



## VALIDITY OF THE RATING IS SUBJECT TO COMPLIANCE WITH THE TERMS OF THE STRUCTURED OBLIGATION

### CONFIDENTIAL

Ref No: ICRA/SFR/CHE/15-16/2495 B

June 12, 2015

**Mr. Samit Shetty**

Director

Chaitanya India Fincredit Pvt Ltd

3<sup>rd</sup> Floor, Sirsi Circle

Mysore Road, Chamrajpet

Bangalore- 560018

Dear Sir,

**Re: ICRA Credit Rating for Rs. 10 crore Non Convertible Debentures (NCD)  
programme of Chaitanya India Fincredit Pvt Ltd (Chaitanya)**

Please refer to the Rating Requisition dated June 9, 2015 received from IFMR Capital Finance Private Ltd and the subsequent Rating Agreement of June 9, 2015 and a confirmation letter dated June 10, 2015 received from your company for carrying out the rating of the aforementioned debt programme of your company. The Rating Committee of ICRA, after due consideration, has assigned the rating of "**Provisional [ICRA]BBB+(SO)**" [pronounced as Provisional ICRA triple B plus (Structured Obligation)]. Instruments with this rating are considered to have moderate degree of safety regarding timely servicing of financial obligations. Such instruments carry moderate credit risk. The letters "SO" in parenthesis suffixed to a rating symbol stand for Structured Obligation. An SO rating, is specific to the rated issue, its terms and its structure. SO ratings do not represent ICRA's opinion on the general credit quality of the issuers concerned.

Please note that the conditional rating is subject to fulfilment of all conditions under the structure as mentioned to ICRA including execution of the necessary documentation and the executed documentation being in line with the drafts shared with ICRA. The rating takes into account the credit enhancement in the form of an unconditional and irrevocable partial guarantee from Reliance Capital Limited (RCL) and IFMR Capital Finance Private Limited (IFMR). The rating also factors the payment mechanism designed to ensure timely payment on the rated NCDs as per the terms of the transaction.

In any of your publicity material or other document wherever you are using our above ratings, it should be stated as "**Provisional [ICRA]BBB+(SO)**" for the NCDs. We would appreciate if you can sign on the duplicate copy of this letter and send it to us within 10 days from the date of this letter as a token of your acceptance and use of the assigned ratings. Any intimation by you about the above ratings to any Banker/ Lending Agency/Government Authorities/ Stock Exchange would constitute use of these ratings by you.

The conditional rating is subject to compliance with the structure submitted to ICRA and the conditions / payment mechanism mentioned in Annexure 1. This rating communication letter (together with Annexure 1) should be necessarily included in the issue documents / information memorandum of the proposed assignment issue. The rating is specific to the terms and conditions of the proposed issue as was indicated to us by you and any change in the terms or size of the issue would require the ratings to be reviewed by us. If there is any change in the proposed structure, terms and conditions or size of the instrument rated, as above, the same must be brought to our notice before the issue of the instruments.

ICRA reserves the right to suspend, withdraw or revise the above ratings at any time on the basis of new information or unavailability of information or such other circumstances, which



ICRA believes, may have an impact on the ratings assigned to you. The ratings, however, should not be treated as a recommendation to buy, sell or hold the NCDs to be issued.

If the instrument rated, as above, is not issued by you within a period of 2 months from the date of the letter communicating the ratings, the same would stand withdrawn unless revalidated before expiry of the 2 months.

We thank you for your kind co-operation during the course of the rating exercise. Please feel free to contact the undersigned if you need any further information/clarification.

With kind regards,

Yours faithfully,

A handwritten signature in blue ink, appearing to read 'Kalpesh Gada', is written over a horizontal line.

**Kalpesh Gada**  
Head – Structured Finance

A handwritten signature in blue ink, appearing to read 'Karthik Srinivasan', is written over a horizontal line.

