**DEED OF HYPOTHECATION**

Deed of Hypothecation" means a particular joint deed of hypothecation executed by the Borrower in favour of the particular Consortium of Lenders for the purpose of securing the Assets for the Facility and includes the Standard Terms as applied thereto, and all schedules and amendments to such Deed of Hypothecation.

The main purpose of hypothecation is to mitigate the creditor’s credit risk. If the debtor cannot pay, the creditor possesses the collateral and therefore can claim its ownership or sell it and thus compensate the lacking cash inflows.

*This draft of ‘Deed of Hypothecation’ was downloaded from LawRato.com – Consult the best banking and finance lawyer at* [*http://lawrato.com/banking-finance-lawyers*](http://lawrato.com/banking-finance-lawyers)

**DRAFT OF DEEED OF HYPOTHECATION**

THIS DEED OF HYPOTHECATION executed at \_\_\_\_\_\_\_\_ on this the \_\_\_\_\_\_\_\_\_\_\_ day of \_\_\_\_\_\_\_\_\_ between Mr.\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, son of\_\_\_\_\_\_\_\_\_\_\_\_\_, aged about \_\_\_\_\_\_\_\_\_\_\_ years, residing at \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, hereinafter called the CREDITOR (which expression shall, unless it is repugnant to the context mean and include his legal representatives, executors, administrators, and assigns)

And

Mr.\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, son of\_\_\_\_\_\_\_\_\_\_\_\_\_, aged about \_\_\_\_\_\_\_\_\_\_\_ years, residing at \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, hereinafter called the BORROWER (which expression shall, unless it is repugnant to the context mean and include his legal representatives, executors, administrators and assigns);

WHEREAS

The BORROWER has placed an order for the purchase of, a \_\_\_\_\_\_\_\_\_\_\_, namely\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, {valued at Rs.\_\_\_\_\_\_\_\_\_\_\_\_ (Rupees \_\_\_\_\_\_\_\_\_\_\_\_), (Details of the same are set out in the schedule 'A' hereunder) (hereinafter referred to as the asset), with the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, namely \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, having its office at \_\_\_\_\_\_\_\_\_\_, and has remitted an amount of Rs.\_\_\_\_\_\_\_\_\_\_\_\_\_\_(Rupees \_\_\_\_\_\_\_\_\_\_\_\_\_only}, with the said \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ as advance towards the sale consideration.

The BORROWER has approached the CREDITOR for a loan of Rs.\_\_\_\_\_\_\_\_\_\_\_\_\_\_, (Rupees \_\_\_\_\_\_\_\_\_\_\_\_\_only), for the payment of the balance price of the schedule 'A' mentioned asset. The CREDITOR and BORROWER have agreed that the CREDITOR shall finance the purchase of the schedule 'A' mentioned asset, on the condition that the BORROWER hypothecates the schedule mentioned asset with the CREDITOR as security for the due repayment of the said loan. The parties have agreed to reduce their agreement to writing.

NOW THEREFORE IN CONSIDERATION OF THE MUTUAL OBLIGATIONS AND UNDERTAKINGS CONTAINED HEREIN THIS AGREEMENT WITNESSETH AS FOLLOWS:

Payment by the CREDITOR

The CREDITOR shall pay to the said manufacturer, on behalf of the BORROWER, a sum of Rs. \_\_\_\_\_\_\_\_\_\_\_\_/-, (Rupees \_\_\_\_\_\_\_), towards the balance price of the said asset and shall retain possession of the original invoice of the said asset till the debt is fully discharged by the BORROWER.

HYPOTHECATION

The BORROWER hereby hypothecates and creates a charge on the asset more fully described in the schedule 'A' hereunder to and in favour of the CREDITOR as security for the repayment of the loan with interest.

Obligations of the BORROWER

The BORROWER hereby undertakes to repay the loan amount within a period of \_\_\_\_\_\_ months commencing from\_\_\_\_\_\_\_\_ along with interest. The BORROWER shall pay interest at the rate of \_\_\_\_\_\_\_\_\_\_\_\_\_\_ on the principal per month, at Rs.\_\_\_\_\_\_\_\_\_\_\_\_\_/-, (Rupees \_\_\_\_\_\_\_\_\_\_\_\_only). The Interest and principal are payable in monthly instalments as per schedule-B hereto.

Rights of the CREDITOR

If the BORROWER defaults in payment of the amount as per schedule-B hereto then such defaulted instalment will carry interest as if the defaulted instalment is the principal, until it is paid. If the BORROWER fails to pay any \_\_\_\_\_\_ instalments then the CREDITOR shall be entitled to claim the principal and interest amount due, and the same shall become payable forthwith, on the CREDITOR calling upon the BORROWER to make payment of such defaulted principal amount.

The BORROWER shall not remove or take the said asset, outside the State without prior intimation to the CREDITOR.

The BORROWER agrees and undertakes to insure the asset against all hazards, and shall produce the relevant receipts, and other documents, whenever called upon by the CREDITOR so to do.

Any dispute arising under this Deed or any matter incidental thereto, shall be submitted to arbitration as per the provisions of the Arbitration and Conciliation Act 1996 and the venue of the arbitration shall be at .........

IN WITNESS WHEREOF the parties hereto affixed their signatures on the day month and year mentioned hereinabove

SCHEDULE 'A'

(Describe the Asset)

SCHEDULE-B

(Describe the payment schedule)

CREDITOR

BORROWER

WITNESSES

1.

2.