



DEED OF HYPOTHECATION

THIS DEED OF HYPOTHECATION executed at Calcutta
 this 9th day of November One Thousand Nine Hundred
 and Ninety Four by Elque Polyesters Ltd., a Company within the
 meaning of the Companies Act, 1956 (1 of 1956) and



having its Registered Office at Elque House, 10, Crooked Lane, Calcutta - 700 069 (hereinafter referred to as "the Borrower" which expression shall, unless it be repugnant to the subject or context thereof, include its successors and assigns).

IN FAVOUR OF -

INDUSTRIAL DEVELOPMENT BANK OF INDIA, a corporation established under the Industrial Development Bank of India Act, 1964 (18 of 1964) and having its Head Office at IDBI Tower, Cuffe Parade, Colaba, Bombay 400 005 (hereinafter referred to as the "Lenders" which expression shall, unless it be repugnant to the subject or context thereof, include its successors and assigns)

x *[Signature]* *[Signature]*

WHEREAS

N (1) By an Agreement dated the 9th day of November 1994 entered into between the Borrower and the Lenders (hereinafter referred to as " Foreign Currency Loan Agreement") the Lenders agreed to lend and advance to the Borrower and the Borrower has agreed to borrow from the Lenders Foreign Currency Loan of US \$ 9.524 million equivalent to Rs.3000 lakhs (hereinafter referred to as "the Loan") on the terms and conditions contained in the Foreign Currency Loan Agreement.

(2) One of the conditions of the Loan Agreement is that the Loans together with all interest, liquidated damages, premia on prepayment or on redemption, costs, charges, expenses and all other monies whatsoever as stipulated the Loan Agreement shall be secured, ~~inter-alia~~, by a first charge by way of hypothecation of all the Borrower's moveables (save and except book debts) including moveable machinery, machinery spares, tools and accessories, present and future, subject to prior charges created and/or to be created in favour of the Borrower's bankers on the Borrower's stocks of raw materials, semi-finished and finished goods, consumable stores and book debts and such other moveables

as may be agreed to by the Lenders (hereinafter referred to as "the Bankers' Goods") for securing the borrowings for working capital requirements in the ordinary course of business.

(3) The Lenders have called upon the Borrower to execute these presents which the Borrower has agreed to do in the manner hereinafter expressed.

NOW THEREFORE THESE PRESENTS WITNESSETH THAT:

1. In pursuance of the Loan Agreement and in consideration of the Lenders having lent and advanced and/or agreed to lend and advance the Loans to the Borrower for the purposes and subject to the terms and conditions set out in the Loan Agreement and in consideration of the premises, the Borrower doth hereby covenant with the Lenders that it shall repay the Loans to the Lenders and shall pay all interest, liquidated damages, premia on prepayment or on redemption, costs, charges, expenses and all other monies whatsoever including any increase as a result of devaluation/revaluation/fluctuation in the rates of exchange of foreign currencies involved, as stipulated and in the manner set out in the Loan Agreement and shall duly observe and perform all the terms and conditions of the Loan Agreement.

2. In pursuance of the Loan Agreement and for the consideration aforesaid, the whole of the moveable properties of the Borrower including its moveable plant and machinery, machinery spares, tools and accessories and other moveables both present and future (save and except book debts) whether installed or not and whether now lying loose or in cases or which are now lying or stored in or about or shall hereafter from time to time during the continuance of these presents be brought into or upon or be stored or be in or about all the Borrower's factories, premises and godowns wherever else the same may be or be held by any party to the order or disposition of the Borrower or in the course of transit or on high seas or on order or delivery (hereinafter collectively referred to as "the said Goods") short particulars whereof are given in Schedule hereto, are hereby hypothecated as and by way of first charge to the Lenders as security for and be charged with the repayment of the Loans and repayment or payment of other monies including all interest, liquidated damages, premia on prepayment or on redemption, costs, charges and expenses and all other monies due to the Lenders under the Loan Agreement and Bridge Loan Agreement(s), if any and/or these presents, provided that the charge of the Lenders thereon shall be subject to the charges created and/or to be created by the Borrower in favour of its bankers on the Bankers' Goods, to

secure the borrowings in the ordinary course of the business of the Borrower for its working capital requirements.

