



KERALA INFRASTRUCTURE INVESTMENT FUND BOARD (KIIFB)

REQUEST FOR PROPOSAL

**For
Appointment of Merchant Banker/Arranger for
mobilization of funds through proposed
Domestic Bonds
to be issued by
KIIFB**

RFP No. FA-6/2027/2021/KIIFB

Dated: 27/08/2024

I. Background:

Kerala Infrastructure Investment Fund Board (KIIFB) is a statutory body created by the Government of Kerala under the Kerala Infrastructure Investment Fund Act, 1999, as a special purpose vehicle for channelizing investments for large infrastructure projects in the state.

Comprehensive amendments were carried out to the Act in 2016 providing a new structure and outlook to the Board.

The amendments empowered the Board to raise money through financial instruments approved by SEBI and RBI. As per the amended KIIF Act, a minimum threshold of Rs 100 crore is prescribed for projects seeking financing from KIIFB.

Amendments, inter alia, also provided for reconstitution of the Board with the Chief Minister as the Chairman and the Finance Minister as Vice Chairman. The Chief Secretary, Government of Kerala, is a member of the Board.

A key feature incorporated vide the 2016 amendment was the creation of the Fund Trustee and Advisory Commission (FTAC) as an oversight mechanism for ensuring transparency in functioning of the Board.

FTAC is statutory requirement to assess fund utilization and repayment capability of KIIFB and submit a Fidelity Certificate, twice a year, certifying that the funds have been used appropriately and the Board has adequate resources for meeting debt obligations.

Borrowings of KIIFB have the advantage of being backed by sovereign guarantee of the Government of Kerala and debt servicing is supported by a statutorily mandated revenue stream whereby the entire one-rupee additional cess on each litre of petrol and diesel and fifty per cent of the motor vehicle tax collected in the state of Kerala is transferred directly to KIIFB.

Further, a repayment agreement will be signed between KIIFB and the sponsoring government department in cases where revenue generating projects are financed by KIIFB. Details of projects funded by KIIFB are listed on our website.

II. Objective of the Assignment:

Kerala Infrastructure Investment Fund Board (KIIFB) is in process of mobilizing upto **INR 2999.99 Crores (Base Issue - INR 1500.03 Cr & Green Shoe - INR 1499.96 Cr)** through Domestic bond issue for the following end-use.

- (a) providing financing to infrastructure projects in the State of Kerala as approved by KIIFB's

board of members including but not limited to for acquisition of immovable assets for setting up such infrastructure projects;

- (b) repayment of any financial indebtedness availed by KIIFB; and
- (c) any other objectives of KIIFB pursuant to the KIIF Act, 1999 (as amended).

III. Scope of Work:

The scope of work includes the following:-

- Act as Merchant Banker/ Arranger for the proposed bond issue and **raise the minimum commitment amount of Rs. 500.01 Crore**. An undertaking to mobilize the minimum commitment amount shall be furnished by the bidder.
- Assisting the issuer in complying with all legal and statutory requirements including obtaining all requisite approvals from the regulators, stock exchanges etc.
- Any matter incidental thereto for meeting the objective of a successful fund raising

IV. Eligibility Criteria:

1. The Merchant Banker/ Arranger shall hold valid SEBI Registration Certificate duly enabling them to perform the activities as set out in the scope of work - Copy of the Certificate of Registration issued by SEBI to be enclosed. The Merchant Banker/ Arranger shall submit an undertaking and represent that their registration with SEBI enables them to undertake activities as per the scope of work as set out in the RFP.
2. The Merchant Banker/ Arranger shall be in Top 50 ranking of 'All Category' league table of Prime Database of financial year 2023-24.
3. The Merchant Banker/ Arranger should not have been blacklisted by any Government / Government Agency / PSU or any regulatory authority as on the date of bid submission. Declaration with respect to the same have to be submitted as per Annexure-IV

Note: Non fulfillment of any of the above eligibility criteria amounts to disqualification and 'Financial bid' of such bidder will not be opened.

V. Financial Proposal:

The Financial Proposal shall be submitted as per the attached format (Annexure-II).

Financial proposal includes Coupon rate, Arrangers' Fees, IRR and Firm commitment amount. Evaluation of bids will be done on overall IRR basis including coupon and arranger fees.

Fees shall include all costs associated with the assignment but should be exclusive of goods and service tax (GST) which shall be paid separately as per the applicable rate by KIIFB. The financial bid has to be quoted in percentage terms i.e. fees as a % of amount mobilized (excluding GST). The fees may be quoted in maximum upto two decimal places.

VI. Bid Validity:

The Financial bid shall have a validity period of 7 working days from the bid submission deadline.

