

LETTER OF ARRANGEMENT
(To be issued in duplicate)
(To be stamped as an Agreement)

To

(Borrower's name & address)

Letter No.: _____

Date : _____

Dear Sirs,

ADVANCES TO SME SEGMENT
SANCTION OF CREDIT FACILITIES

With reference to your application dated _____ requesting us for sanction / renewal of Working Capital Limits and / or Term Loan Limits at existing / enhanced levels and subsequent correspondence in this regard, we have pleasure in advising sanction of the following credit facilities, which are available subject to your acceptance / fulfillment of the Terms and Conditions detailed in Annexures A & B:

(Rs. In lacs.)

SL.	FACILITY	LIMIT
A] FUND BASED LIMITS:		
a		
b		
c		
d		
e		
f		
Total of Fund Based Limits		
B] NON-FUND BASED LIMITS:		
a		
b		
c		
Total of Fund Based Limits		
Total of Non-Fund Based Limits		
TOTAL LIMITS		

(Please furnish particulars of inter-changeability between limits, if any)

We are forwarding this letter in duplicate along with Annexures A & B and shall be glad if you return to us the originals duly signed by you and the guarantors in token of having accepted the Terms and Conditions, below the words "We Accept" appearing at the end of the Annexures and retain the duplicate thereof for your record.

Thereafter, you may call on us with the guarantors, preferably with prior appointment, to execute the documents in this regard.

Assuring you of our best services at all times.

Yours faithfully,

BRANCH MANAGER

Encl.: Terms and Conditions -Annexures A & B (No. of pages: 8)

TERMS AND CONDITIONS
ANNEXURE A

1. SECURITY

LIMIT	PRIMARY SECURITY	COLLATERAL SECURITY	
		IMMOVABLE PROPERTY	THIRD PARTY GUARANTEE
FUND BASED:			
NON-FUND BASED:			

2. PERIOD OF ADVANCE & REPAYMENT TERMS

Working Capital: Repayable on demand. The facility which has been sanctioned on _____ is available for _____ months from that date, subject to review every _____ month, when it may be cancelled / reduced depending upon the conduct and utilization of the advance, or as per the Bank's Scheme.

Term Loan: To be availed within a period of _____ months from the date of sanction.

The Term Loan is to be repaid as per the following repayment schedule:

In _____ monthly / quarterly instalments of Rs. _____ each, with the first Instalment commencing on _____ and the last Instalment falling due on _____.

Others: Interest shall be payable on the outstandings in the loan accounts computed on daily balances basis duly compounded and debited to the accounts at monthly rests on the last working day of every month, in accordance with the accounting practices of the Bank from time to time.

Commitment charges, as applicable, shall be payable in case of non-utilisation of sanctioned limits.

Pre-payment charges, as applicable, shall be payable in case of pre-payment of Term Loan instalments.

3. RATE OF INTEREST:

Working Capital: Interest at the rate of _____ % margin above the Base Rate of the Bank which is presently _____ % p.a. Present effective rate _____ % p.a. calculated on daily products at monthly rests. Bank shall at any time and from time to time be entitled to vary the margin based on the Credit Risk Assessment of the borrower and the Base rate at its discretion.

Term Loan :

Interest at the rate of _____ % margin above the Base Rate of the Bank which is presently _____ % p.a. Present effective rate _____ % p.a. calculated on daily products at monthly rests. Bank shall at any time and from time to time be entitled to vary the margin based on the Credit Risk Assessment of the borrower and the Base rate at its discretion.

Accrued but unapplied interest, if any, shall be governed by RBI's directives on IRAC norms. Interest rates on facilities extended in foreign currency shall be linked to LIBOR rates.

Application of interest in respect of Agricultural advances shall be in line with the harvesting seasons.

