

Indicative Term sheet
8/19/2019

Amount	Rs. 75 Crs
Subject Company	Fincare Small Finance Bank Limited ('Fincare', 'FSFB')
Borrower / Issuer	Fincare Business Services Limited ('HoldCo', 'FBSL')
Instrument	Secured Non-Convertible Debentures (NCD). The NCDs shall be compulsorily issued in dematerialized form.
Investor	BAC Acquisitions <i>and/or its affiliates / nominees</i>
Key Financial Sponsors	All investors of FBSL holding over 4.75% stake as on date of Term Sheet namely - <ul style="list-style-type: none"> • True North Fund V LLP • Wagner Limited • INDIUM IV (Mauritius) Holdings Limited • Omega TC Holdings Pte. Limited + Tata Capital Financial Services Limited • LeapFrog Rural Inclusion (India) Limited
End-use	<ol style="list-style-type: none"> 1. Infusion of equity capital / Tier-I capital in Fincare 2. Infusion of Tier-II capital in Fincare 3. Operational needs of FBSL (up to 15% of the disbursed amount)
Tenor	2 years from the date of Issuance
Principal Repayment Schedule	Bullet repayment at maturity
Equity Event	<ul style="list-style-type: none"> • Issuance of FBSL shares in IPO of FBSL • Issuance of FBSL shares on Private placement basis • OFS by FBSL in FSFB IPO <p>Secondary sale of FSFB shares held by FBSL to any person(s)</p>
Equity Linked Mandatory Prepayment 1	<ol style="list-style-type: none"> a) From the proceeds of any Equity Event from the deemed date of allotment, the borrower will mandatorily prepay the Equity Linked Mandatory Prepayment 1 Amount, along with applicable redemption premium. For clarity, any pre-IPO related equity infusion in the first six months will not be considered as an Equity event. b) In the event that the amount raised from the previous Equity Event from the deemed date of allotment, is insufficient to pay the full Equity Linked Mandatory Prepayment 1 Amount, the proceeds from the immediately subsequent equity event will be compulsorily utilized to fulfill the Equity Linked Mandatory Prepayment 1 c) Equity Linked Mandatory Prepayment 1, if occurring prior to 6 months, will attract a make whole of 6 months at 17% XIRR return. d) Equity Linked Mandatory Prepayment 1 can only be triggered by "Equity Event" e) For clarity, Equity Linked Mandatory Prepayment 1, if made from IPO proceeds, will



	be made within 30 days of listing of shares in the IPO
Equity Linked Mandatory Prepayment 2	<p>a) From the proceeds of any Equity Event to occur in the second year of the issuance tenor, the borrower will mandatorily prepay the Equity Linked Mandatory Prepayment 2 Amount</p> <p>b) In the event that the amount raised from the previous Equity Event in the second year of the issuance tenor, is insufficient to pay the full Equity Linked Mandatory Prepayment 2 Amount, the proceeds from the immediately subsequent equity event will be compulsorily utilized to fulfill the Equity Linked Mandatory Prepayment 2</p> <p>c) Equity Linked Mandatory Prepayment 2, can only be triggered by an "Equity Event" occurring after 12 months from the deemed date of allotment</p> <p>d)</p>
Equity Linked Mandatory Prepayment 1 Amount	INR 18.75 Cr
Equity Linked Mandatory Prepayment 2 Amount	INR 56.25 Crores or amount outstanding at the end of 12 months from deemed date of allotment, whichever is higher.
Early Repayment:	<p>a) Any Equity Event proceeds will be first utilized towards "Equity Linked Mandatory Pre-payment 1" and "Equity Linked Mandatory Prepayment 2"</p> <p>f) Any prepayment (in part or full) over and above the Equity Linked Mandatory Prepayment 1, prior to 9 months shall be possible with a make whole of 9 months at 16.5% p.a. XIRR return. This prepayment is allowed from Equity Event (post Equity Linked Mandatory Prepayment 1 as detailed in a) or refinancing by giving a 30 day advance notice of prepayment.</p> <p>g) Any repayment (in part or full) by the Issuer, after 9 months but before completion of Tenor will be possible without any penalty in case of prepayment from an equity event, by giving a 30 day advance notice of prepayment.</p> <p>h) Any repayment (in part or full) by the Issuer, after 9 months but before completion of Tenor will be possible from refinancing by paying a prepayment premium of 0.3% on the outstanding amount by giving a 30day advance notice of prepayment.</p> <p>i) Part prepayment is permitted with a minimum amount of Rs. 5 Crore per prepayment event.</p> <p>j) Post the Equity Linked Mandatory Prepayment, the issuer may choose to voluntarily prepay other subscriber(s) to the extent of 25% of their investment amount, without prepaying the investor any further. However, beyond 25% of the original investment amount of each investor, no other investor/subscriber will receive priority towards early prepayment. Any further early prepayment will be done proportionately.</p>
Cash Coupon	8% p.a. payable monthly
Pricing	1.7% XIRR
Investor Return	Investor Return will be calculated in XIRR terms as defined in 'Pricing' above, by taking the following cash flows into account to the Investor:






