

**Indicative terms and conditions**

**Purpose:** the purpose of this document ("the Indicative Term Sheet") is to outline the terms and conditions of a potential **partially credit enhanced Non-Convertible Debenture** issuance by the Issuer proposed to be subscribed to by the Investor. This Indicative Term Sheet does not constitute a final offer, is not exhaustive and may be subject to change.

<b>PARTIES</b>	
<b>Issuer/Company</b>	Ess Kay Fincorp Limited ("Ess Kay")
<b>Promoter(s)</b>	Rajendra Kumar Setia
<b>Investor(s)/Debenture Holder(s)</b>	UNIFI AIF (investment amount 20 Cr) and Northern Arc Capital Limited (formerly IFMR Capital)(investment amount 5 Cr)
<b>Credit Enhancer</b>	Northern Arc Capital Limited (formerly IFMR Capital Finance Limited)
<b>Structurer &amp; Arranger</b>	Northern Arc Capital Limited (formerly IFMR Capital Finance Limited)
<b>Debenture Trustee</b>	Beacon Trusteeship Limited
<b>Rating Agency</b>	India Ratings
<b>Registrar &amp; Transfer Agent</b>	Bigshare Services Private Limited
<b>Depository</b>	NSDL/CDSL
<b>Stock Exchange</b>	BSE
<b>ISSUANCE DETAILS</b>	
<b>Issuance type</b>	Rated, Listed, Secured, Redeemable, Taxable, Non-Convertible Debentures ("NCDs" / "Debentures")
<b>Ranking</b>	Each Debenture issued by the Issuer shall constitute direct, senior and secured obligations of the Issuer. The claims of the Debenture Holders shall be akin to the claims of senior, secured investors/lenders and shall rank <i>pari passu</i> to all senior, secured indebtedness of the Issuer.  Each of the Debenture Holders shall inter-se rank <i>pari passu</i> in relation to their rights and benefits in relation to the Debentures, without any preference or privilege.
<b>Issuance name</b>	<b>Northern Arc Capital Esskay SPiCE IV 2018</b>
<b>Issuance Size/Amount</b>	INR 25 Crores (Indian Rupees Twenty Five Crores only)
<b>Face Value</b>	INR 10,00,000 (Indian Rupees Ten Lakh only)
<b>Issue Price</b>	At par
<b>Minimum subscription amount</b>	INR 1,00,00,000 (Indian Rupees One Crore only)
<b>Rating</b>	IND A (SO)
<b>Yield on Debentures</b>	10.60% YTM (Ten Decimal Point Six Zero Percent)
<b>Tenor</b>	22 months from the Deemed Date of Allotment
<b>Maturity Date</b>	December 27, 2019
<b>Interest Type</b>	Fixed
<b>Interest Rate Reset/Coupon Reset (including spread, effective date, interest rate cap and floor)</b>	Not applicable
<b>Step-up Coupon</b>	In the event of the Credit rating of the Issuance is downgraded below "A(SO)" by the Credit Rating Agency, the Coupon Rate for the balance period would increase 0.50% p.a. for each notch downgrade in rating and the same will be with effect from the rating downgrade date.
<b>Put Option Date</b>	Not applicable
<b>Call Option Date</b>	Not applicable
<b>Put Notification Time</b>	Not applicable
<b>Call Notification Time</b>	Not applicable

