

# **SHAREHOLDERS AGREEMENT**

**BETWEEN**

**KARNATAKA STATE INDUSTRIAL INVESTMENT AND DEVELOPMENT  
CORPORATION LIMITED**

**AIRPORTS AUTHORITY OF INDIA**

**SIEMENS PROJECT VENTURES GmbH**

**FLUGHAFEN ZUERICH AG**

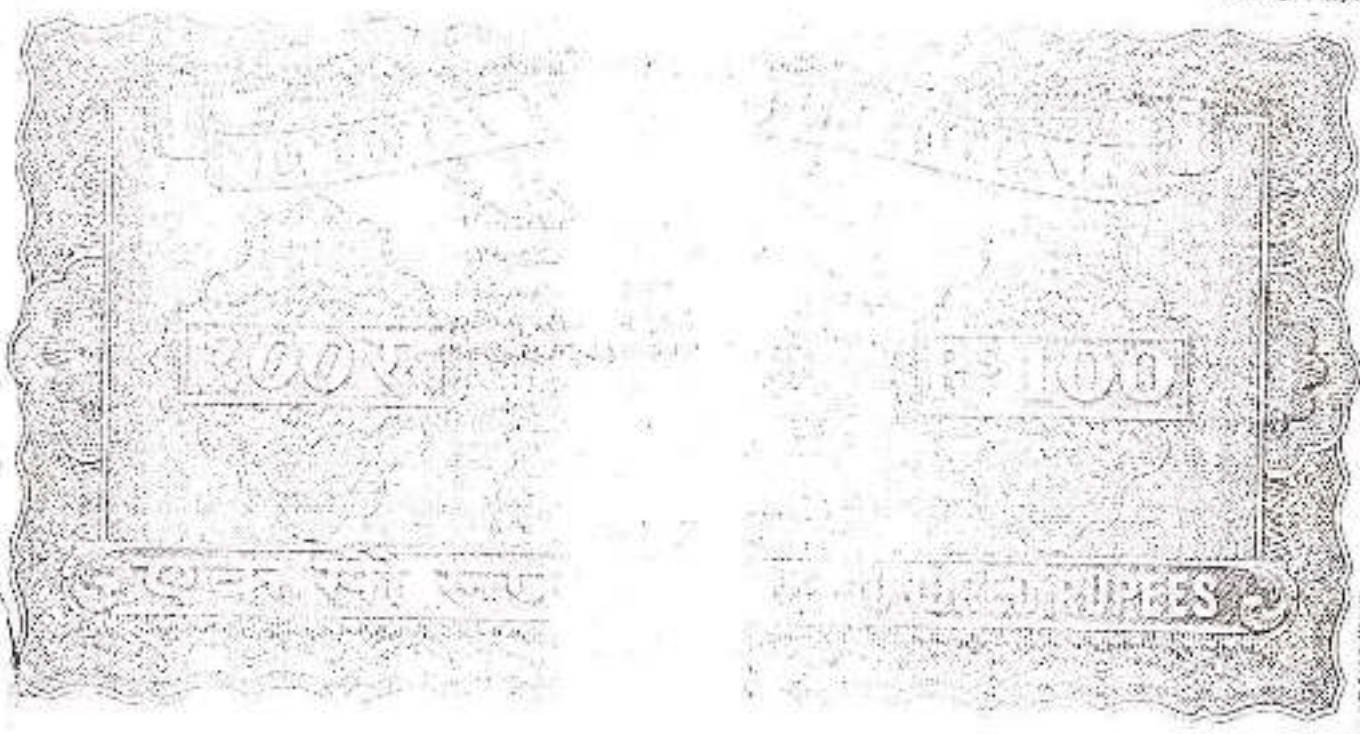
**LARSEN & TOUBRO LIMITED**

**BANGALORE INTERNATIONAL AIRPORT LIMITED**

**In respect of the greenfield Bangalore International Airport Project**

Dated January 23, 2002





### SHAREHOLDERS AGREEMENT

THIS SHAREHOLDERS AGREEMENT is made at Bangalore, on this the 23<sup>rd</sup> day of January, 2002 by and between:

1. **KARNATAKA STATE INDUSTRIAL INVESTMENT AND DEVELOPMENT CORPORATION LIMITED**, a company incorporated under the Companies Act 1956, having its Registered Office at # 36 Cunningham Road, Bangalore – 560 052, India (hereinafter referred to as “KSIIDC” which expression shall include its successors and permitted assigns) of the FIRST PART; and
2. **AIRPORTS AUTHORITY OF INDIA**, an authority constituted under the Airports Authority of India Act, 1994 having its Corporate Office at Rajiv Gandhi Bhavan, Safdarjung Airport, New Delhi – 110 003, India (hereinafter referred to as “AAI” which expression shall include its successors and permitted assigns) of the SECOND PART; and
3. **SIEMENS PROJECT VENTURES GmbH**, a company incorporated in Erlangen under the laws of the Federal Republic of Germany and having its Principal Office at Freyoslebenstr 1, D-91058, Erlangen, Germany (hereinafter referred to as “Siemens” which expression shall include its successors and permitted assigns) of the THIRD PART; and

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*[Signature]*  
'A' Class Stamp Vendor  
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Mayohall M.O. BXP  
BANGALORE-200



4. **FLUGHAFEN ZUERICH AG**, a company incorporated in Zuerich under the laws of Switzerland and having its Principal Office at CH-8058 Zuerich-Airport, Switzerland (hereinafter referred to as "Unique Zurich" which expression shall include its successors and permitted assigns) of the FOURTH PART; and
5. **LARSEN & TOUBRO LIMITED**, a company incorporated under the Indian Companies Act, 1913 and having its Registered Office at L&T House, Narottam Morarjee Marg, Ballard Estate, Mumbai - 400 001 (hereinafter referred to as "L&T" which expression shall include its successors and permitted assigns) of the FIFTH PART.
6. **BANGALORE INTERNATIONAL AIRPORT LIMITED**, a company incorporated under the Companies Act, 1956, having its Registered Office at # 36 Cunningham Road, Bangalore - 560 052, India (hereinafter referred to as "Company" which expression shall include its successors and permitted assigns) of the SIXTH PART; and

#### WHEREAS

- A. GoK and GoI wish to develop an Airport with private sector participation at Devanahalli near Bangalore in the State of Karnataka, India, as a greenfield project, and to this effect GoK has authorised KSIIDC to be a nodal agency for undertaking all activities towards development of the Airport as a joint venture.
- B. GoI, as represented by MoCA, has similarly authorised and vested AAI with necessary powers to participate in the development of the Airport.
- C. The Project is of prime importance to the State of Karnataka and GoK, taking a pathbreaking policy decision, has sanctioned, with the support of GoI, the greenfield project for airport development as a joint venture with the private sector.
- D. In order to facilitate the implementation of the Project, GoK has caused the Company to be incorporated in the State of Karnataka as a public limited company.
- E. The State of Karnataka has undertaken a significant role in the development of the Project as the same is in the interests of the general public of the State and expects that the Project will provide an impetus to the overall development and growth of industries, tourism and cargo movement in the region.
- F. KSIIDC invited bids, in June 1999, for the Project, through private financing on a joint venture basis.
- G. GoI vide its letter dated May 5, 1999 addressed to GoK has approved the new Bangalore greenfield airport proposed to be constructed at Devanahalli, Bangalore.



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- H. Following a process of competitive bidding, the Private Promoters have been selected as joint venture partners for the Project.
- I. The Private Promoters had proposed that the Project is feasible only with State Support and lease of Land on concessional terms, as financing for the Project could not be fully met through the equity contributions and the debt financing from Lenders.
- J. In view of the aforesaid, GoI and GoK have agreed to support the Company in terms of Airport Development Agreement, State Support Agreement and Land Lease Agreement.
- K. The Parties desire to co-operate in the operation of the Company to undertake the design, financing, construction, operation and maintenance of the Project on a Non-Recourse Project Financing and joint venture basis.
- L. The Parties desire to record herein their agreement on the structure, scope, management and operation of the Company and wish to set forth their respective rights, obligations and relationship *inter se*.

## IT IS AGREED

### 1 DEFINITIONS AND INTERPRETATION

- 1.1 Definitions : In this Agreement, including in the recitals hereof, the following words, expressions and abbreviations shall have the following meanings, unless the context otherwise requires:

"AAI Equity Cap" means the maximum Equity Contribution of AAI, not exceeding Rs. 50,00,00,000/- (Rupees Fifty Crores).

"Act" means the Companies Act 1956, as the same may be amended, supplemented or revised from time to time.

"Affiliate" means a 100% subsidiary or a company having 100% control, in relation to any Party. For this purpose "control" means the ability to control the composition of the Board and to exercise all voting rights attached to shares of such affiliate at any general meeting.

"Agreement" means this shareholders' agreement, including all attachments and schedules annexed hereto.

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"Airport" means the greenfield international airport proposed to be constructed and made operational in accordance with the Detailed Project Report at Devanahalli near Bangalore, Karnataka, India.

"Airport Development Agreement" or "ADA" means the airport development agreement to be entered into by and among GoK, GoI and Company for designing, engineering, developing, financing, procuring, constructing, operating and maintaining the Airport.

"Articles" means the Articles of Association of the Company, as amended from time to time.

"Board" means the board of directors of the Company constituted in accordance with the provisions of Clause 9 hereof.

"Business Day" means a day on which banks generally are open in Bangalore for the transaction of normal banking business.

"Chairman" shall mean the chairman of the Board elected in accordance with Clause 9.1.

"Commercial Operations" means commercial operation of the Airport as per the Detailed Project Report.

"Commercial Operations Date" means the date on which a license, certification or other appropriate authorisation is obtained by the Company from the Director General of Civil Aviation that the Airport is ready for commencing Commercial Operations.

"Company" means Bangalore International Airport Limited whose incorporation details are annexed in Schedule 1 hereto.

"Crore" means a figure of 1,00,00,000.

"Deed of Adherence" means a deed of adherence substantially in the relevant form set-out in Schedule 2 hereto.

"Detailed Project Report" means the detailed project report based on and derived from the Project Proposal, Master Plan and Schedule 5 hereto, and as agreed between the Private Promoters and State Promoters.

"Development Budget" shall have the meaning given in Clause 4.3.

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"**Development Phase**" means the period commencing from the date of execution of this Agreement till Financial Close.

"**Director(s)**" means the director(s) for the time being of the Company.

"**Equity Commitment**" means the aggregate amount committed to be invested by a Party in Shares, as set out in Schedule 3.

"**Equity Contributions**" means the equity to be subscribed by each Party towards its Equity Commitment.

"**Equity Percentage**" means the percentage of the paid-up equity share capital of the Company held or to be held by each Party in accordance with Clause 7.

"**Fair Market Value**" means the value of Shares calculated using the valuation mechanism mentioned in Schedule 6 hereof.

"**Financial Close**" means the date on which all of the financing projected to be necessary to achieve Commercial Operations becomes unconditionally available to the Company (subject only to giving the necessary notices of draw down thereunder) as per the requirements of the Project.

"**Financing Agreements**" means, collectively, the agreements, instruments and other documents, entered into by the Company (or any other applicable person which is a party thereto) and the Lenders under which debt funding is extended to the Company.

"**GAAP**" means the generally accepted accounting principles of India as published by the Institute of Chartered Accountants of India, from time to time.

"**GoI**" means the Government of India including any department, ministry, authority, board or agency thereof having duly constituted authority under any applicable statutes, rules and regulations in force from time to time.

"**GoK**" means the Government of the State of Karnataka including any department, ministry, authority, board or agency thereof having duly constituted authority under any applicable statutes, rules and regulations in force from time to time.

"**Governmental Approvals**" means all consents, licences, approvals, orders, permits, sanctions or authorisations of, and registrations, declarations and filings with, any Governmental Authority required in connection with the Project and the Project Agreements.

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"**Governmental Authority**" means the GoI, the GoK, and any municipal/local body, having jurisdiction over the matter or matters in question.

"**Guaranteed Maximum Price**" means the maximum cost to achieve Commercial Operations as stated in Schedule 5 attached hereto (being the record of discussions signed on September 21, 2001).

"**ICE**" means Independent Consulting Engineer.

"**IPO**" means an initial public offering of Shares by the Company.

"**Lakh**" means a figure of 1,00,000.

"**Land**" means land totally admeasuring about four thousand three hundred (4,300) acres agreed to be provided by GoK to the Company, for purposes of the Project, on such terms and conditions as agreed and stated in the Land Lease Agreement.

"**Land Lease Agreement**" means the document and / or instrument under which KSIIDC/GoK, as the case may be, shall provide the Land to the Company for the Project.

"**Lender**" means any person providing loans, hire purchase facilities, funds, lease finance or other credit facilities under the Financing Agreements.

