**FACILITY LETTER**

To

M/s. ……………..

…………………..

..................………

Dear Sir,

 Grant of working capital facilities

We……………..Bank, are pleased to offer you the working capital facilities upto a maximum of Rs . ……………..for meeting a part of your working capital needs on the terms and conditions set out herein:

1. You shall open cash credit account at our……………..Branch for operating the said facilities. The said facilities shall be drawn in phases as may be agreed upon between us.

2. Interest shall be charged on the cleared daily balance upto actual payment at the rate of ……………..% p.a. The rate of interest is liable to be increased or decreased in terms of Reserve Bank of India directives on such loan. Where interest is charged by us at a concessionary rate because of the said facilities being granted under the Interest Subsidy Scheme or any other scheme formulated by the government and/or Reserve Bank of India, the concessionary rate or rates of interest shall stand withdrawn and tile usual normal rate or rates of interest as mentioned earlier shall become effective and we will be entitled to charge such rate or rates of interest and you shall pay to us the difference between such concessionary rate or rates and the usual normal rate or rates of the interest as mentioned above applicable at the maternal time to the said facilities and such difference shall become due and payable by you from the date of withdrawal, modification and/or variation or any such scheme(s) becomes effective.

3.You shall repay the loan under the said facilities forthwith on demand of all such amounts as may be standing to the debit of your account, together with interest, costs, charges, expenses and other moneys thereon at the rate or rates as may be applicable thereto as set out in the Schedule I hereunder written. If you fail to repay the said amount on the due dates, you may be treated as defaultor and we will be entitled to invoke the provisions as to defaults as hereinafter stated.

4.The said facilities together with interest, costs, charges, expenses and other moneys payable in respect thereof will be secured in our favour by a first charge by way of hypothecation and/or pledge of your current assets, namely stocks of raw materials, semi finished and finished goods, stores and spares, bills receivable and book debts and all other movable properties, both present and future. You will place the assets and such goods, movables pledged to us in our possession and control and in such manner that such possession and control may be apparent and indisputable. You shall put the boards in the godown, factories and other places where the pledged movable and other assets are stored or kept, stating that the said goods and assets are pledged to the .................. Bank, we may release the said goods and assets for carrying on the manufacturing or other activity and you will keep such released goods, assets and sale proceeds in trust for us.

5. You will also procure irrevocable and unconditional guarantees in the form prescribed by us, from your directors and/or others for the payment and discharge by you to us of the sum of Rs ……………..and interest, costs, charges, expenses and other moneys due and payable by you to us under or in respect of the said facilities.

6.Our officers, employees, agents or nominees will be entitled to access to the godowns at all times, where the goods or assets pledged are stored or kept and they shall have the right to remove the goods and assets so stored and held in the godown whenever desired by us.

7.You will make out a good and marketable title to your properties to the satisfaction of our solicitors and you will comply with all such formalities as may be necessary or required for the said purpose.

8. You will maintain such security margins as may be stipulated by us. The Current Asset cover shall not be less than 1.33 at any point of time and you will at all times maintain a sufficient quantity of the securities to provide the Asset cover as may be required by us at our discretion and in the event of any deficiency in such Asset cover, you shall forthwith provide additional securities to restore such asset cover to the original level or pay the equivalent in cash in the event of additional securities not being available.

9. You will utilise the facilities for meeting a part of your working capital requirements and for no other purpose. You will submit statements under the Quarterly Information System (QIS) in the form prescribed by us from time to time each quarter, regularly to us and furnish to us full particulars of cash credit account or other account and the drawings in the said cash credit account or other account shall be regulated on the basis of such statements. Such statements shall be submitted within ten days after the expiry of each quarter.

10. You will pay or cause to be paid all rents, rates, taxes, payments and outgoings that are payable in respect of your immovable properties.

11. In case of your failure to repay the said facilities or pay interest or any portion thereof or you commit breach of any covenant to be observed or performed on your part herein contained, or if the security created in our favour becomes unenforceable or if any distress or execution is levied or enforced against your property or any part thereof or any person, firm or company takes any steps for or obtains an order for the appointment of a Receiver or if you make compromises with your creditors or you shall suspend or cease to carry on business or fail to conduct your business to our satisfaction, then the entire amount standing to the cash credit account or other account together with interest, costs, charges, expenses and other moneys payable in respect thereof shall forthwith become payable at once at our option.

12. You will keep all goods, assets, book debts, immovable or movable properties hypothecated, pledged or otherwise charged to us as security for any of the said facilities in good condition and insure the said goods and assets, etc. against loss or damage in our and your joint names with an insurance company approved by us and for an amount as we may consider necessary and you will deliver the insurance policies to us when required by us to do so. If you fail to effect such insurance, we may insure the said goods, movable and other assets and immovable properties against fire and/or such risk in such joint names and debit the premium and other charges to your account.

13. Notwithstanding anything contained in the Indian Contract Act or any other law for the time being in force or in this letter, the payment made by you will be appropriated in the following manner

1. (a)                First towards costs, charges, expenses or/and other moneys due and payable or becoming due and payable to us

(b) Secondly towards interest due and payable and/or accruing due and payable to us.

(c) Lastly towards repayment of the amount of any instalment(s) of the principal sum due and payable and becoming due or payable to us.

14. During the term of the said facilities and until repayment of the loan and other moneys, obligations and liabilities you shall not without our prior written consent, create or permit to subsist or extend any mortgage, charge, pledge, lien or any other encumbrance or security whatsoever over any part of your or its present or future undertaking, property, assets, goods or factor, sell, assign, discount or otherwise dispose off any book debts, claims or securities or make any change in the nature of your business or sell or dispose off or deal with the whole or any substantial part of your undertaking, property, assets, except for stock sold or disposed off in the ordinary course of business or give any guarantee or indemnities in respect of any of the obligations.

15. You have to irrevocably constitute and appoint us to be your true and lawful attorney to do and execute for and in your name and on your behalf to take over, carry on the business and complete engagements and contracts, to demand and receive all debts, sums of money, dividends, interest and dues of whatever nature, to realise all the assets whether movable or immovable and to do all other acts which we will consider necessary for the purpose of granting, realisation and receipt of the money or moneys under these facilities.

16. We shall not be liable for any failure to perform our obligations and duties hereunder or for any action of the Government, local or statutory authority or any strike, riot, civil disturbance or Act of God.

17. Any forbearance in enforcing payment or giving time or otherwise showing indulgence for making payment or otherwise shall not preclude us from exercising any right or remedy against you.

18. The said facilities are being granted to you and you will not be entitled to assign your rights hereunder.

Please return the duplicate of this letter duly accepted by your duly authorised officials within ……………..days of the issue of this letter, failing which it will be considered that you are not interested in availing of the said facilities and this offer will lapse. Please enclose the certified copy of the resolution passed by the Board of Directors of your company accepting these facilities and for creating security in our favour. Thereafter you may execute security deed and create hypothecation/p ledge of your assets and properties in terms of this letter.

Schedule I Above referred to

 Yours faithfully,

 For and on behalf of Bank

 …………….. Regional Manager

Accepted and Agreed ...

For and on behalf of……………..Co. Ltd.

Managing Director

……………..

Director.