

KSCL:SANCTION:2006

31st January 2006

M/s Kothari Suagars & Chemicals Limited
115, Mahatma Gandhi Road
Nungambakkam
Chennai 600 034

Dear Sirs,

Ref: Your proposal dated 25.11.05 and subsequent clarifications.

We are glad to communicate sanction of following facilities for expansion of sugar and cogeneration plant at Sathamangalam on the terms and conditions and security as detailed in the Annexure.

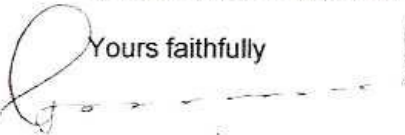
(Rs. in lakhs)

| Facility | Limit | | Margin | Rate of Interest / Commission |
|---|----------|----------|--------|--|
| | Existing | Proposed | | |
| MTL I – For purchase of Turbine & Boiler | | 2400.00 | 25% | 10.00 (BPLR+TP-1.50%) |
| MTL II Others | - | 500.00 | | |
| Import LC DP/DA 180 days (One Time) as sub limit of MTL | - | 800.00 | 25% | Commission at 50% of the applicable rate |
| Inland LC DP/DA 180 days (One Time) as sub limit of MTL | - | 1600.00 | 25% | |

Repayment ;

MTL I - In 8 half yearly installments, after an initial holiday of 12 months. Interest during holiday period to be serviced as and when debited.

MTL II - In 10 half-yearly installments after an initial holiday of 12 months. Interest to be serviced as and when debited.


Yours faithfully

CHIEF MANAGER

Encl: Annexure 1 & 2

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Annexure I:**Securities:**

(Rs. in lakhs)

| Nature of security | Description | Value | Nature of charge |
|---------------------------|--|------------------------------------|-------------------------|
| Primary: | | | |
| MTL | Charge on the entire assets including land and building purchased for expansion of Sugar Mill and Co-Generation Plant) at Sathamangalam village. | 136.16 crores as per project cost. | I charge |
| LC | Application cum agreement of hypothecation of plant and machinery covered under LCs. | | |
| Collateral: | NIL | | |

Specific terms and conditions recommended (Pre and post disbursement):

1. The proposed power plant site should have separate boundary with right to access/pathway if the plant is to be located in the compound of sugar mill.
2. The construction of sugar mill and power plants should be simultaneous to have assured fuel supply to the cogeneration plant on completion.
3. The loan for power plant will also be disbursed in stages on submission of progress certificate from the consultants duly certified by our approved valuer.
4. The power plant should be insured to its market value.
5. The company should explore the possibility of routing all its transactions through our bank.
6. The company should give an undertaking to pay the LC bills by debiting term loans and bring in adequate margin before opening LCs.
7. Eligible processing charges and EM charges to be paid upfront.
8. Prepayment charges waived as requested by the company, if the loan is repaid out of sugar development fund assistance or internal accrual or from the surplus of group companies. Applicable prepayment charges will be levied if loan is prepaid by any other means.
9. Company should submit necessary purchase agreement from TNEB for purchase of power from the plant.
10. Necessary approval from pollution controls authorities; local bodies, etc. should be submitted on completion.
11. The land and plant to be valued by our approved valuer on completion.
12. MTL II of Rs.500.00 lakhs to be disbursed as a last stage on submission of proof/valuation for the work done for the balance amount of project cost.
13. We hereby convey our consent to cede II charge over the proposed expanded sugar mill property to other banks/SDF in case the company decides to avail any facilities from them in future. In case pari passu first charge on the fixed assets is



required for any facility to be availed in the future, the company's request will be considered on merits.

Annexure II

Other general Term & Conditions

A.1 Pre-disbursement

1. The advance will be released only upon completion of documentation in all respects as per Bank's rules.
2. The advance will be released only upon payment of processing fee, EM creation charges and any other charges as may be prescribed by the Bank from time to time.
3. The advance will be released only upon prior clearance by the competent authority based on pre-release audit report(s) in such cases where the aggregate of the limits (fund based and non-fund based) sanctioned is Rs.50 lakh or above.
4. Bank is entitled to charge and recover various fees, charges and penalties from the borrower as per the rules of the Bank as applicable from time to time
5. The term loan shall be availed within 6 months from the date of communication of sanction or as per the draw down schedule submitted with the application for credit facilities. The availment beyond the stipulated time shall be only with the prior permission of sanctioning authority/HO.
6. The advance must be used for the purpose for which it is sanctioned. The borrower shall furnish an undertaking to this effect. The facility is liable to be recalled in case of any deviation in this regard. As per RBI guidelines, where a borrower has not utilised the finance from the Bank for the specific purpose for which finance was availed of, a willful default would be deemed to have occurred
7. Acceptance of immovable properties offered, as security is subject to the unqualified legal opinion of the Bank's approved lawyer(s), conveying a clear, valid, subsisting and marketable title. The cost to be borne by the borrower.
8. Acceptance of immovable properties offered as security is subject to valuation of the property, by the Bank's Approved Engineer / Revenue authorities. The cost to be borne by the borrower.
9. Acceptance of immovable properties offered as security is subject to furnishing of up-to-date certificate showing **Nil** encumbrance and up-to-date tax paid receipt at the time of documentation.
10. If there is delay in creation of security beyond the stipulated time, charges will be levied at 1-% p.a. till such time the formalities are completed in full.
11. Unsecured loans from friends / relatives / partners / Directors shall not be repaid during the currency of advance. An undertaking letter from such creditors to the effect that repayment of the unsecured loan shall not be demanded during the currency of advance should be submitted to the Bank. Interest, if any, payable on such loans should be reasonable and commensurate with market conditions and the rate of interest payable on such loans should be intimated to the bank.

