

BlackSoil Capital Pvt. Ltd. – NCD Term Sheet

BlackSoil

27th October 2020

No. BCPL 23/FY 20-21

(Terms of NCDs)

Terms	Final Terms
Issuer	Kieraya Furnishing Solutions Pvt. Ltd. in the business of: A. Renting/leasing of (i) home furniture; and / or (ii) home furnishings; and / or (iii) household appliances, B. Sale and lease back transactions with affiliates (including Falcon Assets LLP) and third parties.
Instrument	Unlisted, Redeemable, Secured Non-Convertible Debentures (NCDs) of face value INR 5,00,000 (Indian Rupees Five Lakh) to be issued in dematerialized form
Anchor Investor	Blacksoil Capital Private Limited & its affiliates ('BCPL')
Transaction Administrator	Blacksoil Asset Management Private Limited ('BAMPL')
Investment Amount	INR 20 Crores (Rupees Twenty Crores) in a single tranche
Availability Period	Upto 7 days from the execution of transaction documents
Minimum Subscription	Anchor Investor shall subscribe and hold minimum 20% of the total issued NCDs till the final redemption
Investment Tenor	13 months from the allotment date and not later than 31st January 2022
Coupon Rate	14.50 % p.a. (payable monthly) on the outstanding investment amount. Transaction Administrator may with intimation to the Issuer vary the Coupon rate on account of breach of Covenants as agreed below by the Issuer
Use of Proceeds	General Corporate Purpose
Principal Moratorium	6 months from the allotment date subject to 1 st Principal to be paid on or before 30 th June 2021
Debenture Redemption	Debentures shall be redeemed in Equal Monthly Principal Installments post the moratorium period
Call Option (Ex. GST)	<ul style="list-style-type: none"> a) Call option cannot be exercised in the first 6 months of allotment b) Issuer can exercise the call option post 6 months but a prior to 9 months from date of allotment, prepayment charges will be levied @ 1.25% of the prepayment amount c) Issuer can exercise the call option post 9 months from date of allotment, prepayment charges will be levied @ 0.75% of the prepayment amount d) Minimum amount for exercise of Call option is INR 100 Lakhs e) Notice period of 15 days for exercise of Call option
Transaction Cost	<ul style="list-style-type: none"> • All other transaction costs, is to be borne by the Issuer including, but not limited to costs towards, NCD Issue, Security Creation, initial and annual Debenture Trustee, etc • Applicable legal cost for drafting & finalization of documents • Applicable Stamp duty & Registration cost will be payable by Issuer over & above • All transaction cost to be pre-approved in writing by the Issuer
Security	<ul style="list-style-type: none"> a) Pari Passu charge on all existing & future fixed and current assets, other assets, including but not limited to inventory (if any), receivables, rental deposits, brand, IP, Uncalled share capital etc. b) Minimum Security Cover to be maintained during the tenor of the loan should be 1.1x, on a fully diluted basis during the tenor of the Investment c) Security cover to be defined as <ul style="list-style-type: none"> • Security Cover =(Net fixed assets + current assets + other non-current assets + \$10Mn collateral - Intangible Assets) divided by the entire outstanding debt (which includes current outstanding debt + Optionally Convertible Debenture (OCD) + Blacksoil debt + structured \$100Mn debt



