

NON BINDING TERM SHEET

Date: December 10, 2019

The following term sheet ("Term Sheet") summarizes the principal terms with respect to the financing facility to be provided to DCW Limited, ("Borrower" or "Company") by funds managed / advised by Kotak Investment Advisors Limited or one of its affiliates ("KIAL" or "Investor" or "Investors").

The following summarizes the outline financing terms currently being discussed between the parties. They do not purport to include detailed legal conditions which will be added in the transaction documents.

For the avoidance of doubt, except as specifically stated, this Term Sheet does not attempt to describe all terms and conditions of the transaction contemplated herein and is not binding on any of the Parties. The Term Sheet is intended to outline certain basic terms around which the transaction could be structured. The actual transaction and the terms thereof would be contingent on final approval by the investor's investment committee subject to execution of mutually satisfactory transaction documents, satisfactory legal, technical & financial diligences, meeting of all stipulations as contained therein etc.

Particulars	Terms & Conditions
Investment Amount	Rs. 410 cr.
Investment Date	Date of investment for the Investment Amount
Investment Utilisation	To refinance existing loans of the Company and transaction expenses
Instrument 1 ("NCD")	Rs. 350 cr. in Listed, Rated, Secured, Non-Convertible Debentures in Dematerialized form
Instrument 2 ("OCD")	Rs 60 cr. in Listed, Rated, Secured, Optionally-Convertible Debentures in Dematerialized form
Conversion Option	Investor to have an option to convert OCD into equity shares of the Company at Rs. 18/share at any time within 18 months from Investment Date
Tenure	Up to 6 years from Investment Date
Debenture Trustee	To be appointed with the consent of the Investor
Investor	Investor means any entity or funds managed / advised by Kotak Investment Advisors Limited or one of its affiliates ("KIAL" or "Investor" or "Investors").
Borrower/ Company	DCW Limited
Promoters	Promoters shall mean any person identified as promoter or promoter group of the Borrower under the Companies Act or SEBI ICDR Regulations.
Key Promoters	1. Pramod Kumar Jain 2. Bakul Jain 3. Mudit Jain 4. Vivek Jain
Returns	Fees: Rs. 10 cr to be payable on the date of investment
	Coupon on NCD: 11.00% p.a.p.m
	Coupon on OCD: 9.17% p.a.p.m
	Redemption Premium on NCD and OCD: resulting in 17% Investor XIRR payable on redemption
Investor XIRR	Redemption Premium will not be payable on OCD if the Investor chooses to convert the OCD into equity.
	XIRR calculated based on the following cash flows of the Investor
	1. Investment Amount
	2. Coupon payments



	3. Redemption Premium																
	4. Fees																
Moratorium	Principal: 1.5 year from the Investment Date																
OCD Repayment Terms	1. OCD to be redeemed in full if not converted into Equity shares at the end of 18 months 2. Investor to give a 30 day payment notice for redemption of OCD																
NCD Repayment Schedule	<p>1. In case OCDs are redeemed:</p> <table border="1"> <thead> <tr> <th>At the end of</th><th>Amount</th></tr> </thead> <tbody> <tr> <td>24th Month</td><td>10cr</td></tr> <tr> <td>Year 3 to Year 6</td><td>16 equated quarterly instalments of Rs. 21.25 cr each starting from 27th Month onwards</td></tr> </tbody> </table> <p>2. In case OCDs are converted:</p> <table border="1"> <thead> <tr> <th>At the end of</th><th>Amount</th></tr> </thead> <tbody> <tr> <td>18th Month</td><td>Rs. 16.66cr</td></tr> <tr> <td>21st Month</td><td>Rs. 16.67cr</td></tr> <tr> <td>24th Month</td><td>Rs. 16.67 cr</td></tr> <tr> <td>Year 3 to Year 6</td><td>16 equated quarterly instalments of Rs. 18.75 cr each starting from 27th Month onwards</td></tr> </tbody> </table>	At the end of	Amount	24 th Month	10cr	Year 3 to Year 6	16 equated quarterly instalments of Rs. 21.25 cr each starting from 27 th Month onwards	At the end of	Amount	18 th Month	Rs. 16.66cr	21 st Month	Rs. 16.67cr	24 th Month	Rs. 16.67 cr	Year 3 to Year 6	16 equated quarterly instalments of Rs. 18.75 cr each starting from 27 th Month onwards
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Prepayment	<p>Company can not prepay NCD for a period of 2 years from the Investment Date</p> <p>Company can not prepay OCD for a period of 18 months from the Investment Date</p> <p>In case the Promoter wants to exercise a Redemption/Repayment of NCD within 2 years from the date of disbursement of Investment Amount, then subject to Investors approval, the Promoter can redeem/repay such the Investor returns (including Coupon and Redemption Premium) are at a minimum of 1.37x of the Investment Amount.</p> <p>This minimum return clause will not be applicable in case of repayment or redemption due Cash Sweep within 2 years from the Investment Date.</p>																
Security	<p>1. Pledge of Shares, pari passu with IndusInd</p> <p>a. Pledge of 7,86,00,000 shares which constitutes 30.12% of the Company on a fully diluted basis</p> <p>b. Balance Promoter shares - ROFR to Key Promoters, undertaking by Key Promoters to purchase these shares on exercise of ROFR</p> <p>c. Balance Promoter shares - A maximum of 10,00,000 shares allowed to be sold in the market in a year after 30 day prior intimation of such sale to the Investors subject to an overall cap of 40,00,000 during the investment tenure.</p> <p>2. First charge of all fixed assets of the Borrower, pari passu with IndusInd</p> <p>3. Second charge on current assets of the Borrower pari passu with IndusInd</p> <p>4. Priority of cash flows for repayments, pari passu with IndusInd, and after servicing the Fund Based and Non-Fund Based Working Capital Lenders</p> <p>5. Guarantees</p> <p>a. Personal Guarantee of Key Promoters</p> <p>b. Corporate Guarantee of Sahu Brothers Pvt. Ltd.</p> <p>c. Corporate Guarantee of other corporate promoters</p>																
DCW Debt conditions	<p>1. Debt/EBITDA ratio of DCW should not exceed 4x for Year 1 and should not exceed 3.5x for Year 2 onwards</p> <p>"Debt" shall mean the all outstanding long term loans, short term loans, utilized amounts of fund based and non-fund based loans and any other short term loans but excluding promoter loans to the Company.</p> <p>This will be checked on a quarterly period on Trailing Twelve Month (TTM) basis</p>																



