	STATE BANK OF INDIA BALANAGAR BRANCH HYDERABAD 500 037 Phone : 040-23876905 Fax : 040-23774878	M/S DILPREET TUBES PVT LTD Plot No 8, Nacharam Industrial Estate, HYDERABAD.
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Letter No: MERM

Date 21-01-2008

Dear Sir,

COMMERCIAL ADVANCES
SANCTION OF CREDIT LIMITS

With reference to your application dated _____ and subsequent correspondence, we have pleasure in advising sanction of the following credit limits subject to terms and conditions detailed in Annexure I and covenants:

Credit Limits (proposed):

(Rs in Crores)

Limits	Existing	Proposed
Fund based		
Cash credit (Hyp)	7.00	11.00
Stand by line of Credit	1.00	1.50
Total FBWC	8.00	12.50
Total FB	8.00	12.50
Total NFB	--	--
Total (FB+NFB)	8.00	12.50

2. The limits are assessed based on the estimates and projections as under;

(Rs in Crores)

As on 31/03	Audited. 2007	Estimates 2008	Projections 2009
Net sales	54.98	71.83	86.20
PAT	0.81	1.20	1.39
Cash Accruals	1.00	1.36	1.53
PUC	2.79	2.79	2.79
TNW	4.61	5.81	7.20
TOL/TNW	2.63	2.64	2.39
Cur. Ratio	1.38	1.40	1.45

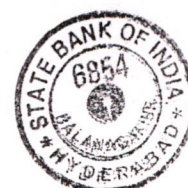
3. The limits will come into force only after the execution of documents.

For DILPREET TUBES PVT. LTD
SBI Balanagar

MANAGING DIRECTOR

for DILPREET TUBES PVT. LTD.

Director



4. The following documents are to be executed.

- i) Board resolution.
- ii) Arrangement letter.
- iii) C Series Documents (C1,C2,C4,C5,C10)

5. Credit Risk rating to be obtained by 31.03.2008 from any one of the external agencies mentioned below.

DOMESTIC CREDIT RATING AGENCIES

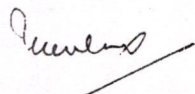
- a) Credit Analysis and Research Limited (CARE)
- b) CRISIL limited
- c) FITCH India and
- d) ICRA Limited (ICRA)

INTERNATIONAL CREDIT RATING AGENCIES

- a) FITCH
- b) Moodys and
- c) Standard & Poor's

6. Please return duplicate copy of this letter duly signed by the authorized signatories and the guarantors on all the pages in token of acceptance of the terms and conditions stated in the Annexure I and covenants.

Yours faithfully,

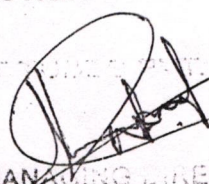


Assistant General Manager

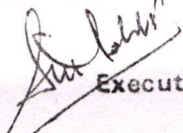
We are agreeable to the terms and conditions detailed above.

BORROWER

For DILPREET TUBES PVT. LTD.


MANAGING DIRECTOR

For DILPREET TUBES PVT. LTD.

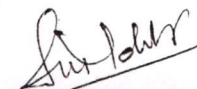

Executive Director

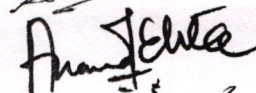
GUARANTORS

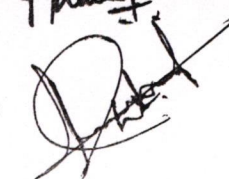
+ Aashama. S Mehta

+ Zangha D. mehta.