Enhanced Interest:

a) Enhanced rate of interest at 1 % cumulatively subject to a maximum of 2% will be charged for the period of delay in respect of:

- i. Delayed/non-submission of financial data required for review / renewal of limits
- ii. Delayed/non-submission of annual financial statements
- iii. Delayed/non-submission of stock statements

b) Enhanced rate will be charged on the excess drawings in case any irregularity / breach is continuously less than 60 days, and if it exceeds beyond 60 days, on the entire outstandings from the date of irregularity / breach. Enhanced interest will be compounded monthly.

c) The Bank shall also be entitled to charge at its discretion, enhanced interest rates on the accounts either on the entire outstandings or on a portion thereof, for any irregularity including non-observance or non-compliance of the Terms and Conditions of the advances, for such period as the Bank deems it necessary.

4. MARGINS:

SL.	ITEM	MARGIN (IN %)
A	FUND BASED LIMIT	
a.	Raw Materials : Imported	
b.	Raw Materials : Indigenous	
c.	Semi –Finished Goods	
d.	Finished Goods	
e.	Components / Consumables / Spares	
f.	Domestic Receivables	
g.	Export Packing Credit	
h.	Term Loan	
B	NON-FUND BASED LIMITS	
a	Letters of Credit	
b	Bank Guarantees	

5. TENOR / RETENTION PERIOD OF BILLS:

_____ days. The cover period of _____ days for Receivables would be extended only in respect of buyers other than associate / sister concerns. Receivables beyond _____ days will not be reckoned for computing Drawing Power. Drawing Power will also not be available on unpaid stocks.

6. INSURANCE:

All the assets charged to the Bank should always be fully insured by the Borrower against fire, lightning, riots, strikes, floods, cyclones, earthquakes, civil commotion, and other natural calamities, etc., with a company approved by the Bank in the joint names of the Bank and yourselves, at your cost for full market value or Bank's interest, whichever is higher. The policies / cover notes should be lodged with the Bank. The policies should be kept alive (current) during the currency of the advance. In the event of non-compliance, the Bank reserves the right (but not be bound to exercise) to take the insurance cover as required by the Bank by debit to your account. The machinery to be purchased out of the Term Loan, if any, to be insured for the full market value or original cost of the machinery, whichever is higher. Likewise all the renewals of the policies should also be effected /done by the Borrower at all materials.

7. CREDIT GUARANTEE COVER:

- a) Pre-shipment Credit, if any, will be covered by the Bank under the Individual Packing Credit Guarantee (IPCG) of ECGC, with premium payable by debit to your account.
- b) Post-shipment policy of ECGC with buyer-wise limits for non-L/C exports to be obtained by you at your cost, if applicable.
- c) ECGC officials have the right to inspect the Unit, if considered necessary.
- d) Credit Guarantee under CGTSI Scheme to be covered, wherever applicable.

8. STOCK STATEMENTS:

Statements of Stocks / Receivables hypothecated / pledged to the Bank are to be submitted regularly at monthly intervals as on the last day of every month before the 10th of the following month / within 10 days from the date of stock statement and / or whenever there is a large variation in stocks / Book Debts and also as on the date of the Balance Sheet (31 st March). The statement should not include stagnant / obsolete / rejected stocks. Bills / Sundry Debtors outstanding beyond cover period should be shown separately in the statement. Sales and purchases figures for the month are to be reported. The details of unpaid stock with value should be shown separately. The Stock Statement should be signed by the authorized signatory. Suitable books / registers of the stock position are to be maintained at the factory / business premises.

The Stock Statement should invariably contain complete particulars of stocks, debtors (along with complete address), creditors, usance L/Cs opened, etc. It is essential that the outstanding borrowings at all times are fully covered by the value of security hypothecated, less the stipulated margins to be reckoned as per valuation of inventory given under Para 11 below. If at any time, the Drawing Power yielded by the stocks, debtors, etc., held by you falls below the amount borrowed, such excess drawings shall be adjusted forthwith. Partywise / agewise details for each bill raised shall be submitted on a monthly basis for computation of Drawing Power against Book Debts., Further, the level of Creditors / Acceptances over and above the accepted level will be deducted while computing Drawing Power.