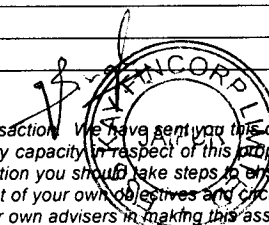


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<b>Default interest rate</b>	<ul style="list-style-type: none"> <li>In case of default in payment of interest and/or principal redemption on the due dates, additional interest at 2% (Two Percent) p.a. over the Coupon Rate shall be payable by the Issuer for the defaulting period</li> <li>In case of default by the Issuer in the performance of any of the covenants of this Issuance, including but not limited to the Financial Covenants of this Issuance, additional interest at 2% (Two Percent) p.a. over the Coupon Rate shall be payable by the Issuer for the defaulting period.</li> </ul>	
<b>Interest on application money</b>	<p>Interest at the Coupon Rate (subject to deduction of income tax under the provisions of the Income Tax Act, 1961, or any other statutory modification or re-enactment thereof, as applicable) will be paid to the applicants on the application money for the Debentures for the period starting from and including the date of realization of application money in Issuer's bank account up to one day prior to the Deemed Date of Allotment within 7 (Seven) Calendar Days of the Deemed Date of Allotment</p> <p>Where Pay-in Date and Deemed date of Allotment are the same, no interest on Application money is to be paid</p>	
<b>Issue Schedule</b>	Issue Open Date	February 27, 2018
	Issue Close Date	February 27, 2018
	Pay-in Date	February 27, 2018
	Deemed Date of Allotment	February 27, 2018
<b>DISBURSEMENT</b>		
<b>Disbursement schedule</b>	<b>Disbursement dates</b>	<b>Disbursement amounts</b>
	February 27, 2018	INR 25 Crores
<b>REPAYMENT</b>		
<b>Principal moratorium</b>	Nil	
<b>Interest payment frequency</b>	Monthly	
<b>Principal amortisation</b>	Monthly	
<b>Redemption amount</b>	The sum of the principal outstanding of the Debentures, accrued Coupon, Default Interest payable (if any) and other charges and fees payable.	
<b>SECURITY</b>		
	<b>Security requirement</b>	
	<p>The Debentures shall be secured by way of a first ranking, exclusive and continuing charge on identified receivables ("Hypothecated Receivables"), personal guarantee of Mr. Rajendra Kumar Setia and Pari passu charge over the immovable property in the form of land located (No.143, Karunkuzhi, Panchayat Union and approved as a lay-out as per No.DTCP(CR) 357/2010, Kancheepuram District, Madhuranthagam Taluk, No.144 Melavalam Village, in the Lay-out named "Saranya Nagar", Plot admeasuring 2040 Sq.Ft or thereabouts forming part of plots 38N, 38S, 37N and 37S in Chennai) with other NCD subscribers / holders. If the Company is desirous of creating any further charge on the said Immovable Property on pari-passu basis, the Company shall be entitled to do so without requiring the consent of the Debenture Trustee</p>	
	<b>Security Cover</b>	
	The Hypothecated Receivables shall at all times be equal to the value of 1.2 times the outstanding amounts of the Debentures	
	<b>Security Creation</b>	
	<ul style="list-style-type: none"> <li>The issuer agrees to provide security in relation to the Debentures by way of a first ranking exclusive charge by way of hypothecation in favour of the Debenture Trustee for the benefit of the Debenture Holders over specified receivables.</li> <li>The Issuer shall replace any loans comprising the Security cover on or before the 15th of any calendar month with other loans satisfying the</li> </ul>	

