

## INDICATIVE TERM SHEET

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

<b>PARTIES INVOLVED IN THE ISSUE</b>	
Issuer / Company	Pahal Financial Services Private limited
Debenture Trustee	Catalyst Trusteeship Limited
Subscriber(s)	Northern Arc Capital Limited
Depository	NSDL/ CDSL
Registrar and transfer agent	Skyline Financial Services Private Limited
Rating Agency	ICRA Limited
Structurer and Arranger	Northern Arc Capital Limited
Legal Counsel	Verist Law
Guarantor(s)	Not Applicable
Credit Enhancer(s)	Not Applicable
Other obligor(s)	Not Applicable
<b>DETAILS OF THE INSTRUMENT</b>	
Type of instrument	Non-convertible debentures
Nature of instrument	Rated Subordinated Unsecured Transferable Redeemable Non-Convertible Debentures.
Ranking	Subordinated. Each of the Debentures constitute direct, unconditional, unsecured and subordinated obligations of the Company without any preference <i>inter se</i> whatsoever on account of date of issue or allotment or otherwise. The Debentures will be eligible for Tier II Capital of the Company. The Debentures are unsecured and shall be subordinated to the claims of all other Unsubordinated Creditors of the Company and <i>pari passu</i> with all other Subordinated Creditors of the Company except for obligations mandatorily preferred by Law applying to companies generally. For the purpose of this provision "Unsubordinated Creditors" shall mean all creditors who have not agreed to subordinate their claims to claims of other creditors generally. For the purpose of this provision "Subordinated Creditors" shall mean creditors who have expressly agreed to subordinate their claims to those of Unsubordinated Creditors generally. Provided that a creditor who has agreed to subordinate its claim only to one or more specified creditor(s) but not to Unsubordinated Creditors generally shall not be a "Subordinated Creditor". For the purpose of this Clause, the term Tier II Capital shall have the meaning given to it in the master directions issued by the RBI on Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 or Non-Banking

*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.*

*EP-2016*  
Pahal Financial Services Private Limited

	Financial Company ~ Non-Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016 or Master Circular - The Housing Finance Companies (NHB) Directions, 2010 dated July 1, 2016 as may be applicable for the Company (as amended or modified or restated from time to time).
Security requirements	The Debentures shall be unsecured.
Listing requirements	Listed To Be Listed in WDM (Wholesale Debt Market) segment of BSE within fifteen days from the date of allotment of the debt securities..
Rating	ICRA BBB-

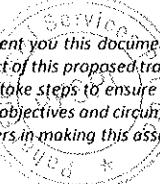
**ISSUE DETAILS**

Mode of Issue	Private Placement				
Form of issue	Debentures will be issued in dematerialized form.				
Issue size	INR. 15,00,00,000/- (Indian Rupees Fifteen Crores only)				
Tenor	63 (Sixty-Three) months				
Face value	INR. 10,00,000/- (Indian Rupees Ten Lakhs only)				
Issue price	Debentures will be issued at par.				
Issue Schedule	Issue Opening Date	14 <sup>th</sup> March, 2020			
	Issue Payin Date	16 <sup>th</sup> March, 2020			
	Issue Closing Date	16 <sup>th</sup> March, 2020			
	Deemed Date of Allotment	16 <sup>th</sup> March, 2020			
Objects of the issue	With a view to raising debt for only expansion of company's MFI loan portfolio and related corporate purposes				
Utilization of issue proceeds	<p>The Company shall utilise the amounts received from the subscription of the Debentures for the Purpose. No part of the proceeds from the Issue will be used towards:</p> <ol style="list-style-type: none"> <li>any capital market instrument such as equity and equity linked instruments or any other capital market related activities;</li> <li>any speculative purposes;</li> <li>investment in the real estate sector; or</li> <li>in contravention of any applicable law.</li> </ol>				

**REDMPTION**

Redemption Amount	Each Debenture shall be redeemed at par.
Scheduled Redemption	Debentures shall be redeemed on a pro rata basis as set out in <b>Schedule 1 (Redemption Schedule)</b> hereto and shall be fully redeemed [by/on] the Final Redemption Date.
Final Redemption Date	June 16, 2025
Early Redemption	Not Applicable

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.



