

**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	ASIRVAD MICRO FINANCE LIMITED
Security Name	13.50 ASIRVAD MICRO FINANCE LIMITED 2027
Debenture Trustee	Catalyst Trusteeship Limited
Subscriber(s)/investor	NORTHERN ARC CAPITAL LIMITED
Depository	NSDL
Registrar and transfer agent	SKDC Consultants Limited
Rating Agency	CRISIL Rating Limited
Structurer and Arranger	Northern Arc Capital Limited
Legal Counsel	Phoenix Legal
<b>THIRD PARTY OBLIGORS</b>	
Guarantor(s)	Not Applicable
Credit Enhancer(s)	None
Other obligator(s)	None
<b>DETAILS OF THE INSTRUMENT</b>	
Type of instrument	Rated,Subordinated,Unsecured, Unlisted,Transferable, Redeemable, Non-convertible debentures
Nature of instrument	Unsecured
Ranking	Subordinated
Listing requirements	Unlisted.
Rating	CRISIL AA- /Stable
<b>ISSUE DETAILS</b>	
Mode of Issue	Private Placement
Trading Mode	Dematerialized

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Issue size	5000 Rated, Subordinated, Unsecured, Unlisted, Transferable, Redeemable, Non-convertible debentures with Face Value of Rs 1,00,000/- aggregating to INR. 50,00,00,000 /- (Indian Rupees Fifty Crores only)								
Tenor	72 (Seventy Two months)								
Face value	INR. 1,00,000 /- (Indian Rupees One Lakh only)								
Issue price	Debentures will be issued at par.								
Issue Schedule	<table border="1"> <tr> <td>Issue Opening Date</td> <td>30-Dec-2021</td> </tr> <tr> <td>Issue Payin Date</td> <td>31-Dec-2021</td> </tr> <tr> <td>Issue Closing Date</td> <td>31-Dec-2021</td> </tr> <tr> <td>Deemed Date of Allotment</td> <td>31-Dec-2021</td> </tr> </table>	Issue Opening Date	30-Dec-2021	Issue Payin Date	31-Dec-2021	Issue Closing Date	31-Dec-2021	Deemed Date of Allotment	31-Dec-2021
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Objects of the issue	With a view to raising debt for the ongoing business purposes of the Company (including expansion of the Company's with a view to raising debt for the ongoing business purposes of the Company and expansion of the Company's microfinance loan portfolio).								
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> <ul style="list-style-type: none"> <li>i. any capital market instrument such as equity and equity linked instruments or any other capital market related activities;</li> <li>ii. any speculative purposes;</li> <li>iii. investment in the real estate sector; or</li> <li>iv. in contravention of any applicable law.</li> </ul>								
<b>REDEMPTION</b>									
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 the Final Redemption Date.								
Final Redemption Date	Dec 31, 2027								
Record Date	7 days								
Early Redemption	Subject to applicable Law and the prior approval of the RBI, if so required, the Company may redeem the Debentures prior to the Due Date on a pari passu basis with the prior written consent of the Debenture Trustee and payment of Early Redemption Premium on the principal amount prepaid.								

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Put Option	Not applicable.
Call Option	Not applicable.
Early Redemption Premium	2% (two percent)
<b>COUPON PAYMENT</b>	
Coupon Type	Fixed
Coupon Rate	13.50 % ( Thirteen point five zero per cent) per annum gross of applicable tax 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 Payment Dates'.
Coupon Payment Frequency	Monthly
Coupon Payment Dates	As set out in <b>Schedule 1</b>
Step-up Coupon	Not Applicable.
Step-down Coupon	Not Applicable.
Default interest	Coupon Rate plus 3.0% (Three Percent)
Additional Interest charges	Nil
<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 Chennai;
Business Day Convention	<ul style="list-style-type: none"> <li>i. 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;</li> <li>ii. 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</li> <li>iii. 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.</li> </ul>
<b>SECURITY CREATION</b>	
Security Cover	None

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Pledge	None.
Mortgage	None
<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 31st day of March of the next year by way of investment and deposits in specified securities on or before the 30th day of April in each year.
Related Party Transactions	Issuer shall not enter into any transaction(s) of value greater than 1 crore per transaction with a related party without the prior written intimation to the Debenture Trustee, except transactions with Manappuram Finance Limited, Manappuram Foundation, Manappuram Comptech and Consultants Limited and Mr. B.N. Raveendra Babu, Managing Director
Affirmative Covenants	As listed in the Debenture Trust Deed.
Negative Covenants	As listed in the Debenture Trust Deed.
Events of Default	As listed in the Debenture Trust Deed.
Reporting Covenants	As listed in the Debenture Trust Deed.
Financial Covenants	<p>a. The Capital Adequacy Ratio (as defined in applicable RBI Regulations) shall be maintained at or above 16% as on 31-Mar22 till the Final Redemption Date. Maintain Tier 1 ratio (as defined in NBFC Regulations) of 10% or higher at all points in time.</p> <p>b. Maintain a ratio of A: B not greater than 3% where A is PAR-90 net of Loan Loss provision and B is the Gross Loan Portfolio from December 30, 2021 onwards</p> <p>c. Maintain a ratio of A: B not greater than 15% where A is PAR-90 net off Loan Loss Provisions and B is the Tangible Net Worth to be tested from December 30, 2021</p> <p>d. Maintain positive cumulative mismatch in all the buckets up to 1 year in the structural liquidity statement at the end of every quarter</p> <p>e. Maintain a minimum Tangible Net Worth of Rs 750 crores</p> <p>“PAR- 90” Shall mean on the Company’s Gross Loan Portfolio the outstanding principal value of the relevant portfolio of the Company that has one or more instalment of principal, interest payments overdue for 90 days or more, but excludes restructured loans and loans that have been written off by the Company.</p> <p>“Gross Loan Portfolio” shall mean and include the outstanding principal amount 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>

