

Fusion Microfinance Private Limited

H1,Community Centre, Near Gurudwara,
 Naraina Vihar,
 New Delhi-110028

Mumbai, 13 August 2019

Indicative Term Sheet

Dear Mr. Gaurav Maheshwari,

We are pleased to make available to Fusion Microfinance Private Limited, the following indicative non-binding term sheet with details as follows:

Issuer:	Fusion Microfinance Private Limited ("Fusion")
Debenture Holder:	One or more funds advised by responsAbility Investments AG ("responsAbility") with support in the region from its sub-advisor, responsAbility India Business Advisors Pvt Ltd ("responsAbility India") and via an affiliate vehicle.
Amount:	INR 35,00,00,000
Type:	Senior Unsecured Non-Convertible Debentures ('NCD')
Maturity:	71 months and 29 calendar days
Coupon rate:	<p>Coupon rate will be 11.91% p.a., net of withholding tax (INR fixed), payable semi-annually from the first Coupon Reset Date until the next Coupon Reset Date.</p> <p>The debenture trust deed will include language to protect the Lender against increase in the withholding tax rate beyond 5% plus applicable surcharges.</p> <p>The rate is also subject to changes in the tax environment, interest rate environment as well as the USD/INR hedging cost, assumed to be 4.5%. The coupon rates may be changed, in negotiation with the institution, in case there is a change in market conditions.</p>
Coupon Reset Dates	At the end of 35 months and 29 calendar days from the Deemed Date of Allotment
Coupon Rate Reset Mechanism	The Coupon Rate will be reset on Coupon Reset Date as per the coupon rate reset mechanism. The Trustee shall consult all Debenture holders for ascertaining the new Coupon Rate applicable

until the respective next Coupon Reset Date, and the decision so reached for fixing the Coupon Rate is to be acceptable to and has to be approved by the majority Debenture holders, at least 7 (seven) days prior to each Coupon Reset Date.

The Trustee shall communicate the new Coupon Rate, so determined, to the Issuer at least 4 (four) days before the respective Coupon Reset Date.

Additional fees: These fees do not include rating, listing, legal, trustee, stamp duty and other costs associated with the NCD issuance that shall be borne by the Issuer.

Call/ Put Option Both Debenture holder and Issuer hold the option to call / put the NCD at the end of 35 months and 29 calendar days from the date of allotment. The decision to exercise the put or call option will be reached independently by either party and shall be communicated at least 15 (fifteen) days before each Coupon Reset Date.

Interest payments: Payable semi-annually in arrears

Repayment type: The NCD amount is payable bullet at the end of the Maturity

Covenants:

- **Capital Adequacy:** The Issuer shall maintain a ratio of Regulatory Capital divided by Risk Weighted Assets of whichever is higher: a) fifteen percent (15%) or b) the minimum ratio imposed on the Issuer according to the Local Requirements.

- **Open Currency Position:** The Issuer shall maintain a ratio of Foreign-Currency Assets minus Foreign-Currency Liabilities divided by Regulatory Capital comprised between 150% and -50%.

- **Portfolio Quality 30 days:** The Issuer's [(Portfolio at Risk 30 days + Refinanced, restructured, rescheduled loans + Write-off previous 12 months) / Gross Loan Portfolio] shall be less than or equal to 5%

- **Open Loan Position:** The Issuer shall maintain an Open Loan Position of Thirty (30) Days, defined as [(Portfolio at Risk more than 30 days + Refinanced, restructured, rescheduled loans – Loan loss reserve) / Regulatory Capital]] less than or equal to 20%.

Security:	None
Governing law / Jurisdiction regarding investment:	The NCDs and documentation will be governed by and construed in accordance with the laws of India and the parties submit to the non-exclusive jurisdiction in Mumbai
Listing	The NCDs would be listed on the Bombay Stock Exchange

This term sheet is addressed solely to Fusion and is for information purposes only. It does not constitute any commitment by responsAbility or responsAbility India nor the proposed Debenture holders to enter any commercial or legal obligations whatsoever towards Fusion at this stage. In addition, any of the above-mentioned financing conditions remain indicative and may be revised by the Investment Committee of responsAbility, acting at its absolute discretion. The interest rate indicated is subject, inter alia, to changes in hedging costs.

Please further note that responsAbility India is the sub-advisor of responsAbility, and responsAbility is the investment advisor of responsAbility Global Microfinance Fund / responsAbility SICAV (Lux). The terms and conditions will be subject to input and modification from the credit risk department of responsAbility and final decision regarding the investment will be made by responsAbility Global Microfinance Fund / responsAbility SICAV (Lux) itself.

Sincerely yours,

For responsAbility India

For **responsAbility India:**



Mr. Jaskirat S Chadha
Head of Debt Financing – Asia Pacific
13 August 2019



Mr. Sharad Venugopal
Senior Investment Officer
13 August 2019