

responsAbility India Business Advisory Pvt Ltd.
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Pahal Financial Services Private Limited

First Floor – 2, City Mall, Near Rajpath Club,
Opposite Madhur Hotel, SG Highway, Bokadev
Ahmedabad – 380059

Mumbai, 18 June 2018

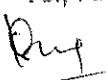
Indicative Term Sheet

Dear Mr. Kartik Mehta,

We are pleased to make available to Pahal Financial Services Private Limited the following indicative term sheet which is subject to final approval by the Investment Committee of **Microfinance Enhancement Facility SA, SICAV-SIF ("MEF")**:

| | |
|-----------------------------|--|
| Borrower: | Pahal Financial Services Private Limited ("Pahal") |
| Lender: | MEF |
| Amount: | INR 20 crore |
| Type: | Non-Convertible Debenture ('NCD') |
| Disbursement: | June/July 2018 |
| Tenure: | 60 months (see <i>Coupon Reset Date which is every 24 months from the Deemed Date of Allotment</i>) |
| Coupon rate (fixed): | Coupon rate will be 13.65% p.a. , gross of withholding tax (INR fixed), and payable semi-annually from the Deemed Date of Allotment until the first Coupon Reset Date. The debenture trust will include language to protect the Lender against increase in the withholding tax rates beyond 5% plus applicable surcharges. The rate is also subject to changes in the tax environment, interest rate environment as well as the USD/INR hedging cost. The coupon rates may be changed, in negotiation with the institution, in case there is a change in market conditions. |
| Coupon Reset Dates: | At the end of every 24 months from the Deemed Date of Allotment |
| Coupon Rate Reset Mechanism | The Coupon Rate will be reset on the Coupon Reset Date as per the coupon rate reset mechanism. The Trustee shall consult all Debenture holders for ascertaining the new Coupon Rate |

For, Pahal Financial Services Pvt. Ltd.



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applicable until maturity, and the decision so reached for fixing the Coupon Rate is to be acceptable to and has to be approved by the majority Debenture holders, at least 12 (twelve) business days prior to the Coupon Reset Date.

The Trustee shall communicate the new Coupon Rate, so determined, to the Issuer at least 11 (eleven) business days before the Coupon Reset Date.

Without prejudice to the foregoing, the Majority Debenture Holders reserve the right to further amend the Coupon Rate and communicate the same via a written notice to the Company, with a copy marked to the Debenture Trustee, at any time on or before 5 (five) business days prior to the Coupon Reset Date.

Additional fees: *Arranger fee: as agreed with the arranger, if there is an arranger to the issue*

These fees do not include rating, listing, legal, trustee, stamp duty and other costs associated with the NCD issuance that shall be borne by the Issuer.

Call/ Put Option Both Debenture holder and Issuer hold the option to call / put the NCD at the end of every 24 months from the date of allotment. The decision to exercise the put or call option will be reached independently by either party, and shall be communicated at least 4 (four) business days before the Coupon Reset Date.

Payment of interests: Semi-annual

Repayment of Principal: Bullet Repayment

Condition precedent: External Legal Opinion

Covenants: Maintain a ratio of foreign-currency assets minus foreign-currency liabilities divided by equity (incl. Subdebt up to 50% of equity) comprised between 50% and -50%. "Subdebt" means only subordinated debt according to local laws or regulations applicable to the borrower.

Maintain outstanding balance of portfolio overdue more than 30 days divided by gross loan portfolio below 3%.

Maintain outstanding balance of portfolio overdue more than 30 days + rescheduled loans (not overdue more than 30 days) divided by gross loan portfolio below 5%.

Maintain an adjusted Return on Assets greater than 0.5%, defined as the net income of the past 12 months adjusted for a

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100% provisioning of PAR 30 and rescheduled loans (not overdue more than 30 days), divided by the average total assets of the last 12 months from January 1, 2019.

Maintain an Open Loan Position of less than 20% of the borrower's equity, calculated as the balance of portfolio overdue more than 30 days plus rescheduled loans (not overdue more than 30 days) less total provisioning for loan losses, divided by equity.

