

INDICATIVE TERM SHEET

The terms and conditions given below are indicative only and are not exhaustive and subject to change.

PARTIES INVOLVED IN THE ISSUE		
Issuer / Company	Mahaveer Finance (India) Limited	
Debenture Trustee	Vardhman Trusteeship Private Limited	
Series	Series A	Series B
Subscriber(s)	Axis Trustee Services Limited acting in its capacity as the trustee of the with IFMR Finance for Freedom Fund IV with IFMR Fimpact Medium Term Opportunities Fund as its scheme.	Axis Trustee Services Limited acting in its capacity as the trustee of the with IFMR Finance for Freedom Fund III with IFMR Fimpact Long Term Credit Fund as its scheme.
Depository	NSDL/CDSL	
Registrar and transfer agent	Link Intime India Private Limited	
Rating Agency	CARE	
Structurer and Arranger	Not Applicable	
Legal Counsel	Verist Legal	
Guarantor(s)	Mr. Deepak Dugar & Mr. Praveen Dugar	
Credit Enhancer(s)	Not Applicable	
Other obligor(s)	Not Applicable	
DETAILS OF THE INSTRUMENT		
Type of instrument	Non-convertible debentures	
Nature of instrument	Rated Unsubordinated Secured Transferable Redeemable Non-Convertible Debentures.	
Ranking	Unsubordinated	
Security requirements	Debentures shall be secured as per the terms and conditions stipulated under the heading ' Security Creation ' hereunder.	
Listing requirements	Unlisted.	
Rating	CARE BBB-	
ISSUE DETAILS		
Mode of Issue	Private Placement	
Form of issue	Debentures will be issued in dematerialized form.	
Issue size	INR. 14,00,00,000/- (Indian Rupees Fourteen Crores only)	INR. 6,00,00,000/- (Indian Rupees Six Crores only)

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Tenor	19 (Nineteen) months	34 (Thirty-Four) months
Face value	INR.10,00,000/- (Indian Rupees Ten Lakhs only)	
Issue price	Debentures will be issued at par.	
Issue Schedule	Issue Opening Date	31 st August, 2021
	Issue Payin Date	31 st August, 2021
	Issue Closing Date	31 st August, 2021
	Deemed Date of Allotment	31 st August, 2021
Objects of the issue	To augment the long-term resources of the Company & to meet working capital requirement	
Utilization of issue proceeds	The Issuer shall utilize the proceeds of the Issue solely for meeting the Objects of the Issue as stated in the Disclosure Document	
REDEMPTION		
Redemption Amount	Each Debenture shall be redeemed at par.	
Scheduled Redemption	Debentures shall be redeemed on a pro rata basis as set out in Schedule 1 (Redemption Schedule) hereto and shall be fully redeemed by the Final Redemption Date.	Debentures shall be redeemed on a pro rata basis as set out in Schedule 2 (Redemption Schedule) hereto and shall be fully redeemed by the Final Redemption Date.
Final Redemption Date	30 th March 2023	30 th June 2024
Early Redemption	Early redemption at the option of the Issuer shall not be allowed within 12 months from Deemed Date of Allotment (“ Lock-in Period ”). In case of early redemption of the Debentures at the instance of the Issuer after the Lock-in Period, on any date other than the Final Redemption Date and not arising due to an Event of Default, the Issuer shall pay an Early Redemption Premium. Early Redemption Premium will have to be paid over and above the Coupon Rate.	
Early Redemption Premium	5% (Five percent) on the principal amount prepaid.	
COUPON PAYMENT		
Coupon Type	Fixed	
Coupon Rate	14% (Fourteen per cent) per annum compounded monthly payable at such frequency as set out below against the heading ‘Coupon Payment Frequency’ and on such dates as set out below against the heading ‘Coupon Payment Dates’.	
One-Time Interest	0.50% of issue size to be paid Upfront	1.00% of issue size to be paid Upfront
Coupon Payment Frequency	Quarterly	
Coupon Payment Dates	As mentioned in Schedule I	As mentioned in Schedule II
Step-up Coupon	In the event the Credit Rating of the Debenture issued by the Issuer is downgraded from the current rating of CARE BBB-, the Effective	