9. INSPECTIONS:

The Bank's officials / inspectors are to be permitted in the factory / business premises as and when required to inspect the stocks / books / equipment. Where the premises are leased / hired, necessary approvals to the effect from the lessor, if any required, are to be obtained. All assistance to be extended to the Bank's officials in conducting and completing such inspections smoothly. Necessary remedial steps also to be taken to rectify any shortcomings, if any, pointed out by the Bank's officials. The cost of such inspections shall be borne by you.

10. VALUATION OF INVENTORY:

ITEM	TO BE VALUED AT
Imported Raw Material	Landed cost (i.e., invoice value plus Customs Duty but excluding Imported Raw Material Sales Tax and demurrage, if any) or market price, whichever is lower
Indigenous Raw Material, packing materials, consumable stores and spares.	Invoice price or market price or Govt. controlled price, whichever is the lowest.
Semi-Finished Goods and Finished Goods.	Cost of Production or Selling Price or market price or Govt. controlled rates, whichever is the lowest.

11. SECURITY DOCUMENTS:

The following security documents shall be executed by you and the Guarantors:

- a.) Agreement of Loan-cum-Hypothecation
- b.) Guarantee Agreement
- c.) Mortgage documents
- d.) any other documents as may be required by the Bank.

12. OPEN TERM LOAN:

The following Terms and Conditions, amongst others, shall apply in respect of Open Term Loan Facility if any, sanctioned to you by the Bank:

- a) The loan has been considered for the following genuine commercial purposes in line with the regular business activity of the Unit:
 - i)
 - ii)
 - iii)
 - iv)
 - v)
 - vi)

- b) The said facility is to be availed within _____ months from the date of sanction (currency of sanction). If the limits are not availed & utilized or only partially availed & utilized within _____ months from the date of sanction, the limit or unutilized portion of the limit, as the case may be, will lapse and shall, therefore, not be disbursed.

- c) The total amount that would be disbursed will not exceed the overall limit sanctioned under this facility and multiple withdrawals also may be permitted only within the currency of sanction.

- d) Every disbursement under this facility shall be made on receipt of a written request from you within the currency of sanction and release shall be subject to scrutiny of basic financial information.

- e) The Bank shall be free to treat each disbursement as an individual loan or limit for accounting or any other purposes.

- f) The period of repayment will commence from the date of the first drawdown for each sub-limit or loan in the facility.

- g) The Bank may club together the repayment of the instalments of different sub-limits or loan disbursed and may be done on a month end / calendar quarter end, etc.

- h) In the event of multiple disbursements, the Bank shall stipulate the repayment instalments for each purpose of drawal.

- i) At the end of the currency of sanction, the Bank may combine and constitute all sub-limits or loans as one limit or loan by re-arranging or re-scheduling the repayment schedules in such a manner that the maximum period of repayment shall not exceed _____ period.

- j) The letters exchanged between the Bank and you shall form an integral part of the security documents and shall be annexed to the General Agreement for Term Loan / Agreement of / Loan-cum-Hypothecation.

- k) The primary security shall be hypothecation of the machinery purchased out of the Open Term Loan and the collateral security shall be
 - i)
 - ii)
 - iii)

