

### Indicative terms and conditions

**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.

<b>Issuer/Company</b>	Spandana Sphoorty Financial Limited ("Spandana")
<b>Investor(s)/Debenture Holders</b>	Karvy Capital Limited – A/c Excel Portfolio
<b>Debenture Trustee</b>	Catalyst Trusteeship Services Limited
<b>Arranger</b>	IFMR Capital Finance Private Limited ("IFMRC")
<b>Rating Agency</b>	ICRA
<b>Legal Counsel</b>	N.A.
<b>Issuance</b>	Rated, Listed, Senior, Secured, Redeemable, Taxable, Non-Convertible Debentures ("NCDs" or "Debentures")
<b>Ranking</b>	<p>Each Debenture issued by the Issuer will constitute direct, senior and secured obligations of the Issuer. The claims of the Debenture Holders shall be akin to the claims of senior, secured lenders and shall rank pari passu to all senior, secured indebtedness of the Issuer.</p> <p>Each of the Debenture Holders shall inter-se rank pari passu in relation to their rights and benefits in relation to the Debentures, without any preference or privilege.</p>
<b>Registrar &amp; Transfer Agent</b>	Karvy Computershare Private Limited
<b>Depository</b>	NSDL/CDSL
<b>Issuance mode</b>	Dematerialized, Private Placement
<b>Trading mode</b>	Dematerialized
<b>Settlement mode</b>	ECS
<b>Listing</b>	<p>The NCDs are proposed to be listed on the Bombay Stock Exchange ("BSE") within 20 calendar days of the Deemed Date of Allotment</p> <p>In case of a delay by the Issuer in listing the Debentures beyond 20 (Twenty) days from the Deemed Date of Allotment the Issuer shall make payment the Debenture Holders of penal interest calculated on the face value of the Debentures at the rate of minimum of 1% (One Percent) p.a. over the Coupon Rate from the expiry of 30 (Thirty) calendar days from the Deemed Date of Allotment until the listing of the Debentures.</p> <p>In the event that the NCDs are not listed within 15 (Fifteen) days from the Deemed Date of Allotment for any reason whatsoever, then to the extent that any Debenture Holders are Foreign Institutional Investors or sub-accounts of Foreign Institutional Investors or Qualified Foreign Investors, the Issuer undertakes to immediately redeem and/or buyback any and all Debentures within 2 (two) Business Days of the expiry of the Listing Period.</p>
<b>Business Days</b>	A day (other than a Saturday, a Sunday or a Bank Holiday) on which banks are open for general business in Mumbai.
<b>Business Convention</b>	<p><b>Day</b></p> <ul style="list-style-type: none"> <li>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.</li> <li>If the redemption 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</li> <li>If the Maturity Date (also the last coupon payment date) of the Debentures falls on a day that is not a working day, the redemption proceeds and coupon payment shall be paid on the immediately preceding working day.</li> </ul>

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<b>Record Date</b>	3 (Three) Business Days prior to each coupon payment date and redemption date.
<b>End Use</b>	<p>The proceeds of the Issuance will be utilized for the following purposes:</p> <ul style="list-style-type: none"> <li>• General corporate purposes</li> <li>• for the ordinary course of business of the Issuer including repayment/re-financing of existing debt</li> </ul> <p>No part of the proceeds shall be utilized directly/indirectly towards capital markets (debt and equity), land acquisition or usages that are restricted for bank financing.</p>
<b>Amount/Issuance Size</b>	INR 12,00,00,000 (Indian Rupees Twelve Crores Only)
<b>Issue price</b>	At par
<b>Security</b>	<p>The Debentures shall be secured by way of a first ranking, exclusive and continuing charge on identified receivables ("<b>Hypothecated Receivables</b>") created pursuant to the deed of hypothecation to be executed between the Company and the Debenture Trustee as described herein. The Hypothecated Receivables 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"> <li>• to maintain the value of security at all times equal to 1.0 (One Decimal Point) time or 100.0% (One Hundred Percent) the aggregate amount of principal outstanding of the NCDs where at least 1.0 (One Decimal Point) time or 100.0% (One Hundred Percent) of the security cover is from principal receivables ("<b>Security Cover</b>");</li> <li>• to create, register and perfect the security over the Hypothecated Assets as contemplated above no later than 60 (Sixty) calendar days after the Deemed Date of Allotment by executing a duly stamped deed of hypothecation ("<b>Deed of Hypothecation</b>") and filing CHG-9 within the time period applicable;</li> <li>• to pay a penal interest of 2.0% (Two Percent) p.a. over the coupon date in case there is any delay in the creation, registration and perfection of the security over the Hypothecated Assets;</li> <li>• to provide a list on a monthly 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) ("<b>Monthly Hypothecated Asset Report</b>")</li> <li>• to add fresh loan assets to the Security Cover to ensure that the value of the Hypothecated Assets is equal to 1.0 (One Decimal Point) time or 100.0% (One Hundred Percent) the aggregate amount of principal outstanding of the NCDs where at least 1.0 (One Decimal Point) time or 100.0% (One Hundred and Ten Percent) of the security cover is from principal receivables.</li> <li>• to replace any Hypothecated Receivables that become overdue with current receivables. Such replacement shall be effected within 15 (Fifteen) Business Days of the receivables becoming overdue</li> </ul> <p><u>Eligibility Criteria for the Hypothecated Receivables:</u></p> <ul style="list-style-type: none"> <li>• the receivables are existing at the time of selection and have not been terminated or pre-paid;</li> <li>• the receivables have not been restructured or rescheduled</li> <li>• all "Know Your Customer" norms have been complied with as prescribed by the Reserve Bank of India;</li> </ul>

