

INDICATIVE TERM SHEET

The terms and conditions given below are indicative only and are not exhaustive and subject to change.

Issue of 120 Rated, Unlisted, Unsubordinated, Secured, Transferable, Redeemable, Non-convertible Debentures each having a Face Value of INR 10,00,000 (Indian Rupees Ten Lakhs only), aggregating up to INR 12,00,00,000 (Rupees Twelve Crores Only) on a Private Placement Basis (the "Issue"), by Svasti Microfinance Private Limited ("Issuer"), in single tranche.	
PARTIES INVOLVED IN THE ISSUE	
Issuer / Company	Svasti Microfinance Private Limited (Svasti)
Debenture Trustee	Catalyst Trusteeship Limited
Subscriber(s)	Axis Trustee Services Limited acting in its capacity as the trustee of the IFMR Finance for Freedom Fund with IFMR Fimpro Long Term Multi Asset Class Fund as its scheme
Depository	NSDL
Registrar and transfer agent	Bigshare Services Private Limited
Rating Agency	CARE
Structurer and Arranger	Not Applicable
Legal Counsel	Verist Legal
Guarantor(s)	Mr. P Arunkumar & Mr. Narayanan Subramaniam
Credit Enhancer(s)	Not Applicable
Other obligor(s)	Not Applicable
DETAILS OF THE INSTRUMENT	
Type of instrument	Non-convertible debentures
Nature of instrument	Rated, Unsubordinated, Secured, Transferable, Redeemable, Non-convertible Debentures ("Debentures"/"NCDs")
Ranking	Unsubordinated
Security requirements	Debentures shall be secured as per the terms and conditions stipulated under the heading ' Security Creation ' hereunder
Listing requirements	Unlisted
Rating	CARE BBB-
ISSUE DETAILS	
Mode of Issue	Private Placement
Form of issue	Debentures will be issued in dematerialized form
Face Value	The Debentures will be issued on a fully paid basis of a Face Value of INR 10,00,000 per Debenture.

This document does not constitute an offer, or an invitation to offer, or a recommendation to enter into any transaction. We have sent you this document in our capacity as a potential counterparty acting at arm's length. We are not acting as your financial adviser or in a fiduciary capacity in respect of this proposed transaction or any other transaction with you unless otherwise expressly agreed by us in writing. Before entering into any transaction, you should take steps to ensure that you understand the transaction and have made an independent assessment of the appropriateness of the transaction in the light of your own objectives and circumstances, including the possible risks and benefits of entering into such transaction. You should also consider seeking advice from your own advisers in making this assessment.

[Signature]
Authorized Signatory

Issue Size	The Debentures will be issued on a Fully paid basis for an amount of INR 12,00,00,000/- (Indian Rupees twelve crore only)								
Tenor	28 months								
Issue Schedule	<table border="1"> <tr> <td>Issue Opening Date</td><td>February 29, 2020</td></tr> <tr> <td>Issue Pay-in Date</td><td>February 29, 2020</td></tr> <tr> <td>Issue Closing Date</td><td>February 29, 2020</td></tr> <tr> <td>Deemed Date of Allotment</td><td>February 29, 2020</td></tr> </table>	Issue Opening Date	February 29, 2020	Issue Pay-in Date	February 29, 2020	Issue Closing Date	February 29, 2020	Deemed Date of Allotment	February 29, 2020
Issue Opening Date	February 29, 2020								
Issue Pay-in Date	February 29, 2020								
Issue Closing Date	February 29, 2020								
Deemed Date of Allotment	February 29, 2020								
Objects of the issue	To augment the long-term resources of the company, & to meet working capital requirement								
Utilization of issue proceeds	The Issuer shall utilize the proceeds of the Issue solely for meeting the Objects of the Issue as stated in the Information Memorandum								
REDEMPTION									
Redemption Amount	Each Debenture shall be redeemed at par.								
Scheduled Redemption	Debentures shall be redeemed on a pro rata basis as set out in Schedule 1 (Redemption Schedule) hereto and shall be fully redeemed by the Final Redemption Date.								
Final Redemption Date	June 30, 2022								
Early Redemption	<p>Early redemption at the option of the Issuer shall not be allowed within 24 months from Deemed Date of Allotment ("Lock-in Period"). In case of early redemption of the Debentures at the instance of the Issuer after the Lock-in Period, on any date other than the Final Redemption Date and not arising due to an Event of Default, the Issuer shall pay an Early Redemption Premium. Early Redemption Premium will have to be paid over and above the Coupon Rate.</p> <p>Notwithstanding anything contained herein, any Early Redemption shall be subject to the consent of the Majority Debenture Holders. The Issuer shall give the Debenture Trustee and the Debenture Holders a written notice at least 45 (Fifteen) days prior to the date of early redemption where consent of Debenture Holders shall be sought.</p>								
Early Redemption Premium	5.00% (Five percent) on the principal amount prepaid.								
COUPON PAYMENT									
Coupon Type	Fixed								
Coupon Rate	14.60% (Fourteen Decimal Six Zero per cent) per annum compounded monthly payable at such frequency as set out below against the heading 'Coupon Payment Frequency' and on such dates as set out below against the heading 'Coupon Payment Dates'.								
Coupon Payment Frequency	Quarterly								