	<p>eligibility criteria, provided that the security cover ratio does not fall below 1.2x. Such replacement shall be effected with the consent of the Debenture Trustee.</p> <ul style="list-style-type: none"> <li>Report/file such list of assets comprising the Hypothecated Assets with the concerned ROC and the Central Registry of Securitisation Asset Reconstruction and Security Interest of India in relation thereto as soon as practicable and no later than 30 (thirty) days of each instance of creation or modification of security including such top up or replacement in accordance with the Deed of Hypothecation and provide the same to the Debenture Holders, the Guarantors and the Rating Agency;</li> </ul>
<b>Post dated cheques</b>	PDCs signed Mr. Rajendra Kumar Setia for redemption amount
<b>Eligibility criteria for Hypothecated Receivables</b>	<ul style="list-style-type: none"> <li>Each receivable provided as Security by an Issuer must be a loan provided to a borrower of the Issuer ("Client Loan")</li> <li>Client Loans must be unencumbered (other than under the Transaction Documentation) and not sold or assigned by the Issuer</li> <li>The hypothecated Client Loans must only be originated at the branches owned, controlled and operated by the Issuer directly and not through branches operated by its origination partners.</li> <li>The hypothecated Client Loans must have been originated while complying with all the extant 'know your customer' norms specified by the RBI.</li> <li>The hypothecated Client Loans are current and not in overdue at the time of inclusion in the Security and have not been terminated or prepaid.</li> <li>The hypothecated Client Loans shall not be overdue for more than 60 (Sixty) days on all Top-up Dates when the Security Cover shall be topped up if necessary to maintain a cover of at least 1.2x.</li> <li>In case of Issuer rating(as per India Rating's view) downgrade to BBB- or lower, the Issuer will ensure that the percentage of outstanding principal value of PAR &gt; 0 loans in the hypothecated pool does not exceed 15% of the outstanding principal value of the hypothecated pool.</li> </ul>
<b>PREPAYMENT</b>	
<b>Prepayment penalty</b>	<ul style="list-style-type: none"> <li>In case of early redemption of the Debentures at the instance of the Issuer, on any date other than the Maturity Date and not arising due to an Event of Default, the Issuer shall pay a penalty of 2% (Two Percent) on the principal amount prepaid.</li> <li>Prepayment shall be subject to the consent of the Majority Debenture Holders.</li> <li>The Issuer shall give the Debenture Trustee and the Debenture Holders at least 15 (Fifteen) Business Days written notice prior to the date of such meeting where consent of the Debenture Holders shall be sought</li> </ul>
<b>END USE</b>	
<b>End Use</b>	<p>The proceeds of the Issuance will be utilised for the following purposes:</p> <ul style="list-style-type: none"> <li>General corporate purposes</li> <li>For the ordinary course of business of the Issuer</li> </ul> <p>No part of the proceeds shall be utilised directly or indirectly towards capital markets (debt and equity), land acquisition or usages that are restricted for bank financing</p>
<b>PARTIAL CREDIT ENHANCEMENT</b>	
<b>Partial Credit Enhancement ("PCE")</b>	<ul style="list-style-type: none"> <li>The Credit Enhancer shall provide an unconditional, irrevocable, partial credit enhancement, favouring the Debenture Holders that covers 24.00% of the initial issuance size of the Debentures.</li> <li>The ratio of the outstanding Partial Credit Enhancement to the aggregate outstanding principal of the Debentures is referred to as the "Credit Enhancement Percentage".</li> </ul>

	<ul style="list-style-type: none"> <li>When due to the amortisation of the Debentures, the Credit Enhancement Percentage becomes greater than 30.0% of the aggregate outstanding principal of the Debentures, the Credit Enhancement shall be reduced to 30.0% <b>(Credit Enhancement Cap)</b> of the aggregate outstanding principal of the Debentures, with the prior approval of the Rating Agency. Such reduction of the Credit Enhancement will be affirmed by the Rating Agency after the 5<sup>th</sup>, 8<sup>th</sup>, 11<sup>th</sup>, 14<sup>th</sup>, 17<sup>th</sup>, 20<sup>th</sup>, 23<sup>rd</sup> Investor Payout Dates but before 6<sup>th</sup>, 9<sup>th</sup>, 12<sup>th</sup>, 15<sup>th</sup>, 18<sup>th</sup>, 21<sup>st</sup>, 24<sup>th</sup> Investor Payout Dates.</li> <li>However, any reduction in the Credit Enhancement is subject to the rating of the Debentures being maintained at A (SO) (confirmed by the Rating Agency).</li> <li>The PCE shall be enforceable, in tranches, to meet overdue amounts under the Debentures, as per the repayment schedule, and in case the same is enforced, the value of the PCE shall be reduced by the amount so enforced.</li> <li>After the enforcement of the PCE, if the Issuer pays any money to the Credit Enhancer (other than fee and interest), the PCE shall be replenished by the amount so paid by the Issuer</li> </ul>
<b>Rights of the Credit Enhancer</b>	The rights of the Credit Enhancer shall be fully subordinated to the rights of the Debenture Holders, except as provided for in the Transaction Documentation
<b>Transaction Structure</b>	<ul style="list-style-type: none"> <li>The Debenture Holders(s) invest in the Debentures issued by the Issuer</li> <li>The Issuer is an applicant for the partial credit enhancement from the Credit Enhancer.</li> <li>The Credit Enhancer irrevocably and unconditionally credit enhance the Debenture Holders, the principal and interest payments from the Issuer to the Debenture Holders under the terms of the Transaction Documentation</li> <li>When the outstanding cumulative value of the Debentures falls below the Initial PCE, the PCE will be equal to the outstanding principal value of the Debentures</li> <li>Upon occurrence of a Failure to Pay by the Issuer, the Debenture Trustee will call upon the Credit Enhancer to fund the shortfall amount. The Credit Enhancers will be called upon to pay as per the original amortisation schedule of the Debentures</li> <li>At no point of time will the total amount funded by the Credit Enhancer exceed the PCE, unless the PCE is replenished as stated below.</li> <li>After the enforcement of the PCE, if the Issuer pays any money to the Credit Enhancer (excluding fee and interest), the PCE will be replenished by the amount so paid by the Issuer subject to the overall amount of the PCE being equal to or less than the Initial PCE</li> </ul>
<b>Payment Mechanism</b>	<ol style="list-style-type: none"> <li>Issuer shall make payments of interest and principal amounts due along with all other obligations (if any) under the Transaction Documentation by 4 PM IST on T-3 Business Days</li> <li>In the event of failure of the Issuer to comply with (1) above, on T-2 Business Days, the Trustee shall invoke the PCE and send a notice of 1 (One) Business Day to the Credit Enhancer to make payments.</li> <li>Credit Enhancer shall make payment on T-1 Business Days (i.e. one day prior to the interest or principal due date)</li> </ol>
<b>OPERATIONAL DETAILS</b>	
<b>Issuance mode</b>	Dematerialised, Private Placement
<b>Trading mode</b>	Dematerialised
<b>Settlement mode</b>	ECS