+ Varsha. V. mehta

+ 

+ 

+ 

+ Kusum-S-mehta



Annexure I

COMPANY : M/S DILPREET TUBES PVT LTD
A. SECURITY:

Facility	Primary	Collateral	Guarantee
Cash Credit Rs 0.50 cr	Hyp of stocks and receivables	(i) EM of land and factory shed of the company with shed area of 67500 sq.ft in S No 49 & 59 situated at plot no 8, IDA Nacharam valued at Rs.12.51 crores as per valuation report of Sri Ch Shankar vide report dated 25.12.07 (As per ABS on 31.03.07 Rs.2.47 crores) (Realisable value Rs.10.00 crores) Previous valuation dtd 31.07.04 for Rs.3.99 crores (ii) Hypothecation of plant and Machinery WDV Rs.0.59 crores as on 31.03.07 as per audited balance sheet Total value of Collateral Security : Rs.10.59 crores	Personal Guarantees of: (i) Shri Sudhir Uttamlal Mehta Executive Director ✓ ii) Smt. Aradhana Sudheer Mehta W/o Sudheer Mehta ✓ iii) Sri Rahul Mehta M.D ✓ iv) Shri Harsha Deepak Mehta ✓ v) Smt Kusum S Mehta W/o Suresh Mehta. vi) Smt Varsha Vasanth Mehta W/o vasanth Mehta ✓ vii) Sri Anand Mehta ✓ Total Combined Net worth : RS.12.10 crores

For DILPREET TUBES PVT. LTD

SBI Balanagar

MANAGING DIRECTOR

for DILPREET TUBES PVT. LTD.

Executive Director



B. MARGINS: (FOR EACH FACILITY AS APPLICABLE)

Cash Credit	Existing	Proposed
RM: Domestic:		
	25%	25 %
FG	25%	25%
Receivables	40%	40%
Receivables (Cover—days) (Cover period – existing 30 days Proposed cover period 60 days)	30 days	60 days

C. I) RATE OF INTEREST:

Facility	Pricing
Cash Credit	SB-1: 0.25% above SBAR with minimum of 13.00% PA

D. REPAYMENT SCHEDULE:

(i) CC: Repayable on demand.

For DILPREET TUBES PVT. LTD
SBI Balanagar.

MANAGING DIRECTOR

For DILPREET TUBES PVT. LTD.

Executive Director



E. Insurance: : Waived for stocks. Fixed assets to be insured for full value.

F. Inspection: : The Company should facilitate inspection by the officials of the Bank, persons / agencies / auditors appointed by the Bank at any time and should make available all records. The Bank may entrust verification of assets to outside agencies in case of necessity and will be entitled to recover the charges on account of outsourcing of asset verification.

G. Processing fee : : Cash Credit: @ Rs.400.00 per lakhs or part Thereof.

H. Mortgage Charges: : Rs 15,000/- per instance

I. Commitment charges:

Cash Credit: : 0.25% p.a. on the entire unutilized portion, if average utilization is 60% or less

J. Penal Interest

- a) For continuous beyond 60 days: 2%
On the entire Out standings. In other Cases 2% on the irregular portion.
- b) Non Submission of Stock Statements:
1% for the month the stock Statement is not submitted within the stipulated period.
- c) Non submission of renewal data:
1% for the delay beyond 3 months.
- d) Non Compliance with Covenants:
1% on the entire out standings.

K. Period of Sanction: Working Capital: 12 months

L. Documents:
a. As per C series Documents.

Charges to be registered with ROC within 30 days from the date of documentation and search to be carried out to ensure that the charges are registered with ROC.

For DILPREET TUBES PVT. LTD

SBI Balanagar

MANAGING DIRECTOR

For DILPREET TUBES PVT. LTD.

Executive Director



M. Stock Statements: Monthly or whenever there is large change in the level of Stocks.

N. Basis of Valuation: Cost Price/Market Price/Invoice Price whichever is lower.

O. OTHER CRITICAL COVENANTS (other than Bank's standard covenants):

For DILPREET TUBES PVT. LTD

MANAGING DIRECTOR

SBI Balanagar

For DILPREET TUBES PVT. LTD.