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Face value per Debenture	INR 1 (Indian Rupee One Only)
Minimum subscription amount	INR 20,000 (Indian Rupees Twenty thousand Only)
Rating	ICRA BBB-
Tenor	36 months from the Deemed Date of Allotment
Maturity Date	August 21, 2020
Put Option Date	Not applicable
Call Option Date	Not applicable
Put Notification Time	Not applicable
Call Notification Time	Not applicable
Interest Rate/Coupon Rate	12.30% coupon, payable monthly
Interest Type	Fixed
Interest Rate Reset/Coupon Reset (including rates, spread, effective date, interest rate cap and floor)	Not applicable
Step Up Coupon / Step Down Coupon	Not Applicable
Day count basis	Actual/Actual
Interest Payment Frequency	Monthly
Principal Amortization	Bullet, at Maturity Date
Default Interest Rate	<ul style="list-style-type: none"> <li>In case of default in payment of interest and / or principal redemption on the due dates, additional interest @ 2% p.a. over the Coupon Rate will be payable by the Issuer for the defaulting period.</li> <li>In case of default by the Issuer in the performance of any of the covenants of this Issuance, including but not limited to the financial covenants of this Issuance, additional interest @ 2% p.a. over the Coupon Rate will be payable by the Issuer for the defaulting period</li> </ul>
Prepayment Penalty	In case of early redemption of the Debentures at the instance of the Issuer, on any date other than the Maturity Date and not arising due to an Event of Default, the Issuer shall pay a penalty of 2% (Two 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) Business Days written notice prior to the date of such meeting where consent of the Majority Debenture Holders shall be sought.
Redemption Amount	The sum of the principal outstanding on the Debentures, accrued Coupon, Default Interest payable (if any) and other charges and fees payable.
Interest on application money	<p>Interest at the Coupon Rate (subject to deduction of income tax under the provisions of the Income Tax Act, 1961, or any other statutory modification or re-enactment thereof, as applicable) will be paid to the applicants on the application money for the Debentures for the period starting from and including the date of realization of application money in Issuer's bank account up to one day prior to the Deemed Date of Allotment</p> <p>Where Pay-in Date and Deemed date of Allotment are the same, no interest on Application money is to be paid</p>
Transaction documents	The Issuer has executed/ shall execute the documents including but not limited to the following, as required, in connection with the Issue as per latest SEBI guidelines / Companies Act 2013 (as applicable) for issuance of NCDs through Private Placement:

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	<ol style="list-style-type: none"> <li>1. Letter appointing Trustees to the Debenture Holders;</li> <li>2. Debenture Trusteeship Agreement;</li> <li>3. Debenture Trust Deed;</li> <li>4. Deed of Hypothecation;</li> <li>5. Information Memorandum;</li> <li>6. Private Placement Offer Letter (Form PAS 4);</li> <li>7. Board Resolution authorizing this Issuance;</li> <li>8. Applicable Shareholder Resolutions under the Companies Act 2013;</li> <li>9. Rating Agreement with the aforesaid Rating Agency(ies) with respect to this Issuance; and</li> <li>10. Tripartite Agreements with the Depository(ies) and Registrar &amp; Transfer Agent</li> </ol>								
<b>Issue Schedule</b>	<table> <tr> <td>Issue Open Date</td><td>August 21, 2017</td></tr> <tr> <td>Issue Close Date</td><td>August 21, 2017</td></tr> <tr> <td>Pay-in Date</td><td>August 21, 2017</td></tr> <tr> <td>Deemed Date of Allotment</td><td>August 21, 2017</td></tr> </table>	Issue Open Date	August 21, 2017	Issue Close Date	August 21, 2017	Pay-in Date	August 21, 2017	Deemed Date of Allotment	August 21, 2017
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Issue Close Date	August 21, 2017								
Pay-in Date	August 21, 2017								
Deemed Date of Allotment	August 21, 2017								
<b>Conditions Precedent</b>	<p>The Company shall fulfil the following Conditions Precedent the satisfaction of the Debenture Trustee and submit Conditions Precedent documentation where applicable to the Debenture Trustee, prior to the Pay in Date:</p> <ol style="list-style-type: none"> <li>1. All corporate approvals from the Board of Directors and shareholders of the Issuer, if applicable, shall have been received for the issuance of the NCDs, and the execution, delivery and performance by the Issuer of the Transaction Documents in accordance with the Companies Act, 2013, the Companies (Prospectus and Allotment of Securities) Rules, 2014, the Companies (Share Capital and Debentures) Rules, 2014 and other rules prescribed;</li> <li>2. Execution of the Debenture Trustee Agreement, the Deed of Hypothecation and Debenture Trust Deed, in a form and manner satisfactory to the Debenture Trustee shall have taken place;</li> <li>3. The Issuer shall have submitted to the Debenture Trustee the rating letter and rating rationale;</li> <li>4. The Issuer shall have submitted to the Debenture Holders / Debenture Trustee, all required documents for the purpose of satisfying its respective KYC requirements;</li> <li>5. The Issuer shall have submitted to the Debenture Trustee a certified true copy of the constitutional documents of the Company (the Memorandum and Articles of Association and the Certificate of Incorporation)</li> <li>6. The Issuer shall have submitted to the Debenture Trustee its audited account statements for the most recent financial year or audited financial half-year</li> </ol>								
<b>Conditions Subsequent</b>	<p>The Issuer shall ensure that the following documents are executed/activities are completed as per the time frame stipulated in the Debenture Trust Deed</p> <ol style="list-style-type: none"> <li>1. The Issuer shall immediately on receipt of funds, take on all necessary steps to, including making all applicable filings in the Registrar of Companies and obtaining all necessary approvals including filing Form PAS 5 along with the Information Memorandum and Form PAS 3 along with requisite fee within prescribed timelines;</li> <li>2. Receive final listing approval from the BSE within 20 calendar days from the Deemed Date of Allotment</li> <li>3. To create, register and perfect the security over the Hypothecated Assets no later than 60 (Sixty) calendar days from the Deemed Date of Allotment or as applicable under relevant regulation and Law, whichever is earlier.</li> </ol>								