Keep Capital Adequacy Ratio (calculated according to local regulation) above 18%.

Maintain the Maturity Mismatch for any 3 months period, cumulative, including all positions of the previous three month periods, below 100% of borrower's equity. Maturity Mismatch is defined as short positions only (maturity assets < maturity liabilities).

Incur an event of default on other liabilities of the borrower.

Condition Subsequent: Equity infusion of INR equivalent of USD 2 million by 30th September 2018


Security: The NCDs would be secured by the creation of a first ranking exclusive charge on the microfinance receivables with a cover of **1.1X** of the principal amount on the terms and conditions as may be agreed with the Debenture Trustee and as defined in the Debenture Trust Deed and the relevant security creation documents.

Listing Requirement: The issuer of such debt securities will immediately redeem / buyback the said securities from the FIIs/sub-accounts of FIIs if the bonds issued to FIIs are not listed within 15 days of issuance and are not disposed of either by way of sale to a third party or to the issuer.

No Prepayment: An early redemption of the Debentures can only be pursuant to the applicable RBI regulations and subject to the prior written consent of the Majority Debenture Holder(s). The Majority Debenture Holder(s) at its sole discretion may permit an early redemption, under the condition that the Company shall hold the Debenture Holder(s) harmless from all costs, expenses, losses or liability incurred due to the prepayment.

Late payment fee: In case of late repayments for which the borrower is responsible, the interest rate is increased by 200 bps for the period until eventual payment, and the borrower needs to cover any costs incurred by the lender through the late payment (e.g. non-settling of hedges).

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Reporting requests: Monthly monitoring (40 data points)

Other provisions: Adhere to Policy Provisions and Requirements, Microfinance Exclusion List, sanctionable Practices and Anti-Corruption Guidelines, and implement a Social and environmental management System (all guidelines & information in this respect available upon request)

Prior to the Coupon Reset Date and decision to exercise the Call option, Pahal's financial and operational standing may be assessed. The final decision on both aspects will be subject to approval by the Investment Committee representing the funds of responsAbility.

This indicative term sheet is addressed solely to Pahal and is for information purposes only. It does not constitute any commitment by responsAbility nor the Lender to enter into any commercial or legal obligations whatsoever towards Pahal at this stage. In addition, any of the above-mentioned financing conditions remain indicative and may be revised following the decision by the Investment Committee of responsAbility or the Lender, acting at its absolute discretion. In particular, the interest rate indicated is subject, *inter alia*, to changes in hedging costs.

Please email a scanned, signed copy of this letter to jaskirat.chadha@responsAbility.com and rudrashis.roy@responsAbility.com in order for us to proceed with this transaction.

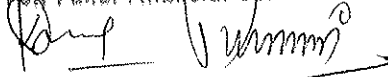
As always, we remain at your disposal for any question you may have.

Sincerely yours,

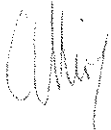
Date: 18 June 2018

For **Pahal Financial Services Private Limited:**

For Pahal Financial Services Pvt. Ltd.



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For responsAbility India



Ms. Celine Georges-Picot
Head of Debt Financing – Asia Pacific
18.06.2018



Mr. Jaskirat S. Chadha
Senior Investment Officer
18.06.2018



Annex – List of definitions

"Total Assets" shall mean the total value of the Issuer's assets, including, but not limited to, cash, cash equivalents, its loan portfolio, fixed assets, and off-balance sheet loans but excluding foreign currency deposits or similar assets blocked as guarantees for a back-to-back reception of local currency liabilities from a financial intermediary.

"Gross Loan Portfolio" shall mean the aggregate outstanding balance of all the loans, including off-balance sheet loans, disbursed by the Issuer in the normal course of its activity.

"Equity" shall mean the total equity of the Issuer, including shareholder's equity, reserves, retained earnings or losses and current year cumulated net income or loss, and excluding redeemable preference shares and optionally convertible preference shares

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