



**BlueOrchard**  
Impact Investment Managers

Ashish Sharma

Aye Finance Pvt. Ltd

8th Floor, Vipul Square, Sushant Lok, Phase - 1, Gurugram,  
Haryana 122009, India

Phnom Penh, 15-June-2017

Dear Mr. Sharma,

**INDICATIVE TERM SHEET**

Thank you for your interest in working with BlueOrchard Finance Ltd. ("BlueOrchard" or the "Fund Manager") to support your funding needs for FY 2017-18. We would be pleased to support Aye Finance Pvt. Ltd ("Aye Finance" or the "Issuer") through funding from the Microfinance Enhancement Facility ("MEF") (the "Subscriber"), managed by BlueOrchard.

Please find below indicative terms and conditions upon which we would be prepared to provide financing via subscription to a Non-Convertible Debenture ("NCD") to be issued by Aye Finance. This indicative term sheet is neither binding on the Subscriber or Fund Manager, nor a commitment to lend, but merely a summary of terms and conditions that the Fund Manager, on behalf of the Subscriber, considers appropriate for a facility of this nature under current market conditions. The indicative terms and conditions provided in this letter are valid for a period of three months from the date of this letter, unless extended by the Fund Manager, at its sole discretion, in writing.

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| Issuer            | Aye Finance Pvt. Ltd  |
| Subscriber        | Microfinance Enhancement Facility SA, SICAV-SIF (BlueOrchard Pool)  |
| Fund Manager      | BlueOrchard Finance Ltd.  |
| Facility          | Non-convertible Debenture   |
| Commitment        | Up to INR 26 Crores (equivalent of approximately USD 4 million)   |
| Currency          | Indian Rupees ("INR")   |
| Disbursement Date | 19 July 2017  |
| Maturity          | 60 months   |
| Put / Call Option | Put/Call option at the end of 36 months   |
| Amortization      | None  |
| Interest Rate     | <p>Net INR interest rate of 12.8646% p.a.</p> <p>The interest rate is the net rate (and is exclusive of current withholding tax rate of 5.4075%) and the debenture trust deed will include language to protect the Subscriber against increases in the withholding tax rates. At the prevailing tax rate, the gross interest rate inclusive of withholding taxes would be 13.60% p.a.</p> <p>The above interest rate would be applicable until the exercise date of the put / call option – i.e. for the first 36 months of the NCD term. The rate could be reset thereafter.</p> |



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|                       | Note: The interest rate is subject to change if hedge costs increase and should the USD return fall below MEF's minimum return requirement.  |
| Interest Payments     | Semi-annually  |
| Upfront Fee           | No upfront fee   |
| Other Costs           | Any issue related expenses including rating, listing, legal, trustee, stamp duty and other costs associated with the NCD issuance will be borne by the Issuer.   |
| Voluntary Prepayment  | Not earlier than 12 months from the date of the transaction documents, the Issuer may prepay the outstanding principal amount in full or in part on an interest payment date. On such date, the Issuer shall pay the principal amount, all accrued interest, a prepayment fee of 3.00% on the principal amount, any breakage costs and any legal or other fees incurred as a result of the voluntary prepayment or otherwise. Amounts repaid or prepaid cannot be re-borrowed.   |
| Penalty Interest Rate | At any time there is a payment default of any amount of principal, interest, fees or other obligations due (whether by acceleration, at maturity or otherwise) or an event of default, the issuer shall pay an additional interest rate of 3.00% p.a. above the Interest Rate on the outstanding principal amount until such default is cured.   |
| Hedging Arrangement   | <p>The Subscriber shall enter into a hedging instrument with a third-party counterparty in order to provide this Facility.</p> <p>Any costs associated with the early termination of the hedge arrangement shall be borne by the Issuer.</p>   |
| Security              | <p>Security coverage to be maintained at 110% of principal outstanding. Security creation and registration required as per regulation.</p> <p>Reporting of loan receivables and security top-up on a monthly basis</p>   |
| Financial Covenants   | <p>Covenants shall include, but are not limited to, the following:</p> <ul style="list-style-type: none"> <li>• The Issuer shall at all times maintain a ratio of the sum of (x) Portfolio At Risk over 30 days divided by (y) the Outstanding Gross Loan Portfolio of not greater than 8%.</li> <li>• The Issuer shall at all times maintain a ratio of (x) the sum of Portfolio at Risk over 30 days plus Restructured Loans divided by (y) the Outstanding Gross Loan Portfolio of not greater than 10%.</li> <li>• The Issuer shall at all times maintain a ratio of (x) the sum of Portfolio at Risk over 90 days plus Restructured Loans divided by (y) the Outstanding Gross Loan Portfolio of not greater than 5%.</li> <li>• The Issuer shall at all times maintain a ratio of (x) the sum of Portfolio at Risk over 90 days plus Restructured Loans minus Loan Loss Reserves divided by (y) Equity of not greater than 10%.</li> </ul> |





