

**STATE BANK OF INDIA
BALANAGAR BRANCH
HYDERABAD 500 037
Ph.23876905**

M/s Modi & Modi Constructions,
5-4-187/3&4,
Soham Mansion,
MG Road,
Secunderabad - 3.

Letter No: MERM

Date 23.05.08

Dear Sir/Madam,

COMMERCIAL ADVANCES
SANCTION / ARRANGEMENT LETTER

With reference to your application for credit facilities dated 28.03.2008, We have pleasure in advising you the sanction of the following limits subject to the following stipulations. We shall be glad if the duplicate copy of this letter is retransmitted to us duly signed by you and the guarantors in token of your having agreed to the terms and conditions listed herein.

2. LIMITS SANCTIONED:

LIMITS	(Rs in crores)	
	Proposed	
Fund based		
Cash credit (Hyp)		6.50
Total FBWC		6.50
Total FB		6.50
Total NFB		--
Total (FB+NFB)		6.50

3. THE PERIOD/ REPAYMENT OF THE ADVANCES:

The proposed cash credit limit of Rs.6.50 crores will be repayable in 10 monthly installments @ Rs.0.65 crore per month commencing from Mar,2010. Interest has to be serviced on monthly basis from your own sources.

4. SECURITY:

PRIMARY SECURITY:

PRIMARY SECURITY

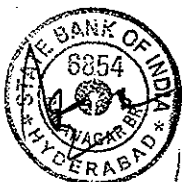
E.M. of Land belonging to M/s Modi & Modi Constructions admeasuring 6.28 acres situated at Sy.Nos 128,129,132 to 136, Rampally, abutting road from ECIL X Roads to Ghatkesar at 10th KM, Near Gatakesar & Pocharam, Keesara Mandal, RR Dist and proposed construction in respect of 95 houses belonging to M/s Modi & Modi Constructions

COLLATERAL SECURITY: Nil

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5. PERSONAL / CORPORATE GUARANTEES

The repayment of the advance has to be guaranteed by the following persons/units:

S.No	Name of the Guarantor
1.	Modi Housing Private Limited
2.	Mr. Soham Modi
3.	Mr. Ashish P. Modi
4.	Mr. Gaurang Mody
5	Modi & Modi Real Estates Pvt Ltd (Since Renamed as Modi & Modi Financial services Pvt Ltd)

6. MARGINS (TO BE MET BY YOU / RETAINED BY THE BANK):

As per the cash budgets submitted by the firm. 50% of the total deficit will be met by the borrower.

Bank finance at any time should be matched by an equal amount of contribution from promoters.

7. BASIS OF VALUATION OF STOCKS:

The stocks of raw materials to be valued at the purchase invoice price/ current market price/ government control price if any/ which ever is the lowest. Customs and Excise duties if not paid, should not be reckoned for the valuation. Non-moving stocks should not be included in stocks for the purpose of valuation. Stocks received against unpaid Letters of Credit should be shown separately and should not be included in the valuation for the purpose of availing Fund Based Bank Finance till they are actually paid. Stocks in Process and Finished Goods should be valued at the actual manufacturing cost or selling price whichever is lower.

8. DOCUMENTS EXECUTED:

SME1,2,3 & 5.

9. In case of a company, necessary Board Resolution, in compliance with Section 293 - 1(d) of the Companies Act, have to be passed and submitted to the Bank approving execution of the above documents and authorising the Director(s) to execute the documents and approving affixing the common seal to be witnessed in accordance with the Memorandum and Articles of Association of the Company. The resolution should contain specific authorisation in favour of any Director to deposit the title deeds with the Bank to create Equitable Mortgage over the said properties of the company, where stipulated. In case, second charge over the fixed assets is to be ceded to the Bank as security, the Board resolution should contain necessary authorisation for the same. The Board Resolution should also request the guarantors to sign the necessary documents with the Bank for giving their personal guarantee.