Ajith

Digitally signed by
Ajith
Date: 2020.10.28
12:29:52 +05:30

BlackSoil Capital Pvt. Ltd. – NCD Term Sheet

BlackSoil

	<ul style="list-style-type: none"> Security Cover to be tested on a quarterly basis starting from 31st March, 2021. Security cover certificate to be CA certified <p>d) Postdated Cheques of the Issuer e) Demand Promissory Note of the Issuer f) The promoter of the Issuer will give a NDU such that promoter shareholding does not fall below 12% due to transfer / selling of share</p>
Covenants	<ul style="list-style-type: none"> Average monthly cash collection (based on last 3 months) shall be minimum of 90% of the Average MIS revenue (based on last 3 months) The Issuer needs to maintain 2 (two) months liquidity based on last 3 months average cash burn. Cash burn will mean Revenue less operating expenses less interest servicing Operating expenses to exclude all one time deal closing costs. Such as processing fee, upfront fee, banker fee etc Average monthly Cash Burn (based on last 3 months) shall be maximum of INR 6 Crore; If the \$100 Mn debt transaction doesn't happen for any reason prior to 31st January 2021, Debenture Holders to be repaid the Outstanding Investment Amount within 10 days latest by 10th February 2021 If the Issuer fails to drawdown minimum \$5mn of the \$100 Mn round prior to 31st Mar 2021, Debenture Holders to be repaid the Outstanding Investment Amount within 10 days latest by 10th April 2021 <p>In the event of non-compliance of any of the financial covenants the coupon rate will increase by 2% p.a. for the facility.</p>
Debenture Trustee	Will be appointed as mutually decided by the Anchor Investor and Issuer
Penal Interest	2% p.m. higher than the applicable interest rate on outstanding balances
Defaults	<ul style="list-style-type: none"> Material Default Monitoring Obligation Default Other Defaults
Cure Period for Material Defaults	Nil
Cure Period for Monitoring Obligation Defaults	30 days
Cure Period for Other Defaults	To be defined during documentation.
Validity	<p>This term sheet is valid for 15 days from its Issue Date.</p> <p>Terms of this Term sheet will expire, if disbursement does not take place within 60 days of execution of term sheet</p>

Please note that the above-mentioned terms are subject to modifications at the time of documentation stage. Terms related to representation & warranties and other general clauses will be covered in the transaction documents.

Accepted by Anchor Investor

Ajith

Digitally signed by
Ajith
Date: 2020.10.23
13:35:08 +05'30'

Accepted by Issuer



General Terms

1. List of Documents to be executed:
 - a. Debenture Trust and Hypothecation Deed;
 - b. Transaction Administrator Agreement
 - c. PoA for Hypothecation;
 - d. Debenture Trustee Agreement
 - e. Non Disposal Undertaking of Promoters such that promoter shareholding does not fall below 12% due to transfer / selling of share
 - f. Any other undertakings, notes, letters, writings, agreements, deeds and documents as may be necessary and are customary to the nature of the Facility and as required by the Lender to its satisfaction in respect of the Facility
 2. Condition Precedent for Initial Disbursement
 - a. Corporate CP
 - i. Requisite Board and Shareholder resolutions & Corporate authorisations including but not limited to those pertaining to issuance of NCD and creation of Security;
 - ii. Amend the articles of association and memorandum of association of the Issuer to remove any enforcement restrictions or as required during documentation (if any);
 - iii. NOCs from existing lenders (if any) and Investor consent for taking the Facility and creation of Security
 - iv. Issuer to share \$100 Mn signed termsheet
 - v. Issuer to receive a minimum \$6 Mn investment in the bank from existing investors. The investment can be made through CCPS, CCD and OCD instruments
 - b. Diligence
 - i. Satisfactory CIBIL or any other credit information companies reports as mandated by RBI, MCA and other checks of Issuer as applicable
 - ii. Completion of satisfactory financial, legal and commercial due diligence
 - iii. Completion of 'Know Your Customer' requirements to the satisfaction of the Investor
 1. Last 3 years ITR of the Issuer and subsidiaries (if any)
 2. Details of existing debt obligations (secured and unsecured) of the Issuer
 3. Submission of Audited financials for FY20, FY19 & FY18;
 4. Any other document as per KYC policy of the Anchor Investor/Transaction Administrator
 - iv. Signed Monthly Business plan for next 12 months (On the letter head of the Issuer);
 - v. At least 90% of achievement of budget for Sep, Oct and Nov 2020;
 - c. NCD Issuance
 - i. Obtain ISIN
 - ii. Offer letter for subscription
 - iii. Appointment of Trustee
 - iv. Appointment of Transaction Administrator;
 - v. Completion of Trustee KYC and checklist
 - d. Security
 - i. Creation of Security by execution of all Transaction Documents;
 - ii. DSRRA Deposit for interest with Transaction Administrator;
 - iii. Demand Promissory Note for Investment Amount & Transaction Administrator Fees;
 - iv. Post Dated Cheques (PDC) including principal and interest and Transaction Administrator Fees;
 - e. Closing
 - i. Payment of Upfront Fees to the Transaction Administrator;
 - ii. All transaction cost to be paid before the disbursement;
 - iii. CP Completion Letter
 - f. Certificates
 - i. CA and Directors' certificates as specified under the definitive documents;
 - ii. CA for compliance and payment of all Statutory Dues prior to disbursement
 - iii. CA certificate for Latest Net worth certificates of the Issuer as on 31-Mar-2020
 - iv. Management certificate for Latest Net worth certificates of the Issuer as on 30-September-2020
 - v. Section 281 of the Income Tax Application to be made by the Issuer;
 - vi. Management certificate confirming Security Cover of minimum 1.1x of the investment
- The Anchor Investor/Transaction Administrator shall have the right to stipulate in the documentation such other Condition Precedent, as they may deem fit:

