

INDICATIVE TERM SHEET

The terms and conditions given below are indicative only and are not exhaustive and subject to change.

PARTIES INVOLVED IN THE ISSUE	
Issuer / Company	Fusion Micro Finance Private Limited
Debenture Trustee	Catalyst Trusteeship Limited
Subscriber(s)	Indian Overseas Bank
Depository	NSDL/CDSL
Series	Fusion Microfinance Series – H2 NCDs
Registrar and transfer agent	Link Intime India Private Limited
Rating Agency	ICRA
Structurer and Arranger	Northern Arc Capital Limited
Legal Counsel	Wadia Ghandy
Guarantor(s)	Government of India (acting through the Small Industries Development Bank of India)
Credit Enhancer(s)	Not Applicable
Other obligor(s)	Not Applicable
DETAILS OF THE INSTRUMENT	
Type of instrument	Non-convertible debentures
Nature of instrument	Rated Senior Secured Listed Transferable Redeemable Non-Convertible Debentures.
Ranking	<p>Senior</p> <p>Each Debenture issued by the Issuer will 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 pari passu to all senior, secured indebtedness of the Issuer.</p> <p>Each of the Debenture Holders shall inter-se rank pari passu in relation to their rights and benefits in relation to the Debentures, without any preference or privilege.</p>
Security requirements	Debentures shall be secured as per the terms and conditions stipulated under the heading 'Security Creation' hereunder.
Listing requirements	<p>To be listed in the Wholesale Debt Market segment of BSE within 20 Calendar Days from the Deemed Date of Allotment, the Company will pay penal interest of 1% p.a. over the Coupon Rate from expiry to till the listing of such Debentures.</p> <p>In case Company not able to List the NCD from the expiry of 30 (thirty) days from Deemed Date of Allotment the Investor has right to recall the amount invested in the Company along with accrued interest.</p>

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Privileged and Confidential

Rating	ICRA A-		
ISSUE DETAILS			
Mode of Issue	Private Placement		
Form of issue	Debentures will be issued in dematerialized form.		
Base Issue Size	INR. 25,00,00,000/- (Indian Rupees Twenty Five Crores only)		
Option to retain oversubscription	NA		
Tenor	18 (Eighteen) months from Deemed Date of Allotment		
Face value	INR. 10,00,000 /- (Indian Rupees Ten Lakhs only)		
Issue price	Debentures will be issued at par		
Issue Schedule	Issue Open Date	November 12, 2020	
	Issue Close Date	November 12, 2020	
	Pay-in Date	November 13, 2020	
	Deemed Date of Allotment	November 13, 2020	
Objects of the issue	The proceeds of the Issuance will be utilized for the following purposes: <ul style="list-style-type: none">• General corporate purposes• for the ordinary course of business of the Issuer including repayment/re-financing of existing debt		
Utilization of issue proceeds	The Company shall utilise the amounts received from the subscription of the Debentures for the Purpose. No part of the proceeds from the Issue will be used towards: <ul style="list-style-type: none">i. any capital market instrument such as equity and equity linked instruments or any other capital market related activities;ii. any speculative purposes;iii. investment in the real estate sector; oriv. in contravention of any applicable law.		
REDMPTION			
Redemption Amount	Each Debenture shall be redeemed at par.		
Scheduled Redemption	Bullet, At Par		
Final Redemption Date	13 May, 2022		
Early Redemption	Not Applicable		
Early Redemption Premium	Not Applicable		
COUPON PAYMENT			
Coupon Type	Fixed		
Coupon Rate	9.75% per annum		

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Coupon Payment Frequency	Quarterly
Coupon Payment Dates	As per the redemption schedule under Schedule 1
Step-up Coupon	Not applicable
Step-down Coupon	Not applicable
Default interest	Coupon Rate plus 2.00 % (Two point Zero Zero percent)
CONVENTIONS	
Day Count Basis	Actual/Actual
Business Day	Means any day, other than a public holiday under Section 25 of the Negotiable Instruments Act, 1881 or a Sunday, on which banks are open for general business in Mumbai/Delhi;
Date Convention	<p>(a) If the date of payment of any interest in respect of the Debentures falls on a day that is not a Business Day, such payment of interest shall be made on the next occurring Business Day;</p> <p>(b) If the date of payment of any redemption amount falls on a day that is not a Business Day, such payment of installment shall be made on the immediately preceding Business Day; and</p> <p>(c) If the Final Redemption Date or the Early Redemption Date (the date on which the Debentures are redeemed prior to the Final Redemption Date in terms of the Transaction Documents), as the case may be, falls on a day that is not a Business Day, such payment of interest and redemption amount shall be made on the immediately preceding Business Day.</p>
THIRD PARTY OBLIGATIONS	
Guarantor(s)	<p>Government of India (acting through the Small Industries Development Bank of India) as per the Extended PCG Scheme and as per the details mentioned by Department of Financial Services (DFS) at https://financialservices.gov.in/whatsnewstatic/extended-partial-credit-guarantee-scheme.</p> <p>The Subscriber(s) can invoke the Guarantee in case of default in servicing of the Bond/CP on its attaining maturity, subject to the condition that the guarantee shall be for the first loss up to 20% of the face value at crystallized portfolio level.</p>
Credit Enhancer(s)	Not applicable
Other Obligor(s)	Not applicable
SECURITY CREATION	
Hypothecation	The Debentures shall be secured by way of a first ranking, exclusive and continuing charge on identified receivables (" Hypothecated Receivables " / " Hypothecated Assets ") created pursuant to the deed of hypothecation to be executed between the Company and the Debenture Trustee as described herein. The Hypothecated Assets shall

