

Term Sheet

Security Name	Hero Housing Finance Limited NCD 2025 – Issue Series No. HHFL/NCD/06 (NCD)
Issuer	Hero Housing Finance Limited
Type of Instrument	Secured Listed Redeemable Non-Convertible Debenture (NCD)
Nature of Instrument	Secured
Seniority	Senior
Mode of Issue	Private Placement
Eligible Investors	<p>Companies and Bodies Corporate including –</p> <ul style="list-style-type: none"> • Resident Individuals, • Hindu Undivided Family, • Trust, • Limited Liability Partnerships, Partnership Firm(s), • Portfolio Managers and Foreign Institutional Investors (FII) registered with SEBI, • Association of Persons, • Companies and Bodies Corporate including Public Sector Undertakings. • Commercial Banks, Regional Rural Banks, Financial Institutions, • Insurance Companies, • Mutual Funds/ Alternative Investment Fund (AIF), and any other investor eligible to invest in these Debentures
Listing	The Debentures to be issued under the Offer Document will be applied to get listed on the WDM segment of NSE/BSE within 4 trading days from the issue closing date.
Rating of the Instrument	CRISIL AA+ /Stable by CRISIL. This rating indicates [high degree of safety regarding timely payment of financial obligations]
Issue Size	₹ 10 Crore Base Issue Size
Minimum Subscription	10 NCDs (₹1 Crore) and Multiples of 1 NCD (₹10 Lakhs) thereafter
Option to retain oversubscription	Option to retain additional ₹ 140 Crore over and above the Base Issue Size
Objects of the Issue/ Purpose for which there is requirement of funds	To augment long term resources of the company. The proceeds from the issue will be utilized for general business purpose including for various financing activities, to repay the existing loans, investment for liquidity & statutory requirements, capital expenditure and working capital needs.
Utilisation of the Proceeds	The proceeds will be utilized in-line with the objects of the issue. Up to 100% funds will be utilized within the categories mentioned in the objects of the issue.
Coupon Rate	[Benchmark + Spread] % p.a.
Benchmark	The Benchmark determined on any Benchmark Determination Date will be the simple average (rounded off to two decimal points after zero) of the preceding 10 “Working Days” before the respective “Benchmark Determination Date(s)” of the 3 month T-Bill Rate (“Rate”) published by the Financial Benchmarks India Pvt. Ltd. (“FBIL”) on their website http://www.fbil.org.in/ in the “T-Bill Curve” sub-tab or sub-menu under the main tab or main menu “Money Market/ Interest Rates” or on any other such part of the respective website of FBIL as may be reorganized from time to time

	<p>“Working Days” for the above purposes means any day or days on which the “Rate” as enumerated above is published by “FBIL”.</p> <p>Alternative Determination of Benchmark</p> <p>If, for any reason, whatsoever, the Benchmark as enumerated above cannot be determined on any Benchmark Determination Date, then the following process will be followed to determine the Benchmark.</p> <p>The alternative determination of Benchmark will be such that the Benchmark on any Benchmark Determination Date will be set as the simple average (rounded off to two decimal points after zero) of the cut-off yield of the of the 3 month Treasury Bill as set by the Reserve Bank of India (“RBI”) in the last two weekly auctions of Treasury Bills conducted by RBI prior to such Benchmark Determination Date.</p> <p>And finally, if, for any reason, whatsoever, the alternative determination of the Benchmark is also not possible on any Benchmark Determination Date , then, the Issuer and the Debenture Trustee (acting on the instructions of the Debenture Holders holding at least 51% of the value of nominal amount of the Debentures outstanding for the time being) shall mutually agree upon a replacement of the Benchmark Rate with a new benchmark for such Benchmark Determination Date.</p>
<p>Benchmark Determination Date(s)</p>	<p>There will be 12 Benchmark Determination Dates, one each for each quarter during the Tenor of the NCDs.</p> <p>The first Benchmark Determination Date will be January 25, 2022, which will serve as the date for determination of the Benchmark applicable or in force for the purpose of Computation of the Coupon Amount and Reset of Coupon Rate for the quarter starting on and including the Deemed Date of Allotment of the NCDs and ending on and including 1 day prior to the date which falls exactly 3 months after the Deemed Date of Allotment of the NCDs.</p> <p>The second Benchmark Determination Date will be exactly 3 months after the Deemed Date of Allotment and such Benchmark Determination Date will serve as the date for determination of the Benchmark applicable or in force for the purpose of Computation of the Coupon Amount and Reset of Coupon Rate for the quarter starting on and including such Benchmark Determination Date and ending on and including 1 day prior to the date which falls exactly 3 months after such Benchmark Determination Date.</p> <p>The subsequent 10 Benchmark Determination Dates will be the date(s) falling exactly 3 months after the immediately preceding Benchmark Determination Date and each such Benchmark Determination Date will serve as the date for determination of the Benchmark applicable or in force for the purpose of Computation of the Coupon Amount and Reset of Coupon Rate for the quarter starting on and including such Benchmark Determination Date and ending on and including 1 day prior to the date which falls exactly 3 months after such Benchmark Determination Date or in case of the final Benchmark</p>