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<b>Business Days</b>	A day (other than a Sunday or a bank holiday) on which banks are open for general business in New Delhi.
<b>Business convention</b>	<p><b>Day</b></p> <ul style="list-style-type: none"> <li>• If any coupon payment date falls on a day that is not a working day, the payment shall be made on the immediately succeeding working day.</li> <li>• If the redemption date of the Debentures falls on a day that is not a working day, the redemption proceeds shall be paid on the immediately preceding working day</li> <li>• If the Maturity Date (also the last coupon payment date) of the Debentures falls on a day that is not a working day, the redemption proceeds and coupon payment shall be paid on the immediately preceding working day.</li> </ul>
<b>Record Date</b>	7 (Seven) Calendar Days prior to each coupon payment date and redemption date
<b>Day count basis</b>	Actual/Actual
<b>FINANCIAL COVENANTS</b>	
<b>Covenant</b>	
1. The capital adequacy ratio (as defined in NBFC Regulations) shall be above 18% and Tier I capital shall be above 14% from March 31, 2018 onwards.	
2. PAR 90 (on the Borrower's entire portfolio, including receivables sold or discounted on a non-recourse basis) in a financial year shall not exceed 7%.	
3. PAR 30 (on the Borrower's entire portfolio, including receivables sold or discounted on a non-recourse basis) in a financial year shall not exceed 30%.	
4. Mr. Rajendra Setia to remain the Managing Director of the Issuer Company. Existing Promoter to maintain minimum 51% shareholding in the Company.	
<i>Any Change in the above , the Issuer to seek a prior written consent of the debenture holders/ debenture trustee.</i>	
5. Total Debt/Equity ratio of the company will be within 6X from March 31, 2018 onwards.	
<p>Total Debt shall include the following:</p> <ul style="list-style-type: none"> <li>• All Long Term Borrowings, including ineligible portion of subordinated debt in form of Tier II Capital</li> <li>• All Short Term Borrowing</li> <li>• Current Maturities</li> <li>• Financial Guarantees Provided if any</li> </ul> <p>Equity Shall Include the following:</p> <ul style="list-style-type: none"> <li>• Equity Share issued by the company</li> <li>• CCPS issued by the company</li> <li>• Reserve and Surplus of the company</li> <li>• Subordinated Debt in form of Tier II capital to the extent eligible for inclusion in Tier II capital as on the latest quarter end, (i.e. subject to discounting as provided in the NBFC Master Circular</li> </ul>	
6. The capital adequacy ratio (as defined in NBFC Regulations) shall be above 18% and Tier I capital shall be above 14% from March 31, 2018 onwards.	
7. Gross NPA not to exceed 7 % of Gross Loan Portfolio	
8. Earnings: After-tax Net Income to remain positive	
9. Off-Balance Sheet Portfolio to Total Assets ratio should be less than 35%.	
10. Current ratio of 1.1 times shall be maintained at all times. There shall not be any cumulative mismatches in any of the buckets till one year of ALM statement	
<b>Financial covenant reporting</b>	The covenants shall be certified by the Company and auditor within 45 (Forty Five) Calendar Days from the end of each financial quarter except PAR, which will be certified on monthly basis and within 30 calendar days from the end of each month.
<b>Financial covenant testing</b>	All covenants the above shall be tested on a quarterly basis for the Company i.e. as on 31 <sup>st</sup> March, 30 <sup>th</sup> June, 30 <sup>th</sup> September and 31 <sup>st</sup>

