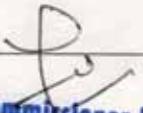


GVMC SUMMARY TERM SHEET



Security Name	10% Greater Visakhapatnam Municipal Corporation 2028
Issuer	Greater Visakhapatnam Municipal Corporation (GVMC)
Type of Instrument	Non-Convertible Debentures
Nature of Instrument	Secured, rated, listed, taxable, redeemable Non-Convertible Bonds
Issue size	Rs. 80 crore
Mode of Issue	Private placement of Municipal Bonds under SEBI (Issue and Listing of Debt Securities by Municipalities) Regulations, 2015
Eligible Investors	Have been detailed in the Disclosure Document/ Invitation letter for the private placement made to the investor under section "Who Can Apply".
Listing	Proposed to be listed on the WDM Segment of Bombay Stock Exchange. The final listing approval shall be taken from the respective stock exchange within a maximum period of 15 (Fifteen) days from Deemed Date of Allotment.
Proposed Rating of Instrument	CARE AA(SO); Stable (Double A (Structured Obligation: Outlook Stable) by CARE and Provisional IND AA(SO) /Stable (Double A (Structured Obligation: Outlook Stable) by IRRPL
Option to retain oversubscription	NA
Objects of the Issue	General obligation bonds for funding the GVMC contribution for the project of Development of Sewerage System in Visakhapatnam (Gajuwaka, Malkapuram and Pendurthi areas) and Supply of Treated Water to various industries in Visakhapatnam, to be undertaken by GVMC/GVSCCL.
Details of the utilization of the Proceeds	General obligation bonds for incurring Capital Expenditure (Capex) on projects by GVMC/GVSCCL as detailed above.
Coupon Rate	Fixed rate structure, Coupon will be decided as per investors' appetite based on Credit Rating, Structure, Security and the market scenario and shall be finalized near to the issue launch.
Step Up/Step Down Coupon Rate	N.A., fixed rate structure except the following Step up clause will be applicable in case of default/delay or rating downgrade or delay in adhering to various covenants, as may be decided


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Coupon Payment Frequency	Half yearly from the Deemed Date of Allotment
Coupon payment dates	June 21 and December 21 every year
Coupon Type	Fixed
Coupon Reset Process	Reset clause will be applicable in case of defaults/delays or rating downgrade or delay in adhering to various covenants, as may be decided
Day Count Basis	Actual/ Actual
Interest on Application Money	At Coupon rate, will be paid to investors at coupon from date of realization of subscription money up to one day prior to Deemed date of Allotment.
Tenor	10 years
Redemption Date	Staggered Redemption of 25% each of the Face Value, at the end of the 7 th , 8 th , 9 th and 10 th Year, i. e. on 21 st December 2025, 21 st December 2026, 21 st December 2027 and 21 st December 2028
Redemption Amount	At Par Value of 25% each at the end of the 7 th , 8 th , 9 th and 10 th Year
Rating downgrade Event	Lowering of the long term credit rating of the Debentures at any point of time during the currency of the NCDs.
Rating downgrade Interest	On occurrence of a Rating Downgrade Event, an additional coupon on the Debentures will be paid to the extent of 0.25% p.a., for every notch below assigned rating over & above the Coupon payable on Debentures.
Redemption premium	Nil
Issue Price	Rs. 10,00,000/- (Rupees Ten Lakhs Only) per NCD
No. of NCD(s)	800 (Eight Hundred only)
Discount at which security is issued and the effective yield as a result of such discount	N.A.
Put Option Date	N.A.
Put Option Price	N.A.

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Call Option Date	N.A.
Call Option Price	N.A.
Put Notification Time	N.A.
Call Notification Time	N.A.
Face Value	Rs.10,00,000/- (Rupees Ten Lakhs only) per NCD
Minimum Application size	Rs.10,00,000/- (Rupees Ten Lakhs only) (Minimum application is of 1 Debentures of face value of Rs.10 lakhs each and thereafter in multiple of 1 Debenture)
Issue Timing	<p>Issue Opening Date: 21th December 2018</p> <p>Issue Closing Date: 21th December 2018</p> <p>Pay-in Date: 21th December 2018</p> <p>Deemed Date of Allotment: 21th December 2018</p>
Issuance mode of the Instrument	Demat only (Electronic Mode Only)
Trading mode of the Instrument	Demat only (Electronic Mode Only)
Settlement Mode of the Instrument	Through ICCL Channel
Depositories	NSDL and CDSL
Business Days	Means a day (other than a Saturday, Sunday or a Bank holiday) on which banks are open for general business in Andhra Pradesh. If the due date for payment falls on a day that is not a Business Day, then the due date in respect of such payment shall be succeeding Business Day in case of interest payment and preceding day in case of redemption payment. In such a case, interest shall be paid inclusive of such days falling as holidays.
Record Date	15 days prior to interest payment, staggered redemption date, and maturity date.