Apart from the above the formalities relating to creation/extension of equitable mortgage have also to be completed

The formalities relating to creation of 1st and 2nd charges with Registrar of Companies by filing Form 8 and 13 should be completed within the stipulated 30 days from the date of execution of the documents. The formalities for creation of 2nd charge (in the books of 1st charge holder) on the fixed assets for the enhanced limits now sanctioned (where first charge is held with another Bank/institution as already

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intimated to and accepted by the Bank in writing) should be completed within 30 days from the date of execution of the documents for availing the facilities. Non compliance with the same would result in freezing/recall of the sanctioned limits and would also attract penal interest @ 2% for the period of delay at the discretion of the Bank.

10. RATE OF INTEREST:

For Cash Credit (Hypothecation of stocks/ Book Debts/Outward Bills) :...@ State Bank Advance Rate (SBAR) with a minimum of 12.25.% per annum with monthly rests. In this connection please note that SBAR at present is 12.25 % and is subject to change from time to time.

11. PENAL INTEREST:

- a. Penal interest at the rate of 1% will be levied on the irregular/excess drawings if the account is rendered irregular twice during the calendar quarter. If irregularity occurs more than twice and not regularised within a very short period, penal interest at 1% will be levied on the entire outstanding for the entire quarter.
- a. Non submission of stock statements in time stipulated would attract levy of penal interest of 1% on the entire outstanding for the month.
- b. Non-submission of provisional financial statements when called for and audited financial statements within six months of the end of financial year would attract penal interest at the rate of 1% on the entire outstanding. Non submission of other renewal data as required by the Bank would also attract penal interest at the above rate.

12. OTHER SERVICE CHARGES:

One time processing Charges at the rate of Rs 1.50% of the loan amount will be charged to your account.

The cost of Cheque Books issued to you at the rate of Rs2/- per cheque leaf would be recovered by debit to your account.

Ledger folio service charges at the rate of Rs60/-per folio will be levied to your account annually. In this connection, 40 entries will be treated as one folio.

Annually, inspection charges will be levied to your account.


You should ensure that sufficient provision is available in the account to meet the cheques issued by you. We would be charging Rs55/- for each cheque returned.

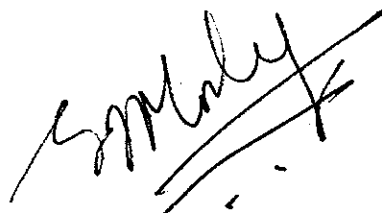
In case of Equitable Mortgage of the properties as primary or collateral security, a service charge of Rs.20.000/- will be debited to your account at the time of creation/extension of mortgage..

Collection of Cheques/Bills will attract our standard charges applicable from time to time apart from out of pocket expenses.

Discounting of Cheques/Bills will be undertaken at the Bank's discretion, which will attract our Standard Rates applicable from time to time apart from the out of pocket expenses.

Issue of Bank Guarantees and LCs will attract standard charges of the Bank depending on the type of the LC/BG, its period etc.

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In this connection please note that the service charges enumerated above are subject to change from time to time. The changed service charges will be displayed in the Bank's Notice Board from time to time and will be automatically applicable to your account.

13. SUBMISSION OF STOCK STATEMENTS: Stock statements showing the holding of stocks and Book Debts/Receivables should be submitted to the Bank at monthly intervals on or before 7th of each month. Apart from the above, the Stock Statement should also be submitted to the Bank more often whenever there is large variations from the Stock Statement already submitted. **Non-Submission/delayed submission of the Stock Statements would attract levy of penal interest at the rate of 1%.** Further please note that Bank reserves the right to return your cheques for non-submission/ delayed submission of stock statements. Further please note to comply with the following points while submitting stock statements:

a) The stock statement should contain the full details of items of stock showing the quantity and value of each item and the location of storage of the inventories facilitating the Bank to carry out inspection of the securities charged.

b) Slow moving stocks (being carried for more than six months) or non-moving stocks should be shown separately and should not be reckoned for the purpose of Drawing Power.

c) The stock statement should be accompanied by a full list of your Book Debts, in chronological order, date with invoice number, name of the customer and amount

d) The value of Bills outstanding for retirement under LCs (for which goods are already received under stocks) should be shown in the stock statement separately and removed from the net value of stocks for the purpose of calculating Drawing Power.

