

TERM SHEET



FUSION MICROFINANCE PRIVATE LIMITED

A private limited company incorporated under the Companies Act, 1956

Date of Incorporation: September 05, 1994; **CIN:** U65100DL1994PTC061287

Registered Office: H-1, C Block, Community Centre, Naraina Vihar, New Delhi – 110028, Delhi

The purpose of this document ("the Indicative Term Sheet") is to outline the terms and conditions of a potential 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.

Broad terms of the Issue

Security Name	10.40% Secured Senior Rated Listed Redeemable Non-Convertible Debentures
Issuer	Fusion Microfinance Private Limited
Type of Instrument	Secured, Redeemable, Non-Convertible, Rated, Listed, Taxable Debentures (NCDs/ Debentures)
Nature of the Instrument	Secured
Seniority	Senior
Mode of Issue	Private placement
Series	Fusion Microfinance Series – H4 NCDs
Utilization of Issue Proceeds	The issue proceeds will be meet funding requirements of the issuer for the purpose of onward lending, working capital purposes
Rating of Instrument	The Debenture has been rated by ICRA A- (A Minus) & CRISIL____
Debenture Trustee	Catalyst Trusteeship Limited
Registrar & Transfer Agent	Link Intime India Private Limited
Eligible Investors	As mentioned in the Disclosure Document under captioned "Eligible Investor"
Tranche /Issue Size	Rs. 50,00,00,000/- (Rupees Fifty Crores only)
Face Value	Rs. 10,00,000/- (Rupees Ten Lakhs only) per Debenture
Issue Price	Rs. 10,00,000/- (Rupees Ten Lakhs only) per Debenture
Tenor	18 Months from the Deemed Date of Allotment
Coupon Type	Fixed. Payable Quarterly
Coupon Rate	10.40% p.a.
Repayment	Repayable in 4 equal quarterly instalments starting from the end of 9 months from the date of investment/allotment.
Coupon Payment Frequency	Quarterly and on maturity
Coupon Payment dates	The Coupon shall be payable on quarterly basis from the Deemed Date of Allotment and on Redemption as mentioned below subject to Business Day Convention: February 13, 2021 May 13, 2021 August 13, 2021 November 13, 2021 February 13, 2022



	May 13, 2022
Coupon Reset Process	N. A
Step Up/Step Down Coupon Rate	<p>In case of downgrade by one notch in the rating of the debentures, coupon will be stepped up by 0.25% for each such downgrade, over and above the prevailing coupon rate immediately prior to such rating downgrade. Such enhanced coupon rate shall be applicable from the date of issue of the rating downgrade, by the rating agency, to the residual maturity of bonds.</p> <p>In case of 2 rating agencies, lowest of the two shall be considered</p>
Redemption Date	At the end of 18 months from the Deemed Date of Allotment i.e. May 13, 2022
Redemption Amount	Rs. 10,00,000/- (Rupees Ten Lakhs only) per Debenture
Redemption	4 equal quarterly installments starting from end of 9 months from the date of investment/allotment.
Security & Security Cover	<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 Issuer undertakes:</p> <ul style="list-style-type: none"> to maintain the value of security at all times equal to 1.10 times or 110% of the aggregate amount of principal outstanding of the NCDs ("Security Cover"). to replace any slippage in loan receivables specifically charged to us with standard receivables. Asset coverage ratio will be maintained at 1.10 times at all times during the currency of the NCDs. to create the security over the Hypothecated Assets as contemplated above no later than 30 (thirty) calendar days from the Deemed Date of Allotment by executing a duly stamped deed of hypothecation ("Deed of Hypothecation") and to perfect and register the security (including filing CHG-9) within the time period applicable and no later than 90 days from the date of execution of the Deed of Hypothecation. 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"). to add fresh loan assets to the Security Cover to ensure that the value of the Hypothecated Assets is equal to 1.10 times or 110% (One Hundred One Zero Percent) of the aggregate amount of principal outstanding of the NCDs <p><u>Eligibility Criteria for the Hypothecated Receivables:</u></p> <ul style="list-style-type: none"> the receivables are existing at the time of selection and have not been terminated or pre-paid; the receivables have not been sub-standard category all "Know Your Customer" norms have been complied with as



