

Term Sheet **Satin Creditcare Network Ltd**

**Senior Term Facility by Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V.
("FMO")**

IMPORTANT NOTE:

Please note that the terms set out in this term sheet are indicative only and do not constitute, nor should be construed to be, a commitment or an offer to arrange or provide any financing, whether on the terms of this term sheet or on any other terms.

Our decision to arrange or provide financing, whether on the terms of this term sheet or on any other terms, is subject to due diligence, credit committee approval, board approval and documentation in a form and substance satisfactory to us.

Furthermore, our decision to arrange or provide financing is subject to the satisfactory delivery of the required 'Know-Your-Customer' documents.

Investment route will be NCD, subject to closing date before end of December 2018 as it concerns a so called 'pipeline investment'. In case the investment route will change to masala bond or ECB (external commercial borrowings) track III this will of course have implications for this term sheet.

All terms of the financing, including structure, tenor, amount and pricing are subject to change following the appraisal or as a result of adverse changes in the international financial or capital markets or the financial condition of the Issuer or the Group and are subject to local counsel review.

The contents of this indicative term sheet are confidential and no person may release or disclose the contents without the prior written consent of FMO.

Borrower/Issuer:	Satin Creditcare Network Ltd.
Group:	The Issuer and its subsidiaries from time to time.
Subscriber/Debenture holder:	FMO.
Debenture Trustee:	To be confirmed.



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Facility/Debentures: Senior, secured, amortizing INR denominated Non-Convertible Debentures in a principal amount equivalent of up to USD 30 mln.

Amortization: The Facility outstanding principal amount shall be repaid in equal, semi-annual repayment installments commencing 24 months after the Issue Date and ending on the Maturity Date (as defined below).

Use of proceeds: The proceeds of the Facility shall be used to further grow the Issuer's microfinance loan portfolio.

Issue Date: The date on which the Debentures are issued.

Maturity Date/Tenor: The date falling 5 years after the Issue Date.

Interest Rates: Local Currency Fixed: a margin of 4.1% per annum plus the Base Rate for each Loan. The Base Rate will be determined by FMO based on the hedging agreements to be concluded in respect of the Loan and will be the fixed rate equivalent in INR of 6 month LIBOR.

Local Currency: All Loans will be disbursed by FMO in INR. All fees will be invoiced and paid in USD.

- Fees:**
- i) A front-end fee equal to an amount of 1.0% of the Facility, payable within 15 days of the signing date.
 - ii) A monitoring fee of USD 5,000 per annum.
 - iii) A cancellation fee of 2% of the principal amount of the Facility which has been cancelled during the Availability Period or on the amount which has not been disbursed after the end of the Availability Period.
 - iv) A waiver fee of USD 3,500 for any material waiver or amendment of the Facility Agreement.
 - v) Appraisal Fee of USD 25,000 which is payable within 15 days from the date of the Debenture Trust Deed. The Appraisal Fee will be made deductible from the Front- end Fee.

In case the lender, after due diligence, has got the final credit approval broadly on the terms and conditions agreed in the LOI by 30.09.2018 (or such later date as may be agreed between the parties from time to time) and SCNL fails to accept the final term sheet within 3 months, then SCNL will be liable to pay USD 30,000 as Termination Fee within 15 days from the expiry of 3 months. If, post acceptance of the final term sheet, SCNL terminates the transaction before closing (i.e. signing of the Transaction Documentation), then SCNL will be liable to pay the Termination Fee within 15 days of such Termination.



Default Rate:	The applicable interest rate plus 2.00% per annum.
Redeployment:	The Issuer will pay break funding, redeployment costs and/or hedge unwinding costs if any amount under the Debenture Trust Deed is not paid on its due date.
Security:	The Debentures are secured through 100% exclusive cover over specified loan receivables by way of a deed of hypothecation entered into between the Issuer and the Debenture Trustee. FMO will rank pari passu with other senior secured lenders.
Transaction Documents:	<p>The Debentureholder's commitment will be subject to the preparation, execution and delivery of the following documents: Debenture Trust Deed, Trustee Appointment Letter, Deed of Hypothecation, Information Memorandum, Listing in Principle Approval, Listing Agreement, Confirmation of listing, debenture application form, Board Resolutions, Shareholder Resolutions, Rating Letter, Fee Letter, Issuer's confirmation of allotment of debentures and any other documents related to the issuance of the Debentures and any other document designated as a Transaction Document by the Subscriber/Debentureholder (the "Transaction Documents").</p> <p>The Transaction Documents will include, without limitation, indemnities, and other provisions customary in credit facilities of this type and appropriate for the Facility.</p>
Voluntary Prepayments:	The Issuer may prepay the Facility in whole or in part after giving twenty days prior notice and provided that the Issuer will (i) pay a prepayment fee of 2.00% of the aggregate amount prepaid; (ii) bear any break funding costs related to the prepayment of the Facility.
Voluntary Cancellation:	During the Availability Period, the Issuer may cancel any unused part of the Facility provided that the Issuer shall pay a cancellation fee of 2.00% of the amount cancelled.
Mandatory Prepayments:	<p>Subject to compliance with applicable law, FMO may, with at least fourteen (14) days' notice to the Issuer, cancel the available Facility and/or require prepayment of the Loans:</p> <ul style="list-style-type: none"> i) If it becomes unlawful in any applicable jurisdiction for the Debentureholder to fund or maintain any Loan or part thereof; or ii) If it will result in a "Change of Control" which is defined as follows: <ul style="list-style-type: none"> a) If Mr. HP Singh alone or together with any related parties (the "Related Group") ceases directly or indirectly to beneficially own at least 20% of the voting shares of the Borrower; or b) Any party other than the Related Group directly or indirectly, jointly or individually: <ol style="list-style-type: none"> 1. beneficially owns a percentage of the voting shares of the Borrower which is higher than the percentage of the voting shares of the Borrower held by Related Group; 2. has the power to (on the basis of an agreement or otherwise through the exercise of voting rights): <ol style="list-style-type: none"> A) cast a controlling vote at a general meeting of the Borrower;



