

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	Shiksha Financial Services India Private Limited ("Shiksha")		
Subscriber(s)	Northern Arc Capital Limited (formerly IFMR Capital Finance Limited) and Triodos Custody BV as a custodian of Triodos Fair Share Fund and Triodos Sicav II-Triodos Microfinance fund ("Triodos")		
Depository	NSDL		
Debenture Trustee	Catalyst Trusteeship Limited		
Legal Counsel	Phoenix Legal		
Rating Agency	Not Applicable		
Structurer and Arranger	Northern Arc Capital Limited (formerly IFMR Capital Finance Limited)		
Guarantor(s)	Not Applicable		
Credit Enhancer(s)	Not Applicable		
Other obligor(s)	Not Applicable		
DETAILS OF THE INSTRUMENT			
Type of instrument	Non-convertible debentures		
Nature of instrument	Unrated Unlisted Unsubordinated Secured Transferable Redeemable Non-convertible Debentures.		
Ranking	Unsubordinated		
Security requirements	Debentures shall be secured as per the terms and conditions stipulated under the heading 'Security Creation' hereunder.		
Listing requirements	Unlisted		
Rating	Not Applicable		
ISSUE DETAILS			
Mode of Issue	Private Placement		
Form of issue	Debentures will be issued in dematerialized form.		
Issue size	INR. 30,00,00,000 /- (Indian Rupees Thirty Crore only) issued by Shiksha; 50:50 participation of Triodos with Northern Arc Capital		
Tenor	72 (Seventy-Two) months		
Issue price	Debentures will be issued at par. The Debentures will be issued for an amount of INR 10,000/- (Indian Rupees Ten Thousand only) per Debenture aggregating to INR 30,00,00,000 /- (Indian Rupees Thirty Crore only).		
Issue Schedule	<table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td style="padding: 2px;">Issue Opening Date</td> <td style="padding: 2px;">October 09, 2019</td> </tr> </table>	Issue Opening Date	October 09, 2019
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	Issue Payin Date	October 10, 2019
	Issue Closing Date	October 10, 2019
	Deemed Date of Allotment	October 10, 2019
Objects of the issue	With a view to raising debt for the ongoing business purposes of the Company (including expansion of the Company's Education loan portfolio).	
Utilization of issue proceeds	<p>The proceeds of the Issuance will be utilized for the following purposes:</p> <ul style="list-style-type: none"> • Towards expanding education portfolio. <p>No part of the proceeds from the Issue will be used towards:</p> <ol 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; or iv. in contravention of any applicable law. 	
REDMPTION		
Redemption Amount	Each Debenture shall be redeemed at par.	
Scheduled Redemption	Debentures shall be redeemed on a pro rata basis as set out in Schedule 1 (Redemption Schedule) hereto and shall be fully redeemed by the Final Redemption Date.	
Final Redemption Date	October 10, 2025	
Early Redemption	Not applicable.	
Put Option	Put Option will be applicable at end of 36 months from issuance date	
Call Option	Call Option will be applicable at end of 36 months from issuance date	
Early Redemption Premium	Not applicable.	
Default Interest Rate	2.00 % per annum, over and above the prevailing coupon rate to be calculated on the principal amount, interest amount and any other amounts as per payable and due under the loan agreement	
COUPON PAYMENT		
Coupon Type	Fixed	
Coupon Rate	14.44 % (Fourteen point Four Four per cent) per annum gross of applicable tax payable at such frequency as set out below against the heading 'Coupon Payment Frequency' and on such dates as set out below against the heading 'Coupon Payment Payment Dates'.	
Coupon Payment Frequency	Half Yearly	
Coupon Payment Dates	As set out in Schedule 1	
Coupon Payment Frequency	Semi-annual	
Step-up Coupon	Coupon can be reset after 36 months as mutually agreed between Issuer and investors.	