	<p>prescribed by the Reserve Bank of India;</p> <ul style="list-style-type: none"> • It is clarified that the assets would be 'current' on inclusion and replacement of receivables (to be carried out within 30 calendar days) would be upon becoming NPA (i.e. on crossing 90DPD); • Each client loan must be directly originated by the Issuer and not loans purchased from a third party; • All loans hypothecated under the deed of hypothecation comply with RBI norms and guidelines. • Receivables pertaining to standard regular underlying assets are only eligible as security to the exposure from our bank. • Receivables shall be the principal amount of the underlying asset.
Material Adverse Effect definition	Means the effect or consequence of an event, circumstance, occurrence or condition which has caused, as of any date of determination, or could reasonably be expected to cause a material and adverse effect on (a) the financial condition, business or operation of the Company, environmental, social or otherwise or prospects of the Company; (b) the ability of the Company to perform its obligations under the Transaction Documents; or (c) the validity or enforceability of any of the Transaction Documents (including the ability of any party to enforce any of its remedies thereunder); or (d) the rights or remedies of the Debenture Trustee acting for the benefit of the Debenture Holders hereunder or under any other Transaction Document
Day Count Basis	Actual / Actual
Interest on Application Money	At the Initial Coupon rate (subject to deduction of tax at source, as applicable) from the date of realization of cheque (s)/ demand draft(s)/ RTGS up to one day prior to the Deemed Date of Allotment. Where pay-in Date and Deemed date of Allotment are the same, no interest on Application money is to be paid.
Listing (including name of Stock Exchange(s) where it will be listed and timeline for listing)	<ul style="list-style-type: none"> • Proposed to be listed on the Wholesale Debt Market Segment of BSE Limited within 20 days from the Deemed Date of Allotment. • In case of delay in listing of the Debentures beyond 20 days from the Deemed Date of Allotment, the Company will pay penal interest of 2% p.a. over the Coupon Rate from the expiry of 30 days from the Deemed Date of Allotment till the listing of such Debentures to the Debenture Holder.
Representations and Warranties of the Issuer	As mentioned in the caption titled "Representations and Warranties of the Issuer" in the Disclosure document to the Issue. The Representations and Warranties shall be continuous in nature and shall be deemed to occur on every day till redemption of the Debentures.
Minimum Application size and in multiples Debt Security thereafter	The minimum application size for the Issue shall be 10 Debentures and in multiples of 1 Debenture thereafter.
Issuance mode of the Instrument	Demat only
Trading mode of the Instrument	Demat only
Settlement mode of the Instrument	RTGS/ Any other electronic mode
Depositories	NSDL/CDSL
Business Day	Any being a day excluding Saturdays, Sundays or public holiday in Mumbai.



Business Day Convention	<p>If any Coupon Payment Date or the due date for the performance of any event falls on a day that is not a Business Day, then the succeeding Business Day will be considered as the effective date. The interest for such additional period shall be adjusted and paid in the next coupon cycle. Hence the subsequent coupon payment period remains intact.</p> <p>If the Redemption Date (also being the last Coupon Payment Date) of the Debentures falls on a day that is not a Business Day, the redemption proceeds shall be paid on the immediately preceding Business Day, along with coupon/interest accrued on the Debentures until but excluding the date of such payment.</p>
Record Date	<p>The date which will be used for determining the Debenture Holder(s) who shall be entitled to receive the amounts due on any Due Date, which shall be the date falling 11 (Eleven) Business days prior to any Due Date.</p>
Transaction Documents	<p>The Issuer has executed/ shall execute the documents including but not limited to the following, as required, in connection with the Issue as per latest SEBI guidelines / Companies Act 2013 (as applicable) for issuance of NCDs through Private Placement:</p> <ol style="list-style-type: none"> 1. Letter appointing Trustees to the Debenture Holders; 2. Debenture Trusteeship Agreement; 3. Debenture Trust Deed; 4. Deed of Hypothecation; 5. Shelf Disclosure Document (Information Memorandum) 6. Private Placement Offer Letter (Form PAS 4) 7. Board Resolution authorizing this Issuance 8. Applicable Shareholder Resolutions under the Companies Act 2013; 9. Dual Credit Rating Letter & Rationale 10. BSE In-principle Approval for Listing 11. the audited financial results of the Issuer for the for FY 20 and
Conditions Precedent to Disbursement	<ol style="list-style-type: none"> 1. Execution of Disclosure Document 2. Dual Credit Rating Letter & Rationale 3. Trustee Consent Letter 4. Resolution of the Company's board of directors authorizing the issuance of debentures; 5. Resolution of the shareholders of the Company under 180(1)(c) of the Act 6. Company to submit CA certificate with reference to Repayment obligation of next 6 months before availing the NCD. 7. Company submitting an undertaking that total issuance under PCGS 2 shall be capped at 1.25 times of total maturing liability over a period of 6 months. 8. Company shall rework the Asset Liability structure within 3 months to have a positive ALM in each bucket for the first 3 months and on cumulative basis for the remaining period. 9. Execution of any other documents as agreed between the Issuer and the Debenture Trustee/ Investor.
Conditions Subsequent to Disbursement	<p>The Company shall fulfil the following conditions subsequent, to the satisfaction of the Debenture Trustee, pursuant to the Deemed Date of Allotment:</p> <ol style="list-style-type: none"> i. the Issuer shall ensure that the Debentures are credited into the demat account(s) of the Debenture Holders within 2 (two) Business Days from the Deemed Date of Allotment of the respective Series;



