

Ess Kay Fincorp Limited
Indicative Term Sheet

This summary of terms dated 12-Dec-2019 is for discussion purposes only and will supersede all previous verbal and written communications relating to this transaction described below. The terms will not be binding upon the parties except for the provisions with respect to Governing Law and Confidentiality which is binding on all parties. Further, this is not intended to define or describe all of the terms and conditions of the proposed transaction described herein and the same will be as agreed to under the Transaction Documents (as defined below) The transaction(s) contemplated under the terms below are subject to the subsequent necessary corporate authorizations and third party and/or governmental consents (as applicable), approval from the Investor's Investment Committee and the terms and conditions set out in the Transaction Documents.

Issuer	Ess Kay Fincorp Limited
Type of instrument	Principal Protected Market Linked Non-Convertible Debentures (Debenture / MLDs)
Nature of instrument	Rated, Senior, Secured, Listed, Transferable, Redeemable, Principal Protected Market Linked Debentures
Debenture Trustee	Beacon Trusteeship Limited
DTD/ Debenture Trust Deed	Means the debenture trust cum mortgage deed executed/to be executed by and between the Debenture Trustee and the Issuer which will set out the terms upon which the Debentures are being issued and shall include the representations and warranties and the covenants to be provided by the Issuer
Rating of the Instrument	CRISIL PP-MLD Ar/Stable by CRISIL Limited
Registrar & Transfer Agent	Karvy Fintech Private limited
Valuation Agency	CRISIL
Depository	NSDL/CDSL
Seniority	Senior
Promoter(s)	Rajendra Kumar Setia
Ranking	The payment obligations of the Company under the Transaction Documents rank at least pari passu with the claims of all of its other senior secured creditors, except for obligations mandatorily preferred by Applicable Law applying to companies generally. The Debentures shall rank pari passu inter se and the Company shall pay and discharge all its liabilities to the Debenture Holders under this DTD without preference or priority of one over the other.
Mode of issue	Private Placement, in dematerialised form
Trading mode	Dematerialized
Settlement mode of the instrument	Payment will be made by way of direct credit through Electronic Clearing Service (ECS), Real Time Gross Settlement (RTGS) or National Electronic Funds Transfer (NEFT)
Listing	(a) The Company shall submit all duly completed documents to the BSE, SEBI, ROC or any other Governmental Authority, as are required under Applicable Law and obtain the listing of the Debentures within 15 (fifteen) calendar days from the Deemed Date of Allotment. (b) The Company shall ensure that the Debentures continue to be listed on the wholesale debt market segment of the BSE. (c) In the event there is any delay in listing of the Debentures beyond 20 (twenty) calendar days from the Deemed Date of Allotment, the Company will pay to the Debenture Holders, penal interest of 1% (one percent) per annum over the Interest Rate, from the expiry of 30 (thirty) calendar days from the Deemed Date of Allotment till the listing of the Debentures is completed.
Issue size	Upto INR 40,00,00,000 (Indian Rupees Forty Crore)
Option to retain oversubscription /Green	INR 5,00,00,000 (Indian Rupees Five Crore)

