STATE SUPPORT AGREEMENT

THIS STATE SUPPORT AGREEMENT is entered into on this the 30th day of September, 2003 amongst:

(1) THE GOVERNOR OF ANDHRA PRADESH, exercising the executive powers of the Government of the State of Andhra Pradesh through the Transport, Roads and Buildings (Ports) Department, having its office at J-Block, Andhra Pradesh Secretariat, Hyderabad - 500 022, India, duly authorised in this behalf vide C. No. 6786/P1/2002 dated September 29, 2003 (hereinafter referred to as "GoAP" which expression shall include its successors and is further defined below), and

(2) HYDERABAD INTERNATIONAL AIRPORT LIMITED, a company incorporated under the Companies Act, 1956, having its registered office at J-Block, Andhra Pradesh Secretariat, Hyderabad – 500 022, India (hereinafter referred to as the "HIAL" which expression shall include its successors and assigns).

[Signature]
RECITALS:

A. The Government of India as part of its policy to encourage private sector participation in the development of airport infrastructure has granted approval and its support for the development of a Greenfield airport, with private sector participation, at Shamshabad, near Hyderabad in the State of Andhra Pradesh, India. The Government of India has to this end by its letter dated 29 May 2000 addressed to GoAP confirmed that the existing airport at Begumpet, Hyderabad shall be closed for all civil operations. GoAP and the Government of India through the Airports Authority of India also entered into a Memorandum of Understanding dated 23 November 2000 for the development of the Airport.

B. In December 1999, GoAP invited bids for the airport project through private financing on a joint venture basis. M/s GMR-Vasavi Bangalore (subsequently renamed as "GMR Infrastructure Limited") in association with M/s MAHB (Malaysia Airports Holdings Berhad, Malaysia) formed a consortium called GMR-MAHB consortium, which consortium has agreed that it is feasible to construct and operate a new Hyderabad International Airport at Shamshabad with State Support and accordingly bid for the project to be developed under joint venture basis. Following an international competitive bidding process, the GMR-MAHB Consortium ("Developer") was selected to design, finance, build, operate and maintain the Airport as defined hereinafter on a Build, Own, and Operate basis (the "Project").

C. The Project is of prime importance to the State of Andhra Pradesh and GoAP as part of its policy to encourage and provide industrial development, tourism, passenger, cargo movement and the general economic and social development of the State of Andhra Pradesh has granted approval for the development of a Greenfield Airport and the provision of financial support to assist the Project and has issued G.O. MS No. 130 dated 26 July 2003 appointing GMR-MAHB Consortium as the developer of the Project. It is recognised by the Parties that the Airports Authority of India Act, 1994 has been amended by the Airports Authority of India
(Amendment) Act 2003 to enable private sector participation in implementing and operating airports.

D. In order to facilitate the implementation of the Project, HIAL has been incorporated in the State of Andhra Pradesh as a limited liability company. It is the intention of the Developer and the GoAP to be Shareholders as defined hereinafter with AAI in HIAL. HIAL will be entering into a Concession Agreement with the GOI (the “Concession Agreement”) whereby HIAL will be granted the concession to implement and operate the Project.

E. The Project is feasible only with State Support (as defined hereinafter) of GoAP, and both GoI and GoAP have agreed and accepted that the implementation of the Project and the operation of the Project and its facilities requires extensive and continued support and actions and grant of certain rights and authorities by GoAP which are pre-requisites to the mobilisation of resources (including financial resources) by HIAL and the performance of HIAL’s obligations under the Concession Agreement, and therefore, the GoAP has agreed to provide the State Support to HIAL as set out in this Agreement.

NOW THEREFORE, in consideration of the mutual covenants of the Parties, the sufficiency whereof is hereby acknowledged and other good valuable consideration, the Parties agree as follows:

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” shall mean the 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 – 110003, India.

“Agreement” means this State Support Agreement as may be amended and modified from time to time.

“Airport” means the Greenfield international airport to be constructed and operated by the HIAL at Shamshabad near Hyderabad in the State of Andhra Pradesh, India and includes all its buildings, equipment, facilities and systems, aeronautical and non-aeronautical and airport centric activities and includes without limitation, where the circumstances so require, any expansions thereof from time to time.

“Airport Zoning Area” means the area notified as the special development area notification as set out under GO MS No. 352M.A dated 30 July 2001 within, contiguous and around the Airport.

“Business Day” means a day on which banks generally are open for transaction of normal banking business in Mumbai or Hyderabad, India, and the term “Business Days” shall be construed accordingly.

“Change in Law” means the occurrence of any of the following after the date of this Agreement until the twentieth anniversary after Commercial Operations Date:

(a) the enactment of any new Law or the issuance or imposition of any new directive or policy or modification, amendment, variation, alteration or repeal of any existing Law or directive or policy of any Government Agency or any decision or order of a court, tribunal that affects exemption(s) available for Inland Air Travel Tax and for Foreign Travel Tax, ability to charge User Development Fee, introduction or increase in the
rate of Service Tax on Air Traffic Control, Communication, Meteorological and/or Security Services, removal or withdrawal of exemptions being (i) from sales tax on all inputs required during the construction period of the Airport; (ii) payment of stamp duty and registration charges for the first sale/transfer and (iii) Payment of seigniorage fees and cess on minor minerals during the construction period of the Airport, available under the GoAP notification no. G.O.Ms 130 dated 26 July, 2003, removal or withdrawal of benefits presently available for infrastructure projects in the State of Andhra Pradesh;

(b) any notifications regulating, repealing or modifying tariffs issued by any regulator or Government Agency that has the effect of reducing the aeronautical revenues of the Airport;

(c) after the date of grant of any Clearance by GoAP relating to the Airport, a change in the terms and conditions attaching to such Clearance or the attachment of any new terms or conditions or such Clearance ceasing in part or in whole to remain in full force and effect;

(d) Any act of omission or commission by GoAP which materially and adversely affects the rights of HIAL under this Agreement.