**Karthik Srinivasan**  
Senior Vice President



## Annexure 1

### Transaction structure

The ratings are based on the term sheet provided to ICRA and the key conditions mentioned herein -

<b>Proposed Issue</b>	Chaitanya India Fincredit Pvt Ltd (Chaitanya) would issue listed, rated, taxable, secured, redeemable, non-convertible debentures (Chaitanya NCDs) having face value of Rs. 10 crore.
<b>Interest</b>	As per the transaction documents
<b>Debenture Trustee</b>	GDA Trusteeship Services Limited (Trustee)
<b>Issuers</b>	<p>As part of the transaction, NCDs will be issued by 5 Issuers to a single investor on the same day. These Issuers are-</p> <p>Annapurna Microfinance Private Limited (AMPL), Chaitanya India Fin Credit Private Limited (Chaitanya), Fusion Microfinance Private Limited (Fusion), M Power Micro Finance Private Limited (MPower) and Saija Finance Private Limited (Saija)</p> <p>Separate rating communication letters have been issued for the NCD programme for each of these Issuers, all of which are backed by a common partial Guarantee. The reference numbers for these letters are-</p> <p>ICRA/SFR/CHE/15-16/2495 A- AMPL ICRA/SFR/CHE/15-16/2495 B- Chaitanya ICRA/SFR/CHE/15-16/2495 C- Fusion ICRA/SFR/CHE/15-16/2495 D- MPower ICRA/SFR/CHE/15-16/2495 E- Saija</p>
<b>Security</b>	<p>In the present structure, the security for the NCDs will be in the form of exclusive specific charge over identified receivables of the Issuer with security cover of 1.10 times (collateral pool). The security cover has to be checked by the trustee at the end of every month and more contracts need to be added to the pool if the security cover goes below 1.1 times. Moreover, contracts in the 30+ delinquency bucket for any Issuer will not be considered to be a part of the Collateral Pool and additional contracts will need to be added to the extent of delinquent contracts.</p>
<b>Credit enhancement</b>	<p>An unconditional and irrevocable Common Guarantee to the extent of Rs. 10.46 crore, being 20.5% of the overall NCD amount (total of NCDs issued by the five Issuers) will be provided by RCL and IFMR in the ratio of 70:30 by way of credit enhancement for the NCDs of all the Issuers. However, in the event of downgrade of either of the Guarantor's rating below a threshold level, the guarantee amount o/s in respect of that Guarantor will have to be kept as cash collateral.</p> <p>Once the guarantee has reached 45% (expressed as % of overall NCD outstanding) owing to amortisation of the NCDs, the same will be reviewed by ICRA for a reset, such that the guarantee cover does not reduce below 45% (expressed as % of overall NCD outstanding) at any time after such reset.</p> <p>The Issuer will be liable to meet the scheduled payout from the collections from the collateral pool or from other cashflows. In case, the Issuer is unable to meet the scheduled payout, the Guarantee will be invoked. After the enforcement of the Guarantee, if the Issuer(s) pays any money to the Guarantor, the Guarantee will be replenished by the amount so paid by the Issuer(s) subject to the overall amount of the Guarantee until the Guarantee Termination Date. The Guarantee will be called upon to pay scheduled amortization of the debenture.</p>
<b>Compliance</b>	<p>The Trustee for the transaction shall ensure that all the terms &amp; conditions of the transaction structure, as stated herein (including the execution of transaction documents and setting up of corporate guarantee), are complied with within 30 days from the transaction execution. The Trustee shall inform ICRA in writing about the fulfillment of all the said terms &amp; conditions. The Trustee shall send the final draft version of the transaction documents to ICRA at least two working days prior to their</p>