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Step-down Coupon	Coupon can be reset after 36 months as mutually agreed between Issuer and investors.
Processing Fee to Northern Arc	0.50% of the Investment amount by Northern Arc plus applicable taxes payable up front
Other fee to Northern Arc	1.05% of the Investment Amount by Northern Arc plus applicable taxes, payable on an annual basis
Arranger Fee to Northern Arc	1.00% of the Issuance size plus applicable taxes
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 Chennai;
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)	Not applicable.
Credit Enhancer(s)	Not applicable.
Other Obligor(s)	Not applicable.
SECURITY CREATION	
Negotiable instruments	None.
Hypothecation	<p>The Debentures shall be secured (i) 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 Receivables 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"> to maintain the value of security at all times equal to 1.0 (One decimal point Zero) time or 100.0% (One Hundred Percent) the aggregate amount of principal outstanding of the NCDs

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	<p>where at least 1.00 (One decimal point zero) time or 100.0% (One Hundred Percent) of the security cover is from principal receivables ("Security Cover");</p> <ul style="list-style-type: none"> to 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; 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 1.0 (One decimal point zero) time or 100.0% (One Hundred Percent) the aggregate amount of principal outstanding of the NCDs where at least 1.0 (One decimal point zero) time or 100.0% (One Hundred and Percent) of the security cover is from principal receivables. to replace any Hypothecated Receivables that become overdue with current receivables. Such replacement shall be effected within 15 (Fifteen) Business Days of the receivables becoming overdue <p><u>Eligibility Criteria for the Hypothecated Receivables:</u></p> <ul style="list-style-type: none"> As listed in the Debenture Trust Deed.
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).
Related Party Transactions	Issuer shall not enter into any transaction(s) with a related party with the prior written consent of the Debenture Trustee.
Affirmative Covenants	As listed in the Debenture Trust Deed.
Negative Covenants	As listed in the Debenture Trust Deed.
Events of Default	As listed in the Debenture Trust Deed.
Reporting Covenants	As listed in the Debenture Trust Deed.
Financial Covenants	<p>The issuer shall prudently manage its financial position in accordance with sound banking and financial practices, applicable laws and the Reserve Bank of India ("RBI") prudential standards. In addition to this the issuer shall comply with the following covenants:</p> <ol style="list-style-type: none"> Capital Adequacy ratio of 17.00% or such higher limit/threshold prescribed by RBI from time to time

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	<ol style="list-style-type: none"> 2. [Portfolio at risk over 30 days +Rescheduled Loans] / Gross Loan Portfolio ratio of not more than 15.00% 3. [Portfolio at risk over 90 days +Rescheduled Loans] / Gross Loan Portfolio ratio of not more than 5.00% 4. Ratio of unhedged open foreign currency receivables or payables to Total Equity to be not more than 25% 5. Adjusted CRAR of no less than 20% [Ratio defined as (Tier 1 Capital + Provisions – {Par 90 + Restructured/rescheduled loans}) to risk Weighted Assets] 6. 12 months trailing Write offs ratio to be no more than 1.00% [Ratio defined as Value of loans written off in previous 12 months to Average GLP of previous 12 months on TTM] <p>All covenants would be tested on a quarterly basis for the Company i.t. as on 31st March, 30th June, 30th September and 31st December, till the redemption of the Debentures. The covenants shall be certified by the Company within 30 days from end of each quarter.</p>
Transaction documents	<p>Debenture Trust Deed, Hypothecation Agreement, Undertaking(s), 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> <ol style="list-style-type: none"> (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 (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>Resolutions means collectively,</p> <ol style="list-style-type: none"> (a) 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; (b) 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.
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'</p>

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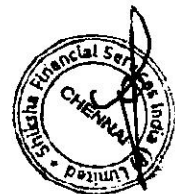
	expenses and expenses incurred in the preparation for the Transaction Documents.
Governing Law and Jurisdiction	Indian Law with jurisdiction of the courts and tribunals of Chennai.

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Redemption Schedule

Redemption Instalments	Redemption Date	Interest per Debenture (in INR)	Amount to be redeemed per Debenture (in INR)
0	10-Oct-2019	0	10,000
6	10-Apr-2020	722	0
12	12-Oct-2020	835	0
18	12-Apr-2021	720	0
24	11-Oct-2021	825	0
30	11-Apr-2022	720	0
36	10-Oct-2022	825	0
42	10-Apr-2023	720	0
48	10-Oct-2023	829	0
54	10-Apr-2024	722	0
60	10-Oct-2024	827	0
66	10-Apr-2025	720	0
72	10-Oct-2025	829	10,000



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