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- B) appoint or remove the majority of the directors or equivalent officers of the Borrower; and/or
- C) give directions with respect to the policies of the Borrower.

**General
Representations and
Warranties:**

In respect of the Issuer and/or other member of the Group usual and customary for facilities and transactions of this type and others to be reasonably specified by the Debentureholder, including in respect of the Group, the Holding Company and the Affiliates with regard to not being engaged in any corrupt practice, fraudulent practice, money laundering activity, sanctionable practice and/or terrorist financing.

Conditions Precedent:

Usual and customary for the issuance of the Debentures of this nature and others to be reasonably specified by the Debentureholder, including but not limited to:

- i) a resolution authorizing the Issuer to enter into the Transaction Documents by either the board of directors of the Issuer or the shareholders of the Issuer (depending on advice from local counsel);
- ii) legal opinions from counsel to the Debentureholder ;
- iii) evidence that a process agent has been appointed by the Issuer to accept service of process on behalf of the Issuer; and
- iv) Perfection of Security in accordance with applicable law (depending on advice from local counsel).

**General Affirmative
and Negative
Covenants:**

- i) Will apply to the Issuer. Usual and customary for facilities and transactions of this type and others to be reasonably specified by the Debentureholder and to apply to the Issuer. Covenants to also be included with regard to: not paying dividends unless it is in line with local bank regulations, it is paid from retained earnings only, and there will be no event of default before, during or after payment of the dividend;
- ii) The Issuer will demonstrate that the Corporate Governance Review Report has been discussed within the Board as soon as practicable, and in any case latest in the first Board Meeting scheduled after the NCD Issuance date. The discussion in the Board will be followed-up with a concrete agreed action plan to be shared with FMO.
- iii) not making acquisitions of assets or businesses per year in aggregate of more than an amount equal to 10% of the total assets of the Issuer;
- iv) in the ordinary course of business for securitization purposes not making disposals of assets or businesses per year in aggregate of more than an amount equal to 35% of the total assets of the Issuer
- v) not granting security to any other lender with priority over FMO's security and ensuring that the Facility ranks *pari passu* with the Issuer's other secured debt;



Environmental and Social specific covenants and representations:

- vi) the Issuer will not engage (and will make sure that no member of the Group will engage) in any corrupt practice, fraudulent practice, money laundering activity, sanctionable practice and/or terrorist financing;
- vii) Discussion of Corporate Governance Review Report in the Board.
- i) Representations that confirm that the Issuer is in compliance with Environmental and Social ("**E&S**") laws and requirements and undertakings to continue such compliance and to allow verification of such compliance;
- ii) Representations that confirm that there are no E&S claims at the date of the contract and an undertaking to notify the Debentureholders if any such claim arises or is threatened.
- iii) Representations that it does not finance activities listed on the exclusion list (see Annex A) and undertakings not to do so in future.

Client Protection Principles ("CPP") specific covenants and representations

- i) Representations that confirm compliance by the Issuer of consumer protection laws and that there are no consumer protection claims pending; and
- ii) Undertakings whereby the Issuer agrees to comply with consumer protection laws;
- iii) Undertaking whereby the Issuer confirms to remain SMART Certified.

Financial Covenants:

Usual and customary for facilities and transactions of this type and others to be reasonably specified by the Debentureholder and in any event to include:

- i) **Capital Adequacy > the higher of (i) the percentage required by the regulator or (ii) 15%.** To be defined as:

Total Capital; *divided by*
Total Risk Weighted Assets

- ii) **Cost to Income < 70%.** To be defined as:

Total Operational Cost; *divided by*
Total Operational Income

- iii) **Open Assets Exposure Ratio <25%.** To be defined as:

(NPL+Restructured Assets-/-loan loss reserves) divided by Tier 1 Capital.

NPL to be defined as: The aggregate of all loans and credit facilities provided by the Issuer where one or more repayment instalments or interest payments are overdue by 30 (thirty) days or more.