This document does not constitute an offer, or an invitation to offer, or a recommendation to enter into any transaction. We have sent you this document in our capacity as a potential counterparty acting at arm's length. We are not acting as your financial adviser or in a fiduciary capacity in respect of this proposed transaction or any other transaction with you unless otherwise expressly agreed by us in writing. Before entering into any transaction you should take steps to ensure that you understand the transaction and have made an independent assessment of the appropriateness of the transaction in the light of your own objectives and circumstances, including the possible risks and benefits of entering into such transaction. You should also consider seeking advice from your own advisers in making this assessment.

For and on behalf of the Issuer
Signature

Coupon Payment Dates	Quarterly on 31 st March, 30 th June, 30 th September and 31 st December of every calendar year after deemed date of allotment until the date of maturity. If any of the mentioned day is a holiday, then the coupon payment has to be made on the immediately succeeding business day
One Time Interest	0.80% of Issue Size (To be paid Upfront)
Step-up Coupon	In the event the Credit Rating of the Debenture issued by the Issuer is downgraded from the current rating of BBB-, the Coupon shall be increased by 0.5% for every notch of rating downgrade, applicable from the date of such downgrade until such event is cured, on the outstanding principal amount and accrued interest, if any, of the Debentures. If the issuer of the debenture is rated by more than one rating agency, then the lowest of the ratings shall be considered.
Step-down Coupon	Not applicable.
Default interest	5.00 % (Five Point Zero Zero percent) over the Coupon Rate till the time Default is cured
CONVENTIONS	
Day Count Basis	Actual/Actual
Business Day	Means any day, other than a public holiday under Section 25 of the Negotiable Instruments Act, 1881 or a Sunday, on which banks are open for general business in Chennai & Mumbai;
Date Convention	<p>(a) If the date of payment of any interest in respect of the Debentures falls on a day that is not a Business Day, such payment of interest shall be made on the next occurring Business Day;</p> <p>(b) If the date of payment of any redemption amount falls on a day that is not a Business Day, such payment of instalment shall be made on the immediately preceding Business Day; and</p> <p>(c) If the Final Redemption Date or the Early Redemption Date (the date on which the Debentures are redeemed prior to the Final Redemption Date in terms of the Transaction Documents), as the case may be, falls on a day that is not a Business Day, such payment of interest and redemption amount shall be made on the immediately preceding Business Day.</p>
THIRD PARTY OBLIGATIONS	
Guarantor(s)	Nature of Obligation: Personal Guarantee
	Name of Such Person(s): Mr. P Arunkumar & Mr. Narayanan Subramaniam
	Documents to be executed: Guarantee Deed
Credit Enhancer(s)	Not Applicable
Other Obligor(s)	Not Applicable
SECURITY CREATION	

This document does not constitute an offer, or an invitation to offer, or a recommendation to enter into any transaction. We have prepared this document in our capacity as a potential counterparty acting at arm's length. We are not acting as your financial adviser or in a fiduciary capacity in respect of this proposed transaction or any other transaction with you unless otherwise expressly agreed by us in writing. Before entering into any transaction you should take steps to ensure that you understand the transaction and have made an independent assessment of the appropriateness of the transaction in the light of your own objectives and circumstances, including the possible risks and benefits of entering into such transaction. You should also consider seeking advice from your own advisers in making this assessment.

