

**Draft Term Sheet for Proposed up to Rs. 400.00 Cr NCDs.**

Instrument	SECURED, RATED, LISTED, REDEEMABLE, TAXABLE NON-CONVERTIBLE DEBENTURES / BONDS
Issuer	Kerala Financial Corporation
Issue Size	Up to Rs 400.00 Crore
Nature of Instrument	Secured
Coupon rate (Fixed)	TBD
Coupon payment frequency	TBD
Tenor	Series A to E (Each for Rs 80 Crores), for tenor of 6 years to 10 years, with quarterly redemption in each series, with first redemption scheduled at 21st quarter
Redemption structure	Each series would be redeemed in 4 equal instalments of 5% of the aggregate issue size, with redemption of Series A starting from the end of 21st quarter, Series B starting from end of 25th quarter and so on.
Objects of the issue	Working capital requirements
Security	<p>The bonds would be secured by way off:</p> <ol style="list-style-type: none"><li>1. Exclusive charge on the KFC Bond Servicing Account series I 2025 and on the amount transferred therein to be utilised only for servicing of the bonds on quarterly servicing dates</li><li>2. Exclusive charge on the KFC DSRA Bond Series I 2025 and funds lying therein.</li><li>3. Exclusive charge on Cash collateral always permitted investment available equivalent to 10% of face value of principal amount outstanding.</li><li>4. Exclusive charge on specific current assets including book debts and receivables of the company from identified borrowers. The book value of such assets would provide 100% security cover on the outstanding bonds and interest accrued thereon throughout its entire tenure..</li></ol>
KFC Bond Servicing account	The issuer would be required to open a designated escrow account — "KFC Bond Servicing Account series I 2025" exclusively charged to Debenture trustee.
Key Covenants	The Issuer would be required to open a designated escrow account "KFC DSRA Account Series I 2025" exclusively for the benefit and charged to the Debenture Trustee (on) behalf of the bondholders). In case of further series of issuances, the Issuer shall open similar accounts

	<p>(Series I, Series IV, etc.) An amount equivalent to the total servicing obligation (Principal &amp; interest) of the outstanding bonds for the next 2 quarters would need to be maintained by the Issuer in the DSRA account on rolling basis and the initial DSRA amount so calculated would need to be deposited at least one day prior to the date of pay in. The issuer shall, prior to the pay-in-date, create permitted investments in terms of the transaction documents for an amount equivalent to 10% of the outstanding principal amount of the debentures. In case of any erosion in Debt Service Reserve Account as mentioned under structured payment mechanism not getting cured within 30 days after servicing (i.e T+30), the erosion shall be made good by transferring necessary amount of funds / investments to the DSRA., The Debenture Trustee should immediately inform the issuer about this event with an advise to Replenish the Cash Collateral Permitted Investment within the next 30 days (T+60).</p>
Cash Collateral	<p>The Issuer shall, prior to the Pay-in Date, create permitted investments in terms of the Transaction Documents ("Cash Collateral Permitted Investments") for an amount equivalent to 10% (Ten percent) of the outstanding principal amount of the Debentures ("Cash Collateral Amount"). The Issuer hereby agrees and undertakes that the Issuer shall, at all times maintain an amount equivalent to the Cash Collateral Amount as permitted investments in terms of the Transaction Documents and the same shall always be lien marked to the debenture trustee as detailed in the Transaction Documents. In case of any erosion in Debt Service Reserve Account as mentioned under structured payment mechanism not getting cured within 30 days after servicing (i.e T+30), the erosion shall be made good by transferring necessary amount of funds /investments to the DSRA. The Debenture Trustee should immediately inform the issuer about this event with an advise to Replenish the Cash Collateral Permitted Investment within the next 30 days (T+60)</p>
Debt Service Reserve Account (DSRA)	<p>The Issuer would be required to open a designated escrow Account - "KFC DSRA Account Series I 2025 exclusively for the benefit and charged to the Debenture Trustee (on behalf of the bondholders). In case of further series of</p>

	<p>issuances, the Issuer shall open similar accounts (Series I, Series IV, etc.) An amount equivalent to the total servicing obligation (Principal &amp; Interest) of the outstanding bonds for the next 2 quarters would need to be maintained by the Issuer in the DSRA account on rolling basis and the initial DSRA amount so calculated would need to be deposited atleast one day prior to the date of pay in.</p>
Structured Payment Mechanism	<p>The Issuer would, starting from the 1st day of each quarterly servicing cycle, remit on every working day an amount equivalent to 2.00% of the aggregate servicing requirement for such quarterly servicing cycle of outstanding bonds issued to KFC Bond Servicing Account Series (I 2025. Shortfall of transfer (if any) on any particular day would get cumulative and be carried forward to the next day(s) on a rolling basis. The transfers during a particular quarterly servicing cycle on the above mode should continue till the full build-up of the servicing requirement for that particular quarterly servicing cycle is achieved in the KFC Bond Servicing Account Series I 2025. The amount equivalent to the principal amounts repayable in each year shall be brought in by T-7 business days, and the said amount will be invested as detailed in the transaction documents, and the same will always be lien-marked to the debenture trustee as explained in transaction documents.</p> <p>The Debenture Trustee should independently monitor the adequacy of collection in the KFC BOND SERVICING ACCOUNT SERIES I 2025 on T-15th day and inform KFC through written communication, to fund the short-fall if any by T-10th day. This should also be intimated to the concerned Credit Rating agencies. In the event of such shortfall in KFC BOND SERVICING ACCOUNT SERIES I 2025 not getting fully bridged through payments by KFC by T-10th day, the Debenture Trustee would on T-9th day meet such shortfall by transferring funds from the KFC DSRA BOND SERIES I 2025 and make the necessary payments to the Bond Holders on the due date. However, the T-15th day notice to KFC to fund the shortfall would continue to remain active and if such funding is received subsequently, the same shall be transferred to</p>

	<p>KFC DSRA BOND SERIES I 2025 to make good the impairment.</p> <p>Further, If any overdue on account of past servicing from KFC DSRA BOND SERIES I 2025 continues to remain till T+30th day, then such overdue amount would be replenished by Cash Collateral available and a notice to issuer to replenish Cash Collateral within next 30 days i.e. T+60th day.</p> <p>In the event of the above not being adhered, the Debenture Trustee would give a final notice to the Issuer for the full replenishment of DSRA and Cash Collateral Permitted Investment within next 7 days. Failing which would lead to an Event of Default (EOD).</p>
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