it has purchased, the aggregate purchase price of the Notes to the investor and the reliance on the Accredited Investor Exemption (collectively, the "**Personal Information**"), will be disclosed to Canadian securities regulatory authorities and may become available to the public in accordance with the requirements of applicable laws. By purchasing Notes, the investor consents to the disclosure of such information.

The investor hereby acknowledges, agrees and consents to: (a) the disclosure of Personal Information to the Issuer and any applicable Canadian securities regulatory authorities (collectively, the "**Securities Commissions**"); and (b) the collection, use and disclosure of Personal Information by the Issuer for corporate finance and shareholder communication purposes or such other purposes as are necessary to the Issuer's business. The investor hereby acknowledges and consents to the collection, use, and disclosure of Personal Information by the Securities Commissions, including the publishing or otherwise making available to the public Personal Information including, for individuals, their name, number and type of securities purchased, the purchase price therefor, and their insider or registrant status, if applicable, and for non-individual investors, the above information and their address, contact person name and telephone number and the exemption relied upon. The investor acknowledges and agrees that the investor has been notified by the Issuer: (i) of the delivery to the Securities Commissions of Personal Information pertaining to the investor included in Schedule 1 and 2 (if any) of Form 45-106F1, including, without limitation, the full name, residential address and telephone number of the investor, the number and type of securities purchased and the total purchase price paid in respect of the Notes; (ii) that this information is being collected indirectly by the Securities Commissions under the authority granted to them pursuant to applicable securities legislation; (iii) that this information is being collected for the purposes of the administration and enforcement of applicable Canadian securities legislation; and (iv) that the title, business address and business telephone number of the public official who can answer questions about the applicable Securities Commissions' indirect collection of the information is as listed below. The investor and any beneficial subscriber consent to such disclosure of its Personal Information.



**Autorité des marchés financiers**

800, Square Victoria, 22e étage

C.P. 246, Tour de la Bourse

Montréal, Québec H4Z 1G3

Telephone: 514 395-0337 or 1 877 525-0337

Facsimile: 514 864-6381 (For privacy requests only)

Email:

financementdessocietes@lautorite.qc.ca (For corporate finance Funds)

Public official contact regarding indirect

collection of information: Secrétaire générale

*Taxation and Eligibility for Investment*

Any discussion of taxation and related matters contained in this Note Offering Circular does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase the Notes and, in particular, does not address Canadian tax considerations. No representation or warranty is hereby made as to the tax consequences to a resident or deemed resident of Canada of an investment in the Notes. Canadian investors should consult with their own legal and tax advisors with respect to the tax consequences of an investment in the Notes in their particular circumstances and with respect to the eligibility of the Notes for investment by such investor under relevant Canadian federal or provincial legislation and regulations.

*Enforcement of Legal Rights*

The Issuer is a body corporate constituted by the Kerala Infrastructure Investment Fund Act, 1999 established under the laws of India for the sole purpose of funding infrastructure project in Kerala. Accordingly, all of the Issuer's management as well as any experts named herein is likely to be located outside Canada and, as a result, it may not be possible for Canadian investors to effect service of process within Canada upon the Issuer or such persons. All or a substantial portion of the assets of the Issuer and such persons are likely to be located outside of Canada and, as a result, it may not be possible to satisfy a judgment against the Issuer or such persons in Canada or to enforce a judgment obtained in Canadian courts against the Issuer or such persons outside of Canada.

*Statutory and Contractual Rights of Action for Damages or Rescission*

In certain circumstances, investors resident in certain provinces of Canada, are provided with a statutory remedy for rescission or damages, or both, in addition to any other right they may have at law, where an offering memorandum (such as this Note Offering Circular) or any amendment to it contains a misrepresentation. Where used herein, "misrepresentation" means an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make any statement not misleading in light of the circumstances in which it was made. These remedies, or notice with respect to these remedies, must be exercised or delivered, as the case may be, by investors within the time limits prescribed by applicable securities legislation.