*EW/SH*

Early Redemption Premium	Not Applicable
<b>COUPON PAYMENT</b>	
Coupon Type	Fixed
Coupon Rate	16.50% (Sixteen Decimal Five Zero per cent)
Coupon Payment Frequency	Quarterly
Coupon Payment Dates	As set out in Schedule 1
Step-up Coupon	Not Applicable
Step-down Coupon	Not Applicable
Default interest	Coupon Rate plus 2.00 % (Two Decimal point Zero Zero percent)
Processing fee	1 % of Issue Size, plus Applicable taxes
<b>CONVENTIONS</b>	
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 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>
<b>THIRD PARTY OBLIGATIONS</b>	
Guarantor(s)	Not applicable.
Credit Enhancer(s)	Not applicable.
Other Obligor(s)	Not applicable.
<b>OTHER COVENANTS</b>	
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 <sup>st</sup> day of March of the next year by way of investment and deposits in specified securities on or before the 30 <sup>th</sup> day of April in each year.

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.

Related Party Transactions	Issuer shall not enter into any transaction(s) with a related party with the prior written consent of the Debenture Trustee.
Reporting Covenants	<ol style="list-style-type: none"> <li>1. <b>Quarterly Reports</b> – within 45 (Forty Five) calendar days from the end of each financial quarter             <ol style="list-style-type: none"> <li>a) Information on financials, operations, portfolio growth and asset quality (static portfolio cuts, collection efficiency and portfolio at risk data), funding data, static liquidity analysis, in formats acceptable to the Debenture Holders</li> <li>b) List of Board of Directors</li> <li>c) Shareholding Pattern</li> <li>d) Financial covenant compliance certificate signed by a Director or the Chief Financial Officer</li> <li>e) Copy of returns filed with the Reserve Bank of India ("RBI") and the SEBI (as applicable)</li> <li>f) Information on:                   <ol style="list-style-type: none"> <li>i) New products introduced or change in existing product features</li> <li>ii) New business correspondent relationships or discontinuance of existing relationships</li> <li>iii) Geographical expansion to any new state/city/district/location</li> <li>iv) Material changes to IT/MIS systems</li> <li>v) Change in credit bureaus used</li> <li>vi) Revision in business plan</li> <li>vii) Changes in accounting policy</li> <li>viii) Any fraud amounting to more than 1% of Gross Loan Portfolio</li> </ol> </li> </ol> </li> <li>2. <b>Annual Reports</b> – within 120 (One Hundred and Twenty) calendar days from the end of each financial year             <ol style="list-style-type: none"> <li>a) Audited financial statements</li> <li>b) A certificate from a Director/Chief Financial Officer confirming that there is no Potential Default or Event of Default; and</li> <li>c) Copy of all annual information submitted to the RBI.</li> </ol> </li> <li>3. <b>Event Based Reports</b> – Without prejudice to the obligation to obtain prior approval where required, within 5 (Five) Business Days of the event occurring             <ol style="list-style-type: none"> <li>a) Change in Shareholding structure</li> <li>b) Change in Board of Directors.</li> <li>c) Change in senior management officials (any CXO or equivalent)</li> <li>d) Board approval of annual business plan</li> </ol> </li> </ol>

