



# SONATA FINANCE PVT.LTD.

## Information Memorandum [July 21<sup>st</sup>, 2014]

### Sole Arrangers

**unitus | capital**

Unitus Capital Pvt. Ltd.  
Kaiser-E-Hind, Second Floor  
No. 9/3, Richmond Road  
Bangalore - 560 025  
Karnataka,  
India

### Registrar & Transfer Agent

 Sharepro Services (I) Pvt. Ltd.

13 AB Samhita Warehousing  
Complex, 2nd Floor, Sakinaka  
Telephone Exchange Lane, Off  
Andheri-Kurla Road,  
Sakinaka, Andheri (E) - 400 072  
Mumbai.

### Debenture Trustee



**GDA Trusteeship Ltd.**

Company No. 2277, Andheri (E), Mumbai - 400 072  
Believe in Justice, Trust Us!

### GDA Trusteeship Ltd.

GDA Trusteeship Limited,  
GDA House, Plot No. 85, Bhusari  
Colony (Right), Paud Road,  
Pune - 411 038

### Corporate Office:

II Floor, CP. 1, P.G. Towers,  
Kursi Road, Vikas Nagar,  
Lucknow - 226026 (UP)

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Serial No. \_\_\_\_\_  
Addressed to: \_\_\_\_\_

## INFORMATION MEMORANDUM SONATA FINANCE PRIVATE LIMITED

A private limited company incorporated under the Companies Act, 1956  
Date of Incorporation: April 6, 1995  
Registered Office: 2<sup>nd</sup> Floor, CP-1, PG Towers, Vikas Nagar, Kursi Road,  
Lucknow - 226 026, Uttar Pradesh  
Telephone No: 91-522-4005729  
Website: [www.sonatainfra.com](http://www.sonatainfra.com)

### Information Memorandum for issue of Debentures on a private placement basis on July 21<sup>st</sup>, 2014

**Issue of 240 (Two Hundred and Forty) Secured, Rated, Listed, Redeemable, Transferable, Non-convertible Debentures of face value of Rs. 10,00,000/- (Rupees Ten Lakh only) each, aggregating up to Rs. 24,00,00,000/- (Rupees Twenty Four Crores only) on a private placement basis (the "Issue")**

#### Background

This Information Memorandum is related to the Debentures to be issued by Sonata Finance Private Limited (the "Issuer" or "Company") on a private placement basis and contains relevant information and disclosures required for the purpose of issuing of the Debentures. The issue of the Debentures comprised in the Issue and described under this Information Memorandum has been authorised by the Issuer through resolutions passed by the shareholders of the Issuer on May 1, 2014 and the Board of Directors of the Issuer on May 1, 2014 and the Memorandum and Articles of Association of the Company. Pursuant to the resolution passed by the Company's shareholders dated May 1, 2014 in accordance with provisions of the Companies Act, 2013, the Company has been authorised to borrow, upon such terms and conditions as the Board may think fit for amounts up to INR 700,00,00,000/- (Rupees Seven Hundred Crores only). The present issue of NCDs in terms of this Information Memorandum is within the overall powers of the Board as per the above shareholder resolution(s).

#### Credit Rating

The Debentures proposed to be issued by the Issuer have been rated by ICRA Limited ("Rating Agency / ICRA"). The Rating Agency has vide its letter dated May 1<sup>st</sup>, 2014 assigned a rating of "[ICRA]BBB- (stable)" in respect of the Debentures. The above rating is not a recommendation to buy, sell or hold securities and investors should take their own decision. The ratings may be subject to revision or withdrawal at any time by the rating agency and should be evaluated independently of any other ratings. Please refer to Annexure II of this Information Memorandum for the letter dated May 15<sup>th</sup>, 2014 from the Rating Agency assigning the credit rating abovementioned and the letter dated May 15<sup>th</sup>, 2014 issued by the Rating Agency disclosing the rating rationale adopted for the aforesaid rating.

#### Issue Schedule

Issue Opens on: July 23, 2014  
Issue Closing on: July 24, 2014  
Deemed Date of Allotment: July 24, 2014

The Issuer reserves the right to change the Issue Schedule including the Deemed Date of Allotment at its sole discretion, without giving any reasons or prior notice. The Issue shall be open for subscription during the banking hours on each day during the period covered by the Issue Schedule.

The Debentures are proposed to be listed on the wholesale debt market of the Bombay Stock Exchange ("BSE").

#### Sole Arranger

**unitus capital**

Unitus Capital Pvt. Ltd.  
Kaiser-E-Hind, Second Floor  
No. 9/3, Richmond Road  
Bangalore - 560 025

#### Registrar & Transfer Agent

 Sharepro Services (I) Pvt. Ltd.

13 AB Samhita Warehousing  
Complex, 2nd Floor, Sakinaka  
Telephone Exchange Lane, Off

#### Debenture Trustee



**GDA Trusteeship Ltd.**

**GDA Trusteeship Ltd.**

GDA House, Plot No. 85, Bhusari



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SECTION 1: DEFINITIONS AND ABBREVIATIONS

Unless the context otherwise indicates or requires, the following terms shall have the meanings given below in this Information Memorandum.

Allot/Allotment/Allotted	Unless the context otherwise requires or implies, the allotment of the Debentures pursuant to this Issue.
Application Form	The form used by the recipient of this Disclosure Document and/or Private Placement Offer Letter, to apply for subscription to the Debentures, which is in the form annexed to this Information Memorandum and marked as Annexure IV.
Arranger / Sole Arranger	Unitus Capital Pvt. Ltd and/or its affiliates
Board/Board of Directors	The Board of Directors of the Issuer
Business Day	Shall mean a day (other than a public holiday, Saturday or a Sunday) on which banks are normally open for business in Mumbai.
CDSL	Central Depository Services (India) Limited
Debentures / NCDs	240 (Two Hundred and Forty) Secured Rated Listed Redeemable Non-Convertible Debentures bearing a face value of Rs.10,00,000/- (Rupees Ten Lakh only) each, aggregating to Rs. 24,00,00,000/- (Rupees Twenty Four Crores only).
Debenture Holders / Investors	The holders of the Debentures issued by the Issuer and shall include the registered transferees of the Debentures from time to time
Deemed Date of Allotment	July 24, 2014
Debenture Trustee	GDA Trusteeship Limited
Debenture Trustee Agreement	Agreement to be executed by and between the Debenture Trustee and the Company for the purposes of appointment of the Debenture Trustee to act as debenture trustee in connection with the issuance of the Debentures.
Demat	Refers to dematerialized securities which are securities that are in electronic form, and not in physical form, with the entries noted by the Depository.
Depositories Act	The Depositories Act, 1996, as amended from time to time
Depository	A Depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time.
Depository Participant / DP	A depository participant as defined under the Depositories Act
Director(s)	Director(s) of the Issuer.
Disclosure Document / Information Memorandum	This document which sets out the information regarding the Debentures being issued on a private placement basis.
DP ID	Depository Participant Identification Number.
Due Date	Any date on which the holders of the Debentures are entitled to any payments, whether on maturity or upon exercise of the option to redeem the Debentures prior to the scheduled Maturity Date.
EFT	Electronic Fund Transfer
Financial Year/ FY	Twelve months period commencing from April 1 of a particular calendar year and ending on March 31 of the subsequent calendar year
GAAP	Generally Accepted Accounting Principles



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Issue	Private Placement of the Debentures.
Issue Opening Date	July 23, 2014
Issue Closing Date	July 24, 2014
Issuer/ Company	Sonata Finance Private Limited
Majority Debenture Holders	Debenture Holders whose participation or share in the principal amount(s) outstanding with respect to the Debentures aggregate to more than 75% (Seventy Five per cent) of the value of the nominal amount of the Debentures for the time being outstanding.
Maturity Date	July 24, 2018 being 48 (Forty Eight months) from the Deemed Date of Allotment, subject to a Put Option or Call Option or, such other date on which the final payment of the principal of the Debentures becomes due and payable as therein or herein provided, whether at such stated maturity date, by declaration of acceleration, or otherwise.
Material Adverse Effect	The effect or consequence of an event, circumstance, occurrence or condition which has caused, as of any date of determination, a material and adverse effect on (i) the financial condition, business or operation of the Issuer; (ii) the ability of the Issuer to perform their obligations under the Transaction Documents; or (iii) the validity or enforceability of any of the Transaction Documents (including the ability of any party to enforce any of its remedies thereunder).
N.A	Not Applicable.
NSDL	National Securities Depository Limited.
PAN	Permanent Account Number.
Private Placement Offer Letter	Shall mean the offer letter prepared in compliance with Section 42 of the Companies Act, 2013 read with the Companies (Prospectus and Allotment of Securities) Rules, 2014.
RBI	Reserve Bank of India.
Rating Agency	ICRA Limited
Record Date	The date which will be used for determining the Debenture Holders who shall be entitled to receive the amounts due on any Due Date, which shall be the date falling 15 (Fifteen) calendar Days prior to any Due Date.
R&T Agent	Registrar and Transfer Agent to the Issue, in this case being Sharepro Services (India) Private Limited
ROC	Registrar of Companies.
Rs. / INR	Indian National Rupee.
RTGS	Real Time Gross Settlement.
SEBI	Securities and Exchange Board of India constituted under the Securities and Exchange Board of India Act, 1992 (as amended from time to time).
SEBI Debt Listing Regulations	The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 issued by SEBI, as amended from time to time.
Security	The security for the Debentures as specified in Annexure I.
TDS	Tax Deducted at Source.
The Companies Act/ the Act	The Companies Act, 1956 ("1956 Act"), or where applicable the notified provisions of the Companies Act, 2013 ("2013 Act").
Terms & Conditions	Shall mean the terms and conditions pertaining to the Issue



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	as outlined in the Transaction Documents
Transaction Documents	Shall mean the documents executed or to be executed in relation to the issuance of the Debentures as more particularly set out in Annexure 1.
WDM	Wholesale Debt Market.



## **SECTION 2: NOTICE TO INVESTORS AND DISCLAIMERS**

### **2.1 ISSUER'S DISCLAIMER**

This Information Memorandum is neither a prospectus nor a statement in lieu of a prospectus and should not be construed to be a prospectus or a statement in lieu of a prospectus under the Companies Act. The issue of the Debentures to be listed on the WDM segment of the BSE is being made strictly on a private placement basis. Multiple copies hereof given to the same entity shall be deemed to be given to the same person and shall be treated as such. This Information Memorandum does not constitute and shall not be deemed to constitute an offer or invitation to subscribe to the Debentures to the public in general. The Issuer has mandated Unitus Capital Private Limited to act as an arranger for the Debentures and to distribute either itself and/or through its affiliates this Information Memorandum to identified potential investors.

As per the applicable provisions, it is not necessary for a copy of this Information Memorandum/ Disclosure Document to be filed or submitted to the SEBI for its review and/or approval. However pursuant to the provisions of Section 42 of the Companies Act 2013 read with the Companies (Prospectus and Allotment of Securities) Rules, 2014, the copy of this Information Memorandum/Private Placement Offer Letter shall be filed with the ROC and SEBI within the stipulated timelines under the Companies Act, 2013.

This Information Memorandum has been prepared in conformity with the SEBI (Issue and Listing of Debt Securities) Regulations, 2008 as amended from time to time and applicable RBI Circulars governing private placements of debentures by NBFCs. This Information Memorandum has been prepared solely to provide general information about the Issuer to the Eligible Investors (as defined below) to whom it is addressed and who are willing and eligible to subscribe to the Debentures. This Information Memorandum does not purport to contain all the information that any Eligible Investor may require. Further, this Information Memorandum has been prepared for informational purposes relating to this transaction only and upon the express understanding that it will be used only for the purposes set forth herein.

Neither this Information Memorandum nor any other information supplied in connection with the Debentures is intended to provide the basis of any credit or other evaluation and any recipient of this Information Memorandum should not consider such receipt as a recommendation to subscribe to any Debentures. Each Investor contemplating subscription to any Debentures should make its own independent investigation of the financial condition and affairs of the Issuer, and its own appraisal of the creditworthiness of the Issuer. Potential investors should consult their own financial, legal, tax and other professional advisors as to the risks and investment considerations arising from an investment in the Debentures and should possess the appropriate resources to analyze such investment and the suitability of such investment to such Investor's particular circumstances.

The Issuer confirms that, as of the date hereof, this Information Memorandum (including the documents incorporated by reference herein, if any) contains all the information that is material in the context of the Issue and regulatory requirements in relation to the Issue and is accurate in all such material respects. No person has been authorized to give any information or to make any representation not contained or incorporated by reference in this Information Memorandum or in any material made available by the Issuer to any potential Investor pursuant hereto and, if given or made, such information or representation must not be relied upon as having been authorized by the Issuer. The Issuer certifies that the disclosures made in this Information Memorandum and/or Private Placement Offer Letter are adequate and in conformity with the SEBI Debt Listing Regulations and the Companies (Prospectus and Allotment of Securities) Rules, 2014. Further, the Issuer accepts no responsibility for statements made otherwise than in the Information Memorandum or any other material issued





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by or at the instance of the Issuer and anyone placing reliance on any source of information other than this Information Memorandum would be doing so at its own risk.

This Information Memorandum, the Private Placement Offer Letter and the contents hereof and thereof are restricted only for the intended recipient(s) who have been addressed directly and specifically through a communication by the Issuer and only such recipients are eligible to apply for the Debentures. All Investors are required to comply with the relevant regulations/guidelines applicable to them for investing in this Issue. The contents of this Information Memorandum and/or the Private Placement Offer Letter are intended to be used only by those Investors to whom it is distributed. It is not intended for distribution to any other person and should not be reproduced by the recipient.

No invitation is being made to any persons other than those to whom Application Forms along with this Information Memorandum and the Private Placement Offer Letter being issued have been sent. Any application by a person to whom the Information Memorandum and/or the Private Placement Offer Letter has not been sent by the Issuer shall be rejected without assigning any reason.

The person who is in receipt of this Information Memorandum and/or the Private Placement Offer Letter shall not reproduce or distribute in whole or part or make any announcement in public or to a third party regarding the contents hereof without the consent of the Issuer. The recipient agrees to keep confidential all information provided (or made available hereafter), including, without limitation, the existence and terms of the Issue, any specific pricing information related to the Issue or the amount or terms of any fees payable to us or other parties in connection with the Issue. This Information Memorandum and/or the Private Placement Offer Letter may not be photocopied, reproduced, or distributed to others at any time without the prior written consent of the Issuer. Upon request, the recipients will promptly return all material received from the Issuer (including this Information Memorandum) without retaining any copies hereof. If any recipient of this Information Memorandum and/or the Private Placement Offer Letter decides not to participate in the Issue, that recipient must promptly return this Information Memorandum and/or the Private Placement Offer Letter and all reproductions whether in whole or in part and any other information statement, notice, opinion, memorandum, expression or forecast made or supplied at any time in relation thereto or received in connection with the Issue to the Issuer.

The Issuer does not undertake to update the Information Memorandum and/or the Private Placement Offer Letter to reflect subsequent events after the date of Information Memorandum and/or the Private Placement Offer Letter and thus it should not be relied upon with respect to such subsequent events without first confirming its accuracy with the Issuer.

Neither the delivery of this Information Memorandum and/or the Private Placement Offer Letter nor any sale of Debentures made hereafter shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of the Issuer since the date hereof.

This Information Memorandum and/or the Private Placement Offer Letter does not constitute, nor may it be used for or in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation. No action is being taken to permit an offering of the Debentures or the distribution of this Information Memorandum and/or the Private Placement Offer Letter in any jurisdiction where such action is required. Persons into whose possession this Information Memorandum and/or the Private Placement Offer Letter comes are required to inform themselves about and to observe any such restrictions. The Information Memorandum and/or the Private Placement Offer Letter is made available to potential Investors in the Issue on the strict understanding that it is confidential.





## **2.2 DISCLAIMER CLAUSE OF STOCK EXCHANGES**

As required, a copy of this Information Memorandum has been filed with the BSE in terms of the SEBI Debt Listing Regulations. It is to be distinctly understood that submission of this Information Memorandum to the BSE should not in any way be deemed or construed to mean that this Information Memorandum has been reviewed, cleared, or approved by the BSE; nor does the BSE in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Information Memorandum, nor does the BSE warrant that the Issuer's Debentures will be listed or will continue to be listed on the BSE; nor does the BSE take any responsibility for the soundness of the financial and other conditions of the Issuer, its promoters, its management or any scheme or project of the Issuer.

## **2.3 DISCLAIMER CLAUSE OF SEBI**

As per the provisions of the SEBI Debt Listing Regulations, it is not stipulated that a copy of this Information Memorandum has to be filed with or submitted to the SEBI for its review / approval. It is to be distinctly understood that this Information Memorandum should not in any way be deemed or construed to have been approved or vetted by SEBI and that this Issue is not recommended or approved by SEBI. SEBI does not take any responsibility either for the financial soundness of any proposal for which the Debentures issued thereof is proposed to be made or for the correctness of the statements made or opinions expressed in this Information Memorandum. However the Company undertakes to file this Information Memorandum/Private Placement Offer Letter with SEBI within 30 days from the Deemed Date of Allotment as per the provisions of the Companies Act, 2013 and the rules thereunder.

## **2.4 DISCLAIMER CLAUSE OF THE SOLE ARRANGER**

The Issuer hereby declares that it has exercised due-diligence to ensure complete compliance with prescribed disclosure norms in this Information Memorandum and/or the Private Placement Offer Letter. The only role of the Sole Arranger with respect to the Debentures is confined to arranging placement of the Debentures on the basis of this Information Memorandum as prepared by the Issuer. Without limiting the foregoing, the Sole Arranger is not acting, and has not been engaged to act, as an underwriter, merchant banker or other intermediary with respect to the Debentures. The Issuer is solely responsible for the truth, accuracy and completeness of all the information provided in this Information Memorandum and/or the Private Placement Offer Letter. Neither is the Sole Arranger responsible for preparing, clearing, approving, scrutinizing or vetting this Information Memorandum and/or the Private Placement Offer Letter, nor is the Sole Arranger responsible for doing any due-diligence for verification of the truth, correctness or completeness of the contents of this Information Memorandum and/or the Private Placement Offer Letter. The Sole Arranger shall be entitled to rely on the truth, correctness and completeness of this Information Memorandum and/or the Private Placement Offer Letter. It is to be distinctly understood that the aforesaid use of this Information Memorandum and/or the Private Placement Offer Letter by the Sole Arranger should not in any way be deemed or construed to mean that the Information Memorandum and/or the Private Placement Offer Letter has been prepared, cleared, approved, scrutinized or vetted by the Sole Arranger. Nor should the contents of this Information Memorandum and/or the Private Placement Offer Letter in any manner be deemed to have been warranted, certified or endorsed by the Sole Arranger as to the truth, correctness or completeness thereof. Each recipient must satisfy itself as to the accuracy, reliability, adequacy, reasonableness or completeness of the Information Memorandum and/or the Private Placement Offer Letter.

The Sole Arranger has not conducted any due diligence review on behalf or for the benefit of the Debenture Trustee or any of the Debenture Holders. Each of the Debenture Holders



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should conduct such due diligence on the Issuer and the Debentures as it deems appropriate and make its own independent assessment thereof.

Distribution of this Information Memorandum and/or the Private Placement Offer Letter does not constitute a representation or warranty, express or implied by the Sole Arranger that the information and opinions herein will be updated at any time after the date of this Information Memorandum and/or the Private Placement Offer Letter. The Sole Arranger does not undertake to notify any recipient of any information coming to the attention of the Sole Arranger after the date of this Information Memorandum and/or the Private Placement Offer Letter. No responsibility or liability or duty of care is or will be accepted by the Sole Arranger for updating or supplementing this Information Memorandum and/or the Private Placement Offer Letter nor for providing access to any additional information as further information becomes available.

Neither the Sole Arranger nor any of their respective directors, employees, officers or agents shall be liable for any direct, indirect or consequential loss or damage suffered by any person as a result of relying on any statement in or omission from this Information Memorandum or in any other information or communications made in connection with the Debentures.

The Sole Arranger is acting for the Company in relation to the Issue of the Debentures and not on behalf of the recipients of this Information Memorandum and/or the Private Placement Offer Letter. The receipt of this Information Memorandum and/or the Private Placement Offer Letter by any recipient is not to be constituted as the giving of investment advice by the Sole Arranger to that recipient, nor to constitute such a recipient a customer of the Sole Arranger. The Sole Arranger is not responsible to any other person for providing the protection afforded to the customers of the Sole Arranger nor for providing advice in relation to the Debentures.

Each recipient of this Information Memorandum and/or the Private Placement Offer Letter acknowledges that:

- (a) each recipient has been afforded an opportunity to request and to review and has received all additional information considered by the recipient to be necessary to verify the accuracy of or to supplement the information contained herein; and
- (b) such recipient has not relied on the Sole Arranger in connection with its investigation of the accuracy of such information or its investment decision.

**2.5 DISCLAIMER IN RESPECT OF JURISDICTION**

This Issue is made in India to Investors as specified under the clause titled "Eligible Investors" of this Information Memorandum, who shall be/have been identified upfront by the Issuer. This Information Memorandum and/or the Private Placement Offer Letter does not constitute an offer to sell or an invitation to subscribe to Debentures offered hereby to any person to whom it is not specifically addressed. Any disputes arising out of this Issue will be subject to the exclusive jurisdiction of the courts and tribunals at New Delhi. This Information Memorandum and/or the Private Placement Offer Letter does not constitute an offer to sell or an invitation to subscribe to the Debentures herein, in any other jurisdiction to any person to whom it is unlawful to make an offer or invitation in such jurisdiction.

**2.6 DISCLAIMER IN RESPECT OF RATING AGENCIES**

Ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. The Rating Agency has based its ratings on information obtained from sources believed by it to be accurate and reliable. The Rating Agency does not, however, guarantee the accuracy,



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adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by the Rating Agency have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

**2.7 ISSUE OF DEBENTURES IN DEMATERIALIZED FORM**

The Debentures will be issued in dematerialised form. The Issuer has made arrangements with the Depositories for the issue of the Debentures in dematerialised form. Investors will have to hold the Debentures in dematerialised form as per the provisions of Depositories Act. The Issuer shall take necessary steps to credit the Debentures allotted to the beneficiary account maintained by the Investor with its depository participant. The Issuer will make the Allotment to Investors on the Deemed Date of Allotment after verification of the Application Form, the accompanying documents and on realisation of the application money.