"**Listing**" means the listing of the Shares of the Company on a recognised stock exchange in accordance with Clause 16 hereof.

"**Lock-in Period**" has the meaning ascribed thereto in Clause 7.7 hereof.

"**Master Plan**" means the plan, based on the Project Proposal, defining the layout of the Airport installations within the Land boundary, as mutually agreed between the Parties.

"**Material Breach**" means a breach by a Party of any of its obligations hereunder which materially and substantially affects the performance of the transactions contemplated by this Agreement.

"**Memorandum**" means the Memorandum of Association of the Company, as amended from time to time.

"**MoCA**" means the Ministry of Civil Aviation, Government of India.

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"**Non-Recourse Project Financing**" means debt finance provided to the Company by Lenders on the basis that recourse of such Lenders to the Company shall be solely to the assets of the Company but not to its shareholders.

"**Other Investors**" means the investors, other than the Private Promoters, who may hold Shares as stated in Clause 7.4.

"**Parties**" means any two or more of KSIIDC, AAI, Siemens, Unique Zurich and L&T (as the context may require) and their respective successors and permitted assigns in terms of this Agreement.

"**Party**" means any one of KSIIDC, AAI, Siemens, Unique Zurich or L&T (as the context may require) and its successor and permitted assign in terms of this Agreement.

"**Performance Security**" means a bank guarantee provided by the Private Promoters to the State Promoters, for due performance of their obligations hereunder, from a scheduled bank for an amount of Rs. 5,00,00,000/- (Rupees Five Crores).

"**Pre-Agreement Development Costs**" means all direct external and internal costs incurred by the Private Promoters, State Promoters or their respective Affiliates, until the date of execution of this Agreement, for the design, engineering and development of the Project, including but not limited to costs of engineering and design studies, air traffic studies, engaging advisors and/or consultants and other third parties for the same, excluding all costs of Parties relating to (i) acquiring an interest in the Project; (ii) entering into this Agreement or any Project Agreement; and (iii) all legal, travel and overhead costs incurred by the Parties in respect of (i) and (ii) herein. To qualify as a Pre-Agreement Development Cost, each item of cost will be audited and approved as a Pre-Agreement Development Cost by an audit firm / consultant approved by the Parties.

"**Pre-Financial Close Development Costs**" means all costs incurred by the Company out of and in accordance with the Development Budget.

"**Private Promoters**" means Siemens, Unique Zurich and L&T, and such other party as may from time to time be agreed between the Private Promoters and the State Promoters, to be a co-promoter, and their respective successors and permitted assigns, in accordance with the terms hereof.

"**Project**" means the design, engineering, development, financing, procurement, construction, operation and maintenance of the Airport, in accordance with the terms hereof.

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"Project Agreements" for the present, include the following agreements which will be duly executed:

- (a) the ADA;
- (b) the Engineering, Procurement and Construction Contracts;
- (c) the Operation and Management Agreements;
- (d) the Land Lease Agreement;
- (e) Communication & Navigation Services and Air Traffic Management Agreements;
- (f) State Support Agreement;
- (g) Financing Agreements;

and other material contracts to be entered into by the Company in respect of the Project and which are agreed by the Parties to be treated as Project Agreements.

"Project Proposal" means the Private Promoter's proposal dated April 30, 2001 in respect of the Project with modifications and assumptions agreed by the Parties and which forms the basis for the development of the Master Plan and the Detailed Project Report.

"RBI" means the Reserve Bank of India.

"Rs" and "Rupees" means the currency of India.

"Secretary" means the Company Secretary of the Company.

"Shares" means equity shares of the nominal value Rs 10/- each in the equity share capital of the Company.

"State Promoters" means KSIIDC and AAI and their respective successors and permitted assigns.

"State Support" means the direct financial support agreed to be provided by GoK to the Company for the Project in accordance with the State Support Agreement.

"State Support Agreement" means the agreement entered into or to be entered into between the GoK and the Company in connection with GoK providing the State Support.

"USD" means the currency of the United States of America.

1.2 Interpretation : In this Agreement, unless the subject or context otherwise requires,

- (i) References to the singular number shall include references to the plural number and vice-versa;

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- (ii) References to a "person" shall include references to natural persons, partnership firms, companies, bodies corporate and associations, whether incorporated or not or any other organisation or entity including any governmental or political subdivision, ministry, department or agency thereof;
- (iii) References to recitals, Clauses and Schedules are to recitals, clauses and schedules to this Agreement;
- (iv) Any reference herein to a statutory provision shall include such provision, as is in force for the time being and as from time to time, amended or re-enacted in so far as such amendment or re-enactment is capable of applying to any transactions covered by this Agreement.

1.3 Clause headings used herein are only for ease of reference and shall not affect the interpretation of this Agreement.

1.4 The Schedules shall form an integral part of this Agreement.

## 2 CONSIDERATION

In consideration of the mutual agreements and undertakings set out in this Agreement the Parties have *inter se* granted rights and accepted obligations set out in this Agreement.

## 3 CONDITIONS PRECEDENT

3.1 Conditions Precedent to Equity Contribution: Except as provided in Clause 4.3, the obligation of each Party to make its Equity Contribution is subject to the satisfaction or waiver, in each case in form and substance satisfactory to the Parties, of the following conditions precedent:

- (i) Effectiveness of Project Agreements;
- (ii) Receipt of Governmental Approvals necessary for the initiation of the construction of the Airport;
- (iii) Financial Close;
- (iv) Amendment of the Memorandum and Articles in a form and manner mutually agreed by the State Promoters and the Private Promoters; and
- (v) Receipt by the Private Promoters of RBI approval, if required, for its investment in the Company.

3.2 Satisfaction of Conditions Precedent: Each of the Parties will use reasonable endeavours to procure satisfaction of the conditions precedent set out in Clause 3.1. Towards that end the Parties have agreed on a schedule of activities to be undertaken by the Parties and the Company as stated in **Schedule 8** hereto. However, in the event that the conditions

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referred to in Clause 3.1 are not satisfied by September 30, 2002, this Agreement will terminate, unless the Parties shall have mutually reviewed the Project, including the financials thereof, and agreed upon an extension of this time limit for the satisfaction of such conditions.

#### 4 DEVELOPMENT COSTS

- 4.1 Pre-Agreement Development Costs : Subject to the consent of the Lenders, the Pre-Agreement Development Costs incurred by the Parties shall be reimbursed to the Parties by the Company at Financial Close. Should the Lenders consent for such reimbursement be not available, such Pre-Agreement Development Costs shall be capitalised into equity capital against corresponding issue of Shares by the Company at Financial Close. Within fifteen (15) days of execution hereof, each Party shall provide to the other Parties, the details of such costs incurred by it.
- 4.2 State Promoters' Pre-Agreement Development Costs : Amongst the State Promoters' Pre-Agreement Development Costs, are included the costs and expenses incurred for the reimbursement of the losing bidder's bid preparation costs as stipulated in the request for proposal dated March 20, 2000, subject to a maximum of Rs. 5,00,00,000/- (Rupees Five Crores).
- 4.3 Pre-Financial Close Development Costs : Within fifteen (15) days of the execution of this Agreement, the Parties shall agree upon a budget for development costs to be incurred by the Company ("**Development Budget**"). Such Development Budget shall contain itemised expenditure proposed to be incurred by the Company for a specified period. Notwithstanding the provisions of Clause 3.1, the Parties shall fund this Development Budget by equity subscription or advances against equity in the following proportion: (i) the Private Promoters seventy four percent (74%); and (ii) the State Promoters twenty six percent (26%). The Board may make capital calls on the Parties from time to time and issue equity shares at par in respect of such subscription made by the Parties or hold the money received as an advance against equity. All costs incurred from the Development Budget will be Pre-Financial Close Development Costs and will be incurred by and in the name of the Company.
- 4.4 Reimbursement of Development Costs to the Private Promoters in certain circumstances : Should at any time prior to Financial Close any of the following events occur:
- (a) the Project is abandoned by GoK;
  - (b) GoK fails to grant the lease of the Land after the terms have been agreed; or



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- (c) GoK fails to enter into the State Support Agreement after the terms have been agreed,

then the Private Promoters may terminate this Agreement and upon such termination the State Promoters shall (a) reimburse to the Private Promoters, their Pre-Agreement Development Costs, subject to a cap of Rs 5,00,00,000/- (Rupees Five Crores); and (b) reimburse amounts advanced against equity in the event Shares therefor have not been issued or if Shares have been issued to the Private Promoters pursuant to Clause 4.3 then acquire the same at the face value thereof, subject to a cap of Rs 40,00,00,000/- (Rupees Forty Crores).

- 4.5 Reimbursement of Development Costs to the State Promoters in certain circumstances : Should at any time prior to Financial Close the Private Promoters abandon the Project, then the State Promoters shall be entitled to terminate this Agreement and upon such termination, the State Promoters shall be entitled to (a) forfeit the Performance Security referred to in Clause 10.4; and (b) to cause the Company to forfeit the amounts advanced against equity by the Private Promoters in the event Shares therefor have not been issued or if Shares have been issued to the Private Promoters pursuant to Clause 4.3 to acquire all of such Shares at a total consideration of Rs. 100/- (Rupees one hundred only).

## 5 BUSINESS OF THE COMPANY

The main business and activity of the Company shall, until and unless otherwise agreed upon by the Parties, be promotion, development, financing, construction and operation of the Airport ] including any other activity as may be required for its efficient and profitable operation.

## 6 ROLE OF THE PARTIES

- 6.1 Completion of Project Expeditionisly : The Parties recognise that it is imperative for the Project to be completed in accordance with the Detailed Project Report.
- 6.2 Role of Private Promoters : The Private Promoters will undertake management in the following areas of the Company's operations such that the experience and expertise of the Private Promoters becomes available to the Company on an on-going basis:
- (a) Preparation of a comprehensive Master Plan;
  - (b) Preparation of the Detailed Project Report and the design and detailing of the Project in accordance with the Master Plan;
  - (c) Financial Close for the Project, including mobilising debt and equity;
  - (d) Procurement of required clearances for commencing and implementing the Project;

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- (e) Award of Project Agreements in respect of Engineering, Procurement and Construction and Operation and Maintenance;
- (f) Completion of construction of the works within the stipulated time frame in accordance with the Detailed Project Report;
- (g) Implementation of a 'Total Quality Management Program' in accordance with the Detailed Project Report;
- (h) Implementation of an environmental management plan for the construction and operational phases of the Project;
- (i) Completion of installation, testing and commissioning of all machinery, plant, equipment and instrumentation in accordance with the Project Agreements;
- (j) Operation and maintenance of the Airport safely and securely to provide the required levels of service to its users to the standards expected of an international airport as per International Civil Aviation Organisation standards and consistent with the conditions of the license issued by the Director General of Civil Aviation of India;
- (k) Upgradation of the Airport and facilities in a phased manner so as to maintain or improve services to its users in accordance with the Detailed Project Report;
- (l) Marketing, promotion and brand building of the Airport as a commercial and cargo hub to generate and enhance traffic, as envisaged in the Detailed Project Report; and
- (m) Collection, appropriation and allocation of revenue, fees, charges from the users (airlines, passengers, visitors and others) of the Airport and ancillary facilities and / or other activities which the Company is entitled to collect.

6.3 Spirit and Intent of Agreement : Each Party undertakes to act reasonably and in good faith towards each other in the exercise of their rights and discharge of their obligations hereunder with regard to the objectives of the Company.

## 7 SHARE CAPITAL OF THE COMPANY

7.1 Authorised Share Capital : The present authorised share capital of the Company is Rs. 50,00,00,000/- (Rupees Fifty Crores) only, divided into 5,00,00,000 (Five Crores) equity shares of the face value of Rs. 10/- (Rupees Ten) each. The authorised share capital of the Company shall, subject to the terms and conditions of this Agreement, be increased, from its current level to Rs 350,00,00,000/- (Rupees Three Hundred Fifty Crores) to meet the requirements of the Project.

7.2 (a) Issued, Subscribed and Paid-up Capital : The Paid-up Capital of the Company as on the date of this Agreement is Rupees 500,000 (Rupees Five lakhs only) divided into 50,000 (Fifty thousand) Shares of Rs 10/- each and is held as follows:



Name	No. of Shares	Nominal Amount (in Rs)
Mr. N.R. Narayana Murthy	1	10/-
Mr. Rajeev Chandrasekhar	1	10/-
Mr. B.K. Das (nominee of Infrastructure Development Corporation of Karnataka)	49,994	4,99,940/-
Mr. C.K. Neelakanta Raj	1	10/-
Mr. R. N. Chawhan	1	10/-
Mr. G.L. Jere	1	10/-
Mr. Cherian Thomas	1	10/-
Total	50,000	5,00,000/-

- (b) Transfer of Current Shares : The Shares referred to in Clause 7.2.(a) will be transferred to KSIIDC (or their nominees) at the time of the first equity subscription by the other Parties. It is agreed that at any time the Company shall have at least seven (7) shareholders. These would, in addition to the Parties, be nominees holding shares under the Act, on behalf of KSIIDC.