Executive Director



STANDARD COVENANTS

- i) Bank will have the right to examine at all times the company's books of accounts and to have the company's 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. Cost of such inspection shall be borne by the company.
- ii) The company should maintain adequate books of accounts, which should correctly reflect its financial position and scale of operations and should not radically change its accounting system without notice to the Bank.
- iii) The company should submit to the Bank such financial statements as may be required by the Bank from time to time, apart from the set of such statements to be furnished by the company to the Bank as on the date of publication of the company's annual accounts.
- iv) The Bank will have a first charge on the profits of the company, after provision for taxation and dividend where applicable, for repayment of instalments under term loans granted/deferred payment guarantees executed by the Bank or other repayment obligation, if any, due from the company to the Bank.
- v) The Bank shall have the right to securitise the secured assets and in the event of such securitisation the Bank is not bound to send an individual intimation as to the said securitisation to the borrower and/or guarantor(s). (additional clause incorporated)
- vi) In case of default in repayment of the loan / advances or in the payment of the interest thereon or any of the agreed instalments of the loan on due date/s by the borrower, the Bank and / or the RBI will have an unqualified right to disclose or publish the borrower's name or the name of the borrower's company/unit and its directors/ partners / proprietors as defaulter in such manner and through such medium as the Bank or RBI in their absolute discretion may think fit. (additional clause incorporated)
- vii) The Bank will have the right to share credit information as deemed appropriate with CIBIL or any other institution as approved by RBI from time to time (additional clause incorporated)
- viii) The company should not induct into its Board a person whose name appears in the willful defaulters list of RBI/ CIBIL (other than as a Nominee/ Professional/Honorary director). In case such a person is already on the Board of the borrowing company, it would take expeditious and effective steps for removal of that person from its Board. (additional clause incorporated)

For DILPREET TUBES PVT. LTD
SBI Balanagar

MANAGING DIRECTOR

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For DILPREET TUBES PVT. LTD.

Executive Director



- ix) The company shall keep the Bank informed of the happening of any event likely to have substantial effect on their profit or business; if, for instance, monthly production or sales are substantially less than what had been indicated to the Bank, the company will inform the Bank accordingly, with explanations and the remedial steps proposed to be taken.
- x) For all term loans, borrower shall pay penal interest at applicable rate as indicated on the total outstandings in the event of any one or more of the following defaults during the currency of the loan for the relevant period as mentioned thereagainst
- a) Any adverse deviation by more than 20% from the levels stipulated as below in respect of any two of the following items for a minimum period of one year(at 1% p.a):
 - Current ratio of 1.33
 - Total Debt Gearing i.e. total Outside Liabilities divided by Tangible Net Worth (TOL/ TNW) of 3.00
 - Interest coverage ratio
 - b) Default in payment of interest or instalment to the Bank for the period of such default (at 2% p.a).
 - c) Default in payment of interest and / or installment on due dates to any other lender for the period such default (at 2% p.a).
- xi) Each of following events will attract penal interest at applicable rate as indicated, over and above the normal interest applicable in the account:
- a) Irregularities in cash credit accounts. On the entire outstandings, if continuously irregular for a period beyond 60 days; in other cases, on the irregular portion. (at 2% p.a).
 - b) Non-submission of stock statements, (delay beyond 10 days of the succeeding month to be considered as non-submission) (at 1%p.a).
 - c) Non-submission of renewal data beyond three months from the due date of renewal (at 1% p.a).
 - d) Non-compliance with covenants (at 1% p.a).
- However, the total penal interest charged on a borrower due to various non compliances will not exceed 3%p.a.
- xii) Besides the above, additional penal interest of two percentage points above the normal cash credit rate applicable will be levied in case of EPC advance where exports do not materialize and overdue export bills.

For DILPREET TUBES PVT. LTD

MANAGING DIRECTOR

SBI Balanagar

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For DILPREET TUBES PVT. LTD.