The issue shall be uploaded on BSE EBP within 7 working days from the last day of bid submission.

Note: However the above timelines may be extended by mutual understanding between the issuer and the shortlisted bidder.

VII. Selection Process

- KIIFB will open the Technical proposal first. The firms which completely meet the above eligibility criteria shall be considered to be technically qualified. The 'Financial Bid' of the technically qualified arranger will be opened thereafter.
- Final selection would be done on the basis of lowest bid (L1), wherein an eligible and technically qualified bidder who has quoted the lowest 'IRR' would be designated as L1.
- The coupon rate shall be firm till the targeted amount (base issue size) is mobilized.
- KIIFB may, at its sole discretion, select such number of arrangers other than L1, as necessary, for ensuring that the minimum amount committed by the selected arrangers matches the base issue size at L1 price.
- All offers would be tabulated in chronological manner i.e., L1, L2, L3 and so on, after that bidders would be informed accordingly. If L1 offer is not for full base issue amount, KIIFB may ask L1 bidder to increase its commitment amount upto base issue amount and 15 minutes will be provided to the L1 bidder to increase the commitment amount. In case L1 bidder doesn't increase commitment amount, KIIFB will ask other bidders to match L1 rate in chronological manner and 15 minutes will be provided to match the L1 rate to each subsequent bidders.
- This process shall be continued till KIIFB appoints such number of arrangers as necessary for ensuring that cumulative minimum commitment offered matches the base issue size.
- In case of any dispute, the decision of the Chief Executive Officer, KIIFB shall be final and binding on all parties.

VIII. Submission & Opening of the Proposal:

- The last date for submission of the bid is **12.00 PM, 03.09.2024**.
- The bids shall be emailed to “**ast6.fa@kiifb.org**” “with a copy to “**gm.ifg@kiifb.org**”
- The arranger shall submit their Technical and Financial proposal as per the RFP, on separate emails in orderly manner:

Email 1 – Technical Proposal (as per Annexure I) with a unique password protected document.

Email 2 – Financial Proposal (As per Annexure II) with a unique password protected document.

No common password to be used. No hard copy submission has to be made.

- The technical bid shall comprise of the following documents:-
 1. Annexure-I
 2. Merchant banking license from SEBI
 3. League table of 'All Category' of Prime Database for the financial year 2023-24
 4. Non blacklisting declaration as per Annexure-IV
 5. Undertaking for SEBI registration as per Annexure -V
 6. Authorization letter/power of attorney/resolution passed by the board of directors or any committee to determine the signing power of the official signing the proposal.
- The Financial bid shall comprise of the following documents:-
 1. Annexure-II
 2. Undertaking for minimum commitment amount (Annexure-III)
- The technical proposal will be opened at **12.30 PM on the same day i.e., 03.09.2024** after receiving the password for technical proposal from arrangers.
- KIIFB will notify arrangers meeting the eligibility criteria and the financial bids of only technically qualified arrangers will be opened on the same day after receiving the password for the financial proposal from the qualifying arrangers.

- The arrangers qualified for financial bid opening can participate in the process physically or through VC.

IX. Payment Terms:

- a) The fees shall be paid on the basis of total amount mobilized on EBP and allotted by KIIFB. The total amount shall be the base issue size and green shoe option exercised by the KIIFB. Further the same fee will be payable on both, base issue size and the green shoe option. The fee payment shall be made within 15 days from the allotment of the bonds.
- b) Arranger will be discharged of its obligation if there is a live bid on EBP system equivalent to or more than the amount committed by that arranger whether or not any amount allotted to the arranger. However, in such a case, the arranger fee will be paid to the arrangers on the total amount including green shoe option exercised in proportion to their commitment amount.

X. Right to reject any or all proposals:

Notwithstanding anything contained herein before, KIIFB reserves the right to accept or reject any or all proposal(s) and to annul the selection process at any time without assigning any reasons there for and without any liability or any obligation whatsoever for such acceptance or rejection or annulment.

XI. Modification/Clarification of Tender Documents:

- At any time after issue of the RFP documents and before the opening of the proposal, KIIFB may make any changes, modifications or amendments of the RFP documents.
- Any changes /modifications made will be updated in the KIIFB's website only. If such change/modification is made, KIIFB reserves the right to extend the due date for submission of Bids.
- The bidders are advised to peruse all the clauses in the Specification and Instruction to RFP before quoting.

XII. Alterations:

No alterations in the tender will be permitted after its submission.