7.3 Shareholding and Capital Structure : Upon subscription to the Shares in accordance with this Agreement, the paid-up capital structure of the Company shall be as follows:

Parties	Percentage of issued and paid up share capital of the Company
Private Promoters and Other Investors (collectively)	74%
State Promoters (collectively)	26%
Total	100%

- 7.4 Other Investors : The Private Promoters shall be responsible for investing and/or arranging investment in the Shares in accordance with the Equity Commitment. Subject to the provisions of Clause 7.7 (iii) which provides the Shares that must be held by the Private Promoters, they may induct Other Investors to hold Shares whether by way of subscription or purchase of Shares from the Private Promoters. Such investors, prior to their induction as shareholders in the capacity of Other Investors, whether by subscription or purchase of Shares from Private Promoters shall:
- have been approved in writing by the State Promoters (which approval shall not be unreasonably withheld or delayed); and
  - have executed a Deed of Adherence in the form at Schedule 2C.

7.5 Equity Contribution : The Parties shall, make their respective Equity Contributions in the respective Equity Percentages and in amounts determined by the Board from time to time, upto their respective Equity Commitments.

7.6 Subscription by State Promoters :

- (i) Subject to (ii) below, upon Financial Close, the State Promoters shall notify the Company and the Private Promoters their respective individual percentage of shareholding, which shall cumulatively be twenty six percent (26%). Each State Promoter shall subscribe to the share capital of the Company such that the number of shares held by such State Promoter would not exceed the percentage of issued and paid up share capital as notified above. In the event, pursuant to a capital call made by the Board, any State Promoter fails to make an Equity Contribution ("Defaulting State Promoter"), the State Promoter not in default ("Other State Promoter") shall be entitled to fund the Equity Contribution of the Defaulting State Promoter. Without prejudice to the other provisions of this Agreement, in the event the Other State Promoter does not fund the Equity Contribution of the Defaulting State Promoter, the Private Promoters may (without any obligation to do so) fund such Equity Contribution.
- (ii) Subject to the AAI Equity Cap, the combined share holding of the State Promoters shall be no less than twenty six percent (26%) of the total paid up share capital and KSIIDC, or its Affiliates, shall contribute to such additional amounts to maintain the combined shareholding of twenty six percent (26%) if the AAI Equity Cap is reached.

7.7 Subscription by Private Promoters :

- (i) The Private Promoters shall subscribe to the Shares directly and / or through their Affiliates, who shall have prior to such subscription executed the Deed of Adherence in the appropriate form.
- (ii) Upon Financial Close, the Private Promoters shall notify the Company and the State Promoters the individual percentage of shareholding of the Private Promoters and the Other Investors, if any, which shall cumulatively be seventy four percent (74%), without prejudice to (iii) below. Each Private Promoter shall subscribe or cause subscription by the Other Investors, if any, to the share capital of the Company such that the number of Shares held would not exceed the percentage of issued and paid up share capital as notified above. In the event, pursuant to a capital call made by the Board, any Private Promoter fails to make an Equity Contribution ("Defaulting Private Promoter"), the Private Promoters not in default ("Other Private Promoters") shall be entitled to fund the Equity

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Contribution of the Defaulting Private Promoter. Without prejudice to the other provisions of this Agreement, in the event the Other Private Promoters do not fund the Equity Contribution of the Defaulting Private Promoter, the State Promoters may (without any obligation to do so) fund such Equity Contribution.

(iii) It is expressly clarified that upon subscription to the Shares in accordance with this Agreement, the shareholding of the Private Promoters shall be subject to the following lock-in restrictions during the periods set out below ("**Lock-in Period**"):

(a) Siemens shall subscribe and hold at least forty percent (40%) of the paid up capital of the Company until a period of three (3) years after the Commercial Operations Date and in no event less than twenty six percent (26%) Shares for a period of seven (7) years after Commercial Operations Date;

(b) Unique Zurich shall subscribe and hold at least five percent (5%) Shares in the paid up capital of the Company until a period of three (3) years after the Commercial Operations Date; and

7.8 Payments for Shares : Subject to Clause 4.1, each of the Private Promoters and the State Promoters agrees to make payment for the Shares agreed to be subscribed by it by paying the cash amount, at par, in bank/s in India as designated by the Company, subject to applicable laws in force in respect thereof.

7.9 Securing payments on Shares : In order to secure due cash payments for Shares by the Private Promoters, each Private Promoter shall prior to Financial Close provide unconditional and irrevocable letters of credit by a reputable bank which may be drawn by the Company if a Private Promoter has not paid its Equity Contribution at the time required by the Board. Provided always that the Company shall not draw upon any such letter of credit until the State Promoters shall have paid-in their corresponding Equity Contributions.

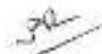
7.10 Commitment to Project : Without prejudice to the provisions hereof, the State Promoters and the Private Promoters intend their participation in the Company and with the Project to be a long term arrangement in an endeavour to achieve Commercial Operations and to ensure sustained stability to the Project.

## 8 FINANCE

8.1 Guaranteed Maximum Price : The Parties agree that after detailed analysis and optimisation of costs, the Private Promoters have offered a Guaranteed Maximum Price for achieving Commercial Operations as set out in Schedule 5 which has been accepted



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by the State Promoters. For purposes of the Guaranteed Maximum Price an exchange rate of USD 1 (United States Dollar One) as equivalent to Rs 50/- (Rupees Fifty) has been assumed.

8.2 Cost Over-runs: The EPC and the other construction and equipment supply contracts to be entered into by Company shall generally be structured on a lump sum, fixed price, time bound and turn-key basis. It is agreed that the aforesaid contracts shall be so structured that, excepting specific circumstances such as force majeure, any cost escalations, over-runs or arrears under any such contracts shall be solely to the account of the contractor.

8.3 Non-Recourse Project Financing: It is the intention of the Parties that the Project will be financed on Non-Recourse Project Financing basis.

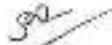
## 9 MANAGEMENT OF THE COMPANY

### 9.1 Board of Directors:

- (i) The Board of the Company shall be responsible for management of the Company and shall have authority with respect to development and management of the Project and all matters relating to the Company. The Board shall at a duly convened meeting and in which quorum is present be competent to exercise by resolution of the Board, all or any of the authority, powers and discretion conferred on the Board under the Act; provided, however, that in respect of the matters set out in Clause 9.4 below, the positive written consent of each of the State Promoters and each of the Private Promoters shall be required.
- (ii) The Board shall initially consist of up to twelve (12) Directors. The Private Promoters shall have the right to appoint and replace up to eight (8) retiring Directors ("Private Promoters' Directors"), AAI shall have the right to appoint and replace up to two (2) non retiring Directors and KSIIDC shall have the right to appoint and replace up to two (2) non-retiring Directors (collectively called "State Promoters' Directors"). The Parties have agreed that the number of Directors would be increased up to fourteen (14) after obtaining the approval of the Central Government as required by Section 259 of the Act and such additional two Directors would be appointed and replaced as follows: KSIIDC - one retiring Director and Private Promoters : one retiring Director. Any further increase in the strength of the Board shall be determined mutually by the Parties.



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Should the equity holding of State Promoters fall below twenty six percent (26%), their entitlement to nominate Directors shall be as follows:

Shareholding percentage	Number of Directors
0 – below 10%	One
10 – below 20%	Two
20 – below 26%	Three

- (iii) The Managing Director shall be appointed by the Board from amongst the Private Promoters' Directors and shall be responsible for the day to day management of the Company.
- (iv) The Chairman of the Board shall be elected by the Directors from amongst the State Promoters' Directors. The Chairman shall not be a whole time Director of the Company and shall have no executive powers. Neither the Chairman nor any other person who may preside at any general meeting or at any meeting of the Board or a sub committee thereof shall have a second or casting vote. If the Chairman is not present at a Board meeting, the Directors who are present may appoint an acting Chairman for the purpose of the Board meeting.
- (v) Any Director (an "Original Director") shall be entitled to appoint another Director (an "Alternate Director") to act for and in place of the Original Director, in accordance with the provisions of the Act. The Alternate Director shall be entitled to receive notice of all meetings and to attend and vote at such meetings in place of the Original Director and generally to perform all functions of the Original Director in his absence.
- (vi) Each of the Parties shall exercise all rights and powers available to it (including exercising its votes at general meetings) to procure that effect is given promptly to each nomination which is made by any Party in accordance with this Clause with regard to the appointment and/or removal and replacement of Directors.
- (vii) The Directors shall not be entitled to sitting fees, but shall be entitled for reimbursement of all reasonable actual costs and expenses, such as travel, boarding, lodging and such other reasonable incidental expenses incurred by the Directors for attending meetings of the Board, unless otherwise agreed by the Parties in a general meeting.
- (viii) The Parties agree that the Board shall be constituted in accordance with Clause 9.1(ii) within fifteen (15) days of the execution hereof.



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


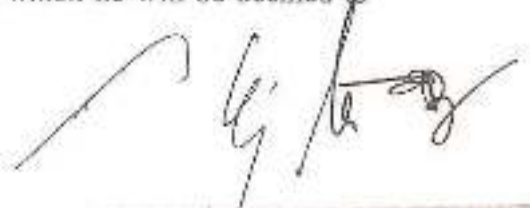
9.2 Board Meetings:

Each Party shall exercise all rights and powers available to it to ensure that the Directors adopt the following rules in relation to Board meetings:

- (i) Board meetings are held at least every three (3) months or more frequently as agreed by a majority of the Board;
- (ii) Unless otherwise agreed by all Directors, fourteen (14) days' written notice specifying the time and place of the meeting is given to each Director at his address, of each meeting setting out the agenda for the meeting in reasonable detail and attaching the relevant papers to be discussed at the meeting and all relevant data and information relating to matters to be discussed at the meeting;
- (iii) Within three (3) days of receipt of the written notice set out in (ii) above, a Director may by written notice to the Company, request for inclusion of any other matter in the agenda or any change in the agenda and the Company shall circulate the agenda, as amended in conformity with the comments received from Directors, at least seven (7) days prior to the date of the meeting;
- (iv) The quorum for any meeting shall include at least three (3) Directors from the Private Promoters' Directors and two (2) Directors from the State Promoters' Directors;
- (v) If no quorum, as provided in (iv) above, is present within one hour of the appointed time for the meeting, the meeting shall stand adjourned upon a request from any Director not earlier than two (2) days but not later than fourteen (14) days after the first meeting. In such second meeting, one-third of the Directors shall constitute quorum;
- (vi) Each Director may cast one vote;
- (vii) Decisions of the Board shall be made on the basis of a simple majority vote at a duly convened meeting at which a quorum is present provided that in respect of matters set out in Clause 9.4, the written consent of each of the Private Promoters and each of the State Promoters shall be required;
- (viii) The Secretary shall circulate draft minutes of each Board meeting to all the Directors (including alternate present at that meeting) within ten (10) days of the date of the meeting. Each Director (or alternate) present at that meeting may, within ten (10) days of receipt of the draft minutes, communicate his approval or comments on such minutes to the Secretary, failing which he will be deemed to



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have approved such minutes. Minutes will be signed by the Chairman at the next Board meeting following the meeting to which they relate and shall include the objections or dissent, if any, communicated by any of the Directors to the Secretary in the manner mentioned above; and

- (ix) In lieu of a duly constituted meeting as above and subject to Section 292 of the Act, any resolution of the Board shall be considered to be duly passed if the resolution has been circulated in writing to all Directors together with necessary data and information, and signed by the requisite majority of the Directors; provided that in respect of matters mentioned in Clause 9.4, the written consent of each of the Private Promoters and each of the State Promoters shall be required.

9.3 Board Committees : The Board may appoint such committees and delegate such powers as may be determined by the Board. At least one (1) State Promoter Director shall be appointed on each such Committee. The Board may make rules with regard to the functioning of such committees. Decisions of the committee shall be on the basis of majority, except that in respect of matters set out in Clause 9.4 the written consent of the Private Promoters and the State Promoters shall be required.