3. Condition Subsequent for Disbursement

- i. Perfection of the security by filing of necessary charge with ROC within 30 days of disbursement;
- ii. Management certificate for end use within 30 days from the date of disbursement and quarterly post that till the time all funds are not utilized (investment in FD/ liquid instruments will not be



- considered as utilization);
- iii. CA certificate confirming Security Cover of minimum 1.1x of the investment as on 31-March-2021 to be provided by 30th April, 2021
 - iv. Issuer Letter confirming closure of the \$100 Mn funding round by 31st January 2021. Issuer to intimate Anchor Investor within 15 days of investment that the transaction documents have been executed. Any delay post the 15 days, Investor to be repaid the entire investment amount.
 - v. Setup and operationalization of Escrow for the \$100 Mn round by 31st December 2020. Issuer to intimate Anchor Investor within 15 days of investment that the transaction documents have been executed. Any delay post the 15 days Penal interest will be applicable till rectified.
4. Information Obligations
- i. Monthly within 15 days of month end
 - a. MIS including detailed cashflow statement
 - b. Issuer to provide view access to all bank accounts
 - ii. Quarterly within 15 days of Quarter End
 - a. Balance sheet
 - b. Covenant satisfaction letter including calculations where required certified by the Management
 - c. Security cover compliance letter including calculations where required certified by the Management
 - iii. Half Yearly within 30 days of half year end. Half yearly to be defined as 6 months from date of Investment by Anchor Investor
 - a. Security cover compliance letter including calculations where required certified by CA
 - b. Covenant satisfaction letter including calculations where required certified by CA
 - c. Compliance with all Statutory Dues certified by CA
 - iv. Yearly
 - a. A copy of audited financials of the Issuer and its Subsidiaries (if any) shall be submitted to the Investor within 6 months from the end of each financial year
 - b. A copy of provisional financials of Issuer and its Subsidiaries (if any) shall be submitted to the Investor within 90 days from the end of each financial year
 - v. Event Basis
 - a. Board minutes extract for any borrowing related matter; KMP, Updated Business Plan within 7 days of the board meeting
 - b. List of existing litigation against the Issuer
 - c. Advance notice of 30 days to the Transaction Administrator on Issuer's letterhead regarding any material change in the scope, nature and/or activities of the business of the Issuer
 - d. Signed business plan for the financial year at least 15 days prior to start of new financial year or within 30 days of board approval whichever is later
 - e. Intimation of changes in composition of Board of Directors including resignation and appointments, constitution of board committees of any member of the Board within 7 days of such event;
 - f. Updated list/status change of IP to be provided to Investor every 3 months

The Anchor Investor/Transaction Administrator shall have the right to stipulate in the documentation such other information obligation, as they may deem fit

