

25-January-2017

#### Terms of Reference

The following Terms of Reference (ToR) summarizes the principal terms to be incorporated into the Facility Documents with respect to the financing facility by the Investor. For the avoidance of doubt, this ToR is for discussion purposes only and does not attempt to describe all terms and conditions of the transaction contemplated herein. The ToR is intended to outline certain basic points of business around which the transaction could be structured. All proposed terms are subject to legal validation, due diligence, final approval of the competent authority of the Investor and non-binding except Exclusivity and Confidentiality clauses mentioned in the ToR


Instrument	Loan and/ or Listed Rated Redeemable Non-Convertible Debenture ("NCDs"). It is hereby agreed that if permissible by applicable laws the NCDs shall be unlisted
Investor	Edelweiss Group, its subsidiaries, affiliates, assignees and other co-investors
Issuer(s)	Dr. Agarwal's Healthcare Ltd. (AHCL)
Promoter/ Guarantor	Dr. Amar Agarwal & other Promoter shareholders of AHCL
Promoter Group	Issuer, Dr. Agarwal's Eye Hospital Limited (AEHL), Dr. Agarwal's Eye Institute (DAEL), Orbit Healthcare Services, Mauritius (Orbit) and other entities forming part of the Promoter shareholders of AHCL
Subject Companies	Issuer, Dr. Agarwal's Eye Hospital Limited (AEHL), Dr. Agarwal's Eye Institute (DAEL), Orbit Healthcare Services, Mauritius (Orbit)
Total Investment Amount	Up to Rs. 160 crores in 4 quarterly tranches over 12 months from the Reference Date. Each drawdown will be subject to [30] (thirty) days prior notice in writing to the Investor
Cash Coupon	0-24 months: 5% p.a. payable at the end of each quarter 24-36 months: 9% p.a. payable at the end of each quarter 36-48 months: 11% p.a. payable at the end of each quarter 48-66 months: 13% p.a. payable at the end of each quarter
Exit Event	<ul style="list-style-type: none"><li>• The company shall endeavor to raise equity from the public markets through an Initial Public Offering ("IPO") and provide an exit to the Investors at the expiry of 54 months from the Reference Date.</li><li>• Should the company not succeed in providing an exit through an IPO, it shall endeavor to raise Private Equity or find a Strategic Investor to infuse equity into the Issuer in order to facilitate Investor Exit prior to final maturity at the expiry of 60 months from the Reference Date.</li><li>• In the event that the Issuer does not succeed in raising equity from either of the above sources, it shall provide an exit to Investors through its own funds at the expiry of 66 months from the Reference Date</li></ul>
Total Returns	Cash flow payable on final Repayment of the Loan or final Redemption of the NCDs ("Redemption Premium"): <ul style="list-style-type: none"><li>• To achieve Minimum Assured IRR of 13.5% (including Cash Coupon paid); plus</li><li>• Upside</li></ul> For the avoidance of doubt, at each redemption /repayment date the Issuer shall redeem the Principal Outstanding along with the Minimum Assured IRR.  It is further clarified that the Investor shall retain the right to drop the Total Returns as described herein for an all-in return of 15% IRR basis
Upside	Cash flow payable as per the following formula: [3%] * Max{Valuation Growth, 0} Where- <ul style="list-style-type: none"><li>• Valuation Growth - [Equity Value<sub>t</sub> less Equity Value<sub>0</sub>]</li><li>• Equity Value<sub>0</sub> - [Rs. 775] crores</li><li>• Equity Value<sub>t</sub>: (Audited consolidated operating EBITDA of the Subject Companies</li></ul>