Hypothecation	<p>The Debentures shall be secured by way of a first ranking, exclusive and continuing charge on identified receivables ("Hypothecated Receivables" / "Hypothecated Assets") created pursuant to the deed of hypothecation to be executed between the Company and the Debenture Trustee as described herein. The Hypothecated Assets shall at all times be equal to the value of the outstanding principal amount of the Debentures. The Issuer undertakes:</p> <ul style="list-style-type: none"> • to maintain the value of security at all times equal to 1.20 (One decimal point two zero) time or 120.0% (One hundred and twenty percent) the aggregate amount of principal outstanding of the NCDs where at least 1.20 (One decimal point two zero) time or 120.0% (One hundred and twenty percent) of the security cover is from principal receivables ("Security Cover"); • to create, register and perfect the security over the Hypothecated Assets as contemplated above no later than 30 (Thirty) calendar days after the Deemed Date of Allotment of Tranche 1 by executing a duly stamped deed of hypothecation ("Deed of Hypothecation") and filing CHG-9 within the time period applicable; The Company shall also provide such information sought by the Debenture Trustee for the purpose of filing the prescribed forms and particulars with the Central Registry and Information Utility in connection with the Debentures and the Security Interest over the Hypothecated Assets. • to pay a penal interest of 2.0% (Two Percent) p.a. over the Coupon Rate in case there is any delay in the creation, registration and perfection of the security over the Hypothecated Assets; • to provide a list on a quarterly basis, of specific loan receivables/identified book debts to the Debenture Trustee over which the charge is created and subsisting by way of hypothecation in favour of the Debenture Trustee (for the benefit of the Debenture Holders) ("Monthly Hypothecated Asset Report") • to add fresh loan assets to the Security Cover to ensure that the value of the Hypothecated Assets is equal to 1.20 (One decimal point two zero) time or 120.0% (One hundred and twenty percent) the aggregate amount of principal outstanding of the NCDs where at least (One decimal point two zero) time or 120.0% (One hundred and twenty percent) of the security cover is from principal receivables. • to replace Hypothecated Receivables that have been overdue for more than 90 days with current receivables. Such replacement shall be affected within 15 (Fifteen) Business Days of the Hypothecated Receivables becoming overdue (by more than 90 days)
---------------	---

	<p><u>Eligibility Criteria for the Hypothecated Receivables:</u></p> <ul style="list-style-type: none"> the receivables are existing at the time of selection and have not been terminated or pre-paid; the receivables have not been restructured or rescheduled; all "Know Your Customer" norms have been complied with as prescribed by the Reserve Bank of India; All loans hypothecated to the investor should be microfinance loans only;
OTHER COVENANTS	
Debenture Redemption Reserve	If so applicable for the Issue, the Issuer shall create debenture redemption reserve in accordance with the Companies Act, 2013 (and Rules thereunder) and in terms thereof earmark an amount not less than 15% of the amount maturing during the year ending on the 31 st day of March of the next year by way of investment and deposits in specified securities on or before the 30 th day of April in each year.
Related Party Transactions	Issuer shall not enter into any transaction(s) with a related party without the prior written consent of the Debenture Trustee.
Affirmative Covenants	<p>As listed in the Debenture Trust Deed, including but not limited to:</p> <ul style="list-style-type: none"> (a) To utilise the proceeds of this issue in accordance with applicable laws and regulations (b) To ensure at least 1 independent director on the Board at all times during the tenure of the facility (c) To promptly inform notice of winding up / other legal proceedings (d) To promptly inform Material adverse effect (e) To provide the investor with access to data / information / meetings with the management team for periodical portfolio monitoring (f) To comply with corporate governance, fair practices code prescribed by RBI
Negative Covenants	<p>The issues shall take the prior written permission from the Investor / Debenture Trustee for the following:</p> <ul style="list-style-type: none"> (a) Change in promoter, ownership or control (b) Mr. P Arunkumar and Mr. Narayanan Subramaniam cease to hold an executive role in the company (c) Any dilution of control over Board composition, other than appointment of independent directors (d) Mergers, acquisitions, investment in associates, JVs and subsidiaries including disposal of any of the above (e) Change in nature of business of the Company (f) Change in constitutional documents (g) Loans exceeding 10% of net-worth to any single party and/or guarantees on behalf of third parties