**SECTION 3: AUTHORISATION LETTER**

Date: July 21<sup>st</sup>, 2014

To: **Unitus Capital and/or any of its affiliates (the “Arranger”)**

Dear Sirs:

**Issue of Secured Rated Listed Redeemable Non-Convertible Debentures on a Private Placement basis (the “Debentures”)**

Sonata Finance Private Limited (the “Company” or the “Issuer”), refers to the information memorandum dated July 21<sup>st</sup>, 2014, (the “Information Memorandum”) in connection with the Debentures proposed to be issued by the Issuer.

The Issuer confirms that, as at the date of this letter, the factual information contained in the Information Memorandum is true and accurate and no factual information has been omitted that renders such information contained in the Information Memorandum untrue or inaccurate in any material respect and any financial forecasts and projections contained in any part of the Information Memorandum have been prepared on the basis of recent historical information and assumptions believed by the Issuer to be fair and reasonable. All expressions of opinion, statements and estimates set forth and reflected in the Information Memorandum have been made by the Issuer after due and proper consideration. In addition, the Issuer is not aware of any information not contained in the Information Memorandum, the omission of which would lead to the Information Memorandum being inaccurate, untrue or misleading in any material respect. The Issuer further confirms that it is in compliance and shall comply with all applicable laws and regulations in relation to the proposed issue of the Debentures.

The Issuer authorises the Arranger and/or its affiliates to deliver copies of the Information Memorandum to those specified persons identified by the Company/Arranger from whom the Arranger proposes to seek participation in the Debentures. The Issuer agrees to indemnify and hold the Arranger, its affiliates and each of its and their officers, employees, representatives, and agents harmless from and against any and all losses, liabilities, damages, claims, costs or expenses which may be imposed on or incurred by the Arranger or its affiliates, officers, employees, representatives, and agents as a result of any inaccurate, untrue or misleading statement contained in the Information Memorandum or caused by an omission of any material fact which is necessary to make any of the statements contained in the Information Memorandum not misleading.

This letter and all claims arising in connection with it are governed by, and are to be construed in accordance with Indian law. The Issuer submits to the exclusive jurisdiction of the courts and tribunals at New Delhi for the resolution of any dispute arising in connection with this letter.

Yours faithfully,  
For and on behalf of  
**Sonata Finance Private Limited**

  
Name: **Shalini Baghel**  
Title: **Company Secretary**  
**SHALINI BAGHEL**  
**Company Secretary**  
**SONATA FINANCE PVT. LTD.**

## **SECTION 4: RISK FACTORS**

The following are the risks relating to the Company, the Debentures and the market in general envisaged by the management of the Company. Potential investors should carefully consider all the risk factors in this Information Memorandum and/or the Private Placement Offer Letter for evaluating the Company and its business and the Debentures before making any investment decision relating to the Debentures. The Company believes that the factors described below represent the principal risks inherent in investing in the Debentures, but does not represent that the statements below regarding risks of holding the Debentures are exhaustive. The ordering of the risk factors is intended to facilitate ease of reading and reference and does not in any manner indicate the importance of one risk factor over another. Investors should also read the detailed information set out elsewhere in this Information Memorandum and/or the Private Placement Offer Letter and reach their own views prior to making any investment decision.

### **4.1 REPAYMENT IS SUBJECT TO THE CREDIT RISK OF THE ISSUER.**

Potential investors should be aware that receipt of the principal amount (i.e. the redemption amount) and any other amounts that may be due in respect of the Debentures is subject to the credit risk of the Issuer. Potential investors assume the risk that the Issuer will not be able to satisfy their obligations under the Debentures. In the event that bankruptcy proceedings or composition, scheme of arrangement or similar proceedings to avert bankruptcy are instituted by or against the Issuer, the payment of sums due on the Debentures may not be made or may be substantially reduced or delayed.

### **4.2 THE SECONDARY MARKET FOR DEBENTURES MAY BE ILLIQUID.**

The Debentures may be very illiquid and no secondary market may develop in respect thereof. Even if there is a secondary market for the Debentures, it is not likely to provide significant liquidity. Potential investors may have to hold the Debentures until redemption to realize any value.

### **4.3 CREDIT RISK & RATING DOWNGRADE RISK**

The Rating Agency has assigned the credit ratings to the Debentures. In the event of deterioration in the financial health of the Issuer, there is a possibility that the rating agency may downgrade the rating of the Debentures. In such cases, potential investors may incur losses on revaluation of their investment or make provisions towards sub-standard/ non-performing investment as per their usual norms.

### **4.4 CHANGES IN INTEREST RATES MAY AFFECT THE PRICE OF NCDs.**

All securities where a fixed rate of interest is offered, such as this Issue, are subject to price risk. The price of such securities will vary inversely with changes in prevailing interest rates, i.e. when interest rates rise, prices of fixed income securities fall and when interest rates drop, the prices increase. The extent of fall or rise in the prices is a function of the existing coupon, days to maturity and the increase or decrease in the level of prevailing interest rates. Increased rates of interest, which frequently accompany inflation and/or a growing economy, are likely to have a negative effect on the pricing of the Debentures.

### **4.5 TAX CONSIDERATIONS AND LEGAL CONSIDERATIONS**





Special tax considerations and legal considerations may apply to certain types of investors. Potential investors are urged to consult with their own financial, legal, tax and other advisors to determine any financial, legal, tax and other implications of this investment.

#### **4.6 ACCOUNTING CONSIDERATIONS**

Special accounting considerations may apply to certain types of taxpayers. Potential investors are urged to consult with their own accounting advisors to determine implications of this investment.

#### **4.7 SECURITY MAYBE INSUFFICIENT TO REDEEM THE DEBENTURES**

In the event that the Company is unable to meet its payment and other obligations towards Investors under the terms of the Debentures, the Debenture Trustee may enforce the Security as per the terms of security documents, and other related documents. The Investors recovery in relation to the Debentures will be subject to (i) the market value of such secured property, (ii) finding willing buyers for the Security at a price sufficient to repay the potential investors amounts outstanding under the Debentures. The value realised from the enforcement of the Security may be insufficient to redeem the Debentures.

#### **4.8 MATERIAL CHANGES IN REGULATIONS TO WHICH THE ISSUER IS SUBJECT COULD IMPAIR THE ISSUER'S ABILITY TO MEET PAYMENT OR OTHER OBLIGATIONS.**

The Issuer is subject generally to changes in Indian law, as well as to changes in government regulations and policies and accounting principles. Any changes in the regulatory framework could adversely affect the profitability of the Issuer or its future financial performance, by requiring a restructuring of its activities, increasing costs or otherwise.

#### **4.9 LEGALITY OF PURCHASE**

Potential investors of the Debentures will be responsible for the lawfulness of the acquisition of the Debentures, whether under the laws of the jurisdiction of its incorporation or the jurisdiction in which it operates or for compliance by that potential investor with any law, regulation or regulatory policy applicable to it.

#### **4.10 POLITICAL AND ECONOMIC RISK IN INDIA**

The issuer operates only within India and, accordingly, all of its revenues are derived from the domestic market. As a result, it is highly dependent on prevailing economic conditions in India and its results of operations are significantly affected by factors influencing the Indian economy. An uncertain economic situation, in India and globally, could result in a further slowdown in economic growth, investment and consumption. A slowdown in the rate of growth in the Indian economy could result in lower demand for credit and other financial products and services and higher defaults. Any slowdown in the growth or negative growth of sectors where the Issuer has a relatively higher exposure could adversely impact its performance. Any such slowdown could adversely affect its business, prospects, results of operations and financial condition.

#### **4.11 RISKS RELATED TO THE BUSINESS OF THE ISSUER**

- (a) *Majority of the Issuer's loans are unsecured and the clients of these unsecured loans are of the high risk category and if the Issuer is unable to control the level of*





*non-performing loans ("NPAs") in the future, or if the Issuer's loan loss reserves are insufficient to cover future loan losses, the financial condition and results of operations may be materially and adversely affected.*

A majority of the Issuer's loans are unsecured and the clients of these unsecured loans are of the high risk category. There is uncertainty on the client's ability to fulfil its loan obligations as MFI clients typically do not have bank accounts or proper income proof verification so it can be difficult to verify all client details and assess the risk. Such non-performing or low credit quality loans can negatively impact our results of operations.

The Issuer has various procedures and process controls in place to mitigate the risk. All group lending loans are provided under the Grameen Model and based on the joint liability of the group.

As at March 2014, the gross NPA was Rs 0.62 crores on a gross portfolio of Rs. 346.51 crores (including managed / securitized portfolio of Rs. 98.34 crores).

The Issuer cannot assure that it will be able to effectively control and reduce the level of the NPAs of its Client Loans. The amount of its reported NPAs may increase in the future as a result of growth of Client Loans, and also due to factors beyond its control, such as over-extended member credit that it is unaware of. If the Issuer is unable to manage our NPAs or adequately recover its loans, the results of its operations will be adversely affected.

The current loan loss reserves of the Issuer may not be adequate to cover an increase in the amount of NPAs or any future deterioration in the overall credit quality of Client Loans. As a result, if the quality of its total loan portfolio deteriorates the Issuer may be required to increase its loan loss reserves, which will adversely affect its financial condition and results of operations.

The members are poor and, as a result, might be vulnerable if economic conditions worsen or growth rates decelerate in India, or if there are natural disasters such as floods and droughts in areas where the Issuer's members live. Moreover, there is no precise method for predicting loan and credit losses, and the Issuer cannot assure that its monitoring and risk management procedures will effectively predict such losses or that loan loss reserves will be sufficient to cover actual losses. If the Issuer are unable to control or reduce the level of its NPAs or poor credit quality loans, its financial condition and results of its operations could be materially and adversely affected.

(b) ***The Issuer's business operates through a large number of rural and semi urban branches and is exposed to operational risks including fraud***

The Issuer is exposed to operational risks, including fraud, petty theft and embezzlement, as it handles a large amount of cash due to high volume of small transactions. This could harm its operations and its financial position.

As the Issuer handles a large amount of cash through a high volume of small transactions taking place in its network, the Issuer is exposed to the risk of fraud or other misconduct by its employees or outsiders. These risks are further compounded due to the high level of delegation of power and responsibilities that the Issuer's business model requires. Given the high volume of transactions processed by the Issuer, certain instances of fraud and misconduct may go unnoticed before they are discovered and successfully rectified. Even when the Issuer discovers such instances of fraud or theft and pursue them to the full extent of the law or with its insurance carriers, there can be no assurance that the Issuer will recover any such amounts. In addition, the Issuer's dependence upon automated systems to record and process transactions may further increase the risk that technical system flaws or employee



tampering or manipulation of those systems will result in losses that are difficult to detect.

The Issuer maintains an internal audit process to ensure the operations team follows the defined procedures and reports any deviations to the operations staff and management team. The Issuer also has a strong MIS system that has a wide range of data that can be used to monitor financial and operational performance.

To mitigate the above risk, the Issuer maintains an internal audit process to ensure the operations team follows the defined procedures and reports any deviations to the operations staff and management team. The Issuer also has a MIS system able to generate data analysis that can be used to monitor financial and operational performance.

- (c) ***Loans due within two years account for almost all of the Issuer's interest income, and a significant reduction in short term loans may result in a corresponding decrease in its interest income***

All of the loans the Issuer issues are due within approximately two years of disbursement. The relatively short-term nature of the Issuer's loans means that the Issuer's long-term interest income stream is less certain than if a portion of its loans were for a longer term. In addition, the Issuer's customers may not obtain new loans from the Issuer upon maturity of their existing loans, particularly if competition increases. The potential instability of the Issuer's interest income could materially and adversely affect the Issuer's results of operations and financial position.

The loans given by the issuer are at fixed interest rate, and the tenor of the underlying asset has increased from one year to two year which has provided stability to the portfolio and interest income and has also smoothed operating expense.

- (d) ***The Issuer is exposed to certain political, regulatory and concentration of risks***

Due to the nature of its operations, the Issuer is exposed to political, regulatory and concentration risks. The Issuer believes a mitigant to this is to expand its geographical reach and may consequently expand its operations to other states. If it is not effectively able to manage such operations and expansion, it may lose money invested in such expansion, which could adversely affect its business and results of operations.

Large scale attrition, especially at the senior management level, can make it difficult for the Issuer to manage its business

If the Issuer is not able to attract, motivate, integrate or retain qualified personnel at levels of experience that are necessary to maintain the Issuer's quality and reputation, it will be difficult for the issuer to manage its business and growth. The Issuer depends on the services of its executive officers and key employees for its continued operations and growth. In particular, the Issuer's senior management has significant experience in the microfinance, banking and financial services industries. The loss of any of the Issuer's executive officers, key employees or senior managers could negatively affect its ability to execute its business strategy, including its ability to manage its rapid growth. The Issuer's business is also dependent on its team of personnel who directly manage its relationships with its members. The Issuer's business and profits would suffer adversely if a substantial number of such personnel left the Issuer or became ineffective in servicing its members over a period of time. The Issuer's future success will depend in large part on its ability to identify, attract and retain highly skilled managerial and other personnel. Competition for individuals with such specialized knowledge and experience is intense in this industry, and the Issuer may be unable to attract, motivate, integrate or retain qualified personnel at levels of experience that are necessary to maintain its quality and reputation or to sustain or expand its operations. The loss of the services of such personnel or the





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loans from the Indian banking sector and may also attract penal provisions under the RBI Act, 1934 for non-compliance.



**SECTION 5: FINANCIAL STATEMENTS**

Set out in **Annexure V** hereto



## **SECTION 6: REGULATORY DISCLOSURES**

The Information Memorandum is prepared in accordance with the provisions of SEBI Debt Listing Regulations and in this section, the Issuer has set out the details required as per Schedule I of the SEBI Debt Listing Regulations.

### **6.1 Documents Submitted to the Exchanges**

The following documents have been / shall be submitted to the BSE:

- (a) Memorandum and Articles of Association of the Issuer and necessary resolution(s) for the allotment of the Debentures;
- (b) Copy of last 3 (Three) years audited Annual Reports;
- (c) Statement containing particulars of, dates of, and parties to all material contracts and agreements;
- (d) Copy of the resolution passed by the shareholders of the Company at the Extra-Ordinary General Meeting held on May 1, 2014, authorizing the issue/offer of non-convertible debentures by the Company;
- (e) Copy of the Board / Committee Resolution authorizing the borrowing and list of authorized signatories;
- (f) Certified true copy of the resolution passed by the Company at the Extra Ordinary General Meeting held on May 1, 2014 authorising the Company to borrow, upon such terms as the Board may think fit, upto an aggregate limit of INR 7,00,00,00,000/- (Rupees Seven Hundred Crores Only);
- (g) An undertaking from the Issuer stating that the necessary documents for the creation of the charge, including the Trust Deed would be executed within the time frame prescribed in the relevant regulations/acts/rules etc and the same would be uploaded on the website of the BSE, where the debt securities have been listed, within 5 (five) working days of execution of the same;
- (h) Where applicable, an undertaking that permission / consent from the prior creditor for a second or *pari passu* charge being created, in favour of the trustees to the proposed issue has been obtained; and
- (i) Any other particulars or documents that the recognized stock exchange may call for as it deems fit.

### **6.2 Documents Submitted to the Debenture Trustee**

The following documents have been / shall be submitted to the Debenture Trustee:

- (a) Memorandum and Articles of Association of the Issuer and necessary resolution(s) for the allotment of the Debentures;
- (b) Copy of last 3 (Three) years audited Annual Reports;
- (c) Statement containing particulars of, dates of, and parties to all material contracts and agreements;
- (d) Latest audited / limited review half yearly consolidated (wherever available) and standalone financial information (profit & loss statement, balance sheet and cash flow statement) and auditor qualifications, if any.
- (e) An undertaking to the effect that the Issuer would, until the redemption of the debt securities, submit the details mentioned in point (d) above to the Debenture Trustee within the timelines as mentioned in Simplified Listing Agreement issued by SEBI vide circular No. SEBI/IMD/BOND/1/2009/11/05 dated May 11, 2009 as amended from time to time, for furnishing / publishing its half yearly/ annual result. Further, the Issuer shall within 180 (One Hundred and Eighty) calendar days from the end of the financial year, submit a copy of the latest annual report to the Debenture Trustee and the Debenture Trustee shall be obliged to share the details submitted under this





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clause with all 'Qualified Institutional Buyers' and other existing debenture-holders within 2 (two) Business Days of their specific request.

**6.3 Name and Address of Registered Office of the Issuer**

Name:	Sonata Finance Private Limited
Registered Office of Issuer:	2 <sup>nd</sup> Floor, CP-1, PG Towers, Vikas Nagar, Kursi Road, Lucknow - 226 026, Uttar Pradesh
Corporate Office of Issuer:	Sonata Finance Private Limited II Floor, C.P-1, P.G. Tower, Kursi Road, Vikas Nagar, Lucknow - 226022, Uttar Pradesh, India
Compliance Officer of Issuer:	Shalini Baghel, Company Secretary
CFO of Issuer:	Mr. Bramhanand
Registration Number:	01-19947
Corporate Identification Number:	U65921UP1995PTC035286
Phone No.:	91-522-4005729
Contact Person:	Anup Kumar Singh
Email:	<a href="mailto:anup@sonataindia.com">anup@sonataindia.com</a>
Website of Issuer:	<a href="http://www.sonataindia.com">www.sonataindia.com</a>
Auditors of the Issuer:	M/s S.R. Batliboi & Co. LLP (E&Y) Chartered Accountants Address: 22, Camac Street, 3 <sup>rd</sup> Floor, Block 'C', Kolkata - 700 016, India
Arranger to the Issue:	Unitus Capital Private Limited Address: Kaiser-E-Hind, Second Floor No. 9/3, Richmond Road Bangalore - 560 025 Karnataka, India
Trustee to the Issue:	GDA Trusteeship Limited Address: GDA Trusteeship Limited, GDA House, Plot No. 85, Bhusari Colony (Right), Paud Road, Pune - 411 038
Registrar to the Issue:	Sharepro Services (India) Private Limited 13 AB Samhita Warehousing Complex, 2 <sup>nd</sup> Floor, Sakinaka, Telephone Exchange Lane, Off Andheri-Kurla Road, Sakinaka, Andheri (East) Mumbai - 400 072
Credit Rating Agency of the Issue:	ICRA Limited 1105, Kailash Building, 11 <sup>th</sup> Floor, 26, Kasturba Gandhi Marg, New Delhi - 110001

A brief summary of business / activities of the Issuer and its line of business

(a) **Overview**



Sonata Finance Private Ltd ("Sonata") is a micro-finance company registered as NBFC-MFI (Non-deposit taking) under section 451 A of the Reserve Bank of India (Central Bank of India) and incorporated as a private limited company under the Companies Act, 1956. The Company is headquartered at Lucknow and has its registered office at II Floor, C.P-1, P.G. Tower, Kursi Road, Vikas Nagar, Lucknow – 226022, Uttar Pradesh, India. It provides financial services to poor families in 52 districts across 32 Districts of Uttar Pradesh, 12 Districts of Madhya Pradesh, 4 Districts of Haryana, 1 District of Uttarakhand, 1 District in Rajasthan and 2 District of Bihar, India to enable them to invest in income-generating activities.

Sonata's microfinance operation was started by Mr. Anup Kumar Singh. Anup has worked in the microfinance sector for over 18 years and was associated with Cashpor Micro Credit since its inception. He played a key role in establishing Cashpor's operations in Eastern Uttar Pradesh. Subsequently, in late 2005, Anup acquired Sonata Finance Private Limited with support from Bellwether Microfinance Fund. The Bellwether Microfinance fund ([www.bellwetherfund.com](http://www.bellwetherfund.com)) is an Indian Investment fund (the first fund in India dedicated to the microfinance sector) that holds a portfolio of debt and equity investments in microfinance institutions. Bellwether also supplements its investment activity with technical assistance to its Microfinance Institution ("MFI") investments. In the last eight years since inception, Sonata has emerged as one of the most profitable MFIs in its peer group across the country. It achieved break-even in operations in financial year 2007-2008 and has recovered all accumulated losses as of financial year 2008-2009. As per the Audited financial statements as of March 2014, the Company's revenues stood at INR 647.53 million and PAT at INR 72.36 million.

The Company has as a three tier system on the field – branch, regional office and divisional offices. Sonata operates on a hub and spoke structure, with the head office acting as a hub and divisional offices acting as spokes. The divisional offices have adequate authority with built-in controls and operate with minimum intervention from the head office. Each divisional offices supervises 4-5 regional offices and each regional offices supervises 15-30 branches. Branches carry out disbursement and repayment functions with support in different verticals from regional offices.

The Company operates using the group lending methodology with joint liability and individual lending to individuals upgraded from existing joint liability group and new members. The Company has expanded its product offerings both, to meet the needs of clients as well as diversify its risk exposure. The individual loan portfolio is around 6.4% of the overall portfolio and is generally offered to higher cycle loan clients.

## (b) Corporate Structure

### i. Vision and Mission

The vision of Sonata is to help building a society that contains an opportunity to develop the minimal socio-economic conditions needed to live a life of dignity.

