

# KENSTREAM VENTURES LLP

Date: 1<sup>st</sup> February, 2018

To,  
Mr. Arun Kumar,  
Arun Shelters Pvt Ltd,  
Bengaluru

## Non-Binding Indicative Term Sheet

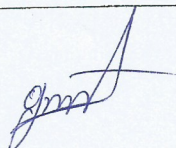
This non-binding indicative term-sheet ("Term Sheet") outlines the important terms and conditions of the proposed facility being provided by Kenstream Ventures LLP to Arun Shelters Pvt. Ltd., a company undertaking real estate construction and development in Bengaluru ("Proposed Transaction").

<b>Issuer/Borrower :</b>	Arun Shelters Pvt. Ltd. Hereinafter referred as " <b>Issuer/Borrower/Developer</b> "
<b>Promoter:</b>	Mr. Arun Kumar & Mrs. Suchitra N
<b>Security provider:</b>	Mr. Arun Kumar along with Arun Shelters Pvt. Ltd.
<b>Lender / Subscriber:</b>	Kenstream Ventures LLP, hereinafter to be called <b>Debenture Subscriber/Lender/Subscriber</b>
<b>Facility Amount:</b>	Upto Rs. 25 crs to be disbursed in two or more tranches
<b>Instrument:</b>	Non-Convertible Debentures (NCDs)
<b>Primary Projects:</b>	Residential project Code named "Kaustubha" on land admeasuring 4 acres and 15 Gunthas on Sy. No. 98 BBMP Khatha No. 33/1/98, (New PID No. 005-W0132-16), Thanisandra Main Road, Bengaluru with a total Saleable area of 528,336 sqft approx (Hereinafter called as the "Project"). Project shall be more particularly described in Transaction Documents.
<b>Development Manager</b>	Issuer has entered into a " <b>Development Management Agreement</b> " with Provident Housing Ltd on dated 3 <sup>rd</sup> March 2017.  Provident Housing Ltd shall continue to work as Development Manager during the continuance of this Investment and would continue to undertake its rights, responsibilities under the DM Agreement.
<b>Security :</b>	<ul style="list-style-type: none"><li>• First &amp; Exclusive Charge on the land of the Project</li><li>• First &amp; Exclusive charge on the Development Rights, Project building both Existing and proposed structure and development potential</li><li>• Hypothecation of 100% Existing and Future Receivables and Movable assets belonging to Project including TDR etc.</li><li>• Escrow of 100% Receivables from the Project</li><li>• Demand Promissory Note</li><li>• Undated Cheques for Principal amount and Interest</li><li>• Personal Guarantee of Mr. Arun Kumar</li><li>• Personal Guarantee of Mrs. Suchitra N</li><li>• Non Disposable Undertaking from Shareholders of the Issuer</li></ul>
<b>Purpose:</b>	Upto Rs 25 crs facility is to be utilized towards:

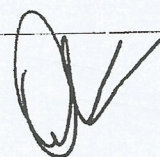


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	<ul style="list-style-type: none"> <li>• Tranche 1 of upto Rs 18 crs shall be disbursed in Operating Account which shall be operated by Escrow Banker based on the Joint Instructions of Development Manager and Issuer; Debenture Subscription amount shall be used towards : <ul style="list-style-type: none"> <li>○ Repayment of existing loans from L&amp;T Housing Finance Ltd upto Rs 12.50 crores</li> <li>○ Repayment of dues of Corporation Bank for Auroville Project upto Rs. 2.60 crores</li> <li>○ Approval Cost of Project Kaustubha upto Rs. 1.20 crores</li> <li>○ Approval Exp of Auroville Project upto Rs. 0.35 crores subject to the condition that Auroville Project is managed by Puravankara group under Development management Agreement.</li> <li>○ Pending Statutory Payments upto Rs. 0.50 crs</li> <li>○ Employee Salaries and other due expenditure upto Rs. 0.35 crores</li> <li>○ Deal Expenses including Statutory charges, fee of vendors and advisors upto Rs. 0.15 crores</li> <li>○ Any Surplus left from above shall be used towards meeting working capital requirement at group level.</li> </ul> </li> <li>• Next Tranches total of Rs. 7.0 crores; <ul style="list-style-type: none"> <li>○ 2<sup>nd</sup> Tranche of Rs. 1 crs towards meeting cost of registering the Joint Development Agreement once project plan is approved with minimum 5,25,000 sq ft of saleable area and</li> <li>○ 4 tranches of Rs. 1.5 crs each) towards meeting Cost of Kaustubha Project incl. Development cost, Approval cost, sales/marketing cost and meeting General Office Expenses upto Rs. 2.4 crs , subject to the condition that project being launched successfully as may be determined by the Lender.</li> </ul> </li> <li>• End use of funds shall be monitored by the Development Manager (Provident Housing Ltd) in active consultation with Investor and Issuer).</li> <li>• End use certificate from a CA to be provided within 15 working days from the date of disbursement of funds.</li> <li>• The Lender at its sole discretion and on request of Issuer can approve modification in tranches and end use of funds or even cancel the balance pending drawdown.</li> <li>•</li> </ul>
<b>Total Tenure:</b>	15 months from the date of first drawdown
<b>Repayment</b>	<ul style="list-style-type: none"> <li>• 10 equal monthly Installments starting from the end of 6<sup>th</sup> month from the date of the first disbursement till 15<sup>th</sup> month.</li> <li>• Any prepayment made from Escrow account as per waterfall shall be adjusted from scheduled Installment on FIFO basis.</li> </ul>
<b>Coupon:</b>	<p>24% p.a. (compounding annually - to be calculated on the basis of 365 days) Fixed Rate.</p> <p>Coupon shall be payable at the time of principal repayment along with each Installment.</p> <p>First Coupon interest for the first six months shall be payable along with first principal Installment at the end of 6<sup>th</sup> Month thereafter with every monthly installments for that month.</p>



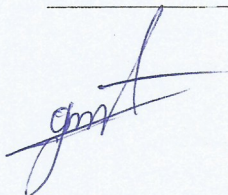
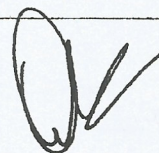
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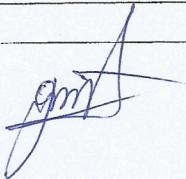
<p><b>Escrow mechanism &amp; Mandatory prepayment:</b></p>	<p>Following Accounts shall be opened for the project:</p> <ul style="list-style-type: none"> <li>• <b>"Master RERA Account"</b> for depositing 100% of project Cash flow as per RERA. monies deposited in the Master RERA Account shall be transferred to the RERA Designated Account and the Lender Escrow Account in the ratio of 70:30 respectively on a daily basis without any further act, deed, matter or thing</li> <li>• <b>"RERA Designated Account"</b> for depositing 70% of project cash flow transferred from Master RERA Account released as per provisions of RERA. The amounts that the Company shall be entitled to withdraw from the RERA Designated Account from time to time as per the provisions of RERA ("Permitted Withdrawals") shall be compulsorily transferred to the Lender Escrow Account.</li> <li>• <b>Lender Escrow Account"</b> for depositing 30% of Project cash flow transferred from Master RERA Account and funds released from time to time from RERA Designated Account. The Debenture Trustee shall instruct the Escrow Bank to transfer all monies available in the Lender Escrow Account in such proportion as may be determined by the Debenture Trustee as per the instruction of Debenture Holders in the following manner: <ul style="list-style-type: none"> <li>(i) to be retained in the Lender Escrow Account for payment of Debenture Repayment and coupon falling due in next month in terms of the Debenture Trust Deed and other Transaction Documents which will be communicated and intimated to the Debenture Trustee by the Debenture Holders on an ongoing basis</li> <li>(ii) Balance funds to be transferred to the Operating Account to be utilized for the expenses of the Project.</li> </ul> </li> <li>• <b>"Operating Account"</b> shall receive funds from Lender Escrow Account as well as Subscription money from Debenture Holders. Operating Account shall be operated by Escrow Bank as per the Escrow Agreement based on joint instructions of Development Manager and Issuer. Utilization of Cash flow received from Lender Escrow Account into Operating Account shall be as follows:- <ol style="list-style-type: none"> <li>1. Utilisation of Debenture subscription amount as per the agreed purpose above;</li> <li>2. Payment of outstanding principal and Interest payable to the Debenture Holder in case there is shortfall from the funds repaid as per clause 5.4.2 (i),</li> <li>3. To pay the GST and other taxes;</li> <li>4. To meet the development cost of the Project</li> <li>5. Payment of transaction advisory fee upto Rs. 3 crs to Mango Financial Advisors LLP,</li> <li>6. Installments payable to HDB Finance, Kotak Mahindra Bank, Axis Bank and Reliance Capital to the extent of maximum Rs. 7 lacs per month with a maximum of Rs. 2.04 crs over the lifecycle of these loans.</li> </ol> </li> </ul>
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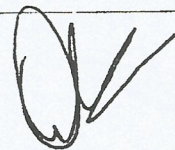