Shoe Option (amount)	
Face value	INR 10,00,000 (Indian Rupees Ten Lakh) per Debenture
Issue Price	Each Debenture will be issued on a fully paid basis
Issue Timing	
1. Issue Opening Date	6 th January 2020
2. Issue Closing Date	9 th January 2020
3. Pay-in Date	9 th January 2020
Deemed Date of Allotment	9 th January 2020
Put Option	<p>On the occurrence of either</p> <ul style="list-style-type: none"> (i) Breach of any of the Financial Covenants, or (ii) Cumulative ALM mismatch up to 3 years turning negative (iii) Delay in payment of any obligations (iv) Any Material Adverse Change (v) Event of cross default <p>(collectively, "Trigger Events"), until such Trigger Event is cured, any Debenture Holder (acting through the Debenture Trustee) ("Put Option Exerciser") have the right to seek early redemption by exercising a put option (the "Put Option") of the Debentures held by such Put Option Exerciser ("Put Option Debentures"). All such Debenture holders seeking to exercise the Put Option will be collectively referred to as the "Put Option Exercisers".</p> <p>(a) To exercise the Put Option in case of event (i) or (ii) mentioned above (except "breach of Rating Downgrade"), each Put Option Exerciser shall, promptly, subsequent to the relevant Testing Date (expiry of 45 calendar days from Quarter end), send a notice to the Company (through the Debenture Trustee) within 10 calendar days from the Testing Date in writing requiring their respective Put Option Debentures to be redeemed within 30 (thirty) calendar Days, and informing the Company of the exercise of the Put Option (in respect of the Put Option Debentures held by them). If any Put Option Exerciser exercises the Put Option under this sub-Clause (b), the Put Option Debentures of such Put Option Exerciser will be redeemed on the date specified in the aforementioned notice(s) by 3:00 pm by making the Redemption Payment (in respect of such Put Option Debentures).</p> <p>(b) To exercise the Put Option in case of event (iii), or (iv), or (v), mentioned above, or, "breach of Rating Downgrade", each Put Option Exerciser shall, on the day immediately succeeding the Trigger Event, send a notice to the Company (through the Debenture Trustee) in writing requiring their respective Put Option Debentures to be redeemed within 30 (thirty) calendar Days, and informing the Company of the exercise of the Put Option (in respect of the Put Option Debentures held by them). If any Put Option Exerciser exercises the Put Option under this sub-Clause (c), the Put Option Debentures of such Put Option Exerciser will be redeemed on the date specified in the aforementioned notice(s) by 3:00 pm by making the Redemption Payment (in respect of such Put Option Debentures).</p> <p>(c) Any notice given by Debenture Trustee in relation to the Put Option is irrevocable.</p> <p>The price for the Put Option has been detailed out in the section "Redemption Value per debenture"</p>
Record Date	15 (fifteen) calendar days prior to a Due Date
Objects of the Issue	<p>The proceeds of the Issuance will be utilized for the following purposes:</p> <ul style="list-style-type: none"> (a) General corporate purposes (b) for the ordinary course of business of the Issuer including repayment/re-financing of existing debt <p>No part of the proceeds shall be utilized directly/indirectly towards capital markets (debt or equity), land acquisition or usages that are restricted for bank financing</p>
Day Count Basis	Actual/Actual

FOR ESSOCK FINCORP LIMITED
[Signature]
 Authorized Signatory

Tenor	24 Months
Initial Fixing Date	Deemed Date of Allotment
Initial Fixing Level	The official closing level on of the Reference Index on the Initial Fixing Date
Final Fixing Date	25 th December 2021 (indicative)
Final Fixing Level	The official closing level on of the Reference Index on the Final Fixing Date.
Coupon Type	Coupon linked to Reference Index
Reference Index	BSE SENSEX
Coupon Frequency	Coupon, if any, will be paid on Final Redemption Date
Redemption Date	9 th January 2022
Redemption Value per debenture	<p>Means, in respect of any Debenture:</p> <p>(a) If the Put Option has not been exercised and no Event of Default has occurred, the amount payable on such Debenture, determined as follows:</p> $RP = [FV \times [(1 + Y)]]$ <p>where:</p> <ol style="list-style-type: none"> "RP" is the Redemption Payment; "FV" is the face value of such Debenture; and "Y" is the Accrued Premium Rate. <p>(b) If the Put Option has been exercised or an Event of Default has occurred, the aggregate of the (i) the Outstanding Principal Amounts (in respect of such Debenture), and (ii) interest determined on the basis of 11.50% (eleven decimal five percent) per annum compounded annually.</p>
Accrued Premium Rate/ Interest rate/ Coupon rate	<p>Means:</p> <p>(a) if the Put Option has not been exercised and no Event of Default has occurred:</p> <ol style="list-style-type: none"> 0% (zero percent), if the Final Fixing Level is less than 25% (twenty five percent) of the Initial Fixing Level; and 24.36% (twenty four decimal three six percent), if the Final Fixing Level is equal to or is greater than 25% (twenty five percent) of the Initial Fixing Level; and <p>(b) if the Put Option has been exercised or an Event of Default has occurred or for any payments for any matter other than (a) above, 11.50% XIRR (eleven decimal five percent) per annum compounded annually.</p>
Early Redemption	Not applicable
Transaction Documents	<ol style="list-style-type: none"> Information Memorandum; Debenture Trustee Agreement; Debenture Trust Deed; Deed of Hypothecation; Power of Attorney Trustee Appointment Letter; Rating Letter; Board Resolutions; Shareholder Resolutions; Issuer's confirmation of allotment of debentures; and Any other document related to the Debentures
Conditions Precedent	<p>The Company shall fulfil the following conditions precedent, to the satisfaction of the Debenture Trustee/the Applicants, prior to the Deemed Date of Allotment:</p> <p>(a) All corporate approvals from the Board of Directors and shareholders of the Issuer, if applicable, shall have been received</p>

