



(Muthoot Finance Limited ("Company") was incorporated on March 14, 1997 under the provisions of the Companies Act, 1956, as amended ("Companies Act"), with corporate identity number is L65910KL1997PLC011300.)

**Registered and Corporate Office:** Muthoot Chambers, Opposite Saritha Theatre Complex, 2<sup>nd</sup> Floor, Banerji Road, Kochi 682 018, India.  
**Promoters:** M.G. George Muthoot, George Thomas Muthoot, George Jacob Muthoot, George Alexander Muthoot

Issue of up to 25,351,062 equity shares of face value ₹ 10 each (the "Equity Shares") of the Company, aggregating up to ₹ • million (the "Issue"). The Issue Price (as defined hereinafter) is ₹ • per Equity Share.

**THIS ISSUE AND THE DISTRIBUTION OF THIS RED HERRING PROSPECTUS (THE "RED HERRING PROSPECTUS") IS BEING MADE UNDER CHAPTER VIII-A OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 AS AMENDED (THE "SEBI REGULATIONS"). THIS RED HERRING PROSPECTUS DOES NOT CONSTITUTE AN OFFER OR INVITATION OR SOLICITATION OF AN OFFER TO ANY PERSON OR CLASS OF INVESTORS OTHER THAN QUALIFIED INSTITUTIONAL BUYERS ("QIBS") (AS DEFINED IN "DEFINITIONS AND ABBREVIATIONS") WITHIN OR OUTSIDE INDIA.**

#### ISSUE ONLY TO QUALIFIED INSTITUTIONAL BUYERS

The Issue is being made through the Institutional Placement Program, wherein at least 25% of the aggregate number of Equity Shares to be Allotted in the Issue shall be Allocated and Allotted to Mutual Funds (as defined hereinafter) and Insurance Companies (as defined hereinafter), subject to valid ASBA Applications (as defined hereinafter) being received at or above the Issue Price, provided that if this portion or any part thereof to be Allotted to Mutual Funds and Insurance Companies remains unsubscribed, such minimum portion or part thereof may be Allotted to other QIBs. QIBs may participate in this Issue only through an application supported by blocked amount ("ASBA") providing details about the ASBA Account (as defined hereinafter) which will be blocked by the Self Certified Syndicate Bank. For details, see "Issue Procedure" beginning on page 121.

This Red Herring Prospectus has not been reviewed or approved by the Securities and Exchange Board of India ("SEBI"), the Reserve Bank of India ("RBI"), the National Stock Exchange of India Limited (the "NSE"), the BSE Limited (the "BSE"), together with the NSE, the "Stock Exchanges") and is intended only for use by QIBs. A copy of this Red Herring Prospectus (defined hereinafter) has been delivered to the Stock Exchanges and SEBI and for registration to the Registrar of Companies, Kerala and Lakshadweep (the "RoC"). Copies of the Prospectus will be filed with the Stock Exchanges, SEBI and the RoC. This Red Herring Prospectus will only be circulated or distributed to QIBs, and will not constitute an offer to any other class of investors in India or any other jurisdiction. The Equity Shares offered in the Issue have not been recommended or approved by SEBI, nor does SEBI guarantee the accuracy or adequacy of this Red Herring Prospectus.

The Equity Shares are listed and traded on the Stock Exchanges. The Equity Shares offered in the Issue are securities of the Company of the same class and in all respects uniform as the Equity Shares listed and traded on the Stock Exchanges. In-principle approvals under Clause 24(a) of the Equity Listing Agreement (as defined hereinafter) for listing of the Equity Shares offered in the Issue have been received from the Stock Exchanges. Applications will be made to the Stock Exchanges for obtaining listing and trading approvals for the Equity Shares offered through this Red Herring Prospectus. The Stock Exchanges assume no responsibility for the correctness of any statements made, opinions expressed or reports contained herein. Admission of the Equity Shares offered in the Issue to trading on the Stock Exchanges should not be taken as an indication of the merits of the business of the Company or such Equity Shares.