XIII. Force Majeure:

If at any time during the continuance of this contract, the performance in whole or in part of any obligation under this contract shall be prevented or delayed by reasons of any war, hostility, acts of public enemy, acts of civil commotion, strike, lock outs, sabotages, fire, flood explosions, epidemics, quarantine restrictions or other acts of God (hereinafter referred to as eventualities) then provided notice of the happening of any such eventuality is given by the contractor to the KIIFB within the reasonable time from the date of occurrence thereof, neither party shall, by reasons of such eventuality be entitled to terminate this contract, nor shall have any claim for damages against the other in respect of such non-performance or delay in performance and deliveries under this contract shall be resumed as soon as practicable after such eventuality has come to an end or ceased to exist.

XIV. Other Terms and Conditions and Reservation of Rights:

- Multiple bids are not allowed and liable to rejection
- Consortium/Joint bidding is not allowed
- KIIFB reserves the right -
 - a) To negotiate with highest points bidder.
 - b) To appoint more than one arranger under this RFP process.
- The decision of KIIFB shall be final and shall be binding on the successful bidder(s).

Format for Technical Proposal

[on the letter head of Arranger]

| | | |
|----|--|--------|
| 1. | Name of Bidder | |
| 2. | Registered Address | |
| 3. | Address for Communication | |
| 4. | Contact Person Details i) Name ii) Mobile No. iii) Fax iv) E-mail Id. | |
| 5. | Copy of SEBI Registration (duly attested by the arranger) attached (The Bidder should have valid Certificate of registration) i. Registration no. & Category ii. Date of Registration | Yes/No |
| 6. | Whether undertaking is furnished with respect to point no. 3 of the eligibility criteria | Yes/No |
| 7. | Whether undertaking for minimum commitment amount has been provided | Yes/No |
| 8. | 'All Category' league table of Prime Database of Financial year 2023-24 attached (The Bidder should be in the Top 50 ranking for privately placed debt instruments) | Yes/No |
| 9. | Whether undertaking for SEBI registration has been provided | Yes/No |

Place:

Date:

Signature: Name: Designation:

Organisation Seal:

Format for Financial Bid

[on the letter head of Arranger]

| Particulars | Bid |
|---|---|
| Coupon Rate (upto Two Decimal Points) | [.]% |
| Arranger Fees (excluding GST) (upto Two Decimal Points) | [.]% |
| IRR (will be considered upto 2 decimal point) | [.]% |
| Firm Commitment Amount (Minimum Commitment of Rs. 500.01 Crore and multiples of Rs. 10 Crore) | Rs. [.] Crore |
| Contact Details of Authorised Person | i) Name ii) Designation iii) Mobile No. iv) E-mail Id. |

Place:

Date:

Signature: Name:

Designation:

Organisation Seal:

Undertaking to mobilize
[on the letter head of Arranger]

To,
The Chief Executive Officer,
Kerala Infrastructure Investment Fund Board, Thiruvananthapuram

Subject: Firm Commitment to mobilize for the Domestic Bond issue of KIIFB
Ref:

Dear Sir,

We, [Name of the bidder], hereby undertake to mobilize on firm commitment basis a minimum amount of Rs. [Commitment amount in Crores] for the Domestic Bond issue of KIIFB.

Authorized Signatory's Signature:

Name:

Designation:

Place:

Date:

Non-Blacklisting Declaration
[on the letter head of Arranger]

To,
The Chief Executive Officer,
Kerala Infrastructure Investment Fund Board, Thiruvananthapuram

Dear Sir,

We, [Name of the bidder], hereby declare that our company has not been blacklisted by any Government / Government Agency / PSU or any regulatory authority as on the date of bid submission.

Authorized Signatory's Signature:

Name:

Designation:

Place:

Date:

Undertaking for SEBI registration
[on the letter head of Arranger]

To,
The Chief Executive Officer,
Kerala Infrastructure Investment Fund Board, Thiruvananthapuram

Subject: Undertaking for SEBI registration for the Domestic Bond issue of KIIFB Ref:

Dear Sir,

We, [Name of the bidder], hereby undertake that our registration with SEBI enables us to undertake activities as per the scope of work as set out in the RFP for the Domestic Bond issue of KIIFB.

Authorized Signatory's Signature:

Name:

Designation:

Place:

Date:

**TERM SHEET FOR ISSUE OF BONDS BY KERALA INFRASTRUCTURE
INVESTMENT FUND (KIIFB) WITH STATE GOVERNMENT GUARANTEE**

| | | |
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| Security Name | KIIFB Domestic Bonds Series III | |
| Issuer | Kerala Infrastructure Investment Fund Board, a statutory body created by the Government of Kerala under the Kerala Infrastructure Investment Fund Act, 1999 | |
| Instrument | Rated, Listed, Redeemable, Unsecured, Taxable, Non-Convertible Bonds in the form of non-convertible debentures supported by Unconditional & Irrevocable Guarantee by the Government of Kerala as a principal debtor & not merely as a surety (Debentures). | |
| Seniority | Senior | |
| Mode of Issue | Private Placement | |
| Listing | Proposed on the Wholesale Debt Market (WDM) Segment of BSE with the timelines of T+3 trading days as specified by the Securities and Exchange Board of India (SEBI) vide its circular dated 30th November 2022. | |
| Instrument form and Settlement Mode | De-materialized, settlement through Depository | |
| Base Issue Size | INR 1500.03 Crores | |
| Option to retain over subscription | INR 1499.96 Crores | |
| Aggregate Issue Size | INR 2999.99 Crores | |
| Rating of the Instrument | Provisional IND AA (CE) with stable outlook by India Ratings & Research Provisional ACUITE AA (CE) with stable outlook by Acuite Ratings & Research | |
| Objects of the Issue | To augment the long-term resources of the Issuer | |
| Details of the utilization of the Proceeds | <p>Issue proceeds shall be utilised by the Issuer in compliance with the Applicable Law and in accordance with the Debenture Trust Deed, for the purpose of,</p> <ol style="list-style-type: none"> 1. Providing financing to infrastructure projects in the State of Kerala as approved by the Issuer's board of members including but not limited to for acquisition of immovable assets for setting up such infrastructure projects; 2. Repayment of any financial indebtedness availed by Issuer; and 3. Any other objectives of the Issuer pursuant to the KIIF Act. | |
| Coupon Rate | TBD | |
| Coupon Type | Fixed | |
| Coupon Payment Frequency | Quarterly | |
| Tenor | 4-10 years under seven different Sub-Sub-Series as below: | |
| | As %age of Issue | Amount as per base issue size |
| Sub-Series | | <i>Rs. in crore</i> |
| A | 14.2857% | 214.29 |
| B | 14.2857% | 214.29 |
| C | 14.2857% | 214.29 |
| D | 14.2857% | 214.29 |
| E | 14.2857% | 214.29 |
| F | 14.2857% | 214.29 |

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|---------------------------------|---|---------|----------|--------|-------|-----------|---------|
| | <table border="1"> <tr> <td>G</td> <td>14.2857%</td> <td>214.29</td> </tr> <tr> <td>Total</td> <td>100.0000%</td> <td>1500.03</td> </tr> </table> | G | 14.2857% | 214.29 | Total | 100.0000% | 1500.03 |
| G | 14.2857% | 214.29 | | | | | |
| Total | 100.0000% | 1500.03 | | | | | |
| Redemption | The issue of Rs. 2999.99 crore would comprise of 7 Sub-Series (A to G) as mentioned above of sequentially, redeemable bonds in equal quarterly amount. | | | | | | |
| | Sub-Series 'A' would be redeemable in 4 equal quarterly instalments of 3.5714% of the aggregate issue size commencing from the end of 13th quarter and so on. | | | | | | |
| Redemption Premium/ Discount | NA | | | | | | |
| Issue Premium/ Discount | NA | | | | | | |
| Default Interest Rate | In the event of delay in the payment of interest amount and/ or principal amount on the due date(s), the Issuer shall pay additional interest of 2.00% per annum in addition to the respective Coupon Rate payable on the bonds, on such amounts due, for the defaulting period. | | | | | | |
| Face value per Bond | Face value of Rs. 7,00,000/- Per Bond comprising of 7 sub-series 'A' to 'G' with face value of Rs 1,00,000/- each. | | | | | | |
| Issuance Mode of the instrument | Demat only | | | | | | |
| Trading Mode of the instrument | Demat only | | | | | | |
| Business Day Convention | <p>"Business Day/Working Day" means all days on which commercial banks in Thiruvananthapuram and Mumbai are open for business.</p> <p>If the coupon payment date falls on a Sunday or a holiday, the coupon payment shall be made on the next working day. However, the dates of the future payments would continue to be as per the schedule originally stipulated in the offer document.</p> <p>If the maturity date of the debentures falls on a Sunday or a holiday, the redemption proceeds shall be paid on the previous working day along with interest accrued on the bonds until but excluding the date of such payment.</p> <p>If a leap year (i.e. February 29) falls during the tenor of the debentures, then the number of days shall be reckoned as 366 days (actual/ actual day count convention) for the entire year.</p> | | | | | | |
| Record Date | <p>15 days prior to each Coupon Payment Date and Redemption Date.</p> <p>In the event the Record Date falls on a day which is not a Business Day, the immediately succeeding Business Day will be considered as the Record Date.</p> | | | | | | |
| Depository | National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) | | | | | | |