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	<p>execution. ICRA shall assign the final rating post satisfactory compliance with the transaction structure by the Issuer(s).</p>
<b>Investor Debt Servicing Schedule</b>	<p>The cash flow schedule for the investor on a monthly basis will consist of interest (at the pre-determined rate on the principal outstanding) payment and equal principal installments. In the event of any Issuer non compliance (with any of the conditions listed in the legal documents), the frequency of payment to the investor by that Issuer will become on a weekly basis (such that the last date of the week coincides with the monthly payout date).</p> <p>The Guarantee will be utilized for meeting any shortfall in the scheduled payout to the investor.</p>
<b>Payment Mechanism:</b>	<p>The payouts to the investors is scheduled around the 19<sup>th</sup> of each month (refer annexure below), starting with July 2015. The payment mechanism to the investors is given below -</p> <ol style="list-style-type: none"> <li>1. Issuer shall make the payments of interest and principal amounts due along with all other obligations (if any) under the transaction documents by 4 pm India time on T-3 Business Days</li> <li>2. In the event of failure of the Issuer to comply with (1) above, on T-2 Business Days, the Trustee to invoke guarantee and send a one Business Day's notice to Guarantor to make the payments.</li> <li>3. Guarantors to make the payments on T-1 (i.e. the interest or principal repayment due date). The Guarantors will be called upon to pay as per the original amortization schedule of the relevant Debenture.</li> </ol>
<b>Payment priority:</b>	<p>The payment priority on a monthly basis will be as given below:</p> <ol style="list-style-type: none"> <li>1. Additional Interest, damages to Debenture Holders etc.</li> <li>2. Interest accrued till date on the Debentures</li> <li>3. Scheduled Redemption on the Debentures</li> <li>4. Reimbursement to the Corporate Guarantor (to the extent the Corporate Guarantee has been invoked and paid on behalf of that Issuer), which will top up the Corporate Guarantee</li> </ol> <p>The schedule for payment of interest and principal shall be drawn at the beginning of the transaction.</p>
<b>Events of non compliance</b>	<p>The following have been defined as events of non compliance-</p> <ol style="list-style-type: none"> <li>i. Non-maintenance of the requisite security cover;</li> <li>ii. Non Payment/ Misrepresentation/ cross default/ material litigation/ repudiation of any bond documentation by the Issuer;</li> <li>iii. Unlawfulness;</li> <li>iv. Change or cessation of business or material adverse effect on any Issuer;</li> <li>v. Any of the Bond Documentation ceases to be in full force and effect or is terminated prior to Maturity;</li> <li>vi. Failure by an Issuer to meet standards with respect to collection quality, management, governance, internal systems and processes, and data integrity, as may be required by the Debenture Trustee/ Investor/ guarantor.</li> </ol> <p>Consequence of an event of non compliance are-</p> <ol style="list-style-type: none"> <li>i. Debenture Trustee's and guarantor's approval will be required for declaring any dividend,</li> <li>ii. Debenture Trustee will have the right to appoint a nominee director on the board of the Issuer,</li> </ol>

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	<p>iii. Default interest of 2% over and above the NCD coupon will be payable and</p> <p>iv. From then on, the Issuer shall need to pay the NCD investor on a weekly basis (basically the monthly payout will be divided into 4 weekly payouts such that the last payout date in a month coincides with the monthly payout date- this leads to front-ending of cashflows to investors on a monthly basis).</p>
<b>Events of Default (EoD)</b>	<p>The following have been defined as events of default -</p> <ol style="list-style-type: none"><li>i. Non-payment of any dues under this issuance by the Issuer and the Guarantors;</li><li>ii. Event of Non Compliance, where the outstanding amount under the Debentures of the affected Issuers exceeds the outstanding Guarantee, and such event is not remedied within 30 days</li><li>iii. Downgrade of either Guarantor below a stipulated level, and failure by the relevant Guarantor to provide a cash collateral equal to the amount guaranteed by it within seven Business Days of such downgrade;</li><li>iv. With reference to either Guarantor: repudiation of any Bond Documentation and revocation of operating licenses</li></ol> <p>Occurrence of an EoD as defined under point ii will give the Trustee the right to accelerate the specific Issuers' NCDs while occurrence of an EoD as defined under points 1, 3 and 4 above will give the Trustee the right to accelerate NCDs of all Issuers.</p> <p>The right to accelerate the NCDs on account of the occurrence of an EoD will be with the Trustees who may do so upon instructions from the NCD holders.</p>
<b>On transferability of NCDs</b>	<p>The Debentures are freely transferable by the Debenture Holders. However in the event that after such transfer, a Debenture Holder does not hold an equal number of each Debenture, then the rating of the Debentures may be downgraded.</p>

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## Annexure 2

Monthly Scheduled Cashflow for NCD investor (in Rs. Lakh)

	Payout Date	Initial NCD investor principal payment schedule
1	17-Jul-15	41.67
2	19-Aug-15	41.67
3	18-Sep-15	41.67
4	19-Oct-15	41.67
5	19-Nov-15	41.67
6	18-Dec-15	41.67
7	19-Jan-16	41.67
8	19-Feb-16	41.67
9	18-Mar-16	41.67
10	19-Apr-16	41.67
11	19-May-16	41.67
12	17-Jun-16	41.67
13	19-Jul-16	41.67
14	19-Aug-16	41.67
15	19-Sep-16	41.67
16	19-Oct-16	41.67
17	18-Nov-16	41.67
18	19-Dec-16	41.67
19	19-Jan-17	41.67
20	17-Feb-17	41.67
21	17-Mar-17	41.67
22	19-Apr-17	41.67
23	19-May-17	41.67
24	19-Jun-17	41.67
	<b>Total</b>	<b>1000.00</b>

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