	<p>Determination Date for the quarter starting on and including such Benchmark Determination Date and ending on and including 1 day prior to the Maturity Date.</p> <p>All the 12 Benchmark Determination Dates are enumerated as follows:</p> <p>First Benchmark Determination Date : Jan 25, 2022 Second Benchmark Determination Date : May 09, 2022 Third Benchmark Determination Date : Aug 09, 2022 Fourth Benchmark Determination Date : Nov 09, 2022 Fifth Benchmark Determination Date : Feb 09, 2023 Sixth Benchmark Determination Date : May 09, 2023 Seventh Benchmark Determination Date : Aug 09, 2023 Eighth Benchmark Determination Date : Nov 09, 2023 Ninth Benchmark Determination Date : Feb 09, 2024 Tenth Benchmark Determination Date : May 09, 2024 Eleventh Benchmark Determination Date : Aug 09, 2024 Twelfth Benchmark Determination Date : Nov 09, 2024</p>
Spread	220 basis points p.a. or 2.20% p.a. (this will remain constant throughout the tenor of the NCDs)
Step Up/ Step Down Coupon Rate	Not Applicable
Coupon Payment Frequency	Annual
Coupon Type	Floating Coupon Rate linked with 3 month T-Bill rate as defined in Benchmark in this term sheet (to be reset Quarterly on the Benchmark Determination Date(s) but payable Annually) / Simple
Coupon Reset Process (including rates, spread, effective date, interest rate cap and floor etc.)	<p>The Coupon Rate comprises of two components (i) Benchmark & (ii) Spread and is a summation of the aforementioned components and will be determined on a Quarterly frequency on the Benchmark Determination Date(s), with each Coupon Rate so determined being in force and applicable for Computation of the Coupon Amount. The Benchmark will be reset on a quarterly basis on each Benchmark Determination Date for the subsequent quarter where the Benchmark will be reset, but the Spread will remain constant throughout the tenor of the NCDs.</p> <p>The first Benchmark set on the first Benchmark Determination Date will be in force and serve as the Benchmark for the quarter starting on and including the Deemed Date of Allotment and ending on and including the day which is 1 day prior to the date which falls exactly 3 months after such Deemed Date of Allotment.</p> <p>The Benchmark reset on any subsequent Benchmark Determination Date will be in force and serve as the Benchmark for the quarter starting on and including such Benchmark Determination Date on which it is reset and ending on and including the day which is 1 day prior to the date which falls exactly 3 months after such Benchmark Determination Date. In the case of the Benchmark reset on the final Benchmark Determination Date, the Benchmark so reset, will be in force and serve as the Benchmark for the quarter starting on and including such Benchmark Determination Date on which it is reset and ending on and including the day which is 1 day prior to the Maturity Date.</p>