	<ul style="list-style-type: none"> (b) a copy of the Company's Constitutional Documents certified as correct, complete and in full force and effect by the appropriate officer; (c) an incumbency certificate of the Company indicating the officers or other Persons of the Company authorized to sign the Transaction Documents and any document to be delivered under or in connection therewith, on behalf of the Company, which certificate includes names, titles and specimen signatures of such officers; (d) provide evidence satisfactory that the Company has received all approvals, authorizations and licenses (governmental or otherwise) to operate its lending program and to execute, deliver and perform its obligations under the Transaction Documents; (e) provide such other information, documents, certificates, opinions and instruments as the Debenture Trustee and the Applicants may reasonably request; (f) execution, delivery and stamping of the Transaction Documents in a form and manner satisfactory to the Debenture Trustee and the Applicants; (g) receipt and submission of the rating letter and the rating rationale issued by the Rating Agency in relation to the Debentures; (h) receipt of consent from the Debenture Trustee to act as the debenture trustee for the issue of Debentures; (i) receipt of consent from the Registrar to act as the registrar and transfer agent for the issue of Debentures; (j) submission of all "know your customer" requirements to the satisfaction of the Debenture Trustee and the Applicants; (k) submit to the Debenture Trustee and the Applicants, the audited financial statements of the Company for the Financial Year ended March 31, 2019; (l) evidence that the fees, costs and expenses then due from the Company pursuant to the DTD (including the fee of the legal counsel)) has been or will be paid prior to the Deemed Date of Allotment; (m) confirmation by the compliance officer or his representative to the Debenture Holders that its Client Acceptance and Anti Money Laundering (CAAML) file is completed in accordance with their internal regulations in respect thereof; (n) evidence that the DTD has been submitted to, accepted for registration by, the relevant sub-registrar of assurances; (o) delivery of the PDCs to the Debenture Trustee; and <p>Others as agreed between the Debenture Trustee, Debenture holders and the Issuer</p>
<p>Conditions Subsequent to Disbursement</p>	<p>The Company shall fulfil the following conditions subsequent, to the satisfaction of the Debenture Trustee, following the Deemed Date of Allotment:</p> <ul style="list-style-type: none"> (a) Credit of Debentures into the demat accounts of the respective Debenture-Holders within 10 (ten) calendar days from the Deemed Date of Allotment; (b) Listing of the Debentures within 15 (fifteen) calendar days of Deemed Date of Allotment (c) The Issuer shall ensure compliance with SEBI / Companies Act 2013 (as applicable) for issuance of MLDs. <p>And as set out in greater detail in the Debenture Trust Deed.</p>
<p>Security</p>	<p>The Debentures shall be secured by way of a first ranking, exclusive and continuing charge on—identified receivables ("Hypothecated Receivables") created pursuant to the deed of hypothecation to be executed between the Company and the Debenture Trustee as described herein. The Hypothecated Property shall at all times be equal to the value of the outstanding principal amount of the Debentures. The issuer undertakes:</p> <ul style="list-style-type: none"> (a) The charge over the Charged Receivables shall at all times be (i) at least 1.10 (one decimal one zero) times the value of the Outstanding Principal Amounts; and (ii) the value of the principal receivables of the Client Loans comprising the Charged Receivables shall be at least 1.10 (one decimal one zero) times the value of the Outstanding Principal Amounts (collectively, the "Security Cover") and shall be maintained at all times commencing from the Deemed date of Allotment until the Final Settlement Date. The value of the Charged Receivables for this purpose shall be the amount reflected as the value thereof in the books of accounts of the Company. (b) to create, register and perfect the security over the Hypothecated Assets as contemplated above no later than 30 (Thirty) calendar days after the Deemed Date of Allotment by executing a duly stamped deed of hypothecation ("Deed of Hypothecation") and filing CHG-9 within the time period applicable; The Company shall also provide such information sought by the