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	Annualised Coupon Rate shall be increased by 0.5% for every notch of rating downgrade, applicable from the date of such downgrade until such event is cured, on the outstanding principal amount and accrued interest, if any, of the Debentures. If the Issuer of the Debenture is rated by more than one rating agency, then the downgrade from the assigned ratings by the credit rating agency shall be considered.
Step-down Coupon	Not applicable.
Default interest	Coupon Rate plus 5.00 % (Five-point Zero Zero percent)
CONVENTIONS	
Day Count Basis	Actual/Actual
Business Day	Means any day, other than a public holiday under Section 25 of the Negotiable Instruments Act, 1881 or a Sunday, on which banks are open for general business in Mumbai;
Date Convention	<p>(a) If the date of payment of any interest in respect of the Debentures falls on a day that is not a Business Day, such payment of interest shall be made on the next occurring Business Day;</p> <p>(b) If the date of payment of any redemption amount falls on a day that is not a Business Day, such payment of installment shall be made on the immediately preceding Business Day; and</p> <p>(c) If the Final Redemption Date or the Early Redemption Date (the date on which the Debentures are redeemed prior to the Final Redemption Date in terms of the Transaction Documents), as the case may be, falls on a day that is not a Business Day, such payment of interest and redemption amount shall be made on the immediately preceding Business Day.</p>
THIRD PARTY OBLIGATIONS	
Guarantor(s)	Mr. Deepak Dugar & Mr. Praveen Dugar
Credit Enhancer(s)	Not applicable.
Other Obligor(s)	Not applicable.
SECURITY CREATION	
Hypothecation	<p>The Debentures shall be secured by way of a first ranking, exclusive and continuing charge on identified receivables (“Hypothecated Receivables”) created pursuant to the deed of hypothecation to be executed between the Company and the Debenture Trustee as described herein. The Hypothecated Receivables shall at all times be equal to the value of the outstanding principal amount of the Debentures. The issuer undertakes:</p> <ul style="list-style-type: none"> to maintain the value of security at all times equal to 1.10 (One decimal point one) time or 110.0% (One hundred and Ten percent) the aggregate amount of principal outstanding of the NCDs where at least 1.10 (One decimal point one zero) time

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	<p>or 110.0% (One hundred and ten percent) of the security cover is from principal receivables (“Security Cover”);</p> <ul style="list-style-type: none"> • to create, register and perfect the security over the Hypothecated Receivables as contemplated above no later than 45 (Forty Five) calendar days from the date of execution of the instrument creating charge by executing a duly stamped deed of hypothecation (“Deed of Hypothecation”) and filing CHG-9 within the time period applicable; The Company shall also provide such information sought by the Debenture Trustee for the purpose of filing the prescribed forms and particulars with the Central Registry and Information Utility in connection with the Debentures and the Security Interest over the Hypothecated Receivables. • beyond 30 days to provide a list on a quarterly basis, of specific loan receivables/identified book debts to the Debenture Trustee over which the charge is created and subsisting by way of hypothecation in favour of the Debenture Trustee (for the benefit of the Debenture Holders) (“Monthly Hypothecated Asset Report”) • to add fresh loan assets to the Security Cover to ensure that the value of the Hypothecated Receivables is equal to 1.10 (One decimal point one zero) time or 110.0% (One hundred and ten percent) the aggregate amount of principal outstanding of the NCDs where at least (One decimal point one zero) time or 110.0% (One hundred and fifteen percent) of the security cover is from principal receivables. • to replace Hypothecated Receivables that have been overdue for more than 90 days with current receivables. Such replacement shall be affected within 15 (Fifteen) Business Days of the Hypothecated Receivables becoming overdue (by more than 60 days) <p><u>Eligibility Criteria for the Hypothecated Receivables:</u></p> <ul style="list-style-type: none"> • the receivables are existing at the time of selection and have not been terminated or pre-paid; • the receivables have not been restructured or rescheduled; • all “Know Your Customer” norms have been complied with as prescribed by the Reserve Bank of India; <p>The Issuer shall authorize the Debenture Trustee to nominate any person for the purposes of conducting credit bureau scrub on the Hypothecated Receivables from time to time</p>
Pledge	None.
Mortgage	None.
OTHER COVENANTS	