<p>Determination of Coupon Rate</p>	<p>There will be determination of 12 Coupon Rates in all during the tenor of the NCDs each corresponding to a Benchmark Determination Date.</p> <p>Initial or First Coupon Rate The Initial or First Coupon will be set as the simple average (rounded off to two decimal points after zero) of the 3 month T-Bill Rate or “Rate” as enumerated in “Benchmark” above for 10 Working Days from January 11, 2022 to January 24, 2022 i.e. 3.62 % p.a. plus Spread i.e. 220 basis points p.a. to arrive at a net coupon rate of 5.82% p.a.</p> <p>The Initial or First Coupon Rate will be in force for the quarter starting on and including the Deemed Date of Allotment of the NCDs and ending on and including 1 day prior to the date which falls exactly 3 months after the Deemed Date of Allotment of the NCDs.</p> <p>Subsequent Coupon Rates The 11 subsequent Coupon Rates each determined on the corresponding Benchmark Determination Dates will also each be set as the simple average (rounded off to two decimal points after zero) of the 3 month T-Bill Rate or “Rate” as enumerated in “Benchmark” above for 10 Working Days prior to such Benchmark Determination Date or as determined as per the Alternate Determination of Benchmark as enumerated in “Benchmark” above, plus Spread i.e. 220 basis points p.a. to arrive at a net coupon rate.</p> <p>Each such subsequent Coupon Rate corresponding to a Benchmark Determination Date will be in force for the quarter starting on and including such Benchmark Determination Date and ending on and including the day which is 1 day prior to the date which falls exactly 3 months after such Benchmark Determination Date. The final Coupon Rate corresponding to the final Benchmark Determination Date will be in force for the quarter starting on and including such final Benchmark Determination Date and ending on and including the day which is 1 day prior to the Maturity Date.</p>
<p>Computation of Coupon Amount</p>	<p>The Coupon is payable annually and the Computation of the Coupon amount for each year payable on each Coupon Date is made on the basis of the rate derived as the simple average (rounded off to two decimal points after zero) of the Coupon Rates set on the four corresponding Benchmark Determination Dates which fall prior to such Coupon Date in each such year for which coupon is payable.</p> <p>The interest rate used for computation of the Coupon Amount for the first year will be the simple average (rounded off to two decimal points after zero) of the Coupon Rates determined on January 25, 2022 (First Benchmark Determination Date) and the three other Coupon Rates determined on May 09, 2022, Aug 09, 2022 & Nov 09, 2022, the three other Benchmark Determination Dates falling prior to the First Coupon Date.</p> <p>Similarly, the interest rate used for computation of the Coupon Amount for the second and third years respectively will be the simple average (rounded off to two decimal points after zero) of the Coupon Rates determined on the</p>

	four Benchmark Determination Dates falling prior to the Coupon Dates for such years.
Day Count Basis	Actual / Actual Interest shall be computed on an “actual/actual basis”. Where the interest period includes February 29, interest shall be computed on 366 days-a-year basis
Interest on Application Money	Interest on application money will be paid to investors at coupon rate, from and including the date of realization of Cheque(s)/RTGS up to but excluding the Deemed Date of Allotment. The same to be paid within 7 days from the Deemed Date of Allotment.
Default Interest Rate	2% p.a. over the coupon rate will be payable by the Company for the defaulting period, for any default of its obligations under the terms and conditions of the Disclosure Document and/or the Debenture Trust Deed except for the following: <ul style="list-style-type: none"> i. Default in Payment: In case of default in payment of Interest and/or principal redemption on the due dates, additional interest of at-least @ 2% p.a. over the coupon rate shall be payable by the Company for the defaulting period. ii. Delay in Listing: Pursuant to SEBI Circular SEBI/HO/DDHS /CIR/P/2020/198 dated October 5, 2020, in case of delay in listing of the debt securities beyond 4 trading days from the issue closing date, the Company shall pay penal interest of 1% p.a. over the coupon rate for the period of delay to the investor (i.e. from date of allotment to the date of listing) and utilise the issue proceeds of the subsequent two privately placed issuances of securities only after receiving final listing approval from Stock Exchange. iii. Delay in execution of Debenture Trust Deed (“DTD”) & Deed of Hypothecation (“DOH”) within the stipulated timelines: In case of delay in execution of DTD and DOH within the stipulated timelines, additional interest of at-least @ 2% p.a. over the coupon rate shall be payable by the Company for the defaulting period.
Tenor in Days	1,094 Days from the deemed date of allotment
Redemption Date	Friday, February 07, 2025
Redemption Amount (per Debenture) (including Coupon if any, compounded annually and payable upon maturity)	₹10,00,000 (Rupees Ten Lakh) i.e. Face Value (per Debenture)
Redemption Premium/ Discount per Debenture	Not Applicable
Issue Price (per Debenture)	₹10,00,000 (Rupees Ten Lakh)
Discount at which security is issued and the effective yield as a result of such discount	Not Applicable
Justification of Issue Price	Not Applicable
Put Date	Not Applicable
Put Price	Not Applicable
Call Date	Not Applicable
Call Price	Not Applicable
Put Notification Time (Timelines by which the investor need to	Not Applicable