Reserve Bank of India will have an unqualified right to disclose or publish the name of the company and its /Directors as defaulters in such manner and through such medium as the Bank or RBI in their absolute discretion may think fit.

16. Insurance - Depending upon the nature of activity, Key Man insurance has to be taken if stipulated by the sanctioning authority.
17. In addition to these terms and conditions all the facilities sanctioned shall be subject to the Bank's rules as well as the directives issued by RBI or any other Regulatory Authority from time to time.
18. All dues to Small-Scale Industrial units shall be paid within 90 days of their creation. An undertaking to this effect should be furnished by the borrower
19. The borrower to consent to obey all applicable environmental laws and requirements of any Central or State Government authority relating to the environment and operation of the business activities of the borrower.
20. The borrower to give an undertaking that no child labor is /shall be employed by the company in violation of the provisions of Child Labor (Abolition and Regulation) Act, 1986. If at a later date, after sanction of loan, the employment of Child labor by the company were noticed by the Bank in violation of the said Act, the bank would recall the entire advance/loan. (Child means a person who has not completed his/her fourteen years of age).
21. The borrower shall furnish a declaration stating that no litigation are pending vis a vis any Bank or for violation of any RBI regulations / directives and vis a vis any property owned by the borrower and mortgaged in favor of the Bank, in any Court of Law. In case of pending litigation, the borrower shall consent to furnish the details as required by the Bank.
22. The Bank's accounts, books and records constitute, in the absence of manifest error, conclusive evidence of the advances made under the facility, repayments on account thereof and the indebtedness of the Borrower to the Bank.
23. The Bank is not under any obligation to make further advances or other accommodation to the borrower, unless deemed fit and necessary by the Bank.
24. All indebtedness and liability of the Borrower to the Bank not payable on demand, shall, at the option of the Bank become immediately due and payable, the security held by the Bank shall immediately become enforceable, and the obligation of the Bank to make further advances or other accommodation available under the Facility shall terminate, if any one of the following events of default occurs:
 - i) the Borrower or the Guarantor fails to make when due, whether on demand or at a fixed payment date, by acceleration or otherwise, any payment of interest, principal, fees, commissions or other amounts payable to the Bank
 - ii) There is a breach by the Borrower of any other term or condition contained in this sanction letter or in any other agreement to which the Borrower and the Bank are parties;
 - iii) Any default occurs under any security listed in the sanction letter under the heading SECURITY



- iv) Any default occurs under any other credit, loan or security agreement to which the Borrower or Guarantor is a party;
 - v) Any bankruptcy, re-organization, compromise arrangement, insolvency or liquidation proceedings or other proceedings for the relief of debtors are instituted by or against the Borrower or Guarantor, are allowed against or consented to by the Borrower or Guarantor, or are not dismissed or stayed within 60 days after such institution;
 - vi) Any receiver is appointed over any property of the Borrower or Guarantor or any judgement or order or any process of any court becomes enforceable against the Borrower or Guarantor or any property of the Borrower or Guarantor or any creditor takes possession of any property of the Borrower or Guarantor
 - vii) Any course of action is undertaken by the Borrower or any Guarantor with respect to the Borrower, or any Guarantor which would result in the re-organization, amalgamation or merger of the Borrower, with another Corporation or the transfer of all or substantially all of the assets of the Borrower, or any guarantor
 - viii) Any material change in the opinion of the Bank, occurs
 - a) In any property, equipment, business activities or financial condition of the Borrower or any guarantor
 - b) In the environmental condition of the Borrower or any guarantor.
25. The Bank reserves to itself the right to cancel / suspend / reduce any or all the limits sanctioned and to alter / amend / vary the terms of sanction including rate of interest at its sole discretion without assigning any reason whatsoever.

