

Spandana Sphoorty Financial Ltd. ("SSFL") –Term Sheet

Please note that the terms set out in this term sheet are **indicative** only and do not constitute an offer to arrange or finance any facility. These provisions are subject to, among others, IIFL's final internal approvals including but not limited to satisfactory due diligence of the revenue model, capital expenditure & financing plans and business strategy of the relevant entities of the Group, IIFL's internal credit committee approval and satisfactory documentation all at the sole discretion of IIFL.

Term	Description					
Company/ Borrower/ Obligors	Spandana Sphoorty Financial Ltd. (“SSFL” or “OpCo”), an operating Non-Banking Financial Company – Micro Finance Institution (NBFC-MFI) based in India The term shall also include “Subsidiary Company/s of “SSFL””					
Promoters	1) Mrs. Padmaja Gangireddy 2) Kedaara Capital					
Subsidiary Company/s of “SSFL”	1. Caspian Financial Services Limited(“CFSL”) 2. Criss Financial Holdings Limited (“CFHL”) The term shall include any subsidiary/s or step-down subsidiary/s of any of the above mentioned companies.					
Instrument	INR rated listed Non-Convertible Debentures (“NCDs”)					
Investor/Lender	IIFL Income Opportunities Fund Series 2 or its affiliates/associates					
Security Name	12.50% Secured, Rated, Listed, Redeemable, Transferable Non-convertible Debentures					
Issue Size	INR 120 Crores					
Tenor	36 months from the date of Allotment					
Coupon Type	Fixed					
Coupon Rate	12.50%Per Annum Payable Monthly (PAPM)					
Step Up/Step Down Coupon Rate	NA					
Onetime Upfront Interest	INR1,14,95,666.79 (Rupees One Crore Fourteen Lakh Ninty Five Thousand Six Hundred Sixty Six and Seventy Nine Paisa) Exclusive of any/all applicable taxes – To be paid on date of disbursement					
Salient Terms	<ul style="list-style-type: none">• End Use:<ol style="list-style-type: none">1. On-lending to its microfinance clients2. Refinancing of its existing borrowings3. Payment of transaction related expenses including cost incurred towards rating and documentation4. General corporate purposes• Pricing:14% in INR IRR terms (in a combination of upfront fees and interest)• Repayment: Principal repayment in Equal and Quarterly amorts as per below: <table><tr><td>Redemption date</td><td>% of Total - Cumulative</td><td>Cumulative Amount (INR Cr)</td></tr></table>			Redemption date	% of Total - Cumulative	Cumulative Amount (INR Cr)
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	End of 3 months	8.33%	10.00
	End of 6 months	16.67%	20.00
	End of 9 months	25.00%	30.00
	End of 12 months	33.33%	40.00
	End of 15 months	41.67%	50.00
	End of 18 months	50.00%	60.00
	End of 21 months	58.33%	70.00
	End of 24 months	66.67%	80.00
	End of 27 months	75.00%	90.00
	End of 30 months	83.33%	100.00
	End of 33 months	91.67%	110.00
	End of 36 months	100.00%	120.00
	<ul style="list-style-type: none"> • Security: <ul style="list-style-type: none"> a) Exclusive first ranking charge by way of hypothecation of identified loan receivables ("Hypothecated Portfolio") amounting to a minimum-security cover of 11.2x on the total outstanding under the facility till 31-December-2021 and 1.1x thereafter until maturity b) Undated PDC's signed by an Authorized Signatory for principal redemption amount as per repayment schedule c) Others, if any, to be finalized during the course of due diligence 		
Make Whole/Non-Call period	1 year from the date of first disbursement		
Minimum Security Cover	The issuer undertake to maintain the value of security under the facility at all times equal to 1.2x on the total outstanding amount (till December 2021) and 1.1x on the total outstanding amount (thereafter)		
Top-Up	The issuer undertake to add fresh loans / loan receivables to the "Hypothecated Portfolio" in case the "Minimum Security Cover" falls below the above stipulated Minimum Security Cover		
Eligibility Criteria for receivables under "Hypothecated Portfolio"	<p>Subject to review to be conducted by Lender;</p> <ul style="list-style-type: none"> • All receivables in the portfolio shall have Standard classification • The receivables have not been restructured / rescheduled and are not overdue except rescheduled/restructured as per statutory requirements due to Covid and currently restored to Standard classification. • The receivables are existing at the time of selection and have not been terminated or pre-paid • All "Know Your Customer" norms as prescribed by the RBI have been complied with 		
Key covenants	<ul style="list-style-type: none"> • Financial covenants (across obligors): Around: <ul style="list-style-type: none"> ○ Gross NPA not to exceed 5% (quarter ending June 2021) and 3% (quarter ending September 2021 and all quarters thereafter) ○ Net NPA not to exceed 1.5% (all quarters including quarter ending March 2021) 		