	<p>Debenture Trustee for the purpose of filing the prescribed forms and particulars with the Central Registry and Information Utility in connection with the Debentures and the Security Interest over the Hypothecated Property.</p> <p>(c) to provide a list on a monthly basis, of specific loan receivables/identified book debts to the Debenture Trustee over which the charge is created and subsisting by way of hypothecation in favour of the Debenture Trustee (for the benefit of the Debenture Holders) ("Monthly Hypothecated Asset Report")</p> <p>(d) The Debentures shall further be secured/supported by way of</p> <p>(i) pari passu mortgage created over the Immovable Property; and (ii) PDCs, and (iii) such other security interest as may be agreed between the Company and the Debenture Holders</p> <p>DESCRIPTION OF THE MORTGAGE PROPERTY</p> <p>All that the part and parcel of immovable property consisting of land, constituting the property situated at Chengalpattu Registration District, Madhuranthagam Sub-Registration District, Kancheepuram District, Madhuranthagam Taluk, No.144 Melavalam Village, in the Lay-out named "Saranya Nagar", Plot measuring 33.5 Feet from East to West on both sides and 60 Feet North to South on both sides measuring 2010 Sq.Ft or thereabouts forming part of plots 38 and 37 and bounded on the in survey No. 109/17,18 and 23B1.</p> <p>North by : Plot No.39 South by : Plot No.36 East by : Plots 33 and 34 West by : 30 Feet Road.</p> <p>The above property is situated within No.143, Karunkuzhi, Panchayat Union and approved as a lay-out as per No.DTCP(CR) 357/2010</p> <p>The possession of the property is not handed over to the Trustee through debenture cum mortgage deed through this deed. Moreover trustee, going forward will have no objection for creation of further charge on pari-pasu basis on the above mentioned property for future borrowings made by the company by giving the above property as security on pari-passu basis.</p>
<p>Eligibility Criteria for the Hypothecated Receivable</p>	<p>(a) the receivables are existing at the time of selection and have not been terminated or pre-paid; (b) the receivables have not been restructured or rescheduled (c) all "Know Your Customer" norms have been complied with as prescribed by the Reserve Bank of India;</p>
<p>Default interest</p>	<p>(a) In case of delay in listing of the debentures beyond 20 days from the deemed date of allotment, the Company shall pay penal interest of 1% (one percent) per annum above the prevailing Interest Rate on the outstanding principal amount of Debentures from the expiry of 30 days from the deemed date of allotment till the listing of such debentures to the investor (b) The Company agrees to pay a default interest rate of 2% (two percent) per annum above the prevailing Interest Rate on the outstanding principal amounts from the date of the occurrence of a default in any payment by the Company on its due date until such payment default is cured. (c) The Company agrees to pay an additional interest rate of 1% (one percent) per annum above the prevailing Interest Rate on the outstanding principal amounts from the date of the occurrence of any breach of its obligations set out under the Transaction Documents (including but not limited to the financial covenants specified in the DTD) until such breach is cured within 5 (five) Business Days of the start of the month prior to which the breach is continuing. (d) On the occurrence of a Trigger Event, and if the Put Option is not exercised by the Debenture</p>