Restructured Assets to defined as: The aggregate of all loans, acquired investment securities, leases and other credit facilities provided by the Issuer that, are not classified as Non-Performing Loans but that have been restructured by amending or rescheduling any of the (re)payment terms as agreed between the Issuer and its clients under the relevant agreements or have been replaced by top-up loans due to a deterioration of the financial condition or repayment capacity of the Issuer; with the date of restructuring, rescheduling or top-up falling less than or equal to one (1) year prior to the date of computation.

Top-up loans provided between Jan '17 up to and including Mar '18 in the context of demonetization only can be excluded from calculation of OLER. Any other top-up or restructured loans shall at all times be included as Restructured Assets

iv) **Related Party Lending $\leq 20\%$.** To be defined as:

Related Party Loans divided by Tier 1 Capital and where:

Related Party means any natural person or legal entity which is:
(a) an executive or a non-executive member of the Issuer's board of directors;

(b) a senior manager of the Issuer;

(c) a party holding directly or indirectly more than 5 per cent (5%) of the share capital of the Issuer;

(d) the next of kin up to the second degree of an individual referred to in any of paragraphs (a)-(c) above;

(e) any affiliate of the Issuer; or

(f) any person controlled by a natural person or legal entity referred to in any of paragraphs (a)-(c) above.

Related Party Loans means the aggregate amount of loans, and any other credit facilities or equity investments made by the Issuer to all Related Parties together. Equity investments made in a subsidiary of the Issuer are excluded from Related Party Loans.

v) **Liquidity Coverage Ratio $\geq 115\%$.** Liquid assets and Assets maturing within 30 Days should be $> 115\%$ of total outflow during the same period (outflow to include scheduled repayments and routine operating expenses). To be tested quarterly.

vi) **Single Client Group Exposure $\leq 20\%$.**

Single Client Group Exposure Ratio means for any Relevant Period the result obtained by dividing:

(a) any Single Client Group Exposure as at the last day of that Relevant Period; by

(b) Tier 1 Capital as at the last day of that Relevant Period.

Single Client Group Exposure means the aggregate amount of loans and any other credit facilities provided or equity



Investments made by the Issuer to a single Client or a single Client Group

Information undertakings:

The Issuer shall provide information reasonably specified by the Debentureholder, including:

- i) a compliance certificate signed by the Chief Financial Officer or any Authorized Signatory from senior management setting out computation and compliance with the Financial Covenants and the reporting covenant on a quarterly basis. In case the reporting covenant is breached, the Issuer will ensure the breach is remedied within two months. In the absence of such remedy, an Event of Default will occur.
- ii) audited annual financial statements and quarterly unaudited financial statements.
- iii) Information in respect of non-performing loans and loan loss reserves on a quarterly basis, certified by Chief Financial Officer or any Authorised Signatory from senior management of the Company.
- iv) an annual environmental and social monitoring report.
- v) an annual corporate governance report which outlines any relevant changes in corporate governance and provides an update on follow-ups on the recommendations from the Corporate Governance Review Report provided by FMO.

The compliance certificate delivered together with the annual financial statements will also be signed by an Independent Chartered Accountant of the Issuer. Quarterly information will be delivered within 45 days after the end of each quarter. Audited financial statements will be delivered within 120 days of the end of the Issuer's financial year.

Events of Default:

Usual and customary for facilities and transactions of this type and others to be reasonably specified by the Debentureholder and to apply to the Issuer and the rest of the Group.

Assignment:

The Debentureholder may assign any of its rights or transfer any of its rights and obligations to another eligible entity which is regularly engaged in or established for the purpose of investing in financial assets with the prior consent of the Issuer (which may not be unreasonably withheld). No consent will be required for any assignment after an event of default has occurred. The Issuer may not assign or transfer any rights or obligations under the Debenture Trust Deed.

Tax and Yield Protection:

The Debenture Trust Deed will include standard tax gross-up and tax indemnity clauses.

Costs, Expenses and Indemnification:

The Issuer will pay or reimburse the Debentureholder for all expenses of English and local counsel incurred by them in connection with the preparation, negotiation, execution, delivery and administration of the Transaction Documents. The Issuer will also be liable for costs and expenses that are standard in Debenture related agreements and for investments in India.

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Miscellaneous:

The Debenture Trust Deed will contain provisions relating to, among other things, Market Disruption, Break Costs, Tax Indemnities, Increased Costs, Disclosure of Information, FMO's Independent Complaints Mechanism and Set-off.

Arbitration

Arbitration rules of the London Court of International Arbitration, subject to applicable laws, either Indian courts or LCIA.

Governing Law:

Indian Law

We look forward to working with you in this Facility, according to the indicative terms in this Term Sheet. If you are in agreement with the above terms and conditions, please sign below in evidence of your acceptance of this indicative proposal. This Term Sheet expires on September 14th 2018, unless extended at the discretion of FMO. The terms of this Term Sheet are intended to be indicative and confidential. You shall not disclose to any other party its terms without the prior written consent of FMO.

Sincerely,

Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V.

By:



By:

Name:

M.C. Monsfort

Name

Title:

Manager – Financial Institutions

Title:

Signed on this 14 day of September, 2018

Sahaj Credit Care Network Ltd.

By:


Authorised Signatory

Name:

Ashish Gupta

Title:

Head - Finance

Signed on this 14 day of September, 2018