



BEST EMPLOYERS IN INDIA
Consistently in 2007, 2009 & 2011 - Study by Aon Hewitt

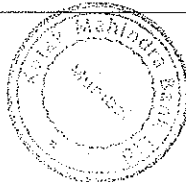
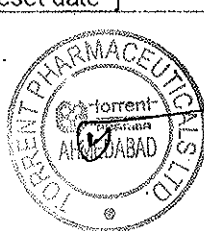
December 8, 2017

Torrent Pharmaceuticals Limited

Term Sheet

1.	Issuer	Torrent Pharmaceuticals Limited (TPL)
2.	Instrument	Secured, Redeemable, Rated, Listed, Non-Convertible Debentures (NCDs / Debentures)
3.	Promoters	Entities as declared to the NSE/BSE as on September 30, 2017 under "Promoter & Promoter Group"
4.	Arranger	Kotak Mahindra Bank Limited
5.	Purpose of Borrowing	[For financing the part consideration of the proposed acquisition of domestic business from Unichem Laboratories] The Issuer undertakes that the proceeds of this Issue shall not be used for any purpose, which may be in contravention of the Government/RBI/SEBI/other regulatory guidelines.
6.	Issue Amount	Upto Rs.1000 Crores
7.	Face Value	Rs.10,00,000/- (Rupees Ten Lakhs Only)
8.	Tenure	[8] Years
9.	Pay-in Date	December 12-15, 2017
10.	Deemed Date of Allotment	December 12-15, 2017
11.	Maturity Date	December 12-15, 2025
12.	Redemption	In 7 equal annual repayments starting from end of 2 nd year from the Deemed Date of Allotment
13.	Put/Call Option	5 Years from the Deemed Date of Allotment
14.	Credit Rating	AA by ICRA
15.	Security	<ol style="list-style-type: none"> 1. First pari-passu mortgage charge on all the Borrower's fixed assets both present and future with a security cover of [0.25]x. The same to be created and perfected within 90 days from the Deemed Date of Allotment. 2. Security of existing unencumbered Brands registered in the name of the Company, with clear and marketable title, representing at least [1.1]x of the facility amount. The same to be created and perfected within 90 days from the Deemed Date of Allotment <ul style="list-style-type: none"> • Valuation of the brands offered as security, to be carried out by a valuer mutually agreed between the Bank and the Borrower. • Security shall be created in a manner and to the satisfaction of the Lender (s) from the perspective of security creation and enforcement. • Security shall be [exclusive / shared pari-passu] with lenders of the proposed acquisition transaction.
16.	Benchmark	[182 days T bill rate published by RBI for the latest auction carried out prior to interest reset date]

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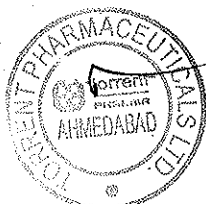
17.	Spread	1.72% p.a.
18.	Coupon	Initial Coupon of 7.98% p.a. On every Coupon Reset Date as per formula below: [Benchmark] + [Spread] % p.a.
19.	Fees	0.20% on the Issue Amount plus applicable taxes to be paid on disbursement
20.	Coupon Payment	Annual
21.	Coupon Reset Date	Every 6 months from the Deemed Date of Allotment
22.	Default / Penal Rate	Occurrence of any Event of Default will attract additional interest at 1% per annum, from the date on which such payment is actually due to the date on which the relevant overdue amounts are repaid.
23.	Listing	WDM segment of BSE/NSE
24.	Mode of Placement	Private Placement
25.	Dematerialized	Yes
26.	Redemption Price	At Par
27.	Day Count Basis	Actual / Actual
28.	Business Days	"Business Day" means a day (other than a Saturday, Sunday and any day which is a public holiday for the purpose of Section 25 of the Negotiable Instruments Act, 1881(26 of 1881)) or a Bank holiday) on which banks are open for general business in Mumbai.
29.	Debenture Trustee	[ITSL] or as mutually agreed to between the Issuer and the Arranger
30.	Transaction Documents	<ul style="list-style-type: none"> • Consent letter of RTA • Consent letter of Trustee • Approval of Term Sheet • Information Memorandum • Rating Letter • Allotment Letter • Debenture trust deed • Security documents
31.	Pre-disbursement Conditions	<p>Shall include the following:</p> <ul style="list-style-type: none"> • The Issuer shall have obtained all necessary board / shareholder resolutions under the provisions of The Companies Act, 2013 as are required in relation to the borrowing powers, issue of the Debentures, the appointment of the Debenture Trustee and the execution of necessary documents in connection therewith. • Undertaking from the Issuer that each of the Representations & Warranties made by the Issuer are true and correct; • No Event of Default has occurred and is continuing • Signing of Information Memorandum