*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"> <li>e) Change in the constitutional documents of the Company</li> <li>f) Material Adverse Effect</li> <li>g) Any dispute, litigation, investigation or other proceeding which could result in a Material Adverse Effect.</li> <li>h) Winding up proceedings</li> <li>i) Any Event of Default or Potential Default, and any steps taken / proposed to remedy the same.</li> <li>j) Any prepayment or notice of any prepayment of any Indebtedness of the Issuer</li> </ul>
Financial Covenants	<ol style="list-style-type: none"> <li>1. Maximum permissible ratio of the sum of PAR &gt; 30 and write-offs (on the Issuer's entire portfolio including receivables sold or discounted on a non-recourse basis) to Gross Loan Portfolio shall be 3.00%, write-offs would be calculated for trailing twelve months.</li> <li>2. Maintain ratio of PAR &gt; 30 net off Loan Loss Provisions (on the Issuer's entire portfolio including receivables sold or discounted on a non-recourse basis) to Tangible Networth not more than 20%.</li> <li>3. Minimum Tier I Capital adequacy ratio (Tier I Capital divided by risk weighted assets) of 10% or as per the regulatory minimum prescribed by the Reserve Bank of India, whichever is higher needs to be maintained. Minimum capital ratio of Tier I Capital and Tier II Capital to aggregate risk weighted assets on-balance sheet and of risk adjusted value of off-balance sheet items shall not be less than 15% (Fifteen per cent) or as per the regulatory minimum prescribed by the Reserve Bank of India under the NBFC Master Directions, whichever is higher for the rest of the tenor. For the purpose of calculation of minimum capital ratio: (i) first loss credit enhancements provided by the Issuer on securitization shall be reduced from Tier I Capital and Tier II Capital without any ceiling. (ii) Credit enhancements provided by the Issuer on loans originated on behalf of other institutions shall be reduced from Tier I Capital and Tier II Capital without any ceiling. The deduction shall be made at 50 per cent from Tier I Capital and 50 per cent from Tier II Capital. (iii) 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 prescribed by RBI.</li> </ol> <p>Until the redemption of the Debentures, commencing from March 10, 2020, all financial covenants set out herein will be tested on quarterly basis for the Company as on March 31, June 30, September 30, and December 31 of each year, on the basis of the consolidated and standalone financial statements of the Company. In this regard, the Company will provide a certification from its authorized signatory or such other key managerial personnel (as defined in the Act) in such form and manner as may be prescribed by the Debenture Holders</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.*

*EW/2021*



	<p>Company within 45 (forty five) days from March 31, June 30, September 30, and December 31 of each year.</p> <p>For the purpose of aforementioned Financial Covenants, following terms shall have the following meanings:</p> <p><b>Portfolio at Risk greater than 30 days or PAR &gt; 30</b> shall mean, in a district or a branch or on the Issuer's entire portfolio at any point of time, as the case may be, the outstanding principal value of the Issuer's portfolio that has one or more instalments of principal, interest, penalty interest, fee or any other expected payments overdue for 30 days or more and includes restructured loans.</p> <p><b>Tangible Networth</b> means, with respect to any person, the amount paid up on such person's issued share capital, preference share capital compulsorily convertible into equity, compulsorily convertible into equity and any amount standing to the credit of its reserves, less goodwill or other intangible assets.</p> <p><b>Gross Loan Portfolio</b> means and includes the outstanding principal amounts of the loans originated by the Issuer on its own books, securitized portfolio as well as loans originated on behalf of other entities by entering into partnership agreements but not included on the Issuer's own book.</p> <p><b>Loan Loss Provisions</b> means the outstanding provision in the balance sheet of the Issuer pertaining to on book and securitised book assets to provide for potential losses.</p>
Affirmative Covenants	<ul style="list-style-type: none"> <li>(a) To utilise the proceeds of this issue in accordance with applicable laws and regulations</li> <li>(b) To ensure presence of at least 1 independent director till September 30, 2020 and to ensure presence of at least 2 independent directors during the remaining tenor of the facility</li> <li>(c) To promptly inform notice of winding up / other legal proceedings</li> <li>(d) To promptly inform Material adverse effect</li> <li>(e) To provide the investor with access to data / information / meetings with the management team for periodical portfolio monitoring</li> <li>(f) To comply with corporate governance, fair practices code prescribed by RBI</li> </ul> <p>And as set out in greater detail in the Debenture Trust Deed</p>

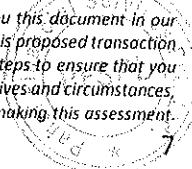
*This document does not constitute an offer, or an invitation to offer, or a recommendation to enter into any transaction. We have sent you this document in our capacity as a potential counterparty acting at arm's length. We are not acting as your financial adviser or in a fiduciary capacity in respect 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.*

