

INDICATIVE TERM SHEET

NON-CONVERTIBLE DEBENTURES

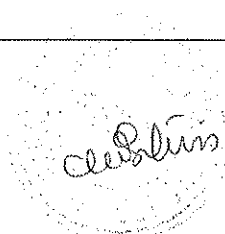
TO BE ISSUED BY

PAHAL FINANCIAL SERVICES PRIVATE LIMITED

Purpose: the purpose of this document ("the Indicative Term Sheet") is to outline the terms and conditions of a potential Non-Convertible Debenture issuance by the Issuer proposed to be subscribed to by the Investor. This Indicative Term Sheet does not constitute a final offer, is not exhaustive and may be subject to change.

ISSUE DETAILS

Issuer	Pahal Financial Services Private Limited
Type of instrument	Non-Convertible Debenture (NCD)
Nature of instrument	Rated, Transferable, Redeemable, Non-convertible debentures
Series	Series A
Ranking	Senior Secured
Mode of issue	Private Placement
Guarantor	N.A
Subscriber/ Debenture holder	IFMR Flmpact Medium Term Microfinance Fund
Debenture Trustee	IDBI Trusteeship Services Limited
Listing	Unlisted; to be listed in WDM segment of BSE within 15 days of request from Debenture Trustee
Long Term Rating (minimum)	CARE BB
Issue size	INR 150,000,000 (Indian Rupees Fifteen crore only)
Tenor	Upto 36 months from the Deemed Date of Allotment
Objects of issue	<ul style="list-style-type: none"> To augment the long term resources of the company To meet working capital requirement and to meet the general corporate purpose.
Details of	The Issuer shall utilize the proceeds of the Issue solely for meeting the Objects of the Issue



Utilization of Proceeds	as stated in the Disclosure Document
Coupon Rate	Coupon of 14.25% per annum, compounded monthly, payable quarterly
Coupon Payment Frequency	Quarterly; exact dates for repayments are shown in Annexure 2
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
Default Interest Rate	In the event of a payment default or any other Event of Default, of the amounts due under this Issue, the Issuer shall pay an additional interest rate of 5% (Five per cent) per annum over and above the applicable Coupon rate from the date of the occurrence of the payment default on the outstanding principal amount of the Debentures until such default is cured or the Debentures are redeemed pursuant to such default, as applicable.
Prepayment Penalty	In case of early redemption of the Debentures at the instance of the Issuer, on any date other than the Due Date and not arising due to an Event of Default, the Issuer shall pay a penalty of 5% (Five percent) on the principal amount prepaid. Prepayment shall be subject to the consent of the Majority Debenture Holders. The Issuer shall give the Debenture Trustee and the Debenture Holders at least 15 (Fifteen) days written notice prior to the date of such meeting where consent of the Debenture Holders shall be sought.
Delay Penalty	In the case of a delay in the execution of Debenture Trust Deed the Issuer shall refund the subscription with the agreed rate of interest or shall pay penal interest of 5% (Five percent) per annum over and above the applicable Coupon Rate until such time the conditions have been complied with at the option of the Investor.
Step-up of Coupon	In the event the Credit Rating of the Issuer is downgraded, 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. For the purpose of this clause, if the Issuer is rated by more than one rating agency, then the lowest of the ratings shall be considered.
Coupon Type	Fixed Coupon Rate
Day Count Basis	"Actual/ Actual" basis
Redemption Amount	INR 10,00,000 (Rupees Ten Lakh only) per Debenture plus accrued Coupon, if any.
Face Value	INR 10,00,000 (Rupees Ten Lakh only) per Debenture
Issue Price	INR 10,00,000 (Rupees Ten Lakh only) per Debenture
Put Option Dates	Not Applicable
Put Notification Time	Not Applicable
Put Option Price	Not Applicable
Issue Timing	
1. Issue	[December 30], 2016