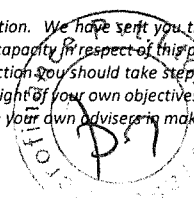
	<p>(h) Declare dividend on equity shares before payment of coupon due on the NCDs</p> <p>(i) Declare dividend on equity/preference shares before payment of coupon due on the NCDs when an Event of Default is subsisting</p> <p>(j) Material compromise or settlement</p> <p>And as set out in greater detail in the Debenture Trust Deed</p>
Events of Default	As listed in the Debenture Trust Deed.
Reporting Covenants	<p>(a) QUARTERLY REPORTS - within 45 (Forty five) calendar days after the end of each calendar quarter:</p> <p>(i) Information on financials, operations, portfolio growth & asset quality (static portfolio cuts, collection efficiency and PAR), funding in formats mutually agreed between the Company and the Investor</p> <p>(ii) List of Board of Directors</p> <p>(iii) Shareholding Pattern</p> <p>(iv) Financial covenant compliance certificate</p> <p>(v) Information on:</p> <ul style="list-style-type: none"> • New products introduced, or change in existing product features • New business correspondent relationships or discontinuance of existing relationships • Geographical expansion to any new state • Material changes to the IT / MIS systems • Change in credit bureaus used • Revision in the Business Plan • Changes in the Accounting Policy • Any fraud amounting to more than 1% of GLP <p>(b) ANNUAL REPORTS – within 120 days after the end of each fiscal year</p> <p>(i) Audited financials</p> <p>(ii) A certificate from the Director/CFO confirming that there is no Event of Default;</p> <p>(iii) Copy of all annual information submitted to the RBI; and</p> <p>(iv) Corporate social responsibility report (if applicable).</p> <p>(c) EVENT BASED REPORTS – within 5 business days after event occurring</p> <p>(i) Change in the shareholding structure</p> <p>(ii) Change in the Senior Management officials (Chief Executive Officer, Chief Financial Officer, Chief Operating Officer or Chief Risk Officer)</p> <p>(iii) Change in statutory auditors</p>

This document does not constitute an offer, or an invitation to offer, or a recommendation to enter into any transaction. We have sent you this document in our capacity as a potential counterparty acting at arm's length. We are not acting as your financial adviser or in a fiduciary capacity in respect of this proposed transaction or any other transaction with you unless otherwise expressly agreed by us in writing. Before entering into any transaction you should take steps to ensure that you understand the transaction and have made an independent assessment of the appropriateness of the transaction in the light of your own objectives and circumstances, including the possible risks and benefits of entering into such transaction. You should also consider seeking advice from your own advisers in making this assessment.

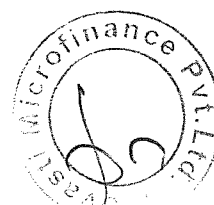
	<ul style="list-style-type: none"> (iv) Board approval of annual business plan (v) Material change in the Constitutional Documents of the Company; (vi) Material Adverse Effect. (vii) Any dispute, litigation, investigation or other proceeding for an amount excess of INR 5 Crore and which could result in a Material Adverse Effect. (viii) Winding up proceedings (ix) Any Event of Default or Potential Default, and any steps taken / proposed to remedy the same (x) Any prepayment or notice of any prepayment of any Indebtedness of the Issuer.
Financial Covenants	<p>The Company shall at all times until the redemption of all outstanding Debentures:</p> <ul style="list-style-type: none"> (a) Tier 1 Capital Ratio (Tier 1 Capital / Risk Weighted Assets) of >12% or as per the regulatory requirement prescribed by Reserve Bank of India, whichever is higher; Tier 1 Capital defined as per the norms applicable by the Reserve Bank of India from time to time (b) Capital Adequacy (Tier 1 Capital + Tier 2 Capital) / Risk Weighted Assets) of >17% or as per the regulatory requirement prescribed by Reserve Bank of India, whichever is higher; Tier 1 Capital and Tier 2 Capital defined as per the norms applicable by the Reserve Bank of India from time to time.; (c) Total Outstanding Debt to Tangible Net worth to remain below 6 times (d) maintain a ratio of A:B not greater than 2% where A is PAR-90 and B is the Gross Loan Portfolio (e) The ratio of PAR 30 (on borrower's Gross Loan Portfolio) to Tangible Net Worth shall not exceed 20.00% (f) Operating Self Sufficiency Ratio (Operating Income/ Operating costs) >100%. (g) maintain a ratio of A:B not greater than 45% (Thirty percent) where A is Off Balance Sheet Portfolio and B is the Gross Loan Portfolio; (h) maintain a positive After-tax Net Income <p>"Gross Loan Portfolio" shall include on balance sheet and off-balance sheet portfolio</p>