“Civil Aviation Activity” means all civil aviation activity, scheduled, and non-scheduled, and chartered whether it be international, regional, domestic and/or local air service for passenger, cargo, mail, courier and other traffic and all civil and commercial aviation related services such as engineering, maintenance, ground support and services, aviation training and aviation teaching and tuition purposes.

“Clearance” means any consent, licence, approval, permit, ruling, exemption, no objection certificate or other authorisation or permission of whatsoever nature which is required to be granted by and/or obtained from Government Agency required from time to time in connection with the Project.

“Commercial Operations Date” means the date on which commencement of commercial operations of the Airport occurs.

“Concession Agreement” means the concession agreement to be signed and entered into by and between the GoI and HIAL in respect of the Project as may be amended from time to time.

“Developer” shall have the meaning as defined in Recital B.

“Discriminatory Action” has the meaning ascribed to it in Clause 3.5.

“DPR” means the detailed project report to be prepared by the Developer on the basis of the detailed proposal submitted by the Developer to GoAP principally for the phase I of the Project, and to be agreed between GoAP and other shareholders of HIAL and adopted by HIAL.

“Financial Close” means the date on which the Financing Agreements, equity documents (if any) and documents in respect of debt, if any, have become effective and HIAL has access to first draw down of funds committed thereunder.

“Financing Agreements” means, collectively, the agreements, instruments and other documents, entered into by HIAL and the Lenders under which debt funding is extended to HIAL. The term Financing Agreement shall not include this Agreement or any other agreement by or under which GoAP agrees to advance the GoAP financial support to HIAL.
"GoAP" means the Government of Andhra Pradesh including any department, ministry, authority, board, agency or other instrumentality of GoAP including their respective successors thereof having duly constituted authority under any applicable statutes, rules and regulations in force from time to time.

"GoAP Default Amount" means an amount calculated in accordance with Annex 1.

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

"Government Agency" means GoI, GoAP or any central or state government or governmental department, commission, board, body, bureau, agency, authority or any companies owned by GoI and/or GoAP, instrumentality, court or other judicial or administrative body, central, state, or local having jurisdiction over the Parties, the Airport and/or facilities or any portion thereof, or the performance of all or any of the service or obligations of the Parties under or pursuant to this Agreement.

"Greenfield Airports Policy" means the policy announced by the GoI in the union budget 2002-2003 for the development of Greenfield airports.

"HIAL" means Hyderabad International Airport Limited, a company incorporated pursuant to the laws of India and having its registered office at Hyderabad which expression shall mean and include its representatives and successors and/or its permitted assigns.

"HIAL Compensation Event" means

(a) any breach of or default under this Agreement by GoAP, and/or the Land Lease Agreement which materially and adversely affects the rights of HIAL under this Agreement; and/or

(b) any Change in Law which materially and adversely affects the rights of HIAL under this Agreement; and/or

(c) the commission of any Discriminatory Action which materially and adversely affects the rights of HIAL under this Agreement; and/or

(d) the failure to grant, revocation of or attachment to any Clearance required by HIAL or any of its contractors, servants or agents; and/or

(e) the failure to enact any new Law or issue or impose any new directive in respect to tax relating to exemption from stamp duty, registration charges, property tax, Inland Air Travel Tax and for Foreign Travel Tax, ability to charge User Development Fee.

"Land" means the contiguous land measuring about acres 5000 (five thousand acres) as more fully defined and described in the Land Lease Agreement on, under and over which the Airport is to be constructed.

"Land Lease Agreement" means the Land Lease Agreement entered into between GoAP and HIAL pursuant to which GoAP has granted to the HIAL, leasehold title in the Land.

"Law" means all relevant laws in force and effect as of the date hereof and which may be promulgated or brought into force and effect hereinafter in India, including delegated legislation, administrative orders, judgements, decrees, directives, injunctions, writs or orders of court, as may be in force and effect during the subsistence of this Agreement.
"Lenders" means financial institutions, banks, funds, leasing companies or trusts who provide or refinance the debt component of the cost of the Project (including guarantees, risk participation facility, hedges, take-out facility and other forms of credit enhancement) and includes subscribers to trustee for the holders of debentures/bonds or other debt securities issued by HIAL to meet the cost of the Airport and/or expansion thereof. It is clarified that Lenders shall not include any persons who finance the equity contributions to be brought in by the Developer in HIAL.

"Lien" means any mortgage, pledge, deed of trust, hypothecation, right of others, claim, security interest, encumbrance, burden, title defect, title retention agreement, lease, sublease, license, occupancy agreement, easement, covenant, condition, encroachment, voting trust agreement, interest, option, right of first offer, negotiation or refusal, proxy, lien, charge, lis pendens or other restrictions or limitations of any nature whatsoever, including but not limited to such liens as may arise under any contract.

"Parties" shall mean GoAP and HIAL collectively, and the term "Party" shall mean GoAP and HIAL, individually.

"Project" shall have the meaning assigned to it in Recital B.

"Project Agreements" means collectively this Agreement, the Concession Agreement, the equipment, construction and procurement agreements, the operation and management agreements, communication and navigation services and air traffic management agreements the Land Lease Agreement the services agreements and any other material contract each of a value in excess of Rs. 10,000,000 (Rupees One Crore) to be entered into by HIAL, in connection with the Project and as may be amended from time to time.

"Shareholders" means persons holding equity shares in HIAL.

"State Support" means the grant/provision of support and assistance as set out in this Agreement.