9.4 Matters requiring consent of Private Promoters and State Promoters : The Company shall not take any decision or undertake any action in respect of the following matters, until the written consent of the Private Promoters and the State Promoters shall have been obtained:

- (a) Borrow, take loans or incur any indebtedness to an aggregate limit (together with any liability then existing on such account) in excess of Rs. 25,00,00,000/- (Rupees Twenty Five Crores) for purposes of liquidity management. Provided that the consent as aforesaid shall not be required for the following:
- (i) borrowing pursuant to Financing Agreements;
  - (ii) giving of any guarantee, indemnity, performance bonds or incurring any similar contingent liability in the ordinary and normal course of business;
  - (iii) borrowing for the purposes of and up to the limit set out in Clause 9.8.
- (b) The disposal of substantial undertaking or assets of the Company having a financial impact in excess of an aggregate amount of Rs. 10,00,00,000/- (Rupees Ten Crores) in each financial year;
- (c) Except as provided in Clause 9.7, any change of the authorised share capital of the Company, capital structure and issuance of further capital;
- (d) The approval of Project Agreements;
- (e) Substantially expanding or reducing the business of the Company;
- (f) IPO or listing of Shares or securities of the Company and the terms thereof,



- (g) Any change in the nature of the business of the Company or any alteration to the Memorandum and/or Articles or any change in the name or registered office of the Company;
- (h) Any winding-up, liquidation or dissolution of the Company or buy-back of Shares by the Company or any reduction in the share capital of the Company;
- (i) Any use of the Land otherwise than as provided in the Detailed Project Report;
- (j) Any resolution to acquire or dispose of any interest in any other company, partnership or business, or enter into a joint venture or a strategic alliance;
- (k) The granting of any loans by the Company (other than any advance payments, trade credits for periods upto ninety (90) days and accounts receivable); and
- (l) any transfer of Shares otherwise than in accordance with this Agreement.

The Parties shall vote, to the extent of their respective shareholding in the Company and nominee Directors on the Board to cause the Company to comply with the provisions of Clause 9.4 above.

9.5 Meetings and Resolutions of Shareholders:

- (i) No business shall be transacted at any general meeting unless a quorum is present at the meeting. The quorum shall be one (1) representative of each of the Private Promoters and the State Promoters. If no quorum is present within one hour of the appointed time for the meeting, the meeting shall stand adjourned upon a request from any of the Private Promoters or State Promoters to a date not earlier than three (3) days but not later than fourteen (14) days after the first meeting and if no quorum is present at such reconvened meeting the shareholders present at such meeting shall constitute the requisite quorum.
- (ii) Subject to applicable law, all resolutions of the shareholders may be passed at any meeting of the shareholders by simple majority, provided that in respect of the matters set out in Clause 9.4, the written consent of the Private Promoters and the State Promoters shall be required.
- (iii) The Chairman of the Board shall act as the Chairman of all general meetings of the Company.

9.6 Local Sourcing and Training of Local Personnel :

- (a) Training of Local Personnel : The Private Promoters will endeavour to train appropriate local personnel to develop the talent and create local capacity for undertaking the operations of the Airport.

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- (b) Local Sourcing : The Parties will endeavour to promote the procurement by the Company of services and materials from local sources to the extent practicable and feasible, in particular to achieve cost savings envisaged in paragraphs 4(c) and 5 of Schedule 5 hereto.

9.7 Circumstances in which further Capital may be raised by simple majority :

- (i) In the unlikely event the Company suffers operating losses, the funding whereof has not been provided for in the business plan, the Board may appoint a financial consultant to advise on the possible means of financing that the Company may pursue. It is agreed by the Parties that to the extent possible such financing shall be first through internal accruals and thereafter borrowings. However, should there be inadequate internal accruals or borrowings are not available on reasonable terms, the Board may, by a simple majority approve the issuance of further equity through a rights issue to the extent reasonably necessary to fund the uncovered operating losses.
- (ii) If any change in law (including any change in enactment, legislation, regulation, rule, notification, order or directive having statutory force) subsequent to the finalisation of the Detailed Project Report requires a change in the scope of the Project which results in additional capital expenditure, the financing whereof cannot be covered in contingencies or otherwise in the business plan, the Board may appoint a financial consultant to advise on the possible means of financing that the Company may pursue. It is agreed by the Parties that to the extent possible such financing shall be first through borrowings. However, should borrowings be not available on reasonable terms, the Board may, by a simple majority approve the issuance of further equity through a rights issue to the extent reasonably necessary to fund such additional capital expenditure.

9.8 Unforeseeable Events :

- (a) Should the Project be impacted financially or otherwise due to any unforeseeable event beyond the reasonable control of the Private Promoters, the following process will be followed:
- (i) The Parties shall consult with each other upon the course of action to mitigate such risk or costs and the manner of financing, if any, required.
- (ii) In such an event the Board may appoint a financial consultant to advise on the possible manner of financing that the Company may pursue.
- (iii) Pending agreement between the Parties on the manner of financing, the



Board may, if it is expedient to do so, raise borrowings or debt on such terms as may be deemed appropriate to meet any financing requirements arising due to the aforesaid event subject to an aggregate limit (together with any existing loan obtained for the purpose of this Clause 9.8) of Rs. 25,00,00,000 (Rupees Twenty Five Crores). The Parties agree that for such financing the Private Promoters may grant unsecured subordinate debt.

- (iv) Should the Parties mutually agree that instead of or in addition to any borrowing, such financing or any part thereof should be through equity subscription by the Parties, then any subordinated debt provided by the Private Promoters may be converted to equity.
- (b) The Parties recognise and agree that the risks and costs resulting from unforeseeable events, to the extent possible, shall be caused to be assumed by concerned third parties and / or appropriately insured against, such that protection against such risks and costs is available.

## 10 PROJECT IMPLEMENTATION

- 10.1 Project Agreements : The Parties recognise that the Project Agreements are to be executed with parties selected by the Board. It is recognised that the selection of the Private Promoters has been made, *inter-alia*, on the basis that the Private Promoters have experience in handling diverse components of the Project. Consequently, it is further recognised that it is the expectation of the Private Promoters that they and / or their Affiliates will enter into Project Agreements with the Company for certain components of the Project.
- 10.2 Implementation : As the Private Promoters have the necessary experience, expertise and ability to implement the Project, the Company shall enter into appropriate Project Agreements with Siemens AG and / or Siemens India Limited (which for the purpose of this Clause is deemed an Affiliate of Siemens), Unique Zurich and L & T. Accordingly, the Private Promoters undertake to implement the Project through due performance by each of them or by the respective concerned Affiliate, of the respective Project Agreements aforesaid under the terms thereof.
- 10.3 Fundamental Principles : The Parties agree that the entering into of the aforesaid Project Agreements shall be subject to the fulfilment of the fundamental principles set out in Clause 11.1 hereinafter.
- 10.4 Performance Security : The Private Promoters have provided a Performance Security, in the form agreed between the Parties, in favour of KSIIDC. Such Performance Security shall be kept effective, valid and duly renewed until the Commercial Operations Date.

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**Schedule 2A** duly executed by the transferee; (ii) the written agreement of the transferee that in the event the transferee shall cease to be an Affiliate of any Private Promoter or State Promoters it shall prior to such event transfer all Shares held by it in the Company to the relevant Private Promoters or the State Promoters, as the case may be, or to another Affiliate(s) of the relevant Private Promoter or State Promoters, as the case may be; and (iii) a guarantee from the relevant Private Promoter or the State Promoter substantially in the form of **Schedule 4** guaranteeing the due performance and discharge of the obligations of the transferee.

- (d) Subject to Clause 7.7, an Affiliate of the Private Promoters or the State Promoters (who is the transferee of any Shares pursuant to Clause 12.3(c) hereof) shall also have the right at any time to transfer any of the Shares held by it to another Affiliate of such Party whose Share entitlement it holds, who is capable of undertaking the obligations of the transferor herein. Provided that the transferor shall have prior to such transfer obtained (i) a Deed of Adherence in the form as set out in **Schedule 2A** duly executed by the transferee, and (ii) the written agreement of the transferee that in the event the transferee shall cease to be an Affiliate of Private Promoter or State Promoters it shall prior to such event transfer all Shares held by it in the Company to the relevant Private Promoter or State Promoter, as the case may be, or to another Affiliate(s) of relevant Private Promoter or State Promoters, as the case may be; and (iii) a guarantee from the parent company of the relevant Private Promoter or the State Promoter substantially in the form of **Schedule 4** guaranteeing the due performance and discharge of the obligations of the transferee.
- (e) A Party may insure its investment in the Project against political risks (such as expropriation and nationalisation) which would result in a substantial deprivation of such investment. The Parties acknowledge and agree that if and only if it is a condition to the grant of such insurance cover that in the event of the occurrence of the aforesaid insured event the Shares of such Party must be transferred free of the rights of third parties to the relevant insurer or its nominees, such Party shall be entitled, in the event it makes a claim under the insurance, to so transfer its Shares. As and when such insurance is obtained by a Party, it shall notify the other Parties thereof, unless otherwise precluded by the terms of such insurance policy.

12.4 Other Transfers : After the applicable Lock-in Period, if any, or prior thereto if unanimously agreed by all the Parties, any transfer of Shares by a Party shall be subject to the following conditions:



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- (a) If a Party or its Affiliate is desirous of selling some or all of its Shares (the "Offered Shares") in the Company, such Party ("the Offeror") shall notify ("Notice of Sale") all the other Parties in writing of such desire together with the purchase price at which it is desirous of selling the Offered Shares ("Purchase Price").
- (b) The other Parties ("Offerees") shall have for a period of thirty (30) days from the Notice of Sale ("Option Period"), the right to purchase all (but not any part) of the Offered Shares in proportion to their respective Equity Percentage or such other percentage as agreed amongst the Offerees at the Purchase Price ("Option Number"). Before the end of the Option Period, the Offerees shall notify the Offeror of their desire and the number of Shares they propose to purchase ("Notice of Purchase").
- (c) If at the expiry of the Option Period, the Offeror has not received Notices of Purchase for all of the Offered Shares which are the subject of the relevant Notice of Sale, the Offeror shall be free to sell all (but not any part) of the Offered Shares to any person(s) at a price and terms and conditions no less favourable than in the Notice of Sale within one hundred eighty (180) days from the expiry of the Option Period.
- (d) If the Offeror receives Notices of Purchase from the Offerees for all of the Offered Shares in the Notice of Sale, the Offerees shall be obliged to pay the price and complete the sale within thirty (30) days of the expiry of Option Period against delivery of share certificates representing the Shares in question, along with share transfer deeds, duly executed by the transferors thereof, and their signatures thereon duly verified by the Company. Each Notice of Sale and Notice of Purchase shall be irrevocable.
- (e) If the Purchase Price is not received from the Offerees for all of the Offered Shares, which are the subject of a Notice of Sale within the aforesaid period, the Offeror shall be free to deal with such Shares as if no Notice of Purchase has been received. If the Offeror receives Notices of Purchase for more Shares than contained in the Notice of Sale, then the Offered Shares shall be sold to the Offerees pro rata to their offers of purchase.
- (f) Should approval of an authority in India be required for such sale, the time taken for obtaining any such approval shall not be counted towards the time limits set out above. The Parties shall co-operate with each other for procuring the necessary approvals. If such approval is not received within ninety (90) days of the commencement of the Option Period, then the Offeror shall be free to deal

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with all (but not any part) of the Offered Shares in the manner described in (b) above, as if no Notice of Purchase has been received.

- (g) Any transfer to a third party pursuant to Clause 12.4(c) above, shall be finally effective only if the Offeror, before the transfer takes place, causes such third party to expressly agree in writing in the form of Deed of Adherence at **Schedule 2B** to be bound by all terms and conditions of this Agreement, as a Party hereto.
- (h) Any attempted sale, transfer or other disposition not in compliance with this Clause shall be a breach of this Agreement and the Parties expressly agree that the Party not in breach shall be entitled to, without prejudice to its other rights and remedies, injunctive relief to prevent such a breach by the other.
- (i) For the avoidance of doubt, none of the restrictions on transfer of Shares contained in this Agreement shall apply (i) to transfers under Clause 18; and (ii) after the IPO.

12.5 Sale of Other Investor' Shares : The Other Investors may sell their Shares ("Other Investor Shares") to the Private Promoters or their Affiliates on terms to be agreed between them. However, in the event the Private Promoters or their Affiliates do not acquire the Other Investor Shares, the State Promoters shall have the right of first refusal to acquire the same and the procedures of Clause 12.4 shall accordingly apply. If the Private Promoters or the State Promoters or their Affiliates do not acquire the Other Investor Shares as aforesaid, the Other Investor Shares may be sold to any third party or parties who have executed a Deed of Adherence in the form attached hereto as **Schedule 2C** agreeing to be bound by the terms hereof.

12.6 Rights and Obligation of Parties in the event of transfer: For the avoidance of doubt, the rights and obligations under this Agreement of a Party whose Shares are transferred pursuant to and in accordance with the terms hereof, other than in respect of any rights and obligations accrued prior to such transfer, shall cease upon such transfer, subject to the following:

- (a) any director or directors nominated by a Party who ceases to be a shareholder shall resign from the Board without any claim or compensation or payment whatsoever;
- (b) the provisions of Clause 21 shall continue to apply to all Parties including the Party who has ceased to be a shareholder.

