

responsibility limited to the extent permitted by law.
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Spandana Sphoorty Financial Limited
Plot no 31&32, Ramky Selineum Towers,
Ground Floor, Nanakramguda, Gachibowli
Hyderabad – 500032

Mumbai, 30 November 2018

Indicative Term Sheet

Dear Ms. Padmaja Reddy,

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

Issuer: Spandana Sphoorty Financial Limited ("Spandana")

Debenture Holder: MEF

Amount: INR 41,00,00,000

Type: Non-Convertible Debenture ('NCD')

Disbursement: December 2018

Tenure: 36 months

Coupon rate: Coupon rate will be 12.40% p.a., net of withholding tax (INR fixed), and payable semi-annually.

The debenture trust deed will include language to protect the Lender against increase in the withholding tax rate 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, assumed at 4.5%. The coupon rates may be changed, in negotiation with the institution, in case there is a change in market conditions.

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.

For SPANDANA SPHOORTY FINANCIAL LTD

S. Kautlik

Authorised Signatory

Payment of interests: Payable semi-annually

Repayment of Principal: 25% each at the end of the 18th, 24th, 30th and 36th month from the Deemed Date of Allotment

Conditions precedent: External Legal Opinion

Covenants: Maintain a ratio of foreign-currency assets minus foreign-currency liabilities divided by equity (incl. Sub debt up to 50% of equity) comprised between 150% and -50%. "Sub debt" 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 5%

*Maintain outstanding balance of portfolio overdue more than 30 days + rescheduled loans (not overdue more than 30 days) divided by gross loan portfolio below 7%

*Maintain an adjusted ROA greater than 0.5%, defined as the net income of the past 12 months adjusted for a 100% provisioning of PAR 30 and rescheduled loans, divided by the average total assets of the last 12 months adjusted to exclude assets used for back-to-back deposits for hedging purposes or similar.

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 15%

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 of assets < maturity of liabilities).

Incur an event of default on other liabilities amounting to more than 10% of the net assets of the borrower

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.

For SPANDANA SPHOORTY FINANCIAL LTD



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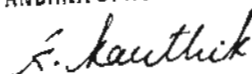
Listing Requirement:	The issuer of such debt securities will immediately redeem / buyback the said securities from the FIIs/sub-accounts of FIIs if the bonds issued to FIIs are not listed within 15 days of issuance and are not disposed of either by way of sale to a third party or to the issuer. The NCDs should be listed on the Bombay Stock Exchange.
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).
Governing law / Jurisdiction regarding investment:	The NCDs and documentation will be governed by and construed in accordance with the laws of India and the parties submit to the exclusive jurisdiction in Mumbai
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)

This indicative term sheet is addressed solely to Spandana and is for information purposes only. It does not constitute any commitment by responsAbility or responsAbility India nor the Debenture Holder to enter into any commercial or legal obligations whatsoever towards Spandana 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, 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 sharad.venugopal@responsAbility.com for us to proceed with this transaction. As always, we remain at your disposal for any question you may have.

Sincerely yours,

For SPANDANA SPOORTY FINANCIAL LTD



Authorised Signatory

Date: 30 November 2018

For Spandana Sphoorty Financial Limited:

For SPANDANA SPHOORTY FINANCIAL LTD

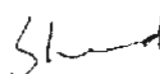


Authorised Signatory

For responsAbility India:



Ms. Celine Georges-Picot
Head of Debt Financing – Asia Pacific
30.11.2018



Mr. Sharad Venugopal
Investment Officer
30.11.2018

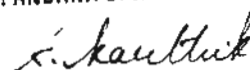
Annex – List of definitions

“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.

For SPANDANA SPHOORTY FINANCIAL LTD



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