**Deed of Covenant to Accompany Statutory Mortgage of Ship**

THIS DEED OF COVENANT is made the ....... day of ......... between M/s. AB & Co. Ltd., a company registered under the companies Act, 1956, having its registered office at ................. (hereinafter called the "Mortgagor") of the one part and Bank of ........... a banking corporation constituted under the Banking Companies (Acquisition and Transfer of Undertaking) Act 1970 and having its Head Office at ......... (here in after called the ''Mortgagee'') of the other part.

WHEREAS:

1.     The mortgagor is the absolute and unencumbered owner of all the shares of and in the ship by name ....... and which is more particularly described in the schedule hereunder written and is hereinafter referred to as ''the said ship''.

2.     The mortgagees have lent to the mortgagor the sum of Rs. ........ upon having the same secured by a statutory mortgage of the said ship and upon the terms hereinafter set out and the mortgagor has executed a statutory mortgage of the said ship bearing even date with this deed and intended to be forthwith registered for securing the said sum of Rs. .... with interest and any other sums which may be owing in accordance with the terms of this deed.

3.     This deed is supplemental to the said mortgage and to the security thereby created.

NOW THIS DEED WITNESSETH AS FOLLOWS:

1.     The mortgagor doth hereby acknowledge that the mortgagor owes to the mortgagees the principal sum of Rs. ...... (hereinafter called the principal sum) and hereby covenants with the Mortgagees as follows:

a.     To pay interest at the rate of ..... per cent per annum on the principal sum or other the sum for the time being owing on the security of the said recited mortgage (hereinafter called the statutory mortgage) in half-yearly payments on the day ...... and on the ....... day of in every year and such interest to be paid on those dated respectively;

b.    To repay the said principal amount by four installments that is to say, to pay a sum of Rs. ........ at the end of the first year from the date hereof, an equal sum of Rs. ...... at the expiration of three years from the date hereof, another sum of Rs...... at the expiration of three years from the date hereof and the balance of the principal sum on the expiration of four years from the date hereof, each time to be deemed of the essence of the contract.

c.     In the event of default in payment of any installment of interest or the due date thereof as hereinabove provided the Mortgagor will be liable to pay and shall pay interest on such defaulted installment of interest at the rate as aforesaid from the date of default until payment as and way of compound interest.

2.     The statutory mortgage and the policies of insurance herein mentioned shall be held by the Mortgages as security for the payment of all monies for principal, interest or otherwise however (hereinafter referred to as ''the mortgagee debt'') which may become due and payable under or in respect of any of the provisions hereof.

3.     The mortgagor further covenants with the mortgagees that through out the currency of this security and until all monies secured hereby and by the statutory mortgage have been paid, the mortgage shall-

a.     Insure and keep the said ship at all times insured to the extent of her full market value (in the joint names of the mortgagor and the mortgagees) by policies to be approved by the mortgagees against all such risks as are from time to time required by the mortgagees to be covered by insurance with such insurance companies underwriters war risks or other mutual insurance associations and through such brokers in India as the mortgagees shall from time to time approve in writing.

b.    Enter and keep the said ship at all times entered in respect of her full value and tonnage in such protection and Indemnity association in India as the mortgagees shall approve for all risks and liabilities for the time being usually covered therein and to arrange for guarantees (if required) to be given to the satisfaction of such association.

c.     Punctually pay all such premia, calls, contributions or other sums as may be payable by the Mortgagor in order so to insure and keep the ship insured and entered and to produce all relevant receipts when so required by the mortgagees.

d.    Procure that the interest of the mortgagees shall be duly endorsed or noted upon all slips, cover notes, policies. Certificates of entry or other instrument of insurance issued in connection with such insurances or entry and that each and every policy covered by these provisions shall contain or have attached thereto a Loss payable Clause whereby any monies due in respect of claims under the policy shall be payable to the Mortgagees or in accordance with their directions;

e.     Procure that all such instrument of insurance shall be deposited with the approved brokers and shall (if required) be delivered up by them to the Mortgagees or their nominees and that the brokers shall give appropriate letters of undertaking stipulating that the brokers will hold all such instruments for the benefit of the Mortgagees.

f.     At the outset at any time of the Mortgagees, assign, endorse and deliver to the mortgagees the originals of all policies covered by these provisions and all monies insured by or to become payable under such policies or any of them and the full benefit thereof and to do all such things and execute all such documents as shall create legal title in such policies in the mortgagees.

g.    Not do anything nor suffer anything to be done whereby any policy or policies on the ship or any cover afforded by the rules of any Association in which the ship is entered may be or become void and in particular shall not employ the ship or suffer the ship to be employed otherwise than in accordance with the terms of such policies and cover (including any warranties or trading limits therein) without first giving written notice to the mortgagees and obtaining the consent of the insurers concerned and complying with such requirements as to payment of extra premium or otherwise as the insurers may impose;

4.     And the Mortgagor doth hereby further covenant with the mortgagees as follows:

a.     To keep the said ship registered as an Indian ship at any port of registry in India and not to do or suffer to be done anything whereby such registration may be forfeited or imperiled.