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	<p>at all times be 1.10x to the value of the outstanding principal amount of the Debentures.</p> <p>The Issuer undertakes:</p> <ul style="list-style-type: none"> • Company's Receivables must be standard and are not classified under any SMA category. • Company's Receivables are existing at the time of selection, and have not been terminated or prepaid. • Company's Receivables should not have been restructured or rescheduled unless regulatory allowed. • The Company's Receivables being charged must comply with all extant 'know your customer' norms specified by RBI; • The Company's Receivables generated from lending to Issuer's associate/s & subsidiary/s and/or Related Party shall not be considered for asset cover calculation for this issuance. No drawing power for shall be provided for Company's Receivables generated from the lending to Issuer's associate/s /subsidiary/s/ Related Party. • The Issuer shall execute Debenture Trust Deed and Deed of Hypothecation and perfect the same by filing requisite forms with ROC within three months from the Issue closure Date. • If the Issuer fails to execute the Debenture Trust Deed & Deed of Hypothecation, then the Issuer shall, at the option of the Debenture Holders, either (i) return the subscription amount with the agreed rate of interest or (ii) pay additional interest at the rate of 2% (Two Percent) per annum above the applicable Coupon on all amounts outstanding under the NCDs (including the Outstanding Principal Amounts and any accrued interest) from the Deemed Date of Allotment until such time the deed is executed and the conditions prescribed by Debenture Holders (if any) have been complied with. <p><u>Eligibility Criteria for the Hypothecated Receivables:</u></p> <ul style="list-style-type: none"> • No loan comprising the Business Assets should have been classified as 'non-performing asset' (determined in accordance with the criteria prescribed by the relevant Supervisory Authority) • Each loan comprising the Business Assets should comply with the lending guidelines on NBFC-MFI issued by Reserve Bank of India and amended from time to time.
Pledge	None
Mortgage	None
OTHER COVENANTS	
Debenture Redemption Reserve	If so applicable for the Issue, the Issuer shall create debenture redemption reserve in accordance with the Companies Act, 2013 (and Rules thereunder) and in terms thereof earmark an amount not less

	than 15% of the amount maturing during the year ending on the 31 st day of March of the next year by way of investment and deposits in specified securities on or before the 30 th day of April in each year.
Related Party Transactions	Issuer shall not enter into any transaction(s) with a related party without the prior written consent of the Debenture Trustee.
Affirmative Covenants	<p>(a) To utilise the proceeds of this issue in accordance with applicable laws and regulations</p> <p>(b) To promptly inform notice of winding up / other legal proceedings</p> <p>(c) To promptly inform Material adverse effect</p> <p>(d) To provide the investor with access to data / information / meetings with the management team for periodical portfolio monitoring</p> <p>(e) 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>The Issuer shall also undertake that it would rework the Asset liability structure within three months to have positive ALM in each bucket for the first three months and on cumulative basis for the remaining period.</p>
Negative Covenants	<p>The issuer shall take the prior written permission from the Investor / Debenture Trustee for the following:</p> <p>(a) Any change in Promoter, or control.</p> <p>(b) Redeem, purchase, buyback, defease, retire, return or repay any of its equity share capital or resolve to do so.</p> <p>(c) Mergers, acquisitions, investment in associates, JVs and subsidiaries including disposal of any of the above</p> <p>(d) Change in nature of business of the Company</p> <p>(e) Change in its Memorandum or Articles of Association except for increasing the authorized share capital and for common seal clause</p> <p>(f) Loans exceeding 10% of net-worth to any single party and/or guarantees on behalf of third parties</p> <p>(g) Declare dividend on equity shares before payment of coupon due on the NCDs</p> <p>(h) Declare dividend on equity/preference shares when an Event of Default is subsisting</p> <p>(i) Material compromise or settlement</p> <p>And as set out in greater detail in the Debenture Trust Deed</p>
Events of Default	As listed in the Debenture Trust Deed.
Reporting Covenants	<p>Quarterly Reports – within 30 (Thirty) calendar days from the end of each financial quarter</p> <p>a) Information such as financials, operations, portfolio, and asset quality (including but not limited to static portfolio cuts,</p>