Executive Director



- xiii) The company shall keep the Bank advised of any circumstance adversely affecting the financial position of their subsidiaries/ group companies or companies in which it has invested, including any action taken by any creditor against the said companies legally or otherwise.
- xiv) The Bank will have the option of appointing its nominee on the Board of directors of the company to look after its interest. 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 granted by the Bank to the company are outstanding. When the option is exercised by the Bank, the company shall submit sufficiently in advance agenda papers relating to meetings of the Board of director 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 meeting of shareholders, where the right is exercised, the agenda papers and proceedings should be sent to the Bank sufficiently in advance.
- xv) The company agrees to offer to the Bank, on a right to first refusal basis at least prorata business relating to remittances, bills / cheque purchase, non-fund based transactions including LCs and BGs, Forex transactions and any interest rate or currency hedging business contemplated.
- xvi) The Bank will have the right to convert the debt into equity, at a time felt appropriate by the Bank, at a mutually acceptable formula.

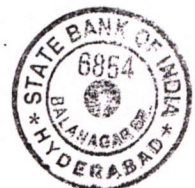
SBI Balanagar

For DILPREET TUBES PVT. LTD

MANAGING DIRECTOR

For DILPREET TUBES PVT. LTD.

Executive Director



Negative covenants

- i) Effect any change in the company's capital structure; in all cases of term loans, where a condition prohibiting disinvestments by promoters of their quota in the equity of the borrower company, without the prior approval of the Bank, all the promoters of the company should furnish an undertaking on the lines specified for this purpose. On the basis of the letter of undertaking, promoters should also furnish each year in the first week of April, the latter's confirmation together with the Auditor's certificate as on 31st March every year for record of the Bank
- ii) Formulate any scheme of amalgamation or reconstruction.
- iii) Undertake any new project, implement any scheme of expansion or acquire fixed assets except those indicated in the funds flow statement submitted to the Bank from time to time and approved by the Bank.
- iv) Invest by way of share capital in or lend or advance funds to or place deposits with any other concern (including group companies); normal trade credit or security deposits in the normal course of business or advances to employees can, however, be extended.
- v) Enter into borrowing arrangement either secured or unsecured with any other bank, financial institution, company or otherwise or accept deposits apart from the arrangement indicated in the funds flow statements submitted to the Bank from time to time and approved by the Bank.
- vi) Undertake any guarantee obligation on behalf of any other company (including group companies).
- vii) Declare dividends for any year out of the profits relating to that year or of the previous years. It is however necessary for the borrower to ensure first that provisions are made and that no repayment obligations remain unmet at the time of making the request for Bank's approval for the declaration of dividend.
- viii) Create any charge, lien or encumbrance over its undertaking or any part thereof in favour of any financial institution, bank, company, firm or persons.
- ix) Sell, assign, mortgage or otherwise dispose off any of the fixed assets charged to the Bank.
- x) Enter into any contractual obligation of a long-term nature or affecting the company financially to a significant extent.
- xi) Change the practice with regard to remuneration of directors by means of ordinary remuneration or commission, scale of sitting fees, etc.

For DILPREET TUBES PVT. LTD

SBI Balanagar

MANAGING DIRECTOR

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For DILPREET TUBES PVT. LTD.

Executive Director



- xii) Undertake any trading activity other than the sale of products arising out of its own manufacturing operations,
- xiii) Permit any transfer of the controlling interest or make any drastic change in the management set-up.
- xiv) Repay monies brought in by the promoters/ directors/ principal shareholders and their friends and relatives by way of deposits/ loans / advances. Further, the rate of interest, if any, payable on such deposits/ loans/ advances should be lower than the rate of interest charged by the Bank on its term loan and payment of such interest will be subject to regular repayment of instalments under term loans granted/ deferred payment guarantees executed by the Bank or other repayment obligations, if any, due from the company to the Bank. All unsecured loans/ deposits raised by the company for financing a project are always subordinate to the loans of the banks/ financial institutions and should be permitted to be repaid only with the prior approval of the all the banks and the financial institutions concerned.

For DILPREET TUBES PVT. LTD

MANAGING DIRECTOR

SBI Balanagar

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For DILPREET TUBES PVT. LTD.

Executive Director