intimate Issuer before exercising the put)	
Call Notification Time (Timelines by which the Issuer need to intimate investor before exercising the call)	Not Applicable
Face Value (per Debenture)	₹10,00,000 (Rupees Ten Lakh)
Minimum Application and in multiples thereafter	10 NCDs (₹1 Crore) and Multiples of 1 NCD (₹10 Lakhs) thereafter
Tentative Issue Timing: 1. Issue / bid Opening Date 2. Issue / bid Closing Date 3. Pay – in – Date 4. Deemed Date of Allotment	Tuesday, February 08, 2022 Tuesday, February 08, 2022 Wednesday, February 09, 2022 Wednesday, February 09, 2022
Settlement Mode of the Instrument	Payment of interest/principal/redemption premium will be made by way of RTGS/ NEFT/ Funds Transfer.
Manner of Bidding Parameters	Spread based bidding (also refer cash flow)
Manner of Allotment	Uniform
Manner of Settlement	Through Clearing Corporation
Settlement Cycle	T+1 (T is Bid Closing Date)
Issuance mode of the Debentures	Dematerialized Mode
Trading Mode of the Debentures	Dematerialized Mode
Depository	NSDL & CDSL
Disclosure of Interest/Dividend / redemption dates	Please refer Cashflow beneath
Record Date	15 Calendar Days prior to each Coupon Date/Redemption Date or Call/Put Option Date (if any)
All covenants of the issue (including side letters, accelerated payment clause, etc.)	None
Description regarding Security (where applicable) including type of security (movable/immovable/tangible etc.), type of charge (pledge/ hypothecation/ mortgage etc.), date of creation of security/ likely date of creation of security, minimum security cover, revaluation, replacement of security, interest to the debenture holder over and above the coupon rate as specified in the Trust Deed and disclosed in the Offer Document/ Information Memorandum.	<p>Security: The Debentures are proposed to be secured by first pari-passu charge on standard business receivables (day past due below 90 days) of Company to the extent of 1.00 time of issue size at all times until maturity (except, receivables, if any, given on exclusive charge to any lenders), (Hereinafter called as "Primary Security"). Further, the Debentures will also be proposed to be secured by additional interim security in the form of current assets which may include cash & cash equivalent, including current investments of the Company in the form of Fixed Deposit or Mutual Funds or any short-term treasury investments ("Interim Security"). It is hereby clarified that this Interim Security will be maintained by the Company only till the period the Receivables are not 100% as the Primary Security and not at all times until maturity. The Interim Security will be only for the interim period of the issue size."</p> <p>In the event the Company seeks release of Interim Security, the Debenture Trustee shall intimate for such release to the debenture holders and issue the No-objection certificate, on non-receipt of any objection from the majority debenture holder for release of such Interim Security, after the expiry of the 3 days (including non-business days) from the date of intimation. The Company shall provide a security cover certificate (prior to such release of such Interim Security), providing details of the receivables to the extent of 1x cover for</p>