	<p>"Off Balance Sheet Portfolio" shall mean principal balance of loans securitized, assigned, originated on behalf of other institutions in respect of which the Issuer has provided credit enhancements in any form or manner whatsoever</p> <p>"Total Outstanding Debt" means total on-balance short-term and long-term financial indebtedness including amount outstanding under Tier II capital</p> <p>"Tangible Net Worth" means the Net worth of the Company, net of intangible assets and deferred tax assets.</p> <p>"PAR-90" shall mean the outstanding principal amount of all client loans that have one or more instalments of principal past due for ninety days or more.</p> <p>"Total Assets" means, for any date of determination, the total Assets of the Company on such date, including owned, securitised and managed (non-owned) portfolio</p> <p>And as set out in greater detail in the Debenture Trust Deed</p>
Transaction documents	<p>Debenture Trust Deed, Hypothecation Agreement, Hypothecation Confirmation Letter, Deed(s) of Guarantee, Undertaking(s), Disclosure Documents, Resolutions, the letters issued by the Rating Agency and the Registrar and all other documents in relation to the issuance of the Debentures.</p> <p>Disclosure Documents means collectively,</p> <p>(a) the debt disclosure document to be issued by the Issuer in terms of sub-regulation (1) of Regulation 21 (<i>Disclosures in respect of Private Placements of Debt Securities</i>) of the Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 (if applicable); and</p> <p>(b) private placement offer letter to be issued by the Issuer in terms of section 42 (<i>Offer or invitation for subscription of securities on private placement</i>) of the Companies Act, 2013.</p> <p>Resolutions means collectively,</p> <p>(a) special resolution of the shareholders of the Company under Section 180(1)(a) of the Companies Act, 2013;</p> <p>(b) special resolution of the shareholders of the Company under Section 180(1)(c) of the Companies Act, 2013;</p> <p>(c) board resolution of the board of directors of the Company under Section 42 and other applicable provisions of the Companies Act, 2013 and Rules thereunder;</p>

This document does not constitute an offer, or an invitation to offer, or a recommendation to enter into any transaction. We have sent you this document in our capacity as a potential counterparty acting at arm's length. We are not acting as your financial adviser or in a fiduciary capacity in respect of this proposed transaction or any other transaction with you unless otherwise expressly agreed by us in writing. Before entering into any transaction you should take steps to ensure that you understand the transaction and have made an independent assessment of the appropriateness of the transaction in the light of your own objectives and circumstances, including the possible risks and benefits of entering into such transaction. You should also consider seeking advice from your own advisers in making this assessment.



	(d) special resolution of the shareholders of the Company under the applicable provisions of the Companies Act, 2013 and Rule 14(2) and other applicable provisions of Companies (Prospectus and Allotment of Securities) Rules, 2014.
Other Costs & Conditions	The Issuer shall bear the costs and expenses incurred in connection with the transactions contemplated hereby including stamp duty and registration fee (if applicable) on the Transaction Documents (and the Debentures), appointment of the Debenture trustee, legal advisors' expenses and expenses incurred in the preparation for the Transaction Documents.
Governing Law and Jurisdiction	Indian Law with jurisdiction of the courts and tribunals of Chennai.



Schedule 1

Redemption Schedule

Cashflow Date	Principal	Interest Payment	Cashflows
29-02-2020	(12,00,00,000)	-	(12,00,00,000)
31-03-2020		1,483,934	1,483,934
30-06-2020		4,408,981	4,408,981
30-09-2020		4,458,021	44,58,021
31-12-2020		4,458,021	44,58,021
31-03-2021		4,371,989	43,71,989
30-06-2021		4,421,206	44,21,206
30-09-2021		4,470,384	44,70,384
31-12-2021		4,470,385	44,70,385
31-03-2022		4,371,989	43,71,989
30-06-2022	12,00,00,000	4,421,206	12,44,21,206



This document does not constitute an offer, or an invitation to offer, or a recommendation to enter into any transaction. We have sent you this document in our capacity as a potential counterparty acting at arm's length. We are not acting as your financial adviser or in a fiduciary capacity in respect of this proposed transaction or any other transaction with you unless otherwise expressly agreed by us in writing. Before entering into any transaction you should take steps to ensure that you understand the transaction and have made an independent assessment of the appropriateness of the transaction in the light of your own objectives and circumstances, including the possible risks and benefits of entering into such transaction. You should also consider seeking advice from your own advisers in making this assessment.