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|            | <ul style="list-style-type: none"> <li>The Issuer shall maintain a ratio of Adjusted Return on Assets of greater than : <ul style="list-style-type: none"> <li>-3.5% year to date until February 2018</li> <li>0% over a period comprising the preceding twelve months from March 2018 onwards,</li> </ul> with "Adjusted Return on Assets" meaning the Borrower's Adjusted net income divided by its average assets and "Adjusted Net Income" meaning the Borrower's net income over a matching period (year to date or preceding twelve months) plus Loan Loss Reserves less the sum of Portfolio At Risk over 30 days. </li> <li>The Issuer shall at all times maintain a ratio of any short and long position for any three month period of not more than 100% of equity.</li> <li>The Issuer shall at all times maintain the absolute value of the net open aggregated currency position of no greater than 50% with the net open aggregated currency position being the ratio of Foreign-Currency Assets minus Foreign-Currency Liabilities divided by Equity.</li> </ul> <p>The detailed calculation of this ratio must be as follows:<br/> [ absolute value (Foreign Currency 1 assets – Foreign Currency 1 liabilities + off balance sheet hedges in Foreign Currency 1)<br/> +<br/> absolute value (Foreign Currency 2 assets – Foreign Currency 2 liabilities + off balance sheet hedges in Foreign Currency 2)<br/> +<br/> absolute value (Foreign Currency 3 assets – Foreign Currency 3 liabilities + off balance sheet hedges in Foreign Currency 3)<br/> +<br/> etc. for each Foreign Currency ] divided by Equity.</p> <ul style="list-style-type: none"> <li>The Issuer shall at all times maintain a Capital Adequacy Ratio, calculated according to the Capital Adequacy Standards as established by Reserve Bank of India, of at least 17%.</li> </ul> |
| Legal Fees | A Legal Counsel is to be appointed by the NCD Subscriber. A legal opinion covering the transaction must be provided to MEF. All legal fees are to be borne by the Issuer.   |

This indicative term sheet is not an offer, commitment or agreement to lend or provide financing to Aye Finance; it is for discussion purposes only and is subject to change without notice. Please note that it only summarizes some of the terms and conditions which may be reflected in final documentation and that nothing herein obligates the Subscriber or its affiliates to provide, arrange or syndicate any credit or other financing in favour of the Issuer or its affiliates. Pricing in the term sheet is based on the credit markets as of today, and on the current evaluation we have of your institution. The final offer will be subject to our due diligence of Aye Finance, all necessary approvals,

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including credit approvals, of the Fund Manager and the Subscriber and market conditions at the time of disbursement. As a result of these, actual terms at the time of closing may differ from those indicated herein.

This indicative term sheet is for the confidential use of Aye Finance only and is not to be reproduced, used for any other purpose, nor disseminated to any other parties without the prior written consent of the Fund Manager.

We would welcome your feedback and be pleased to discuss this indicative term sheet with you in further detail. Should you wish to proceed, please kindly confirm to us via email or in writing, to allow us to start cooperating with you in order to best meet your funding needs.

We look forward to collaborating with you.

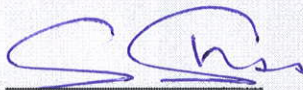
Yours sincerely,



Vuthy Chea  
Investment Officer - Asia  
BlueOrchard Finance Ltd.

#### COMMITMENT TO PURSUE ISSUANCE OF NCD TO MEF

Aye Finance Pvt. Ltd acknowledges the receipt of the Indicative Term Sheet sent by BlueOrchard Finance Ltd and agrees to pursue, in good faith, the NCD issuance for subscription by the Microfinance Enhancement Facility.

Signed: 

Title: \_\_\_\_\_

Date: \_\_\_\_\_