1.2 Interpretation

In this Agreement, unless the context otherwise requires:

(a) For the purpose of this Agreement, where the context so admits, (i) the singular shall be deemed to include the plural and vice-versa, (ii) masculine gender shall be deemed to include the feminine gender and vice-versa, and (iii) the word “include” and “including” shall be construed without limitation.

(b) References to a “person” shall, where the context so admits, 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.

(c) References to Clauses, Recitals or Annexes are references to clauses, and recitals of and annexes to this Agreement. The Annexes shall form an integral part of this Agreement.

(d) Any reference herein to a statutory provision shall include such provision and any subordinated legislation, 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.
(e) The headings and sub-headings are inserted for convenience only and shall not affect the construction and interpretation of this Agreement.

(f) In addition to the terms defined in Clause 1.1, certain other capitalised terms are defined elsewhere in this Agreement and whenever such terms are used in this Agreement, they shall have their respective defined meanings, unless the context expressly or by necessary implication otherwise requires.

(g) Any reference to month shall mean a reference to a calendar month. A reference to “day” in this Agreement will be a reference to “Business Day”, except in Clause 3.1.

(h) This Agreement shall come into force on the date of its execution, provided that the obligations of GoAP to disburse the IFL and ADFG in terms of this Agreement shall commence on the Financial Close and immediately on receipt of notice by trustee of construction proceeds trust and retention account to the effect that the Financial Close has taken place.

2. GOAP SUPPORT

2.1 Support

GoAP acknowledges and agrees that the Project is feasible only with support of GoAP, and that the principal objective of this Agreement is support for the economic and timely completion of the Project pursuant to the terms of the Concession Agreement, and has therefore agreed to provide the State Support to HIAL as set out in this Agreement.

2.2 Land

GoAP agrees and warrants, that it shall provide and handover physical, vacant, peaceful, obstacle free, unencumbered possession of the entire Land free from any and all Liens atleast one (1) month prior to Financial Close to RIAL pursuant to the Land Lease Agreement. The Land to be made available to HIAL, as on the date of handing over possession to HIAL, shall be without HT/LT power lines, without village road diversions and free from any environmental hazards.

2.3 Financial and Fiscal Support

(a) Advance Development Fund Grant (“ADFG”)

(i) GoAP shall provide HIAL with an ADFG in the sum of Rupees 107 Crores. ADFG shall not in any circumstances attract interest payments nor shall it be repayable.

(ii) ADFG shall be made available to HIAL by the GoAP in three equal annual instalments, and the first instalment shall be drawn down at Financial Close. Each instalment shall be paid into a construction proceeds trust and retention account to be established and operated in accordance with the Financing Agreements.

(iii) The first instalment of ADFG shall be paid into a construction proceeds trust and retention account, which shall be established and operated in accordance with the Financing Agreements, in cash on Financial Closure. GoAP shall open an irrevocable and unconditional letter of credit before Financial Close for the remaining amounts of ADFG, to be drawn down into the construction proceeds trust and retention account in accordance with Annex 2 and/or at a
later date as required, based on the need for funds, in accordance with the progress of the construction of the Airport.

(b) *Interest Free Loan ("IFL")*

(i) GoAP shall make available to the HIAL, an IFL in the sum of Rs. 3,15,00,00,000 (Rupees three hundred and fifteen crores). IFL shall not in any circumstances attract interest repayments. GoAP agrees and accepts that the IFL may be adjusted pro-rata upwards or downwards on completion of the DPR, if the determination is made that such pro-rata adjustment is required as a result of change to the Project cost and so as to maintain equity internal rate of return at 18.33%.

(ii) IFL shall be drawn down in accordance with a Schedule at Annex 2. Each instalment shall be paid into a construction proceeds trust and retention account which shall be established and operated in accordance with the Financing Agreements.

(iii) GoAP agrees that the IFL shall be repaid in five (5) equal annual instalments, the first instalment of which shall be on the 16th anniversary of the Commercial Operations Date.

(iv) The first instalment of IFL shall be paid into a construction proceeds trust and retention account which shall be established and operated in accordance with the Financing Agreements, in cash on Financial Closure. GoAP shall open a irrevocable and unconditional letter of credit before Financial Close for the remaining amounts of IFL, to be drawn down into the construction proceeds trust and retention account in accordance with Annex 2 and/or at a later date as required based on need for funds in accordance with the progress of the construction of the Airport.

(v) HIAL undertakes to complete the repayment of the IFL on or after the 16th year after the Commercial Operations Date and on or before the completion of 20th year after the Commercial Operations Date, irrespective of whether or not senior lenders debt is serviced.

(vi) During any year in which any IFL repayment instalment or outstanding IFL repayment instalment is due and payable, HIAL shall not declare or pay any dividend until such IFL repayment instalment for that particular year and any previous outstanding IFL repayment instalment(s) have been paid.

(c) *Exemptions*

GoAP shall provide only the following exemptions, as per the provisions of Schedule V of State Support under APIDE Act, 2001:

(i) Exemption of sales tax on all inputs required for the Project construction.

(ii) Exemption of stamp duty and registration fees on the first transfer of land, from the Government to the Developer and on Project agreements registered in the State.

(iii) Exemption from payment of seigniorage fees, i.e., cess on minor minerals during construction period.

GoAP shall take all steps to notify the Airport Land as a Specified Authority/Independent Local Authority.
2.4 **External Infrastructure**

In accordance with the Project programme of implementation as per DPR,

(a) **Four Lanes Access Road**

GoAP shall provide a four lane access road from NH7 up to the west boundary of Airport and from Srisailam State High way up to the East Boundary of the Airport.