**INVESTMENTS IN EQUITY SHARES INVOLVE A DEGREE OF RISK AND PROSPECTIVE INVESTORS SHOULD NOT INVEST IN THIS ISSUE UNLESS THEY ARE PREPARED TO TAKE THE RISK OF LOSING ALL OR PART OF THEIR INVESTMENT. PROSPECTIVE INVESTORS ARE ADVISED TO CAREFULLY READ "RISK FACTORS" BEGINNING ON PAGE 32 OF THIS RED HERRING PROSPECTUS BEFORE MAKING AN INVESTMENT DECISION IN THIS ISSUE. EACH PROSPECTIVE INVESTOR IS ADVISED TO CONSULT ITS OWN ADVISORS ABOUT THE PARTICULAR CONSEQUENCES OF AN INVESTMENT IN THE EQUITY SHARES BEING ISSUED PURSUANT TO THIS RED HERRING PROSPECTUS.**

Invitations, offers and issuances of Equity Shares offered in the Issue shall only be made pursuant to this Red Herring Prospectus together with the ASBA Applications and Confirmation of Allocation Notes. Please see "Issue Procedure" beginning on page 121 of this Red Herring Prospectus. The distribution of this Red Herring Prospectus or the disclosure of its contents without the prior consent of the Company to any person, other than QIBs and persons retained by QIBs to advise them with respect to their subscription of the Equity Shares offered in the Issue is unauthorised and prohibited. Each prospective investor, by accepting delivery of this Red Herring Prospectus, agrees to observe the foregoing restrictions and make no copies of this Red Herring Prospectus or any documents referred to in this Red Herring Prospectus.

The information on the website of the Company or any website directly or indirectly linked to the website of the Company, other than this Red Herring Prospectus, does not form part of this Red Herring Prospectus and prospective investors should not rely on such information contained in, or available through, any such website.

The Equity Shares have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), and may not be offered or sold within the United States, or for the account or benefit of U.S. persons (as defined in Regulations S of the U.S. Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. The Equity Shares are being offered and sold (1) in the United States to "qualified institutional buyers" (as defined in Rule 144A under the U.S. Securities Act ("Rule 144A") pursuant to section 4(a)(2) of the U.S. Securities Act, and (2) outside the United States in offshore transactions in reliance on Regulations S under the Securities Act. For further details, please see "Selling Restrictions" and "Transfer Restrictions" beginning on pages 141 and 145 respectively of this Red Herring Prospectus.

#### BOOK RUNNING LEAD MANAGERS TO THE ISSUE



ICICI SECURITIES LIMITED

H.T. Parekh Marg, Churchgate  
Mumbai 400 020, India  
Tel: (91 22) 2288 2460  
Fax: (91 22) 2282 6580  
Email: muthoot.ipp@icicisecurities.com  
Website: www.icicisecurities.com  
Contact Person: Ayush Jain  
SEBI Registration No.: INM000011179



KOTAK MAHINDRA CAPITAL  
COMPANY LIMITED

27 BKC, Plot No. C-27  
"G" Block, Bandra Kurla Complex  
Bandra (East),  
Mumbai – 400051, India  
Tel: (91 22) 4336 0000  
Fax: (91 22) 6713 2447  
Email: muthoot.ipp@kotak.com  
Website: www.investmentbank.kotak.com  
Contact Person: Ganesh Rane  
SEBI Registration No.: INM000008704\*

\*Kotak Mahindra Capital Company Limited has made an application dated October 31, 2013 to SEBI for grant of renewal of its registration.



ESPIRITO SANTO SECURITIES INDIA  
PRIVATE LIMITED

1203A, Floor 12A, Tower 2A,  
One Indiabulls Centre  
841, Senapati Bapat Marg, Elphinstone Road  
Mumbai – 400 013, India  
Tel: (91 22) 4315 6800  
Fax: (91 22) 2421 6327  
Email: muthoot.ipp@espiritointoib.co.in  
Website: www.espiritointoib.com  
Contact person: Rupal Kala  
SEBI Registration No.: INM000012045

#### REGISTRAR TO THE ISSUE



LINK INTIME INDIA PRIVATE  
LIMITED

C-13, Pannalal Silk Mills Compound  
L.B.S. Marg, Bhandup (West)  
Mumbai 400 078, India  
Tel: (91 22) 2596 7878  
Fax: (91 22) 2596 0329  
Email: mfl.ipp@linkintime.co.in  
Website: www.linkintime.co.in  
Contact Person: Sachin Achar  
SEBI Registration No.: INR000004058

#### ISSUE PROGRAM\*

ISSUE OPENS ON •, 2014

ISSUE CLOSES ON •, 2014

\*Details of the Issue program shall be disclosed in the Floor Price/Price Band Announcement (as defined hereinafter) to be issued at least one day prior to the Issue Opening Date. Investors should refer to the pre-Issue advertisement and the Floor Price/Price Band Announcement for further details. Investors are advised to read the above mentioned announcements together with this Red Herring Prospectus.