	<p>for last 4 trailing consecutive quarters on the date of final Redemption * 19x) – Net Debt (excluding this facility) as on the last trailing quarter</p> <p>Should there be an accelerated redemption of the NCDs earlier than the scheduled maturity of this trade the Investor retains the right to collect 'Upside' either partially or fully at the Investors discretion any time till the date of final maturity (i.e. up to 66 months from the Reference Date) at the Investors discretion. It is further clarified that in such event Equity Value, shall be computed on the date of collection of upside.</p> <p>The following table envisages a few scenarios and the methodology for calculation of Equity Value,</p> <table border="1"> <tr> <th>Scenario</th><th>Equity Value, to be calculated post redemption of the NCDs on the date of collection of upside at the discretion of the Investor</th></tr> <tr> <td>In the event of no IPO or Private Equity or Strategic Investment of the Subject Companies</td><td>Equity Value; (Audited consolidated operating EBITDA of the Subject Companies for last 4 trailing consecutive quarters on the date of final Redemption) * 19x – Net Debt (excluding this facility) as on the last trailing quarter.</td></tr> <tr> <td>At the time of IPO or Private Equity (of a minimum amount of Rs. 200 crores) or Strategic Investment (of a minimum amount of Rs. 200 crores) of the Subject Companies</td><td>Equity Value, will be the pre-money Equity Value based on the IPO/PE/Strategic valuation</td></tr> </table>	Scenario	Equity Value, to be calculated post redemption of the NCDs on the date of collection of upside at the discretion of the Investor	In the event of no IPO or Private Equity or Strategic Investment of the Subject Companies	Equity Value; (Audited consolidated operating EBITDA of the Subject Companies for last 4 trailing consecutive quarters on the date of final Redemption) * 19x – Net Debt (excluding this facility) as on the last trailing quarter.	At the time of IPO or Private Equity (of a minimum amount of Rs. 200 crores) or Strategic Investment (of a minimum amount of Rs. 200 crores) of the Subject Companies	Equity Value, will be the pre-money Equity Value based on the IPO/PE/Strategic valuation
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At the time of IPO or Private Equity (of a minimum amount of Rs. 200 crores) or Strategic Investment (of a minimum amount of Rs. 200 crores) of the Subject Companies	Equity Value, will be the pre-money Equity Value based on the IPO/PE/Strategic valuation						
Reference Date	First date of Disbursement of Loan and Investment in the NCDs						
End-use	Capital Expenditure including but not limited to Marketing, lease/ rental advance and all spends towards new centers						
Security/Collateral	<ul style="list-style-type: none"> <li>Min 2x by way of pledge of 100% of the total paid up share capital of the Subject Companies &amp; their subsidiaries held and to be held by Promoter Group</li> <li>Guarantee of Dr. Amar Agarwal and all Promoter shareholders of the Subject Companies</li> <li>PDC for interest and UDC for Principal, Redemption Premium amount along with DPN</li> </ul>						
Tenor	66 months						
Redemption / Repayment Schedule	<ul style="list-style-type: none"> <li>Rs. 15 crores of the Total Investment Amount at the end of 42 months from the Reference Date</li> <li>Rs. 20 crores of the Total Investment Amount at the end of 48 months from the Reference Date</li> <li>Rs. 20 crores of the Total Investment Amount at the end of 54 months from the Reference Date</li> <li>Rs. 20 crores of the Total Investment Amount at the end of 60 months from the Reference Date</li> <li>Rs. 85 crores of the Total Investment Amount at the end of 66 months from the Reference Date</li> </ul> <p>For the avoidance of doubt, at each redemption /repayment date the Issuer shall redeem the Principal Outstanding along with the Minimum Assured IRR.</p>						
Other Key Conditions	<ul style="list-style-type: none"> <li>No prepayment of Loan and/ or Redemption of NCDs prior to 36 months from the Reference Date.</li> </ul>						