Sonata has set itself a mission to "**identify and motivate poor women in a cost-effective way and deliver them micro finance services in an honest, timely and efficient manner.**"

In the meantime, Sonata commits to be professionally managed, operationally sustainable and financially profitable

### ii. Current Corporate Status



The Issuer was registered under Companies Act 1956 on 6<sup>th</sup> April 1995 in Hyderabad. Further the Issuer was granted license to carry on business (without accepting public deposits) of a non-banking financial company in 2001. The registered office has been shifted to Allahabad, Uttar Pradesh on 22<sup>nd</sup> May, 2008 and then shifted to its corporate office in Lucknow, Uttar Pradesh on 22<sup>nd</sup> July, 2013 and is currently registered as a non-deposit accepting NBFC with the RBI. The Issuer has already received NBFC-MFI licence from RBI on 3<sup>rd</sup> December, 2013. The Issuer derives the following benefits of being registered as an NBFC:

- **Access to Funds:** Commercial lenders have greater comfort lending to a regulated NBFC with transparent ownership. As an Issuer, Sonata can raise equity and offer commercial returns.
- **Diverse Funding Sources:** An NBFC can access commercial investors and international capital markets, diversifying away from donors or members as equity funders.
- **Commercialisation:** Classifying Sonata as an NBFC increases its commercial credibility and integrates it and its clients into the formal financial sector which ultimately increases its outreach potential.
- **Mainstream Resources:** As a for-profit commercial NBFC, Sonata will be more likely to attract mainstream capital resources which Societies or Trusts would find difficult to attract.
- **Regulatory Coverage:** As Sonata grows in size, operating as an NBFC within the regulatory framework mitigates risks from political and regulatory intervention.
- **Stakeholder Involvement:** As an NBFC, Sonata can bring a variety of stakeholders to the table, including clients, management, employees and investors.

**iii. Brief Profile of the Board of Directors**

<b>Board Of Directors</b>		
<b>Name</b>	<b>Designation</b>	<b>Experience (Age, Educational Background, Experience, any other directorships* held, etc. to be covered)</b>
Anup Kumar Singh	Managing Director & CEO	Promoter and Managing Director; He was the founder member of Cashpor Micro Credit and has more than 8 years of experience with CASHPOR Micro Credit.
Vishal Bharat	Nominee Director	Investor Nominee; he has more than 14 years of experience in corporate banking across 3 continents, most recently he was with JP Morgan Chase Bank for almost 9 years.
Satyam Darmora	Nominee Director	Investor Nominee; Mr. Satyam manages the MSDF's microfinance initiative in India. Prior to joining MSDF, Satyam worked with American Express, managing new products and portfolio risk in various international markets including Japan, Hong Kong and Germany. Satyam holds a bachelor of technology degree from the Indian Institute of Technology (IIT) in Delhi, India and a master of business administration degree from the Indian Institute of Management (IIM) in Bangalore, India.
Anal Kumar Jain	Independent Director	Independent Director; He has been active in the field of Microfinance for more than 6 years. He has been Advisor to Sa-Dhan, the National Microfinance Industry Association. He was Co-Founder and Managing Director



		of Micro Ventures India, Private Equity fund focused on the Indian Microfinance industry. He serves on the Boards of a few Microfinance Institutions. Anil Jain is also involved with many activities around entrepreneurship.
Kenneth Dan Vander Weele	Nominee Director	He serves as the Chief Investment Officer of Creation Investments. He is a founding board member of Creation Investments Social Ventures Fund I and was instrumental in the establishment of Creation Investments' model and pipeline. Prior to Creation Investments, Mr. Vander Weele was the President of the Investment Services Division at Opportunity International, a global microfinance network. He received a bachelor of business administration degree from the University of Wisconsin in Madison and a Ph.D. from the Open University of the U.K. under the sponsorship of the Oxford Center for Mission Studies and Oxford University.
Chandni Gupta Ohri	Independent Director	Independent Director; She is CEO of Grameen Foundation India (GFI), she previously served as Director for Asia programs at Grameen Foundation, advancing their mission in India and Pakistan over the last six years and providing a mix of financial and technical support to a number of microfinance institutions over the period. She holds an MBA from Indian Institute of Management, Bangalore (IIM Bangalore), and a Masters in International Development from University of Washington, Seattle.
Vivek Kumar Malhotra	Nominee Director	He holds more than 20 years of experience in various capacities at HQ, Zonal, Regional and Branch offices SIDBI and has garnered a significant amount of networking for routing capacity building and funding resources for the organization.

Management Details		
Name	Designation	Experience (Age, Educational Background, Experience, any other directorships* held, etc. to be covered)
Mr Anup Kumar Singh	CEO and Managing Director	He is one of the pioneers in JLG focused MFI operations with more than 15 years of experience to his credit. He was one of the founder members of "Cashpor" and held various leadership positions at Cashpor since its inception in 1997 till 2005 He holds a Masters degree in Economics & Sociology, a PG Diploma in Rural Development and Management, and a MBA in Finance.



Mr Bramhanand	VP- Finance	He has more than 11 years of experience in the microfinance sector. He has been associated with Sonata for last 7 years and previously worked with MFIs like Cashpor and Vardan Microfinance, Gujarat in leadership roles. He is a CA (Intermediate), M.Com. & LLB Professional
Shalini Baghel	Company Secretary	She is Company Secretary by Profession and occupying the same position in Sonata from last 4 years. She has completed her B.Com and M.Com.
Mr Ashok Kumar	DVP- Accounts	He has more than 11 years of experience in Insurance, Finance & Accounts He has worked with Bajaj Allianz, Birla Sun Life, Reliance Life Insurance and ICICI Prudential prior to joining Sonata. He is a associate member of Cost & Management accountants of India.
Mr Vinay Singh	DVP- JLG Operations	He has more than 10 years of experience with CASHPOR at senior operations level and has been with Sonata for last two years
Mr Anil Gupta	DVP- JLG Operations	He has more than 8 years of microfinance experience and holds an MBA in Finance
Mr Ashish Singh	DVP – IL Operation	Mr Ashish Singh has been working in the microfinance sector for more than 11 years and has been associated with Sonata for the last 5 years
Mr Shyam Kanhaiya	AVP- Information Technology	He is one of the oldest employees at Sonata and has more than 7 years of experience with Sonata. He holds Master degree in Computer Application
Mr Tarun Seivastava	DVP – Audit	He has more than 11 years of microfinance experience and has been working with Sonata since its inception. He has done his Masters in Social Welfare and is also a Law graduate (L.LB).
Mr Abhay Singh	DVP- Risk & Business Development	15 plus years of experience having worked with companies like L&T Finance, Shrimam Group in Assets Financing and has been with Sonata for more than 3 years He has done MBA in finance, PGDMM and LIIB in Non Life
Mohd. Saif Khan	DVP - PMECD	MBA Finance and has more than 11 years experience in MFI sector and has worked with Cashpor and Trust Microfin Network.

#### iv. Business Segments

Sonata is engaged in microfinance lending activities to the rural poor. The focus of Sonata is rural population and it targets those areas where no other MFI is present to get the first mover advantage. For its main group loan product called "individual group loan" (IGL), Sonata follows the Grameen Model of microfinance with some modifications. Unlike Grameen model, the number of members in the group does not remain fixed and can gradually increase from a minimum of 10 members to a maximum of 20 members. There is no center formation





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like other MFIs, in fact, every group is a centre in itself. "Income generating group loan" (IGGL) is the core product of Sonata and is offered to borrowers for various income generation purposes. The product is exclusively offered to women, typically involved in formal trade and services sector as micro-entrepreneurs. They may also be involved in agriculture as small and marginal farmers or wage labourers.

Sonata also offers "individual loans", which the company has started in the last financial year. This product caters to the needs of daily market vendors. It is aimed at small individual entrepreneurs operating out of authorized market places. The product is offered to an individual who has a history of two loan cycles with the company and has a good repayment record and further capacity to repay. It is designed to address the working capital needs of petty vendors dealing with consumables and household items in a daily market setting. As of March, 14 the individual loan portfolio is 6.4% of the total book size and has absolutely zero portfolio at risk. The underwriting process and team is separate for the individual loan business Sonata offers insurance product to its borrowers at no additional cost in collaboration with third party insurance companies. The company has also started asset financing loans for cycle and gas stove through third party tie-ups and intends to increase this business to increase their fee based income. Sonata has also started money remittance service, though this is still at a nascent stage.

Sonata has major presence in the Hindi belt of North India covering Uttar Pradesh, Haryana, Uttarakhand and Madhya Pradesh where the level of competition from other MFIs is not high and the area is largely underpenetrated. Sonata primarily caters to the rural population, though it has some presence in semi-urban and urban areas as well. Sonata has been able to maintain strong portfolio quality since its inception with portfolio at risk (PAR) > 30 days at 0.23% as on March 31, 2014.

### **Product Details**

Particulars	Income Generation Loan	Individual Loan	Cycle Loan	Smokeless Cooking Stove Loan	Sewing Machine
Loan amount (INR)	7,200 – 36,560	22,000 – 50,000	3,150	1,000-1,600	3,070-3830
Tenor	56 or 106 weeks	2 years	34 weeks	16 weeks	16 weeks
Interest rate	26.0%	26.0%	23.1%	0.0%	26.0%
Repayment	Weekly/ Fortnightly	Fortnightly/ Monthly	Weekly	Weekly	Weekly
Processing fee	< 1.0%	< 1.0%	INR 30/-	INR 1/-	< 1.0%

### **v. Lending Methodology**

#### **Origination Process:**

Sonata has well-established field operations in the areas where it operates and especially in Uttar Pradesh, which has been the MFI's strong-hold. Sonata follows the Grameen model of microfinance – organised around small groups of five women, with up to four groups forming a Centre, the main operational unit.





The operational model has been modified to achieve coverage in deeper rural parts of Uttar Pradesh. Each branch has up to three units and the branch covers an operational area of 35kms. A mature branch has 30 loan officers (called 'business executives'), 5 unit managers (3 in the units and two stationed at the branch) and one branch manager and caters to approximately 15,000 clients.

Sonata has a pool of 'business development agents' (BDAs), who are essentially 'sourcing agents' and are responsible for enrolling clients. The BDAs form groups, provide 'compulsory group training' (CGT), spread over three days, and also collect basic information from the clients. Maker-checker procedures are a part of the process as the business executives conduct an initial 'group recognition test' (GRT), which is followed by a final GRT conducted by the 'unit manager'. Loan disbursement is done at the branches, in the presence of all the members of the centre.

- **Collections and Recovery**

The process of collections from borrowers is also different in Sonata from that followed by other MFIs and the collections are not made by the loan officers. Borrowers are permitted to make payments at a branch at any time during a collection week. Typically, the payments come in one or two days prior to the group meeting date by representatives of a group on behalf of the entire group. The borrowers may also deposit the cash directly in a nearby bank account (typically, this happens only in a very small proportion of the groups). On the scheduled day of the centre meeting, the business executive attends the group meeting and collects evidence of having deposited the cash, which is either a receipt from Sonata branch or the bank deposit slip<sup>1</sup>.

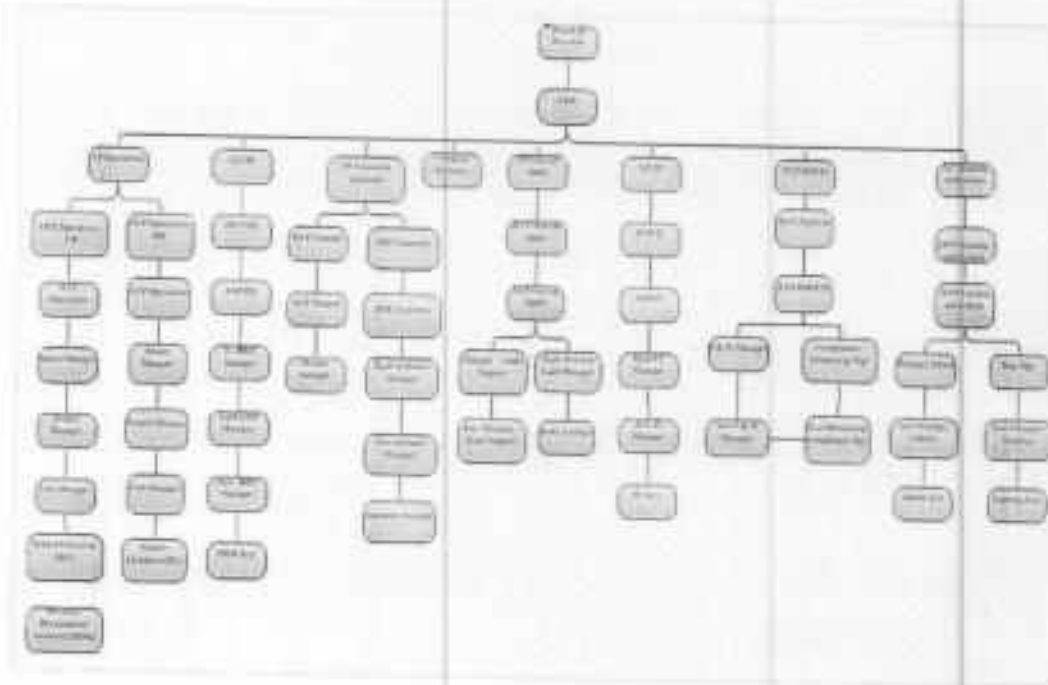
The credit policy of the Sonata gives adequate importance to being transparent. The field staffs explain the product policies, pricing terms and conditions to the clients during group formation, 'continuous group training', 'group recognition test', at the time of disbursement at the unit/branch and also during the subsequent center meetings. Furthermore, clients' awareness about the credit policy is one of the focus areas of the internal audit, who randomly visits 20-25 centers at the time of branch audit. Also, at the time of disbursement, the loan card with repayment schedule is given individually to the center members. The 'loan card' provides repayment details along with the principal outstanding at the end of every week to the individual clients. The loan card given to the clients also clearly indicates the interest rate, processing fees and insurance premium. During the weekly centre meetings, a copy of the 'centre collection' and 'disbursement sheet' for that week is given to the center leader and center leader files it in 'center file'. The 'center collection and disbursement sheet' contain details of each clients, total demand and recovery for the week. The loan proposal clearly indicates the rate of interest, effective rate of interest, Processing fee and Insurance Premium amount.

Further, Sonata also shares its loan data to Micro Finance Transparency ([www.mftransparency.org](http://www.mftransparency.org)), an organization that promotes transparent pricing in the microfinance industry, to ensure transparent and responsible pricing.

<sup>1</sup> Note: The operations are different in Madhya Pradesh in that there are no BDAs there and the collections are made from the field by the BEs. There is no other significant difference between the operations in Uttar Pradesh and those in Madhya Pradesh.



vi. Organizational Structure and Field Hierarchy



vii. Technology and MIS

Sonata is using software which has been created in house on .NET technology with support from Aada IT Solutions, Bangalore. The software is very flexible in architecture and robust in design, with a high level of customization given SFPL's unique collection mechanism.

The Company has moved to mobile platform for tracking and recording micro finance customers' transaction details on real time basis from operational areas conveniently. The Company has tied up with Atom Technologies Limited to provide the Android based Mobile Application for facilitating real time data entry in MIS software.

Some of the key features of the MIS systems of Sonata are

- Ability to track attendance at member level
- Maintains portfolio cuts based on purpose, region, product, IRR, cycle of loan, religion
- Ability to tracking Loan Utilisation Checks in the Collection and Disbursement Sheet

viii. Internal Audit

Sonata's audit team comprises of 15 employees. The team headed by the audit head who is assisted by divisional head and audit managers. The Company has developed a comprehensive checklist, with weightages for each parameter for the comprehensive audit. The checklist is comprehensive and covers the field operations, record keeping, statutory compliances, accuracy of Management Information Systems (MIS), monitoring mechanism and compliance with code of conduct. The audit team stays in the respective branches for six days and verifies all the records and documents corresponding to that particular branch. The



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audit is surprise in nature and every branch of Sonata is visited once in every two month; the duration of audit process varies with the size of branch with average size branch takes about 3 days. The audit process encompasses checking of member training process, conduction of CGT and GRT and disbursement process for sample centers, loan utilisation check on sample basis as well as cash verification, register maintenance, administrative work and asset management in the branches. The officers also visit the house of a few borrowers for the centers he visits on a sample basis. In addition, all the branches of Sonata are scored on various parameters by the auditors and a final score is assigned. The variable pay of branch managers as well as their supervisors is linked to the audit score of respective branches. The consolidated audit report is also submitted by the audit team to the audit committee, which meets four times in a year. Sonata also exercises very tight control over cash, with daily depositing of cash in bank and regular reconciliation of accounts and MIS. Branch based collection model helps them to mitigate frauds and cash in transit risk.

### **ix. HR Systems**

Sonata has a detailed HR manual in place which is followed diligently.

**Recruitment:** Applications are invited mainly through internal references, and recently through advertisements in newspapers. Reference checks are done for most new recruitments, though not mandatory as per policies.

Field staff is selected on the basis of written test and interview. Shortlisted candidates attend 5 days classroom training and 5 days field training, during which the nature of job is explained to the staff. The mutual fit for job is assessed at this stage. Final selection is based on assessment of learning from the training. Branch managers are selected through internal promotions (~80%) and through direct recruitments (~20%). Field staff with no previous experience is absorbed as Trainees for the first 3 months. On successful completion as trainees, they are placed on probation for 6 months.

**Training:** The initial orientation training focuses on mission and objectives of the Sonata, and its operational processes and systems. Trainees are given refresher training on completion of 3 months. All the staffs are trained at least once in every quarter. Client selection and code of conduct in the field are covered in the training.

**Appraisal:** Employee appraisal takes place twice every year and carried out by the immediate supervisor which is monitored by appraiser's supervisor. Punctuality, discipline and communication with clients are scored along with achievement of operational targets and audit findings. Targets for staff are set in a participative manner. Though self-appraisal is not conducted, the score and comments of the supervisors are shared with the staff.

**Staff incentives:** Incentives are based on number of clients served and the number of new clients added.

### **x. Shareholders**

Please refer to 'Shareholding Pattern as of June 30, 2014' under Section 6.6.

### **xi. Board of Directors**

The Company has a well-balanced, professional Board with vast experience in retail lending, corporate finance and administration. For further details, please refer to 'Names and Addresses of the Directors of the Issuer' under Section 6.7.



**xii. Company Credit Rating**

BB+ by CRISIL in December 31<sup>st</sup>, 2013. The rating is based on high credibility, good governance, established systems & processes and strong financial performance of the organisation.

In addition, Sonata has a grading of 'mFR-3' from CRISIL (in December 26<sup>th</sup>, 2013). The grade MFR 3' indicates that in CRISIL's current opinion, the Sonata's ability to manage its microfinance activities in a sustainable manner is high. The grading is done on an eight point scale where MFR 1 is the best and MFR 8 being the worst.

**xiii. Investment Thesis**

Sonata presents an attractive investment opportunity driven by multiple reaffirming factors such as:

**Established Central and Northern India MFI**

While the microfinance sector expanded rapidly in the highly competitive southern regions of India, Sonata has positioned itself to be a leading MFI in central and Northern India where there is significantly lesser access to formal financial institutions. Sonata has consolidated its position in Uttar Pradesh and has also diversified its operations by expanding in Madhya Pradesh, Uttarakhand, Bihar, Rajasthan and Haryana. The company plans to consolidate its operations in the areas where they already have a presence and wants to grow in the contiguous areas in the current financial year. Sonata has strong focus on portfolio quality and maintained a portfolio with less than 1.00% portfolio at risk since inception.

**Growth Supported by Strong Equity Funding**

Sonata is supported by strong promoters, private equity and institutional investors which include Bellwether, IFIF and MSDF. Bellwether Microfinance Fund and Trust together holds 10.74% of equity stake. India Finance Inclusion Fund (IFIF) has 13.96% of stake while MSDF has 8.66% of equity stake. Lead investors in the latest round, Creation Investments hold 41.63% of equity stake. Angel Investor and noted economist Swaminathan Aiyar holds 3.29% of equity stake. Promoter Mr Anup Singh along with employee welfare trust hold 4.60% of equity stake.

**Robust Financial Alliances**

Sonata has established financial alliances with various public sector banks, private sector banks and financial institutions. There is no delay/default in repayment to any lender since inception.

**Focus on Portfolio Quality**

The net NPA level of the Company for the microfinance Joint Liability Group (JLG) portfolio is low at 0.05% as on March 31, 2014, while the same on their individual loan portfolio is Nil. The collection efficiency on all securitisation transaction pools have been more than 99.80%.

**Self-Sustaining Business Model**

Sonata has been a leading MFI based out of Uttar Pradesh. They have a vintage of almost seven years. By successfully taking it to scale and simultaneously being profitable for last three years, the business model has proven to be both sustainable and scalable.

**Social Performance Management**



Sonata has been rated five stars by Global Impact Investing Rating System in year 2013 & 2011. This rating indicates strong social commitment, robust systems, evidence for good adherence to social mission and values. Key strengths are experienced and socially committed board of directors with focus on the double bottom line. Good performance in client protection principles; it is part of training for staff, and are reasonably documented in the manuals and policies, strong internal audit and monitoring systems with a dedicated risk management department; attempt to include client protection and HR aspects in the report. Sonata has also been awarded "Gold Category Social Performance Reporting Award" by CGAP, MSDF and Ford Foundation in year 2010 and 2011.