(b) **Water Supply**

GoAP shall supply continuous clean and adequate water through Metro Water Sewage Board or any other appropriate authority to meet the requirements of the Airport during construction and commercial operations of the Airport, up to the boundary of the airport. The water charges shall be payable by HIAL at the applicable rates.

It is envisaged that approximately eight (8) lakh litres/day (or such other quantity as may be revised/validated after completion of DPR) will be required to meet the Airport terminal water requirement during commercial operations.

(c) **Power Supply**

GoAP shall provide continuous supply of electricity and power to the Airport to meet the requirements of the Airport during the construction and commercial operations of the Airport up to HIAL’s step down sub-station. The electricity and power charges shall be payable by HIAL at the applicable rates.

GoAP shall at its cost install, commission and make available complete infrastructure from two independent sources for supply of electricity and power up to HIAL’s step-down sub-station at the Airport, provided the costs of the above commissioning and infrastructure from the Airport boundary to HIAL’s step down sub-station shall be borne by HIAL. It is envisaged that at least 11 KV HT with a minimum generating capacity of six (6) mega watt will be required during commercial operations along with power transmission lines, transformers, sub-stations and all related civil works (or such other requirement as may be revised/validated upon completion of the DPR).

(d) **Railway Connection**

GoAP agrees to make best efforts to procure as required by the construction and operation of the Airport, the provision of an appropriate railway connection to the Airport from Hyderabad and other major cities in the State of Andhra Pradesh connecting the passenger and cargo terminals of the Airport. GoAP in coordination with all concerned agencies, bodies, authorities agrees to take on best efforts basis all actions including acquisition of land, laying down of railway lines, setting up of railway stations and all allied infrastructure necessary to operate the railway connection.

(e) **Conversion of Portion of NH-7**

GoAP agrees to make best efforts to procure, as required by the construction and operation of the Airport, the conversion of NH-7 connecting Hyderabad with Shamshabad, to a 6-lane expressway for smooth movement of the traffic to the Airport in coordination with all Government Agencies.
(f) **General Public Transport**

GoAP shall provide and procure the provision of safe, efficient and regular general public transport systems to and from the Airport boundary sufficient to meet the requirements of the Airport.

2.5 **Access Rights**

(a) GoAP agrees to provide, or procure the provision of, on a continuous basis, and in a timely manner to HIAL, (i) all rights of access in accordance with the Land Lease Agreement and the Concession Agreement; (ii) all necessary property rights and Clearances required in order to carry out all operations which are to be undertaken outside the Airport and to construct and maintain all installations which are to be situated outside the Airport; and (iii) such other rights of access and/or property rights, as may be required by the HIAL or any of its contractors or sub-contractors under the Project Agreements and/or for the Airport.

(b) GoAP agrees to use best efforts to ensure free flow of traffic, on and the maintenance of, all roads leading to the Airport and all its facilities and also ensure that no obstructions are created or caused by GoAP and/or Government Agencies, except in cases where such obstructions are necessitated on account of maintaining law and order or for the purposes of national security.

3. **GENERAL SUPPORT**

3.1 **DPR Approval**

GoAP shall review or, procure the review, and comment on the DPR as submitted to the GoAP by HIAL within thirty (30) days of receipt, and GoAP may communicate its approval by returning one signed copy to HIAL. If the GoAP fails to communicate its approval or comments/observations within such period, the DPR shall be deemed to be approved by the GoAP. GoAP shall discuss its comments/observations with HIAL and in case the Parties consider that the DPR is required to be revised based on any comments/observations by GoAP, the revised DPR shall be re-submitted for approval of GoAP. In case GoAP fails to communicate its approval within thirty (30) days of the submission of the revised DPR, then the DPR shall be deemed to be approved by GoAP.

3.2 **DPR Cost Reimbursement**

GoAP agrees that in the event Financial Close does not occur on or before 1 January 2005 or such other date as may be mutually agreed to between the Parties, and/or the Project is abandoned, it shall reimburse the Developer and/or HIAL, all costs incurred relating to the preparation and/or completion of the DPR.

3.3 **Rehabilitation Costs**

GoAP would, at its own cost, be solely responsible for the rehabilitation and resettlement of any affected and/or displaced persons, as a result of any land acquisition by GoAP in connection with the Airport, including in relation to relocation of any villages, hutments houses and colonies, and GoAP hereby undertakes at all times to fully indemnify and hold harmless on demand of HIAL, their respective officers, consultants, agents, servants, and/or employees from and against all and any claim, demand, action, proceeding and liabilities which may arise out of, or in the course of, or in connection with, the land acquisition and/or lease and/or conveyance of the Land to HIAL.
3.4 Benefits under existing Laws

GoAP acknowledges and agrees that all exemptions and benefits of whatsoever nature flowing from the existing Law relating to infrastructure projects in the State of Andhra Pradesh shall be made available to HIAL, subject to HIAL agreeing to undertake the obligations under the applicable Law.

3.5 Equivalent treatment

GoAP agrees to use its best efforts and to take all steps within its power to see that GoAP does not take any action or combination of actions the effect of which is or are discriminatory and which treats the Developer and/or HIAL less favourably than any other airport operator in India or the Airport less favourably than any other airport or project in India ("Discriminatory Action").

3.6 Coordination of Works

GoAP agrees on a best efforts basis to take all steps to ensure that all works are co-ordinated and integrated with the DPR, the design, construction and maintenance of such other works and the Airport operations, and will consult, liaise, co-operate and work in harmony with those responsible for carrying out any other works in connection with the Project including the preparation of joint programmes, method statements, co-ordination drawings and any specifications.

3.7 Actions

In recognition of the investment to be made by the Shareholders and Lenders, GoAP will ensure, within its power, that no steps or action (whether through an act or by omission) are taken by it or any of its agencies which results in or would result in the Shareholders or the Lenders being deprived or substantially deprived of their investment or economic interest in the Airport.