*This document does not constitute an offer, or an invitation to offer, or a recommendation to enter into any transaction. We have sent you this document in our capacity as a potential counterparty acting at arm's length. We are not acting as your financial adviser or in a fiduciary capacity in respect of this proposed transaction or any other transaction with you unless otherwise expressly agreed by us in writing. Before entering into any transaction you should take steps to ensure that you understand the transaction and have made an independent assessment of the appropriateness of the transaction in the light of your own objectives and circumstances, including the possible risks and benefits of entering into such transaction. You should also consider seeking advice from your own advisers in making this assessment.*

	<p>December every year, starting from 31<sup>st</sup> March 2018 on consolidated and standalone balance sheet till the redemption of the Debentures with the exception of PAR covenants which will be tested on a monthly basis.</p> <p><i>In case of the breach of the covenants, the Debenture Holders shall have the option to require the Company to redeem the Debentures along with accrued interest ("Optional Accelerated Redemption ") within 30 days from the date of downgrade..</i></p>
<b>Other covenants</b>	
<p>Minimum credit rating of the issuance should be A- (SO) - In case of downgrade of the issuance credit rating to below A-(SO) level or withdrawal or suspension of credit rating of the issuance investors shall have the option to require the Company to redeem the Debentures along with accrued interest ("Optional Accelerated Redemption ") within 30 days from the date of communication to the investor of such an occurrence.</p> <p>In case of downgrade of Issuer rating (as per India Rating's view) to BBB- or below, the Issuer must utilise all the cash flows from the receivables provided as Security for the prepayment of principal and repayment of interest on the Debentures.</p>	
<b>OTHER CONDITIONS</b>	
<b>Listing</b>	<ul style="list-style-type: none"> <li>• The NCDs are proposed to be listed on the Stock Exchange within 20 (Twenty) Calendar Days of the Deemed Date of Allotment.</li> <li>• In case of a delay by the Issuer in listing the Debentures beyond 20 (Twenty) days from the Deemed Date of Allotment the Issuer shall make payment to the Debenture Holders penal interest calculated on the face value of the Debentures at the rate of minimum of 1% (One Percent) p.a. over the Coupon Rate from the expiry of 30 (Thirty) calendar days from the Deemed Date of Allotment until the listing of the Debentures.</li> <li>• In the event that the NCDs are not listed within 15 (Fifteen) days from the Deemed Date of Allotment for any reason whatsoever, then to the extent that any Debenture Holders are Foreign Portfolio Investors, Foreign Institutional Investors or sub-accounts of Foreign Institutional Investors or Qualified Foreign Investors, the Issuer undertakes to immediately redeem and/or buyback any and all Debentures within 2 (two) Business Days of the expiry of the Listing Period.</li> </ul>
<b>DEFINITIONS</b>	
<b>PAR [0/30/90]</b>	<i>Shall mean on the Company's Gross Loan Portfolio the outstanding principal value of the relevant portfolio of the Company that has one or more instalments of principal, interest payments overdue for [0/30/90] days or more, includes restructured loans but excludes loans that have been written off by the Company</i>
<b>Gross Loan Portfolio</b>	<i>Means and includes the outstanding principal amount of the loans originated by the Borrower on its own books, securitized portfolio as well as loans originated on behalf of other entities by entering into partnership agreements but not included on the Borrower's own book</i>
<b>Gross Non-Performing Loans</b>	<i>Shall mean on the Company's Gross Loan Portfolio the outstanding principal value of the relevant portfolio of the Company that has one or more instalments of principal, interest payments overdue for 90 days or more, includes restructured loans but excludes loans that have been written off by the Company</i>
<b>Net Worth</b>	<i>As defined in the New Companies Act, 2013.</i>
<b>Tangible Net Worth</b>	<i>Shall mean, Company's Net Worth less goodwill or other intangible assets</i>
<b>Loan Loss Provision</b>	<i>Shall mean the portion of Client Loans that has been expensed, (provided</i>