	<ul style="list-style-type: none"> ii. the Company will ensure listing of Debentures on the BSE within stipulated timelines; iii. the Company shall, inter alia, file a copy of Form PAS-3 of the Companies (Prospectus and Allotment of Securities) Rules, 2014 with the ROC within 15 (fifteen) days of the allotment of Debentures along with a list of the Debenture Holders and PAS 5; iv. Execution of Deed of Hypothecation & Debenture Trust Deed within the stipulated timelines as per Companies Act, 2013 v. Filing CHG-9 Form with ROC within stipulated timelines vi. Execution of any other documents as customary for transaction of a similar nature and size.
Rating Covenants	If the rating of the company goes below BBB then the debenture holder shall have right for accelerated redemption and it shall lead to full redemption of the debentures.
Default Interest Rate/Additional Interest Rate	<p>Without prejudice to any other rights and remedies available to the Debenture Trustee pursuant to the terms of Transaction Documents:</p> <ul style="list-style-type: none"> i. If, at any time, a Payment Default occurs, the Issuer agrees to pay additional interest at the rate of 2% (Two Percent) per annum over and above the applicable Coupon Rate on all amounts outstanding under the relevant series of Debentures (including the Outstanding Principal Amounts and any accrued but unpaid interest) from the date of occurrence of such a Payment Default until such Payment Default is cured or the Debentures are fully redeemed. ii. If the Issuer fails to execute the Debenture Trust Deed and Deed of Hypothecation within the stipulated timelines, 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 over and above the applicable Coupon Rate on all amounts outstanding under the NCDs (including the Outstanding Principal Amounts and any accrued interest) from the Issue Closure Date until such time the deed is executed and the conditions prescribed by Debenture Holders (if any) have been complied with.
Event of Defaults	As mentioned in the Disclosure Document under captioned "Event of Defaults".
EBP Process	<p>Issue and Payment Procedure</p> <ul style="list-style-type: none"> • Bidding Process <p>All Eligible Participants are required to apply for the Issue and make payment of the full application amount in accordance with the Bidding Process outlined in the Disclosure Document. The Issue will be through open bidding on the EBP platform in line with EBP Guidelines vide SEBI circular SEBI/HO/DDHS/CIR/P/2018/122 dated August 16, 2018 or such other circular issued from time to time.</p> <ul style="list-style-type: none"> • Manner of settlement <p>Settlement of the Issue will be done through the [escrow account of the Issuer / ICCL] and the account details are given in the section on 'Payment Mechanism' of this Disclosure Document.</p>

• Provisional or Final Allocation

Allocation shall be made on a pro rata basis in the multiples of the bidding lot size, i.e., in multiples of Rs. 10,00,000 (Rupees Ten Lakh Only). Post completion of bidding process, the Issuer will upload the provisional allocation on the BSE EBP platform. Post receipt of details of the successful bidders, the Issuer will upload the final allocation file on the BSE-EBP platform.

• Payment Mechanism

Payment of subscription money for the Bonds should be made by the Identified Investors as notified by the Issuer.

The participants should complete the funds pay-in to the designated bank account of Indian Clearing Corporation Ltd (ICCL).

List of Designated Banks is as under:

	ICICI BANK	YES BANK	HDFC BANK
Beneficiary Name	Indian Clearing Corporation Ltd	Indian Clearing Corporation Ltd	Indian Clearing Corporation Ltd
Account Number	ICCLEB	ICCLEB	ICCLEB
IFSC Code	ICIC0000106	YESBOCMSNOC	HDFC0000060
Mode	RTGS	RTGS	RTGS

Successful bidders must do the subscription amount payment to the Designated Bank Account on or before 10:30 a.m. on the Pay-in Date ("Pay-in Time"). Identified Investors should ensure to make payment of the subscription amount for the Bonds from their same bank account which is updated by them in the BSE EBP platform while placing the bids. In case of mismatch in the bank account details between BSE - EBP platform and the bank account from which payment is done by the successful bidder, the payment would be returned.