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| Collateral Security | <p>The Debentures are not “secured debt securities” for the purposes of the SEBI Non-Convertible Securities Listing Regulations and corresponding provisions of Applicable Law.</p> <p>The Debentures shall be supported by unconditional and irrevocable guarantee by the GoK as a principal debtor and not merely as a surety. However, the Debentures shall be secured by:</p> <ol style="list-style-type: none"> 1. Hypothecation over DSRA and all the amounts credited / to be credited therein 2. Hypothecation over KIIFB Bond Servicing Account and all the amounts credited / to be credited therein |
| | <ol style="list-style-type: none"> 3. Security interest over the Permitted Investments 4. Hypothecation in the form of lien over the Fixed Deposit. |
| Debt Service Reserve Account (DSRA) | <p>The Issuer has opened a designated escrow account titled “[●]” bearing account number [●] with [●] - “Debt Service Reserve Account” to maintain the required debt service reserve amount (DSRA) exclusively for the benefit and charged to the Debenture Trustee (on behalf of the bond holders).</p> <p>“Required DSRA Amount” – An amount equivalent to the interest obligation of one succeeding quarter & principal redemption amount of one quarter. The issuer would need to maintain the</p> <p>Required DSRA Amount on rolling basis and the initial DSRA amount so calculated would need to be deposited at least one day prior to the date of pay in.</p> <p>Although redemption shall start from the 13th quarter, the DSRA of one quarter principal redemption amount starting from 13th Quarter along with the interest obligation of one succeeding quarter shall be created upfront only.</p> <p>The DSRA would be in the form of cash or cash equivalents (investment in Permitted Instruments).</p> |
| Escrow Account/ KIIFB Bond Servicing Account | <p>The Issuer would be required to open a designated escrow account titled “[●]” bearing account number _____ with [●] exclusively for the benefit and charged to the Debenture Trustee (on behalf of the bond holders).</p> |

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| <p>Daily Transfer of Funds to KIIFB Bond Servicing account</p> | <p>Daily allocation of Motor Vehicle Tax and Petroleum cess pursuant to section 7 of KIIF Act is being received by KIIFB into the “Collection Account” maintained with the collection bank during the 9 Months period commencing from 1st April till 31st December every year on a regular basis.</p> <p>The Issuer would, starting from the 1st day of each quarterly servicing cycle remit, by way of irrevocable standing instruction to the collection bank, on every working day, an amount equivalent to 2% of the aggregate servicing requirement for such quarterly servicing cycle of the outstanding bonds to the KIIFB Bond Servicing Account III until the required debt servicing amount for the said quarter is fully built in the KIIFB Bond Servicing Account III.</p> <p>For the period of 1st January to 31st March the issuer, by way of standing instruction, shall transfer an upfront amount on 1st January each year to the KIIFB Bond Servicing Account III equivalent to the amount required towards the aggregate daily transfer amounts for the said period</p> |
| | <p>The said irrevocable standing instruction shall be given upfront by the Issuer to the bank for the entire tenure of the bonds i.e. 10 years.</p> <p>Upfront Fixed Deposit - On the first day of every quarterly payment cycle, Issuer shall also maintain a Fixed Deposit in a Scheduled Public Commercial Bank, at least to the extent of the interest obligation on immediately succeeding quarterly payout date & principal redemption amount of one quarter and create/maintain charge/lien on the same in favour of the Debenture Trustee at all the times.</p> <p>Although redemption shall start from the 13th quarter, the DSRA of one quarter principal redemption amount starting from 13th Quarter along with the interest obligation of one succeeding quarter shall be created upfront only.</p> <p>The initial “Upfront FD” shall be created one day before the pay-in date. The Debenture Trustee would have an irrevocable authorization from the Issuer to liquidate an amount out of the said Fixed Deposit to the extent of any shortfall in the KIIFB Bond Servicing Account III, 7 days prior to any quarterly servicing date i.e. T-7 day. The said Fixed Deposit shall be created by the Issuer from the receivables of the Issuer from allocation of MVT & Petroleum cess.</p> |

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| Permitted Investments | <p>The funds in the KIIFB Bond Servicing Account III and Debt Service Reserve Account III till such time being utilized would be allowed to be invested in permitted investments in fixed deposits with Scheduled Commercial Banks and units of Debt Mutual Fund Schemes of highest possible investment grade rating as defined below:</p> <ol style="list-style-type: none"> 1.Fixed deposits with nationalized/ public sector banks featuring in the top 10 public sector undertaking banks in terms of total asset size and having either short term rating of A1+ or a long-term rating of AAA; 2. Fixed Deposits with private sector banks featuring in the top 10 private sector banks in terms of total asset size and having short term rating of A1+ and a long-term rating of AAA; and 3. Investments in units of debt mutual funds schemes of highest possible investment grade rating. <p>These investments would be made and liquidated by the Debenture Trustee as per the instruction of the Issuer from time to time.</p> |
| Structured Payment Mechanism | <p>The Issuer would be required to adequately fund the KIIFB Bond Servicing Account III through periodic transfer of funds received by it from MVT and Petroleum cess</p> |