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		<ul style="list-style-type: none"> Rating Letter dated not more than one month old at the time of disbursement and detailed credit perspective from rating agency Consent of the Trustee & RTA The Issuer duly complied with all 'know-your-customer' requirements as required under Indian Law, to the satisfaction of the Debenture Holder.
32.	Conditions Subsequent	<ul style="list-style-type: none"> Issue of Letter of Allotment within 2 Days of the Deemed Date of Allotment Listing within 15 days from the Deemed Date of Allotment Issue of Debentures in Dematerialized form End use certificate within 30 days from the Deemed date of Allotment Execution of Debenture Trust Deed. Title search reports & valuation reports to the satisfaction of the Debenture Holder(s) Creation of the Security within specified timeframe
33.	Covenants	<ul style="list-style-type: none"> Continue to have Management Control Financial Covenants <ul style="list-style-type: none"> DSCR shall not be less than 1.10 Total Debt/ TNW not to exceed 2.50 Net Debt / EBIDTA not to exceed 3.50 <p>The above covenants to be tested annually on or before Sep 30th, based on last year's annual audited consolidated accounts of the Borrower.</p> <ul style="list-style-type: none"> Credit Rating Covenant: <ul style="list-style-type: none"> Coupon on the NCD shall be reduced by 0.25% p.a. in case the credit rating of the NCD is upgraded to AAA by ICRA Debenture holder(s) shall have the option to accelerate all the Outstanding Amounts in case credit rating of the Issuer falls below A by ICRA or any external credit rating agency. The Company shall make the payment within 30 days without prepayment penalty, from the date of exercise of acceleration option by the Debenture Holders Coupon on the NCD shall be increased by 0.25% p.a. for each downgrade in the credit rating of the Issuer below 'AA-' by ICRA or any other credit rating agency i.e. increase in coupon by 0.25% p.a. shall be applicable for every notch downgrade starting from 'A+' by ICRA or any other external credit rating agency. The Issuer shall have the option to prepay the Outstanding Amount on Debentures without any prepayment penalty, premium charges, etc, whatsoever, in case such increase in Coupon is not acceptable to the Issuer. If during the period of the tenor, the rating is restored, then the coupon will be adjusted back. The Issuer shall communicate its decision to prepay within 7 days and make the prepayment within 60 days of the Debenture Holders informing such increase in Coupon on account of change in rating.