3. In further pursuance of the Loan Agreement and for the consideration aforesaid, the Borrower doth hereby further agree, declare and covenant with the Lenders as follows:-

(1) The Borrower shall at its expense keep the said goods in marketable and good condition and subject to any Pari Passu Arrangement as and when arrived at between the Borrower and the Lenders (hereinafter referred to as "the Pari Passu Arrangement") insure the same in the joint names of the Borrower and the Lenders as provided in the Loan Agreement against any loss or damage by theft, fire, lightning, earthquake, explosion, riot, strike, civil commotion, storm, tempest, flood, marine risk, explosion risk, war risk and such other risks as the Lenders shall from time to time require, with an insurance company or companies. The Borrower shall deliver to the Lenders the relevant policies of insurance duly assigned to the IDBI and maintain such insurance throughout the continuance of the security of these presents and deliver to the Lenders the renewal receipts therefor and shall duly and punctually pay all premia and shall not do or suffer to be done or omit to do or be done

any act which may invalidate or avoid such insurance. In default the Lenders may (but shall not be bound to) keep in good condition and render marketable the said Goods and take out/renew such insurance. Any premium paid by the Lenders and any costs, charges and expenses incurred by the Lenders shall within 30 days of receipt of notice of demand from the Lenders be reimbursed to the Lenders together with interest thereon at the applicable rates for normal loans on the date of the Loan Agreement, computed from the date of payment and until such reimbursement by the Borrower the same shall be debited to the Borrower's Loan Account and be a charge on the said Goods.

(2) The nominees of the Lenders shall, without any notice and at the risk and expense of the Borrower, be entitled at all times to enter any place where the said Goods may be and inspect, value, insure superintend the disposal of and take particulars of all or any part of the said Goods and check any statement, accounts, reports and information.

(3) In the event of any breach or default by the Borrower in the performance of its obligations hereunder or any of the terms, covenants, obligations and conditions stipulated in the Loan Agreement or the related security documents or the deeds executed

or that may hereafter be executed by the Borrower in favour of the Lenders, or in the event of the Borrower failing to pay either the interest or any instalment/s of the principal of the Loans, or in the event of the charge or the security created in favour of the Lenders having become enforceable for any reason whatsoever, subject to Pari Passu Arrangement, the Lenders or its nominees shall, in case such breach or default is not remedied by the Borrower to the satisfaction of the Lenders, within a period of fifteen days from the date of intimation by the Lenders of such breach or default or such extended time as may be granted by the Lenders in writing, without any notice and without assigning any reason and at the risk and expense of the Borrower and if necessary as Attorney for and in the name of the Borrower be entitled to take charge and/or possession of, seize, recover, receive appoint receiver of and remove them and/or sell by public auction or by private contract, despatch or consign for realisation or otherwise dispose of or deal with all or any part of the said Goods and to enforce, realise, settle, compromise and deal with any rights or claims relating thereto, without being bound to exercise any of these powers or be liable for any losses in the exercise or non-exercise thereof and without prejudice to the Lenders' rights and remedies of suit or otherwise. Notwithstanding any pending suit or other proceeding, the Borrower

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undertakes to give immediate possession to the nominees of the Lenders on demand of the said Goods and to transfer, and to deliver to the Lenders all relative bills, contracts, securities and documents and the Borrower hereby agrees to accept the Lenders' account of sales and realisations as sufficient proof of amounts realised and relative expenses and to pay on demand by the Lenders any shortfall or deficiency thereby shown, Provided however that the Lenders shall not be in any way liable or responsible for any loss, damage or depreciation that the said Goods may suffer or sustain on any account whatsoever whilst the same are in possession of the Lenders or by reason of the exercise or non exercise of rights and remedies available to the Lenders as aforesaid and that all such loss, damage or depreciation shall be wholly debited to the account of the Borrower howsoever the same may have been caused.

(4) The Lenders at any time after the security hereby constituted has become enforceable and whether or not the Lenders shall then have entered into or taken possession of and in addition to the powers hereinbefore conferred upon the Lenders after such entry into or taking possession of, may have a receiver or receivers appointed of the said Goods or any part thereof. The following provisions shall also apply to such Receiver:

(a) Unless otherwise directed by the Lenders, such Receiver shall have and exercise all powers and authorities vested in the Lenders;

(b) Such Receiver shall, in the exercise of his powers, authorities and discretions, conform to the regulations and directions from time to time made and given by the Lenders;

(c) The Lenders may from time to time fix the remuneration of such Receiver and shall direct payment thereof out of the sale realisation of the said Goods, but the Borrower alone shall be liable for the payment of such remuneration;

(d) The Lenders may from time to time and at any time require such Receiver to give security for the due performance of his duties as such Receiver and may fix the nature and amount of the security to be given to the Lenders but the Lenders shall not be bound to require such security in any case;

(e) The Lenders may pay over to such Receiver monies constituting part of the security hereof by such Receiver and the Lenders to time determine what funds the Receiver shall have liberty to keep in hand with a view to the discharge of his duties as such Receiver;

(f) Every such Receiver shall be deemed to be the Borrower for all purposes and the Lenders shall be responsible for his acts and omissions and liable on any contract made or entered into by him and for his negligence and IDBI shall not incur any responsibility therefor by reason of their consenting to his appointment as such Receiver.