Outreach – Around 85% of Sonata's customers earn below two dollars a day (in terms of household income). 64% of Sonata's client base comes from rural areas, and 86% of Sonata's clients are from disadvantaged communities ("scheduled caste, scheduled tribes & other backward class")

**(c) Key Operational and Financial Parameters for the last 3 audited years**  
(Rs. In Lakhs)

	Audited 31-Mar-12	Audited 31-Mar-13	Audited 31-Mar-14
Net worth	4,002.53	7,442.85	8,446.88
Total Debt	7,279.24	16,226.17	33,274.72
- Non current maturities of long term Borrowings	7,279.24	5,585.06	14,228.10
- short term borrowings	-	1,700.00	300.00
- Current maturities of long term Borrowings	-	8,941.11	18,746.62
Net Fixed Assets	70.94	80.45	106.25
Non-Current Assets	15.22	1,702.59	3,314.79
Cash and Cash equivalents	6,165.31	6,660.56	7,611.77
Current Investments	615.52	692.00	8,601.94
Current Assets	656.25	993.78	929.10
Current liabilities	480.37	614.89	3,537.61
Assets Under Management	4,238.89	14,193.98	24,816.35
Off balance sheet assets	5,851.58	4,210.33	9,834.34
Interest Income	2,374.32	2,630.00	5,207.48
Interest Expense	829.91	1,320.43	3,154.97
Provisioning & write Offs	74.44	34.62	86.63
PAT	372.45	263.31	723.62
Gross NPA (%)	0.55%	0.36%	0.25%
Net NPA (%)	0.12%	0.07%	0.06%
Tier I Capital Adequacy Ratio (%)	35.51%	38.35%	19.65%
Tier II Capital Adequacy Ratio (%)	0%	0%	1.07%

**Gross Debt: Equity Ratio of the Company:**

Before the issue of debt securities	3.94
After the issue of debt securities	4.22





**Calculations**

As on March 31, 2014 debt-to-equity ratio is calculated as follows:-

Debt	3,327,471,833
Equity	844,688,148
Debt/Equity	3.94

Subsequent to the issue, debt-to-equity ratio shall be calculated as follows:-

Debt	3,567,471,833
Equity	844,688,148
Debt/Equity	4.22

(d) **Project cost and means of financing, in case of funding new projects:**  
N.A

6.4 **Brief history of Issuer since its incorporation giving details of its following activities:**

(a) **Details of Share Capital as on last quarter end i.e. June 30, 2014**

Share Capital	Rs.
<b>Authorised</b>	
15,000,000 Equity Shares of Rs. 10/- each	150,000,000.00
5,000,000 Preference Shares of Rs. 10/- each	50,000,000.00
<b>TOTAL</b>	<b>200,000,000.00</b>
<b>Issued, Subscribed and Fully Paid-up</b>	<b>118,750,780.00</b>
14,330,078 Equity Shares of Rs. 10/- each fully paid up	143,300,780.00
Less: Amount recoverable from Sonata Employee Welfare Trust (being face value of 2,455,000 equity shares allotted)#	24,550,000.00
5,000,000 Optional Convertible Preference Shares of Rs. 10 each fully paid up	50,000,000.00
<b>TOTAL</b>	<b>168,750,780.00</b>

# Represents equity shares issued to the Sonata Employee Welfare Trust on which the employees have not exercised the rights vested in them.

(b) **Changes in its capital structure as on last quarter end i.e. June 30, 2014, for the last five years:**

Year	Date	Existing	Revised	Remark
FY 2014-15	30.06.2014	No Change		
FY 2013-14	31.03.2014	No Change		





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FY 2012-13	30.07.2012	Rs. 150,000,000/- (Rupees Fifteen Crores) divided into 10,000,000 (One Crore) Equity Shares of Rs. 10/- (Rupees Ten) each & 5,000,000 (Fifty Lacs) Preference Shares of Rs. 10 (Rupees Ten) each	Rs. 200,000,000/- (Rupees Twenty Crores Only) divided into 15,000,000 (One Crore Fifty Lacs) Equity shares of Rs. 10/- (Rupees Ten) each and 5,000,000 (Fifty Lacs) Preference Share of Rs. 10 (Rupees Ten) each
FY 2011-12	31.03.2012	No Change	
FY 2010-11	31.03.2011	No change	
FY 2009-10	17.08.2009	Rs. 100,000,000/- (Rupees Ten Crores Only) divided into 5,000,000 (Fifty Lacs) Equity shares of Rs. 10/- (Rupees Ten) each and 5,000,000 (Fifty Lacs) Preference Share of Rs. 10 (Rupees Ten) each	Rs. 150,000,000/- (Rupees Fifteen Crores Only) divided into 10,000,000 (One Crore) Equity shares of Rs. 10/- (Rupees Ten) each and 5,000,000 (Fifty Lacs) Preference Share of Rs. 10 (Rupees Ten) each
FY 2008-09	31.03.2009	No Change	

**(c) Equity Share Capital History of the Company as on last quarter end i.e. Mar 31, 2014, for the last five years:**

Date of allotment	Name of shareholder	No. shares	Face Value (Rs.)	Issue price	Consideration	Nature of Allotment	Cumulative paid-up capital (Rs.)			Remarks
							No. of equity shares	Equity share Capital	Equity Share Premium	
06.02.2014	SIDBI	5000000	10	10	50,000,000	Optionally Convertible Preference Shares	14,330,078	143,300,780	496,736,555	

Note:- During the FY 13-14 and as on March, 31, 2014 no Equity shares were allotted by the Company

**FY 2012-13**

Date of allotment	Name of shareholder	No. shares	Face Value (Rs.)	Issue price	Consideration	Nature of Allotment	Cumulative paid-up capital (Rs.)			Remarks
							No. of equity shares	Equity share Capital	Equity Share Premium	
05.09.2012	Anup Kumar Singh	234,375	10	10	2,343,750	Equity	8,809,445	88,094,450	212,086,628	CCPS converted into Equity
	Swaminathan Shankar Aiyar	234,375	10	10	2,343,750					
07.09.2012	Creation Investments Social Ventures Fund I	1,491,121	10	10	14,911,210	Equity	13,950,331	139,503,310	470,534,012	
	Creation Investments Social Ventures Fund II LP	2,179,765	10	10	21,797,650					
	Sonata Employee Welfare Trust	1,470,000	10	10	14,700,000					
11.09.2012	Michael & Susan Dell Foundation	379,747	10	10	3,797,470	Equity	14,330,078	143,300,780	496,736,555	



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FY 2011-12 & FY 2010-11

Date of allotment	Name of shareholder	No. shares	Face Value (Rs.)	Issue price	Consideration	Cumulative paid-up capital (Rs.)				Remarks
						Nature of Allotment	No. of equity shares	Equity share Capital	Equity Share Premium	
NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL

Note:- No shares were allotted in FY 2011-12 & FY 2010-11

FY 2009-10

Date of allotment	Name of shareholder	No. shares	Face Value (Rs.) per share	Issue price	Consideration	Cumulative paid-up capital (Rs.)				Remarks
						Nature of Allotment	No. of equity shares	Equity share Capital	Equity Share Premium in Rs	
06.11.2009	Sonata Employee Welfare Trust	1,646,300	10	10	16,463,000	Equity	4,373,466	43,734,660	15,928,340	
09.12.2009	Anup Kumar Singh	175,000	10	10	1,750,000	Equity	7,410,004	74,100,040	25,533,165	
	Indian Financial Inclusion Fund (IFIF)	2,000,000	10	10	20,000,000				135,533,165	
	Michael & Susan Dell Foundation (MSDF)	861,538	10	10	8,615,380				182,917,785	
08.01.2010	Swaminathan Shankar Aiyar	215,000	10	10	2,150,000	Equity	8,340,695	83,406,950	190,550,285	
	Rakesh Dubey	255,950	10	10	2,559,500					
	Ashish Kumar Gupta	97,750	10	10	977,500					
	Bellwether Micro Finance Trust	361,991	10	10	3,619,910				206,930,378	Conversion into Equity

FY 2008-09

Date of allotment	Name of shareholder	No. shares	Face Value (Rs.)	Issue price	Consideration	Cumulative paid-up capital (Rs.)				Remarks
						Nature of Allotment	No. of equity shares	Equity share Capital	Equity Share Premium	
NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL

Note:- No shares were allotted in FY 2008-09

(d) Details of any Acquisition or Amalgamation in the last 1 (one) year:  
NIL

(e) Details of any Reorganization or Reconstruction in the last 1 (one) year:  
NIL

6.5 Details of the shareholding of the Company as on the latest quarter end, i.e. June 30, 2014, 2014:



(a) Shareholding pattern of the Company as on last quarter end, i.e. March 31, 2014

Sr. No.	Name of the Shareholder / Particulars	Class	Total Number of equity shares	Total percentage (%) of Shareholding	Number of shares held in Demat Form
1	Anup Kumar Singh	Individual	659,112	4.60%	644,112
2	Swaminathan Shankar Aiyar	Individual	471,375	3.29%	471,375
3	Sonata Employee Welfare Trust	Individual Trust	2,455,000	17.13%	NIL
4	Bellwether Microfinance Trust	Financial Institutional Investor	1,071,971	7.48%	1,071,971
5	Bellwether Microfinance Fund Pvt. Ltd.	Financial Institutional Investor	466,850	3.26%	466,850
6	India Financial Inclusion Fund (IFIF) LLC	Foreign Investor	2,000,000	13.96%	2,000,000
7	Michael and Susan Dell Foundation	Foreign Investor	1,241,285	8.66%	1,241,285
8	Creation Investment Social Ventures Fund I	Foreign Investor	1,491,121	10.41%	1,491,121
9	Creation Investment Social Ventures Fund II.L.P.	Foreign Investor	4,473,364	31.22%	4,473,364
<b>Total Equity Shares</b>			<b>14,330,078</b>	<b>100.00%</b>	
	SIDBI (OCPS)*	Indian Investor	3,000,000		NIL

\*SIDBI has subscribed to 9% Optionally Convertible Preference Share (OCPS) which are convertible into equity shares by 31st March 2016 at the option and right of SIDBI.

Notes: Details of shares pledged or encumbered by the promoters (if any): N.A

(b) List of top 10 holders of equity shares of the Company as on the latest quarter end, i.e. June 30, 2014

Sr. No.	Name of the Shareholder / Particulars	Class	Total Number of equity shares	Total percentage (%) of Shareholding	Number of shares held in Demat Form
1	Anup Kumar Singh	Individual	659,112	4.60%	644,112
2	Swaminathan Shankar Aiyar	Individual	471,375	3.29%	471,375
3	Sonata Employee Welfare Trust	Individual Trust	2,455,000	17.13%	NIL
4	Bellwether Microfinance Trust	Financial Institutional Investor	1,071,971	7.48%	1,071,971
5	Bellwether Microfinance Fund Pvt. Ltd.	Financial Institutional Investor	466,850	3.26%	466,850
6	India Financial Inclusion Fund (IFIF) LLC	Foreign Investor	2,000,000	13.96%	2,000,000
7	Michael and Susan Dell Foundation	Foreign Investor	1,241,285	8.66%	1,241,285
8	Creation Investment Social Ventures Fund I	Foreign Investor	1,491,121	10.41%	1,491,121
9	Creation Investment Social Ventures Fund II.L.P.	Foreign Investor	4,473,364	31.22%	4,473,364
<b>Total Equity Shares</b>			<b>14,330,078</b>	<b>100.00%</b>	

6.6 Following details regarding the directors of the Company:



(a) Details of current directors of the Company:

This table sets out the details regarding the Company's Board of Directors as on date of the Information Memorandum:

S. No.	Name of the Directors	Designation	Date of Birth	Address	DIN	PAN	Director of the company since	Director in other company
1	Anup Kumar Singh	Managing Director	3/11/1972	4/516, Vikas Nagar Lucknow-226024, Uttar Pradesh, India	173413	AYMPS4431P	9/9/2006	a) SHRIMAYI SOCIAL AND ALLIED SERVICES, b) PLANNED SOCIAL CONCERN
2	Anil Kumar Jain	Independent Director	6/26/1945	12, 3a Cross, Doenlar second Stage, Bangalore, 56 0071, Karnataka, India	1239653	AAMPJ2744E	9/1/2011	a) INFLOW TECHNOLOGIES PRIVATE LIMITED b) Pay-OTA Systems India Private Limited c) SKILLPROFILER ANALYTICS PRIVATE LIMITED d) Weston (India) Private Limited e) SANGHAMITHRA RURAL FINANCIAL SERVICES f) GRAMEEN FINANCIAL SERVICES PRIVATE LIMITED g) INFLOW KNOWLEDGE SERVICES (INDIA) PRIVATE LIMITED h) Swadhaar FinServe Private Limited i) Comstar Distribution (India) Private Limited
3	Satyam Darnora	Nominee Director	7/7/1980	199a, Phase II, Panditwari, Dehradun, 248 001, Uttarakhand, India	2203031	AALPD8965A	2/5/2013	a) KOTESHWAR POWER PRIVATE LIMITED b) BASIS Sub-K Transactions Limited c) INVEST INDIA MICRO PENSION SERVICES PRIVATE LIMITED d) ROHAN FINANCIAL SERVICES Private Limited
4	Keneth Dun Vander Weele	Nominee Director	4/22/1953	205 Superior ST, Oak Park II, 60302, United States Of America	2545813	N.A	9/11/2012	a) GRAMEEN FINANCIAL SERVICES PRIVATE LIMITED
5	Vishal Bharat	Nominee Director	9/12/1969	BE/2C, Munirka, DDA Flats, New Delhi, 110067, Delhi, India	2610428	ADXPB8777D	7/2/2009	a) CORPORATE BUSINESS ADVISORS PRIVATE LIMITED b) EKO INDIA FINANCIAL SERVICES



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								PRIVATE LIMITED
6	Chandni Gupta Ohri	Independent Director	4/13/1977	Apartment 402, Tower 12, Close South, Niravam a Country, Sector 50, Gurgaon, 122 002, Haryana, India	3613229	AAVPG4229L	9/1/2011	a) CASHFOR MICRO CREDIT b) Enable Life Sciences Private Limited
7	Vivek Kumar Malhotra	Nominee Director	13/08/1970	FLAT NO. 732, SIDBI OFFICERS APARTMENTS, GH-1, SECTOR-17, PANCHKULA, 134113, Haryana, INDIA	02210254	AEFPM7190A	11/02/2014	a) Margdarshan Financial Services Limited b) Anantha Microfin Limited

\*Company to disclose name of the current directors who are appearing in the RBI defaulter list and/or ECGC default list, if any: Nil

**(b) Details of change in directors since last three years:**

Name & Designation	DIN	Date of Appointment/Resignation	Director of the Company since (in case of resignation)	Remarks
Suryam Darmora, Nominee Director of MSDF	2203031	2/5/2013		Appointment
Vivek Kumar Malhotra, Nominee Director of SIDBI	02210254	11/03/2014		Appointment
Anal Kumar Jain, Independent Director	1239653	2/5/2013		Appointed as Chairman
Geta Dutta Goel, Nominee Director of MSDF	2277155	2/5/2013	1/12/2010	
Keneth Dan Vander Weele, Nominee Director of Creation Investment	2545813	9/11/2012		
Mr. Anal Kumar Jain, Additional Director	1239653	9/1/2011		Appointment
Ms. Chandni Gupta Ohri, Additional Director	3613229	9/1/2011		Appointment
Mr. Anal Kumar Jain, Independent Director	2545813	9/22/2011		Change in designation to independent Director
Ms. Chandni Gupta Ohri, Independent Director	3613229	9/22/2011		Change in designation to independent Director
Mr. Ajit Surendra Verma	00790634	9/22/2011	9/6/2006	

**6.7 Following details regarding the auditors of the Company:**

**(a) Details of the auditor of the Company:**

Name	Address	Auditor since	Remark
M/s S.R. Batliboi & Co. LLP (E&Y) Chartered Accountants	M/s S.R. Batliboi & Co. LLP Chartered Accountants 22, Canna Street, 3 <sup>rd</sup> Floor, Block 'C', Kolkata – 700 016, India	FY 2013-14	Statutory Auditor



	Tel: +91-33 – 6615 3400 Fax: +91-33 – 2281 7750 Email: Navin.Kariwal@in.sev.com		
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(b) Details of change in auditors since last three years:

Name	Address	Auditor since	Remark
M/s S.R. Batliboi & Co. LLP (E&Y) Chartered Accountants	M/s S.R. Batliboi & Co. LLP Chartered Accountants 22, Camac Street, 3 <sup>rd</sup> Floor, Block 'C', Kolkata – 700 016, India Tel: +91-33 – 6615 3400 Fax: +91-33 – 2281 7750 Email: Navin.Kariwal@in.sev.com	FY 2013-14	Statutory Auditor
M/s Vinay Kumar & Co. Chartered Accountants	M/s Vinay Kumar & Co. Chartered Accountants Chandra Shekhar Azad Market Complex, 5 Sardar Patel Marg, Civil Lines, Allahabad – 211001, +91 – 532 – 2408602, 2408839 Email: vinaykumarandco@gmail.com ayvnavv@hotmail.com	FY 2006-07 to FY 2012-13	Statutory Auditor till FY 2012-13. Now appointed as Internal Audit w.e.f FY13-14

6.8 Details of borrowings of the Company, as on latest quarter end:

(a) Details of Secured Loan Facilities:

Lender's Name	Type of Facility	Cumulative Amount Sanctioned (Rs. Mn)	Principal Amount Outstanding as on June 30, 2014 (Rs. Mn.)	Repayment Date/ Schedule	Security	
					Primary Security	Cash Collateral
SIDBI	Term Loan	310.00	122.00	Monthly	Receivables	10%
AXIS Bank	Term Loan	305.00	92.86	Quarterly	Receivables	10%
YES Bank	Term Loan	310.00	131.43	Monthly	Receivables	10%
Reliance Capital	Term Loan	340.00	358.32	Monthly	Receivables	10%
Corporation Bank	Term Loan	150.00	58.50	Quarterly	Receivables	10%
BNP Paribas	Term Loan	75.00	65.63	Quarterly	Receivables	5%
Maanaveeya Development & Finance Pvt. Ltd.	Term Loan	460.00	235.00	Quarterly	Receivables	Nil
Central Bank of India	Term Loan	200.00	53.15	Quarterly	Receivables	10%
IndusInd Bank	Term Loan	250.00	82.61	Monthly	Receivables	15%
Dena Bank	Term Loan	100.00	85.00	Quarterly	Receivables	10%
Vijaya Bank	Term Loan	100.00	100.00	Quarterly	Receivables	10%
UCO Bank	Term Loan	150.00	150.00	Monthly	Receivables	10%
Union Bank of India	Term Loan	432.10	224.56	Quarterly	Receivables	10%
Andhra Bank	Term Loan	300.00	109.09	Quarterly	Receivables	10%
IBBI Bank	Term Loan	220.00	146.67	Monthly	Receivables	10%
IFMR Capital	Term Loan	217.50	13.86	Monthly	Receivables	7.50%
MAS Financial	Term Loan	300.00	97.22	Monthly	Receivables	10%
Ananya Finance	Term Loan	350.00	13.33	Monthly	Receivables	Nil
DCB Bank	Term Loan	350.00	115.44	Monthly	Receivables	10%
DSG Vysya Bank	Term Loan	250.00	131.25	Monthly	Receivables	10%
Rajmahar Bank	Term Loan	450.00	533.90	Quarterly	Receivables	5%
HDFC Bank	Term Loan	244.90	30.00	Monthly	Receivables	10%
Beflowther	Term Loan	211.00	50.00	Quarterly	Receivables	Nil





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Micro Venture	Term Loan	100.00	70.00	Quarterly	Receivables	5%
<b>Total</b>		<b>6,275.50</b>	<b>3,071.81</b>			

**(b) Details of Unsecured Loan Facilities:**

(Rs. Mn)

Lender's Name	Type of Facility	Amount Sanctioned	Principal Amount Outstanding	Repayment Date/Schedule
SIDBI	Soft Loan	50.00	41.00	10-Mar-16
<b>Total</b>		<b>50.00</b>	<b>41.00</b>	

**Details of Non-Convertible Debentures:**

Debenture Series	Tenor/Period of Maturity	Coupon (Rate of Interest)	Amount (Rs in Lacs)	Date of allotment	Redemption on Date/Schedule	Credit Rating	Secured/Unsecured	Security
14.05% Sonata Finance Private Limited 2020	6 Years	14.05%	3,320.00	31-Jan-14	31-Jan-2020	BBB-/(Stable)	Secured	100% Receivables
14.70% Sonata Finance Private Limited 2017	3 Years	14.70%	2,400.00	26-May-14	26-May-2017	BBB-/(Stable)	Secured	110% Receivables
<b>TOTAL</b>			<b>5,720.00</b>					

**(c) List of Top 10 Debenture Holders (as on June 30, 2014)**

S. No	Name of Debenture Holders	Amount (Rs. in lacs)
1.	TRIODOS CUSTODY B.V. AS A CUSTODIAN OF TRIODOS FAIR SHARE FUND	1,660.00
2.	TRIODOS SICAV II-TRIODOS MICROFINANCE FUND	1,660.00
3.	MICROFINANCE INITIATIVE FOR ASIA (MIFA), DEBT FUND SA, SICAV-SIF	2,400.00

- (d) The amount of corporate guarantee issued by the Issuer along with name of the counterparty (like name of the subsidiary, JV entity, group company, etc) on behalf of whom it has been issued, (if any)**



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No corporate guarantee has been issued by the Issuer till date.

**(e) Details of Commercial Paper:**

The Issuer does not have any outstanding commercial paper as on the latest quarter end.

**(f) Details of rest of the borrowing (if any including hybrid debt like FCCB, Optionally Convertible Debentures / Preference Shares ) as on March 31, 2014:**

The Issuer has outstanding borrowing from Optionally Convertible Preference shares as on March 31, 2014 as given below:

Lender's Name	Type of Facility	Amount Sanctioned (Rs. Mn.)	Amount Outstanding (Rs. Mn.)
SIDBI	Optionally Convertible Preference Shares	50.00	50.00

**(g) Details of all default/s and/or delay in payments of interest and principal of any kind of term loans, debt securities and other financial indebtedness including corporate guarantee issued by the company, in the past 5 years:**

The Company has not defaulted in payment of any interest or principal of any kind of term loans, debt securities or any other financial indebtedness, including any corporate guarantee issued by the Company, in the past 5 years.

**(h) Details of any outstanding borrowings taken / debt securities issued where taken / issued (i) for consideration other than cash, whether in whole or part, (ii) at a premium or discount, or (iii) in pursuance of an option:**

The Issuer does not have any outstanding borrowings / debt securities issued (i) for consideration other than cash, whether in whole or part, (ii) at a premium or discount, or (iii) in pursuance of an option.