The information in this Red Herring Prospectus is not complete and may be changed. The Issue is meant only for QIBs and is not an offer to any other class of investors to purchase Equity Shares. This Red Herring Prospectus is not soliciting an offer to subscribe to or buy Equity Shares in any jurisdiction where such offer or subscription is not permitted.

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## NOTICE TO INVESTORS

The Company has furnished and accepts full responsibility for all of the information contained in this Red Herring Prospectus and, having made all reasonable enquiries confirms that, this Red Herring Prospectus contains all information with respect to the Company and the Equity Shares offered in the Issue that is material in the context of the Issue. The statements contained in this Red Herring Prospectus relating to the Company and the Equity Shares are, in every material respect, true, accurate and not misleading. The opinions and intentions expressed in this Red Herring Prospectus with regard to the Company and the Equity Shares are honestly held, have been reached after considering all relevant circumstances, are based on information presently available to the Company and are based on reasonable assumptions. There are no other facts in relation to the Company and the Equity Shares, the omission of which would, in the context of the Issue, make any statement in this Red Herring Prospectus misleading in any material respect. Further, all reasonable enquiries have been made by the Company to ascertain such facts and to verify the accuracy of all such information and statements.

No person is authorised to give any information or to make any representation not contained in this Red Herring Prospectus and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Company or ICICI Securities Limited, Kotak Mahindra Capital Company Limited or Espirito Santo Securities India Private Limited collectively (the “**Book Running Lead Managers**”) or Kotak Securities Limited (the “**Syndicate Member**”). The delivery of this Red Herring Prospectus at any time does not imply that the information contained in it is correct as of any time subsequent to its date.

The distribution of this Red Herring Prospectus and the Issue may be restricted by law in certain countries or jurisdictions. As such, this Red Herring Prospectus does not constitute, and may not be used for or in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised, or to any person to whom it is unlawful to make such offer or solicitation. In particular, no action has been taken by the Company, the Book Running Lead Managers or the Syndicate Member which would permit an offering of the Equity Shares offered in the Issue or distribution of this Red Herring Prospectus in any country or jurisdiction, other than India, where action for that purpose is required. Accordingly, the Equity Shares issued pursuant to the Issue may not be offered or sold, directly or indirectly, and neither this Red Herring Prospectus nor any Issue materials in connection with the Equity Shares offered in the Issue may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

This Red Herring Prospectus has been filed with SEBI and the Stock Exchanges and delivered to the RoC for registration, and has been displayed on the websites of the Stock Exchanges and the Company stating that it is in connection with the Institutional Placement Program and that the offer is being made only to QIBs.

In making an investment decision, investors must rely on their own examination of the Company and the terms of the Issue, including the merits and risks involved. Investors should not construe the contents of this Red Herring Prospectus as business, legal, tax, accounting or investment advice. Investors should consult their own counsel and advisors as to business, legal, tax, accounting, investment and related matters concerning the Issue. In addition, none of the Company, the Book Running Lead Managers or the Syndicate Member is making any representation to any offeree or subscriber of the Equity Shares offered in the Issue regarding the legality of an investment in such Equity Shares by such subscriber or purchaser under applicable laws or regulations.

**Each QIB subscribing to the Equity Shares offered in the Issue is deemed to have acknowledged, represented and agreed that it is eligible to invest in India and in the Company under Indian law, including Chapter VIII-A of the SEBI Regulations, and is not prohibited by SEBI or any other statutory authority from buying, subscribing to, selling or dealing in securities.**

The information on the Company’s website, except this Red Herring Prospectus, or the website of the Book Running Lead Managers does not constitute nor form part of this Red Herring Prospectus. Prospective investors should not rely on the information contained in, or available through such websites, except this Red Herring Prospectus. This Red Herring Prospectus contains summaries of terms of certain documents, which are qualified in their entirety by the terms and conditions of such documents.

## NOTICE TO INVESTORS IN THE UNITED STATES

The Equity Shares have not been recommended by any U.S. federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this Red Herring Prospectus. Any representation to the contrary is a criminal offense in the United States.