	<p>securing the Debentures. At any time if the security cover falls below 1x cover, the Company shall immediately and no later than 7 working days create such Interim Security for maintaining the due security cover.</p> <p>The security will be created within the prescribed time limit.</p> <p>Type of security: Movable Type of Charge: Pari-passu charge. Likely date of Creation: Within 30 days from the date of Deed of Hypothecation (filing with ROC) Minimum Security Cover: 1.00 time. Revaluation: Not applicable Replacement of Security: (i) Business receivable having DPD greater than 90 days shall be replaced upfront. (ii) At any time if the security cover falls below 1x cover, the Company shall immediately and no later than 7 working days create such Interim Security for maintaining the due security cover.</p> <p>Interest to the debenture holder over and above the coupon rate as specified in the Trust Deed and disclosed in the Offer Document/ Information Memorandum: Please refer default interest rate clause as referred in the term sheet.</p>
Business Day Convention	<p>Business Day means a day which is not a Saturday, Sunday or a public holiday and on a day when the money market is functioning in the Mumbai. If any interest payment date is not a Business Day, interest will be payable (as accrued till one day prior to originally scheduled date mentioned in the document) on the following Business Day which shall be the interest payment date. If any principal payment date is not a Business Day, principal and accrued interest will be payable on the previous Business Day which shall be the principal payment date. Further, if the redemption date of debentures issued on Discount-Par/Par-Premium compounding structure, if any, is not a business day, then payment will be made on previous business day and redemption value will be modified accordingly for number of days elapsed from issue date. Also, upon the exercise of the Put or Call Option, if any, by the Investor(s)/ Debenture Holder(s) or Issuer, if the resultant redemption of the debentures and the interest payable thereupon falls on a date which is not a business day, then payment will be made on previous business day and the value of interest payable will be modified accordingly for number of days elapsed from last date of coupon payment.</p>
Transaction Documents	<ol style="list-style-type: none"> 1. Disclosure Document/Information Memorandum 2. Debenture Trust Deed 3. Deed of Hypothecation
Conditions Precedent to Disbursement	Nil
Conditions Subsequent to Disbursement	Nil
Early redemption option with debenture holders	As set out in the Transaction Documents
Events of Default (including manner of voting /conditions of joining Inter Creditor Agreement)	As set out in the Transaction Documents

Creation of recovery expense fund	A Bank Guarantee has been created in favor of "NSE" to comply with SEBI Circular SEBI/HO/MIRSD/CRADT/CIR/P/2020/207 dated October 22, 2020 and any amendments there to from time to time.
Conditions for breach of covenants (as specified in Debenture Trust Deed)	As disclosed in the Transaction Documents
Provisions related to Cross Default	N.A.
Debenture Trustee	Vistra ITCL (India) Limited
Roles and Responsibilities of Debenture Trustee	As defined in the debenture trust deed to be executed.
Risk factors pertaining to the issue	Please refer page no. 15 to 22 of the disclosure documents.
Governing Law and Jurisdiction	The Debentures shall be construed to be governed in accordance with Indian Laws. The competent courts at Delhi alone shall have jurisdiction in connection with any matter arising out of or under these precincts. Over and above the aforesaid Terms and Conditions, the said Debentures shall be subject to the Terms and Conditions of this Disclosure Document and Terms and Conditions of the Debenture Trust Deed/Trustee Agreement.

Note:

While the debt securities shall be secured, if applicable, as per the terms of transaction documents, in favour of Debenture Trustee, it will be the duty of the Debenture Trustee to monitor that the security is maintained, however, the recovery of 100% of the amount shall depend on the market scenario prevalent at the time of enforcement of the security.

Cash Flows	
Final Redemption Date	Friday, February 07, 2025
Door to Door Tenor (Days)	1,094
Manner of Bidding Parameters	Spread Based Bidding
Coupon Payment Frequency	As per Issue Details/ Term Sheet table above
Coupon Type	As per Issue Details/ Term Sheet table above
Coupon Rate	As per Issue Details/ Term Sheet table above
Benchmark	As per Issue Details/ Term Sheet table above
Spread	220 basis points p.a. or 2.20% p.a. (this will remain constant throughout the tenor of the NCDs)
Redemption Premium/ Discount per Debenture	As per Issue Details/ Term Sheet table above

Illustrative calculation for Interest Rate for First Coupon Payment

	Benchmark Determination Date/ Date	Benchmark (%)	Spread (%)	Coupon Rate (p.a.)
Initial Coupon Setting	January 25, 2022	3.62%	2.20%	5.82% p.a.
1st Reset	May 09, 2022	3.75%*	2.20%	5.95% p.a.
2nd Reset	Aug 09, 2022	3.95%*	2.20%	6.15% p.a.
3rd Reset	Nov 09, 2022	3.90%*	2.20%	6.10% p.a.
First Coupon Date	Feb 09, 2023			6.01% p.a. [§]

Date	3 month T-Bill Rate published by FBIL
January 11, 2022	3.60
January 12, 2022	3.57
January 13, 2022	3.57
January 14, 2022	3.57
January 17, 2022	3.58
January 18, 2022	3.60
January 19, 2022	3.67
January 20, 2022	3.68
January 21, 2022	3.70
January 24, 2022	3.69
Simple Average	3.62[#]