## **STANDARD TERMS AND CONDITIONS**

Including but not limited to the terms and conditions laid out in this section and as captured in greater detail in the Transaction Documentation.

### **A. REPRESENTATIONS**

The Issuer (and where applicable its affiliates) as well as the Credit Enhancer shall make representations customary for issuances of this nature, including but not limited to:

- a) Corporate existence, power and authority
- b) Legal validity and binding nature of the transaction
- c) Corporate and governmental authorisations and consents
- d) Non-contravention of existing agreements and constitutional documentation and binding nature of the same
- e) No outstanding default or litigation
- f) No violation of law or material agreements
- g) No occurrence of Material Adverse Effect
- h) No litigation that may have a Material Adverse Effect
- i) No insolvency or insolvency proceedings
- j) Completeness and accuracy of financial statements
- k) Fund proceeds under this transaction shall only be applied in accordance with end use as stated in the Transaction Documentation
- l) Issuer and its affiliates and the Credit Enhancer are in compliance with all applicable laws including, without limitation, all tax, social and environmental laws

### **B. GENERAL UNDERTAKINGS**

General undertakings from the Issuer (and where applicable, its affiliates) and the Credit Enhancer shall include but not be limited to the following:

- a) To obtain, comply with and maintain all authorisations
- b) Compliance with applicable laws including environmental and social laws
- c) Restriction on disposals of assets, except in usual course of business
- d) No Material Adverse Effect related to the business of the Issuer

### **C. EVENTS OF NON-COMPLIANCE**

Customary for financings of this nature and others appropriate in the judgment of the Investors, including but not limited to:

- a) Non-maintenance of the requisite security cover
- b) Misrepresentation by the Issuer
- c) Non-payment by the Issuer
- d) Cross default of the Issuer
- e) Unlawfulness
- f) Repudiation of the Transaction Documentation by the Issuer
- g) Litigation on the Issuer
- h) Change or cessation of business of the Issuer
- i) Material Adverse Effect on the Issuer
- j) Any of the Transaction Documentation ceases to be in full force and effect or is terminated prior to maturity
- k) Failure by the Issuer to meet standards with respect to collection quality, management, governance, internal systems and processes, and data integrity, as may be required by the Debenture Trustee/Investor/Credit Enhancer.

**D. CONSEQUENCES OF EVENTS OF NON-COMPLIANCE**

Including but not limited to:

- a) The Debenture Trustee's approval and the Credit Enhancer's approval shall be required for the Issuer to declare any dividends, or make any other distributions to the holders of common equity
- b) If the Event of Non-Compliance has been triggered by the Issuer, the Debenture Trustee has the right to appoint a nominee director on the board of the Issuer
- c) Default Interest of 2.0% (Two Percent) over and above the coupon of the Debentures
- d) If the Event of Non-Compliance has been triggered by the Issuer, the Issuer must make equal weekly repayments going forward (such payment schedule to be drawn up by the Debenture Trustee). The schedule shall be drawn up to ensure that the last payment date of an approximate 4-week period (or 5-week period as applicable) shall fall on a Principal Repayment Date