	<p>collection efficiency and portfolio at risk data), funding data, ALM in formats acceptable to the Debenture Holders</p> <p>b) Financial covenant compliance certificate signed by a Director or the Chief Financial Officer</p> <p>c) Copy of returns filed with the Reserve Bank of India ("RBI") and the SEBI (as applicable)</p> <p>Annual Reports – within 120 (One Hundred and Twenty) calendar days from the end of each financial year</p> <p>a) Audited financial statements</p> <p>Event Based Reports – within 10 (Ten) Business Days of the event occurring</p> <p>a) Change in list of Board of Directors</p> <p>b) Changes in accounting policy</p> <p>c) Change in Shareholding structure</p> <p>d) Change in senior management officials (any CXO or equivalent)</p> <p>e) Snapshot of Board approved annual business plan</p> <p>f) Any fraud amounting to more than 1.0% of Gross Loan Portfolio</p> <p>g) Change in the constitutional documents of the Company except for authorized share capital clause and for common seal clause</p> <p>h) Material Adverse Effect</p> <p>i) Any dispute, litigation, investigation or other proceeding which could result in a Material Adverse Effect.</p> <p>j) Winding up proceedings</p> <p>k) Any Event of Default or Potential Default, and any steps taken / proposed to remedy the same.</p> <p>l) Any prepayment or notice of any prepayment of any Indebtedness of the Issuer</p>
Financial Covenants	Minimum CRAR as per the regulatory minimum prescribed by the Reserve Bank of India under the NBFC Master Directions.
Transaction documents	<p>Debenture Trust Deed, Deed of Hypothecation, Disclosure Documents, Resolutions, the letters issued by the Rating Agency and the Registrar and all other documents in relation to the issuance of the Debentures.</p> <p>Disclosure Documents means collectively,</p> <p>(a) the debt disclosure document to be issued by the Issuer in terms of sub-regulation (1) of Regulation 21 (<i>Disclosures in respect of Private Placements of Debt Securities</i>) of the Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 (if applicable); and</p>

	<p>(b) private placement offer letter to be issued by the Issuer in terms of section 42 (<i>Offer or invitation for subscription of securities on private placement</i>) of the Companies Act, 2013.</p> <p>Resolutions means collectively,</p> <p>(a) special resolution of the shareholders of the Company under Section 180(1)(a) of the Companies Act, 2013;</p> <p>(b) special resolution of the shareholders of the Company under Section 180(1)(c) of the Companies Act, 2013;</p> <p>(c) board resolution of the board of directors of the Company under Section 42 and other applicable provisions of the Companies Act, 2013 and Rules thereunder;</p> <p>(d) special resolution of the shareholders of the Company under the applicable provisions of the Companies Act, 2013 and Rule 14(2) and other applicable provisions of Companies (Prospectus and Allotment of Securities) Rules, 2014.</p>
Extended PCG Scheme	<p>Extended PCG Scheme means the scheme dated May 20, 2020 of the Department of Financial Services, Ministry of Finance, Government of India on "<i>Partial Credit Guarantee offered by Government of India (Gol) to Public Sector Banks (PSBs) for (i) purchasing pooled assets having a rating of BBB+ or above from financially sound Non-Banking Financial Companies (NBFCs)/Housing Finance Companies (HFCs) and (ii) Portfolio Guarantee for purchase by PSBs of Bonds or Commercial Papers (CPs) with a rating of AA and below (including unrated paper with original/initial maturity of up to one year) issued by NBFCs / HFCs / MFIs (in case MFIs, Bonds / CPs with MFR rating equivalent)</i>".</p>
Other Costs & Conditions	<p>The Issuer shall bear the costs and expenses incurred in connection with the transactions contemplated hereby including stamp duty and registration fee (if applicable) on the Transaction Documents (and the Debentures), appointment of the Debenture trustee, legal advisors' expenses and expenses incurred in the preparation for the Transaction Documents.</p>
Governing Law and Jurisdiction	<p>Indian Law with jurisdiction of the courts and tribunals of Mumbai/Delhi.</p>

Redemption Schedule

Illustration of Bond Cash Flows per Debenture

Cashflows	Date	No of Days in a Coupon Period	Amount
0	13-Nov-20		-10,00,000
1 st Coupon	13-Feb-21	92	24,575
2 nd Coupon	13-May-21	89	23,774
3 rd Coupon	13-Aug-21	92	24,575
4 th Coupon	13-Nov-21	92	24,575
5 th Coupon	13-Feb-22	92	24,575
6 th Coupon	13-May-22	89	23,774
Principal	13-May-22	546	10,00,000

Final Cash Flow

Cashflows	Date	No of Days in a Coupon Period	Amount
0	13-Nov-20		-25,00,00,000
1 st Coupon	13-Feb-21	92	61,43,836
2 nd Coupon	13-May-21	89	59,43,493
3 rd Coupon	13-Aug-21	92	61,43,836
4 th Coupon	13-Nov-21	92	61,43,836
5 th Coupon	13-Feb-22	92	61,43,836
6 th Coupon	13-May-22	89	59,43,493
Principal	13-May-22	546	25,00,00,000



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