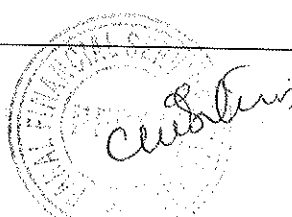


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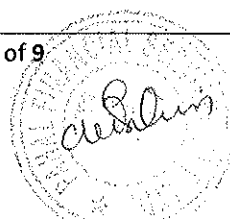
Opening Date	
2. Issue Closing Date	[December 30], 2016
3. Pay in Date	[December 30], 2016
4. Deemed Date of Allotment	[December 30], 2016
Redemption Schedule	Bullet; 36 months from deemed date of allotment; As per Annexure 2
Issuance mode of the Instrument	Dematerialized only
Trading mode of the Instrument	Dematerialized only
Depository	NSDL / CDSL
Security	The Debentures shall be secured by way of a first ranking exclusive and continuing charge to be created pursuant to the deed of hypothecation to be executed between the Company and the Trustee over the identified Book Debts of the Company as described therein (" Hypothecated Property ") which shall be equal to 1.0 times or 100% the aggregate amount of principal outstanding of the NCDs (" Security Cover ")
Transaction Documents	<ul style="list-style-type: none"> (a) Information Memorandum; (b) Debenture Trustee Agreement; (c) Debenture Trust Deed; (d) Deed of Hypothecation; (e) Trustee Appointment Letter; (f) Board Resolutions; (g) Shareholder Resolutions; (h) Issuer's confirmation of allotment of debentures; and <p>Any other document related to the Debentures</p>
Conditions Precedent to Disbursement	<p>The key conditions precedent to disbursement are:</p> <ul style="list-style-type: none"> 1. Consent from the Trustee 2. Governmental and corporate authorizations, as applicable 3. Transaction Documentation 4. Certificate of the Issuer confirming that issuance and allotment of the Debentures would not cause any borrowing, or similar limit binding on the Company, to be exceeded; 5. The Representations and Warranties are true and correct; 6. Evidence of an appointed trustee; 7. Evidence that the fees, costs and expenses have been paid or will be paid by the Deemed Date of Allotment; 8. Confirmation by the compliance officer or his representative of the Debenture Holders that their Client Acceptance and Anti Money Laundering (CAAML) file is completed in accordance with their internal regulations in respect thereof; 9. Others as agreed between the Debenture Trustee, Debenture holders and the Issuer.

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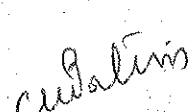
Conditions Subsequent to Disbursement	<p>The key conditions subsequent to disbursement are:</p> <ol style="list-style-type: none"> 1. Filing security interest under the Deed of Hypothecation and the Power of Attorney with Registrar of Companies within 30 days 2. Listing debentures within 15 days from date of request from the Debenture Trustee <p>And as set out in greater detail in the Debenture Trust Deed.</p>
Other costs and conditions	<p>To be further determined in the Debenture Trust Deed.</p> <p>All costs, charges and expenses (notary's fees, legal opinions, lawyer's fees, advertisements, travel costs, telephone and fax costs, stamp duties) incurred in connection with the negotiation, execution, syndication, filing and registration of the Trust Deed and related documents regardless of whether this transaction is completed or not or whether the NCDs are issued or not.</p> <p>The NCDs will be issued in a form and substance satisfactory to the Fund. Note that specific Fund conditions on Environmental & Social and Corporate Governance issues will be applicable and the Issuer will be required to give separate undertakings to Fund in this regard, as listed in Annexure 1.</p>
Business Days	Means a day (other than Sunday or a Bank Holiday) on which banks are open for general business in Chennai and Ahmedabad
Business Day Convention	If any coupon payment date falls on a day that is not a working day, the payment shall be made on the immediately succeeding working day. If the redemption date/exercise date/maturity date (also being the last coupon payment date) of the Debentures falls on a day that is not a working day, the redemption proceeds shall be paid on the immediately preceding working day
Key Representation and Warranties	<ol style="list-style-type: none"> (a) Company is registered with the RBI as an NBFC-MFI (b) No Event of Default has occurred and is continuing on the date of the transaction (c) Debentures shall rank pari passu amongst themselves and with all other secured creditors (d) Company shall not use proceeds from Debenture issuance to fund activities listed in Annexure 1 (e) Binding obligation of Transaction Documents (f) No conflict with other obligations / constitutional documents (g) Company has the power and authority to issue Debentures and such Transactions Documents are valid and admissible in evidence (h) No proceedings pending <p>And as set out in greater detail in the Debenture Trust Deed.</p>
Reporting Covenants	<ol style="list-style-type: none"> (a) MONTHLY REPORTS – List of Hypothecated assets within 10 (ten) calendar days after the end of each calendar month, (b) QUARTERLY REPORTS - within 45 (Forty five) calendar days after the end of each calendar quarter: <ol style="list-style-type: none"> (i) Information on financials, operations, portfolio growth & asset quality