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	<p>Approval costs pending for the Auroville Project subject to the condition that Auroville project is being managed by the Development Manager or Puravankara group company under their control and supervision.</p> <p>7. Any surplus after meeting above obligations and subject to</p> <ol style="list-style-type: none"> <li>Funds equivalent to 2 quarters of construction cost being available in the operating account and</li> <li>Minimum Cash flow cover for the Investor is available; can be used to meet the development and construction cost of Auroville project, subject to the condition that Auroville project is being managed by the Development Manager or Puravankara group company under their control and supervision.</li> </ol> <p>8. Any surplus left after meeting requirements in clause 1-5 above can be used towards pre-payment of the outstanding Debenture Payments, if any.</p> <p>Debenture subscription funds would be directly deposited to the Operating Account and shall be utilized as per the end use provided in "Purpose clause".</p> <p>The Debenture Trustee will exercise direct and irrevocable control over the Lender Escrow Account for and on behalf of the Debenture Holders and the Development Manager shall exercise complete control over the Master Account and the Operating Account.</p> <p>Escrow Mechanism shall be more particularly described in Escrow Agreement</p>
<b>Security Cover:</b>	<p>Post creation of security, Issuer shall maintain minimum security cover of 2.5x during the entire tenor of facility and same shall be monitored at the time of:</p> <ul style="list-style-type: none"> <li>Issuance of NOCs</li> <li>At the time of disbursement of each tranches</li> </ul> <p>(Any shortfall in the security should be made good by the Issuer by providing additional security within 30 days)</p> <ul style="list-style-type: none"> <li><b>Security Cover Calculation Method</b> <ul style="list-style-type: none"> <li>Balance Receivables in the project</li> <li>Less: Balance Estimated Cost to be incurred for the project</li> </ul> </li> </ul> <p><b>Project Surplus/Value of Security</b> (Receivables to be calculated at last sales price) Cover calculation method can be more particularly described in the facility documents.</p>
<b>Default Interest:</b>	<p>If interest and/or principal payments due are defaulted/delayed, additional interest @ 2% per annum, shall be charged on the amount in default and for the period of default (calculated from due date till date of payment).</p>
<b>Pre-disbursement conditions:</b>	<p><b><u>Condition Precedent of First Tranche</u></b></p> <ul style="list-style-type: none"> <li>Title Report with Clear and marketable title for Project offered as security</li> <li>Valuation Report for the Land and Project offered as security</li> </ul>



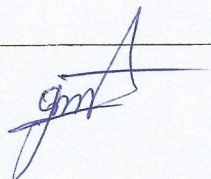
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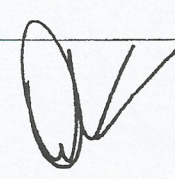