### 13 DIVIDENDS

The Company in general meeting may declare dividends, but no dividend shall exceed the amount of dividend recommended by the Board. While recommending the declaration of any dividend, the Board will have regard to and consider the expansion plans of the



Airport, taking into account the traffic growth, and the need for making provisions therefor.

#### 14 RESERVES

The amount of profit transferred each year to the reserve established by the Company pursuant to Section 205 (2A) of the Act shall be no greater than that required by Section 205 (2A) of the Act and the rules prescribed pursuant thereto. The Parties hereto shall from time to time and at least once during each fiscal year review and prescribe the manner in which such reserves shall be invested.

#### 15 AUDIT AND ACCOUNTS

15.1 GAAP : The Parties shall cause the Company to keep true and accurate accounts and records in accordance with GAAP.

15.2 Information to Parties : The Company shall supply the Parties with the following information:

- (a) the audited financial statements as required under GAAP of the Company for each financial year as soon as practical, and at the latest by four (4) months after the end of that financial year;
- (b) the unaudited quarterly financial statements of the Company for each quarter of each financial year as soon as practical, and at the latest by two (2) months after the end of such quarterly period;
- (c) all information relating to the Project required to be provided in relation to any dividend distributions of the Company to be made pursuant to Clause 13 of this Agreement;
- (d) all information relating to the Project required to be provided to any Lenders to the Company; and
- (e) all information relating to the Project to permit the Parties to audit the Company's records for whichever is the longer of the period for two (2) years following the end of the relevant year or as required by applicable law.

15.3 Inspection by Parties : The Parties shall cause the Company to permit duly authorised representatives of each of the Parties (subject to such representatives executing a suitable confidentiality undertaking) to inspect all accounts and records of the Company during regular business hours.

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15.4 Financial Information : The Private Promoters shall provide the State Promoters annually, copies of their Annual Reports, Balance Sheets and Profit & Loss accounts, certified by its auditors and accompanied by an English translation thereof.

## 16 LISTING

16.1 Initial Public Offering : The Parties agree that they shall consult and discuss with each other at an appropriate stage during the term of this Agreement the possibility of having an IPO.

16.2 Listing : If the Parties so determine and upon receipt of the requisite approvals, the Company shall take steps to list the Shares on one or more stock exchanges.

16.3 Expenses : All expenses directly related to the IPO or offer for sale or for Listing, such as payment of fees to the lead manager, brokerage and underwriting, Listing fees, printing charges, fees payable to the registrar and other related expenses shall be borne and paid by the Company.

## 17 REPRESENTATIONS AND WARRANTIES

17.1 Representations & Warranties of KSIIDC: KSIIDC represents and warrants to the Parties that:

- (a) The Company is a limited liability company duly incorporated and validly existing under the laws of India and has complied under all laws and regulations applicable to it.
- (b) Neither the execution and delivery of this Agreement or the Project Agreements nor the compliance with the terms of such Agreements will violate the Memorandum and Articles of Association.
- (c) The Company has no subsidiaries and has never had a subsidiary.
- (d) Other than as stated in the latest financial statements of the Company, the Company has no liabilities or obligations other than its paid up share capital and those liabilities or obligations imposed upon it solely by virtue of its incorporation.
- (e) Except as otherwise disclosed in writing, the Company has not entered into any agreements or any other arrangements which creates any liabilities or obligations on the Company.



- (f) There are no actions, suits, proceedings, orders, investigations or claims pending or threatened against the Company before any government agency, governmental department, commission, board, bureau or instrumentality.
- (g) To the best of its knowledge, all returns, computations and payments which should have been made by the Company for Indian tax purposes have been duly made and tax has been duly deducted or accounted for.
- (h) To the best of its knowledge, the Company has not violated any law or governmental rule, regulation or requirements.
- (i) As of the date of this Agreement, the authorised share capital is Rs 50,00,00,000 (Rupees Fifty Crores), divided into 5,00,00,000 (Five Crore) ordinary shares of Rs 10/- each par value, of which 50,000 (fifty thousand) are issued and fully paid and all of such issued shares are owned and held as stated in Clause 7.2.
- (k) There are no agreements or arrangements in force which provide for the present or future allotment, issue or transfer of, or grant to any person the right to call for the allotment, issue or transfer of any ordinary share or loan capital of the Company (including any option or right of pre-emption or conversion).

17.2 Representations & Warranties of Private Promoters : Each Private Promoter represents and warrants to the State Promoters and the Company that:

- (a) As of the date of this Agreement, it continues to comply with the eligibility criteria, as set out in the Request For Proposal, for undertaking the Project, including requirements of minimum net worth, annual turnover and cash accruals.
- (b) The execution or performance of this Agreement by it does not breach or conflict with any of its obligations.
- (c) All information, data and documents provided by it to the State Promoters is true and correct in all material respects.

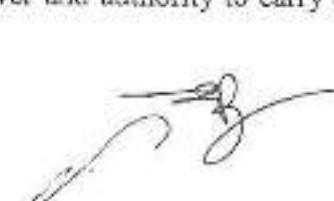
17.3 Representations & Warranties of Parties : Each Party represents and warrants to the other that:

- (a) It is duly organised and validly existing under the laws of the country of their incorporation or origin and have all requisite power and authority to carry on its business as it is now being conducted.



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- (b) This Agreement constitutes its valid, legally binding and enforceable obligation.
- (c) It shall take such further acts, execute and deliver such further instruments and documents, and generally do all such other things as may be reasonably necessary to accomplish the transactions contemplated in this Agreement.
- (d) It has taken all necessary action, corporate or otherwise, as applicable to them to authorise or permit the execution, delivery and performance of this Agreement and the transactions contemplated in this Agreement.
- (e) The execution, delivery or performance of this Agreement by it will not: (i) constitute a breach or violation of its the memorandum or articles of association or in the case of AAI, the Airports Authority of India Act, 1994, as the case may be ; (ii) conflict with or constitute a default under or breach of performance of any of its obligation; or (iii) result in a violation of any law, regulation, administrative order or judicial order applicable to it or its business or assets.
- (f) There is no action, suits, proceedings or investigations pending against it before or by any court, tribunal or Governmental Authority or instrumentality, domestic or foreign, which may materially and adversely impact any its ability to perform its obligations hereunder.

17.4 Receipt of Documentation : Private Promoters agree that they have received from the State Promoters all documents requested by them. Parties confirm that they have taken the decision to enter into this Agreement based on their own judgement.

## 18 TERM AND TERMINATION

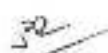
18.1 Term : This Agreement shall be effective upon its execution and shall continue in full force and effect from the date hereof until terminated in accordance with the terms hereof.

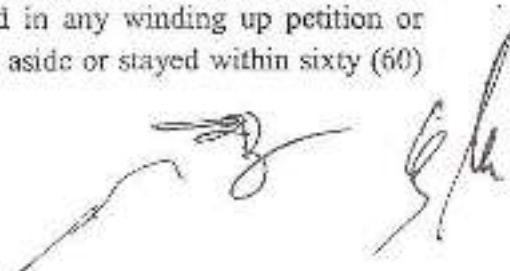
18.2 Insolvency Event and its consequences:

18.2.1 For the purposes of this Clause 18, an "Insolvency Event", with regard to a Party, shall mean one or more of the following events (a) a receiver or trustee (excluding debenture trustees and security trustees) has been appointed over its assets, and such appointment is not dismissed or withdrawn or such receiver or trustee has not been discharged as the case may be within sixty (60) days of such appointment, or (b) if it is dissolved or liquidated ; or (c) a resolution for its voluntary winding up has been passed or (d) a liquidator or provisional liquidator has been appointed in any winding up petition or insolvency filed against it which appointment is not set aside or stayed within sixty (60)



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days of such appointment. For avoidance of doubt, it is clarified that exercise of any powers by the GoI under the Airports Authority of India Act, 1994 with respect to AAI or its property, including but not limited to reconstitution thereof shall not be an event of insolvency.

18.2.2 (a) If a Private Promoter suffers an Insolvency Event (the "Affected Party") and subject to the approval (if any is required) of the relevant court or judicial authority, the other Private Promoters shall within a period of ninety (90) days either (i) acquire the Shares held by the Affected Party and its Affiliates or (ii) identify a third party, such party to be reasonably acceptable to the State Promoters, willing to acquire such Shares provided that if the State Promoters shall not have granted approval or rejected such proposed third party within thirty (30) days of being notified, the third party so proposed shall be deemed to have been approved. The purchase price for such Shares shall be the Fair Market Value. The Affected Party hereby agrees that if it suffers an Insolvency Event it shall be obliged to sell its Shares in the manner contemplated by this Clause 18.2.2.

(b) In the event that the other Private Promoters elect not to so acquire such Shares or fail to identify a third party willing to acquire such Shares, the State Promoters shall be entitled to require that such Shares be sold to the State Promoters or any third party or parties selected by the State Promoters at Fair Market Value, and the Affected Party and its Affiliates shall be obliged to sell the same as aforesaid.

18.2.3 (a) If a State Promoter suffers an Insolvency Event (the "State Affected Party") and subject to the approval (if any is required) of the relevant court or judicial authority, the other State Promoter shall within a period of ninety (90) days either (i) acquire the Shares held of the State Affected Party and its Affiliates in the Company or (ii) identify a third party willing to acquire such Shares. The purchase price for such Shares shall be the Fair Market Value. The State Affected Party hereby agrees that if it suffers an Insolvency Event it shall be obliged to sell its Shares in the manner contemplated by this Clause 18.2.3.

(b) In the event that the other State Promoter elects not to so acquire such Shares or fails to identify a third party willing to acquire such Shares, the Private Promoters shall be entitled to require that such Shares be sold to the Private Promoters or any third party or parties selected by the Private Promoters at Fair Market Value, and the State Affected Party and its Affiliates shall be obliged to sell the same as aforesaid.

18.3 Private Promoter's Material Breach and its Consequences :

*Sum*

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*302*

*[Handwritten signatures]*

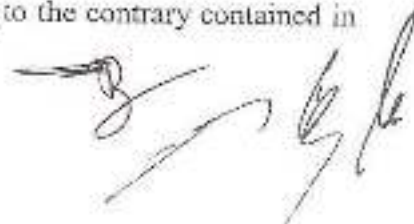
- (a) If a Private Promoter is in Material Breach of this Agreement ("Defaulting Private Promoter") and fails to rectify the same forthwith, any other Party may serve a notice on such Defaulting Private Promoter (with copies to each of the other Parties) requiring rectification of such Material Breach within thirty (30) days of the service of such notice. If such Material Breach is not so rectified then the other non-defaulting Private Promoters shall have the right within a further period of sixty (60) days, either (i) to acquire the Shares of the Defaulting Private Promoter and its Affiliates or (ii) identify a third party reasonably acceptable to the State Promoters, willing to acquire such Shares. The Defaulting Private Promoter and its Affiliates shall be obliged to sell the same as aforesaid. The price for such Shares shall be the lesser of (i) the par value and (ii) Fair Market Value.
- (b) In the event that the non-defaulting Private Promoters elect not to acquire the Shares or fail to identify a third party, the State Promoters shall be entitled to exercise all or any one or more of the following rights:
- (i) require that the Defaulting Private Promoter transfer all Shares held by it and its Affiliates to the State Promoters or any third party or parties selected by the State Promoters at fifty percent (50%) of the par value or fifty percent (50%) of Fair Market Value, on the date of transfer, which ever is lower, and the Defaulting Private Promoter and its Affiliates shall be obliged to sell the same as aforesaid;
  - (ii) require that any or all of the non defaulting Private Promoters transfer all Shares held by it / them and its / their respective Affiliates, to the State Promoters or any third party or parties selected by the State Promoters at seventy five percent (75%) of the par value or seventy five percent (75%) of Fair Market Value, on the date of transfer, which ever is lower, and such Private Promoter and its Affiliates shall be obliged to sell the same as aforesaid;
  - (iii) require that the Company terminate any Project Agreement/s to which the Defaulting Private Promoter or the non-defaulting Private Promoter, whose Shares have been transferred under sub-clause (b)(i) and (ii) above, and/or its Affiliate is a party.

18.4 State Promoter's Material Breach and its Consequences :

- (a) If a State Promoter is in Material Breach of this Agreement ("Defaulting State Promoter") and fails to rectify the same forthwith, any other Party may serve a notice on such Defaulting State Promoter (with copies to each of the other Parties) requiring it to rectify such Material Breach within thirty (30) days of the service of such notice. If such Defaulting State Promoter fails therein, then the other non-defaulting State Promoter shall within a further period of sixty (60) days, acquire the entire shareholding interest in the Company of such Defaulting State Promoter and its Affiliates.