b.    Not to employ or permit the said ship to be employed in any illicit trade or in carrying any illicit or prohibited goods;

c.     Not to enter into any demise or other character whereby the mortgagor surrenders possession of the ship nor into any time or consecutive voyage charter on the said ship lasting or reasonably calculated to last for longer than ...... months;

d.    Not, without the previous written consent of the Mortgagees, to sell, assign, mortgage, charge, or otherwise in cumber the ship or any share therein or to agree so to do;

e.     To pay and discharge all debts and liabilities which may give rise to maritime or possessory liens on the said ship or to claims enforceable by actions in rem against the said ship or similar process so as to keep her free from arrest or detention and in the event of arrest or detention of the ship being threatened or effected, forthwith to notify the mortgagees thereof and to take all steps and make all payments necessary to obtain the release of the said ship from such arrest or detention within the week days from receiving notice thereof;

f.     To maintain the said ship in her present class and to keep her and her machinery, auxiliaries and all equipment at all times in thoroughly good and seaworthy condition and repair and in such condition as to make her comply with the provisions of the Merchant Shipping Act, 1958 and of all other Indian regulations and requirements of the law of the Government of any country where the ship may trade and to renew and replace all parts and equipment as and when they may become worn out, damaged or lost by other of a similar nature and of at least equal value;

g.    To permit the mortgagees to inspect the condition of the ship at all reasonable times and to give the mortgagees sufficient notice whenever practicable of dry dockings, surveys and major repairs so as to enable the mortgagees'' surveyors to attend thereat and if so required to supply to the mortgagees copies of survey reports on the said ship;

5.     And the mortgagor doth further agree and undertake-

a.     Not, without the prior consent in writing of the mortgagees, to make any major alteration to the structure or equipment of the said ship;

b.    To supply to the mortgagees on request full information regarding the said ship, her employment position and engagements, particulars of all towages and salvages and copies of all charters and other contracts concerning the ship;

c.     To notify to the mortgagees forthwith by letter or in case of urgency by telegram (a) of any accident to the ship involving repairs, the cost whereof is likely to exceed Rs. ...... (b) of any occurrence whereby the ship has or is likely to become a total loss, (c) of any actual or threatened arrest, detention, seizure, confiscation or requisition of the ship (d) of any requirement of insurers'' classification society or any competent authority which is not immediately carried out and (e) of any petition or notice of meeting to consider any resolution to wind up the mortgagor company;

d.    To manage the ship in a business like and efficient manner and keep proper books of account in respect of the ship which shall be available for inspection by the mortgagees at all reasonable times;

e.     Punctually to pay all dues, charges, fees, rates, taxes, fines, penalties and other outgoings payable in respect of the ship and to produce all relevant receipts when so required by the mortgagees;

f.     In the event of any requisition or seizure of the ship, by any authority, forthwith to assign, to the mortgagees all rights (if any) which the mortgagor may have, to receive any payment or compensation in respect of such requisitioning or seizure.

g.    To keep a certified copy of these presents and of the statutory mortgage on board the ship and to bring the contents thereof to the notice of the master for the time being of the ship.

h.     to permit the mortgagees to exercise all their rights and remedies under this deed and under the statutory mortgage and otherwise howsoever and to pay to the mortgagees on demand all monies whatsoever which the mortgagees may pay or become liable to pay (including legal costs on a full indemnity and between attorney and client basis) in connection with the protection, maintenance and enforcement of the security created by this deed and the statutory mortgage or the exercise of any of the aforesaid rights and remedies and all such monies shall be added to and form part of the principal sum and shall bear interest accordingly;

6.     The mortgagees shall, without prejudice to their other rights and powers, be entitled (but not bound) at all times to take any such action as they may think fit for the purpose of protecting the security created by this deed and by the statutory mortgage and in particular (but without prejudice to the generality of the foregoing).

a.     In the event of any failure by the mortgagor to comply with any of the provisions of this deed relating to insurance, to effect and maintain such insurance of and relating to the said ship as the mortgages shall think fit;

b.    In the event of the mortgagor failing to carry out any repairs to the said ship within ......... weeks of being instructed in writing by the mortgagees to effect such repairs, to cause such repairs as they consider necessary to be carried out;

c.     In the event of the mortgagor failing to obtain the release of the ship within ..... days in accordance with sub-clause (e) of clause 4 hereof, to take all such steps and make all such payments as may be necessary to obtain such release.

7.     The mortgagor shall indemnify the mortgagees on demand against all and any expenditure and liability incurred by the mortgagees in and about the protection of the security as aforesaid.

8.     All monies secured by this deed and/or by the statutory mortgage shall become immediately due and payable, without any demand, and the security shall become enforceable if the mortgagor has made default in any of the following respects or if any of the following events should happen;

a.     If the mortgagor does not pay any installment of the principal amount on the day stipulated herein in clause (1) sub clause (b) for the payment of the same;

b.    If the mortgagor fails to pay any installment of interest on the due date thereof as provided in clause (1) (a) hereof.

c.     If the mortgagor does not observe or perform any of the covenants or obligations contained herein or in the statutory mortgage;

d.    If the said ship be lost, or substantially damaged in collision at sea or otherwise or captured, seized, confiscated or requisitioned for title;

e.     If a petition be filed or an order be made or an effective resolution be passed for the compulsory or voluntary winding up otherwise than for the purpose of reconstruction or amalgamation, of the mortgagor or if a receiver shall be appointed of the undertaking or property of the mortgagor or if the mortgagor suspends payment or cease to carry on business or make any special arrangement or composition with its creditors.