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Security	<p>Legally enforceable and tenable exclusive first charge over Fixed Assets (details mentioned in Annexure 3 in the Information Memorandum dated 20.12.2018) of the municipal corporation with minimum cover of 1.10 times of the total amount borrowed.</p> <p>The said security shall be created in favor of the Debenture Trustee within the regulatory time framework, the Deemed Date of Allotment of issue or such extended period as may be permitted by the relevant authority (ies). The security will be created by the Corporation as aforesaid in favor of the Debenture Trustee on such of the assets for which the Corporation obtains, after all due diligence and efforts, the requisite consents and permissions applicable under laws or in accordance with conditions of holding of such assets for creating the above mentioned charge. The creation of such security shall be sufficient compliance of the Corporation's obligation to create security.</p> <p>The Corporation will be at liberty from time to time during the continuance of the security to issue at such future dates and in such denomination as it considers advisable, to further issue convertible and/or non-convertible debentures and/or to raise further loans, advances and/or avail further financial and/or guarantee facilities from financial institutions, banks, &/or any other persons or entities without diluting the existing security.</p> <p>The Corporation shall, till any of the Debentures are outstanding, maintain a security cover equivalent to 1.10 (One Point One Zero) times of the outstanding Debentures;</p>
Nature of credit enhancement (Escrow account, DSRA etc.)	<p>1. Escrow Collection Account – The Issuer would be required to open a designated escrow account – “GVMC Bonds Escrow Collection Account” exclusively for timely service of interest and payment of redemption amount in terms of proposed scheme for the benefit and charged to the Debenture Trustee (on behalf of the Bond holders).</p> <p>Collection under the Revenue Heads Property Tax and Vacant Land Tax Revenue and Bulk Water Supply Charges (Only Those which are free from any Charge) for at least 1.5 times the borrowed amount (provisioned for), under all Zones of GVMC shall be credited to the above referred Escrow Account – GVMC Bonds Servicing Account. Funds in the Escrow account will be under 100% charge/control of the Debenture Trustee.</p>

2. **Debt Service Reserve Account (DSRA):** Issuer shall fund designated Debt Service Reserve Account on the day prior to the pay-in date with an amount equivalent to TWO half year interest payment due under bond. The amount lying in this account is to be kept in the form of Fixed Deposit with any Scheduled Commercial Banks /Govt. of India dated Securities (G-Sec)/ State Development Loans (SDL), AAA/AA+ rated PSU/Bank Bonds having fixed coupon. Such investments (DSRA) shall be placed under lien/ earmarked in favour of Debenture Trustee & shall remain valid during the tenure of Bonds on rolling basis.

3. **Debt Service Account (DSA) :** All the designated funds collected in the Escrow Account will be transferred to the DSA account, to the tune of the defined monthly liability for servicing of the debt, including the interest portion and the portion for the DRR, on the day of fulfilling of the monthly liability.

The account is meant for funding of Interest Service account and Debenture Redemption Account.

4. **GVMC Interest Service Account:** As half yearly payment of interest on bonds is proposed to be serviced from a separate GVMC Interest Servicing Account, the Corporation shall build up the amount in this Account for service of interest – 100% is to be built up within a period of first five months (equally) so that on T-30 days, an amount equivalent to the first interest payment due is built up. From there on, all the future half yearly interest payment, 100% is to be built up within a period of first six months (equally) so that on any T-30 days, an amount equivalent to the next interest payment due is fully funded up.

This amount to be kept in the form of fixed deposit with any scheduled commercial Banks and shall be earmarked in favour of Debenture trustee and shall remain valid till its credit in Interest Payment Account. At the time of interest servicing, such fixed deposits shall be redeemed and transferred to the Interest Servicing Escrow Account on T-5 days. The monthly liability for this account would be met from the DSA account and transferred from DSA to ISA account on the first working day of the next month of transfer of the amount into DSA from the main Escrow account.

