**Loan Agreement with Security**

A document that provides a lender a security interest in a specified asset or property that is pledged as collateral. In the event that the borrower defaults, the pledged collateral can be seized and sold. A security agreement mitigates the default risk the lender faces.

The object of loan agreement is that it determines the terms and condition between the lender and borrower. The agreement is binding on both the parties and can be enforceable by law

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**DRAFT OF AGREEMENT WITH SECURITY**

THIS AGREEMENT is made at \_\_\_\_\_\_\_\_on this \_\_\_\_ day of \_\_\_\_\_\_\_, 200\_\_  
  
**BETWEEN**  
  
\_\_\_\_\_\_\_\_\_\_\_LTD, a Company incorporated under the Companies Act, 1956 or Companies Act, 2013 having its Registered Office at \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (hereinafter referred to as "The Lender") which term or expression shall unless excluded by or repugnant to the subject or context hereof shall mean and include its heirs, successors and assigns of the One Part  
  
AND  
  
      i. M/S ABC LIMITED, a Company incorporated under the Companies Act, 1956 or Companies Act ,2013 having its Registered Office at \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (hereinafter referred to as "The Borrower") which terms or expression shall unless excluded by or repugnant to the subject or context hereof shall mean and include its heirs, successors and assigns of the SECOND PART and  
  
     ii.  M/S CDE LIMITED, a Company incorporated under the Companies Act, 1956 or Companies Act ,2013 having its Registered Office at \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (hereinafter referred to as "The Lender") which terms or expression shall unless excluded by or repugnant to the subject or context hereof shall mean and include its heirs, successors and assigns of the THIRD PART.  
  
**WHEREAS**  
  
A.  The Borrower is one of the entities in the group of Companies, ABC LIMITED, a Company incorporated under the provisions of the Companies Act, 1956 or Companies Act, 2013 having its Registered Office at \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ hereinafter referred to as "The Borrower" has a paid up capital of Rs. \_\_\_\_\_\_ lacs as on \_\_\_\_\_\_\_\_\_ (date).  
  
B. The Borrowers has approached "The Lender" for grant of inter corporate deposit of Rs. \_\_\_\_\_\_\_/- (Rupees \_\_\_\_\_\_\_\_\_\_ only) for a period of \_\_\_\_\_ days beginning from the date of disbursal of loan i.e.\_\_\_\_\_\_\_\_\_.  
  
C.The Lender has favourably considered the request of the Borrower and has agreed to lend and advance a secured interest carrying inter-corporate deposit of Rs. \_\_\_\_\_\_\_\_\_ (Rupees \_\_\_\_\_\_\_\_\_ only) to the Borrower on the terms and conditions and covenants as follows.  
  
D. The Lender has agreed to secure the timely repayment of the loan along with interest by creating in favour of the Lender Pledge with the securities fully stated in the Annexure Annexed hereto and treated as an integral part of this Agreement.

**NOW THIS AGREEMENT WITNESSETH AS FOLLOWS:**  
  
1. At the request of the Borrower the Lender lends an advance to the Borrower an inter corporate deposit of Rs. \_\_\_\_\_\_\_\_\_\_\_\_ (Rupees \_\_\_\_\_\_\_\_\_\_\_only) for a period of \_\_\_\_\_\_\_ days beginning from the date of disbursal i.e.\_\_\_\_\_\_\_\_  
  
2. The said inter corporate deposit shall carry an interest @ \_\_\_\_\_% per annum payable with \_\_\_\_\_\_\_\_ rests. In case of delay or default in payment, whether of the principal or of the interest or any part thereof the Lender shall be entitled and the borrower shall be liable to pay a penal interest @ \_% per annum over and above the interest mentioned hereinabove.  
  
3.  As a security towards timely repayment of loan along with interest, the Lender has agreed to pledge in favour of the Lender, fully paid up equity shares, standing in the name of Lender as stated in the Annexure annexed hereto and treated as an integral part of the agreement in the equity capital of ABC Limited, a company incorporated under the provisions of the Companies Act, 1956 or Companies Act, 2013 having its Registered Office at \_\_\_\_\_\_\_\_\_\_\_. The Equity shares of Equity International Ltd are listed at \_\_\_\_\_\_\_ Stock Exchange and the current market price of shares is agreed to be Rs. \_\_\_\_/- per share.  
  
4. In case the Lender sends the notice to the Borrower to make good the margin in the securities (\_\_\_\_\_% in this case) and the Borrower fails and/or neglects to make good the margin within the stipulated period as mentioned in the notice the Borrower shall be deemed to have committed default of the terms of this agreement and in that event it shall be lawful for the Lender (but not compulsory) to demand from the Borrower repayment of the loan along with the interest then outstanding and the Borrower shall be liable to repay the loan in full along with interest thereon without any objection and/or demur.  
  
5. It is expressly agreed by and between the parties hereto that in case of downward revision in the market price of the equity shares of ABC LTD, the Borrower/ Lender shall on its own, pledge in favour of the Lender such other shares of ABC LTD so as to ensure \_\_\_\_\_\_ % margin between the amount of loan along with interest and the securities.  
  
6. In case the Borrower fails and/or neglects to repay the amount of loan or the amount of interest on the due date it shall be lawful for the Lender to sell or dispose off, at the cost and expenses of the borrower, all or some of the equity shares of ABC LTD either by way of private arrangement or in the open market and to apply the net proceeds thereof towards satisfaction of the amount of loan or the interest, then outstanding.  
  
7. The Borrower agrees that any accretion the securities pledged with the Lender by way of dividend, bonus/rights issue etc. accruing from time to time shall be deemed to be pledged with the Lender and the Borrower shall, on its own take expeditious steps to create a pledge in favour of the Lender.  
  
8. It is agreed that the Borrower shall execute a Demand Promissory Note in favour of the Lender.  
  
9. The Borrower/ Lender agree and undertake to execute in favour of the Lender all such documents/papers, including fresh transfer deeds, as may be required by the Lender from time to time.  
  
10. The Borrower/ Lender have agreed to constitute nominate and appoint the Lenders as its true and lawful attorney to do all such deeds and things in respect of the said \_\_\_\_\_\_(No. of Shares) Equity Shares of ABC LTD as may be pledged/hypothecated by the Borrower to the Lender.  
  
11.It is agreed that the liability of the Lender is jointly and severally along with the liabilities of the Borrower and the same is co-extensive.  
  
IN WITNESS WHEREOF the parties herein have signed this agreement in acceptance of all terms stated above on the date and place mentioned hereinabove.  
  
THE BORROWER  
  
THE PLEDGER  
  
THE LENDER