	<p>Trustee, the Company agrees to pay an additional interest at the rate of 0.50% (zero decimal five zero percent) per annum compounded annually above the prevailing Interest Rate on the Outstanding Principal Amounts, from the date of the occurrence of a Trigger Event until such Trigger Event is cured, on the Final Redemption Date.</p> <p>(e) If the Company fails to create and perfect security on the Charged Receivables on or prior to the Deemed Date of Allotment, the Company will either refund the Application Money in accordance with the terms of the DTD, or the Company will pay additional interest at the rate of 2% (two percent) per annum above the prevailing Interest Rate on the Outstanding Principal Amounts until the security is created in accordance with the DTD and the security is perfected in accordance with Applicable Law.</p>
<p>Financial Covenants</p>	<p>(1) The Capital Adequacy Ratio (as defined by the RBI regulation) shall be maintained at or above 16% at all points in time. Maintain Tier 1 ratio (as defined by RBI regulation) of 12% or higher at all points in time.</p> <p>For the purpose of the calculations of the Capital Adequacy as mentioned above:</p> <ul style="list-style-type: none"> - The first loss credit enhancement provided by the originator on securitization shall be reduced from capital funds and the deduction shall be capped at 29% of the outstanding securitized portfolio. - The first loss credit enhancement provided by the originator on loans originated on behalf of other institutions shall be reduced from capital funds without any ceiling. - The deduction shall be made at 50 per cent from Tier I and 50 per cent from Tier II capital - It is also clarified that in computing the amount of subordinated debt eligible for inclusion in Tier II capital, the aforementioned subordinated debt shall be subject to discounting as provided in the NBFC Master Circular. <p>(2) Earnings: After-tax Net Income to remain positive;</p> <p>(3) Quarterly Operating Self Sufficiency Ratio (Operating Income/ Operating costs) >100%.</p> <p>(4) Asset Quality: Ratio of PAR-90 to Gross Loan Portfolio of 7% or lower.</p> <p>(5) Off-Balance Sheet Portfolio to Total Assets ratio of 40% or less.</p> <p>(6) Rating Downgrade: A rating of at least "A" (pronounced as "A") from all rating agencies, except from CARE where it should be at least "A-" (pronounced as "A negative") for 1 year from date of allotment. Post 1 year from date of allotment rating from all rating agencies should be at least "A" (pronounced as "A")</p> <p>(7) Debt to Equity Ratio of not more than 5 (five) times.</p> <p>"PAR- 90" 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.</p> <p>"Gross Loan Portfolio" shall include on balance sheet and off balance sheet portfolio</p> <p>"Off Balance Sheet Portfolio" shall mean principal balance of loans, assigned, originated on behalf of other institutions in respect of which the Issuer has provided credit enhancements in any form or manner whatsoever</p> <p>"Total Assets" means, for any date of determination, the total Assets of the Company on such date, including owned, securitised and managed (non-owned) portfolio.</p> <p>And as set out in greater detail in the Debenture Trust Deed.</p>
<p>Key Affirmative Covenants</p>	<p>(a) To utilise the proceeds of this issue in accordance with applicable laws and regulations</p> <p>(b) To ensure presence of at least 1 independent director at all times</p> <p>(c) To promptly inform notice of winding up / other legal proceedings</p> <p>(d) To promptly inform Material adverse effect</p> <p>(e) To provide the investor with access to data / information / meetings with the management team for periodical portfolio monitoring</p> <p>(f) To comply with corporate governance, fair practices code prescribed by RBI</p> <p>And as set out in greater detail in the Debenture Trust Deed.</p>
<p>Key Negative Covenants</p>	<p>The issues shall take the prior written permission from the Investor / Debenture Trustee for the</p>