GoAP undertakes that it will not do anything or fail to do anything within its power, which would:

(a) cause, contribute or otherwise give rise to any breach by the Developer and/or HIAL of any of its obligations pursuant to the Project Agreements and/or Financing Agreements.

(b) prejudice or lead to the diminution or losses of any rights, entitlements or other benefits of HIAL under the Project Agreements or pursuant to any Laws or Clearances.

3.8 Project Clearances

(a) GoAP shall procure that, upon application by HIAL, or the Lenders in accordance with the Financing Agreements or their respective contractors, servants or agents or any other person acting on any of their behalves, such Clearances or extensions and/or renewals granted by GoAP as are required for or in connection with the Airport, are granted by GoAP in a manner that ensures the HIAL's compliance with its obligations under the Project Agreements. GoAP:

(i) shall provide all GoAP level Clearances under the Environment Protection Act or any other Law and shall procure, on a best efforts basis, all GOI level Clearances.
(ii) agrees to use its best efforts to coordinate with all departments, bodies, authorities of GoI for obtaining Clearances and for grant of bilateral rights under any air services agreements to foreign airlines to operate their services from the Airport, as and when applied for by the foreign airlines.

(iii) agrees, on an application by HIAL, to favourably consider and examine declaring the Airport as an 'essential service' under the Essential Services and Maintenance Act, 1908 or any other Law to ensure that the Airport is free from any restrictions on supply of utilities, works or any infrastructure, services, electricity and water.

(iv) agrees to ensure implementation of the zoning requirements for the Airport are met by GoAP.

(b) GoAP agrees to ensure regulation of all developmental activity in the area notified as the Airport Zoning Area and shall be responsible for Airport safety funnel and zoning of the Airport for the purposes of safety and security.

(c) HIAL shall be represented in Hyderabad Airport Development Authority or any successor of Hyderabad Airport Development Authority through a position on the Board of the authority. GoAP shall ensure that HIAL has at least one member on the GoAP's tourism board to help promote tourism activities in the state, which could have a positive impact on the passenger throughput at the Airport.

3.9 Other Cooperation

(a) GoAP agrees to use its best efforts to ensure HIAL is legally authorised to levy and collect various fee/charges and to carry out business under the Aircrafts Act 1934 and all Rules thereunder, Airports Authority of India Act (1994) and all Rules thereunder.

(b) GoAP agrees to provide all cooperation as may be required by HIAL to achieve the Financial Close within the time frame contemplated by HIAL.

(c) GoAP agrees to make best efforts to ensure GoI,

(i) commitment to implement the Greenfield Airports Policy.

(ii) granting freedom to the airport operators to fix tariffs.

(iii) providing Clearances for the Airport and/or commercial operations of the Airport as are required from time to time.

(iv) implementation of the communication and navigation services and air traffic management agreement and the meteorological agreement.

(d) GoAP shall not, and shall take all steps within its power to see that any Government Agency does not, expropriate, confiscate, compulsorily acquire, require the compulsory divestment of or nationalise (a) any assets of HIAL relating to, or directly derived from the Airport or (b) any shares or other securities convertible into shares issued by HIAL.

(e) GoAP shall not take, and shall take all steps within its power to see that no Government Agency takes any action, which is capable of giving rise to or constituting to any of the grounds for termination of the Concession Agreement.
GoAP will use its good offices with GoI to eliminate the impact of concession fee under the Concession Agreement, if any, levied by GoI. At the end of the Financial Close, the issue would be revisited and GoAP will appropriately cover the impact on HIAL.

4. ACKNOWLEDGEMENTS, ASSISTANCE AND SUPPORT BY GOAP

(a) GoAP acknowledges and agrees that HIAL has exclusive right to own, develop, design, finance, construct, operate and maintain the Airport in accordance with the Project Agreements and therefore GoAP agrees to extend its full support to the Concession Agreement, Financing Agreements and related Project Agreements, and shall provide such assistance as may reasonably be requested by HIAL in relation to the performance of its obligations under the said agreements.

(b) GoAP shall fully support to the extent such support is within its power, the provisions of the Concession Agreement which will provide:

(i) that no development, improvement or upgrading of any new or existing airport into an airport serving domestic and/or international traffic will be established or permitted by GoI in Hyderabad/Secunderabad and within an aerial distance, for the duration and upto the traffic volumes as specified in the Concession Agreement.

(ii) GoI shall not permit, authorise or licence existing sites, airfields assets or any facilities situated in or over such sites at Dindigul and Hakimpet to be used for any Civil Aviation Activity whatsoever.

(iii) GoAP agrees to use its best efforts to ensure that the existing airport at Begumpet, Hyderabad shall be closed for Civil Aviation Activity.

5. SOVEREIGN IMMUNITY

5.1 Waiver of Sovereign Immunity

GoAP hereby unconditionally and irrevocably agrees that the execution, delivery and performance by it of this Agreement does not constitute a sovereign act, and that

(a) should any proceedings be brought against it or its asset(s) in relation to this Agreement or any transaction contemplated by this Agreement, no sovereign immunity from such proceedings, execution, attachment or other legal process shall be claimed by or in behalf of each of them or with respect to any of their assets, to the extent permitted by Law; and

(b) to the extent permitted by Law, GoAP waives any right of sovereign immunity, which it or its asset(s) now has or may acquire in future in any jurisdiction.

GoAP consents to, in respect of the enforcement of any judgement against it in any such proceedings in any jurisdiction, the giving of any relief or the issue of any process in connection with such proceedings (including the making, enforcement or execution of any such judgement or any order arising out of any such judgement against or in respect of any property whatsoever irrespective of its use or intended use).