The following summary is subject to the express provisions of applicable Canadian securities laws and reference is made to the complete text of such provisions contained therein. Such provisions may contain certain limitations and statutory defences on which the Issuer may rely. The enforceability of these rights may be limited as described in this Note Offering Circular under "Enforcement of Legal Rights".



Investors should refer to the applicable provisions of the securities legislation of their province for the particulars of these rights or consult with a legal adviser.

The rights of action described in the following summary are not applicable if the investor is:

- (a) a Canadian financial institution, meaning either:
  - (i) an association governed by the *Cooperative Credit Associations Act* (Canada) or a central cooperative credit society for which an order has been made under section 473(1) of that Act; or
  - (ii) a bank, loan corporation, trust company, trust corporation, insurance company, treasury branch, credit union, caisse populaire, financial services cooperative, or league that, in each case, is authorized by an enactment of Canada or a jurisdiction of Canada to carry on business in Canada or a jurisdiction of Canada;
- (b) a Schedule III bank, meaning an authorized foreign bank named in Schedule III of the *Bank Act* (Canada);
- (c) the Business Development Bank of Canada incorporated under the *Business Development Bank of Canada Act* (Canada); or
- (d) a subsidiary of any person referred to in paragraphs (a), (b) or (c), if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by the directors of the subsidiary.

#### Language Matters for Québec Investors

By purchasing Notes offered under this Note Offering Circular, each investor resident in Québec is deemed to acknowledge that its express wish is that all documents evidencing or relating in any way to the purchase of the Notes be drafted in the English language only. En procédant à l'achat d'actions offertes en vertu de cette Notice d'offre, chaque investisseur résidant au Québec est réputé avoir expressément demandé et consenti à ce que tous les documents faisant état de, ou se rapportant à, l'achat d'actions soient rédigés en anglais seulement.

#### Notice Regarding Non-Resident Dealers

The Dealers, Axis Bank Limited, Singapore Branch and Standard Chartered Bank whose respective registered offices are as follows: (i) 9 Raffles Place, Republic Plaza #48-01, Singapore 048619; and (ii) 8 Marina Boulevard, Level 20 Marina Bay Financial Centre Tower 1, Singapore 018981 are each acting as dealers in respect of the offering of Notes in Canada. The Dealers each have a head office and principal place of business outside of Canada, are not registered in Canada to trade securities and are relying on the "international dealer exemption" in NI 31-103 from registration requirements in Canada in connection with the offering of the Notes to investors in Canada.

In accordance with NI 31-103, the Dealers each hereby notify the investors that they are not registered in any Canadian jurisdiction as a dealer, are resident outside of Canada and all or substantially all of their assets may be located outside of Canada. As a result of the information above regarding the Dealers, investors in such jurisdiction may have difficulty enforcing their legal rights against the Dealers.



The name and address of the agent for service of process for the Dealers in the province of Québec is as follows:

**Québec:**

**DLA Piper (Canada) LLP**

Suite 1400, McGill College Tower

1501 McGill College Avenue

Montréal, Quebec

H3A 3M8



## IMPORTANT NOTICE

### NOT FOR DISTRIBUTION TO ANY PERSON OR ADDRESS IN THE UNITED STATES

**IMPORTANT: You must read the following before continuing.** The following applies to the note offering circular (the "Note Offering Circular") following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the Note Offering Circular. In accessing the Note Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OF AMERICA (WITH ITS TERRITORIES AND POSSESSIONS, ANY STATE OF THE UNITED STATES OF AMERICA AND THE DISTRICT OF COLUMBIA, COLLECTIVELY THE "UNITED STATES") OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES DESCRIBED IN THIS NOTE OFFERING CIRCULAR HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER UNITED STATES JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATIONS UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE NOTE OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. ADDRESS OR TO ANY U.S. PERSON. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, THEN YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

**Confirmation of your Representation:** The Note Offering Circular is being sent at your request and by accepting the e-mail and accessing the Preliminary Note Offering Circular, you shall be deemed to have represented to us that the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the United States and that you consent to delivery of such Note Offering Circular by electronic transmission.