	<p>following:</p> <ul style="list-style-type: none"> (a) Rajendra Kumar Setia cease to hold an executive position in the company (b) Change in promoter, ownership or control; (c) Any dilution of control over Board composition, other than appointment of independent directors (d) Mergers, acquisitions, investment in associates, JVs and subsidiaries including disposal of any of the above (e) Change in nature of business of the Company (f) Change in constitutional documents (g) Loans exceeding 15% of net worth to any single party and/or guarantees on behalf of third parties (h) Declare dividend on equity/preference shares before payment of coupon due on the NCDs when an Event of Default is subsisting (i) Change in auditors (j) Material compromise or settlement <p>And as set out in greater detail in the Debenture Trust Deed.</p>
Events of Default (EoD)	<ul style="list-style-type: none"> (a) Non-payment of any of the dues under this term sheet, with a grace period of 3 days in case of delays due to technical reasons (b) Default in compliance with financial covenants, subject to a cure period as may be specified in the Transaction Documents (c) Default in compliance with non-financial covenants, subject to a cure period as may be specified in the Transaction Documents (d) Default or trigger of event of default on any other indebtedness (cross default) (e) Misrepresentation or misleading information in any of the Transaction Documents (f) Insolvency, winding up, liquidation (g) Creditors' processes initiated against the company (h) Repudiation of Transactions Documents (i) Cessation of business (j) Erosion of 50% or more of the Company's net worth <p>And as set out in greater detail in the Debenture Trust Deed.</p>
Consequences of EoD	<p>the Debenture Trustee may, in its discretion, and, upon request, in writing, of the Super Majority Debenture Holders or by a Super Majority Resolution duly passed at the meeting of the Debenture Holders, by a notice in writing to the Company initiate the following course of action:</p> <ul style="list-style-type: none"> (a) Accelerate the Facility (b) Enforce any security held by the investor (c) Exercise any other right that the Secured Parties may have under the Transaction Documents or under Applicable Law
Key Representation and Warranties	<ul style="list-style-type: none"> (a) Company is registered with the RBI as an NBFC (b) No Event of Default has occurred and is continuing on the date of the transaction (c) Debentures shall rank pari passu amongst themselves and with all other senior creditors (d) Company shall not use proceeds from Debenture issuance to fund activities listed in transaction documents (e) Binding obligation of Transaction Documents (f) No conflict with other obligations / constitutional documents (g) Company has the power and authority to issue Debentures and such Transactions Documents are valid and admissible in evidence (h) No proceedings pending <p>And as set out in greater detail in the Debenture Trust Deed and transaction documents</p>
Governing Law and Jurisdiction	<p>The Debentures shall be governed by and will be construed in accordance with the Indian law. The courts/tribunals of Mumbai shall have exclusive jurisdiction in this regard.</p>
Confidentiality	<p>All the parties agree to keep all discussions on a confidential basis, including the existence of these terms</p>
Survival	<p>The paragraphs captioned "Confidentiality" and "Governing Law and Jurisdiction" shall bind the parties and shall survive termination, withdrawal or expiry of these terms.</p>

ACCEPTED AND AGREED TO ON THIS 01st DAY OF January, 2020

(For and on Behalf of Avendus Investor)

Investment amount of INR _____ crs

Signature:

FORBES INVESTMENT LIMITED

By : Deendra Sharma
Title : Art Manager - Treasury
Date : 01/01/2020

Deendra Sharma
Authorised Signatory

Annexure

Illustrative cashflow

<i>Initial Fixing Level</i>	<i>Final Fixing Level</i>	<i>Underlying Performance</i>	<i>Coupon (%)</i>	<i>Compounded Annualized Performance (%)</i>
40,580		-100%	0.00%	0.00%
40,580	4,058	-90.0%	0.00%	0.00%
40,580	8,116	-80.0%	0.00%	0.00%
40,580	12,174	-70.0%	24.36%	11.50%
40,580	16,232	-60.0%	24.36%	11.50%
40,580	20,290	-50.0%	24.36%	11.50%
40,580	24,348	-40.0%	24.36%	11.50%
40,580	28,406	-30.0%	24.36%	11.50%
40,580	32,464	-20.0%	24.36%	11.50%
40,580	36,522	-10.0%	24.36%	11.50%
40,580	40,580	0.0%	24.36%	11.50%
40,580	44,638	10.0%	24.36%	11.50%
40,580	48,696	20.0%	24.36%	11.50%
40,580	52,754	30.0%	24.36%	11.50%
40,580	56,812	40.0%	24.36%	11.50%
40,580	60,870	50.0%	24.36%	11.50%
40,580	64,928	60.0%	24.36%	11.50%
40,580	68,986	70.0%	24.36%	11.50%
40,580	73,044	80.0%	24.36%	11.50%
40,580	77,102	90.0%	24.36%	11.50%
40,580	81,160	100.0%	24.36%	11.50%

BS KEY FINCORP LIMITED

[Signature]
Authorized Signatory