	2. DSCR ratio of DCW should not fall below 1.1x at any point of time This will be checked on a quarterly period on Trailing Twelve Month (TTM) basis
	3. New loans to require prior approval of the Investor. Company is permitted to borrow up to Rs. 15 cr of unsecured loans for a tenure of less than 6 months
	4. Prepayment of IndusInd loan to trigger proportionate redemption
	5. Any increase in Fund Based and Non Fund Based Exposure will require prior approval of the Investor
Equity Restrictions	1. Company can declare a dividend of up to Rs. 5 cr in a year subject to achievement of an EBITDA of Rs. 250 cr and a PAT of Rs. 50 cr in that year 2. Prior approval required for any further issue of equity shares
Right to appoint a director	Investor reserves the right to appoint a Director at any time during the Investment Tenure
Cash Management	1. Excess Cash Flow of the Company to be utilize towards the repayment of NCD post normalization of Working Capital Cycle. Excess Cash Flow = EBITDA - Maintenance Capex - Interest Payment - Principal Payments - change in working capital after taking normalized working capital limits from the bank - Rs. 10 cr cash balance 2. Central Current Account to be monitored by an independent Special Monitoring Agency 3. Investor to appoint a financial supervisor 4. Investor to have access to bank statements of the Company 5. Account to be audited by a Big 6 (E&Y, Deloitte, KPMG, PWC, BDO, GT) auditing firm for financial year ending March 2021 and onwards. 6. Prior approval of the Investor required for any Capital Expenditure (except annual maintenance capex of Rs. 25cr.)
Event of Default	The indicative list shall include inter alia: 1. Payment default on coupon, redemption premium or principal repayment which is not remedied within 15 days of default 2. Non creation or perfection of Security to the satisfaction of the Borrower 3. Default with any lender in Company or its Associates 4. Any change in shareholding/ management control of the Borrower without prior written approval of Investor except as allowed in this Termsheet 5. Failure of Borrower to comply with the provisions under the transaction documents 6. Insolvency or admission of Insolvency petition against Company or its Associates 7. Appointment of receiver or liquidator for Borrower 8. Company ceases to carry out all or substantial part of its business 9. Any breach in Investment Utilisation otherwise than as set out in this Term Sheet 10. Breach of covenants, representations, warranties and undertakings 11. Failure by the Borrower or Promoters to comply with any Conditions Subsequent 12. Any material adverse change impacting the Borrower and/ or the Promoters; 13. Failure to meet / satisfy any of the Financial Covenants applicable to the Borrower;
Consequences of Default	1. Principal, Redemption Premium, other Accrued Interest to be repayable immediately 2. Investor has the right to invoke, take control and sell Security 3. Investor Nominee Director on the Board of Borrower shall have the veto right on all decisions to be taken by the Board



	4. Upon occurrence of the Event of Default, the Investor shall have the right to appoint key managerial personnel as defined in the Companies Act, 2013 of the Borrower
	5. Default Interest payable at the rate of 1% per month till the time the default is cured
	6. Drag on balance equity shares of the promoters except 80,00,000 shares which constitutes 3.06% of the Company on a fully diluted basis
Expenses	Company to bear all expenses related to the due diligence for the transaction incurred by the Investor
Unpublished Price Sensitive Information (UPSI)	Company undertakes not to provide any UPSI to the Investor
Representations and Warranties	Standard representations and warranties which are customary to the Transaction
Exclusivity	The Promoter and the Borrower agree that they shall not till the expiry of 3 months, or as maybe extended on mutual consent, from the date of signing of the Term Sheet, directly or indirectly solicit any offers, engage in any discussions, furnish any information or enter into any agreements or commitments with third parties with respect to the potential transaction or any financing arrangement with the Borrower
Break Fee	<p>Company shall submit a Demand Draft of Rs. 50 lacs and a Post Dated Cheque (PDC) of Rs. 3.5 cr to the Investor on the date of execution of this Term Sheet. The Company shall submit another Demand Draft of Rs.50 lacs in the first week of Jan 2020. The investor shall return a PDC of Rs.50 lacs on the submission of the second Demand Draft in the first week of Jan 2020.</p> <p>Such break fee would be refunded, by Investor upon consummation of the Transaction or at the end of Exclusivity period (whichever is earlier). However, above said fee would be retained by Investor if Promoter violates, confidentiality, exclusivity / backs out of the proposed Transaction for any reason whatsoever and there has been no change in any key terms from the Termsheet by the Investor.</p> <p>Notwithstanding anything mentioned above, Investor has the right to set-off any transaction expenses after giving due notice to the Promoters.</p>
Validity	These draft terms shall be valid for a period of 15 days from Dec 10, 2019

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For DCW Limited
[Handwritten signature]
 Authorised Signatory/Signatories

11/12/19

PRAMOD KUMAR JAIN
 CMD