TERMS & CONDITIONS
ANNEXURE B

- a) Disbursement will be made only after completion of security documentation and formalities in respect of mortgage creation / extension. In respect of companies, in addition to these two requirements, charge to be filed with the Registrar of Companies within the prescribed period for creating a charge in favour of the Bank.
- b) Drawings in the account will be regulated on the basis of Drawing Power computed as per the latest Stock Statement.
- c) The Bank will have the right to examine at all times the Unit's books of account and to have the Unit's factories / offices / showrooms inspected from time to time by the officials of the Bank and / or qualified auditors and / or technical experts and / or management consultants or other persons of the Bank's choice.
- d) The Unit should not be dissolved / reconstituted without obtaining Bank's prior approval in writing. Post-facto approval of reconstitution / dissolution will not be accorded nor the existing guarantors shall be released if the dissolution / reconstitution is effected without prior approval in writing.
- e) The Unit should maintain adequate books and records which should correctly reflect their financial position and scope of operations and should submit at stipulated intervals such statements as may be prescribed by the Bank. The Unit should produce books of accounts for the inspection of Bank staff as and when called for.
- f) The Unit should submit provisional financial statements within one month and audited financial statements within three months from the date of closure of the accounting year. The returns submitted to the Sales Tax and Income Tax authorities should also be submitted to the Bank.
- g) The Unit should confine their entire business including foreign exchange business to us.
- h) The Bank will have the option of appointing its nominee on the Board of Directors of the Unit to look after its interests.
- i) The Capital invested in the business by the proprietor / partners / directors should not be withdrawn during the currency of our advance.
- j) In case the Unit fails to complete the formalities with regard to creation of a charge in favour of the Bank within a period of two months from the date of this letter, an enhanced interest of 1% on the outstandings or reduction of Drawing Power by 10% / 20% or both will be considered without any reference to the Unit.
- k) The Unit should keep the Bank informed of the happening of any event likely to have a substantial effect on their profits or business and the remedial measures taken in this regard.
- l) The Unit should keep the Bank informed of any circumstances adversely affecting the financial position of their sister / associate / family / subsidiary / group concerns in which it has invested, including any action taken by any creditor against the said Units legally or otherwise.
- m) After accounting for provision for taxation, the Bank will have the first charge on the profits of Unit towards repayment of instalments under Term Loans sanctioned / DPGs executed by the Bank or other repayment obligations, interest and any other dues from the Unit to the Bank.
- n) The proprietor / partners / directors should not withdraw the profits earned in the business / capital invested in the business without meeting the instalment(s) payable under the Term Loan. In the case of Companies, dividend should be declared only after meeting the dues to the Bank.
- o.) All moneys raised by way of deposits from friends, relatives and / or from any other source should not be withdrawn / repaid during the currency of the Bank's advance. Suitable stamped letters of undertaking from the Unit and 'No Withdrawal' letters from the depositors should be submitted to this effect to the Bank.
- p) The Bank's name board(s) should be displayed prominently or painted on the machines pledged / hypothecated to the Bank and / or in U1e premises where the machines are installed and a list of such assets should also be displayed in the Unit.
- q.) The Unit and other depositors of title deeds should possess a clear, absolute and marketable title to be properties proposed to be legally / equitably mortgaged in favour of the Bank to the satisfaction of the Bank's solicitors / advocates. Further, the said properties are to be revalued as and when required at your cost.