A.2 Post Disbursement

1. Immediately on completion of 4 months from the date of creation of Equitable Mortgage further encumbrance certificate shall be produced; Thereafter, encumbrance certificates and property tax paid receipts shall be produced every year.
2. All assets charged to the Bank shall be adequately insured against all attendant risks at the expense of the borrower(s). The Insurance policy with the Bank clause (viz. Bank as mortgagee, hypothecate or pledge as the case may be) shall be lodged with the Bank. The insurance cover shall be kept in force at all times through prompt renewals and with suitable enhancements to include any increase in the value of securities.
3. Machinery, equipment, vehicles, etc., charged to the Bank by way of first charge shall be painted with the Bank's name or affixed with the bank's name board. Bank name board with specific mention of the branch name shall be displayed prominently both inside and outside the premises where stocks hypothecated / pledged to the Bank are stored.



4. Securities offered for one or more facilities and charged to the Bank shall also stand as additional security for all other facilities now granted or to be granted from time to time.
5. Wherever first charge on Fixed Assets is in favor of other Banks / Financial Institutions, second charge on such assets shall be made in favour of the Bank unless waived by the Sanctioning authority.
6. Fixed assets charged to the Bank are subject to valuation, at least once in three years or at shorter periodicity as per the decision of the Bank.
7. The assets and liabilities statement of persons who have offered their personal guarantee to be furnished once in a year. Wherever the Networth is more than Rs.50 lakh, a certificate from a Chartered Accountant should be obtained, photocopy of the title deeds in case of immovable properties, declaration to the effect that any disposal of properties and additional liability assumed will be intimated to the Bank
8. Assets charged to the Bank are subject to inspection by Bank's officials from time to time. The cost to be borne by the borrower.
9. Unless otherwise specified, the interest will be floating in nature and linked to BPLR of the Bank. The Borrower shall ensure that the balance in the account including the periodical interest charged / chargeable is well within the drawing limit at all times.
10. All fund based / non-fund based / fee based transactions shall be routed through the account with our Bank only unless specifically exempted by the Bank. In case of consortium accounts, the operations should be restricted with member banks only and pro-rata turnover shall be routed through our Bank.
11. The Borrower(s) shall submit a copy of the unaudited quarterly financial results immediately on declaration; half yearly balance sheet and profit and loss account with required break-up within 2 months from the end of the half year and annual audited accounts within 3 months
12. All the data / financial statements submitted by the Bank shall be duly certified / authenticated by the director/proprietor/partner or duly authorised official.

B.1 Pre-disbursement

1. The Company to submit a declaration that the activity for which finance is availed from the Bank is permitted under the object clause of Memorandum of Association.
2. The Company shall pass necessary Resolution under the Companies Act 1956, for execution of documents and availment of facilities from the Bank in Bank's approved format.
3. The company shall submit auditors' certificate to the effect that the present and proposed borrowings as per this sanction are within the borrowing powers of the company.
4. Wherever registration of charge with Registrar of Companies is necessary, it should be complied with before disbursement of facilities. This will also apply to consortium advance where individual documents are obtained pending execution

of joint documentation. In any case, the Registration of charge should be complied with before disbursement within 30 days of the execution of the document.

5. Search will be conducted at the office of the Registrar of Companies to ascertain the subsisting charges, if any. All fees, charges and other expenses in this regard shall be to the account of the borrower(s).
6. Promoter Directors / majority shareholders shall not sell / pledge their shares to third parties without bank's prior approval. An undertaking to this effect should be furnished by the company
7. In the event of slippage in Asset Classification of the borrower's accounts, the Bank will have the discretion to have a Nominee Director on the Board of the Borrower Company.
8. The advance sanctioned shall be necessarily secured by the personal guarantee of all financially involved Directors. A declaration shall be furnished to the effect that the Company has neither paid nor shall pay in future any commission / fees / salary to any Director for giving his / her guarantee. The personal guarantee of professional/technical directors as stipulated in the sanction to be obtained
9. An undertaking to be furnished to seek Bank's prior approval to declare dividend except out of profits relating to that year, only after making due provisions and provided further that no default had occurred in any repayment obligations.

B.2 Post-disbursement

1. Search will be conducted ANNUALLY at the office of the Registrar of Companies to ascertain the subsisting charges, if any. All fees, charges and other expenses in this regard shall be to the account of the borrower(s).
2. The Borrower Company shall produce the certified copy of the relevant pages of Register of Charges maintained in accordance with Sec.143 of Companies Act, 1956 as and when required by the Bank.



The duplicate copy of this sanction letter to be returned duly signed by the authorized signatory as token of acceptance of terms and conditions.

Accepted the sanction aforesaid terms and conditions

For Kothari Sugars & Chemicals Limited

Authorized Signatory