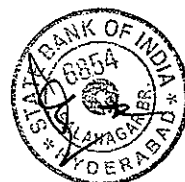
e) The stock statement should be invariably signed by the Proprietor/Partner/Director and not by any employees.

14. INSURANCE: The Stocks, Machinery and Buildings charged to the Bank as Primary/ Collateral security should be fully insured by you against all risks, with an insurance company approved by the Bank, in the joint names of the Bank and yourselves. Insurance policies, cover notes, premium receipts, etc., should be deposited with the Bank. The risks to be compulsorily covered are against FIRE, RIOT, STRIKE, MALICIOUS DAMAGE. You should arrange for prompt payment of premium and ensure that no acts / omissions occur in this regard, as would invalidate such insurance during the currency of the Bank's advance(s). You should further be prepared, as and when called for by the Bank to do so, to take out cover for any other risks, including cover in respect of standing charges and loss of profit in the event of any stoppage of production for any reason. In this connection please note that the Bank reserves the right to take/renew the insurance policy by itself and pay the insurance premium by debit to your account.

Cement, Steel, Sand, Metal etc. are exempted from fire insurance cover. Buildings under construction to be insured for full value

15. FINANCIAL STATEMENTS: The audited financial statements should be submitted to the Bank within a period of six months after the completion of an account year. **Non-submission of the audited financial statements as above will attract levy of penal interest of 1% apart from attracting such other measures like freezing the operations in the accounts / cancellation of the credit limits at the discretion of the Bank.** Half-yearly results, if any, compiled for the company, should be submitted to the Bank for information. Copies of the returns submitted to the

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Sales Tax and Income Tax authorities should also be submitted to the Bank annually for our record..

16. CHANGES IN CONSTITUTION: If any such changes in the constitution of the unit/firm/company is contemplated prior approval from the Bank for the same should be obtained in writing. If no such approval is obtained in advance, the Bank shall have the right to suspend further operation in the accounts consequent upon such change/reconstitution comes to the notice of the Bank and to call up the advances.

17. GENERAL:

- a) The Bank's name boards shall be prominently displayed at the factory/office evidencing the Bank's charge over all the assets.
- b) A detailed list of machinery and equipment pledged/hypothecated to the Bank should be prominently displayed at the factory/office.
- c) The Bank's name should be prominently painted on all items of machinery/equipment pledged / hypothecated to the Bank.
- d) Proper books of accounts should be maintained and preferably kept at the units premises to enable periodic inspection. These should include the purchase register, sales register, purchase invoice file, sales invoice file, debtors account statement and general ledger.
- e) In as much as the working capital limits have been assessed at peak levels of production, on the basis of data furnished by you no interim accommodation / excess drawings will, as a rule, be permitted. However in the event of your anticipating substantial orders (not repetitive) arrangements for interim accommodation may please be made well in advance, at any rate not later than 3 months before the expected orders are received.
- f) All incidental and legal expenses, such as solicitors /advocate fees, Stamp Duty, Registration charges etc, incurred in connection with the advance should be borne by the unit. If incurred by the Bank the same will be debited to your account.
- g) Original invoice of the supplier's / manufacturer's receipts for the cost of the machinery/equipment & other connected correspondence should be deposited with the Bank.
- h) The unit should confine all your business including foreign exchange business, if any, to the Bank pro-rata to our term loan and working capital limits..
- i) The capital invested in the business should not be withdrawn during the currency of the Bank's Advances. The unit should not, without the written permission of the Bank, effect any change in the capital structure.
- j) The unit should not formulate any scheme of amalgamation or reconstruction without the prior permission of the Bank.
- k) The proprietors/partners/directors of the unit should not withdraw the profits earned in the business without meeting the instalments payable under the Bank's loan. All monies raised by way of loans and deposits from friends and relatives and from any other source(s) should not be withdrawn/repaid during the currency of the Bank's advance(s) except with the Bank's permission in writing. In case of company, should not 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 and stipulated Net Working Capital has been maintained. In any case company should obtain Bank's prior approval before declaring dividends.
- l) The properties charged to the Bank should not be sold/transferred/encumbered without the Bank's written permission.
- m) The unit should not invest any sums by way of deposit/loans/share capital or otherwise in any other concern, if any, without the Bank's prior permission.