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| | <p>allocation. The Issuer would, starting from the 1st day of each quarterly servicing cycle remit, by way of irrevocable standing instruction to the collection bank, on every working day an amount equivalent to 2% of the aggregate servicing requirement for such quarterly servicing cycle of the outstanding bonds to the KIIFB Bond Servicing Account III until the required debt servicing amount for the said quarter is fully built in the KIIFB Bond Servicing Account III. The Debenture Trustee shall independently monitor the amounts required for servicing of the bonds (principal and/or interest as the case may be) in the KIIFB Bond Servicing Account III 7 days prior to the relevant servicing date (T-7).</p> <p>The Debenture Trustee should independently monitor the adequacy of availability of such fund in the KIIFB Bond Servicing Account III 7 days prior to the relevant servicing date (T-7), and in case of any inadequacy, fund the same through liquidation of the Fixed Deposit to the extent of such shortfall.</p> <p>However, if due to any reason, it is not possible to fully fund the KIIFB Bond Servicing Account III by T-5th day, the Debenture Trustee should advise the Issuer to immediately bridge the shortfall, under intimation to GoK.</p> <p>In the event of shortfall still persisting on T-3rd day, the Debenture Trustee would transfer the requisite funds from the Debt Service Reserve Account III to bridge the gap.</p> <p>This event of DSRA impairment should be immediately notified to the GoK by the Debenture Trustee on the next day.</p> <p>If any of the milestone days mentioned in the T-structure above happens to be a holiday/ bank's closing day, the immediate preceding bank working day would be the deemed date for execution of the relevant action.</p> |
| <p>Remedial Action Consequential to Impairment of Upfront FD</p> | <p>In case of any impairment of Upfront FD on T-7 to meet the servicing obligation on any payout date (T) resulting in the amount available in the Upfront FD less than the stipulated amount for the next quarter, the Debenture Trustee shall give a notice to the KIIFB on T-6 days to fully replenish such shortfall within the next 6 days i.e. T.</p> <p>The Debenture Trustee shall check the amount in Upfront FD on T+1st day and in the event of any shortfall, the Debenture Trustee shall notify the KIIFB to fund the shortfall within 5 days (T+6).</p> <p>The Debenture Trustee shall check the amount available in Upfront FD on T+7th day and in the event of any shortfall, the Debenture Trustee shall notify the</p> |

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| | <p>Government of Kerala of its intention for invocation of the Government Guarantee to the extent of such shortfall if the same is not fully bridged within 21 days (T+27).</p> <p>If the irregularity continues beyond the above timeline, the Debenture Trustee shall invoke the Guarantee, from GoK on the next day (T + 28) to the extent of such shortfall in Upfront FD from the stipulated level.</p> <p>The Deed of Guarantee would specifically provide obligation on the part of the State Government to replenish the Upfront FD when called upon by the Debenture Trustee, as per the above stipulated timeline. If the Guarantee obligations are not met by the State Government within 30 days of Guarantee invocation, it would be construed as an Event of Default.</p> |
| <p>Remedial Action Consequential to Impairment of DSRA</p> | <p>In case of any impairment of DSRA to meet the servicing obligation on any payout date (T) resulting in the amount available in the DSRA less than the stipulated amount, the Debenture Trustee shall give a reminder notice to the Issuer on T+1 days to fully replenish such shortfall within the next 5 days.</p> <p>The Debenture Trustee shall check the amount available in DSRA on T+7th day and in the event of any impairment still persisting, the Debenture Trustee shall notify the Government of Kerala of its intention for invocation of the Government Guarantee to the extent of such impairment/shortfall if the same is not fully bridged within the 21 days (T+27).</p> <p>If the irregularity continues beyond the above timeline, the Debenture Trustee shall invoke the State Government Guarantee on the next day (T + 28) to the extent of such shortfall in Debt Service Reserve Account III from the stipulated level.</p> <p>The Deed of Guarantee would specifically provide obligation on the part of the State Government to fund the shortfall in Debt Service Reserve Account III when called upon by the Debenture Trustee, as per the above stipulated timeline. If the Guarantee obligations are not met by the State Government within 30 days of Guarantee invocation, it would be construed as an Event of Default.</p> |
| <p>Step up Coupon</p> | <p>In case of any rating downgrade the Issuer shall inform the Debenture Trustee of the same immediately on the next calendar date.</p> <p>25 basis points as step up coupon for rating downgrade (by any one of the rating agencies), from rating at the time of issuance, of every notch. For avoidance of doubt it is</p> |