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	<p>“Write-off” shall mean bad debts removed from balance sheet and deemed as non-collectible.</p> <p>“Loan loss provision” shall mean expense set aside as an allowance for uncollected loans and loan payments on the Issuer’s entire portfolio including receivables sold or discounted on a non-recourse basis.</p> <p>“Tangible net worth” (TNW) shall mean sum of share capital and surplus reserves of the company net of intangible assets of the company.</p>
Additional Covenants	<p>a. Northern Arc Capital Limited or the Majority Debenture Holders should be able to convene a meeting with one or more of the following: (i) the Managing Director of the Company, (ii) statutory auditors of the Company, (iii) the Managing Director of Manappuram Finance Limited and (iv) one independent director of the Company.</p> <p>b. Mr. V P Nandakumar to remain Director on the Board of the Company.</p>
Transaction documents	<p>Debenture Trust Deed, 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. 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 179 and other applicable provisions of the Companies Act, 2013 and Rules thereunder;</p> <p>d.</p>
Other Costs & Conditions	<p>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.</p>
Governing Law and Jurisdiction	<p>Indian Law with jurisdiction of the courts and tribunals of Chennai.</p>

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**Schedule 1**

**Redemption Schedule**

**Northern Arc Capital Limited**

Redemption Instalments	Redemption Date	Interest per Debenture (in INR)	Amount to be redeemed per Debenture (in INR)
1	31-Jan-22	1147	0
2	28-Feb-22	1036	0
3	31-Mar-22	1147	0
4	30-Apr-22	1110	0
5	31-May-22	1147	0
6	30-Jun-22	1110	0
7	31-Jul-22	1147	0
8	31-Aug-22	1147	0
9	30-Sep-22	1110	0
10	31-Oct-22	1147	0
11	30-Nov-22	1110	0
12	31-Dec-22	1147	0
13	31-Jan-23	1147	0
14	28-Feb-23	1036	0
15	31-Mar-23	1147	0
16	30-Apr-23	1110	0
17	31-May-23	1147	0
18	30-Jun-23	1110	0
19	31-Jul-23	1147	0
20	31-Aug-23	1147	0
21	30-Sep-23	1110	0
22	31-Oct-23	1147	0
23	30-Nov-23	1110	0
24	31-Dec-23	1147	0
25	31-Jan-24	1143	0
26	29-Feb-24	1070	0

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27	31-Mar-24	1143	0
28	30-Apr-24	1107	0
29	31-May-24	1143	0
30	30-Jun-24	1107	0
31	31-Jul-24	1143	0
32	31-Aug-24	1143	0
33	30-Sep-24	1107	0
34	31-Oct-24	1143	0
35	30-Nov-24	1107	0
36	31-Dec-24	1143	0
37	31-Jan-25	1147	0
38	28-Feb-25	1036	0
39	31-Mar-25	1147	0
40	30-Apr-25	1110	0
41	31-May-25	1147	0
42	30-Jun-25	1110	0
43	31-Jul-25	1147	0
44	31-Aug-25	1147	0
45	30-Sep-25	1110	0
46	31-Oct-25	1147	0
47	30-Nov-25	1110	0
48	31-Dec-25	1147	0
49	31-Jan-26	1147	0
50	28-Feb-26	1036	0
51	31-Mar-26	1147	0
52	30-Apr-26	1110	0
53	31-May-26	1147	0
54	30-Jun-26	1110	0
55	31-Jul-26	1147	0
56	31-Aug-26	1147	0
57	30-Sep-26	1110	0
58	31-Oct-26	1147	0
59	30-Nov-26	1110	0
60	31-Dec-26	1147	0
61	31-Jan-27	1147	0
62	28-Feb-27	1036	0
63	31-Mar-27	1147	0
64	30-Apr-27	1110	0
65	31-May-27	1147	0
66	30-Jun-27	1110	0

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67	31-Jul-27	1147	0
68	31-Aug-27	1147	0
69	30-Sep-27	1110	0
70	31-Oct-27	1147	0
71	30-Nov-27	1110	0
72	31-Dec-27	1147	100000

**Accepted and agreed**

**For the Issuer**

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**(Authorised signatory)**

**DISCLAIMER:**

*This term sheet only summarizes the principal terms with respect to a potential investment by the Investor in rated, non-convertible, redeemable, debentures proposed to be issued by the Issuer.*

*This term sheet is intended solely as a basis for further discussion and is not intended to be and does not constitute a legally binding obligation. No legally binding obligations will be created, implied or inferred until the Transaction Documents are executed and delivered. Without limiting the generality of the foregoing, it is the intent of the parties that until the execution of Transaction Documents, no agreement shall exist among them and there shall be no obligations whatsoever based on such things as parol evidence, extended negotiations, "handshakes," oral understandings, or course of conduct.*

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