**6.9 Details of Promoters of the Company:**

**Details of Promoter Holding in Company as on latest quarter end, i.e. June 30, 2014:**

Sr No	Name of the shareholders	Total No of Equity shares	No. of shares in Demat form	Total shareholding as % of total no of equity shares	No of shares Pledged	% of shares pledged with respect to shares owned
1	Anup Kumar Singh	659,112	644,112	4.60%	Nil	Nil

**6.10 Abridged version of the Audited Consolidated and Standalone Financial Information (like Profit and Loss statement, Balance Sheet and Cash Flow statement) for at least last three years and auditor qualifications, if any.**

*[Note: Financial information submitted must be in line with the timelines specified in the Simplified Listing Agreement, issued vide Circular no. SEBI/IMD/BOND/1/2009/11/05, dated May 11, 2009]*



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Profit & Loss Statement (in Rs. Lakhs)	FY 2011 - 2012	FY 2012-2013	FY 2013-2014
	(Audited)	(Audited)	(Audited)
<b>Income</b>			
Interest & Fee on loans	2,434.25	2,606.38	5,182.25
Other Financial Income	71.24	153.71	628.47
Other Income	155.68	436.86	664.63
<b>Total Income</b>	<b>2,661.17</b>	<b>3,196.95</b>	<b>6,475.35</b>
<b>Expenditure/ Cost of Sales</b>			
Personnel Expenditure	824.39	914.26	1,337.59
Provisioning Expenditure	25.42	91.21	134.49
Write-off Expenditure	46.41	34.62	71.11
Depreciation and Amortization	23.64	19.85	34.32
General and Administrative Expenditure	329.5	370.45	533.49
<b>Total Expenditure</b>	<b>1249.36</b>	<b>1,430.39</b>	<b>2,111.00</b>
<b>Operating Profit before Interest</b>	<b>1,411.81</b>	<b>1,766.56</b>	<b>4,364.35</b>
Interest	829.91	1,320.43	3,154.97
<b>Operating profit after Interest</b>	<b>581.90</b>	<b>446.13</b>	<b>1,209.38</b>
Net non-operating income/expenses	0	0.00	0.00
<b>Profit Before Tax</b>	<b>581.9</b>	<b>446.13</b>	<b>1,209.38</b>
Income Tax	209.45	182.81	485.76
<b>Net Profit</b>	<b>372.45</b>	<b>263.32</b>	<b>723.62</b>
Equity Dividend paid	0	74.49	0
<b>Retained Profit</b>	<b>372.45</b>	<b>188.83</b>	<b>723.62</b>
<b>Balance Sheet (in INR Lakhs)</b>			
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Short Term borrowings from banks	0	1,700.00	300.00
Short term borrowings from others	0	0.00	0.00
Other Current Liabilities	480.36	9,556.00	22,284.23
<b>Total Current Liabilities</b>	<b>480.36</b>	<b>11,256.00</b>	<b>22,584.23</b>
<b>Total Term Liabilities</b>	<b>7279.24</b>	<b>5,585.06</b>	<b>14,228.10</b>
<b>Other Non-current Liabilities</b>	<b>0</b>	<b>39.45</b>	<b>120.99</b>
<b>Total Liabilities</b>	<b>7,759.60</b>	<b>16,880.51</b>	<b>36,933.32</b>
Ordinary Share Capital	834.07	1,187.51	1,687.51
Reserves & Surplus	2934.75	6,255.34	6,759.37
Legal reserves	233.71	0.00	0.00
Other Capital	0	0.00	0.00
<b>Net Worth</b>	<b>4,002.53</b>	<b>7,442.85</b>	<b>8,446.88</b>
<b>Total Equity &amp; Liabilities</b>	<b>11,762.13</b>	<b>24,323.36</b>	<b>45,380.20</b>
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Bank balances	6165.31	6,660.56	7,611.77
Net Receivables	4238.89	12,271.74	18,783.78
Other Current Assets	656.25	1,118.77	9,108.18
<b>Total Current Assets</b>	<b>11,060.45</b>	<b>20,051.07</b>	<b>35,503.73</b>
Fixed Assets - Gross Block	147.53	176.89	237.01
Depreciation	76.59	96.43	130.75
<b>Fixed Assets - Net Block</b>	<b>70.94</b>	<b>80.46</b>	<b>106.26</b>
Intangible Assets	0	11.57	11.81



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Long-term loans and Advances	0	2,624.86	6,461.44
Other Non-Current assets	630.74	1,555.40	3,296.96
<b>Total Non-Current Assets</b>	<b>630.74</b>	<b>4,191.83</b>	<b>9,770.21</b>
<b>Total Assets</b>	<b>11762.13</b>	<b>24,323.36</b>	<b>45,380.20</b>

**Abridged version of Latest Audited/ Limited Review Half Yearly Consolidated and Standalone Financial Information and auditors qualifications, if any.**

*[Note: Financial information submitted must be in line with the timelines specified in the Simplified Listing Agreement, issued vide Circular no. SEBI/IMD/BOND/1/2009/11/05, dated May 11, 2009]*

Profit and Loss Statement (in INR Lacs)	For the period ended	
	31st March 2014	
Revenue from Operations	5,810.72	
Other Income	664.63	
<b>Total Revenue</b>	<b>6,475.35</b>	
<b>Expenses:</b>		
Employee Benefits Expense	1,337.59	
Finance Costs	3,154.97	
Depreciation and amortization expense	34.32	
Other expenses	739.09	
<b>Total expenses</b>	<b>5,265.97</b>	
<b>Profit / (Loss) for the period before Tax</b>	<b>1,209.38</b>	
Tax expense:	486.00	
Deferred Tax (Credit)	(0.24)	
<b>Profit (Loss) for the period from continuing operations</b>	<b>723.62</b>	
<b>Balance Sheet (in INR Lacs)</b>		
<b>EQUITY AND LIABILITIES</b>		
<b>Shareholders' funds</b>		
(a) Share Capital	1,687.51	
(b) Share Application Money	-	
(c) Reserves and Surplus	6,759.37	
Total	<b>8,446.88</b>	
<b>Non-current liabilities</b>		
(a) Long Term Borrowings	14,228.10	
(b) Other long-term liabilities	44.24	
(c) Long Term Provisions	76.74	
Total	<b>14,349.09</b>	
<b>Current liabilities</b>		



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(a)	Short Term Borrowings	300.00
(b)	Trade payables	-
(c)	Other Current Liabilities	21,630.10
(d)	Short Term Provisions	654.13
	Total	<b>22,584.23</b>
	<b>TOTAL</b>	<b>45,380.20</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
(a)	Fixed Assets	
	(i) Tangible assets	106.25
	(ii) Intangible assets	-
	(iii) Intangible assets under development	-
(b)	Non-current Investments	5.00
(c)	Deferred Tax Assets (Net)	11.81
(d)	Long-Term Loans and Advances	6,461.44
(e)	Other non-current assets	3,291.95
	Total	<b>9,876.46</b>
<b>Current assets</b>		
(a)	Cash and Cash equivalents	7,611.77
(b)	Short-term Loans and Advances	18,783.78
(c)	Other current assets	9,108.18
	Total	<b>35,503.73</b>
	<b>TOTAL</b>	<b>45,380.20</b>
<b>Off- Balance Sheet</b>		
	Managed Portfolio (Assets)	9,834.34
	Cash Collateral on de-recognised assets	1,466.57

- 6.11 Any material event/ development or change having implications on the financials/credit quality (e.g. any material regulatory proceedings against the Issuer/promoters, tax litigations resulting in material liabilities, corporate restructuring event etc) at the time of issue which may affect the issue or the investor's decision to invest / continue to invest in the debt securities.**

Other than as disclosed in this Information Memorandum, there are no other material events or developments or changes at the time of this Issue or subsequent to the Issue which may affect the Issue or the investors' decision to invest/ continue to invest in the Issue.

- 6.12 Names of the Debentures Trustees and Consents thereof**

The Debenture Trustee of the proposed Debentures is GDA Trusteeship Limited. GDA Trusteeship Limited has given its written consent for its appointment as debenture trustee to the Issue and inclusion of its name in the form and context in which it appears in this Information Memorandum and in all the subsequent periodical communications sent to the Debenture Holders. The consent letter from Debenture Trustee is provided in Annexure III of this Information Memorandum.



**6.13 Rating and Rating Rationale**

The Rating Agency has assigned a rating of “[ICRA]BBB- (stable)” to the Debentures. Instruments with this rating are considered to have moderate degree of safety regarding timely servicing of financial obligations. Such instruments carry moderate credit risk.

**6.14 If the security is backed by a guarantee or letter of comfort or any other document / letter with similar intent, a copy of the same shall be disclosed. In case such document does not contain detailed payment structure (procedure of invocation of guarantee and receipt of payment by the investor along with timelines), the same shall be disclosed in the offer document.**

The Debentures are secured by the Security as described herein below, in the Debenture Trust Deed and in the Deed of Hypothecation.

**6.15 Names of all the recognized stock exchanges where the debt securities are proposed to be listed:**

The Debentures are proposed to be listed on the WDM segment of the BSE. The Issuer shall comply with the requirements of the listing agreement for debt securities to the extent applicable to it on a continuous basis. The in-principle approval of the BSE has been obtained in this regard.

**6.16 Other details:**

**(a) Debenture Redemption Reserve Creation:**

As per Section 71 of the 2013 Act, any company that intends to issue debentures must create a debenture redemption reserve to which adequate amounts shall be credited out of the profits of the company until the redemption of the debentures. However, presently, under the Companies (Issuance of Share Capital and Debentures) Rules, 2014, non-banking financial companies are exempt from this requirement in respect of privately placed debentures. Pursuant to this exemption, the Company does not presently intend to create any reserve funds for the redemption of the Debentures. However, in the event the Company is required, in the future under any applicable law, to create a DRR and is required to credit to the DRR such amounts as applicable, the Company shall do so.

**(b) Issue / instrument specific regulations:**

The Issue of Debentures shall be in conformity with the applicable provisions of the Companies Act including the notified rules thereunder and the SEBI Debt Listing Regulations.

**(c) Application process:**

The application process for the Issue is as provided in Section 8 of this Information Memorandum.

**6.17 A statement containing particulars of the dates of, and parties to all material contracts, agreements:**





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The following contracts, not being contracts entered into in the ordinary course of business carried on by the Company or entered into more than 2 (Two) years before the date of this Information Memorandum, which are or may be deemed material, have been entered into by the Company.

The contracts and documents referred to hereunder are material to the Issue, may be inspected at the Registered Office of the Company between 10.00 am to 4.00 pm on working days.

Sr. No.	Nature of Contract
1	Certified true copy of the Memorandum & Articles of Association of the Issuer
2	Board Resolution dated May 1, 2014 authorizing issue of Debentures offered in terms of this Disclosure Document.
3	Shareholder Resolution dated May 1, 2014 authorizing the issue of non-convertible debentures by the Company.
4	Shareholder Resolutions both dated May 1, 2014 authorizing the borrowing by the Company and the creation of security.
5	Copies of Annual Reports of the Company for the last three financial years.
6	Credit rating letter from the Rating Agency
7	Letter from GDA Trusteeship Limited dated May 8, 2014 giving its consent to act as the Debenture Trustee
8	Letter from the Registrar and Transfer Agent
9	Certified true copy of the certificate of incorporation of the Company
10	Certified true copy of the tripartite agreement between the Company, the Registrar and Transfer Agent and the National Securities Depository Limited/CDSL.

### 6.18 Details of Debt Securities Sought to be Issued

Under the purview of the current document, the Issuer intends to raise an amount of Rs. 24,00,00,000/- (Rupees Twenty Four Crores only) by issue of Secured Rated Listed Redeemable Non-Convertible Debentures, on a private placement basis.

For further details of the Debentures, please refer to the terms and conditions of the debentures set out in Section 6.21 below of this Information Memorandum.

### 6.19 Issue Size

The aggregate issue size for the Debentures is. Rs. 24,00,00,000/- (Rupees Twenty Four Crores only).

### 6.20 Utilization of the Issue Proceeds

The proceeds shall be used for loan portfolio growth of the company subject to such restrictions as the parties may have agreed upon and shall not be utilised for the purposes mentioned below.

The Issuer undertakes that the proceeds of this Issue shall be utilized for the deployment of funds on its own balance sheet and not to facilitate resource requests of its group entities/parent company/associates.

The Issuer undertakes that proceeds of this Issue shall not be utilized for the following purposes as specified in the RBI Master Circular No. DBOD.BP.BC.No.10/21.04.172/2014-15 dated July 1, 2014:



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- 1) Bills discounted / rediscounted by NBFCs, except for rediscounting of bills discounted by NBFCs arising from sale of: Commercial vehicles (including light commercial vehicles) and two wheeler and three wheeler vehicles, subject to the following conditions: The bills should have been drawn by the manufacturer on dealers only; The bills should represent genuine sale transactions as may be ascertained from the chassis / engine number and; Before rediscounting the bills, the bona fides and track record of NBFCs which have discounted the bills would be verified.
- 2) Investments of NBFCs both of current and long-term nature, in any company / entity by way of shares, debentures, etc. However, Stock Broking Companies may be provided need-based credit against shares and debentures held by them as stock-in-trade.
- 3) Unsecured loans / inter-corporate deposits by NBFCs to / in any company.
- 4) All types of loans and advances by NBFCs to their subsidiaries, group companies / entities.
- 5) Finance to NBFCs for further lending to individuals for subscribing to Initial Public Offerings (IPO) and for purchase of shares from secondary market

**6.21 Issue Details**

Security Name	14.75% Sonata Finance Private Limited 2018
Issuer	Sonata Finance Private Limited
Type of Instrument	Non-Convertible Debentures
Nature of Instrument	Secured Rated Listed Redeemable Non-Convertible Debentures
Seniority	Senior
Mode of Issue	Private placement
Eligible/Identified Investors	As provided in Clause 8.14 below
Listing	<p>Debentures are to be listed on the WDM of Bombay Stock Exchange within a maximum period of 15 (Fifteen) calendar days from the Deemed Date of Allotment.</p> <p>In the event of the Issuer's failure to do so, to the extent that any Debenture Holders are Foreign Institutional Investors or sub-accounts of Foreign Institutional Investors, or Qualified Foreign Investors, the Issuer shall immediately redeem any and all Debentures which are held by such Foreign Institutional Investor(s) or such sub-account(s) of Foreign Institutional Investor(s) or Qualified Foreign Investors.</p> <p>In case of delay in listing of the debt securities beyond 20 (Twenty) calendar days from the Deemed Date of Allotment, the Issuer will pay penal interest of at least 1 % p.a. over the Coupon Rate from the expiry of 30 (Thirty) calendar days from the Deemed Date of Allotment till the listing of such Debentures</p>
Rating of Instrument	'[ICRA]BBB- (stable)' by ICRA Limited
Issue Size	Rs. 24,00,00,000/- (Rupees Twenty Four Crores only)
Option to retain oversubscription	N.A.
Objects of the Issue	To raise senior secured debt to the extent up to Rs. 24,00,00,000/- (Rupees Twenty Four Crores only)
Details of the utilization of the Proceeds	The issue proceeds will be utilized for providing debt financing for loan portfolio growth.
Coupon Rate	14.75% (Fourteen Decimal Point Seven Five Percent) per annum payable semi-annually until the Coupon Reset Date (gross of withholding taxes)
Step Up/ Step Down Coupon Rate	N.A.
Coupon Payment Frequency	Semi-Annually



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Coupon Payment Dates	Semi-annually on January 24 and July 24 of every calendar year until Maturity Date
Coupon Type	Fixed Coupon rate
Exercise Date/Coupon Reset Date	July 24, 2016 (24 months after the Deemed Date of Allotment)
Coupon Reset Process	The interest rate on the Debentures may be reset by the Debenture Trustee subject to obtaining the approval of the Majority Debenture Holders, which approval shall be provided at least 15 (Fifteen) calendar days prior to the Coupon Reset Date. The Debenture Trustee shall communicate the new Coupon Rate, so determined, to the Issuer at least 10 (Ten) calendar days prior to the Coupon Reset Date. Notwithstanding a notice for the Coupon Reset, the Company shall continue to have the right to exercise the Call Option.
Day Count Basis	Actual / 365 (or 366 in the case of a leap year)
Interest on Application Money	14.75% per annum gross of withholding taxes
Default Interest Rate	In the event of a payment default of the amounts due under this Issue or any other Event of Default (whether by way of acceleration, at maturity or otherwise), the Issuer shall pay an additional 2% (Two Percent) per annum over and above the applicable Coupon Rate on the outstanding principal amount of the Debentures, calculated from the date of the occurrence of the default until such default is cured or the Debentures are redeemed pursuant to such default, as applicable.
Prepayment Penalty	In case of early redemption of the Issue at the instance of the Issuer, on any date other than the Due Date and not arising due to an Event of Default, the Issuer shall pay a penalty of 5% (Five Percent) on the principal amount repaid. Prepayment shall be subject to the consent of the Majority Debenture-Holders which consent shall not be unreasonably withheld provided that the Issuer has given the Debenture Trustee and the Debenture Holders at least 15 (Fifteen) calendar days written notice prior to the date of such prepayment. Any such early repayment shall be subject to the applicable RBI guidelines.
Delay Penalty	In the case of a delay in the execution of Debenture Trust Deed and the Deed of Hypothecation, the Issuer shall refund the subscription with the agreed rate of interest or shall pay penalty interest of 2% (Two Percent) per annum over the and above the applicable Coupon Rate until such time the conditions have been complied with at the option of the Investor.
Tenor	48 (Forty Eight) months from the Deemed Date of Allotment
Redemption Date	July 24, 2018 being 48 (Forty Eight) months from the Deemed Date of Allotment
Redemption Amount	Rs. 10,00,000/- (Rupees Ten Lakh Only) per Debenture on the Redemption Date plus accrued Coupon if any.
Redemption Premium/ Discount	N.A
Issue Price	Rs. 10,00,000/- (Rupees Ten Lakh Only) per Debenture
Discount at which security is issued and the effective yield as a result of such discount	N.A.
Put Option Date	Shall be the date falling on completion of 24 (Twenty Four) months being July 24, 2016 from the Deemed Date of Allotment.
Put Option Price	Amount equivalent to the face value of all the Debentures being redeemed and interest, due and payable and other unpaid interests as on the date of the Put Notice.
Call Option Date	Shall be the date falling on completion of 24 (Twenty Four) months being July 24, 2016 from the Deemed Date of Allotment.



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Call Option Price	Amounts equivalent to the face value of all the Debentures and interest, due and payable and other unpaid interests as on the date of the Call Notice.
Put Notification Time	In the event if any Debenture-Holder is desirous of exercising the Put Option, the Debenture Holders shall provide notice in writing to the Issuer (with a copy to the Debenture Trustee) at least 15 (fifteen) calendar days prior to the Exercise Date.  Upon receipt of the notice, the Issuer shall compulsorily redeem the Debentures identified in the notice on the relevant Put Option Date by making payment to the relevant Debenture Holders, the outstanding face value of the Debentures (identified in the notice) and accrued Coupon in relation thereto.
Call Notification Time	In the event if the Issuer is desirous of exercising the Call Option, the Issuer shall provide notice to the Debenture Trustee in relation to exercise of the Call Option at least 15 (fifteen) calendar days prior to the Exercise Date.  Upon issuance of the notice, the Issuer shall compulsorily redeem the Debentures (or part thereof) identified in the notice on the relevant Call Option Date by making payment to the relevant Debenture Holders, the outstanding face value of the said Debentures (or part thereof as identified in the notice) and accrued Coupon in relation thereto.
Face Value	Rs. 10,00,000/- (Rupees Ten Lakh Only) per Debenture
Minimum Application size and in multiples of __ thereafter	25 Debentures and in multiples of 1 Debentures thereafter
Issue Timing	Issue Opening Date: July 23, 2014 Issue Closing Date: July 24, 2014 Pay-in Dates: July 23, 2014 to July 24, 2014 Deemed Date of Allotment: July 24, 2014  All documentation including, but not limited to, the Information Memorandum, Board Resolution, Rating Letter, Appointment of Trustees to be completed and made available to the Sole Arranger 1 (One) business day prior to Issue Opening Date.
Issuance mode of the Instrument	Demat only
Trading mode of the Instrument	Demat only
Settlement mode of the Instrument	RTGS
Depositories	NSDL/CDSL
Business Days	Means a day (other than a Saturday, Sunday or a Bank holiday) on which banks are open for general business in Mumbai.
Business Day Convention	If any coupon payment date falls on a day that is not a working day, the payment shall be made on the immediately succeeding working day. If the redemption date/exercise date/ maturity date (also being the last coupon payment date) of the Debentures falls on a day that is not a working day, the redemption proceeds shall be paid on the immediately preceding working day.
Record Date	The date which will be used for determining the Debenture Holders who shall be entitled to receive the amounts due on any Due Date, which shall be the date falling 15 (fifteen) calendar days prior to any Due Date.
Security	The Issue shall be secured by a charge created by the Issuer in favour of the Debenture Trustee (for the benefit of the Debenture Holders)



	<p>being an exclusive first ranking charge by way of hypothecation comprising of the assets of the company as follows :</p> <p>From the Deemed Date of Allotment, the charge shall be created over specific loan receivables / book debt, present and future, representing amounts due from the various borrowers of the Issuer ("<b>Hypothecated Assets</b>"), such that the value of security shall be equal to 1.10 (One Decimal Point One) times the aggregate amount outstanding (principal and interest) of the Debentures ("<b>Security Cover</b>").</p> <p>The Issuer undertakes:</p> <ol style="list-style-type: none"> <li>to maintain the value of Security Cover at all times during the period of the Issue;</li> <li>to register and perfect the security over the Hypothecated Assets by executing a duly stamped Deed of hypothecation ("<b>Deed of Hypothecation</b>") prior to the Deemed Date of Allotment and filing the relevant form immediately and no later than 15 (Fifteen) calendar days from the date of execution of the Deed of Hypothecation;</li> <li>The charge over the Hypothecated Assets is to be created prior to the Deemed Date of Allotment. In the event the Security Cover is not created or has insufficiently created, the proceeds from the Issue are to be placed in an escrow account until the creation of security which shall be no later than one month from the Deemed Date of Allotment. In the event of failure to create the security within one month, the monies are to be reimbursed to the Investors.</li> <li>Commencing from the Deemed Date of Allotment till the Maturity Date, to provide a list, on a monthly basis, of specific loan receivables / identified book debt to the Debenture Trustee and Debenture Holders over which charge is created and subsisting by way of hypothecation in favour of the Debenture Trustee (for the benefit of the Debenture Holders) and sufficient to maintain the Security Cover ("<b>Monthly Hypothecated Asset Report</b>").</li> </ol>
Transaction Documents	Shall be as set out in Clause 7.1 below
Conditions Precedent to Disbursement	<ol style="list-style-type: none"> <li>Execution of Debenture Trustee Agreement, Deed of Hypothecation and Debenture Trust Deed</li> <li>Such other undertaking as may be required from the Company.</li> </ol>
Conditions Subsequent to Disbursement	<ol style="list-style-type: none"> <li>Filing of the relevant documents <i>inter alia</i> private placement offer letter, return of allotment etc. with the ROC within the timelines specified under the rules under the Companies Act, 2013.</li> <li>Completion of listing of Debentures on the stock exchange</li> <li>Filing of the relevant form with the ROC for the registration of charge over the Hypothecated Assets.</li> <li>Execution of any other documents as customary for transaction of a similar nature and size. The Issuer shall also obtain a legal opinion on the enforceability of the Transaction Documents.</li> </ol>
Events of Default	As mentioned in Clause 7.7 below
Provisions related to Cross Default Clause	<p>An event of default shall arise if the Issuer:</p> <p>(A) defaults in any payment of Indebtedness beyond the period of grace if any, provided in the instrument or agreement under which such Indebtedness was created or</p> <p>(B) defaults in the observance or performance of any agreement or condition relating to any Indebtedness the effect of which default or other event or condition is to cause or to permit the holder or holders</p>



	<p>of such Indebtedness to cause (with the giving of notice or the passage of time or both would permit or cause) any such Indebtedness to become due prior to its stated maturity; or</p> <p>(C) due to any default or an event of default, any Indebtedness of the Issuer is declared to be due and payable, or would permit to be prepaid other than by a regularly scheduled required prepayment, (whether or not such right shall have been waived) prior to the stated maturity thereof.</p> <p>"Indebtedness" means any obligation of the Issuer (whether incurred as principal, independent guarantor or as a surety) for the payment or repayment of borrowed money, whether present or future, actual or contingent."</p>
Role and Responsibilities of Debenture Trustee	To oversee and monitor the overall transaction for and on behalf of the Debenture Holders
Covenants	As mentioned in Clause 7.3 below
Representation and warranties	As mentioned in Clause 7.2 below
Illustration of Bond Cashflows	Kindly refer to Annexure VI of this Information Memorandum
Governing Law	The Debentures and documentation will be governed by and construed in accordance with the laws of India and the parties submit to the exclusive jurisdiction of the courts in New Delhi.