**E. EVENTS OF DEFAULT**

Customary for financings of this nature and others appropriate in the judgment of the Investors, upon the occurrence of which the Investor will be entitled to accelerate redemption, including but not limited to:

- a) Non-payment of any dues under this Issuance by the Issuer and the Credit Enhancer
- b) With reference to the Credit Enhancer: misrepresentation, repudiation of any Transaction Documentation, material litigation

**F. CONSEQUENCES OF EVENTS OF DEFAULT**

Upon the occurrence of the Event of Default, all outstanding amounts on the Debentures shall stand accelerated and payable forthwith within 2 (Two) Business Days and the Debenture Trustee shall give notice to the Issuer to pay the outstanding amount within 2 (Two) Business Days of occurrence of the Event of Default.

If the Issuer is unable to pay, the Debenture Trustee will serve a notice to the Credit Enhancer to make good the entire outstanding amount within 2 (Two) Business Days.

**G. CONDITIONS PRECEDENT FROM THE ISSUER AND CREDIT ENHANCER AS APPLICABLE**

Conditions precedent customary for offerings of this nature including, but not limited to:

- a) The execution and delivery of Transaction Documentation in form and substance satisfactory to the Debenture Trustee including but not limited to (i) legal opinions from the counsel of the Issuer; (ii) board resolutions; and (iii) government authorisations and approvals (if any)
- b) Constitutional documents
- c) Specimen signatures
- d) Borrowing / guaranteeing certificate from the Issuer / Credit Enhancer confirming that borrowing or guaranteeing the total commitments would not cause any borrowing, guaranteeing or similar limit binding on the Issuer to be exceeded
- e) Financial statements relating to the Issuer
- f) All governmental and/or regulatory approvals and other third party consents, including No Objection Certificates (NOC)s (if any) from existing lenders, necessary in connection with the transaction contemplated hereby shall have been obtained and shall be in full force and effect
- g) All representations and warranties are true on and as of the date of the drawdowns, before and after giving effect to such and to the application for the proceeds there from, as though made on and as of such date



- h) No Event of Non Compliance or potential Event of Non Compliance has occurred and is continuing, or would result from such advances
- i) No Event of Default or potential Event of Default has occurred and is continuing, or would result from such advances
- j) No law or regulation shall be applicable in the judgment of the Investors (as supported by satisfactory legal opinions) that restrains, prevents or imposes materially adverse conditions upon the transactions contemplated hereby
- k) Evidence of payment of all fees, costs and expenses then due from the Issuer under the Transaction Documentation and incurred for the purpose of preparation of Transaction Documentation
- l) the absence of any material adverse effect in the business, condition (financial or otherwise), operations, performance or prospects of the Issuer the absence of any pending or threatened litigation, investigation or proceedings that may have a material adverse effect on the business condition (financial or otherwise), operations, performance or prospects of the Issuer or that purports to affect the Issuance

#### **H. CONDITIONS SUBSEQUENT**

The Issuer shall ensure that the following documents are executed/activities are completed as per the time frame stipulated in the Transaction Documents

- i) The Issuer shall immediately on receipt of funds, take all necessary steps to, including making all applicable filings in the Registrar of Companies and obtaining all necessary approvals within the prescribed timelines. This shall include and not be limited to filing Form PAS 5 along with the PPOL/PAS 4 and filing Form PAS 3 along with the requisite fee.
- ii) The Issuer shall create, register and perfect the security over the Hypothecated Property no later than 30 (Thirty) calendar days from the Deemed Date of Allotment or as applicable under relevant regulation and Law.
- iii) Receive final listing approval from the Stock Exchange within 20 (Twenty) calendar days from the Deemed Date of Allotment
- iv) The Issuer shall ensure credit of the demat account(s) of the allottee(s) within 2 (Two) Business Days of the Deemed Date of Allotment
- v) The Issuer shall ensure compliance with SEBI/Companies Act 2013/RBI/NHB (as applicable) for issuance of NCDs