- r) Any legal expenses such as a solicitor's / advocate's fees, stamp duty, registration charges and other incidental expenses incurred in connection with the advance should be borne by the Unit.
- s) In respect of Working Capital Limits of Rs. 1 crore and above, Financial Follow-up Report (FFR-I) should be submitted at quarterly intervals within six weeks (42 days) from the close of relative quarter. FFR II (Half-yearly Operating Statement) should be submitted at half-yearly intervals within 8 weeks (56 days) from the close of the relative half-year. Non- submission of the statements will be construed as non-compliance of the covenants.
- t) A charge of Rs _____/- will be levied per. branch allocation in respect of limits allocated to other branches of the Bank.
- u) In respect of creation / extension of Equitable Mortgage in respect of property offered as collateral security to the Bank, a charge of Rs. _____/- will be levied.
- v) Processing charges as applicable (presently Rs. _____/- per lac or part thereof) on the Working Capital limits sanctioned will be charged annually or at the time of renewal, whichever is earlier. Upfront fee at the rate of _____% of limits sanctioned will be charged in respect of Term loan.
- w) If the Credit Rating awarded to the Unit is below SB-_____, the risk rating will be reviewed half-yearly. The Unit should provide necessary information to facilitate such a review. In the absence of half-yearly review for want of such information, the risk rating will automatically slip by one step.
- x) Next renewal of the above facilities is due on _____. The Unit is required to submit financial data one month before the due date.
- y) In respect of Term loans, enhanced rate of interest is payable under the following circumstances:
- a) Non-payment of interest / instalments
 - b) Cross default
 - c) Adverse deviation by more than 20% from stipulated level in respect of any two of the following items: (i) Current Ratio, (ii) TOL/TNW and (iii) Interest Coverage Ratio
- z) In respect of certain schemes such as Swarojgar Credit Card, etc., the facility should be covered under the Group Insurance Scheme.
- aa) In case of a Company being the borrower, the following terms are applicable:
- a) A resolution to be passed in a meeting of the Board of Directors of the Company for availing the credit facilities sanctioned by the Bank and. a duly certified extract to be submitted to the Bank. The resolution should contain, *inter alia*, the following particulars:
- i) Acceptance of the Terms & Conditions of the credit facilities sanctioned to the Company.
 - ii) Authority in favour of Directors / Authorised Signatory to execute the security documents for availing the credit facilities sanctioned to the Company.
 - iii) Authority in favour of Directors / Authorised Signatory for filing the documents and Form 8 and 13 with the Registrar of Companies for creating a charge over the assets of the Company in favour of the Bank.
 - iv) Affixation of the Company's Common Seal on the security documents and vesting of authority to authenticate such affixation.
 - v) Requesting the guarantors to offer their Personal Guarantee / Corporate Guarantee in favour of the Bank for the credit facilities sanctioned to the Company.
 - vi) Creation of first charge on the assets .of the Company in favour of the Bank for the credit facilities sanctioned to the Company.
- b) The charge over the assets of the Company in respect of the limits sanctioned herein should be registered with the Registrar of Companies within 30 days from the date of execution of documents and filed copies of Form 8 and Form 13, together with receipt should be deposited with us. The Certificate of Registration is to be produced to the Bank within reasonable time for our records.
- ab) During the currency of the Bank's credit facilities, the Unit / Guarantors will not, without the Bank's prior permission in writing:
- i) Effect any change in the Unit's capital structure.
 - ii) Implement any scheme of expansion / modernization / diversification / renovation or acquire any fixed assets during any accounting year, except such schemes which have already been approved by the Bank.
 - iii) Formulate any scheme of amalgamation or reconstruction.
 - iv) Invest by way of share capital or lend or advance funds to or place deposits with any other concern, including sister / associate / family / subsidiary/ group concerns. However, normal trade credit or security deposits in the normal course of business or advances to employees can be excluded.
 - v) Enter into borrowing arrangements either secured or unsecured with any other bank, Financial Institution, company or person.
 - vi) Undertake guarantee obligations on behalf of any other company, firm or person.

- vii) Declare dividends for any year except out of profits relating to that year after making all due and necessary provisions and provided further that no default had occurred in any repayment obligations.
- viii) Effect any drastic change in their management setup.
- ix) Effect any change in the remuneration payable to the Directors / Partners, etc. either .in the form of sitting fees or otherwise.
- x) Pay guarantee commission to the guarantors whose guarantees have been stipulated / furnished for the credit limits sanctioned by the Bank.
- xi) Create any further charge, lien or encumbrance over the assets and properties of the Unit / Guarantors to be charged / charged to the Bank in favour of any other bank, Financial Institution, firm or person.
- xii) Sell, assign, mortgage or otherwise dispose off any of the fixed assets charged to the Bank.
- xiii) Undertake any trading activity other than the sale of produce arising out of its own manufacturing / trading operations. ,
- xiv) Open any account with any other bank. If already opened, the details thereof is to be given immediately and a confirmation to this effect given to the Bank.
- ac) The following particulars / documents are to be furnished / submitted to the Bank:
 - i) Permanent Account Number (PAN) of each Borrower / Guarantor and Corporate Identity Number (CIN) in the case of companies.
 - ii) Passport Number and other details including photocopies.
 - iii) 3 self-attested photographs of the Borrower and Guarantors.
 - iv) Location / site-map of immovable properties with important landmarks.
 - v) Names and addresses / occupations of all the legal heirs of Borrower and Guarantors. .
 - vi) Details of properties not charged to the Bank.

We accept

Borrower/s

Guarantor/s

PASSPORT SIZE PHOTOGRAPHS OF BORROWER(S)

PASSPORT SIZE PHOTOGRAPHS OF GUARANTOR(S)

Note : Self Attested passport size photographs of the Borrowers and the Guarantors to be affixed.