	<p>(static portfolio cuts, collection efficiency and PAR), funding in formats acceptable to the Investor</p> <ul style="list-style-type: none"> (ii) List of Board of Directors (iii) Shareholding Pattern (iv) Financial covenant compliance certificate (v) Copy of returns filed with RBI (vi) CA certificate on validity and sufficiency of Hypothecated Property (vii) information on: <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 / city / district / location • 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>(c) ANNUAL REPORTS – within 120 days after the end of each fiscal year</p> <ul style="list-style-type: none"> (i) Audited financials (ii) A certificate from the Director/CFO confirming that there is no Potential Default or Event of Default; (iii) Copy of all annual information submitted to the RBI; and (iv) corporate social responsibility report <p>(d) EVENT BASED REPORTS – within 5 business days of event occurring</p> <ul style="list-style-type: none"> (i) change in the shareholding structure (ii) change in the Senior Management officials (any CXO, or equivalent) (iii) Board approval of annual business plan (iv) change in the Constitutional Documents of the Company; (v) Material Adverse Effect. (vi) Any dispute, litigation, investigation or other proceeding which could result in a Material Adverse Effect. (vii) Winding up proceedings (viii) Any Event of Default or Potential Default, and any steps taken / proposed to remedy the same. (ix) any prepayment or notice of any prepayment of any Indebtedness of the Issuer.
Financial Covenants	<p>(a) Capitalisation: Capital Adequacy Ratio calculated as per RBI norms of 17% or higher</p> <p>For the purpose of the calculations of the Capital Adequacy as mentioned above:</p> <ul style="list-style-type: none"> - the first loss credit enhancement provided by the originator on securitization shall be reduced from capital funds and the deduction shall be capped at 15% of the outstanding securitized portfolio. - the first loss credit enhancement provided by the originator on loans originated on behalf of other institutions shall be reduced from capital



	<p>funds without any ceiling.</p> <p>The deduction shall be made at 50 per cent from Tier I and 50 per cent from Tier II capital.</p> <p>It is also clarified that in computing the amount of subordinated debt eligible for inclusion in Tier II capital, the aforementioned subordinated debt shall be subject to discounting as provided in the NBFC Master Circular</p> <p>(b) Asset Quality: Ratio of PAR-30 to Gross Loan Portfolio of 3% or lower</p> <p>(c) Earnings: After-tax Net Income to remain positive.</p> <p>(d) Net unhedged foreign currency exposure within +/-50% of Tangible Network</p> <p>(e) Off-Balance Sheet Portfolio to Total Assets ratio of 40% or less.</p> <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>"Tangible Net Worth" means the Net worth of the Company, net of intangible assets and deferred tax assets.</p> <p>"PAR-30" shall mean the outstanding principal amount of all client loans that have one or more instalments of principal past due for thirty days or more.</p> <p>"Client Loan" means each loan made by the Company as a lender.</p> <p>"Loan Loss Reserves" means the portion of the Company's portfolio of client loans that has been expensed (provisioned for) in anticipation of losses due to default.</p>
Key Affirmative Covenants	<p>(a) To utilise the proceeds of this issue in accordance with applicable laws and regulations</p> <p>(b) To ensure presence of atleast 1 independent director at all times</p> <p>(c) To promptly inform notice of winding up / other legal proceedings</p> <p>(d) To promptly inform Material adverse effect</p> <p>(e) To provide the investor with access to data / information / meetings with the management team for periodical portfolio monitoring</p> <p>(f) To create first ranking security and top up on a monthly basis</p> <p>(g) To comply with corporate governance, fair practices code prescribed by RBI</p>
Key Negative Covenants	<p>The issues shall take the prior written permission from the Investor / Debenture Trustee for the following:</p> <p>(a) Change in promoter, ownership or control</p> <p>(b) Promoters to maintain at least [●]% stake in the company at all times</p> <p>(c) Mr Kartik Mehta & Ms. Purvi Jayendra Bhavsar to hold position of Managing Director / Joint Managing Director in the company at all times</p> <p>(d) Mergers, acquisitions, investment in associates, JVs and subsidiaries including disposal of any of the above</p> <p>(e) Change in nature of business of the Company</p> <p>(f) Change in constitutional documents</p>