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- Normal trade credit, security deposits in the normal course of business or advance to employees can, however, be extended.
- n) The unit should not launch on any new scheme of expansion or acquire fixed assets, without the Bank's prior approval.
 - o) The unit should not, without the prior permission of the Bank, enter into borrowing arrangements either secured or unsecured with any other bank, financial institution, company or otherwise or accept deposits.
 - p) The unit should not undertake guarantee obligations on behalf of any other person/firm/company.
 - q) The Bank will have the right to examine at all times, the unit's books of accounts and to have the factories inspected from time to time by officer(s) of the Bank and/or qualified auditors and/or technical experts and/or management consultants of the Bank's choice. Arrangements should be made for easy access of such personnel at all reasonable times to the machinery/equipment for the purpose of inspection and examination of the state and condition of the equipment. Cost of such inspections will be borne by the unit.
 - r) The Bank will have option of appointing its nominee on the Board of Directors of the company to look after its interests. The Director's normal fees and expenses will be defrayed by the company. Such Director shall not be required to hold qualification shares and shall not be liable to retirement so long as the credit facilities are outstanding. Whether the option is exercised or not, the company will submit sufficiently in advance, agenda papers relating to meetings of the Board of Directors or any committees thereof and forward duly certified copies of the proceedings of such meetings. The Bank will have the right to appoint a nominee to attend any meetings of shareholders; the agenda papers and proceedings should be sent expeditiously.
 - s) The unit/company should not make any drastic change in their management set-up without the Bank's permission.
 - t) The unit will maintain the Net Working Capital position above the levels furnished in the projections for working capital finance. In the event of any differences of opinion arising as to what constitute current assets and current liabilities, the Bank's decision will be final and binding on the unit.
 - u) The unit should route all the banking transactions including Government Business, Merchant Banking Business and Issue/Refund business through the Bank at least to the extent of pro-rata share in the consortium.
 - v) The unit will keep the Bank informed of the happening of any event likely to have substantial effect on the profit of business; if, for instance, the monthly production or sales are substantially less than what had been indicated to the Bank the company will inform accordingly with explanation and the remedial steps proposed to be taken.
 - w) The unit will keep the Bank advised of any circumstances adversely affecting the financial position of its subsidiaries including any action taken by any creditor against the subsidiaries.
 - x) All items of machinery and equipment should be kept in a good working condition and you should replace all broken, lost or worn-out parts by suitable spare parts of similar quality and equal value. You should not alter or remove any major part of the machinery/equipment without the consent of the Bank in writing. You must certify, at half-yearly intervals that the entire machinery and equipment are in good working condition and are being properly maintained.
 - y) The documents stipulated by the Bank in connection with the disbursal of the advance(s) have to be executed by you and the guarantors. The Stamp Duty on these documents has to be borne by you. Disbursement of the advance(s) will be made only after the execution of the documents, (including revival letters in