5.2 Exception

Notwithstanding anything to the contrary contained herein, such waiver of any right of sovereign immunity by GoAP shall not apply to (a) property and assets of any consular or
diplomatic mission or consulate, or (b) Property belonging to the Defence Services and assets of the Union of India.

6. REPRESENTATION OF THE PARTIES

Each Party represents and warrants to the other Party that:

(a) It has full power and authority to execute, deliver and perform this Agreement;

(b) It has taken all necessary action to authorise the execution, delivery and performance of this Agreement;

(c) This Agreement constitutes its legal, valid and binding obligation enforceable against it in accordance with the terms hereof.

7. HIAL COMPENSATION EVENTS

7.1 In the event of the occurrence of a HIAL Compensation Event, GoAP will, upon a request in writing from HIAL, indemnify and hold HIAL harmless against any cost, loss, liability or any consequences which it may suffer or incur, either in exercising its rights under this Agreement or in observing and performing any of its obligations under the Project Agreements, as a direct result of the HIAL Compensation Event and shall pay to HIAL, within thirty (30) days of such request for payment, sums equal to the aggregate of:

(a) all additional costs and expenses incurred by HIAL as a result of the HIAL Compensation Event;

(b) the aggregate of:

(i) all amounts paid or payable by HIAL (whether by way of penalties, the settlement of claims or otherwise) to any of its contractors or subcontractors, agents or any others to whom HIAL has granted any privilege, franchise, lease or any other right, or sub-right pursuant to the Concession Agreement and/or Project Agreements, as a result of such HIAL Compensation Event;

(ii) all additional interest, fees and other sums which HIAL is obliged to pay to Lenders, as a result of such HIAL Compensation Event.

(iii) all additional overheads and operating costs and expenses paid or payable by HIAL, as a result of such HIAL Compensation Event.

(c) any loss including loss of profit, cost, expense, liability or damage suffered by HIAL as a result of such HIAL Compensation Event.

7.2 The Parties agree that GoAP’s obligations to compensate under this Clause 7 shall arise only where the compensation payable is in excess of Rupees 1,00,00,000 (Rupees one crore), and where such compensation becomes payable, the entire amount of compensation shall be payable, and not just the excess over Rupees 1,00,00,000 (Rupees one crore).

8. DEFAULT

8.1 GoAP Default Events

The following event shall constitute a "GoAP Default Event":

[Signature]
if GoAP is in breach of its obligations under this Agreement which breach results in termination of the Concession Agreement.

8.2 Consequences of Default

In the event of a GoAP Default Event, HIAL shall have the right to notify GoAP that such an event has occurred and in case GoAP fails to cure the GoAP default within a period of thirty (30) days, then GoAP shall, within fifteen (15) days of the expiry of the thirty (30) days period, pay to HIAL the GoAP Default Amount which amount shall be reduced by an amount equal to that paid by GoAP to HIAL pursuant to Clause 7 in respect of any breach or default by GoAP which is the same as that leading to the GoAP Default Event.

8.3 If HIAL exercises its rights under Clause 8.2 of this Agreement such exercise of rights shall be without prejudice to all rights and obligations then having accrued to HIAL (or which may thereafter accrue in respect of any act or omission prior to such exercise of rights) and without prejudice to those provisions which expressly provide for continuing obligations or which are required to give effect to such exercise of rights or the consequences of such exercise of rights.

9. DELAYED PAYMENTS

If any sum due under this Agreement from GoAP is not paid within thirty (30) days of a request therefor from or on behalf of HIAL, such delayed amounts shall attract interest at the rate of 2% above the State Bank of India’s long term Prime Lending Rate from the date of expiration of the said thirty (30) day period. In case the sum due along with interest is not paid within ninety (90) days from the expiry of the thirty (30) days period as above, the matter may at HIAL’s option, be referred to arbitration in accordance with Clause 10(b) to (f) and shall constitute a Dispute.

10. AMICABLE RESOLUTION AND ARBITRATION

(a) Save where expressly stated to the contrary in the Concession Agreement, any dispute, difference or controversy of whatever nature between the Parties, howsoever arising under, out of or in relation to this Agreement including disputes, if any, with regard to any acts, decision or opinion of either Party and so notified in writing by the other Party (“the Dispute”) shall in the first instance be attempted to be resolved amicably in accordance with the procedure set forth under the Indian Arbitration and Conciliation Act, 1996. For the purpose of any Dispute in Clause 10, a reference to a “Party” shall mean HIAL on the one hand and GoAP on the other hand and the term “Parties” shall be construed accordingly. If the Dispute is not amicably settled in accordance with the foregoing, either Party may refer the Dispute to arbitration in accordance with the provisions of Clause 10(b) to (f) below.

(b) Subject to the provisions of Clause 10(a), any Dispute which is not resolved amicably shall be finally settled by arbitration as per the provisions of the Indian Arbitration and Conciliation Act, 1996, and/or any statutory modifications/amendments thereof. The arbitral tribunal shall consist of three arbitrators, one to be appointed by each Party and the third arbitrator, who shall act as the presiding arbitrator, to be appointed by the two arbitrators appointed by the Parties.

(c) The place of arbitration shall be the city of Hyderabad in the State of Andhra Pradesh. By agreement of the Parties, the arbitration hearings, if required, may be held elsewhere.
(d) The request for arbitration, the answer to the request, the terms of reference, any written submissions, any orders and rulings shall be in English and, if oral hearings take place, English shall be the language to be used in the hearings.

(e) The arbitrator shall give a written, reasoned award. The Parties agree that the decision or award resulting from arbitration shall be final and binding upon the Parties and shall be enforceable in accordance with the provisions of the Indian Arbitration and Conciliation Act, 1996, and/or any statutory modifications/amendments thereof.