<p>Debenture Redemption Reserve</p>	<p>If so applicable for the Issue, the Issuer shall create debenture redemption reserve in accordance with the Companies Act, 2013 (and Rules thereunder) and in terms thereof earmark an amount not less than 15% of the amount maturing during the year ending on the 31st day of March of the next year by way of investment and deposits in specified securities on or before the 30th day of April in each year.</p>
<p>Related Party Transactions</p>	<p>Issuer shall not enter into any transaction(s) with a related party without the prior written consent of the Debenture Trustee.</p>
<p>Affirmative Covenants</p>	<ul style="list-style-type: none"> (a) To utilise the proceeds of this issue in accordance with applicable laws and regulations (b) To ensure presence of at least 1 independent director at all times (c) To promptly inform notice of winding up / other legal proceedings (d) To promptly inform Material adverse effect (e) To provide the investor with access to data / information / meetings with the management team for periodical portfolio monitoring (f) To comply with corporate governance, fair practices code prescribed by RBI
<p>Negative Covenants</p>	<p>The issues shall take the prior written permission from the Investor / Debenture Trustee for the following:</p> <ul style="list-style-type: none"> (a) Change in promoter, ownership or control; inter-se transfers within the promoter group shall be allowed (b) Mr. Deepak Dugar and Mr. Praveen Dugar to maintain an executive role in the company at all times (c) Any dilution of stake by the Mr. Deepak Dugar, Mr. Praveen Dugar, Mr. Mahaveer Chand Dugar and Ms. Gunasundari Dugar through disposal of shares (d) Mergers, acquisitions, investment in associates, JVs and subsidiaries including disposal of any of the above (e) Change in nature of business of the Company (f) Change in constitutional documents (g) Loans exceeding 10% of networth to any related party (h) Loans and/or guarantees on behalf of third parties exceeding INR 3 crore to any single party (i) Loans and/or guarantees on behalf of third parties exceeding INR 6 crore in aggregate to the largest 5 borrowers of the Company (j) Declare dividend on equity/preference shares before payment of coupon due on the NCDs and/or when an Event of Default is subsisting (k) Change in auditors <p>Material compromise or settlement</p>
<p>Events of Default</p>	<p>As listed in the Debenture Trust Deed.</p>

<p>Reporting Covenants</p>	<p>(a) QUARTERLY REPORTS - within 45 (Forty five) calendar days after the end of each calendar quarter:</p> <ul style="list-style-type: none"> (i) Information on financials, operations, portfolio growth & asset quality (static portfolio cuts, collection efficiency and PAR), funding in formats acceptable to the Investor (ii) List of Board of Directors (iii) Shareholding Pattern (iv) Financial covenant compliance certificate (v) Copy of returns filed with RBI (vi) information on: <ul style="list-style-type: none"> • New products introduced, or change in existing product features • New business correspondent relationships or discontinuance of existing relationships • Geographical expansion to any new state / city / district / location • Material changes to the IT / MIS systems • Change in credit bureaus used • Revision in the Business Plan • Changes in the Accounting Policy • Any fraud amounting to more than 1% of GLP <p>(b) ANNUAL REPORTS – within 120 days after the end of each fiscal year</p> <ul style="list-style-type: none"> (i) Audited financials (ii) A certificate from the Director/CFO confirming that there is no Potential Default or Event of Default; (iii) Copy of all annual information submitted to the RBI; and (iv) corporate social responsibility report <p>(c) EVENT BASED REPORTS – within 5 business days of event occurring</p> <ul style="list-style-type: none"> (i) change in the shareholding structure (ii) change in the Senior Management officials (any CXO, or equivalent) (iii) change in statutory auditors (iv) Board approval of annual business plan (v) change in the Constitutional Documents of the Company; (vi) Material Adverse Effect. (vii) Any dispute, litigation, investigation or other proceeding which could result in a Material Adverse Effect.
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	<p>(viii) Winding up proceedings</p> <p>(ix) Any Event of Default or Potential Default, and any steps taken / proposed to remedy the same.</p> <p>(x) any prepayment or notice of any prepayment of any Indebtedness of the Issuer.</p>
<p>Financial Covenants</p>	<p>(a) Capitalisation: The Capital Adequacy Ratio (as defined in applicable RBI Regulations) shall be maintained at or above 17% at all points in time. Maintain Tier 1 ratio (as defined in NBFC Regulations) of 12% or higher at all points in time.</p> <p>For the purpose of the calculations of the Capital Adequacy as mentioned above:</p> <ul style="list-style-type: none"> - the first loss credit enhancement provided by the originator on securitization shall be reduced from capital funds and the deduction shall be capped at 15% of the outstanding securitized portfolio. - the first loss credit enhancement provided by the originator on loans originated on behalf of other institutions shall be reduced from capital funds without any ceiling. <p>The deduction shall be made at 50 per cent from Tier I and 50 per cent from Tier II capital.</p> <p>It is also clarified that in computing the amount of subordinated debt eligible for inclusion in Tier II capital, the aforementioned subordinated debt shall be subject to discounting as provided in the NBFC Master Circular</p> <p>(a) Asset Quality: Ratio of PAR-90 to Gross Loan Portfolio of 10% or lower up to 31st Dec 2021 and 7% or lower from 1st Jan 2022 onwards.</p> <p>(b) Ratio of total Financial Indebtedness net of cash and cash equivalent to Tangible net worth should not exceed 4.5 times</p> <p>(c) Earnings: After-tax Net Income to remain positive.</p> <p>(d) Off-Balance Sheet Portfolio to Total Assets ratio of 35% or less.</p> <p>“PAR- 90” Shall mean on the Company’s Gross Loan Portfolio the outstanding principal value of the relevant portfolio of the Company that has one or more instalment of principal, interest payments</p>