9.     When the security created by this deed and/or by the statutory mortgage shall become enforceable as herein provided, the mortgagees without prejudice to any statutory or common law remedies or powers which they may possess, shall forthwith be entitled as and when they shall think fit with or without notice to do all or any of the following: -

a.     To take possession of the ship;

b.    Either with or without taking possession of the ship, to take appropriate legal proceedings in a court of law including interim proceedings for arrest of the ship and for appointment of a Receiver thereof and to invite judgment for sale of the ship or any part thereof by public auction or private contract upon such terms as the court may think fit and without being answerable for any loss occasioned by such sale or by any postponement thereof;

c.     Upon any such sale as aforesaid to give a receipt for the purchase money which shall effectually discharge the purchaser or persons paying the same and the purchaser shall not be bound to see or inquire whether the mortgagees'' power of sale has arisen and shall not be concerned with the manner of application of the proceeds of sale or be in any way answerable therefore;

d.    After taking possession of the ship as aforesaid, to manage, insure, maintain and repair the ship and to employ or lay up the ship for so long and in such manner as they may think fit and to do all acts and things incidental thereto and to enter into such arrangements respecting the ship or the working thereof in all respects as if the Mortgages were the owners of the ship and without being answerable for any loss thereby incurred.

10.  All expenses, payments and disbursements incurred or paid by the Mortgagees in and about the exercise of any of their powers herein contained shall be payable by the Mortgagor to the Mortgagees on demand, failing which the same shall form part of the Mortgage debt and the Mortgagor shall indemnify the Mortgagees against all losses and liabilities which the Mortgagees may incur in the exercise of such powers.

11.  The Mortgagees shall hold the monies received by them on the total loss of the ship or on the sale of the ship or any part thereof or by way of payment or compensation for any requisitioning or seizure of the ship upon trust, in the first place, to pay or retain all costs and expenses incurred in connection with such loss or sale or the obtaining of such payment or compensation or in or about the execution of the powers conferred upon them by this deed and shall apply the balance first in or towards payment of all unsatisfied interest owing to the Mortgagees hereunder, secondly in or towards payment of the principal sum, thirdly, in or towards payment of all other monies then owing or which will thereafter become owing hereunder and fourthly, shall pay the surplus if any to the Mortgagor.

12.  Any monies received by the Mortgagees upon any insurance effected by the Mortgagor pursuant to this deed other than for a total loss as aforesaid shall so long as the security has not become enforceable under clause 8 hereof be paid over by the Mortgagees to the Mortgagor and shall be applied by the Mortgagees in making good any loss or damage in respect of which such insurance monies were received.

13.  The Mortgagees covenant with the Mortgagor as follows: -

a.     Not to exercise their powers of enforcement of the security created by this deed and by the statutory mortgage until or unless the Mortgagor has made default in observance of any of the covenants or agreements or any of the events shall happen which are specified in clause 8 hereof;

b.    That upon payment of all monies secured by the said Mortgage and payable hereunder shall become enforceable and upon payment of all costs, charges and expenses and the discharge of all liabilities of the Mortgagees in relation of the said ship they will discharge the statutory mortgage and re-transfer or reassign to the Mortgagor all such policies, certificates of entry and other documents relating to the ship as may remain in their possession.

14.  No delay in exercising or omission by the Mortgagees to exercise any right or power vested in them under this deed or the said statutory mortgage, shall impair such right or power and shall not be construed as a waiver of or as an acquiescence in any default by the Mortgagor and in the event of the Mortgagees on any occasion agreeing to waive any such right or power such waiver shall not in any way prejudice pr affect the right of the Mortgagees afterwards to act strictly in accordance with the powers conferred upon them under this deed or the statutory mortgage.

15.  The statutory mortgage and this deed shall be additional to any other security which may now or hereafter be given to the Mortgagees by the Mortgagor and section 61 of the Transfer of Property Act, 1882 shall have no application hereto.

16.  The statutory mortgage and this deed shall be construed in accordance with and be governed by the Indian Law.

IN WITNESS WHEREOF the parties hereto have put their respective hands the day and year first hereinabove written.

**THE SCHEDULE ABOVE REFERRED TO:**

The common seal of the withinnamed )

Mortgagor Company M/s. AB & Co. )

Ltd., is hereto affixed pursuant to the )

resolution of the Board of Directors )

dated ....... In the presence of Mr. ....... )

the Managing Director and countersigned )

by Mr. ....... Director/Secretary duly )

authorised in that behalf and who is token )

thereof have put their signatures opposite )

in the presence of ............. )

1.

2.

Signed for & on behalf of the )

withinnamed Mortgagees Bank of )

....... By the general Manager Mr. ...... )

duly authorized in that behalf in the )

presence of ........... )