	<ul style="list-style-type: none"> (g) Loans exceeding 15% of networth to any single party and/or guarantees on behalf of third parties (h) Declare dividend on equity shares before payment of coupon due on the NCDs and/or when an Event of Default is subsisting (i) Declare dividend on preference shares when an Event of Default is subsisting (j) Change in auditors (k) Material compromise or settlement
Events of Default	<ul style="list-style-type: none"> (a) Non-payment of any of the dues under this term sheet, with a grace period of 3 days in case of delays due to technical reasons (b) Default in compliance with financial covenants, subject to a cure period as may be specified in the Transaction Documents (c) Default in compliance with non-financial covenants, subject to a cure period as may be specified in the Transaction Documents (d) Security in jeopardy or depreciation in value of security (e) Default or trigger of event of default on any other indebtedness (cross default) (f) Misrepresentation or misleading information in any of the Transaction Documents (g) Insolvency, winding up, liquidation (h) Creditors' processes initiated against the company (i) Repudiation of Transactions Documents (j) Cessation of business (k) Erosion of 50% or more of the Company's net worth
Disclosure	Fund Disclosure Policy will apply
Language	English
Governing Law and Jurisdiction	Indian Law, Courts in Chennai

ANNEXURE 1

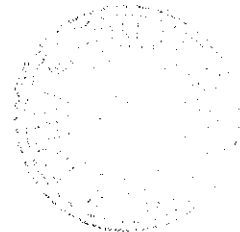
ESG Declaration

The Issuer shall not permit any of the Debenture proceeds to be used to fund any activity listed below:

1. Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, PCB's, wildlife or products regulated under CITES,
2. Production or trade in weapons and munitions,
3. Production or trade in alcoholic beverages (excluding beer and wine),
4. Production or trade in tobacco,
5. Gambling, casinos and equivalent enterprises,
6. Production or trade in radioactive materials (this does not apply to the purchase of medical equipment, quality control (measurement) equipment),
7. Production or trade in unbonded asbestos fibers (this does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%),
8. Drift net fishing in the marine environment using nets in excess of 2.5 km. in length,
9. Production or activities involving harmful or exploitative forms of forced labor,
10. Harmful child labor,
11. Production, trade, storage, or transport of significant volumes of hazardous chemicals, or commercial scale usage of hazardous chemicals (hazardous chemicals include gasoline, kerosene, and other petroleum products),
12. Production or activities that impinge on the lands owned, or claimed under adjudication, by indigenous peoples, without full documented consent of such peoples.

For, Pahal Finance Pvt. Ltd.

[Handwritten Signature]
Secretary

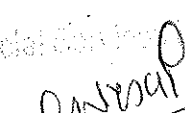


ANNEXURE 2

CASH FLOW SCHEDULE – SERIES A SENIOR SECURED DEBENTURES

Cash Flow date	Investment	Repayment	Upfront Int	Coupon	Cash Flow
30-12-2016	150,000,000		-		(150,000,000)
30-03-2017		-		5,392,368	5,392,368
29-06-2017		-		5,392,461	5,392,461
29-09-2017		-		5,452,425	5,452,425
30-12-2017		-		5,452,425	5,452,425
30-03-2018		-		5,332,450	5,332,450
29-06-2018		-		5,392,461	5,392,461
29-09-2018		-		5,452,425	5,452,425
30-12-2018		-		5,452,425	5,452,425
30-03-2019		-		5,332,450	5,332,450
29-06-2019		-		5,392,461	5,392,461
29-09-2019		-		5,452,425	5,452,425
09-12-2019		150,000,000		4,133,204	154,133,204

For, Pahal Financial Services Pvt. Ltd.


 Authorized Signatory