	<p>overdue for 90 days or more, includes restructured loans but excludes loans that have been written off by the Company.</p> <p>“Gross Loan Portfolio” shall mean and include the outstanding principal amount of the loans originated by the Issuer on its own books, securitized portfolio as well as loans originated on behalf of other entities by entering into partnership agreements but not included on the Issuer’s own book.</p> <p>"Tangible Net Worth" shall mean the Net worth of the Company, net of intangible assets and deferred tax assets.</p> <p>“Total Financial Indebtedness” shall mean the short-term and long-term borrowing of the company including guarantees and contingent liabilities</p> <p>“Write-off” shall mean bad debts removed from balance sheet and deemed as non-collectible.</p> <p>“Loan loss provision” shall mean expense set aside as an allowance for uncollected loans and loan payments on the Company’s entire portfolio including receivables sold or discounted on a non-recourse basis.</p>
<p>Transaction documents</p>	<p>Debenture Trust Deed, [Hypothecation Agreement, Hypothecation Confirmation Letter,] [Deed(s) of Guarantee,] [Undertaking(s),] Disclosure Documents, Resolutions, the letters issued by the Rating Agency and the Registrar and all other documents in relation to the issuance of the Debentures.</p> <p>Disclosure Documents means collectively,</p> <p>(a) the debt disclosure document to be issued by the Issuer in terms of sub-regulation (1) of Regulation 21 (<i>Disclosures in respect of Private Placements of Debt Securities</i>) of the Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 (if applicable); and</p> <p>(b) private placement offer letter to be issued by the Issuer in terms of section 42 (<i>Offer or invitation for subscription of securities on private placement</i>) of the Companies Act, 2013.</p> <p>Resolutions means collectively,</p> <p>(a) special resolution of the shareholders of the Company under Section 180(1)(a) of the Companies Act, 2013;</p>

	<p>(b) special resolution of the shareholders of the Company under Section 180(1)(c) of the Companies Act, 2013;</p> <p>(c) board resolution of the board of directors of the Company under Section 42 and other applicable provisions of the Companies Act, 2013 and Rules thereunder;</p> <p>(d) special resolution of the shareholders of the Company under the applicable provisions of the Companies Act, 2013 and Rule 14(2) and other applicable provisions of Companies (Prospectus and Allotment of Securities) Rules, 2014.</p>
Other Costs & Conditions	The Issuer shall bear the costs and expenses incurred in connection with the transactions contemplated hereby including stamp duty and registration fee (if applicable) on the Transaction Documents (and the Debentures), appointment of the Debenture trustee, legal advisors' expenses and expenses incurred in the preparation for the Transaction Documents.
Governing Law and Jurisdiction	Indian Law with jurisdiction of the courts and tribunals of Chennai.

Schedule I

Redemption Schedule

Date	Principal Repayment	Coupon	Cashflow
31-08-2021			(14,00,00,000)
30-09-2021	-	16,10,959	16,10,959
31-12-2021	-	49,98,606	49,98,606
31-03-2022	-	48,88,640	48,88,640
30-06-2022	-	49,43,642	49,43,642
30-09-2022	-	49,98,606	49,98,606
31-12-2022	-	49,98,606	49,98,606
30-03-2023	14,00,00,000	48,33,719	14,48,33,719

Schedule II

Date	Principal Repayment	Coupon	Cashflow
31-08-2021	-		(6,00,00,000)
30-09-2021		6,90,411	6,90,411
31-12-2021		21,42,259	21,42,259
31-03-2022		20,95,132	20,95,132
30-06-2022		21,18,704	21,18,704
30-09-2022		21,42,260	21,42,260
31-12-2022		21,42,259	21,42,259
31-03-2023		20,95,132	20,95,132
30-06-2023		21,18,704	21,18,704
30-09-2023		21,42,260	21,42,260
31-12-2023		21,42,259	21,42,259
31-03-2024		21,12,839	21,12,839
30-06-2024	6,00,00,000	21,12,849	6,21,12,849

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