Note: In case of failure of any Identified Investor to complete the subscription amount payments by the Pay-in Time or the funds are not received in the Designated Bank Account by the Pay-in Time for any reason whatsoever, the bid will liable to be rejected and the Issuer shall not be liable to issue Bonds to such Identified Investors.

• Settlement Process

Upon final allocation by the Issuer, the Issuer or the Registrar on behalf of the Issue shall instruct the Depositories on the Pay-In Date, and the Depositories shall accordingly credit the allocated Bonds to the demat account of the successful bidder.

The Company shall give the instruction to the Registrar for crediting the Debentures by 12:00 p.m. on the Pay-In Date. The Registrar shall provide corporate action file along with all requisite documents to Depositories by 12:00 p.m. on the Pay-In Date. On the Pay-In Date, the

	Depositories shall confirm to the Issuer the transfer of Bonds in the demat account(s) of the successful bidder(s).
Method of Allotment	Uniform Yield
Bid Timing	10.00 am to 01.00 pm
Settlement cycle	T+1
Manner of Bidding	Closed
Settlement Through	ICCL & BSE
Role and Responsibilities of Debenture Trustee	To oversee and monitor the overall transaction for and on behalf of the Debenture Holder(s).
Indemnification	The Issuer will indemnify, and hold harmless the Debenture Holder, Investment Manager of Debenture Holders, and their respective shareholders, officers, directors, employees, representatives and attorneys 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.
Arbitration	In the event of any dispute or difference between the Parties to this agreement in respect of or concerning or connected with the interpretation or implementation of this Agreement or arising out of this Agreement, such dispute or difference shall be referred to arbitration by a sole arbitrator, appointed by the Investor in its sole discretion, in accordance with the (Indian) Arbitration and Conciliation Act, 1996, or any modification or amendment thereof. The arbitration shall be held in Mumbai. The language of the arbitration proceedings shall be English. The expenses of the arbitration shall be borne by the Issuer. The decision of such arbitration shall be binding and conclusive upon the Parties and may be enforced in any court of competent jurisdiction.
Governing Law	The Debentures / and documentation will be governed by and construed in accordance with the laws of India and the parties submit to the exclusive jurisdiction of the courts in Mumbai and as more particularly provided for in the Debenture Trust Deed.
Transaction Costs	<p>The Issuer shall bear all transaction related costs incurred by the Debenture Holder with respect to legal counsel, valuers and auditors/ consultants. Such costs include:</p> <ul style="list-style-type: none"> • Trustee fees • Rating fees • Stamping and registration costs in relation to all Transaction Documents <p>Any other reasonable transaction related expense incurred by the Debenture Holders</p>
Taxes, Duties, Costs and Expenses	<ul style="list-style-type: none"> • Relevant taxes, duties and levies are to be borne by the Issuer. • 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.
Issue/ Bid Opening Date Issue/ Bid Closing Date Issue Pay-in Date Issue Deemed Date of Allotment	<p>November 12, 2020</p> <p>November 12, 2020</p> <p>November 13, 2020</p> <p>November 13, 2020</p>



Annexure
Illustration of Bond Cash flows

NCD issue details	
Issuer Company	Fusion Microfinance Private Limited
NCD Issue size	Rs. 50.00 Crores
Face Value (per security)	Rs. 10,00,000/- (Rupees Ten Lakh only)
Issue open	November 12, 2020
Issue close	November 12, 2020
Deemed date of Allotment	November 13, 2020
Tenor	18 Months
Redemption	Repayable in -4- equal quarterly instalments starting from the end of 9 months from the date of investment / allotment.
Final Redemption Date	May 13, 2022
Coupon Rate	10.40% p.a.
Frequency of the Coupon Payment with specified dates	Quarterly
Day Count Convention	Actual/Actual

Cash Flows				
Payment Date	No. of Days	Interest Amount (IN INR)	Principal Amount (IN INR)	Total Amount (IN INR)
13-02-2021	92 days	1,31,06,849	-	1,31,06,849
13-05-2021	89 days	1,26,79,452	-	1,26,79,452
13-08-2021	92 days	1,31,06,849	-	1,31,06,849
15-08-2021	2 days	-	12,50,00,000	12,50,00,000
13-11-2021	90 days	99,01,370	12,50,00,000	13,49,01,370
13-02-2022	92 days	65,53,425	12,50,00,000	13,15,53,425
13-05-2022	89 days	31,69,863	12,50,00,000	12,81,69,863