(f) Pending the submission of and/or decision on a Dispute and until the arbitral award is published, the Parties shall continue to perform their respective obligations under this Agreement without prejudice to a final adjustment in accordance with such award.

11. RELATED DISPUTES

Where it is beneficial to the Project for any dispute or part of a dispute between the Parties to be resolved in the same arbitration proceedings as a dispute or a pending dispute between the Parties and any other parties engaged on the Project ("Related Dispute") then:

(a) GoAP at HIAL's reasonable request, shall refer the dispute between HIAL and GoAP to the arbitrators to be appointed in respect of the Related Dispute and be determined at the same time as such Related Dispute.

(b) In the event of a Related Dispute being such that it is in HIAL’s reasonable opinion beneficial to the Project for it to be resolved by the arbitrators to whom a dispute between HIAL and GoAP under this Agreement has been referred then GoAP agrees that such dispute may, in HIAL’s reasonable discretion, be determined by the said arbitrators contemporaneously with the determination of the said dispute between GoAP and HIAL.

12. TERMINATION

This Agreement shall be co-terminus with the Concession Agreement and shall terminate immediately upon termination of the Concession Agreement. Upon such termination, all rights and obligations of the Parties shall terminate. However, those rights and obligations of the Parties that accrued prior to such termination shall survive such termination. Further, the provisions of Clauses 10 and 13.11 shall also survive the termination of this Agreement.

13. MISCELLANEOUS

13.1 Authorised Representatives

Each of the Parties shall by notice in writing designate their respective authorised representative through whom only, all communications shall be made. A Party shall be entitled to remove and/or substitute or make fresh appointment of its such authorised representative by similar notice.

13.2 Notices

Any notice to be given by any Party to this Agreement shall be in writing and shall be deemed duly served if delivered by prepaid registered post or facsimile or through a delivery service/courier to the addressee at the address or (as the case may be):

\[Signature\]
To GoAP at:

Name of the person concerned : Secretary, Transport, Roads & Buildings
Department, Government of Andhra Pradesh
Address : J-Block, Andhra Pradesh Secretariat,
Hyderabad – 500 022.
Telephone : +91 40 2345 4391
Fax No. : +91 40 2345 0104

Developer and HIAL at: Mr. Kiran Kumar Grandhi

Name of the person concerned : Mr. Kiran Kumar Grandhi
Address : 6-3-866/1/G3, Greenlands, Begumpet,
Hyderabad – 500 016.
Telephone : +91 40 2341 0191
Fax No. : +91 40 2341 0184

or at such other address (or facsimile numbers as the Party to be served may have notified in accordance with the provisions of this Clause 13.2) for the purposes of this Agreement. Any notice served by facsimile shall be followed by prepaid registered post or through a delivery service/courier to the addressee at its address. Any notice served by prepaid registered post shall be deemed served seven (7) days after posting. In proving a service of any notice, it will be sufficient to prove in the case of a letter, that such letter was properly stamped, addressed, and placed in the post or delivered or left at the address of addressee given above or subsequently notified for the purposes of this Agreement.

13.3 Assignment

This Agreement shall not be assigned without the prior written consent of the Parties, except that the benefits under this Agreement shall be assigned to the Lenders without such prior written consent.

13.4 No Implied Waivers and Remedies Cumulative

Save and except as expressly provided in this Agreement, no exercise, or failure to exercise, or delay in exercising any right, power, or remedy vested in any Party under or pursuant to this Agreement shall constitute a waiver by that Party of that or any other right, power, or remedy. The rights and remedies provided by this Agreement are cumulative and (subject as otherwise provided in this Agreement) are not limit of any rights or remedies provided at Law or in equity.

13.5 Severability

In the event that any term, condition, or provision of this Agreement is held to be a violation of any Law, the same shall be deemed to be deleted from this Agreement and shall be of no force and effect and this Agreement shall remain in full force and effect as if such term, condition, or provision had not originally been contained in this Agreement. Notwithstanding the above, in the event of any such deletion, the Parties shall negotiate in good faith in order to agree the terms of a mutually acceptable and satisfactory alternative provision in place of the provision so deleted.
13.6 Amendments

(i) No amendment or modification to this Agreement shall be valid and effective unless agreed to by the Parties hereto and evidenced in writing. GoAP or HIAL may at any time request the other to enter into discussions to review the operation of any part of this Agreement, but without commitment on either Party, to determine whether it should be amended by mutual agreement provided that, unless there is such mutual agreement, the provisions of this Agreement (as then most recently, if at all, amended) shall continue to apply.

(ii) The Parties recognise and acknowledge that the terms and conditions of this Agreement and adequacy of the Annexes are subject to review by HIAL and the Lenders particularly as it is not possible at the date of this Agreement to finalise costs until DPR has been undertaken and therefore the terms and conditions are subject to change and/or supplementation. If as a result of any such review, changes, supplementation and/or additional agreements are required in order to mitigate against any adverse or unexpected effects upon the Project or to secure the Lenders' approval, the Parties shall consider and attempt to agree in good faith to the incorporation of such changes and/or supplementation or the execution of such additional agreements as may be required.

13.7 Counterparts

This Agreement may be executed in two counterparts, each of which shall be an original, but such counterparts or duplicates shall together constitute one and the same Agreement.

13.8 Law and Jurisdiction

This Agreement shall, in all respects, be governed by and construed in all respects in accordance with the Laws of India.