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| | <p>clarified that in case, credit rating available from each of the rating agencies are different, the lowest credit rating available shall be considered for the purpose of levying the step up coupon.</p> <p>Any rating downgrade below A+”(A or below) i.e., a three-notch credit rating downgrade (or any subsequent credit rating downgrade therefrom) from the credit rating allotted at the time of issuance of the Debentures by a rating agency) will give each Investor, the right to either exercise additional 25 bps step up coupon rate or exercise the put option for premature redemption subject to Applicable Laws and regulations.</p> <p>In case rating is downgraded below “A+”(A or below) “ i.e., a three-notch credit rating downgrade (or any subsequent downgrade therefrom) from the credit rating allotted at the time of issuance of the Debentures by a rating agency), each Investor can exercise the put option within 30 days from the date the Issuer informs Debenture Trustee of the rating downgrade.</p> <p>In the event of multiple downgrades occurring before the expiry of one year from the deemed date of allotment and continuing on the day immediately following the expiry of one year from the deemed date of allotment, each bondholder would have the right to exercise their put option within 30 calendar days following the expiry of one year from the deemed date of allotment.</p> <p>It is further clarified that the step up coupon rate would be effective from the date of downgrade(s) and for each subsequent upgrade(s) in future the step up would be reversed in a similar manner subject to the condition that the coupon rate under no circumstances should fall below the initial coupon rate.</p> |
| <p>Cross Default / Acceleration</p> | <p>In case of cross default/acceleration under agreements for any financial indebtedness of the Issuer or its subsidiaries, the Issuer shall inform the Debenture Trustee of the same immediately on the next calendar date.</p> <p>In such a case, each Investor can exercise the put option within 30 days from the date the Issuer informs Debenture Trustee of the cross default/acceleration.</p> <p>In the event of cross default/acceleration occurring before the expiry of one year from the deemed date of allotment and continuing on the day immediately following the expiry of one year from the deemed date of allotment, each bondholder would have the right to exercise their put option within 30 calendar days following the expiry of one year from the deemed date of allotment.</p> |
| <p>Redemption Procedure upon exercise of put option</p> | <p>The Debenture Trustee would inform the Issuer within 3 days after expiry of the put option exercise period about the amount required to be redeemed consequent upon exercise of the said option.</p> <p>The Issuer would be required to arrange for the said redemption within 15 days upon receipt of such</p> |

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| | <p>information.</p> <p>In the event of the Issuer not being able to redeem the requisite amount, the Debenture Trustee would advise the State Government to do the same within next 5 days period, failing which the Debenture Trustee would invoke the Guarantee for the necessary amount.</p> <p>In the event of the Issuer/State Government not being able to redeem the requisite amount, the Debenture Trustee shall invoke the State Government Guarantee on the next day to the extent of the total outstanding amount of the bond holders, exercising the put option.</p> <p>If the Guarantee obligations are not met by the State Government within 30 days of Guarantee invocation, it would be construed as an Event of Default.</p> <p>The Deed of Guarantee would specifically provide for obligation on the part of the State Government to meet the obligations upon exercise of put option within stipulated timelines when called upon by the Debenture Trustee.</p> |
| Guarantor | Government of Kerala |
| Events of Default | <p>As is set out in the Debenture Trust Deed and shall include, without limitation, the following events (each an “Event of Default”):</p> <ol style="list-style-type: none"> i. Non-payment of any bond servicing obligation on due date. ii. Failure to adequately restore the Debt Service Reserve Account III/ Upfront FD within stipulated timelines; iii. Failure to list or cessation of listing of the NCDs on the BSE; iv. Insolvency, reorganization, liquidation, suspension of payment of debts, winding up, illegality, cessation of business by the Issuer; v. Non redemption of the outstanding bonds by the Issuer / State Government on which the put option is exercised upon expiry of the stipulated timelines. vi. Any insolvency, liquidation or dissolution petition filed against the Issuer/ Pledgor which is not discharged or stayed or withdrawn within 5 calendar days.; vii. Breach of covenants and such breach is not cured within 07 working days, viii. Breach of any of the terms of the Transaction Documents by the Issuer and such breach is not cured within 07 working days; |