#### **I. REPORTING COVENANTS**

1. **Quarterly Reports** – within 45 (Forty Five) calendar days from the end of each financial quarter
  - a) Information on financials, operations, portfolio growth and asset quality (static portfolio cuts, collection efficiency and portfolio at risk data), funding data, in formats acceptable to the Debenture Holders
  - b) Financial covenant compliance certificate signed by Authorised Signatory.
  - c) Copy of returns filed with the Reserve Bank of India ("RBI") and the SEBI (as applicable)
  - d) Information on:
    - i) New products introduced or change in existing product features
    - ii) New business correspondent relationships or discontinuance of existing relationships
    - iii) Geographical expansion to any new state/city/district/location
    - iv) Material changes to IT/MIS systems
    - v) Change in credit bureaus used
    - vi) Revision in business plan

- vii) Changes in accounting policy
- viii) Board of Directors
- ix) Shareholding Pattern
- x) Financial covenant compliance certificate signed by a Director or the Chief Financial Officer
- xi) Copy of returns filed with the Reserve Bank of India ("RBI") and the SEBI (as applicable)
- xii) Any fraud amounting to more than 1% of Gross Loan Portfolio.

**2. Annual Reports** – within 120 (One Hundred and Twenty) calendar days from the end of each financial year

- a) Audited financial statements
- b) A certificate from a Director/Chief Financial Officer confirming that there is no Potential Default or Event of Default; and
- c) Copy of all annual information submitted to the RBI.

**3. Event Based Reports** – within 5 (Five) Business Days of the event occurring

- a) Change in list of Board of Directors
  - b) Change in Shareholding structure
  - c) Change in senior management officials (any CXO or equivalent)
  - d) Board approval of annual business plan
  - e) Change in the constitutional documents of the Company
  - f) Material Adverse Effect
  - g) Any dispute, litigation, investigation or other proceeding which could result in a Material Adverse Effect.
  - h) Winding up proceedings
  - i) Any Event of Default or Potential Default, and any steps taken / proposed to remedy the same.
- Any prepayment or notice of any prepayment of any Indebtedness of the Issuer

**J. TRANSACTION DOCUMENTS**

Transaction Documents shall include:

- i) Debenture Trustee Agreement
- ii) Debenture Trust Deed
- iii) Deed of Hypothecation
- iv) Information Memorandum
- v) Private Placement Offer Letter (Form PAS 4)
- vi) Deed of Guarantee

**K. INDEMNIFICATION**

The Issuer will indemnify, and hold harmless the Debenture Holders from and against any claim, liability, demand, loss, damage, judgment or other obligation or right of action which may arise as a result of breach of this Term Sheet by the Issuer

**L. CONFIDENTIALITY**



## **NORTHERN ARC**

The terms and conditions described in this Term Sheet, including its existence, shall be confidential information and shall not be disclosed to any third party except to each Party's advisors and counsel. Provided however that if any of the Parties is required by law to disclose information regarding this Term Sheet or to file this Term Sheet with any regulatory body, it shall, at a reasonable time after making any such disclosure or filing, informing the other Parties

### **M. GOVERNING LAW & JURISDICTION**

Indian Law with jurisdiction of the courts and tribunals of New Delhi.

### **N. TRANSACTION COSTS**

The Issuer shall bear all transaction related costs. Such costs include:

1. Trustee fees
2. Rating fees
3. Legal fees
4. Stamping and registration costs
5. Any other reasonable transaction related expense incurred by the Debenture Holders

### **O. TAXES, DUTIES, COSTS AND EXPENSES**

1. Relevant taxes, duties and levies are to be borne by the Issuer
2. The charges / fees and any amounts payable under this Debentures by the Issuer as mentioned herein do not include any applicable taxes, levies including service tax etc. and all such impositions shall be borne by the Issuer additionally.

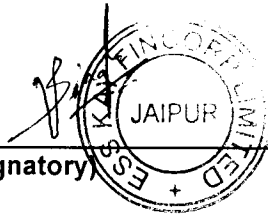
### **P. ELIGIBLE INVESTORS**

As permitted under Applicable Law

**Accepted and agreed**

For the Issuer

\_\_\_\_\_  
(Authorised signatory)



For the Investor

\_\_\_\_\_  
(Authorised signatory)