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	<ol style="list-style-type: none"><li>4. The Issuer shall ensure credit of demat account(s) of the allottee(s) with the number of NCDs allotted within 2 (Two) Business Days of the Deemed Date of Allotment</li><li>5. The Issuer shall ensure compliance with SEBI / Companies Act 2013 (as applicable) for issuance of NCDs.</li></ol>
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<b>Events of Default</b>	<p>Customary for financings of this nature and others appropriate in the judgment of the Debenture Holders, including but not limited to:</p> <ol style="list-style-type: none"> <li>1. Non-payment of any of the dues under this Issuance, with a grace period of 3 (Three) calendar days in case of delays due to technical reasons;</li> <li>2. Default or trigger of event of default on any other indebtedness (cross default)</li> <li>3. Misrepresentation or misleading information in any of the Transaction Documents</li> <li>4. Issuer is unable or admits in writing its inability to pay its debts as they mature or suspends making payment of any of its debts, by reason of actual or anticipated financial difficulties or proceedings for taking it into liquidation have been admitted by any competent court or a moratorium or other protection from its creditors is declared or imposed in respect of any indebtedness of the Company;</li> <li>5. Insolvency, winding up, liquidation</li> <li>6. Depreciation in the value of assets offered as security to such an extent that in the opinion of the Debenture Trustee, there is a requirement to provide further security to their satisfaction and such additional security is not provided within 7 (Seven) Business Days of written notice served by the Debenture Trustee;</li> <li>7. If an attachment or expropriation or restraint of act of sequestration is levied on the Hypothecated Assets or any part thereof;</li> <li>8. A receiver or liquidator, provisional liquidator, supervisor, receiver, administrative receiver, administrator, compulsory manager, trustee or other similar officer in respect of the Company or any of its assets is appointed or allowed to be appointed of all or any part of the undertaking of the Company;</li> <li>9. Creditors' processes initiated against the company</li> <li>10. Repudiation of Transaction Documents</li> <li>11. Cessation of business</li> <li>12. Any material act of fraud, embezzlement, misstatement, misappropriation or siphoning off of the Issuer / Promoter funds or revenues or any other act having a similar effect being committed by the management or an officer of the Issuer</li> <li>13. The Company has taken or suffered to be taken any action for re-organisation of its capital or any rearrangement, merger or amalgamation without the prior written approval of the Debenture Holders;</li> <li>14. Promoters or key management personnel of the Company being declared wilful defaulter</li> <li>15. The promoter/s and/or the directors of the Company are accused of, charged with, arrested or convicted a criminal offence involving moral turpitude, dishonesty or which otherwise impinges on the integrity of the promoter/s and/or director, including any accusations, charges and/or convictions of any offence relating to bribery;</li> <li>16. Erosion of 50% or more of the Company's net worth</li> <li>17. All or a material part of the undertaking, assets, rights or revenues of the Company are condemned, seized, nationalised, expropriated or compulsorily acquired, or shall have assumed custody or control of the business or operations of the Company, or shall have taken any action for the dissolution of the Company, or any action that would prevent the Company, their member, or their officers from carrying on their business or operations or a substantial part thereof, by or under the authority of any</li> </ol>
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	<p>Government or Government authority;</p> <ol style="list-style-type: none"> <li>18. Occurrence of a Material Adverse Effect as determined by the Debenture Trustee, acting solely on the instructions of the Majority Debenture Holders.</li> <li>19. Change in management control without prior written consent from the Debenture Holders</li> <li>20. Any Transaction Document once executed and delivered, ceases to be in full force or becomes unlawful, invalid and unenforceable;</li> <li>21. A petition for the reorganization, arrangement, adjustment, winding up or composition of debts of the Company is filed on the Company (voluntary or otherwise) or have been admitted or makes an assignment for the benefit of its creditors generally and such proceeding is not contested by the company for staying, quashing or dismissed within 15 (Fifteen) days</li> <li>22. Any failure by the Company to comply with any of the provisions of the Transaction Documentation in relation to the security including but not limited to the failure by the Company to provide additional or alternate security to the satisfaction of the Debenture Trustee</li> <li>23. Breach of the following covenants: <ol style="list-style-type: none"> <li>a) Affirmative Covenants – (i) Preserve corporate status; authorisations, (ii) Payment of Stamp Duty, (iii) Handling Investor grievances, (iv) Compliance with Investor Education and Protection Fund requirements, (v) Regulatory Filings, (vi) Regulatory requirements in case of a Foreign Investor, (vii) Maintenance of Books of Account and (viii) Corporate Governance; and</li> <li>b) Negative Covenants - (i) Change of business; Role of Promoter, (ii) maintenance of Promoter stake and (iii) Dividend distribution in case of default</li> <li>c) Financial Covenants where such breach is not cured within 30(Thirty) calendar days.</li> <li>d) Any other covenant or undertaking of the Company in the Transaction Documentation, where such breach is not cured within 30 (Thirty) calendar days.</li> </ol> </li> </ol> <p>Upon occurrence of any of the aforesaid event of default, the Debenture Trustee may by a notice in writing to the Company initiate actions as may be contemplated in the Transaction Documents including the following:</p> <ol style="list-style-type: none"> <li>(a) require the Company to mandatorily redeem the Debentures and repay the principal amount on the Debentures, along with accrued but unpaid interest, and other costs, charges and expenses incurred under or in connection with this Deed and other Transaction Documents, subject to prior approval of the RBI, if so required;</li> <li>(b) declare all or any part of the Debentures to be immediately (or on such dates as the Debenture Trustee may specify) due and payable, whereupon it shall become so due and payable subject to prior approval of the RBI, if so required.</li> </ol>
<p><b>Reporting Covenants</b></p>	<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, in formats acceptable to the Debenture Holders</li> </ol> </li> </ol>