## SECTION 7: TRANSACTION DOCUMENTS AND KEY TERMS

### 7.1 Transaction Documents

The following documents shall be executed in relation to the Issue ("Transaction Documents"):

- (a) Debenture Trustee Agreement, which will confirm the appointment of GDA Trusteeship Limited as the Debenture Trustee ("Debenture Trustee Agreement");
- (b) Debenture Trust Deed, which will set out the terms upon which the Debentures are being issued and shall include the representations and warranties and the covenants to be provided by the Issuer ("Debenture Trust Deed");
- (c) Deed of Hypothecation whereby the Issuer will create an exclusive charge by way of hypothecation over Hypothecated Assets in favour of the Debenture Trustee to secure its obligations in respect of the Debentures ("Deed of Hypothecation"); and
- (d) Such other documents as agreed between the Issuer and the Debenture Trustee.

The Transaction Documents shall be executed on or prior to the Issue Closing Date.

### 7.2 Representations and Warranties of the Issuer

The Issuer hereby makes the following representations and warranties and the same shall also be set out in the Transaction Documents.

#### (i) STATUS:

- a. It is a company, duly incorporated, registered and validly existing under the laws of India.
- b. It has the power to own its assets and carry on its business as it is being conducted.

#### (ii) BINDING OBLIGATIONS:

The obligations expressed to be assumed by it under the Transaction Documents are legal, valid, binding and enforceable obligations.

#### (iii) NON-CONFLICT WITH OTHER OBLIGATIONS:

The entry into, and performance by it of, and the transactions contemplated by the Transaction Documents do not and will not conflict with:

- a. any law or regulation applicable to it including but not limited to laws and regulations regarding anti-money laundering or terrorism financing and similar financial sanctions;
- b. its constitutional documents; or
- c. any agreement or instrument binding upon it or any of its assets.

#### (iv) POWER AND AUTHORITY:

It has the power to enter into, perform and deliver, and has taken all necessary action to authorise its entry into, performance and delivery of, the Transaction



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Documents to which it is a party and the transactions contemplated by those Transaction Documents.

**(v) VALIDITY AND ADMISSIBILITY IN EVIDENCE:**

All approvals, authorizations, consents, permits (third party, statutory or otherwise) required or desirable:

- a. to enable it lawfully to enter into, exercise its rights and comply with its obligations in the Transaction Documents to which it is a party;
- b. to make the Transaction Documents to which it is a party admissible in evidence in its jurisdiction of incorporation; and
- c. for it to carry on its business, and which are material, have been obtained or effected and are in full force and effect.

**(vi) NO DEFAULT:**

No Event of Default has currently occurred and is continuing as on the date hereof or would reasonably be expected to result from the execution or performance of any Transaction Documents or the issuance of the Debentures. To the best of the Issuer's knowledge, no other event or circumstance is outstanding which constitutes (or which would, with the lapse of time, the giving of notice, the making of any determination under the relevant document or any combination of the foregoing, constitute) a default or termination event (however described) under any other agreement or instrument which is binding on the Company or any of its assets or which might have a Material Adverse Effect as on the date hereof.

**(vii) PARI PASSU RANKING:**

Its payment obligations under the Transaction Documents rank at least *pari passu* with the claims of all of its other secured creditors, except for obligations mandatorily preferred by law applying to companies generally.

**(viii) NO PROCEEDINGS PENDING:**

There are no litigation, arbitration or administrative proceedings of or before any court, arbitral body or agency which, if adversely determined, may have a Material Adverse Effect, have (to the best of its knowledge and belief) been started against it except as disclosed by the Company in its annual reports, financial statements and this Information Memorandum.

**(ix) NO MISLEADING INFORMATION:**

All information provided by the Issuer to the Debenture Holders for the purposes of this Issue is true and accurate in all material respects as at the date it was provided or as at the date (if any) on which it is stated.

**(x) COMPLIANCE:**

The Company is in compliance with all laws for the performance of its obligations with respect to this Issue including but not limited to environmental, social and taxation related laws, for them to carry on their business.

**(xi) ASSETS:**



Except for the security interests and encumbrances created and recorded with the Ministry of Corporate Affairs (available using CIN: U65921UP1995PTC035286 on the website <http://www.mca.gov.in/MCA21/index.html> under the heading Index of Charges), the Issuer has, free from any security interest or encumbrance, the absolute legal and beneficial title to, or valid leases or licenses of, or is otherwise entitled to use (in each case, where relevant, on arm's length terms), all material assets necessary for the conduct of its business as it is being, and is proposed to be, conducted.

**(xii) FINANCIAL STATEMENTS:**

- a. The Issuer's financial statements most recently supplied to the Debenture Trustee were prepared in accordance with Indian GAAP consistently applied save to the extent expressly disclosed in such financial statements.
- b. The financial statements most recently supplied to the Debenture Trustee as of March 31, 2014 give a true and fair view and represent its financial condition and operations during the relevant financial year save to the extent expressly disclosed in such financial statements.

**(xiii) SOLVENCY:**

- a. The Issuer is able to, and has not admitted its inability to, pay its debts as they mature and has not suspended making payment on any of its debts and it will not be deemed by a court to be unable to pay its debts within the meaning of the applicable laws, nor in any such case, will it become so in consequence of entering into this Issue.
- b. The value of the assets of the Issuer is more than its respective liabilities (taking into account contingent and prospective liabilities) and it has sufficient capital to carry on its business.
- c. As on the date hereof, the Issuer has not taken any corporate action nor has taken any legal proceedings or other procedure or steps in relation to any bankruptcy proceedings.

**7.3 AFFIRMATIVE COVENANTS:-**

**(i) LISTING**

Take all steps necessary to get the Debentures listed within 15 (Fifteen) calendar days from the Deemed Date of Allotment. In case of a delay by the Issuer in listing the Debentures beyond 20 (Twenty) calendar days from the Deemed Date of Allotment the Issuer shall make payment the Debenture Holders of penal interest calculated on the face value of the Debentures at the rate of 1% (One Percent) p.a. over the Coupon Rate from the expiry of 30 (Thirty) calendar days from the Deemed Date of Allotment until the listing of the Debentures. In the event that the NCDs are not listed within 15 (Fifteen) calendar days from the Deemed Date of Allotment for any reason whatsoever, then to the extent that any Debenture Holders are Foreign Institutional Investors or sub-accounts of Foreign Institutional Investors or Qualified Foreign Investors, the Issuer undertakes to immediately redeem and/or buyback any and all Debentures within 2 (two) Business Days of the expiry of the Listing Period.

**(ii) NOTICE OF WINDING UP OR OTHER LEGAL PROCESS**



Promptly inform the Debenture Trustee if it has notice of any application for winding up having been made or any statutory notice of winding up under the provisions of the Companies Act, or any other notice under any other act relating to winding up or otherwise of any suit or other legal process intended to be filed or initiated against the Issuer and affecting the title to the properties of the Issuer or if a receiver is appointed in respect of any of its properties or businesses or undertakings.

**(iii) LOSS OR DAMAGE BY UNCOVERED RISKS**

Promptly inform the Debenture Trustee of any material loss or significant damage which the Issuer may suffer due to any force majeure circumstances such as earthquake, flood, tempest or typhoon, etc. against which the Company may not have insured its properties.

**(iv) ANTI-MONEY LAUNDERING AND EXCLUSION LIST**

(a) Not permit any of the Debenture proceeds to be used to fund any form of violent political activity, terrorists or terrorist organizations, nor any money laundering process or scheme to disguise illegally obtained funds, nor any other criminal activity including arms sales, drug trafficking, robbery, fraud or racketeering.

(b) Not permit any of the Debenture proceeds to be used to fund any activity on the Exclusion List.

*“Exclusion List”* means any activity including 1) production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, PCB's, wildlife or products regulated under CITES, 2) production or trade in weapons and munitions, 3) production or trade in alcoholic beverages (excluding beer and wine), 4) production or trade in tobacco, 5) gambling, casinos and equivalent enterprises, 6) production or trade in radioactive materials (this does not apply to the purchase of medical equipment, quality control (measurement) equipment), 7) production or trade in unbonded asbestos fibers (this does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%), 8) drift net fishing in the marine environment using nets in excess of 2.5 km. in length, 9) production or activities involving harmful or exploitative forms of forced labour, 10) harmful child labour, 11) production, trade, storage, or transport of significant volumes of hazardous chemicals, or commercial scale usage of hazardous chemicals (hazardous chemicals include gasoline, kerosene, and other petroleum products), 12) production or activities that impinge on the lands owned, or claimed under adjudication, by indigenous peoples, without full documented consent of such peoples.

**(v) COSTS AND EXPENSES**

Pay all costs, charges and expenses in any way incurred by the Debenture Trustee towards protection of Debenture Holders' interests, including traveling and other allowances and such taxes, duties, costs, charges and expenses in connection with or relating to the Debentures subject to such expenses, costs or charges being



approved in writing by the Issuer before they are incurred and shall not include any foreign travel costs.

**(vi) PRESERVE CORPORATE STATUS**

Diligently preserve and maintain its corporate existence and status and all rights, contracts privileges, franchises and concessions now held or hereafter acquired by it in the conduct of its business.

**(vii) PAY STAMP DUTY**

Pay all such stamp duty (including any additional stamp duty), other duties, taxes, charges and penalties, if and when the Issuer may be required to pay according to the laws for the time being in force in the state where the Transaction Documents are executed, and in the event of the Issuer failing to pay such stamp duty, other duties, taxes and penalties as aforesaid, the Debenture Trustee will be at liberty (but shall not be bound) to pay the same and the Issuer shall reimburse the same to the Debenture Trustee on demand;

**(viii) FURNISH INFORMATION TO THE TRUSTEE**

(a) The Issuer shall furnish quarterly report to the Debenture Trustee (as may be required in accordance with SEBI guidelines) containing the following particulars –

- Updated list of the names and addresses of the Debenture Holders.
- Details of the Coupon due, but unpaid and reasons thereof.
- The number and nature of grievances received from the Debenture Holders and resolved by the Company.
- A statement that the Hypothecated Assets is sufficient to discharge the claims of the Debenture Holders as and when they become due.

(b) Promptly and expeditiously attend to and redress the grievances, if any, of the Debenture Holders. The Issuer further undertakes that it shall promptly comply with the suggestions and directions that may be given in this regard, from time to time, by the Debenture Trustee and shall advise the Debenture Trustee periodically of the compliance.

(c) Inform and provide the Debenture Trustee with applicable documents in respect of the following:

- notice of any event of default specifying the nature of such event and any steps the Company is taking and proposes to take to remedy the same
- any and all information required to be provided to the Debenture Holders under the listing agreement to be entered into between the Company and the stock exchange on which the Debentures are proposed to be listed.

**(ix) TRANSFER OF UNCLAIMED REDEMPTION AMOUNTS**

The Issuer shall comply with the applicable provisions of the Companies Act relating to transfer of unclaimed / unpaid amounts of interest on Debentures and redemption of Debentures to Investor Education and Protection Fund (IEPF), if applicable to it.





The Issuer hereby further agrees and undertakes that during the currency of the Issue it shall abide by the guidelines/listing requirements if any, issued from time to time by the SEBI/RBI.

**(x) FURTHER ASSURANCES**

The Issuer shall:

- a. execute and/or do, at their own expense, all such deeds, assurances, documents, instruments, acts, matters and things, in such form and otherwise as the Debenture Trustee may reasonably or by law require or consider necessary in relation to enforcing or exercising any of the rights and authorities of the Debenture Trustee;
- b. obtain, comply with the terms of and do all that is necessary to maintain in full force and effect all authorisations necessary to enable it lawfully to enter into and perform its obligations under this Issue or to ensure the legality, validity, enforceability or admissibility in evidence in India of this Issue;
- c. comply with all laws, rules, regulations and guidelines as applicable in respect of the Debentures and obtain such regulatory approvals as may be required from time to time, including but not limited, in relation to the following (i) the Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008, as may be in force from time to time during the currency of the Debentures; and (ii) the provisions of the listing agreement entered into by the Issuer with the BSE in relation to the Debentures;

**(xi) SECURITY**

- a. The Issue shall be secured in favour of the Debenture Trustee (for the benefit of the Debenture Holders) being a first ranking exclusive charge by way of hypothecation comprising of the assets of the company as follows :
  - b. From the Deemed Date of Allotment, the charge shall be created over specific loan receivables / book debt, present and future, representing amounts due from the various borrowers of the Issuer ("**Hypothecated Assets**"), such that the value of security shall be equal to 1.10 (One Decimal Point One Zero) times the aggregate amount of outstanding principal and coupon of the Debentures ("**Security Cover**").
  - c. The Issuer undertakes:
    - I. to maintain the Security Cover at all times, during the period of the Issue;
    - II. to register and perfect the security over the Hypothecated Assets by executing a duly stamped Deed of hypothecation ("**Deed of Hypothecation**") prior to the Deemed Date of Allotment and filing the relevant form immediately and no later than 15 (Fifteen) calendar days from the date of execution of the Deed of Hypothecation;
    - III. The charge over the Hypothecated Assets is to be created prior to the Deemed Date of Allotment. In the event the Security Cover is not created or has insufficiently created, the proceeds from the Issue are to be placed in an escrow account until the creation of security which shall be no later than one month from the Deemed Date of Allotment. In the event of failure to create the security within one month, the monies are to be reimbursed to the





Investors.

- IV. Commencing from the Deemed Date of Allotment till the Maturity Date, to provide a list, on a monthly basis, of specific loan receivables / identified book debt to the Debenture Trustee and Debenture Holders over which charge is created and subsisting by way of hypothecation in favour of the Debenture Trustee (for the benefit of the Debenture Holders) and sufficient to maintain the Security Cover ("**Monthly Hypothecated Asset Report**").
- V. On and from the fifteen day after the Deemed Date of Allotment and until the Maturity Date, the Company shall, on the Security Cover being diminished within 30 (thirty) calendar days, add fresh micro finance loan assets to the secured assets (under the Deed of Hypothecation) so as to maintain the Security Cover.
- VI. The Company shall, on an half yearly basis, as also whenever required by the Trustee, give full particulars to the Trustee of all the moveable assets of the charge from time to time and shall furnish and verify all statements, reports, returns, certificates and information from time to time and as required by the Trustee and make furnish and execute all necessary documents to give effect to this security; and
- VII. Nothing contained herein shall prejudice the rights or remedies of the Trustee and/ or the Debenture Holders in respect of any present or future security, guarantee obligation or decree for any indebtedness or liability of the Company to the Trustee and/ or the Debenture Holders.

#### **7.4 NEGATIVE COVENANTS:-**

Without the prior written permission of the Debenture Trustee, the Company shall not take any action in relation to the items set out in this Clause. The Debenture Trustee shall give its prior written approval/dissent within 15 (fifteen) Business Days after having received a request to give its approval provided such request is accompanied by the relevant information substantiating the request for the Debenture Holders to make a conscious discussion. The Debenture Trustee shall take the consent of the Majority Debenture Holders prior to any such approval/dissent.

##### **(i) CHANGE OF BUSINESS**

Change the general nature of its business from that which is permitted under the 'Non-Banking Financial Company-Micro Finance Institutions' directions issued by the RBI.

##### **(ii) CONSTITUTIONAL DOCUMENTS**

Change its articles of incorporation or organizational documents in any material way which would prejudicially affect the interests of the Debenture Holders.

##### **(iii) DIVIDEND**

Declare or pay any dividend to its shareholders during any financial year unless it has paid all the dues to the Debenture Holders/Debenture Trustee up to the date on which the dividend is proposed to be declared or paid or has made satisfactory provisions therefor provided that such dividend shall be declared and/or paid only from income earned from the financial year in which such dividend has been



declared and/or paid and so long as no Event of Default exists or would result therefrom.

**(iv) MERGER, CONSOLIDATION, ETC.**

Undertake or permit any merger, consolidation, re-organisation, scheme of arrangement or compromise with its creditors or shareholders or effect any scheme of amalgamation or reconstruction.

**(v) CHANGE OF CONTROL**

Issue any additional shares or equity interests and shall not have its existing shares or equity interests transferred, sold, pledged or otherwise encumbered, if such action results in the owners or holders of such existing shares and equity interests having less than 80% (Eighty percent) of the total voting power and economic interests in the Company.

If the written consent of the Debenture Trustee / the Majority Debenture Holder(s), is withheld for the proposed change of control, the Company, upon the instructions of the Debenture Trustee shall redeem the Debentures forthwith within 45 (Forty five) days of receiving such written instructions from the Debenture Trustee, and the Issuer shall pay a penalty of 2% (Two percent) on the principal outstanding to the Debenture Holders.

**(vi) DISPOSAL OF ASSETS**

Sell, transfer, or otherwise dispose of in any manner whatsoever any material assets of the Issuer, other than in ordinary course of business including any securitization / portfolio sale of assets undertaken by the Issuer in its ordinary course of business.

**7.5 FINANCIAL COVENANTS AND ADDITIONAL COVENANTS:-**

- (i) The Issuer shall at all times until the redemption of all outstanding Debentures, maintain a ratio of the sum of Portfolio At Risk over 30 (Thirty) days plus Restructured Loans divided by the Outstanding Portfolio of not greater than 7% (Seven Percent).
- (ii) The Issuer shall at all times until the redemption of all outstanding Debentures, maintain a ratio of the sum of Portfolio At Risk over 30 (Thirty) days divided by the Outstanding Portfolio of not greater than 5% (Five Percent).
- (iii) The Issuer shall at all times until the redemption of all outstanding Debentures, maintain a ratio of the sum of Portfolio At Risk over 30 (Thirty) days plus Restructured Loans minus Loan Loss Reserves divided by the Equity of not greater than 20% (Twenty Percent).
- (iv) The Issuer shall at all times until the redemption of all outstanding Debentures, ensure that any short position for any three month period (taken cumulatively), including all positions of the previous three month periods shall be no more than 100% of Equity.
- (v) The Issuer shall at all times until the redemption of all outstanding Debentures, maintain Capital Adequacy Ratio calculated as per the applicable RBI regulations for non banking financial institutions of at least 15% (Fifteen percent).
- (vi) The Issuer shall at all times until the redemption of all outstanding Debentures, maintain a ratio of Adjusted Return on Assets (net of donations) greater than 0.5% (Zero Decimal Point Five percent) over a period comprising the preceding 12 (twelve) months. (Adjusted for 100% provisioning of PAR 30).



- (vii) The Issuer shall at all times until the redemption of all outstanding Debentures, maintain a ratio of Foreign-Currency Assets minus Foreign-Currency Liabilities divided by Equity of not greater than 50% (Fifty Percent) for both the long and the short position.

For the purpose of this aforesaid clause, the following definitions may be relied upon:

*“Adjusted Return on Assets”* for any period means (x) the Company’s Net Income over the preceding period plus Loan Loss Reserves less the sum of Portfolio at Risk over 30 days divided by (y) its average Assets over that same period.

*“Client Loan”* means each loan made by the Company as a lender.

*“Loan Loss Reserves”* means the portion of the Company’s portfolio of Client Loans that has been expensed (provisioned for) in anticipation of losses due to default.

*“Outstanding Portfolio”* means the outstanding principal balance of all of the Company’s outstanding Client Loans including current, delinquent and restructured Client Loans, but not including Charge-Offs. It does not include interest receivables and accrued interest.

*“Restructured Loans”* means the total amount of Client Loans for which the initial repayment schedule has been modified in favour of the Company’s client, either through modifications of the prior loan contract or through a new loan contract.

*“Portfolio at Risk”* shall mean the outstanding principal amount of all Client Loans that have one or more instalments of principal, interest, penalty interest, fees or any other expected payments past due more than a specified number of days.