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		<p>Definitions for the financial ratios :</p> <p>$DSCR = (PAT + Depreciation + Interest Expense + Deferred tax + Amortization) / (Interest\ paid\ [incl.\ interest\ capitalised] + Long\ term\ and\ short\ term\ debt\ repayments\ excluding\ working\ capital).$</p> <p>Total Debt: Overdraft + Trade Finance (Including acceptances/ Bills discounted) + Bank Borrowings + Other Borrowings + HP or Leasing + Convertible Bonds / Notes + Redeemable Preference Shares (maturing during the tenor of the loan) plus (+) Financial guarantees, standby LCs , Letters of Comfort or other instruments given by the Borrower whereby the Borrower has taken financial obligations.</p> <p>All debt whether secured or unsecured plus (+) Financial guarantees, standby LCs , Letters of Comfort or other instruments given by the Borrower whereby the Borrower has taken financial obligations.</p> <p>It is clarified that this would not include performance guarantees, Trade LCs, disputes relating to excise, sales tax, income tax etc. It is also clarified that financial guarantees given in respect of borrowing by subsidiaries which are consolidated in the calculation of the covenants will not be included.</p> <p>Net Debt: Total Debt(-) cash, cash equivalents & bank balances (-) Unencumbered Bank Deposits. Cash, cash equivalents & bank balances shall exclude Cash, cash equivalents & bank balance in HeumannPharmaGmbH & Co. Generica KG /HeunetPharma GmbH / NorispharmGmbH to the extent of sum payable to the insurance companies.</p> <p>TNW: Ordinary Shares + Non-redeemable Preference Shares + Preference Shares (not maturing during the tenor of the loan) + Share Premium + Retained Earnings + Reserves + Deferred Tax Liability + Proprietary or Partners Funds (-) Treasury Stock (-) Intangible assets (including goodwill, amortization, deferred tax assets etc, excluding acquired intangible asset) (-) Revaluation reserves + Equity Warrants to the extent they are paid-up less (-) cost of any purchases of its own shares.</p> <ol style="list-style-type: none"> 1. For the purpose of aforesaid covenants, debt shall include corporate guarantees issued for borrowing in other Group companies, but if that is already getting accounted on consolidated basis then it should not be counted. 2. The covenants to be tested annually on or before Sep 30th, based on annual audited results. 3. In case of breach of any of the Financial Covenants, the Borrower to pay additional interest rate of 1% p.a. 4. Lenders reserve the right to declare an event of default in case of breach of any one of such covenants.
34.	Other conditions	<ul style="list-style-type: none"> • In case of a default in repayment of financial assistance or payment of interest thereon on due dates, Lenders and/or the Reserve Bank of India (RBI)/ Credit Information Bureau of India Ltd. (CIBIL) will have an unqualified right to disclose the name of the Borrower and its directors



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		as wilful defaulters in such manner and through such medium as permitted under applicable rules, regulations, laws.
35.	Representation Warranties &	<p>The Issuer will make representations customary for a facility of this nature including but not limited to:</p> <ul style="list-style-type: none"> • Corporate existence, capacity and authority; • Legal, valid and binding nature of the Transaction Documents; • Corporate and / or governmental authorizations and consents (including those from central and state government, local authorities), no contravention of existing agreements and constitutional documents, or any document which is binding; • No outstanding default, material litigation, violation of law or material agreements; • Completeness and accuracy of financial statements and other information shared with investors/ arranger • There is no material adverse effect and there are no circumstances existing which could give rise, with the passage of time or otherwise to the best of Borrower's knowledge, to a material adverse effect
36.	Events of Default	<p>Debenture Holder(s) reserve the right to call an Event of Default under circumstances that are customary to a Facility of this nature, including but not limited to:</p> <ol style="list-style-type: none"> 1. Non-payment of any amount due under the Issue on the due dates 2. Cross Default: <ol style="list-style-type: none"> a. Any Financial Indebtedness, above the Threshold amount, of the Company, is not paid when due and the applicable cure period has lapsed without the Company remedying the same; or b. any Financial Indebtedness, above the Threshold amount, of the Company, is declared or otherwise becomes due and payable before its specified maturity as a result of an event of default; or c. any creditor of the Company, becomes entitled to declare any Financial Indebtedness, above the Threshold amount, of the Company or its subsidiary due and payable before its specified maturity as a result of an event of default d. "Threshold Amount" means Rs. 50,00,00,000/- (Rupees Fifty Crores Only). 3. Insolvency, reorganization, liquidation, suspension of payment of debts, Admission of winding up of the Issuer / Promoter Group, including admission of any proceedings for winding up or for attachment, illegality of the transaction, cessation of business by the Issuer; 4. The Borrower becomes subject of corporate debt restructuring, strategic debt restructuring process with its lenders or any similar debt restructuring mechanism under Applicable Law. 5. Breach of any material representations and warranties 6. Breach of covenants or other terms and conditions 7. Change of management control <p>"Management Control" means the power (whether by way of ownership of</p>