*Encl*

Negative Covenants	<p>The issuer shall take the prior written permission from the Investor / Debenture Trustee for the following:</p> <ul style="list-style-type: none"> <li>(a) Any change in Promoter, or control.</li> <li>(b) Redeem, purchase, buyback, defease, retire, return or repay any of its equity share capital or resolve to do so.</li> <li>(c) Any Change of Shareholding of Pahal Financial Services Pvt Ltd shall require prior written consent of the Debenture Holders. The consent shall not be unreasonably withheld beyond 7 working days</li> <li>(d) Mergers, acquisitions, investment in associates, JVs and subsidiaries including disposal of any of the above</li> <li>(e) Change in nature of business of the Company</li> <li>(f) Change in its Memorandum or Articles of Association</li> <li>(g) Loans exceeding 10% of net-worth to any single party and/or guarantees on behalf of third parties</li> <li>(h) Declare dividend on equity shares before payment of coupon due on the NCDs</li> <li>(i) Declare dividend on equity/preference shares when an Event of Default is subsisting</li> <li>(j) Change in statutory auditors except for an appointment of a following accounting firm (KPMG, Deloitte, EY, PwC &amp; Grant Thornton)</li> <li>(k) Material compromise or settlement</li> </ul> <p>And as set out in greater detail in the Debenture Trust Deed</p>
Additional Covenants	Key Shareholders shall issue an undertaking in favour of Northern Arc Capital Limited in the form and manner acceptable to Northern Arc Capital Limited
Events of Default	<ul style="list-style-type: none"> <li>(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</li> <li>(b) Default in compliance with financial covenants</li> <li>(c) Default in compliance with non-financial covenants</li> <li>(d) Default or trigger of event of default on any other indebtedness (cross default)</li> <li>(e) Misrepresentation or misleading information in any of the Transaction Documents</li> <li>(f) Insolvency, winding up, liquidation</li> <li>(g) Creditors' processes initiated against the company</li> <li>(h) Repudiation of Transactions Documents</li> <li>(i) Cessation of business</li> <li>(j) Erosion of 50% or more of the Company's net worth as compare to previous financial year</li> </ul>

*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.*

*encl*

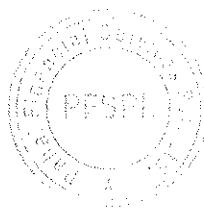


	As listed in the Debenture Trust Deed.						
Restrictions on change in shareholding by key shareholders	<p>Each of the persons mentioned below (collectively "Key Shareholders") shall not transfer or encumber the shares of the Issuer held by them respectively without the prior written consent of the Debenture Holders</p> <table border="1"> <thead> <tr> <th>Name</th> <th>Existing %'age stake on a diluted basis in the Issuer</th> </tr> </thead> <tbody> <tr> <td>Kartik Mehta</td> <td>3.93%</td> </tr> <tr> <td>Purvi Bhavsar</td> <td>3.65%</td> </tr> </tbody> </table>	Name	Existing %'age stake on a diluted basis in the Issuer	Kartik Mehta	3.93%	Purvi Bhavsar	3.65%
Name	Existing %'age stake on a diluted basis in the Issuer						
Kartik Mehta	3.93%						
Purvi Bhavsar	3.65%						
Transaction documents	<p>Debenture Trust Deed, 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> <ul style="list-style-type: none"> <li>(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</li> <li>(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.</li> </ul> <p>Resolutions means collectively,</p> <ul style="list-style-type: none"> <li>(a) special resolution of the shareholders of the Company under Section 180(1)(a) of the Companies Act, 2013;</li> <li>(b) special resolution of the shareholders of the Company under Section 180(1)(c) of the Companies Act, 2013;</li> <li>(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;</li> </ul> <p>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.</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.*

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.

Ernakul



*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.*

## Redemption Schedule

Redemption Instalments	Redemption Date	Amount to be redeemed per Debenture (in INR)
1	16 June 2020	5.87
2	16 September 2020	5.87
3	16 December 2020	5.81
4	16 March 2021	5.76
5	16 June 2021	5.89
6	16 September 2021	5.89
7	16 December 2021	5.82
8	16 March 2022	5.76
9	16 June 2022	5.89
10	16 September 2022	5.89
11	16 December 2022	5.82
12	16 March 2023	5.76
13	16 June 2023	5.89
14	18 September 2023	6.01
15	18 December 2023	5.82
16	18 March 2024	5.81
17	17 June 2024	5.81
18	16 September 2024	5.81
19	16 December 2024	5.81
20	17 March 2025	5.82
21	16 June 2025	155.82

En 2910  
\_\_\_\_



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.