	<ul style="list-style-type: none"> ○ Capital Adequacy Ratio shall not fall below 30% ○ Gross Debt to Equity shall not exceed 3x ○ Net Worth shall not fall below INR [2,600] crore • Maintenance of current credit rating of A- (ICRA) at “SSFL” • Provide a list on a monthly basis of the “Hypothecated Portfolio” ("Monthly Hypothecated AssetReport") • The claims under this facility shall be superior to all the claims of equity investors of Tier I Capital and Tier II Capital (including without limitation, any Subordinated Debt) and shall rank at least pari-passu inter se and to all other lenders who have not expressly agreed to subordinate their claims to those of other lenders of the Company • Board seat at “SSFL” [in the event of a default] as an Observer • All approvals and consents from current lenders, creditors and equity investors to the extent required to provide validity for the facility and security to be obtained as a condition precedent. All approvals to be obtained prior to due diligence • Other covenants in relation to business continuity, maintenance of approvals and corporate authorizations
Issue Opening Date	February 25, 2021
Issue Closing Date	-February 25, 2021
Deemed Date of Allotment	February 26, 2021
Pay-in Date	February 26, 2021
Face Value	Rs. 1,00,000 (Rupees One Lakh) per Debenture
Minimum Application Size & multiples	10 Debentures and in multiples of 1 Debenture thereafter
Rating and documentation charges	All costs of rating and documentation and all tax gross ups if any, to be borne by the Borrower. All costs to be agreed and confirmed prior to their incurrence
Event of Default Covenants	<p>Customary to financing of such nature to be provided including but not limited to the following:</p> <ul style="list-style-type: none"> » A default in the borrowings in respect of any of the obligations of obligors or the promoter » Non-payment of any amount due and payable under the Facility » Breach of any covenants as mentioned in this sanction letter » Any representation, warranty or statement made by the Borrower / Promoter / Existing Investor is incorrect and misleading » Bankruptcy, Insolvency, reorganization, liquidation, suspension of payment of debts, winding up of the Borrower and / or its subsidiaries » Rating downgrade by 2 or more notches <p>In addition to the other rights upon an event of default, Lenders shall have the right to:</p> <ul style="list-style-type: none"> » Accelerate the facility and make it due and payable immediately by the borrower » Levy 2% p.m. default interest on the overdue amount » Enforce any Security

	<p>» Take such other action expressly permitted under the Transaction Documents or permitted under applicable law.</p> <p>» Right to stipulate additional conditions</p>
Mandatory Early Redemption	<p>Subject to Applicable Law, on the occurrence of the following events, the Company shall notify the Investor to the occurrence of such event within 30 days, and if required by the Investor, redeem the outstanding Debentures in full together with accrued interest, and all other amounts accrued thereto without any premature redemption penalty whereupon such demand being made, all such outstanding amounts will become due and payable:</p> <p>(i) Change of control by the promoter Mrs. Padmaja Gangireddy in SSFL</p>
Jurisdiction	Courts of Mumbai Only
Other T&C	Other terms, as customary in such transactions, including but limited to conditions precedent, conditions subsequent, representations and warranties, indemnity, etc. to be detailed in the definitive documents.
Tax gross Up	All payments under the Facility to be netted up for all applicable taxes and TDS certificate to be provided in respect of the same
Validity	<p>This term sheet is valid till the close of business hours on 22nd February 2021 after which it shall expire and be no longer valid</p> <p>Post signing of term sheet, the Borrower and Investors envisage that they would be in a due diligence and documentation process up to the Disbursement Date</p> <p>The Borrower hereby undertakes that if the facility contemplated herein is sanctioned by IIFL, the Borrower shall avail of the said Facility</p>
Stock Exchange(s) where it will be listed and timeline for listing)	<p>The Debentures shall be listed on the WDM segment of NSE within 4 (Four) trading days from the Issue Closure Date.</p> <p>In case of delay in listing of the debt securities beyond 4 (Four) trading days from the Issue Closure Date, the Company will pay penal interest of at least 1% p.a. (One percent per annum) over the Coupon Rate from the Deemed Date of Allotment till the listing of such Debentures.</p>
Rating of Instrument	[ICRA] A- (pronounced as ICRA A minus) rating with a Stable outlook by ICRA Limited
Business Day	Any day of the week (excluding Saturdays, Sundays and any other day which is a 'public holiday' for the purpose of Section 25 of the Negotiable Instruments Act, 1881 (26 of 1881)) on which banks are normally open for business in Mumbai.
Business Day Convention	<p>If any Coupon Payment Date or the Principal Payment Date or the due date for the performance of any event falls on a day that is not a Business Day, the payment shall be made on the immediately succeeding Business Day.</p> <p>If the Maturity Date (including the last Coupon Payment Date and the last Principal Payment Date) falls on a day that is not a Business Day, the payment shall be made on the immediately preceding Business Day.</p>