The first setting of the Benchmark i.e. Simple Average (rounded off to two decimals after zero) of the 3 month T-Bill Rate published by FBIL for last 10 working days prior to the First Benchmark Determination Date, for setting of the First or Initial Coupon Rate

* Illustrative Benchmark settings for subsequent Benchmark Determination Dates

§ Illustrative Coupon Rate payable for the first year on the First Coupon Date determined as the simple average (rounded off to two decimal points after zero) of the quarterly Coupon Rates determined on January 25, 2022 (First Benchmark Determination Date) and the three other illustrative Coupon Rates to be determined on May 09, 2022, Aug 09, 2022 & Nov 09, 2022, the three other Benchmark Determination Dates falling prior to the First Coupon Date.

Illustrative Cashflow per NCD (assuming Coupon Rate remains constant at 5.82% p.a. for the entire tenor of the NCDs)

Cash Inflow per NCD	Date	Amount
PAY IN	Wednesday, February 09, 2022	₹10,00,000
Cash Outflow per NCD – Interest		
1 st Coupon	Scheduled Coupon Date	Thursday, February 09, 2023
	No. of days	365
	Amount	₹58,200
	Interest Payment Date**	Thursday, February 09, 2023
2 nd Coupon	Scheduled Coupon Date	Friday, February 09, 2024
	No. of days	365
	Amount	₹58,200
	Interest Payment Date**	Friday, February 09, 2024
3 rd Coupon	Scheduled Coupon Date	Friday, February 07, 2025
	No. of days	364
	Amount***	₹57,882
	Interest Payment Date**	Friday, February 07, 2025
Cash Outflow per NCD – Redemption		
Principal Payment	Scheduled Payment Date**	Friday, February 07, 2025
	Amount	₹10,00,000

** Subject to working business day. In case of a non-business day, then payment will be done as per clause “Business Day Convention” of the Term Sheet”.

***Calculated with number of base days as 366 since February has 29 days in 2024

In case of a non-working day i.e. a non Business Day, then payment will be done as per clause “Business Day Convention” of the Term Sheet.

- The Cash Flow displayed above is calculated per debenture (face value of Rs. 10,00,000 (Rupees Ten Lakh)).
 - The cash flow has been prepared based on the best available information on holidays and could further undergo change(s) in case of any scheduled and unscheduled holiday(s) and/or changes in money market settlement day conventions by the Reserve bank of India/ SEBI.
 - *Interest payments are rounded-off to nearest rupee as per the FIMMDA ‘Handbook on market practices’.*
 - *The cash flows are for illustrative purposes*
- a. *The Issuer reserves the right to change the Issue Closing Date and in such event, the Date of Allotment for the Debentures may also be revised by the Issuer at its sole and absolute discretion. In the event of any change in the above issue program, the Issuer will intimate the investors about the revised issue schedule.*

A DECLARATION BY THE DIRECTORS THAT –

- a. the company has complied with the provisions of Securities Contracts (Regulation) Act, 1956 and the Securities and Exchange Board of India Act, 1992, Companies Act and the rules and regulations made thereunder;
- b. the compliance with the said Act(s) and the rules made thereunder do not imply that payment of dividend or interest or repayment of debentures, if applicable, is guaranteed by the Central Government;
- c. the monies received under the offer shall be used only for the purposes and objects indicated in the Offer letter;
- d. whatever is stated in this form and in the attachments thereto is true, correct and complete and no information material to the subject matter of this form has been suppressed or concealed and is as per the original records maintained by the promoters subscribing to the Memorandum of Association and Articles of Association.

We are authorized by the Board of Directors of the Company vide Resolution dated October 28, 2021 to sign this Placement Memorandum (PM) and declare that all the requirements of the Companies Act, 2013 and the rules made there under in respect of the subject matter of this PM and matters incidental thereto have been complied with. Whatever is stated in this PM and in the attachments thereto is true, correct and complete and no information material to the subject matter of this PM has been suppressed or concealed and is as per the original records maintained by the promoters subscribing to the Memorandum and Articles of Association.

It is further declared and verified that all the required attachments have been completed, correctly and legibly attached to this form.

Place: Delhi

For Hero Housing Finance Limited

**Shivendra Suman
Chief Compliance Officer**

**Shyam Lal
Authorised Signatory**

Date: February 07, 2022