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| | <ul style="list-style-type: none"> ix. Repudiation of any Transaction Document, x. Illegality for the Issuer to perform any of its obligations under the Transaction Document, xi. Any material act of fraud, embezzlement, misstatement, misappropriation or siphoning off of Issuer funds or revenues or any other act having a similar effect being committed by the management or an officer of the Issuer, xii. Representations or Warranties are found to be untrue or misleading when made or at the time of repetition during the term of the bonds, which Representations or Warranties are by nature required to be repeated at any time during the term and is not cured within 15 working days, xiii. Winding up of the Issuer, including initiation of any proceedings. xiv. In case the rating is withdrawn or suspended, except where the step-up happens or step-up rights are exercised by the Bond holders, xv. Any material adverse event, as defined in the Transaction Documents and such default is not cured within 15 working Days. xvi. If the Guarantee obligations are not met by the State Government within 30 days of Guarantee invocation, it would be construed as an Event of Default. Other events more particularly set out in the Debenture Trust Deed |
| Remedies | <p>In the event of occurrence of the event of default mentioned above, the Debenture Trustee shall give a final notice to the Issuer and the GoK clearly stating its intention to invoke the security interest and enforce its rights under the Deed of Guarantee: (a) for events of default where cure period is provided as above and is not cured within the stipulated cure period; and (b) for all other events of default, a period of not more than 3 Working Days from the date of such notice. Upon continuation of such event, beyond the time stipulated above, the Debenture Trustee shall invoke the Security and the Guarantee of the State Government on the next working day.</p> <p>The invocation of Security and Guarantee for any default would cover the entire liabilities remaining outstanding in these bonds.</p> <p>Further, the Debenture Trustee shall be able to exercise such other rights and remedies as set out in the Debenture Trust Deed.</p> |
| Financial Covenants | The Issuer shall ensure that, in respect of any Relevant |

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| | <p>Period, the Liability Service Coverage Ratio for such Relevant Period shall not be less than 1.1 times. For the purposes of this Row __ (Financial Covenants):</p> <p>"Liability Service Coverage Ratio" means the ratio of FC Cash flow to Liability Service;</p> <p>"Relevant Period" means the period ending 12 months from the end of each financial quarter;</p> <p>"FC Cash flow" means, with respect to any Relevant Period, the aggregate of (a) share of Motor Vehicle Taxes and Cess levied on petroleum products received by the Issuer pursuant to KIIF Act; (b) any other amount appropriated by the GoK for the Issuer's sole usage; (c) any other payments to the Issuer other than proceeds from any Financial Indebtedness; and (d) the total amount of cash and cash equivalent investments controlled by the Issuer at the beginning of the Relevant Period, excluding any DSRA and sinking fund or any other debt servicing account of similar intent (except those created towards the Financial Indebtedness of the Issuer payable during the Relevant Period); and</p> <p>"Liability Service" means, with respect to the Relevant Period, the aggregate of (a) all scheduled payments (including balloon payments) on account of principal and interest and other charges on all Financial Indebtedness, as applicable; and (b) any payment made or required to be made to any debt service account under the terms of any agreement providing for any Financial Indebtedness.</p> |
| Creation of Recovery Expense Fund | <p>As per the newly introduced regulation 26(7), the Issuer has created the recovery expense fund ("REF") for an amount equivalent to 0.01% of the final issue size subject to a maximum amount of INR 25 lakhs in the manner specified by SEBI and have inform the Debenture Trustee about the same.</p> <p>An amount equal to 0.01% of the relevant issue size subject to a maximum amount of INR 25 lakhs shall be utilized towards the REF with the BSE/NSE as per the time lime prescribed by the SEBI.</p> |
| Roles and responsibilities of Debenture Trustee | In accordance with applicable law and the Transaction Documents |
| Governing Law and Jurisdiction | The bonds are governed by and shall be construed in accordance with the existing laws of India. Any dispute arising thereof shall be subject to the jurisdiction of the Courts at the city of Thiruvananthapuram only. |
| Default in Payment | In the event of delay in the payment of interest amount and/ or principal amount on the due date(s), the Issuer shall pay additional interest of 2.00% per annum in addition to the respective Coupon Rate payable on the bonds, on such amounts due, for the defaulting period. |
| Delay in Listing | In case of delay in listing of the debt securities with the |

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| | timelines of T+3 trading days as specified by the Securities and Exchange Board of India (SEBI) vide its circular dated 30th November 2022, the Issuer shall pay penal interest of 1% p.a. over the coupon rate for the period of delay to the bond holder (i.e. from date of allotment to the date of listing) |
| Delay in Execution of Trust Deed/ Security Creation (where applicable) | In case of delay in execution of Trust Deed and security documents, the Issuer will refund the subscription amount with agreed rate of interest or will pay penal interest of at least 2% p.a. to the bond holders, over and above the agreed coupon rate till these conditions are complied with at the option of the bond holder. |
| Trustees | M/s Catalyst Trusteeship Ltd |
| Registrar | M/s Cameo Corporate Services Ltd |