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	<ul style="list-style-type: none"> <li>b) Financial covenant compliance certificate signed by a Director or the Chief Financial Officer</li> <li>c) Shareholding Pattern</li> </ul> <p>2. <b>Annual Reports</b> – within 120 (One Hundred and Twenty) calendar days from the end of each financial year</p> <ul style="list-style-type: none"> <li>a) Audited financial statements</li> </ul> <p>3. <b>Event Based Reports</b> – within 5 (Five) Business Days of the event occurring</p> <ul style="list-style-type: none"> <li>a) Change in list of Board of Directors</li> <li>b) Change in Shareholding structure</li> <li>c) Change in senior management officials (any CXO or equivalent)</li> <li>d) Board approval of annual business plan</li> <li>e) Any fraud amounting to more than 1% of Gross Loan Portfolio</li> <li>f) Changes in accounting policy</li> <li>g) New products introduced or change in existing product features</li> <li>h) New business corresponding relationships or discontinuance of existing relationships</li> <li>i) Geographical expansion to any new state</li> <li>j) Material changes to IT/MIS systems</li> <li>k) Change in credit bureaus used</li> <li>l) Revision in business plan</li> <li>m) Change in the constitutional documents of the Company</li> <li>n) Material Adverse Effect</li> <li>o) Any dispute, litigation, investigation or other proceeding which could result in a Material Adverse Effect.</li> <li>p) Winding up proceedings</li> <li>q) Any Event of Default or Potential Default, and any steps taken / proposed to remedy the same.</li> <li>r) Any prepayment or notice of any prepayment of any Indebtedness of the Issuer</li> </ul>
<b>Financial Covenants</b>	<ul style="list-style-type: none"> <li>1. The capital adequacy ratio (as defined in NBFC Regulations) shall be above 15% at all point in time</li> <li>2. PAR 90 shall not exceed 3.0%(Three Percent) of the Gross Loan Portfolio starting 01<sup>st</sup> Jan,2018</li> <li>3. The Capital and Free Reserves shall not be less than 1.5 (One Decimal Point Five) times the Issuance Size at all point in time</li> </ul> <p>All covenants would be tested on quarterly basis for the Company, i.e. as on 31<sup>st</sup> March, 30<sup>th</sup> June, 30<sup>th</sup> Sept and 31<sup>st</sup> December every year, starting from 30<sup>th</sup> September 2017 (except for the covenant on asset quality viz, covenant 2 listed above, which will be tested starting from 31<sup>st</sup> March, 2018) on consolidated and standalone balance sheet till the redemption of the Debentures.</p>
<b>Affirmative Covenants</b>	<ul style="list-style-type: none"> <li>1. To utilise the proceeds of this issue in accordance with applicable laws and regulations</li> <li>2. To comply with corporate governance, fair practices code prescribed by the RBI</li> <li>3. Notification of any potential Event of Default or Event of Default;</li> <li>4. Obtain, comply with and maintain all licenses / authorizations</li> <li>5. Provide details of any material litigation, arbitration or administrative proceedings (materiality threshold to be finalized during</li> </ul>

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	Term Sheet by the Issuer.
<b>Confidentiality</b>	The terms and conditions described in this Term Sheet, including its existence, shall be confidential information and shall not be disclosed to any third party except to each Party's advisors and counsel. Provided however that if any of the Parties is required by law to disclose information regarding this Term Sheet or to file this Term Sheet with any regulatory body, it shall, at a reasonable time after making any such disclosure or filing, informing the other Parties.
<b>Governing Law &amp; Jurisdiction</b>	This Term Sheet shall be governed and construed exclusively in accordance with the laws of India and any disputes arising there from shall be subject to the jurisdiction of appropriate courts and tribunals at [Mumbai], India.
<b>Transaction Costs</b>	The Issuer shall bear all transaction related costs incurred by the Debenture Holders with respect to legal counsel, valuers and auditors / consultants. Such costs include: <ol style="list-style-type: none"> <li>1. Trustee fees</li> <li>2. Legal Fees</li> <li>3. Listing Fees</li> <li>4. Rating fees</li> <li>5. Any other reasonable transaction related expense incurred by the Debenture Holders</li> <li>6. Stamping and registration in relation to all Transaction Documents.</li> </ol>
<b>Taxes, Duties, Costs and Expenses</b>	<ol style="list-style-type: none"> <li>1. Relevant taxes, duties and levies are to be borne by the Issuer.</li> <li>2. The charges / fees and any amounts payable under this Debentures by the Issuer as mentioned herein do not include any applicable taxes, levies including service tax etc. and all such impositions shall be borne by the Issuer additionally.</li> </ol>
<b>Eligible investors</b>	As permitted under Applicable Law
<b>Glossary</b>	
<b>Gross Loan Portfolio</b>	Means and includes the outstanding principal amount of the loans originated by the Borrower 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 Borrower's own book
<b>Portfolio at Risk &gt; 90 Days or PAR 90</b>	<i>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 instalments of principal, interest payments overdue for 90 days or more, includes restructured loans but excludes loans that have been written off by the Company</i>

Accepted and agreed

For Spandana Sphoorty Financial Limited

\_\_\_\_\_  
(Authorised signatory)

For Karvy Capital Limited

\_\_\_\_\_  
(Authorised signatory)