	<ol style="list-style-type: none"> 1. Processing Fees; 2. Cash Coupon paid; 3. Principal Repayment; and 4. Redemption Premium
Redemption Premium	On the date of final amortization / redemption/ mandatory prepayment/ early repayment of the NCDs, in addition to the Cash Coupon and the Principal Repayment, the Issuer shall pay to the Investor such amounts as may be required to allow the Investor to make a return equal to the agreed XIRR (including all Cash Coupons and Processing Fees) as stated in "Pricing" above
Processing Fees	0.75% of Investment Amount to be paid by the Issuer to the Investor on the Investment Date
Security	<ol style="list-style-type: none"> 1. Pledge of equity shareholding in Subject Company by the Issuer to provide a security cover of 2.5x on the Outstanding Investment Amount. 2. For the purposes of the security cover, Valuation of the shares of the Subject Company may be determined as the higher of any of the following: <ul style="list-style-type: none"> o A multiple of 2.5 times on the book value of the shares calculated as at the end of the most recent quarter closing. o The share price at which the most recent equity transaction at market value has been concluded by the company – including rights issue of shares if concluded at market value o In the event that HoldCo shares are listed on a recognized stock exchange, the multiple to book value at which FBSL shares are traded (as at the most recent quarter end), will be applied to the book value of the shares of Subject Company, calculated as at the end of the most recent quarter end, to arrive at the applicable valuation. Provided that this will only be considered till such time as the HoldCo has no other business investments aside from Fincare SFB and Lok Management Services. 3. Demand Promissory Note (DPN) 4. PDCs and UDCs for payment of Cash Coupon, Principal Repayment and Redemption Premium <p>In event of part prepayment, including Equity Linked Mandatory Prepayment, securities to the extent of 2.5x of the amount pre-paid shall be released by the Investor. In event of increase in valuation of the underlying shares of the Subject Company, securities in excess of 2.5x of the outstanding loan amount (including accrued interest) shall be released by the Investor. The review of the securities required, and release of securities as applicable, shall be effected on a quarterly basis.</p>
Key Covenants	<ul style="list-style-type: none"> • No borrowing by the Issuer other than the proposed Facility except with prior written approval of the Investor beyond Rs. 300 crore • No other investor to be given security cover of more than 2.5x, without Investor approval or after giving similar cover to Investor • Continuation of Walker Chandiook & Co LLP, as statutory auditor of the Subject Company, or appointment of a new statutory auditor, to comply with regulations pertaining to auditor rotation, with RBI approval. • No change in control of the Issuer and the Subject Company either directly or indirectly except with prior written approval of the Investor. • Right to mandate concurrent accounting, system/ internal audit of Subject



	<p>Company at the cost of the Issuer, and Board rights (One board seat at the Issuer Company for the investor) in the Event of Default. Provided that this clause will only apply if BACQ is the only investor in Debentures issued by FBSL up to March 2020.</p> <ul style="list-style-type: none"> • Rating downgrade to below BBB+ (cure period of 60 days to reinstate to BBB+ and above) of Subject Company will be a Mandatory Prepayment Event. • Other conditions customary for an Investment of this nature including but not limited to financial covenants on the Subject Company. <p>Full list of Key Covenants, Mandatory Prepayment Events and Events of Defaults (EODs) will be finalized during definitive documentation.</p>
Diligence	Required diligence of Fincare. (Borrower to bear the cost of diligence)
Expenses	The Issuer shall bear the legal and other transaction costs of the Investor, pertaining to the transaction. All expenses shall be pre-agreed with the Issuer and capped.
Governing Law and Dispute Resolution	This Heads of Terms will be governed in accordance with the laws of India. All disputes in connection with this Heads of Terms, including any question regarding its existence, validity or termination, or any non-contractual obligations arising out of or in connection with this Heads of Terms, shall be referred to and finally resolved by arbitration in accordance with the courts of Mumbai.
Other Conditions	<ul style="list-style-type: none"> • In the event of IPO of FSFB, the Investor agrees to take necessary action to support the Issuer/ Subject Company to comply with regulations/ guidelines pertaining to the IPO, including release of pledge on equity shareholding. In such an event, the Investor shall have the first right on the proceeds from sale of the pledged shares to the extent that it extinguishes all obligations under the Facility • In the event of secondary sale of FSFB shares by FBSL with the objective of extinguishing all obligations under the Facility from the proceeds, the Investor shall provide the required support to the Issuer in the process, including release of pledge on equity shareholding and transferring the shares to the buyer. The Investor shall have the first right on the proceeds of the secondary sale to the extent that it extinguishes all obligations under the Facility. <p>These conditions shall be more comprehensively defined and described in the transaction documents</p>
Confidential	<p>The Term Sheet is confidential, and contents of this Term Sheet may not be disclosed by the Company without Investor's prior written consent, and by the Investor, without the Company's prior written consent. If the Company determines that it is required by law or regulation to disclose the information regarding this Term Sheet to any regulatory body, it shall in a reasonable time before making such disclosure or filing consult with the Investor regarding such disclosure or filing and shall seek confidential treatment for such portions of the disclosure or filing as may be requested by the Investor.</p> <p>The Company and Investor shall not make any press releases / announcements to the public or to any third party regarding the arrangements contemplated by this Term Sheet, unless the same has been approved by the other party.</p> <p>The debenture holders shall be entitled to disclose information pertaining to the Company to CIBIL or any other agency, CERSAI, RBI and/or electronic repositories maintained by the</p>



Insolvency and Bankruptcy Board of India, upon default.

for Fincare Business Services Limited	for BAC Acquisitions Private Limited
 Authorized Signatory Date: 21.08.2019 	 Authorized Signatory Date: 19.08.2019 