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- respect of some of the old documents) and completion of formalities connected with creation of mortgages.
- z) Disbursement of the advance under the Term Loan will be made by Banker's cheque favoring the manufacturer/suppliers of the machinery/equipment, either on receipt of machinery/equipment and installation in the unit's premises or against documents covering the dispatch of machinery/equipment through the Bank, or direct remittance to the manufacturers/suppliers (in the manner stated above) in consultation with the unit. The amounts disbursed under the Term Loan(s) should be solely utilised for the purpose for which they were intended under the scheme, and not for any other purpose. The unit should produce subsequent to the disbursal of the Term Loan(s) its complete books of accounts, for examination by the Bank to its entire satisfaction.
 - aa) The advances are also subject to fresh terms and conditions governing the Bank schemes of loans which may be laid down from time to time. The Bank will be free to suitably modify the covenants detailed above whenever considered necessary. This will, of course, be done in consultation with the unit.
 - bb) These terms and conditions are supplemental to those contained in the documents referred to in clause 8 above to be executed by you and the guarantor(s).
 - cc) The Bank reserves the right to call up the advances on the occurrence of any event which in the opinion of the Bank is detrimental to its interests.

OTHER CRITICAL COVENANTS:

- a. The firm has to mortgage 6 acres 28 guntas of land at Survey No 128,129,132 to 136, Rampally, abutting road from ECIL X Roads to Ghatkesar at 10th KM, Near Gatakesar & Pocharam, Keesara Mandal,
- b. Partners of the firm have to furnish an undertaking that promoter's contribution in the project will be maintained as envisaged during the currency of loan.
- c. Status of the project, the level of promoter's contribution, the advance payments received should be monitored by way of a quarterly certificate to be obtained from Chartered Accountant.
- d. Drawals will be permitted strictly as per detailed cash budgets [prescribed by the bank] submitted by the firm on quarterly basis. The loan component should not exceed promoter's contribution at any point of time.
- e. The firm should first obtain "NOC" from the Bank before going ahead with the registration formalities in favour of the buyer. The sale proceeds are to be routed through the CC account.
- f. NOCs for sale of residential houses constructed on them will be given subject to the maintenance of primary security margin of 50% minimum and subject to satisfactory conduct of credit facilities.
- g. The firm shall liquidate the loan outstandings within 24 months from the date of first disbursement irrespective of whether all the flats have been sold or not. The partners of the firm are expected to liquidate the advance from their own resources if the flats are not fully sold out by then.
- h. An affidavit-cum-undertaking must be submitted that the firm shall not violate the sanctioned plan and it shall be the sole responsibility of the executants to obtain completion certificate within 3 months of completion of construction, failing which the bank shall have the power and authority to recall the entire loan with interest, costs and other usual bank charges
- i. An architect appointed by the bank must also certify at various stages of construction of building that the construction of the building is strictly as per

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sanctioned plan and shall also certify at a particular point time that the completion certificate of the building issued by the competent authority has also been obtained

- j) Payment should be received by the builder by cheque drawn jointly in favour of the Bank and the builder.

dd) CONSENT CLAUSE:

'The Borrower(s) hereby further agree that as precondition of the loan advances given to me/ us by the Bank, that in case of default in repayment of the loan / advances or in the repayment of the interest thereon or any of the agreed installment of the loan on due date/s, the Bank and /or the Reserve Bank Of India will have an unqualified right to disclose or publish my/our name or the name of my/ our company /firm/unit/ and its directors/partners proprietors as defaulter in such manner and through such medium as the Bank or Reserve Bank of India in their absolute discretion may think fit.'

Special condition: The right of first refusal for housing loans to the buyers of the flats vests with the Bank.

Please return the duplicate of this letter duly signed by you and the guarantors in token of having agreed to the terms and conditions listed here-in-above.

Yours faithfully,

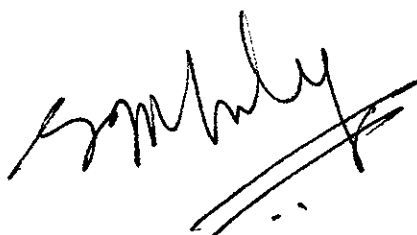
ASSISTANT GENERAL MANAGER

We are agreeable to the terms and conditions detailed above and the same shall be meticulously observed by us.



BORROWER

GUARANTOR(S)



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