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		<p>shares of not less than 26%, proxy, acting in concert, contract or otherwise) to:</p> <ul style="list-style-type: none"> • Appoint or remove the Manager or Managing Director of the Borrower with substantial powers of management; and • appoint or remove the majority of the directors excluding government nominees and lenders' nominees on the Board of the Borrower; OR • appoint or remove the manager or managing director of the Borrower with substantial powers of management; and • give directions with respect to the operating and financial policies of the Borrower in the interest of the Borrower and good corporate governance which the majority of directors on the board of the Borrower (excluding independent directors, government nominees and lenders' nominees) are obliged to comply with. <p>8. Borrower included in RBI's wilful defaulter's list</p> <p>9. Any material adverse event</p> <p>In case of event of default, Debenture holders / Debenture Trustees may initiate recovery proceedings / exercise rights available to recover the outstanding amounts</p> <p>Cure Period :</p> <p>a) The issuer agrees that for payment default, whether in terms of interest or principal repayment, the Borrower shall not be entitled to any cure period and the Debenture Holders/ Trustee, in their sole discretion, shall have the right to enforce their rights immediately as prescribed under the Finance Documents.</p> <p>b) For other Events of Default, the Borrower shall be given a cure period of 30 days, wherein a specific cure period have not been mentioned above. In case of Event of Default where a specific cure period has been stipulated, such cure period, and if Events of Default continues to be un-remedied upon the expiry of the cure period, the Debenture Holders/ Trustee, in their sole discretion, shall have the right to enforce their rights immediately as prescribed under the Finance Documents</p> <p>The Events of Default conditions mentioned above will be detailed in Debenture Trust Deed</p>
37.	Remedies on Event of Default	<p>As are customary to a transaction of this nature, including but not limited to:</p> <p>(i) Accelerate the maturities of the Facility</p> <p>(ii) Enforce the Security</p> <p>(iii) Issue notice regarding payment of proceeds of any insurance or compensation received by the Borrower</p> <p>(iv) Lenders and/or the Reserve Bank of India (RBI)/ Credit Information Bureau of India Ltd. (CIBIL) will have an unqualified right to disclose the name of the Borrower and its directors as wilful defaulters if any and in such manner and through such medium as permitted under applicable rules, regulations, guidelines, law, as the case may be</p> <p>(v) Restrict the Borrower from declaring or paying any dividend or other distribution in respect of the shares</p>



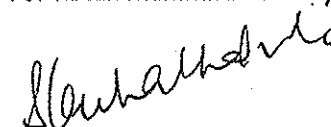
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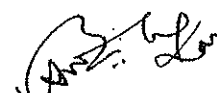
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		(vi) Exercise any other rights as may be available to the Lenders under the financing documents and as per applicable law (vii) Restrict the Borrower to make additional investments or provide additional loans to any entity other than the subsidiaries of the Borrower.
38.	Information Covenant	The Issuer undertakes to provide information pertinent to a credit assessment of the company by the arranger/potential investors in a timely fashion. This information will include, but not be limited to, latest financial information, rating letter and rating rationale, copies of the resolutions authorizing the borrowing and the latest corporate presentation.
39.	Taxes duties cost and expenses	Relevant taxes, duties and levies are to be borne by the Issuer. All charges / fees and any amounts payable under this Instrument by the Issuer to the Investor/Arranger 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.
40.	Governing Law	This Term Sheet and the Transaction Documents for the Loan shall be governed by Indian Law and shall be subject to the jurisdiction of courts of Ahmedabad
41.	Holiday Convention	Should the Interest or Principal Payment date fall on a public holiday/non-working day/Saturday / Sunday it will be construed to be the preceding working day in case of Interest and Principal.
42.	Force Majeure on/before Deemed Date of Allotment	The Issuer understands that this term sheet is contingent on the assumption that from the date of the provision of this term sheet to the Deemed Date of Allotment, there is no material adverse change in the financial conditions of the Issuer or any of its affiliate and Indian debt markets which in the reasonable opinion of the Arranger would make it inadvisable to proceed with the issue. In case of such material adverse change, the terms may be renegotiated to the mutual satisfaction of the Arranger and the Issuer.

For Kotak Mahindra Bank Ltd:


Sujata Guhathakurta
Senior Executive Vice President
Debt Capital Markets




Avinash Welekar
Senior Vice President
Debt Capital Markets

Accepted by:

For Torrent Pharmaceuticals Limited

Authorized Signatory

Name: _____