	<ul style="list-style-type: none"> <li>• Should there be an accelerated redemption of the NCDs earlier than the scheduled maturity of this trade the investor retains the right to collect 'Upside' at any time till the date of final maturity at its discretion. It is further clarified that in such event Equity Value, shall be computed on the date of collection of upside.</li> <li>• Minimum Total Returns to the Investor of 21% (including Cash coupon paid) in the event that: <ul style="list-style-type: none"> <li>a) the proceeds from this facility are not utilized for the purpose of capital expenditure as defined in the "End-use" section of this ToR</li> </ul> </li> <li>• Annual Top-up of collateral based on accrued value of the Loan and NCDs outstanding in the event of any shortfall</li> <li>• Appointment of a Big 4 as the Statutory Auditor in Subject Companies and their subsidiaries</li> <li>• Interest Servicing Reserve Account (ISRA) for servicing the interest of upcoming quarter</li> <li>• Covenants for Monthly MIS and other Information covenants (TBD)</li> <li>• Observer on Board of Subject Companies &amp; their subsidiaries for the Investor</li> <li>• Board Seat with affirmative rights on Subject Companies and their subsidiaries for the Investor in event of default</li> <li>• The Investor(s) shall reserve the right to strip the facility into multiple series of loans and debentures with varying yields and security for the purpose of structuring provided that, the commercial and collateral arrangement stated above remains the same to the Issuer's account</li> <li>• Other conditions customary for an Investment of this nature including but not limited to financial covenants on Subject Companies and their subsidiaries including but not limited to the below: <ul style="list-style-type: none"> <li>• Net Debt (excluding ESOF facility) / EBITDA to not exceed [●] at any point of time during the tenor of this facility</li> <li>• Net Debt (excluding ESOF facility) / Net Worth to not exceed [●] at any point of time during the tenor of this facility</li> <li>• Interest Coverage ratio to be greater than [●] at all times during the tenor of this facility</li> </ul> </li> <li>• Vendor Legal and Financial Due Diligence to be undertaken of Subject Companies and their subsidiaries to the satisfaction of the Investors at the cost of the Issuer</li> <li>• Right to mandate a concurrent accounting, system/internal audit of Subject Companies and their subsidiaries, at the cost of the Issuer in the Event of Default</li> </ul>
IPO/ Strategic Investment in Subject Companies	<ul style="list-style-type: none"> <li>• No IPO/ Strategic Investment without prior intimation to the Investor</li> <li>• Promoter Group to maintain majority ownership of Subject Companies and their subsidiaries (excluding on account of group reorganization subject to approval of the Investor and investments in non- core investments / offshore entities in which case the Promoter Group will continue to have control of the respective Boards and the Subject Companies will have minimum ownership of 45%) throughout the tenor of facility</li> <li>• In an event of dilution / strategic sale/ PE/IPO , the proceeds received from such dilution shall be utilized on priority to repay entire facility/ loan and/ or redemption of the NCDs</li> </ul>
Events of Default	<ul style="list-style-type: none"> <li>• All such Events of Default (EoD) which are customary for a financing of this nature will be incorporated in the Transaction Documents</li> </ul>
Exclusivity	Upon acceptance of this ToR within the availability period of 7 business days, none of the Issuer along with its affiliates and/or Promoters shall solicit other potential Investor(s) for fund raising by way of debt / structured debt nor disclose the terms of this ToR to other persons (other than in connection with consummation of this transaction) nor engage in any discussions or execute any agreements or securities of the nature of debt / structured debt to any other party other than the Investor(s), till the end of 90 days from the date of this ToR or as mutually agreed between the Investor and Issuer.
Confidentiality	The terms and conditions set forth herein are confidential and the Issuer and

	Promoters agree that neither they nor any of its affiliates will share any information in this ToR with any third parties that are not affiliates of Issuer without the express consent of the Investor(s). Investor(s) agrees that it will not share any information in this ToR with any third parties other than advisors, financing sources, other persons proposing to participate as Investor(s), affiliates of Investor(s) and other potential Investor(s).
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Investor, on behalf of itself and its affiliates named herein

  
 Name : SHOBHIT BAHL  
 Authorised Signatory  
 Date : 25.01.2017.

AHCL, on behalf of itself and its affiliates named herein

  
 Name : ANOSH AGARWAL  
 Designation:  
 Date : 25.01.2017