*“Foreign Currency”* means a currency other than the Indian National Rupee.

*“Foreign-Currency Asset”* means any asset of the Company consisting of a loan, deposit, claim or other asset that by its terms is payable in Foreign Currency.

*“Foreign-Currency Liability”* means any liability of the Company consisting of a loan, deposit, claim or other liability that by its terms is payable in Foreign Currency; provided that a loan payable in Foreign Currency that is indexed to the domestic currency of the Company or that is hedged against exchange rate fluctuations with the domestic currency of the Company shall not be considered a Foreign-Currency Liability. A loan payable in Foreign Currency that is hedged through back-to-back arrangements will be considered a Foreign-Currency Liability.

## **7.6 REPORTING COVENANTS**

The Issuer shall provide or cause to be provided to the Debenture Trustee, in form and substance reasonably satisfactory to the Debenture Trustee, each of the following items:

- (i) As soon as available and in any event within 20 (twenty) calendar days after the end of each calendar month, the monthly reporting (*in a format which shall be provided by the Debenture Holder from time to time*), such information relevant to the Issue in form and substance satisfactory to the Debenture Trustee.
- (ii) As soon as available and in any event within 30 (thirty) calendar days after the end of each quarterly reporting period of the Company, the quarterly reporting (*in*



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*a format which shall be provided by the Debenture Holder from time to time), such information relevant to the Issue in form and substance satisfactory to the Debenture Trustee required and in form and substance satisfactory to the Debenture Trustee.*

- (iii) As soon as available and in any event within 30 (thirty) calendar days after any change in the shareholding structure of the Company, an updated report reflecting the changes with respect to all of the Company's beneficial owners, as appropriate.
- (iv) As soon as available, and in any event within 180 (One Hundred and Eighty) calendar days after the end of each fiscal year of the Company:
  - a. certified copies of its audited standalone and consolidated (if any) financial statements for its most recently completed fiscal year, prepared in accordance with generally accepted accounting principles in its jurisdiction including its balance sheet, income statement, statement of cash flow and a list comprising all material financial liabilities of the Issuer whether absolute or contingent.
  - b. such additional information or documents relating to the Issue as the Debenture Trustee may reasonably request
- (v) As soon as practicable, and in any event within 5 (five) Business Days after the Company obtains actual knowledge, notice of the occurrence of any event or circumstance that could reasonably be expected to result in a Material Adverse Effect.
- (vi) As soon as practicable, and in any event within 5 (five) Business Days after the Company knew or received, notice of any dispute, litigation, investigation or other proceeding affecting the Company or its property or operations, which, if adversely determined, could result in a Material Adverse Effect.
- (vii) As soon as practicable, and in any event within 5 (five) Business Days after the Company obtains actual knowledge thereof, notice of the occurrence of any event which constitutes an Event of Default specifying the nature of such event and any steps the Company is taking and proposes to take to remedy the same.
- (viii) As soon as practicable, and in any event within 5 (five) Business Days after such prepayment, notice of any prepayment of any Indebtedness of the Company.
- (ix) On or prior to the 20<sup>th</sup> (Twentieth) day of each month a report certifying the calculation of financial covenant ratios set forth in this Information Memorandum for the prior month.
- (x) The Company will permit the Debenture Trustee to examine the relevant books and records of the Company all upon reasonable prior notice and at such reasonable times and intervals as the Debenture Trustee may reasonably request.
- (xi) The Company shall provide or cause to be provided to the Debenture Trustee, in form and substance reasonably satisfactory to the Debenture Trustee, such additional documents or information as the Debenture Trustee may reasonably request from time to time in relation to the Issue.
- (xii) Inform the Debenture Trustee of any major change in the composition of its Board of Directors, which may amount to change in Control as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.



(xiii) The Issuer shall file with the recognized stock exchange for dissemination, within one month from the end of half years September and March, a half-yearly communication, counter signed by the Debenture Trustee, containing inter-alia the following information:

- (I) *credit rating;*
- (II) *asset cover available accompanied with a half yearly certificate regarding maintenance of 110% security cover in respect of the Debentures, by either a practicing company secretary or a practicing chartered accountant, within one month from the end of the half year;*
- (III) *debt-equity ratio accompanied with a certificate of a practicing chartered accountant confirming the said debt-equity ratio;*
- (IV) *previous due date for the payment of coupon/principal and whether the same has been paid or not; and*
- (V) *next due date for the payment of coupon/principal.*

### **7.7 EVENTS OF DEFAULT**

Each of the following shall constitute an Event of Default with respect to the Debentures and shall be set out in the Transaction Documents.

- a. The Issuer does not pay on the Due Date(s) any amount payable pursuant to the Trust Deed (whether at scheduled maturity, by acceleration, as a result of Debenture Holders exercising the Put Option or otherwise) at the place at and in the currency in which it is expressed to be payable, unless its failure to pay is caused by administrative or technical error and payment is made within 7 (Seven) Business Days of its due date;
- b. Except for the event contained in clause 7.7 a above, the breach of any covenant, obligation, representation or warranty of the Issuer and any other obligations of the Issuer under the Transaction Documents and such breach has continued for a period of 30 (Thirty) Business Days;
- c. The Issuer admits in writing its inability to pay its debts as they fall due or suspends making payments on any of its debts or by reason of actual financial difficulties commences negotiations with one or more creditors with a view to rescheduling its indebtedness;
- d. Any representation or warranty made by the Issuer in any Transaction Document or in any certificate, financial statement or other document delivered to the Debenture Trustee /Debenture Holders by the Issuer shall prove to have been incorrect, false or misleading in any material respect when made or deemed made.
- e. If the Issuer, in regards to any Indebtedness: (A) defaults in any payment of Indebtedness beyond the period of grace if any, provided in the instrument or agreement under which such Indebtedness was created or (B) defaults in the observance or performance of any agreement or condition relating to any Indebtedness the effect of which default or other event or condition is to cause or to permit the holder or holders of such Indebtedness to cause (with the giving of notice or the passage of time or both would permit or cause) any such Indebtedness to become due prior to its stated maturity; or (C) due to any default or an event of default, any Indebtedness of the Issuer is declared to be due and payable, or would permit to be prepaid other than by a regularly





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scheduled required prepayment, (whether or not such right shall have been waived) prior to the stated maturity thereof;

- f. There shall have occurred a change in the business, operations, property, assets, liabilities, condition (financial or otherwise) or prospects of the Issuer since the date hereof that has resulted in a Material Adverse Effect and such Material Adverse Effect has not been remedied or rectified for a period of 30 (Thirty) Business days.
- g. Any expropriation, attachment, sequestration, distress or execution affects any Asset or Assets of the Issuer having an aggregate value of 5% (Five percent) of the total assets of the Issuer and is not discharged within 30 (Thirty) calendar days or as given in the said order.
- h. One or more judgments or decrees shall be entered against the Issuer involving a liability (not paid or not covered by a reputable and solvent insurance company), individually or in the aggregate, exceeding 5% (Five percent) of the total Assets of such person and such judgments or decrees either shall be final and non-appealable or shall not be vacated, discharged or stayed pending appeal for any period of 30 (Thirty) calendar days.
- i. Any corporate action, legal proceedings or other procedure or step is taken in relation :
  - (a) the suspension of payments, a moratorium of any indebtedness, winding-up, dissolution, administration or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) of the Company;
  - (b) composition, compromise, assignment or arrangement with any creditor of the Company;
  - (c) the appointment of a liquidator, receiver or similar other officer in respect of the Issuer, a composition, compromise, assignment or arrangement with any creditor of the Issuer,
  - (d) enforcement of any security over any assets of the Issuer or any analogous procedure or step is taken in any jurisdiction
  - (e) any other event occurs or proceeding is instituted that under any applicable law would have an effect analogous to any of the events listed in clauses (a), (b), (c) and (d) above.
- j. This Information Memorandum or any other Transaction Document in whole or in part, becomes invalid or ceases to be a legally valid, binding and enforceable obligation of the Issuer.
- k. It is or becomes unlawful for the Issuer to perform any of its obligations under the Transaction Documents and/or any obligation or obligations of the Issuer under any Transaction Document are not or cease to be valid, binding or enforceable.
- l. The Issuer repudiates any of the Transaction Documents, or evidences an intention to repudiate any of the Transaction Documents
- m. The value of the Hypothecated Assets is insufficient to maintain the Security Cover and Issuer fails to maintain the Security Cover within the stipulated timelines in the Deed of Hypothecation; and





- n. Any of the Transaction Documents failing to provide the security interests, rights, title, remedies, powers or privileges intended to be created thereby (including the priority intended to be created thereby), or such security interests failing to have the priority contemplated under the Transaction Documents, or the security interests becoming unlawful, invalid or unenforceable.

#### **7.8 CONSEQUENCES OF EVENTS OF DEFAULT**

On and at any time after the occurrence of an Event of Default, unless such Event of Default at the request of the Company is expressly waived by the Debenture Trustee acting on the instructions of the Debenture Holder(s), (a) upon the expiry of the cure period provided to the Company, or (b) if the cure period provided is mutually extended by the Parties hereto upon the expiry of such extended period or (c) where it is not practical to provide a cure period, then forthwith, or (d) where no cure period has been provided and the parties mutually agree to provide for a cure period, upon the expiry of such mutually agreed to cure period, the Debenture Trustee shall if so directed by the Majority Debenture Holder(s):

- (i) declare that all or part of the obligations be immediately due and payable, whereupon they shall become immediately due and payable;
- (ii) accelerate the redemption of the Debentures;
- (iii) enforce the charge over the Hypothecated Assets in accordance with the terms of the Deed of Hypothecation; and/or
- (iv) exercise any other right that the Debenture Trustee and / or Debenture Holder(s) may have under the Transaction Documents or under Indian law.



## **SECTION 8: OTHER INFORMATION AND APPLICATION PROCESS**

The Debentures being offered as part of the Issue are subject to the provisions of the Act, the Memorandum and Articles of Association of the Issuer, the terms of this Information Memorandum, Application Form and other terms and conditions as may be incorporated in the Transaction Documents.

### **8.1 Mode of Transfer/Transmission of Debentures**

The Debentures shall be transferable freely; however, it is clarified that no Investor shall be entitled to transfer the Debentures to a person who is not entitled to subscribe to the Debentures. The Debenture(s) shall be transferred and/or transmitted in accordance with the applicable provisions of the Act and other applicable laws. The Debentures held in dematerialized form shall be transferred subject to and in accordance with the rules/procedures as prescribed by NSDL/CDSL and the relevant DPs of the transferor or transferee and any other applicable laws and rules notified in respect thereof. The transferee(s) should ensure that the transfer formalities are completed prior to the Record Date. In the absence of the same, amounts due will be paid/redemption will be made to the person, whose name appears in the register of debenture holders maintained by the R&T Agent as on the Record Date, under all circumstances. In cases where the transfer formalities have not been completed by the transferor, claims, if any, by the transferees would need to be settled with the transferor(s) and not with the Issuer. The normal procedure followed for transfer of securities held in dematerialized form shall be followed for transfer of these Debentures held in dematerialised form. The seller should give delivery instructions containing details of the buyer's DP account to his DP.

### **8.2 Debentures held in Dematerialised Form**

The Debentures shall be held in dematerialised form and no action is required on the part of the Debenture Holder(s) for redemption purposes and the redemption proceeds will be paid by cheque/fund transfer/RTGS to those Debenture Holder(s) whose names appear on the list of beneficiaries maintained by the R&T Agent. The names would be as per the R&T Agent's records on the Record Date fixed for the purpose of redemption. All such Debentures will be simultaneously redeemed through appropriate debit corporate action.

The list of beneficiaries as of the Record Date setting out the relevant beneficiaries' name and account number, address, bank details and DP's identification number will be given by the R&T Agent to the Issuer. If permitted, the Issuer may transfer payments required to be made in any relation by EFT/RTGS to the bank account of the Debenture Holder(s) for redemption payments.

### **8.3 Trustee for the Debenture Holder(s)**

The Issuer has appointed GDA Trusteeship Limited to act as trustee for the Debenture Holder(s). The Issuer and the Debenture Trustee intends to enter into the Debenture Trustee Agreement and the Debenture Trust Deed *inter alia*, specifying the powers, authorities and obligations of the Debenture Trustee and the Issuer. The Debenture Holder(s) shall, without further act or deed, be deemed to have irrevocably given their consent to the Debenture Trustee or any of its agents or authorized officials to do all such acts, deeds, matters and things in respect of or relating to the Debentures as the Debenture Trustee may in its absolute discretion deem necessary or require to be done in the interest of the Debenture Holder(s). Any payment made by the Issuer to the Debenture Trustee on behalf of the Debenture Holder(s) shall discharge the Issuer *pro tanto* to the Debenture Holder(s). The Debenture Trustee will protect the interest of the Debenture Holder(s) in regard to the repayment of



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principal and yield thereon and they will take necessary action, subject to and in accordance with the Debenture Trust Agreement and the Debenture Trust Deed, at the cost of the Issuer. No Debenture Holder shall be entitled to proceed directly against the Issuer unless the Debenture Trustee, having become so bound to proceed, fails to do so. The Debenture Trust Agreement and the Debenture Trust Deed shall more specifically set out the rights and remedies of the Debenture Holder(s) and the manner of enforcement thereof.

### **8.4 Sharing of Information**

The Issuer may, at its option, but subject to applicable laws, use on its own, as well as exchange, share or part with any financial or other information about the Debenture Holder(s) available with the Issuer, with its subsidiaries and affiliates and other banks, financial institutions, credit bureaus, agencies, statutory bodies, as may be required and neither the Issuer nor its subsidiaries and affiliates nor their agents shall be liable for use of the aforesaid information.

### **8.5 Debenture Holder not a Shareholder**

The Debenture Holder(s) shall not be entitled to any right and privileges of shareholders other than those available to them under the Act. The Debentures shall not confer upon the Debenture Holders the right to receive notice(s) or to attend and to vote at any general meeting(s) of the shareholders of the Issuer.

### **8.6 Modification of Debentures**

The Debenture Trustee and the Issuer will agree to make any modifications in the Information Memorandum which in the opinion of the Debenture Trustee is of a formal, minor or technical nature or is to correct a manifest error.

Any other change or modification to the terms of the Debentures shall require approval by the Majority Debenture Holders.

For the avoidance of doubt, the following matters require the consent of Majority Debenture Holders, either by providing their express consent in writing or by way of a resolution at a duly convened meeting of the Debenture Holders:

- (a) Creating of any additional security; and
- (b) Amendment to the terms and conditions of the Debentures or the Transaction Documents.

### **8.7 Right to accept or reject Applications**

The Board of Directors/Committee of Directors reserves its full, unqualified and absolute right to accept or reject any application for subscription to the Debentures, in part or in full, without assigning any reason thereof.

### **8.8 Notices**

Any notice may be served by the Issuer/ Debenture Trustee upon the Debenture Holders through registered post, recognized overnight courier service, hand delivery or by facsimile transmission addressed to such Debenture Holder at its/his registered address or facsimile number.

All notice(s) to be given by the Debenture Holder(s) to the Issuer/ Debenture Trustee shall be sent by registered post, recognized overnight courier service, hand delivery or by facsimile transmission to the Issuer or to such persons at such address/ facsimile number as may be



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notified by the Issuer from time to time through suitable communication. All correspondence regarding the Debentures should be marked "Private Placement of Debentures".

Notice(s) shall be deemed to be effective (a) in the case of registered mail, 3 (three) calendar days after posting; (b) 1 (One) Business Day after delivery by recognized overnight courier service, if sent for next Business Day delivery; (c) in the case of facsimile at the time when dispatched with a report confirming proper transmission or (d) in the case of personal delivery, at the time of delivery.

**8.9 Issue Procedure**

Only Eligible Investors as given hereunder and identified upfront by the Issuer may apply for the Debentures by completing the Application Form in the prescribed format in block letters in English as per the instructions contained therein. The minimum number of Debentures that can be applied for and the multiples thereof shall be set out in the Application Form. No application can be made for a fraction of a Debenture. Application Forms should be duly completed in all respects and applications not completed in the said manner are liable to be rejected. The name of the applicant's bank, type of account and account number must be duly completed by the applicant. This is required for the applicant's own safety and these details will be printed on the refund orders and /or redemptions warrants.

The applicant should transfer payments required to be made in any relation by EFT/RTGS, to the bank account of the Issuer as per the details mentioned in the Application Form.

**8.10 Application Procedure**

Eligible investors will be invited to subscribe by way of the Application Form prescribed in the Information Memorandum during the period between the Issue Opening Date and the Issue Closing Date (both dates inclusive). The Issuer reserves the right to change the issue schedule including the Deemed Date of Allotment at its sole discretion, without giving any reasons or prior notice. The Issue will be open for subscription during the banking hours on each day during the period covered by the Issue Schedule.

**8.11 Fictitious Application**

All fictitious applications will be rejected.

**8.12 Basis of Allotment**

Notwithstanding anything stated elsewhere, Issuer reserves the right to accept or reject any application, in part or in full, without assigning any reason. Subject to the aforesaid, in case of over subscription, priority will be given to Investors on a first come first serve basis. The investors will be required to remit the funds as well as submit the duly completed Application Form along with other necessary documents to Issuer by the Deemed Date of Allotment.

**8.13 Payment Instructions**

The Application Form should be submitted directly or through the Sole Arranger. The entire amount of Rs. 10,00,000/- (Rupees Ten Lakh only) per Debenture is payable along with the making of an application. Applicants can remit the application amount through RTGS on Pay-in Date. The RTGS details of the Issuer are as under:

Beneficiary Name: Sonata Finance Private Limited  
Bank Account No. : 188731100000016  
SWIFT Code: ANDBINBB



IFSC CODE : ANDBN0001887  
Bank Name : ANDHRA Bank  
Branch Address : Civil Lines, Allahabad

#### **8.14 Eligible Investors**

The following categories of Investors, who have been specifically approached and have been identified upfront, are eligible to apply for this private placement of Debentures subject to fulfilling their respective investment norms/rules and compliance with laws applicable to them by submitting all the relevant documents along with the Application Form:

- (a) Mutual Funds
- (b) Non-banking financial companies
- (c) Provident Funds and Pension Funds
- (d) Corporates
- (e) Banks
- (f) Foreign Institutional Investors (FIIs)
- (g) Qualified Foreign Investors (QFIs)
- (h) Insurance Companies
- (i) Investment holding companies of high net worth individuals
- (j) Any other person eligible to invest in the Debentures

All Investors are required to comply with the relevant regulations/guidelines applicable to them for investing in this issue of Debentures.

**Note:** Participation by potential investors in the issue may be subject to statutory and/or regulatory requirements applicable to them in connection with subscription to Indian securities by such categories of persons or entities. Applicants are advised to ensure that they comply with all regulatory requirements applicable to them, including exchange controls and other requirements. Applicants ought to seek independent legal and regulatory advice in relation to the laws applicable to them.

The Debentures are and have been placed on a private placement basis and shall not be issued to more than forty nine (49) Eligible Investors

#### **8.15 Procedure for Applying for Dematerialised Facility**

- (a) The applicant must have at least one beneficiary account with any of the DP's of NSDL/CDSL prior to making the application.
- (b) The applicant must necessarily fill in the details (including the beneficiary account number and DP - ID) appearing in the Application Form under the heading "Details for Issue of Debentures in Electronic/Dematerialised Form".
- (c) Debentures allotted to an applicant will be credited to the applicant's respective beneficiary account(s) with the DP.
- (d) For subscribing to the Debentures, names in the Application Form should be identical to those appearing in the details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details maintained with the DP.
- (e) Non-transferable allotment advice/refund orders will be directly sent to the applicant by the Registrar and Transfer Agent to the Issue.





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- (f) If incomplete/incorrect details are given under the heading "Details for Issue of Debentures in Electronic/Dematerialised Form" in the Application Form, it will be deemed to be an incomplete application and the same may be held liable for rejection at the sole discretion of the Issuer.
- (g) For allotment of Debentures, the address, nomination details and other details of the applicant as registered with his/her DP shall be used for all correspondence with the applicant. The applicant is therefore responsible for the correctness of his/her demographic details given in the Application Form vis-à-vis those with his/her DP. In case the information is incorrect or insufficient, the Issuer would not be liable for the losses, if any.
- (h) The redemption amount or other benefits would be paid to those Debenture Holders whose names appear on the list of beneficial owners maintained by the R&T Agent as on the Record Date. In case of those Debentures for which the beneficial owner is not identified in the records of the R&T Agent as on the Record Date, the Issuer would keep in abeyance the payment of the redemption amount or other benefits, until such time that the beneficial owner is identified by the R&T Agent and conveyed to the Issuer, whereupon the redemption amount and benefits will be paid to the beneficiaries, as identified.

**8.16 Depository Arrangements**

The Issuer shall make necessary arrangement with CDSL and NSDL for issue and holding of Debenture in dematerialised form.

**8.17 List of Beneficiaries**

The Issuer shall request the R&T Agent to provide a list of beneficiaries as at the end of each Record Date. This shall be the list, which will be used for payment or repayment of redemption monies.

**8.18 Application under Power Of Attorney**

A certified true copy of the power of attorney or the relevant authority as the case may be along with the names and specimen signature(s) of all the authorized signatories of the Investor and the tax exemption certificate/document of the Investor, if any, must be lodged along with the submission of the completed Application Form. Further modifications/additions in the power of attorney or authority should be notified to the Issuer or to its agents or to such other person(s) at such other address(es) as may be specified by the Issuer from time to time through a suitable communication.

In case of an application made by companies under a power of attorney or resolution or authority, a certified true copy thereof along with memorandum and articles of association and/or bye-laws along with other constitutional documents must be attached to the Application Form at the time of making the application, failing which, the Issuer reserves the full, unqualified and absolute right to accept or reject any application in whole or in part and in either case without assigning any reason thereto. Names and specimen signatures of all the authorized signatories must also be lodged along with the submission of the completed Application Form.

**8.19 Procedure for application by Mutual Funds and Multiple Applications**

In case of applications by mutual funds and venture capital funds, a separate application must be made in respect of each scheme of an Indian mutual fund/venture capital fund registered





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with the SEBI and such applications will not be treated as multiple application, provided that the application made by the asset management company/trustee/custodian clearly indicated their intention as to the scheme for which the application has been made.