(5) Subject to the Pari Passu Agreement, the Goods and all sale realisations and insurance proceeds thereof and all documents under this Agreement shall always be kept distinguishable and shall be the exclusive property of the Lenders and shall be appropriated to this security and be held by the Receiver under the directions of the Lenders and the Borrower shall not create any charge, mortgage, or other interest in or over the

encumbrance upon or over the same, or any part thereof except in favour of the Lenders nor suffer any such charge, mortgage, lien or other encumbrance or any attachment or distress to affect the same or any part thereof nor do or allow any thing that may prejudice this security and the Lenders shall be at liberty to incur all costs and expenses as may be necessary to preserve this security and to maintain the same undiminished and claim reimbursement thereof as mentioned in sub-clause (1) hereof PROVIDED that except to the extent specifically permitted by the Lenders, the Borrower shall not sell all or any of the said Goods. The Borrower shall on any and every such sale pay to the Lenders, if so required by them, the net proceeds of the sale or disposal in satisfaction, so far as the same shall extend, of the monies, due and payable by the Borrower to the Lenders PROVIDED that the Borrower may without payment to the Lenders, if the Lenders so agrees, replace the outmoded equipment by equipment of equivalent or greater value.

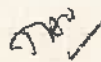
(6) The Borrower shall, whenever required by the Lenders, give full particulars to IDBI of all the assets of the Borrower and of the said Goods and shall

furnish and verify all statements, reports, returns, certificates and information from time to time and as required by the Lenders and make furnish and execute all necessary documents to give effect to this security.

(7) This security shall be a continuing security for repayment of the Loans together with all interest, liquidated damages, premia on prepayment and repayment or payment of all other monies due to the Lenders under the Loan Agreement and/or these presents, and shall not affect, impair or discharge the liability of the Borrower by winding up (voluntary or otherwise) or by any merger or amalgamation, reconstruction or otherwise of the Borrower with any other company or take over of the management or nationalisation of the undertaking(s) of the Borrower.

(8) The Borrower hereby declares that the said Goods are and will at all times be the absolute property of the Borrower at the sole disposal of the Borrower and subject to the charges created and/or to be created with the specific permission of the Lenders be free from any prior charge, trust, pledge, lien, claim or





encumbrance and as to future goods the same shall likewise be the unencumbered, absolute and disposable property of the Borrower with full power of disposition over the same Provided that the Borrower shall be entitled at all times to sell or dispose of the Bankers' Goods in the ordinary course of business and also to hypothecate the Bankers' Goods by way of first charge in favour of its Bankers, such charge(s) in favour of the Bankers to rank in priority over the charge hereby created.

(9) The Borrower hereby appoints the Lenders as its attorney and authorises the Lenders to act for and in the name of the Borrower to do whatever the Borrower may be required to do under these presents and generally to use the name of the Borrower in the exercise of all or any of the powers by these presents conferred on the Lenders and the Borrower shall bear the expenses that may be incurred in this regard.

(10) Nothing herein shall prejudice the rights or remedies of the Lenders in respect of any present or future security, guarantee, obligation or decree for any indebtedness or liability of the Borrower to the Lenders.

(11) The Borrower agrees and undertakes to confirm the Pari Passu Arrangement.

(12) The provisions contained herein shall be read in conjunction with the provisions of the Loan Agreement as amended from time to time and to the extent of any inconsistency or repugnancy the latter shall prevail to all intents and purposes.

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THE SCHEDULE ABOVE REFERRED TO
(Short particulars of moveable properties)

The whole of the moveable properties of the Borrower including its moveable plant and machinery, machinery spares, tools and accessories and other moveables both present and future, (save and except book debts) whether installed or not and whether now lying loose or in cases or which are now lying or stored in or about or shall hereafter from time to time during the continuance of the security of these presents be brought into or upon or be stored or be in or about all the Borrower's factories, premises and godowns wherever else the same may be or be held by any party to the order or disposition of the Borrower or in the course of transit or on high seas or on order, or delivery, howsoever and wheresoever in the possession of the Borrower and either by way of substitution or addition.

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IN WITNESS WHEREOF the Borrower has caused its Common seal to be affixed hereto on the day, month and year first above written.

The Common Seal of Elque Polyester
ited has, pursuant to the
Resolution of its Board of
Directors passed in that behalf on
the 26th day of August 1994

hereunto been affixed in the

presence of Shri *Anil K. Ganguly*

Director and Shri T.A. Nair

Authorised person who have

signed these present in token

eof.