Subject to Clause 10, in relation to any legal action or proceedings to enforce this Agreement or arising out of or in connection with this Agreement ("Proceedings"), the Parties irrevocably submit to the jurisdiction of courts in Hyderabad, Andhra Pradesh, India only and waive any objection to Proceedings in such courts on the grounds of venue or on the grounds that the Proceedings have been brought in an inconvenient forum.

13.9 Language

All notices required to be given under this Agreement and all communication, documentation and proceedings, which are in any way relevant to this Agreement, shall be in writing and in English language. The language which governs the interpretation of this Agreement shall be the English Language.

13.10 Waiver and Consents

(a) Waiver by either Party of any default by the other Party in the observance and performance of any provision of or obligations under this Agreement:

(i) shall not operate or be construed as a waiver of any other or subsequent default hereof or of other provisions or obligations under this Agreement;

(ii) shall not be effective unless it is in writing and executed by a duly authorised representative of such Party; and

(iii) shall not affect the validity or enforceability of this Agreement in any manner.
(b) Neither the failure by either Party to insist on any occasion upon the performance of the terms, conditions and provisions of this Agreement or any obligation hereunder nor time or other indulgence granted by a Party to the other Party shall be treated or deemed as waiver/breach of any terms, conditions or provisions of this Agreement.

13.11 Confidentiality

(a) The Parties to this Agreement must keep confidential all matters relating to the Concession Agreement, the Project Agreements or this Agreement and must not make any disclosure, and use their best endeavours to prevent their employees, agents and contractors from making any disclosure, to any person of any information, data, documents, secrets, dealings, transactions or affairs of or relating to the Concession Agreement, the Project Agreements or this Agreement.

(b) The confidentiality obligation of the Parties does not apply to the following:

(i) Any matter which a party can demonstrate is already generally available and in the public domain otherwise than as a result of a breach of this Clause;

(ii) Any disclosure which may reasonably be required for the performance of that party's obligations under this Agreement;

(iii) Disclosure of information which is required by any Law or the rules of any stock exchange or governmental or regulatory authority (including the Income Tax department) whether or not having the force of Law whether or not having the force of Law compliance with which is in accordance with the general practice of persons subject thereto;

(iv) Disclosure of any information which is already lawfully in the possession of the receiving party prior to its disclosure by the disclosing party;

(v) The provision of information to contractors, suppliers or subcontractors to the extent necessary to perform their contractual obligations provided similar obligations of confidentiality to those contained in this Agreement are imposed upon them before information is disclosed;

(vi) Provision of information to the Shareholders, the Lenders or the Lenders' professional advisers and insurance advisers;

(vii) Compliance by HIAL with its obligations in the Concession Agreement;

(viii) Information disclosed to any commissioner of police.

(c) The provisions and obligations set out in this Clause survive and remain in force in the event of the termination or expiry of this Agreement.

13.12 No Partnership

Nothing in this Agreement nor any other agreement or arrangement of which it forms a part, nor the performance by the Parties of their respective obligations under any such agreement or arrangement, shall constitute a partnership between the Parties. No Party shall have any authority (unless expressly conferred in writing by virtue of this Agreement or otherwise and not revoked) to bind any other Party as its agent or otherwise.
13.13 Time is of the Essence

Time shall be of the essence of this Agreement, both as regards the dates, periods or times of day mentioned and as regards any dates, periods or times of day which may be substituted for them in accordance with this Agreement.

13.14 Computation of Time

Times referred to in this Agreement shall refer to the Indian Standard Time. In computing any period of time prescribed or allowed under this Agreement, the day of the act, event or default from which the designated period of time begins to run shall be included. If the last day of the period so computed is not a business day, then the period shall run until the end of the next Business Day.

13.15 Payments to be Free and Clear

Save as expressly provided in this Agreement, all sums payable by GoAP under this Agreement shall be paid (except to the extent required by Law or as expressly permitted under this Agreement) (a) free of any restrictions or conditions; and (b) without any deduction or withholding on account of set-off or counterclaim.

IN WITNESS WHEREOF the Parties have put their hands hereunto on the day, month and year first above written.

For and on behalf of
Governor of Andhra Pradesh

Mr. J. Rambabu
Special Chief Secretary
Transport, Roads and Buildings Department
Government of Andhra Pradesh

Witness:
1. S. N. Reddy
2. S. N. Reddy

Place: Hyderabad
Date: September 30, 2003

For and on behalf of
Hyderabad International Airport Limited

Mr. Kiran Kumar Grandhi
Director

Witness:
1. 
2. 

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Annex 1

GoAP DEFAULT AMOUNT

1. Prior to the Commercial Operations Date

The GoAP Default Amount, payable prior to the Commercial Operations Date, shall be an amount (determined as on the date of issue of notice under Clause 8.2) equal to the aggregate of:

(a) only such outstanding debt and outstanding interest as is not repaid by GoI under the Concession Agreement.

(b) All transfer costs, transfer taxes and contingent liabilities under Project Agreements and Financing Agreements.

(c) All outstanding equity paid into the Project compounded at 18.33% annually for periods of such equity injection.

2. After the Commercial Operations Date

The GoAP Default Amount, payable after the Commercial Operations Date, is an amount in aggregate of:

(a) only such outstanding debt and outstanding interest as is not repaid by GoI under the Concession Agreement.

(b) All transfer costs, transfer taxes and contingent liabilities under Project Agreements and Financing Agreements.

(c) Fair Market Value of equity shares of HIAL ("FMV") as on the date of default shall be payable and which FMV shall be determined by a reputed Chartered Accountant who has not been engaged by either GoAP or HIAL in the last 5 years.
## Interest Free Loan (IFL), Equity, Advance Development Fund Grant and Debt draw down schedules (Cumulative)

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### Note

IFL and Equity to be drawn pro-rated upto 50% of each, then balance IFL drawn, and then balance equity and debt is drawn.