The application forms duly filled shall clearly indicate the name of the concerned scheme for which application is being made and must be accompanied by certified true copies of

- (a) SEBI registration certificate
- (b) Resolution authorizing investment and containing operating instructions
- (c) Specimen signature of authorized signatories

### **8.20 Documents to be provided by Investors**

Investors need to submit the following documents, as applicable

- (a) Memorandum and Articles of Association or other constitutional documents
- (b) Resolution authorising investment
- (c) Power of Attorney to custodian
- (d) Specimen signatures of the authorised signatories
- (e) SEBI registration certificate (for Mutual Funds)
- (f) Copy of PAN card
- (g) Application Form (including RTGS details)

### **8.21 Applications to be accompanied with Bank Account Details**

Every application shall be required to be accompanied by the bank account details of the applicant and the magnetic ink character reader code of the bank for the purpose of availing direct credit of redemption amount and all other amounts payable to the Debenture Holder(s) through EFT/RTGS.

### **8.22 Succession**

In the event of winding-up of the holder of the Debenture(s), the Issuer will recognize the executor or administrator of the concerned Debenture Holder(s), or the other legal representative as having title to the Debenture(s). The Issuer shall not be bound to recognize such executor or administrator or other legal representative as having title to the Debenture(s), unless such executor or administrator obtains probate or letter of administration or other legal representation, as the case may be, from a court in India having jurisdiction over the matter.

The Issuer may, in its absolute discretion, where it thinks fit, dispense with production of probate or letter of administration or other legal representation, in order to recognize such holder as being entitled to the Debenture(s) standing in the name of the concerned Debenture Holder on production of sufficient documentary proof and/or an indemnity.

### **8.23 Mode of Payment**

All payments must be made through EFT/RTGS as set out in the Application Form.

### **8.24 Effect of Holidays**

In case any Due Date falls on a day which is not a Business Day the payment to be made on such Due Date shall be made on the next Business Day, except where the Redemption Date falls on a day which is not a Business Day, in which case all payments to be made on the Redemption Date (including accrued Coupon), shall be made on the immediately preceding Business Day.

### **8.25 Tax Deduction at Source**



Tax as applicable under the Income Tax Act, 1961, or any other statutory modification or re-enactment thereof will be deducted at source. For seeking TDS exemption/lower rate of TDS, relevant certificate/document must be lodged by the debenture holders at the office of the Registrar & Transfer Agents of the Company at least 15 (Fifteen) days before the relevant payment becoming due. Tax exemption certificate / declaration of non deduction of tax at source on interest on application money, should be submitted along with the Application Form.

If any payments under this issuance is subject to any tax deduction other than such amounts as are required as per current regulations existing as on the date of the Debenture Trust Deed, including if the Company shall be required legally to make any payment for Tax from the sums payable under the Debenture Trust Deed, ("Tax Deduction"), the Company shall make such Tax Deduction, and shall simultaneously pay to the Debenture Holders such additional amounts as may be necessary in order that the net amounts received by the Debenture Holders after the Tax Deduction shall equal the respective amounts which would have been receivable by the Debenture Holders in the absence of such Tax Deduction.

#### **8.26 Letters of Allotment**

The letter of allotment, indicating allotment of the Debentures, will be credited in dematerialised form within 2 (Two) Business Days from the Deemed Date of Allotment. The aforesaid letter of allotment shall be replaced with the actual credit of Debentures, in dematerialised form, within 7 (Seven) Business Days from the Deemed Date of Allotment.

#### **8.27 Deemed Date of Allotment**

All the benefits under the Debentures will accrue to the Investor from the specified Deemed Date of Allotment. The Deemed Date of Allotment for the Issue is July 10, 2014 by which date the Investors would be intimated of allotment.

#### **8.28 Record Date**

The Record Date will be 15 (Fifteen) calendar days prior to any Due Date.

#### **8.29 Refunds**

For applicants whose applications have been rejected or allotted in part, refund orders will be dispatched within 7 (Seven) days from the Deemed Date of Allotment of the Debentures.

In case the Issuer has received money from applicants for Debentures in excess of the aggregate of the application money relating to the Debentures in respect of which allotments have been made, the Registrar shall upon receiving instructions in relation to the same from the Issuer repay the moneys to the extent of such excess, if any.

#### **8.30 Interest on Application Money**

Interest shall be payable on all application monies received at the Coupon Rate of 14.75% (Fourteen Decimal Point Seven Five Percent) per annum from the date of realization of the application monies by the Issuer until the Deemed Date of Allotment and the same shall be paid to the relevant Investors within 7 (Seven) Business Days from the Deemed Date of Allotment.

#### **8.31 PAN Number**



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Every applicant should mention its Permanent Account Number ("PAN") allotted under Income Tax Act, 1961, on the Application Form and attach a self attested copy as evidence. Application forms without PAN will be considered incomplete and are liable to be rejected.

**8.32 Payment on Redemption**

Payment on redemption will be made by way of cheque(s)/redemption warrant(s)/demand draft(s)/credit through RTGS system/funds transfer in the name of the Debenture Holder(s) whose names appear on the list of beneficial owners given by the Depository to the Issuer as on the Record Date.

The Debentures shall be taken as discharged on payment of the redemption amount by the Issuer on maturity to the registered Debenture Holder(s) whose name appears in the Register of Debenture Holder(s) on the Record Date. On such payment being made, the Issuer will inform NSDL/CDSL and accordingly the account of the Debenture Holder(s) with NSDL/CDSL will be adjusted.

On the Issuer dispatching the amount as specified above in respect of the Debentures, the liability of the Issuer shall stand extinguished.

**Disclaimer:** Please note that only those persons to whom this memorandum has been specifically addressed are eligible to apply. However, an application, even if complete in all respects, is liable to be rejected without assigning any reason for the same. The list of documents provided above is only indicative, and an investor is required to provide all those documents / authorizations / information, which are likely to be required by the Issuer. The Issuer may, but is not bound to revert to any investor for any additional documents / information, and can accept or reject an application as it deems fit. Investment by investors falling in the categories mentioned above are merely indicative and the Issuer does not warrant that they are permitted to invest as per extant laws, regulations, etc. Each of the above categories of investors is required to check and comply with extant rules/regulations/ guidelines, etc. governing or regulating their investments as applicable to them and the Issuer is not, in any way, directly or indirectly, responsible for any statutory or regulatory breaches by any investor, neither is the Issuer required to check or confirm the same.



**SECTION 9: DECLARATION**

The Issuer declares that all the relevant provisions in the regulations/guidelines issued by SEBI and other applicable laws have been complied with and no statement made in this Information Memorandum is contrary to the provisions of the regulations/guidelines issued by SEBI and other applicable laws, as the case may be. The information contained in this Information Memorandum is as applicable to privately placed debt securities and subject to information available with the Issuer. The extent of disclosures made in the Information Memorandum is consistent with disclosures permitted by regulatory authorities to the issue of securities made by the companies in the past.

For Sonata Finance Private Limited



Authorised Signatory

Name: Anup Kumar Singh

Title: Managing Director

Date: July 21<sup>st</sup>, 2014

Anup Kumar Singh  
(Managing Director)  
SONATA Finance Pvt. Ltd.



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**ANNEXURE 1: TERM SHEET**

**AS PER CLAUSE 6.21 ISSUE DETAILS**



ANNEXURE II: RATING LETTER & RATING RATIONALE



Sonata Finance Private Limited

Instrument	Amount (in Rs crores)	Rating Action
Non Convertible Debentures	50	May 14 [ICRA]BBB- (stable) assigned

ICRA has assigned [ICRA]BBB- (pronounced ICRA triple B minus) rating with a stable outlook to the Rs 50 crore Non Convertible Debentures (NCD) Programme of Sonata Finance Private Limited (Sonata). ICRA also has [ICRA]BBB- (Stable) rating outstanding for Rs 35 crore NCD Programme of the company.

The rating factors in Sonata's adequate track record of microfinance operations, comfortable capitalisation supported by its ability to raise capital from institutional investors, ability to grow its portfolio (managed portfolio size of Rs 343 crore as on March 2014) while keeping asset quality indicators under control (30+ delinquencies at 0.23% as on March 2014), access to large number of lenders although incremental cost of funds remains high. These strengths are offset by high geographical concentration risk (UP<sup>1</sup> accounting for 72% of Sonata's credit portfolio as on March 2014) although declining to some extent, relatively high pace of growth, lack of diversity in earnings, risks associated with the unsecured lending business, political risks, operational risks arising out of cash handling although establishment of credit information bureau and disciplined lending post the introduction of norms for MFIs by RBI are likely to mitigate some of risks associated with unsecured lending. Sonata's profitability is expected to improve during FY15 from the levels of PAT/AMA of 1.8% and return on net worth of 9.5% reported during FY14 (as per provisional financials) in the face of expected improvement in operational efficiencies, provided company maintains strict control on asset quality profile. Sonata's ability to maintain adequate profitability would be critical for mobilising external equity capital to maintain prudent capitalization.

Sonata's credit portfolio grew at a rapid pace of 90% during FY14 to Rs 343 crore as on March 2014, the growth in current financial year was led by scaling up of underutilised tranches of the company as reflected in increase in portfolio per branch from Rs 1.40 crore as on March 2013 to Rs 2.01 crore as on March 2014. As on March 2014, the company's operations are spread across 52 districts in six states through 172 branches. Furthermore, the company is exposed to higher geographical concentration, although reducing, with UP accounting for 72% of total credit portfolio and balance being in MP (22%), Haryana, Uttaranchal, Bihar & Rajasthan; going ahead, the management intends to improve its presence in the states of MP, Bihar & Rajasthan which is expected to reduce the portfolio concentration risk. Unlike many other MFIs, Sonata offers top-up loan<sup>2</sup> to its borrowers which could enable it to grow at higher pace as well as continue to be sole lender for borrower via meeting funds requirement even during the tenure of loan however could also increase Sonata's portfolio vulnerability. Although so far the company has been able to maintain asset quality profile (30+ delinquencies at 0.23% as on March 2014). Nevertheless, given the weak credit profile of the target customers and a significant expansion plan, the ability of the company to maintain its asset quality on a diversified and larger asset base and across geographies remains to be seen and ability of the company to maintain the asset quality indicators going forward will remain a key rating sensitivity.

Sonata follows a structure wherein a centre of 10-20 borrowers formed, the instalments are collected in advance by 1-2 days and deposited by one of the borrower (on rotation basis) in Sonata's branch which reduces cash handling risk to some extent for the company. As large number of Sonata's branches is in rural areas, most of its branches are not computerised however the company uses a mobile based technology to update disbursements and collection on real time basis. The company has adequate internal audit system where all the branches are audited once in a two months time.

<sup>1</sup> For complete rating scale and definitions please refer to ICRA's Website www.icra.in or other ICRA Rating Publications.

<sup>2</sup> Uttar Pradesh

<sup>3</sup> Borrower can prepay the loan at any during the tenure of loan and can avail a fresh loan, if borrower has completed 30 weeks of repayment she graduates to next cycle otherwise remain in same loan cycle.







Sonata has access to large number of lenders, although primarily banks/NBFCs for meeting its funding requirements with limited borrowing from debt market instruments. As on March 2014, its borrowings comprised loans from six bank (40% of total borrowings as on March 2014), one FI (4%), loans from seven NBFC (15%) and securitisation/assignment note (23%). However, the cost of funds remains high for company (incremental cost in the range of 14.5-15.5%). Sonata's ability to raise funds from diverse sources and at competitive cost of funds would be critical for its growth plans.

Sonata's net worth increased from Rs 40 crore as on Mar-12 to Rs 77 crore as on Mar-13 subsequent to external equity capital raising of Rs 35 crore in FY13. Its net worth was Rs 77 crore as on March 2014. Sonata's capitalisation profile is comfortable with net gearing<sup>1</sup> of 2.5 times and CRAR of 20.72% as on March 2014, although net gearing increased from 1.4 times as on March 2013 due to rapid portfolio growth during FY 14. Given the high growth plans for next few years, company would need to raise capital from external sources to maintain its capitalisation profile. As for liquidity, it is likely to remain comfortable given the short term nature of assets compared to liabilities. The company's weekly collection for loans disbursed also ensures continuous cash flows and supports the liquidity profile.

Sonata has been maintaining and intends to maintain a interest spread<sup>2</sup> ~10% however interest spreads get impacted by negative carry on large cash & bank balances<sup>3</sup> and a result its NIMs were 7.3% during FY14 (including processing fees). As on March 2014, Sonata's surplus funds (cash & bank balances & liquid investments) were very high at ~35% of managed assets as large quantum of borrowings were raised in Q4FY14 and is yet to use for lending operations. As these surplus funds would be used for disbursement of loans to borrowers in first few months of FY15, Sonata's NIMs are expected to improve in FY15 from the levels of FY14. Furthermore, Sonata's profitability stems from its lower operating expenses (5.8% in relation to average managed portfolio during FY14) and control on credit provisioning (0.3% of average managed assets during FY14). Sonata's operating expenses in relation to average managed loan book declined from FY13 (5.0%) with improvement in operating efficiencies (portfolio per branch increased from Rs 1.48 crore as on March 2013 to Rs 2.01 crore as on March 2014). Going forward, the company's operating expenses could rationalise further with scaling up of some under utilised branches. On an overall basis, Sonata's profitability improved from PAT/AMA of 1.1% and return on net worth of 3.5% during FY13 to PAT/AMA of 1.5% and return on net worth of 5.3% during FY14. Sonata's ability to maintain adequate profitability would be critical for mobilising external equity capital to maintain present capitalisation.

#### About the Company

Sonata Finance Private Limited (Sonata) is an NBFC-MFI that was incorporated in 1995 and registered as Non Deposit taking NBFC in 2001. The microfinance operations of the company were started in 2006 by Mr. Anup Kumar Singh who is the Managing Director of the company at present and had acquired Sonata in 2005 along with other promoter group. In the initial round of equity infusion, the Company received funding, the single largest investor being Bebeethar Microfinance Fund. The company has its registered office in Lucknow (earlier at Allahabad). Sonata primarily caters to the rural population, though it has some borrowers in semi-urban and urban areas. Sonata offers credit to the economically backward women engaged in income generation activities like processing and manufacturing activities, service activities and animal husbandry. Its key focus product is the income generating group loan (IGL) for which it replicates Grameen Bank model of lending. As of March 2014, Sonata had operations through a network of 72 branches across 6 states of India- Uttar Pradesh, Madhya Pradesh, Uttarakhand, Haryana, Rajasthan and Bihar, with a total managed portfolio of Rs. 345 crore.

<sup>1</sup> (On balance sheet borrowings plus off balance sheet loan book minus cash & bank balances & liquid investments) / Net worth

<sup>2</sup> Lending yields minus cost of funds (including negative carry on cash collateral provided in case of borrowings)

<sup>3</sup> Cash & bank balances (including liquid investments) were ~36% of managed assets as on March 2014 as against ~20% of managed assets as on September 2013.





Sonata reported profit after tax (PAT) of Rs 2.43 crore during FY13 on a total managed asset base of Rs 280 crore as on March 2013 as against PAT of Rs 3.72 crore during FY12 on a total managed asset base of Rs 176 crore as on March 31, 2012. As per provisional financial statements for FY14, the company reported PAT of Rs 7.43 crore on total managed asset base of Rs 557 crore as on March 2014.

**Equity Shareholding Pattern as of March 31, 2014**

Name of Shareholder	March 2014
Mr. Anup Kumar Singh	4.50%
Mr. Swaminathan Aiyar	3.29%
Behlweiser Microfinance Trust*	7.48%
Behlweiser Microfinance Fund Pvt Ltd*	3.26%
India Financial Inclusion Fund (IFIF)*	11.56%
Michael & Susan Dell Foundation	9.86%
Creation Investments Social Ventures Fund I	10.41%
Creation Investments Social Ventures Fund II, P	31.22%
Sonata Employee Welfare Trust	17.12%
<b>Total</b>	<b>100.0%</b>

\* Funds are promoted by Catalyst Advisors Private Limited  
Source: Sonata

Preference Shareholding	March 2014
SIDBI*	100%

\*SIDBI has invested into 50,00,000 Preference Shares

May 2014

For further details please contact

**Analyst Contacts:**

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**ANNEXURE IV: APPLICATION FORM**

**SONATA FINANCE PRIVATE LIMITED**

A private limited company incorporated under the Companies Act, 1956  
Date of Incorporation: April 6, 1995  
Registered Office: 2<sup>nd</sup> Floor, CP-1, PG Towers, Vikas Nagar, Kumi Road,  
Lucknow - 226 026, Uttar Pradesh  
Telephone No: 91-522-4005729  
Website: www.sonataindia.com

DEBENTURE SERIES APPLICATION FORM SERIAL NO. 1

**ISSUE OF UPTO 240 SECURED RATED LISTED REDEEMABLE NON  
CONVERTIBLE DEBENTURES OF**

**RS.10,00,000/- (RUPEES TEN LAKH ONLY) EACH AGGREGATING UPTO RS.  
24,00,00,000/- (RUPEES TWENTY FOUR CRORES ONLY), FULLY PAID UP FOR  
CASH AT PAR TO THE FACE VALUE**

**DEBENTURE SERIES APPLIED FOR:**

Number of Debentures 240 In words Two Hundred and Forty

Amount Rs. 24,00,00,000/- in words Rupees Twenty Four Crores Only

**DETAILS OF PAYMENT:**

RTGS

No. \_\_\_\_\_ Drawn on \_\_\_\_\_

Funds transferred to Sonata Finance Private Limited

Dated \_\_\_\_\_

Total Amount Enclosed

(In Figures) \_\_\_\_\_ (In words) \_\_\_\_\_

**APPLICANT'S NAME IN FULL (CAPITALS)**

**SPECIMEN SIGNATURE**

--	--

**APPLICANT'S ADDRESS**

ADDRESS			
STREET			
CITY			
PIN	PHONE	FAX	



**Private & Confidential – Not for Circulation**

APPLICANT'S PAN/GIR NO. \_\_\_\_\_ IT CIRCLE/WARD/DISTRICT \_\_\_\_\_

WE ARE ( ) COMPANY ( ) OTHERS ( ) SPECIFY \_\_\_\_\_

We have read and understood the Terms and Conditions of the issue of Debentures including the Risk Factors described in the Memorandum and have considered these in making our decision to apply. We bind ourselves to these Terms and Conditions and wish to apply for allotment of these Debentures. We request you to please place our name(s) on the Register of Holders.

Name of the Authorised Signatory(ies)	Designation	Signature

Applicant's  
Signature

We the undersigned, are agreeable to holding the Debentures of the Company in dematerialised form. Details of my/our Beneficial Owner Account are given below:

DEPOSITORY	NSDL ( ) CDSL ( )
DEPOSITORY PARTICIPANT NAME	
DP-ID	
BENEFICIARY ACCOUNT NUMBER	
NAME OF THE APPLICANT(S)	

<b>Applicant Bank Account :</b>  (Settlement by way of Cheque / Demand Draft / Pay Order / Direct Credit / ECS / NEFT/RTGS/other permitted mechanisms)	
--	--

DATE OF RECEIPT	FOR OFFICE USE ONLY	DATE OF CLEARANCE
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*(Note: Cheque and Drafts are subject to realisation)*

We understand and confirm that the information provided in the Information Memorandum is provided by the Issuer and the same has not been verified by any legal advisors to the Issuer, the Arranger and other intermediaries and their agents and advisors associated with this Issue. We confirm that we have for the purpose of investing in these Debentures carried out our own due diligence and made our own decisions with respect to investment in these Debentures and have not relied on any representations made by anyone other than the Issuer, if any.

We understand that: i) in case of allotment of Debentures to us, our Beneficiary Account as mentioned above would get credited to the extent of allotted Debentures, ii) the Applicant







**ANNEXURE V: LAST AUDITED FINANCIAL STATEMENTS**



ANNEXURE VI: ILLUSTRATION OF BOND CASH FLOWS

<b>Illustration of Bond Cash Flows</b>	
Company	Sonata Finance Private Limited
Face Value (per security)	Rs. 10,00,000/- (Rupees Ten Lakh only)
Issue Date / Date of Allotment	July 24, 2014
Redemption	July 24, 2018
Coupon Rate	14.75% (Fourteen Decimal Point Seven Five Percent) per annum (computed on a simple interest basis)
Frequency of the Coupon Payment with specified dates	Semi-annually on January 24 and July 24 of every calendar year until Maturity Date
Day Count Convention	Actual / Actual

<b>Scenario 1: Put/Call Exercised</b>			
Cash Flows	Date	No. of days in Coupon Period	Amount (in Rupees)
Issue amount	Thursday, July 24, 2014		-1,000,000.00
1st Coupon	Tuesday, January 27, 2015	187	75,568.00
2nd Coupon	Friday, July 24, 2015	178	71,932.00
3rd Coupon	Monday, January 25, 2016	185	74,760.00
4th Coupon	Friday, July 22, 2016	179	72,138.00
Principal	Friday, July 22, 2016	0	1,000,000.00
<b>Total</b>			<b>1,294,398.00</b>
<b>Scenario 1: Put/Call Not Exercised</b>			
Cash Flows	Date	No. of days in Coupon Period	Amount (in Rupees)
Issue amount	Thursday, July 24, 2014		-1,000,000.00
1st Coupon	Tuesday, January 27, 2015	187	75,568.00
2nd Coupon	Friday, July 24, 2015	178	71,932.00
3rd Coupon	Monday, January 25, 2016	185	74,760.00
4th Coupon	Monday, July 25, 2016	182	73,347.00
5th Coupon	Tuesday, January 24, 2017	183	73,952.00
6th Coupon	Monday, July 24, 2017	181	73,144.00
7th Coupon	Wednesday, January 24, 2018	184	74,356.00
8th Coupon	Tuesday, July 24, 2018	181	73,144.00
Principal	Tuesday, July 24, 2018	0	1,000,000.00
<b>Total</b>			<b>1,590,203.00</b>