- (b) In the event that the non-defaulting State Promoter fails to do so, a Private Promoter shall be entitled to require the State Promoters to:
- (i) purchase all the Shares held by such Private Promoter and its Affiliates at the Fair Market Value or par value, whichever shall be the higher;
  - (ii) relieve such Private Promoter from any outstanding obligations undertaken by it to the Lenders to the Company under the Financing Agreements;
  - (iii) reimburse any sub-ordinated debt advanced by such Private Promoter to the Company in terms of Clause 9.8 hereof; and
  - (iv) reimburse any amounts paid by such Private Promoter to any Lender to the Company in respect of any borrowing undertaken by the Company, subject to Clause 9.4(a) hereof, and that the State Promoters relieve such Private Promoter from any outstanding guarantees in respect of such borrowing.
- 18.5 Consequences of Termination : Any termination of this Agreement pursuant to the provisions of Clause 3.2 or this Clause 18 shall be without prejudice to:
- (a) any accrued obligations and any right of action or remedy that may have accrued to any Party prior to such termination;
  - (b) the provisions of Clause 21 shall continue to apply to all Parties, including the Party against whom the termination provisions are invoked.
- 18.6 Continuing Parties to be bound by this Agreement : For the avoidance of doubt (i) the rights and obligations of the Party whose Shares have been transferred under this Clause 18 shall, other than in respect of rights and obligations accrued prior to such transfer, cease upon such transfer and (ii) all of the other Parties shall continue to be bound by this Agreement.
- 18.7 Parties to incorporate enabling provisions in Project Agreements : The Company and the Parties record their intent that they shall seek to incorporate appropriate enabling provisions in the Project Agreements with the Private Promoters/their respective Affiliates for implementation of the provisions of Clause 18.4(b)(iii).
- 18.8 Implementation : The Parties agree and undertake that each of them shall take all necessary steps to implement and give full effect to the provisions of this Clause.
- 18.9 Exclusive Remedies : The Parties agree that the remedies expressly stated in this Agreement shall be the sole and exclusive remedies of the Parties for liabilities to one another arising out of or in connection with this Agreement.
- 18.10 Liability for Consequential Loss : Notwithstanding anything to the contrary contained in



this Agreement, in no event shall any Party, its officers, employees or agents be liable to any other Party (on the basis of breach of contract, indemnity, warranty or tort, including negligence and strict or absolute liability, or breach of statutory duty or otherwise) for any matter arising out of or in connection with this Agreement in respect of any Consequential Loss suffered by such other Party. Each Party undertakes not to sue any other Party, its officers, employees, agents in respect of such Consequential Loss.

For the purposes of this provision, "Consequential Loss" means any indirect or consequential loss (including loss of production, loss of profit, loss of revenue, loss of contract, loss of goodwill, liability under other agreements or liability to third parties) resulting from such breach and whether or not the Party committing the breach knew, or ought to have known, that such indirect or consequential loss would be likely to be suffered as a result of such breach and includes the payment or repayment of any amounts (or any acceleration thereof) to lenders or creditors of the aggrieved Party from time to time but excludes death or personal injury resulting from the negligence of the Party liable, its officers, employees or agents.

## 19 SHAREHOLDERS' AGREEMENT TO PREVAIL

- 19.1 Memorandum and Articles : The Parties agree that the Memorandum and Articles of the Company will to the extent legally permissible include the provisions of this Agreement. Accordingly, the Parties will, within a period sixty (60) days hereof, agree upon the amendments to be made in the Memorandum and Articles for the purpose aforesaid. The Parties shall cause the Company to adopt such amended Memorandum and Articles.
- 19.2 Supremacy as regards Parties : To the extent that any of the provisions of this Agreement conflict with any of the provisions of the Articles of the Company, the provisions of this Agreement shall prevail as between the Parties hereto, subject to applicable law.

## 20 ASSIGNMENT

No Party may assign any of its respective rights or obligations hereunder without the prior written consent of the other Parties.

## 21 CONFIDENTIALITY, NON-DISCLOSURE & SECRECY

- 21.1 Information Confidentiality : All Parties acknowledges that any and all commercial and technical information and data provided by one constituent to the other or to the Company shall be considered to be confidential and the constituent receiving such information and data shall not, at any time, directly or indirectly disclose such information and data to any person firm or use the same in any manner other than in connection with the pursuit of this Agreement, without the prior consent of the relevant

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other constituent. The constituents shall cause the Company to be bound by this obligation of secrecy and non-disclosure in respect of information and data provided to it by any of the constituents.

- 21.2 Exceptions : The obligation towards confidentiality shall, however, exclude: (i) such information and data which are already in the public domain or which needs to be disclosed by law, as requested by a court of law; (ii) any disclosure by a Party in connection with any proposed transfer of its Shares to a third party (subject to obtaining an appropriate confidentiality undertaking of such third party); (iii) any disclosure required to be made by the State Promoters and Private Promoters to the GoI and/or GoK or to any other Governmental Authority for the purpose of obtaining consents, permits and approvals; and (iv) any disclosure to potential financiers or arrangers or investment banks for purposes of financing of the Project.
- 21.3 Duration : The obligations in this Clause 21 shall survive termination of this Agreement for 5 (five) years.
- 21.4 Binding Nature : Each Party hereto undertakes that it and its Affiliates and its nominees and employee of such Party and each employee of such Affiliate and nominee shall not, without limit in point of time, whether during the terms hereof or after the termination of this Agreement, divulge or communicate to any third party (except as may be necessary for such Party to exercise its rights and perform its obligations hereunder or as may be required by law) or use for its own purpose any information about the private affairs of the Company or another Party or its Affiliates or nominees.
- 21.5 Public Announcement : No public announcement or disclosure shall be made in respect of the subject matter of this Agreement or any of the transactions contemplated herein without the prior written approval of the other Parties (save as may be required by law or any regulatory authority in which event the scope of the announcement will be limited to the matters required to be disclosed and the disclosing Party will, if practicable, consult with the other Parties on the terms and timing of such announcement).

## 22 RELATIONSHIP OF THE PARTIES

Nothing herein shall constitute a partnership between the Parties hereto.

## 23 ENTIRE AGREEMENT

This Agreement and the schedules attached constitutes the entire agreement between the Parties hereto with respect to the subject matter hereof and supersedes all prior communications, undertakings and agreements relating thereto except as expressly or otherwise herein provided.



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24 VARIATIONS

This Agreement shall not be amended, varied, altered or modified except by an instrument in writing expressly referring to this Agreement and signed by the Parties hereto.

25 WAIVER

25.1 Waiver by Consent : A waiver of any term or provision of, or consent granted under, this Agreement shall be effective only if given in writing and signed by the waiving or consenting Party and then only in the instance and for the purpose for which it is given. No breach of any provision of this Agreement shall be waived or discharged except with the express written consent of the Parties.

25.2 Failure or Delay : No failure or delay on the part of any Party in exercising any right, power or privilege under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or privilege preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

25.3 Cumulative Rights : The rights and remedies herein provided are cumulative with and not exclusive of any rights or remedies provided by law.

25.4 Sovereign Immunity : Each of the State Promoters hereby unconditionally and irrevocably:

- (a) agrees that the execution, delivery and performance by it of this Agreement constitutes private and commercial acts and not public or governmental acts;
- (b) agrees that should any proceedings be brought against it or its assets by any Party in relation to this Agreement or any transaction contemplated by this Agreement, no immunity, sovereign or otherwise, from such proceedings, execution, attachment or other legal process shall be claimed by or on behalf of itself or with respect to any of its assets; and
- (c) waives any such right of immunity, sovereign or otherwise which it or its assets now has or may acquire and / or enjoy in the future in respect of any proceedings brought under or in relation to this Agreement.

26 INVALIDITY

If any provision of this Agreement is or becomes invalid, illegal or unenforceable in any respect under the law of any jurisdiction the validity, legality and enforceability under the law of that jurisdiction of any other provision shall not be affected or impaired in any way.

*[Handwritten signature]*  
36 *[Handwritten signature]*

*[Handwritten signature]*  
*[Handwritten signature]*



27 NOTICES

27.1 Details : Any notice, request, demand or other communication given or made under or in connection with the matters contemplated by this Agreement shall be in writing and shall be delivered personally or sent by registered post acknowledgement due or by facsimile or by courier :

*In case of KSIHDC to :*

- MSIL House, # 36, Cunningham Road  
Bangalore-560 052
- Fax # (+91-80) 225 5740
- Attention: Managing Director

*In case of AAI to :*

- Rajiv Gandhi Bhavan, Safdarjung Airport  
New Delhi - 110 003
- Fax # (+91-11) 463 2990
- Attention: Chairman

*In case of BIAL to :*

- 'Transport House', KH Road, Shanthinagar  
Bangalore - 560 027
- Fax # 224 0330
- Attention: Managing Director

*In case of Siemens to :*

- Freyoslebenstr 1, D-91058, Erlangen,  
Germany
- Fax # (+49-9131) 187356
- Attention: Managing Director

*In case of Unique  
Zurich to:*

- Zuerich Airport Limited, PO Box, CH-8058  
Zuerich-Airport, Switzerland
- Fax # (+41) 1816 7999
- Attention: CEO & President

*In case of L&T to:*

- ECC Division, Mount-Poonamallee Road,  
Manapakkam, Chennai - 600 089
- Fax # (+91-44) 249 3317
- Attention: Mr. KV Rangaswami, Executive Vice  
President

and shall be deemed to have been duly given or made as follows:-

- (a) if personally delivered, upon delivery at the address of the relevant Party;
- (b) if sent by registered post-acknowledgement due seven (7) days after the posting;



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- (c) if sent by facsimile upon receipt of confirmation by sender, from the receiver, that the facsimile has been received;
- (d) if sent by courier four (4) days after the date of despatch.

27.2 Change in Address : A Party may notify the other Parties of a change to its name, relevant addressee, address, or fax number for the purposes of Clause 27.1 as provided herein.

## 28 APPLICABLE LAW

28.1 Indian Law : This Agreement shall be construed and enforced according to the laws of the Republic of India.

28.2 Jurisdiction : Subject to Clause 29, the courts at Bangalore shall have the jurisdiction for grant of any interim relief and the enforcement of any award.

## 29 ARBITRATION

29.1 Negotiation & Conciliation : If any dispute, difference claim or question shall arise between the Parties hereto in connection with or in relation to these presents, the Parties hereto shall use their endeavours to settle the said disputes or differences amicably between themselves.

29.2 Reference to Arbitrator : All disputes, differences, claims, questions and controversies arising in connection with this Agreement or in relation to this Agreement which the Parties are unable to settle between themselves within sixty (60) days (or such longer period as the Parties may agree) of notification by one Party to the other(s) that a dispute exists for the purpose of this Clause 29.2 shall be finally determined under the Rules of Conciliation and Arbitration of the International Chamber of Commerce, Paris ("Rules") by one or more arbitrators appointed in accordance with the Rules.

29.3 Miscellaneous : . The place of the arbitration shall be Bangalore, India. Each Party shall pay the expenses of the arbitration in accordance with the Rules and the eventual liability for the costs shall be in terms of the arbitral award. No arbitrator shall be a present or former employee or agent of, or consultant or counsel to, either Party or any Affiliate of either Party, or in any way related or closely connected with the promoters, partners, or beneficiaries of the Parties. The language of the arbitration shall be English.

29.4 Decision / Award : Any decision or award of an arbitral tribunal appointed pursuant to this Clause 29 shall be final and binding upon the Parties. The Parties waive any rights to appeal or any review of such award by any court or tribunal of competent jurisdiction insofar as such waiver can validly be made. The Parties agree that any arbitration award



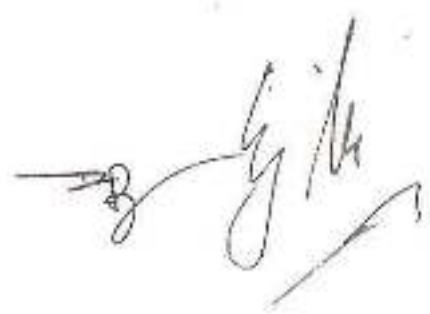
made may be enforced by the Parties against assets of the relevant Party, wherever those assets are located or may be found, and judgement upon any arbitration award (wherever necessary) may be entered by any court of competent jurisdiction thereof. The Parties expressly submit to the jurisdiction of any such court for the purposes of enforcement of any arbitration award.

**30 COUNTERPARTS**

This Agreement shall be executed in six (6) counterparts, one to be retained by each Party each of which shall constitute the original but all of which when taken together shall constitute one and the same agreement.

*[REST OF PAGE INTENTIONALLY LEFT BLANK]*

*Done*

A large, stylized handwritten signature in black ink, appearing to be a cursive name, possibly "G. J. H.", written over a horizontal line.

IN WITNESS whereof this Agreement has been executed on the date first above written.