Authorized Signatory**Name**

I/We accept the above terms and conditions (All applicants and co-applicants to sign below)

Customer Name**Customer Signature****Acceptance Date****Annexure – A****Indicative Cashflows per debenture:**

<u>Illustration of Cash Flows</u>	
<u>Company</u>	<u>Spandana Sphoorty Financial Limited</u>
<u>Face Value (per security)</u>	<u>Rs.1,00,000 (Rupees One Lakh only)</u>
<u>Date of Allotment</u>	<u>February 26, 2021</u>
<u>Frequency of the Principal Payment/Redemption</u>	<u>Quarterly</u> <u>Principal repayment by way of amortizing over</u> <u>Quarterly redemptions</u>
<u>Frequency of the Coupon Payment</u>	<u>Monthly</u>
<u>Day Count Convention</u>	<u>Actual/Actual</u>

<u>Illustrative Cashflows*</u>				
Cash – Flow	Date	No of Days in Coupon Period	In case of Scenario 2	Net Principal
Inflow: Principal	26-02-2021		-100000.00	100000.00
Outflow: Upfront interest Income	26-02-2021	0	957.97	100000.00
Outflow: Coupon payment	26-03-2021	31	1061.64	100000.00
Outflow: Coupon payment	26-04-2021	30	1027.40	100000.00
Outflow: Coupon payment	26-05-2021	31	1061.64	100000.00
Outflow: Principal payment	26-05-2021	0	8333.33	91666.67
Outflow: Coupon payment	26-06-2021	30	941.78	91666.67
Outflow: Coupon payment	26-07-2021	31	973.17	91666.67
Outflow: Coupon payment	26-08-2021	31	973.17	91666.67
Outflow: Principal payment	26-08-2021	0	8333.33	83333.33
Outflow: Coupon payment	26-09-2021	30	856.16	83333.33
Outflow: Coupon payment	26-10-2021	31	884.70	83333.33
Outflow: Coupon payment	26-11-2021	30	856.16	83333.33
Outflow: Principal payment	26-11-2021	0	8333.33	75000.00
Outflow: Coupon payment	26-12-2021	31	796.23	75000.00

Outflow: Coupon payment	26-01-2022	31	796.23	75000.00
Outflow: Coupon payment	26-02-2022	28	719.18	75000.00
Outflow: Principal payment	26-02-2022	0	8333.33	66666.67
Outflow: Coupon payment	26-03-2022	31	707.76	66666.67
Outflow: Coupon payment	26-04-2022	30	684.93	66666.67
Outflow: Coupon payment	26-05-2022	31	707.76	66666.67
Outflow: Principal payment	26-05-2022	0	8333.33	58333.33
Outflow: Coupon payment	26-06-2022	30	599.32	58333.33
Outflow: Coupon payment	26-07-2022	31	619.29	58333.33
Outflow: Coupon payment	26-08-2022	31	619.29	58333.33
Outflow: Principal payment	26-08-2022	0	8333.33	50000.00
Outflow: Coupon payment	26-09-2022	30	513.70	50000.00
Outflow: Coupon payment	26-10-2022	31	530.82	50000.00
Outflow: Coupon payment	26-11-2022	30	513.70	50000.00
Outflow: Principal payment	26-11-2022	0	8333.33	41666.67
Outflow: Coupon payment	26-12-2022	31	442.35	41666.67
Outflow: Coupon payment	26-01-2023	31	442.35	41666.67
Outflow: Coupon payment	26-02-2023	28	399.54	41666.67
Outflow: Principal payment	26-02-2023	0	8333.33	33333.33
Outflow: Coupon payment	26-03-2023	31	353.88	33333.33
Outflow: Coupon payment	26-04-2023	30	342.47	33333.33
Outflow: Coupon payment	26-05-2023	31	353.88	33333.33
Outflow: Principal payment	26-05-2023	0	8333.33	25000.00
Outflow: Coupon payment	26-06-2023	30	256.85	25000.00
Outflow: Coupon payment	26-07-2023	31	265.41	25000.00
Outflow: Coupon payment	26-08-2023	31	265.41	25000.00
Outflow: Principal payment	26-08-2023	0	8333.33	16666.67
Outflow: Coupon payment	26-09-2023	30	171.23	16666.67
Outflow: Coupon payment	26-10-2023	31	176.94	16666.67
Outflow: Coupon payment	26-11-2023	30	171.23	16666.67
Outflow: Principal payment	26-11-2023	0	8333.33	8333.33
Outflow: Coupon payment	26-12-2023	31	88.47	8333.33
Outflow: Coupon payment	26-01-2024	31	88.47	8333.33
Outflow: Coupon payment	26-02-2024	29	82.76	8333.33
Outflow: Principal payment	26-02-2024	0	8333.33	0.00