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	<ul style="list-style-type: none"> <li>Letter from L&amp;T Housing Finance Ltd. mentioning outstanding and confirming that after payment of dues it will release charge from the project and also hand over the original documents of title to the Property.</li> <li>Signing of escrow agreements for the Operating Account.</li> <li>Execution of Facility Documents: <ul style="list-style-type: none"> <li>o DTD</li> <li>o DTA</li> <li>o PG from promoters</li> <li>o DPN</li> <li>o UDC</li> <li>o Escrow Agreement</li> <li>o Non Disposable Undertaking from shareholders</li> </ul> </li> </ul> <p><b>Condition Subsequent for First Tranche</b></p> <ul style="list-style-type: none"> <li>No dues letter from L&amp;T Housing Finance Limited</li> <li>Hand over of original Title documents from L&amp;T Housing Finance Ltd</li> <li>Perfection of security/Registration of DTD within 7 working days from the date of disbursement</li> <li>Filing of PAS 4 and PAS 5</li> <li>End use certificate to be provided</li> </ul> <p><b>Condition Precedent for 2<sup>nd</sup> Tranche</b></p> <ul style="list-style-type: none"> <li>Plan sanction with minimum 5,25,000 sq ft of saleable area of modified plan applied recently.</li> </ul> <p><b>Condition Subsequent for 2<sup>nd</sup> Tranche</b></p> <ul style="list-style-type: none"> <li>Execution of registered Joint Development agreement between the Land Owners and Issuer.</li> </ul> <p><b>Condition Precedent for the Next Tranches</b></p> <ul style="list-style-type: none"> <li>Completion of CS for earlier tranches;</li> </ul> <p>CP and CS shall be further described in Debenture Trust Deed</p>
<b>Confidentiality</b>	Save and except any disclosure requirements for Statutory Purposes, all Parties and/or their directors/officers hereto shall keep all negotiations confidential and maintain the contents of this Term Sheet in strictest confidence and shall make no announcement or disclosure without the prior written approval of the other Party save in respect of disclosures or announcements which may be required by any applicable law, and any disclosures to each Party's consultants, advisors, employees/directors (or by the Debenture Subscribers to its affiliates or their employees/directors/advisors/consultants) on a need-to-know basis or those of its affiliates.
<b>Governing Law and Arbitration</b>	Any disputes arising out of or in connection with the validity, interpretation or implementation of this Term Sheet and the Definitive Documentation shall be governed by the laws of India.
<b>Legally Binding Understanding</b>	It is hereby expressly agreed between the Parties that the terms and conditions set forth in this Term Sheet are not legally binding on the Parties, save and except to the extent specifically stated herein. Notwithstanding anything contained herein, the clauses pertaining to upfront fees, confidentiality, exclusivity, expenses, governing law and arbitration set out in this Term Sheet, shall be legally binding on the Parties. Further, this Term Sheet is an expression of desire to work together for investment.



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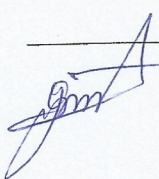




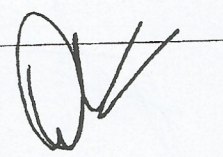
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## Other Conditions:

1. All due diligence (marketing, financial, title etc), legal and documentation charges (including stamp duty), legal, trustee and valuation charges shall be borne by the Issuer / Borrower
2. The Issuer will obtain NOC from the Debenture Subscriber for sale of units at monthly intervals before execution of the agreements for sale of the units in the projects to the respective buyers. Upon request for NOC, the Lender would revert within 5 business days. Issuance of such NOC/approval shall be subject to a minimum security cover (from the secured properties) of 2.5x times the outstanding Facility
3. The Issuer shall not raise any loan/funding from any other source on the project offered as security, without prior written consent from the Subscribers.
4. The Lender shall retain the right to sell down its investment to a third party at any point in time without approval from the borrower however Debentures shall not be sold to a competitor of the Issuer.
5. It is the Issuer's responsibility to ensure that the mortgaged properties be duly insured at their own cost & expenses, for all risks. The insurance policy should be assigned in the name of the Trustee within 60 days of the drawdown and a copy of the same should be given to us for our record
6. The Issuer shall not change its capital structure without prior written consent from the Subscribers/Trustee.
7. The Subscribers/Trustee shall have full authority to monitor, including auditing all transactions through such escrow account.
8. The Issuer will also undertake & confirm that in the event the cash flow in the escrow account is not sufficient to service the principal repayment of the Loan, interest or other dues, the shortfall will be met through Inflow of fresh Funds therein by the issuer in a manner & form as mutually acceptable to the Subscribers/Trustee. The support shall be kept valid until full repayment of the entire loan amount with interest & all other dues
9. Issuer will also undertake & confirm to complete the entire project in event of escalation of Project costs
10. The Issuer shall give the following irrevocable instructions to the concerned bank(s) with reference to the said escrow account:
  - o That the bank(s) will be authorized to send to the Subscribers/Trustee, statements pertaining to the escrow account directly at such frequency as the Subscribers/Trustee may require at anytime
  - o That the Subscribers/Trustee in event of default as defined in the documents shall have the right to cause the bank to freeze the escrow account at any time without Issuer's confirmation & that on the request of the Subscribers/Trustee/ Lender, the bank shall after freezing the escrow account or otherwise transfer the balance in the escrow account in the account of the Subscribers/Trustee/ Lender, as instructed by Subscribers/Trustee, without having to obtain any further Instruction from the Issuer
  - o That the bank will abide by any instruction that the Subscribers/Trustee/ Lender may give to the bank in connection with the escrow account without any reference to the Issuer
  - o The Borrower shall procure & produce to the Subscribers/Trustee/ Lender a written confirmation of the above from the bank prior to execution of the loan agreement
11. This Indicative Term Sheet shall stand revoked and cancelled and shall be absolutely null and void if:
  - o There are any material changes in the proposal



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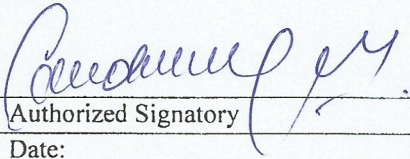
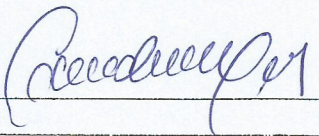
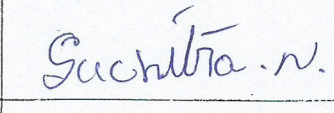
- Any material fact concerning the Issuer's profits, etc., or ability to repay, or any other relevant aspect of it is withheld, suppressed, or concealed or not made known to us
  - Any Statement made by the Issuer is found to be incorrect or untrue;
  - Any Information as may be required by the Subscriber from Issuer, time to time, pertaining to the Property is not furnished in the form prescribed / approved by the Subscriber over a period of 30 days; and
12. The Subscribers/trustee shall have the right to appoint Lender's Engineer during the implementation period and till the repayment of entire outstanding loan, the expenses of which shall be borne by the Issuers.
13. The Subscribers/trustee will have rights to scrutinize and audit the expenses, which are incurred for the project at the Issuer's cost, which should be reasonable
14. This offer stands automatically cancelled and withdrawn in 30 days from the date of this letter unless before that date the issuer complies with the conditions herein contained and completes documentation process in the form and manner acceptable to the subscriber and avails disbursement (Part/Full) of the Facility.
15. This Indicative Term Sheet is subject to Title and Technical due diligence to the satisfaction of Subscriber. The Issuer shall make available all necessary and material information and extend full cooperation to lawyers and other advisors of subscribers for undertaking the due diligence.

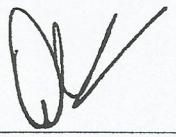
This Indicative Term Sheet shall not be final and binding (in any manner) on Subscriber / Borrower & they reserve their right to cancel, add, modify or alter the entire or any terms and conditions including facility amount and coupon rate mentioned herein.

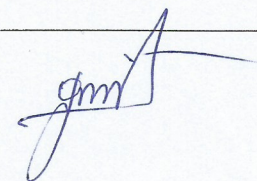
Your signature on the acknowledgement of this letter signifies your acceptance of the terms and the proposal as set out in this Letter

Thanking You,

Accepted,

For Arun Shelters Pvt Ltd	Mr. Arun Kumar	Mrs. Suchitra N
		
Authorized Signatory		
Date:	Date:	Date:
Place:	Place:	Place:

For Kenstream Ventures LLP----- ----
Ashish Puravankara 
Authorized Signatory
Date: 01.02.2018
Place: Bangalore



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