Signed for and on behalf of )  
Karnataka State Industrial Investment )  
and Development Corporation Limited )  
by a duly authorised representative )  
in the presence of: )

Signature of witness



Name and address of witness


  
Signature of authorised representative

C. K. NEELAKANTA RAJ


Name of authorised representative

Signed for and on behalf of )  
Airports Authority of India )  
by a duly authorised representative )  
in the presence of: )

Signature of witness

  
P. S. NAIR

Name and address of witness

  
Signature of authorised representative

V. D. V. PRASAD RAO


Name of authorised representative

Signed for and on behalf of )  
Siemens Project Ventures GmbH )  
By a duly authorised representative )  
In the presence of: )

Signature of witness

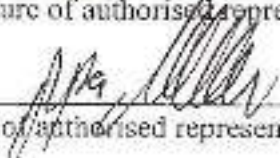
  
Eberhard Borch

Name and address of witness

  
Signature of authorised representatives

Name of authorised representatives

RUESS  
Signature of authorised representatives

  
Name of authorised representatives

WAHL



Signed for and on behalf of )  
**Flughafen Zuerich AG.** )  
by a duly authorised representative )  
in the presence of: )

*Albert Brunner*  
Signature of witness

Albert Brunner  
Name and address of witness

*B. Spalinger*  
Signature of authorised representatives

*B. Spalinger*  
Signature of authorised representative

~~Herbert Meier~~  
Name of authorised representative

Signed for and on behalf of )  
**Larsen & Toubro Limited** )  
by a duly authorised representative )  
in the presence of: )

*B. Jyoti*  
Signature of witness

K.V. RANGASWAMI  
Name and address of witness

*A. Ramakrishna*  
Signature of authorised representative

A. RAMAKRISHNA  
Name of authorised representative

Signed for and on behalf of )  
**Bangalore International Airport)**  
**Limited** )  
By a duly authorised representative )  
In the presence of: )

*G.C. Jere*  
Signature of witness

G.C. JERE  
Name and address of witness

*K. Jairaj*  
Signature of authorised representative

K. JAIRAJ  
Name of authorised representative

**SCHEDULE I**  
**Details of BIAL**

1. Registered Number : CIN U4520315A2001PLCO28418
2. Date of Incorporation : January 05, 2001
3. Place of Incorporation : Bangalore, Karnataka, India
4. Registered Office : MSIL House, # 36 Cunningham Road,  
Bangalore - 560 052, India
5. Nature of business : Promoting and undertaking the development,  
construction and operation of the airport  
project on a non-recourse project financing  
basis.
6. First Directors : Mr. N. R. Narayana Murthy  
Mr. Rajeev Chandrasekhar  
Mr. B. K. Das
7. Existing Directors : 1. Mr. N.R. Narayana Murthy  
2. Mr. Rajeev Chandrasekar  
3. Ms. Teresa Bhattacharya  
4. Mr. B.K. Das  
5. Mr. K.V. Kamath  
6. Mr. C.K. Neelakanta Raj  
7. Mr. S. Krishna Kumar  
8. Dr. K. Siddappa  
9. Mr. K. Jairaj



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SCHEDULE 2A

Form of Deed of Adherence in case of subscription by an Affiliate or transfer of shares by a Private Promoter or a State Promoter to an Affiliate or by an Affiliate of the Private Promoter or State Promoter to another Affiliate of the Private Promoter or State Promoter

THIS DEED OF ADHERENCE is made on ● between a company incorporated under the laws of ● and having its principal office at ● ("XYZ"); and

[Promoter whose Affiliate is subscribing to or acquiring the Shares and all the Other Parties] (the "Other Parties");

WHEREAS the Private Promoters and the State Promoters have entered into a Shareholders Agreement dated ● ("SHA") in respect of their mutual rights and obligations under a joint venture in relation to the Airport and the Private Promoters and State Promoters have for this purpose participated in Bangalore International Airport Limited ("Company")

WHEREAS the [Private/State]\* Promoter has proposed that its Affiliate XYZ [subscribe to] [acquire]\* ● equity shares pursuant to Clause [7.7(i)][12.3]\*● of the SIJA and pursuant to which XYZ is required to execute a Deed of Adherence as a condition precedent to [subscription] [transfer]\* of the Shares as aforesaid; and

WHEREAS XYZ shall therefore hold ● Shares Company following the [subscription] [transfer]\* as aforesaid and wishes to record its adherence to the terms of the SHA;

NOW THEREFORE, this Deed of Adherence witnesseth as under:

1. XYZ hereby confirms that it has been provided with a copy of the SHA and hereby undertakes with the Other Parties to be bound by and observe and perform all the terms and conditions of the SHA as if it were a party thereto to the extent the same are applicable to [Transferor Party] as a shareholder and in particular XYZ undertakes to exercise its voting rights to ensure performance of the SHA. ;
2. This Deed of Adherence shall be governed and construed in accordance with the laws of India.

IN WITNESSETH WHEREOF the Parties hereto have executed this Deed of Adherence:

XYZ

By  
Name  
Title  
Witness

Promoter whose Affiliate is subscribing to or acquiring the Shares and Other Parties

By  
Name  
Title  
Witness

\*Delete the inapplicable

*Done*  


SCHEDULE 2B

Form of Deed of Adherence in case of transfer of shares to a third party in terms of Clause 12.4(c)

THIS DEED OF ADHERENCE is made on ● between a company incorporated under the laws of ● and having its principal office at ● ("XYZ"); and

[Parties other than the Transferor Party] [description] (the "Other Parties");

WHEREAS the Private Promoters and the State Promoters have entered into a Shareholders Agreement dated ● ("SHA") in respect of their mutual rights and obligations under a joint venture in relation to the Airport and the Private Promoters and State Promoters have for this purpose participated in Bangalore International Airport limited ("Company")

WHEREAS [Transferor Party], a [Private/State] Promoter\*proposes to transfer ● equity shares held by it to XYZ pursuant to Clause 12.4 (c) ● of the SHA and pursuant to Clause 12.4(g) thereof the proposed transferee is required to execute a Deed of Adherence as a condition precedent to transfer of the shares as aforesaid; and

WHEREAS XYZ shall therefore hold ● equity shares in the Company following the transfer as aforesaid and wishes to record its adherence to the terms of the SHA;

NOW THEREFORE, this Deed of Adherence witnesseth as under:

1. XYZ hereby confirms that it has been provided with a copy of the SHA and hereby undertakes with the Other Parties to observe and perform all the terms and conditions of the SHA as if it were a party thereto to the extent the same are applicable to [Transferor Party] as a shareholder and in particular XYZ undertakes to exercise its voting rights to ensure performance of the SHA
2. This Deed of Adherence shall be governed and construed in accordance with the laws of India.

IN WITNESSETH WHEREOF the parties hereto have executed this Deed of Adherence:

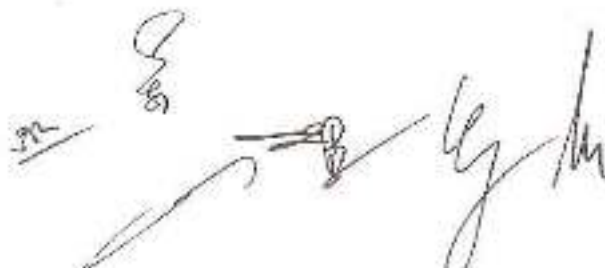
XYZ

By  
Name  
Title  
Witness

[Other Parties]

By  
Name  
Title  
Witness

\* Delete the inapplicable





SCHEDULE 2C

Form of Deed of Adherence in case of subscription by Other Investors or transfer of shares by a Private Promoter to an Other Investor ; or from one Other Investor to another Other Investor

THIS DEED OF ADHERENCE is made on ● between a company incorporated under the laws of ● and having its principal office at ● ("XYZ"); and

[Private Promoters and State Promoters] (the "Other Parties");

WHEREAS the Private Promoters and the State Promoters have entered into a Shareholders Agreement dated ● ("SHA") in respect of their mutual rights and obligations under a joint venture in relation to the Airport and the Private Promoters and State Promoters have for this purpose participated in Bangalore International Airport Limited ("Company")

WHEREAS [the Private Promoters] have proposed that XYZ subscribe to or acquire ● Shares pursuant to Clause [7.4 or 12.5]\*● of the SHA and in accordance therewith XYZ is required to execute a Deed of Adherence as a condition precedent to subscription/transfer\* of the Shares as aforesaid; and

WHEREAS XYZ shall therefore hold ● Shares following the subscription/transfer\* as aforesaid and wishes to record its adherence to the terms of the SHA;

NOW THEREFORE, this Deed of Adherence witnesseth as under:

1. XYZ hereby confirms that it has been provided with a copy of the SHA and hereby undertakes with the Other Parties to be bound by and observe and perform all the terms and conditions of the SHA as if it were a party thereto to the extent the same are applicable to Other Investors as a shareholder and in particular XYZ agrees to exercise its voting rights to ensure performance of the SHA. ;
2. This Deed of Adherence shall be governed and construed in accordance with the laws of India.

IN WITNESSETH WHEREOF the Parties hereto have executed this Deed of Adherence:

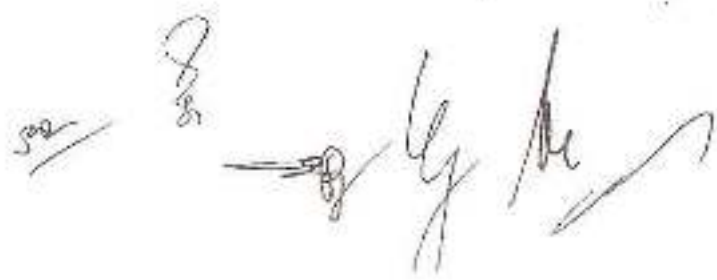
XYZ

By  
Name  
Title  
Witness

[Other Parties]

By  
Name  
Title  
Witness

\* Delete the inapplicable



**SCHEDULE 3**  
**Equity Commitments**

<b>Parties</b>	<b>Amount (Rs)</b>
Private Promoters	Rs. 207.2 Crores
State Promoters	Rs. 72.8 Crores
<b>Total</b>	<b>Rs. 280 Crores</b>

D/S  
40/32  




SCHEDULE 4

Form of Guarantee in case of transfer of Shares pursuant to Clause 12.3(c)(iii) / Clause 12.3(d)(iii)

THIS DEED OF GUARANTEE executed on this [ ] day of [ ] at [ ] by

[Name of the relevant Private Promoter / State Promoter / Affiliate] hereinafter referred to as the "Guarantor" which expression shall unless it be repugnant to the subject or context thereof include the successors and assigns

in favour of

[Parties other than the Guarantor] (the "Other Parties");

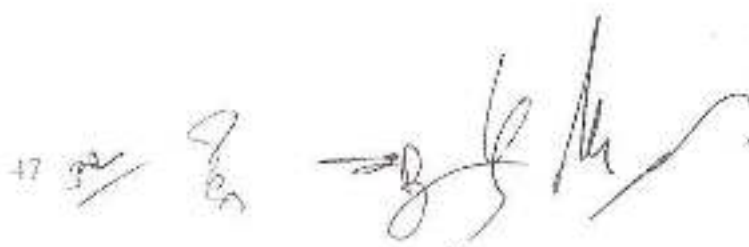
WHEREAS

- A. The Parties have entered into a Shareholders Agreement dated [Mention Date] ("Shareholders Agreement") as joint venture partners for the project envisaging the design, financing, construction, operation and maintenance of the new Bangalore International Airport at Devanahalli near Bangalore, Karnataka, through a special purpose vehicle called Bangalore International Airport Limited ("Company").
- B. [In terms of Clause 12.3(c)(iii) of the Shareholders Agreement, the Guarantor, as transferor, is required to provide to each of the Other Parties a guarantee pursuant to the proposed transfer of Shares to an Affiliate ("Transferee"), the details whereof are given in the Annexure hereto, as security for due performance and discharge of the obligations of the Transferee ("Guarantee").

OR

- B. In terms of Clause 12.3(d)(iii) of the Shareholders Agreement, the Guarantor, is required to provide to each of the Other Parties a guarantee from the parent company of the relevant Private Promoter or the State Promoter, as the case may be, pursuant to the proposed transfer of Shares of an Affiliate of the Guarantor to another Affiliate of the Guarantor ("Transferee"), the details whereof are given in the Annexure hereto, as security for due performance and discharge of the obligations of the Transferee ("Guarantee").<sup>1</sup>
- C. The Guarantor has accordingly, for valid consideration, agreed to provide the Guarantee being these presents, in favour of the Other Parties, guaranteeing the due performance and discharge by Transferee of its obligations under the Shareholders Agreement

<sup>1</sup> Choose as applicable.