5. Other Covenants

- a. The Issuer shall reduce the TDS amount from the monthly interest payable and directly pay TDS on a monthly basis, by electronic mode in the specified form, to the Income Tax Authorities, who will generate and provide challans to the Issuer and it is the obligation of the Issuer to submit the same to the Anchor Investor/Transaction Administrator within 15 days of the month end and TDS certificate for the quarter within 45 days from the end of quarter
- b. Consent required by the Issuer from the Investor for any further borrowing except for the \$100 mn transaction from any other debt provider including unsecured loans and overdrafts facility;
- c. The Issuer cannot undertake guarantee obligations on behalf of any other entity without the prior written consent of the Anchor Investor/Transaction Administrator
- d. The Issuer agrees that once the transaction documents are signed the Investor can disclose the association/involvement to third parties including the media for marketing purposes
- e. The Issuer authorizes the Investor to disclose the details of the Issuer to RBI/CIBIL./any other credit information companies reports as mandated by RBI
- f. Issuer to authenticate the information filed by Investor on CERSAI & NeSL portals
- g. Shareholders of Issuer will not affect any change in control i.e. dilution of equity interest below 51% during the tenor of the facility through secondary sale of shares. Doing so will trigger an event of default and the Investor will have an option for early redemption of Debenture



- h. The Issuer shall not formulate any scheme of Mergers and acquisitions (except acquisition of Furlenco Global Pte. Ltd.), de-merger, divestment, re-organization, amalgamation or reconstruction without providing an advance notice of 30 days to the Investor.
- i. The Anchor Investor/Transaction Administrator reserves the right to undertake inspection of the, book of accounts of the Issuer, by appointing an external agency or by its own personnel and/or through its authorized representative(s) at a 48 -hours' notice. The Issuer shall provide complete access to its internal receivable dashboard. Books of accounts may be audited at a frequency at the option of the Anchor Investor/Transaction Administrator.
- j. Management to ensure that the Investment Amount is used for legal and valid purposes and not for acquisition of real estate properties
- k. Issuer to submit annual business plan for next 12 months to Anchor Investor/Transaction Administrator at the end of each financial year during the tenor of the facility.

The Anchor Investor/Transaction Administrator shall have the right to stipulate in the documentation such other covenants, as it may deem fit

6. Material Default

- a. Delay or non-repayment of principal & interest payment as per the repayment schedule;
- b. Failure to replenish the DSRA with Transaction Administrator within 5 Business Days of utilisation of any amount from the DSRA;
- c. Financial Cross default;
- d. Failure to maintain the security cover
- e. Termination of Transaction Administrator;

7. Monitoring Obligation Defaults

- a. Failure to provide Information Obligations
If the Monitoring Obligations Default occurs, a 30 days' notice will be served to the Issuer to rectify the non-compliance. If the rectification is not done within 30 days from the date of notice, then 1% p.a. (on the Outstanding Due) will be charged additionally from the date of notice (Coupon will increase by 1%p.a.). If this continues for more than 3 months, then 2% p.a. will be charged from the date of notice (on the Outstanding Due)

8. Other Default

- a. Non-Compliance & Non-Fulfilment of obligations including for CP and CS;
- b. Non-Compliance & Non-Fulfilment of Financial Covenants;
- c. Use of proceeds other than that specified in the documents;
- d. Failure to create or perfect security;
- e. Creation of any further security interest/transfer/disposal of the assets of Issuer & group entities without the prior written consent of the Lender;
- f. Dilution of promoter's stake below 12% on fully diluted basis, on account of secondary sale without prior written consent of the Anchor Investor Transaction Administrator;
- g. Change of Control of the Issuer by Secondary Sale without prior written consent from the Transaction Administrator / Anchor Investor;
- h. Misrepresentation or Breach of any Representation, Warranty or Covenant undertaking, or Failure to Perform, Fraud;
- i. Revocation or non-receipt of Statutory Licenses, Authorizations, any other significant business licenses etc;
- j. Nonpayment of statutory dues;
- k. Any event or circumstance, which could result in a Material Adverse Effect or any other default as stated in the documents (to be defined during deal documentation);
- l. Termination of major Business Contracts (to be defined in detail during documentation) resulting in MAE
- m. Non-financial cross default leading to a MAE;
- n. Insolvency; & Insolvency Proceedings; Judgments and Creditor's process; Material litigation; Expropriation;
- o. Admission of petition under IBC
- p. Deterioration of credit rating (if any) of the Issuer;
- q. Cessation of business; Unlawfulness or change in law;
- r. Repudiation of transaction documents;
- s. Material Audit qualification;
- t. Termination of any KMP, including but not limited to CEO and CFO;
- u. Any KMP of the Issuer is convicted for Sexual Harassment;
- v. Opening of further bank accounts (excluding bank accounts opened towards creation of FD and issuance of Debentures, equity, CCPS) without written consent of the Anchor Investor/Transaction Administrator ;
- w. The Anchor Investor/Transaction Administrator shall have the right to stipulate in the documentation such Other Default, as they may deem fit;