Debenture Redemption Reserve (DRR or Sinking Fund):- Corporation shall create Debenture Redemption Reserve (DRR) by transferring 10% yearly (to be funded in 11 months so that on T-30 day, the trustee can see the full amount for the year in the account), of the amount of total borrowing from the Bond

	 <p>Servicing Escrow Account on monthly basis – to be transferred from the DSA on the first working day of the next month of transfer of the amount into DSA from the main Escrow account, as per the cash flow waterfall.</p> <p>This Reserve shall be kept in the form of Fixed Deposit with any Scheduled Commercial Banks/Govt. of India Dated Securities (G-Sec)/ State Development Loans (SDL), AAA/AA+ rated PSU/Bank Bonds having fixed coupon. Such fixed deposits/Dated Securities/SDL/Bonds shall be exclusively utilized for debenture redemption from the deemed date of allotment</p> <p>Such Fixed deposit/Dated Securities/SDL/Bonds shall be earmarked in favour of Debenture Trustee and the lien shall remain valid during the tenure of the Bonds.</p>
Escrow Payment Mechanism:-	<p>All collection from Zone-wise dedicated Bank accounts for collection of Property Tax, Vacant Land Tax Revenue and Bulk Water Supply Charges (free from all charges) shall be transferred to the escrow account – GVMC Bonds Escrow Collection Account on daily basis. GVMC to provide a minimum Escrow cover of at least 1.5 times of the monthly liability including that of Interest and Principle amounts.</p> <p>In term of Tripartite Agreement amongst GVMC, Debenture Trustee and Bank, funds in the above Escrow collection account shall first be utilized for buildup of any shortfall in DSRA, built up funds in the GVMC Debt Service Account and thereafter for payment of other expenses/ obligation. After meeting the monthly obligations of the bonds, funds may stop coming to the escrow account and directly go to the Municipal Fund Account, however, GVMC promises to route at least 1.5 times of the borrowed amount through the Escrow Account in every year.</p> <p>DSRA equivalent to two times the amount of half yearly interest payable on Bonds shall be created on the day prior to the pay in date fixed for Issuance of the Bonds and kept in a Fixed Deposit with AAA/AA+ rated Bank, lien marked in favour of the trustees.</p> <p>Servicing of half yearly interest, as and when due, shall be made from the Interest Servicing Account. For this purpose, the Corporation to build up the amount in the Debt Service Escrow Account for service of interest – 100% is to be built up within a period of first five months so that on T-30 days, an amount equivalent to the first interest payment due is build up. From there on, all the future half yearly interest payment, 100% is to be built up within a period of first six months (equally) so that on any T-30 days, an amount equivalent to the next interest payment due is fully funded up.</p>

Debenture Trustee shall independently monitor adequacy of funds in all above five accounts on monthly basis.

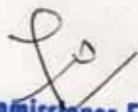
On T-30th day, in case there is any shortfall in the Interest Service Account on account of non-transfer/shortage in transfer of funds from GVMC Bond Escrow Collection Account and DSA, as envisaged above, the Debenture Trustee to take up the matter with the Commissioner Greater Visakhapatnam Municipal Corporation for immediate credit of the shortfall amount in Interest Service Escrow Account within T-23 days.

In case shortfall still persist, payment of interest from DSRA funds Mechanism get triggered and Debenture Trustee to issue suitable instructions to the bank maintaining DSRA to make good the short fall by partially taking premature (or as much required for full payment) payment of DSRA fixed deposits/redeeming the investments in Dated Securities (G-Sec)/ State Development Loans (SDL) so that funds equivalent to next half year interest payment is ensured on T-15 days.,

Withdrawal so made from DSRA account shall be recouped from balance available in the above said Debt Servicing Escrow Account/or any other accounts of GVMC within a period next 21 working days. In case of use of DSRA for funding of the interest payments, ALL the free collections of Property Taxes, Vacant Land Taxes and Bulk Water Supply Charges would flow in to the escrow account till the time the deficit is fully funded (full 150% escrow provisioning would be triggered here).