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NOW THEREFORE THIS DEED WITNESSETH AS FOLLOWS

1. Capitalised terms used herein but not defined shall have the meaning assigned to them respectively in the Shareholders Agreement.
2. In terms of Clause [12.3(c)(iii) / 12.3(d)(iii)]<sup>2</sup>, the Guarantor hereby irrevocably guarantees the due and punctual performance by the Transferee of all its obligations under the Shareholders Agreement.
3. This Guarantee shall not be affected by any change in the constitution or winding up of the Guarantor or any absorption, reorganization, merger or amalgamation of the Guarantor with any person or entity.
4. The neglect, forbearance or waiver by the Other Parties in enforcement of payment of any moneys due to the Other Parties by the Transferee, or the grant of any extensions of time by the Other Parties to the transferee for fulfilling its obligations, shall in no way relieve the Guarantor from its liability under this Guarantee.
5. The Guarantor undertakes to indemnify and keep indemnified the Other Parties against any liability, loss or damage of whatever kind resulting from the Transferee committing a Material Breach of its obligations under the Shareholders Agreement devolved pursuant to acquisition of the Guarantors Shares (including without limitation, all costs, charges and expenses incurred by the Other Parties).
6. The obligations of the Guarantor hereunder shall be continuing obligations and shall be co-terminus with the obligations of the Transferee under the Shareholders Agreement.

In witness whereof, the Guarantor, has on this [Day] day of [Month], [Year], signed, sealed and delivered this Guarantee.

[Name and address of Guarantor]

[Authorised Signatory]

[Designation]

[Seal]

In the presence of:

1. Name & Address
2. Name & Address

<sup>2</sup> Choose as applicable.



SCHEDULE 5  
Guaranteed Maximum Price

September 21, 2001

*Record Of Discussions On Project Cost, State Support And Structuring*

1. The Negotiating Team (NT) constituted by the Government of Karnataka vide G.O Number IDD16/DIA2001 of 10/07/2001, for the Bangalore International Airport, and the Siemens Consortium, held a series of meetings in two rounds between August 13<sup>th</sup> - 23<sup>rd</sup>, and September 19<sup>th</sup> - 21<sup>st</sup>. These meetings focussed on optimizing project cost and identifying the quantum and structure of State Support for the project. A list of members participating in the meetings is enclosed
2. After detailed analysis and optimization of costs, the Guaranteed Maximum Price (GMP) for the project has been arrived at US\$ 230mn. In the next stage, detailed engineering and cost assessment shall be finalised, and the final project cost shall be arrived at, under this GMP
3. The project cost includes a contingency of US\$ 15mn, which may or may not be actually drawn in whole or in part
4. In particular, during detailed analysis and discussions, some areas were identified for cost savings. However, at the present stage firm figures cannot be arrived at. Inter-alia, these items relate to:
  - a. Unclear, aggregated provisions made in the BOQ
  - b. Significant difference of views on cost estimates
  - c. Variations due to sourcing and procurement of items and componentsFinal cost figures on these items will be firm up during detailed engineering and procurement (items listed in Para 5 below)
5. The cost savings referred to in Para 4, amounting to US\$ 15mn, are against:
  - a. Furniture, Furnishings and Water Bodies;
  - b. Systems;
  - c. Escalators & Fire Fighting;
  - d. CNS - ATC / ATM Equipment.

*[Handwritten signatures and initials are present at the bottom of the page, including a large signature on the left and several smaller ones on the right.]*

6. The project cost of US\$ 230mn has the following components:
- |    |  |            |
|----|--|------------|
| a. | Settled cost:  | US\$ 200mn |
| b. | Contingencies  | US\$ 15mn  |
| c. | Incremental costs on items in Para 5 (subject to detailed engineering and procurement) | US\$ 15mn  |
|    | Total  | US\$ 230mn |
7. The Aero-tariff regime assumed in the financial model has undergone changes, following clarifications by MoCA and AAI. Following these clarifications and taking into account a revised tariff structure, the impact of these changes on the NPV of projected revenues has been stated by the Siemens Consortium to be US\$ 5mn. GoK is confident that an improved Aero Tariff and Passenger Fee regime can be implemented. However to the extent that such an enhancement is not forthcoming, the State Support will be suitably enhanced upto a maximum amount of US\$ 5mn as additional contingency
8. Consequently, the State Support is proposed to be structured as follows:
- |    |  |           |
|----|--|-----------|
| a. | Guaranteed Maximum Support: (Para 6a)                    | US\$ 45mn |
| b. | Guaranteed Maximum Contingent Support (Para 6b)          | US\$ 15mn |
| c. | Guaranteed Maximum Item Support (Para 5)                 | US\$ 15mn |
| d. | Guaranteed Maximum Additional Contingent Support(Para 7) | US\$ 5mn  |
|    | Total  | US\$ 80mn |

NOTE:

Item 'a' would be drawn pro-rata with debt as indicated in the financial model

Item 'b' would be drawn as and when the contingency has to be funded

Item 'c' subject to detailed engineering, procurement and cost verification, pro-rata with debt

Item 'd' subject to Aero-tariff and Passenger Fee adjustment, pro-rata with debt

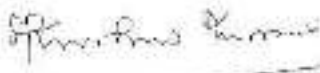
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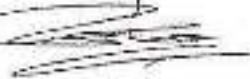
9. The Siemens Consortium have confirmed acceptance of the above. Based on this, the Negotiation Team will submit its recommendations to the Government

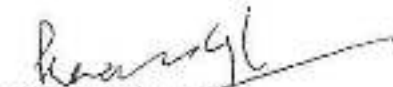
  
(C. GOPAL REDDY)

  
(S. KRISHNA KUMAR)

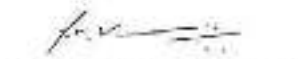
  
(C.K. NEELAKANTA RAJ)

  
(K. JAIRA)

  
(P.S. NAIR)

  
(PRADEEP SINGH)

  
(Y.M. SHIVAMURTHY)

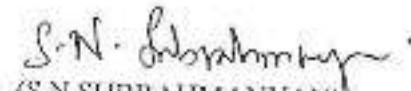
  
(P.S. SANDHAWALLA)

  
(F. BERNHARD BORCHI)

  
(HERBERT MEIER)

  
(A. RAMAKRISHNA)

  
(K.V. RANGASWAMI)

  
(S.N. SUBRAHMANYAM)

  
(N.C. SHEKAR)



SCHEDULE 6  
Valuation Mechanism

1. Fair Market Value of the Shares means the value of the Shares determined by a firm of independent chartered accountants of international reputation (the "Valuer") on the basis of a transaction between a willing seller and a willing buyer and in accordance with Indian GAAP provided that in determining such value the Valuer shall:
  - (a) not ascribe or take into account, directly or indirectly, any value *per se* to the Land provided to the Company under the Land Lease Agreement, provided that any value arising out of or pursuant to the rights of the Company to develop the Project on the Land pursuant to the ADA may be considered.
  - (b) exclude any value attributable directly or indirectly to the State Support granted to the Company.
2. Upon receiving a request from a concerned Party for determination of the Fair Market Value of Shares where required in terms of this Agreement, the Board will select the Valuer and instruct the Valuer to determine the Fair Market Value in accordance with Paragraph 1 above
3. The Company will provide the information required by the Valuer for such determination, within a period of seven (7) days of his appointment.
4. The Valuer shall determine the Fair Market Value within a period of twenty (20) days thereafter and provide his report to the Board, with copies to all Parties.
5. The costs, including fees of the Valuer, incurred for such determination shall be borne by the seller and/or the buyer, as may reasonably be determined by the Board.



**SCHEDULE 7**  
**Procurement Guidelines**

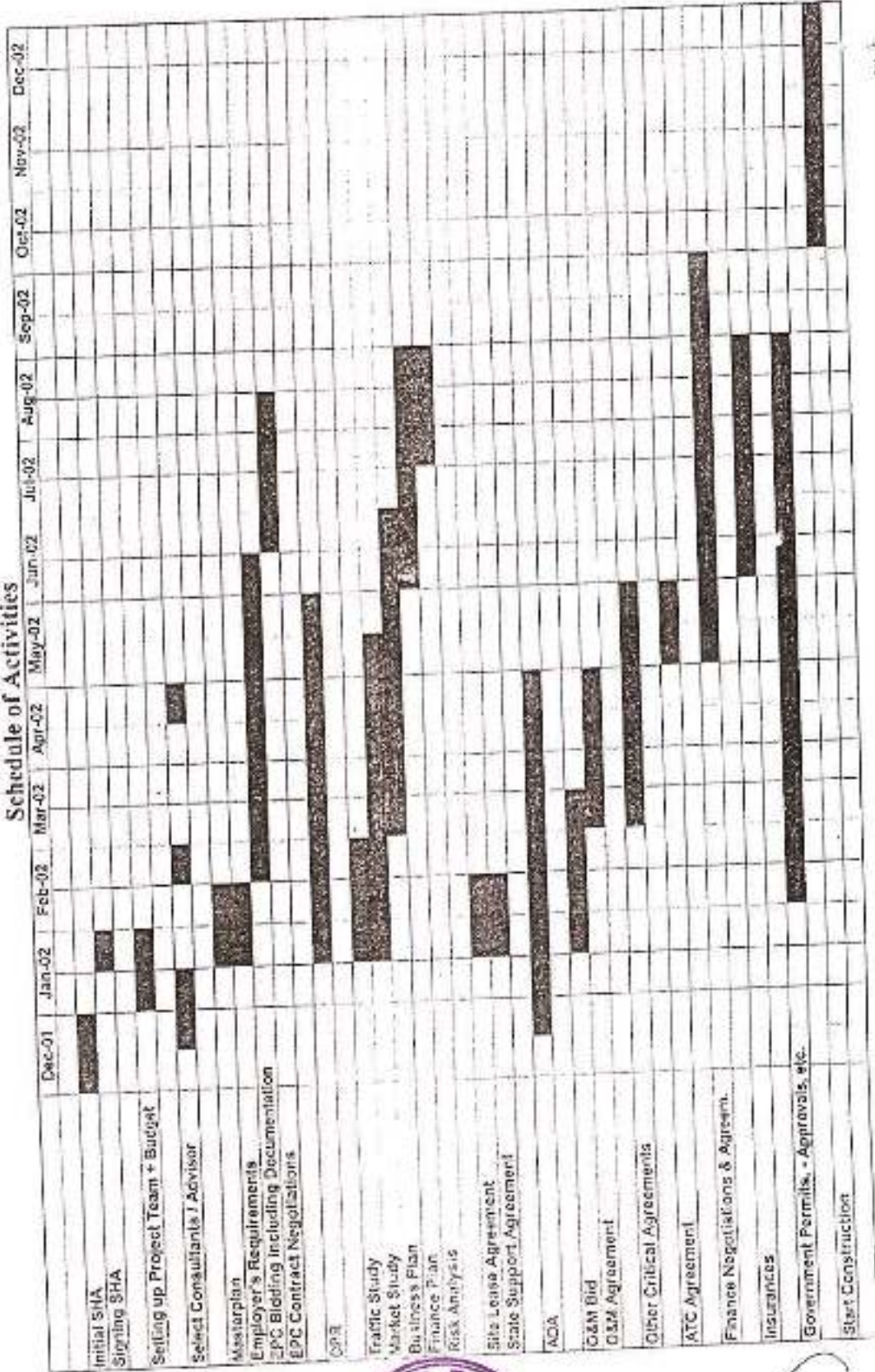
Project Agreements with related parties shall be on competitive commercial terms and shall be based on arm's length arrangements, following transparent audit and review processes as outlined herein:

1. Company shall, by unanimous decision of its Board, appoint as Independent Consulting Engineers (ICE) reputed firm/s having experience in such projects or components thereof, as the case may be and supported by a reputed firm of Financial Consultants/ Advisors. The ICE firm(s) shall not be an associate or Affiliate of any of the shareholders of Company.
2. The tenure of the ICE shall continue till the completion of one (1) year after the Commercial Operations Date. The Board may extend the appointment for a further period by a unanimous decision.
3. The ICE shall:
  - (a) review all designs, drawings, specifications and procurement documents prepared by the various technical / architectural / masterplan consultants for their conformity and reasonableness.
  - (b) Carry out a 'benchmarking' exercise for the project specifications and cost against national and international airport projects of similar scope and nature.
  - (c) In co-ordination with the project consultants appointed by the Company and Lender's engineer, arrive at optimal and competitive commercial terms for the construction / EPC / equipment supply contracts. These terms shall take into account the quality of the deliverables, time schedules for delivery, and fixity of price.
  - (d) The ICE would furnish to the Board the aforesaid consensual set of terms for various components of the different contracts. Where such consensual terms cannot be arrived at between the ICE and the project consultants, the ICE and the project consultants would present to the Board, a variation statement along with the reasons and assessment therefor.
4. Based on the technical detailing by various consultants, the recommendations of the ICE, and Lender's engineers, the Board would take decision regarding the terms for Project Agreements.



**SCHEDULE 8**

**Schedule of Activities**



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