You are reminded that the Note Offering Circular has been delivered to you on the basis that you are a person into whose possession the Note Offering Circular may be lawfully delivered in accordance with the laws of jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Note Offering Circular to any other person.

The materials relating to any offering of securities described in the Note Offering Circular do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the underwriters or any affiliate of the underwriters is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the underwriters or such affiliate on behalf of the Issuer (as defined in the Note Offering Circular) in such jurisdiction.

The Note Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Dealers (as defined in the Note Offering Circular) nor any person who controls each of them nor any director, officer, employee nor agent of each of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Note Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Dealers.

In accordance with applicable provisions of Indian regulations, only investors from jurisdictions that are Financial Action Task Force ("FATF") or International Organisation of Securities Commission ("IOSCO") compliant are eligible to purchase Rupee denominated Notes (as defined in the Preliminary Note Offering Circular). Further, banks incorporated in India and overseas branches and subsidiaries of such banks are not permitted to purchase or hold Rupee denominated Notes in any manner whatsoever, save and except as underwriters or arrangers.

The Note Offering Circular has not been and will not be registered, produced or made available to all as an offer document (whether a prospectus in respect of a public offer or an information memorandum or private placement offer letter or other offering material in respect of any private placement under the Companies Act, 2013 or any other applicable Indian laws) with the Registrar of Companies of India ("RoC") or the Securities and Exchange Board of India ("SEBI") or any other statutory or regulatory body of like nature in India, save and except for any information from any part of the Note Offering Circular which is mandatorily required to be disclosed or filed in India under any applicable Indian laws, including, but not limited to, the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations 2015, as amended, and under the listing agreement with any Indian stock exchange pursuant to the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015 or pursuant to the sanction of any regulatory and adjudicatory body in India.

In addition, holders and beneficial owners shall be responsible for compliance with the restrictions on the ownership of the Rupee denominated Notes imposed from time to time by applicable laws or by any regulatory authority or otherwise. In this context, holders and beneficial owners of Rupee denominated Notes shall be deemed to have acknowledged, represented and agreed that such holders and beneficial owners are eligible to purchase the Rupee denominated Notes under applicable laws and regulations and are not prohibited under any applicable law or regulation from acquiring, owning or selling the Rupee denominated Notes. Potential investors should seek independent advice and verify compliance with the FATF Requirements (as defined in the Note Offering Circular) prior to any purchase of Rupee denominated Notes.

**The holders and beneficial owners of Rupee denominated Notes shall be deemed to confirm that for so long as they hold any Rupee denominated Notes, they will be resident in a FATF or IOSCO-compliant jurisdiction and will not be an offshore branch of an Indian bank. Further, all Noteholders represent and agree that the Rupee denominated Notes will not be offered or sold on the secondary market to any person who is not resident in a FATF or IOSCO-compliant jurisdiction or which is an offshore branch or subsidiary of an Indian bank.**

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

To the fullest extent permitted by law, none of Axis Bank Limited, Singapore Branch or Standard Chartered Bank (together the "Arrangers") nor the Trustee or the Agents (each as defined in the Note Offering Circular) accept any responsibility for the contents of the Note Offering Circular or for any other statement, made or purported to be made by the Arrangers, the Trustee or the Agents or on their behalf in connection with the Issuer, the Guarantor (as defined in the Note Offering Circular) or the issue and offering of the Notes. The Arrangers, the Trustee, the Agents and their respective affiliates, directors, officers, employees, agents, representatives or advisers accordingly disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) which they might otherwise have in respect of the Note Offering Circular or any such statement.

  
ACCOUNTS OFFICER