For Other Defaults the Transaction Administrator/Debenture Trustee shall give a notice to the Issuer asking them to explain the stand within 30 days. If the Transaction Administrator/Debenture Trustee is not satisfied with the explanation provided, then the Debenture Trustee shall call it a Default and take necessary steps as per Consequences of Defaults

9. Consequences of Defaults:
- Declare all debentures to be due and payable immediately;
 - Charge Penal Interest on overdue instalment amount
 - Appropriation of Funds from DSRA with Transaction Administrator
 - Assignment of Facility to any third party (including competitor);
 - Cancellation of the Facility (or any part);
 - Enforce Security;
 - Apply for winding up/dissolution of the Issuer under IBC including appointment of an Insolvency Resolution Professional;
 - Resolution as per SARFESI Act / Initiate Proceedings in NCLT as per Insolvency & Bankruptcy Code or any other applicable Act
 - Appoint a Receiver;
 - Disclose the details of default or about the Issuer to RBI/CIBIL./any other credit information companies reports as mandated by RBI;
 - Appoint Nominee Director/Board Observer;
 - The Anchor Investor/Transaction Administrator shall have the right to stipulate in the documentation such other Consequences of Defaults, as it may deem fit.
10. Representation and Warranties of the Issuer
- Legal authority to execute the Transaction Documents
 - Compliance with all applicable laws
 - Validity of Issuer's constitution and corporate documents
 - Maintenance and accuracy of statutory registers and books
 - Non-existence of material litigation, material adverse effect or event of default;
 - Due filing of all taxes;
 - Title to properties and assets
 - Solvency of the Issuer
 - Transaction does not trigger any event of default at the time of disbursement or cross default
 - Valid, enforceable and rightful creation and perfection of security
 - Names of Issuer and its directors do not figure in any willful defaulters list



Theresa

27th October 2020

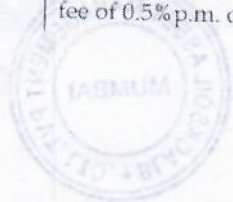
BAMPL 04/FY 20-21

To,
Mr. Ajith Karimpana,
Kieraya Furnishing
Solutions Pvt. Ltd.
2nd,3rd,4th Flr,Krishna
Annex,
Sy No.8/12,9/183,
Opp.Central Silk
Brd Jtn,Hosur Rd,
Sec-6 HSR layout
Bangalore KA 560068 IN

Sub: Engagement terms for appointment of Blacksoil Asset Management Private Limited as the Transaction Administrator

We understand that you i.e. Kieraya Furnishing Solutions Pvt. Ltd. ("Issuer") is desirous of raising an amount of INR 20 (twenty) Crores ("Investment Amount"). In respect to the same and in furtherance of our discussions and specific negotiation, we note that you are interested in engaging our services i.e. Blacksoil Asset Management Private Limited ("**Transaction Administrator**") for arranging the funds and monitoring the proposed transaction. Please find enumerated below the broad points of discussion.