Debenture Trustee shall also monitor adequacy of funds in the DRR account on monthly basis and in case of shortfall in DRR account because of non-availability of funds in Bond Serving Escrow account and DSA, the matter be immediately taken up with the Commissioner for ensuring sufficiency of funds in DRR account in terms of framework, as envisaged above. In case of shortfall still persisting, ALL the free collections of Property Taxes, Vacant Land Taxes and Bulk Water Supply Charges would flow in to the escrow account till the time the deficit is fully funded (full 150% escrow provisioning would be triggered here).

If any of the milestone days mentioned in the T-structure above happens to be a holiday/bank's closing day, the immediate preceding bank working day would be the deemed date for execution of the relevant action.



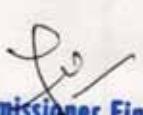
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Cash flow Waterfall	<p>The collection from Property Tax, Vacant Land Tax and Bulk Water Supply Charges (Free from all charges) collected from different Zones and credited to Escrow account "GVMC Bonds Escrow Collection Account". GVMC to provide a minimum Escrow cover of at least 1.5 times of the monthly liability including that of Interest and Principle amounts. It is proposed to be utilized in the following order of priority:</p> <ol style="list-style-type: none">1. To build up shortfall in DSRA account (at all times the DSRA should be maintained as two time half yearly interest payment)2. To build up amount in Interest Service Account for half yearly interest service amount - 100% is to be built up within a period of first five months so that on T-30 days, an amount equivalent to the first interest payment due is build up. From there on, all the future half yearly interest payment, 100% is to be built up within a period of first six months (equally) so that on any T-30 days, an amount equivalent to the next interest payment due is fully funded up.3. To Transfer to Redemption Reserve Account on monthly basis equivalent to one eleventh of yearly 10% redemption amount of the total Bond issue size every year.4. Balance shall be release to the issuer for transfer to other account for other operational & administrative expenses on daily basis
Financial covenants	The Corporation hereby covenants with the Debenture Trustee that it shall comply with each of the financial conditions more particularly set out in detailed term sheet.
Conditions Precedent to Disbursement	<p>The subscription from investors shall be accepted for allocation and allotment by the Issuer subject to the following and in compliance to SEBI Guidelines in this regard:</p> <ol style="list-style-type: none">1. Rating letters from two credit rating agencies not being more than one month old from the issue opening date;2. Letter from the Trustees conveying their consent to act as Trustees for the NCD holder(s);3. Letter from BSE conveying its in-principle approval for listing of NCDs.


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Conditions Subsequent to Disbursement	<p>Issuer shall ensure that the following documents are executed/ activities are completed as per terms of this Disclosure Document:</p> <ol style="list-style-type: none"> 1. Credit of Demat account(s) of the allottee(s) by number of NCDs allotted on the date of the pay in; 2. Making application to BSE within 15 days from the Deemed Date of Allotment to list the NCDs and seeking listing permission within 20 days from the Deemed Date of allotment. 3. Security creation as per the terms of disclosure document. 4. And in compliance with other Regulatory Guidelines as applicable.
Events of Default	<ol style="list-style-type: none"> 1. Delay in security creation 2. Default in payment of interest and /or principal redemption
Consequences of Events of Default	<ol style="list-style-type: none"> 1. Security Creation In case of delay in execution of Trust Deed and Charge documents, the corporation will refund the subscription with agreed rate of interest or will pay penal interest of at least 2 % p.a. over the coupon rate till these conditions are complied with at the option of the investor. 2. Default in payment of interest and /or principal redemption Default in Payment In case of default in payment of Interest and /or principal redemption on the due dates, additional interest of at least @2% p. a. over the coupon rate will be payable by the Corporation for the defaulting period.
Provisions related to Cross Default Clause	NA
Role and Responsibilities of Debenture Trustee	To oversee and monitor the overall transaction for & on behalf of the Debenture Holders as customary for transaction of a similar nature & Size and roles & responsibilities as prescribed under the Companies Act 1956 or Companies Act 2013, whichever is applicable & rules made there under and relevant Guidelines / Regulations/ Rules of SEBI, RBI, BSE/ NSE, etc.
Governing Law and Jurisdiction	The Debentures and documentation will be governed by & construed in accordance with the laws of India & the parties submit to exclusive jurisdiction of courts & tribunals in Visakhapatnam / Hyderabad.
Settlement Mechanism	Through Clearing Corporation of BSE i. e. ICCL


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