Terms	Final Terms
Issuer	<u>Kieraya Furnishing Solutions Pvt. Ltd.</u> ("Issuer/Furlenco")
Transaction Administrator	Blacksoil Asset Management Private Limited ('BAMPL')
Scope of the services	<p>To solicit, arrange funds from the Anchor Investor and other Investors and to collate, analyse and liaise with the company for the following:</p> <ul style="list-style-type: none">• To provide updates on whether projected cash flows or projected sources and uses of funds are as per the Business Plan and to review and report the actual quarterly/monthly cash flow, bank statements with sources and uses of funds estimates prepared by the Company as per the Business Plan.• To review and report on compliance with Conditions Precedent & Conditions Subsequent by the Issuer• To review and report on compliance with financial covenants by the Issuer• To give instructions to Trustee on behalf of the Anchor Investor <p>The scope of services shall be elaborated in an exhaustive manner in the Transaction Administrator Agreement.</p>
Upfront Fee (Ex. GST)	<ul style="list-style-type: none">• 1.0% of the Disbursement Amount• INR 10 Lakhs to be paid at the acceptance of these terms which will be adjusted• If the utilisation does not take place within 60 days of execution of the term sheet, then the Acceptance Fee shall be non-refundable.• If the Anchor Investor does not invest, then the Acceptance Fee shall be refunded net off third party expenses• If the transaction is put on hold due to delays attributable to the Borrower, Lender to be paid balance upfront fees
Delayed Fee (Ex. GST)	If the deal is not executed within 60 days of execution of term sheet, then an additional fee of 0.5% p.m. of the Investment amount shall be levied on the Issuer. This will only



	be paid if the delay is solely attributed to the Issuer.
Transaction Administrator Fees (Ex. GST)	1.75% p.a. (payable monthly) on the outstanding principal amount
DSRA Deposit	<p>During the entire tenure of the Investment, the Issuer shall at all times maintain an amount equivalent to next 1 (One) months interest, redemption instalments and Transaction Administrator Fees as DSRA Deposit with the Transaction Administrator.</p> <p>If any part of the DSRA Deposit is used for repayment, then it shall be recouped within 5 Business Days of utilization of any amount</p> <p>DSRA deposit will carry an interest rate of 4% p.a payable by the Monitoring Agent on a quarterly basis to the Issuer</p>
Rights of the Transaction Administrator	The Issuer shall provide all the necessary information/ support and extended the requisite co-operation as and when required as per the terms of the Transaction Administrator Agreement
Conditions Precedent	<ul style="list-style-type: none"> • Payment of all transaction related expenses including stamp duty and pending upfront fees • DSRA deposit with Transaction Administrator • Deposit of PDC for Transaction Administrator Fees • Deposit of DPN for Transaction Administrator Fees
Transaction Documents	<ul style="list-style-type: none"> • Transaction Administrator Agreement
Grounds of Termination/Event of Default	<ul style="list-style-type: none"> • Failure to pay any fees or dues to the Transaction Administrator by the Issuer under any transaction documents • Any material breach as outlined in the transaction documents which have not been cured within the timeline stipulated in the transaction documents to the satisfaction of the Transaction Administrator • Transaction Administrator Agreement shall not be terminated during the term of the Investment
Consequences of Termination	<ul style="list-style-type: none"> • In the event the Transaction Administrator Agreement is terminated by the parties then the Transaction Administrator Fees of 1.75% p.a. (Ex. GST) shall be payable (monthly) to the debenture holders in addition to the default interest rate on all outstanding dues by the Issuer • Other consequences shall be elaborated in an exhaustive manner in the Transaction Administrator Agreement
NCD Terms as given in separate TS	Proposed terms on which the Anchor investor and/or other debenture holders are willing to subscribe the debentures
Marketing	The Company agrees to permit the Investor and Transaction Administrator to use its logo and brand name for Investors marketing. However, the Investor and Transaction Administrator should not mention about the \$100 mn transaction nor disclose the name of the Lender

Please note that the above-mentioned terms are subject to modifications at the time of documentation stage. Terms related to representation & warranties and other general clauses will be covered in the transaction documents.





Accepted by Transaction Administrator



Ajith

Digitally signed by
Ajith
Date: 2020.10.28
13:25:31 +05'30'



Accepted by Issuer