The Equity Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States and may not be offered or sold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in accordance with any applicable U.S. state securities laws. The Equity Shares are being offered and sold only (1) in the United States to persons reasonably believed to be “qualified institutional buyers” as defined in Rule 144A, and (2) outside the United States in offshore transactions in reliance on Regulation S and the applicable laws of each jurisdiction where such offers and sales occur. Each purchaser of the Equity Shares offered by this Red Herring Prospectus will be deemed to have made the representations, agreements and acknowledgements as described under “Transfer Restrictions” in this Red Herring Prospectus.

In the United States, this Red Herring Prospectus is being furnished on a confidential basis solely for the purpose of enabling a prospective investor to consider purchasing for the particular securities described herein. The information contained in this Red Herring Prospectus has been provided by the Company and other sources identified herein. Distribution of this Red Herring Prospectus to any person other than the offeree specified by the Lead Managers of their representatives, and those persons, if any, retained to advise such offeree with respect thereto, is unauthorised, and any disclosure of its contents, without prior written consent of the Company, is prohibited. Any reproduction or distribution of this Red Herring Prospectus in the United States, in whole or in part, and any disclosure of its contents to any other person is prohibited.

## NOTICE TO INVESTORS IN THE EUROPEAN ECONOMIC AREA

This Red Herring Prospectus has been prepared on the basis that all offers of Equity Shares will be made pursuant to an exemption under the Prospectus Directive (as defined below), as implemented in Member States of the European Economic Area (“**EEA**”), from the requirement to produce a prospectus for offers of Equity Shares. The expression “Prospectus Directive” means Directive 2003/71/EC of the European Parliament and Council and includes any relevant implementing measure in each Relevant Member State (as defined below). Accordingly, any person making or intending to make an offer within the EEA of Equity Shares which is the subject of the placement contemplated in this Red Herring Prospectus should only do so in circumstances in which no obligation arises for the Company or any of the Lead Managers to produce a prospectus for such offer. Neither the Company nor the Lead Managers have authorised, nor do they authorise, the making of any offer of Equity Shares through any financial intermediary, other than the offers made by the Lead Managers which constitute the placement of Equity Shares contemplated in this Red Herring Prospectus.

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”), the Equity Shares may not be offered or sold to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Equity Shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that the Equity Shares, with effect from and including the Relevant Implementation Date, may be offered to the public in that Relevant Member State at any time:

- to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- to any legal entity which has two or more of: (a) an average of at least 250 employees during the last financial year; (b) a total balance sheet of more than €43,000,000; and (c) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of each Lead Manager; or

- in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offering of Equity Shares shall result in a requirement for the publication by the Company, or any Lead Manager of a prospectus pursuant to Article 3 of the Prospectus Directive or any measure implementing the Prospectus Directive in a Relevant Member State and each person who initially acquires any Equity Shares or to whom any offer is made under the Offer will be deemed to have represented, acknowledged and agreed that it is a “qualified investor” within the meaning of Article 2(1)(e) of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of Equity Shares to the public” in relation to any Equity Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Equity Shares to be offered so as to enable an investor to decide whether to purchase or subscribe for the Equity Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State.

### **NOTICE TO NEW HAMPSHIRE RESIDENTS**

**NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ANNOTATED 1955, AS AMENDED (“RSA 421-B”), NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE IMPLIES THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR TRANSACTION MEANS THAT THE SECRETARY OF STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT, ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.**

### **REPRESENTATIONS BY INVESTORS**

By subscribing to any Equity Shares offered in the Issue, you are deemed to have represented, warranted, acknowledged and agreed to the Company, the Book Running Lead Managers and the Syndicate Member, as follows:

- You are a “QIB” (hereinafter defined), having a valid and existing registration under applicable laws and regulations of India, and undertake to acquire, hold, manage or dispose of any Equity Shares offered in the Issue that are Allotted to you in accordance with Chapter VIII-A of the SEBI Regulations;
- You are eligible to invest in India under applicable law, including the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, as amended, and any notifications, circulars or clarifications issued thereunder, and have not been prohibited by SEBI or any other regulatory authority, from buying, selling or dealing in securities;
- If you are not a resident of India, but are a QIB, you are an FII (including a sub-account other than a sub-account, which is a foreign corporate or a foreign individual), having a valid and existing registration with SEBI under applicable laws in India and are eligible to invest in India under applicable law, including the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, and any notifications, circulars or clarifications issued thereunder, and have not been prohibited by SEBI or any other regulatory authority, from buying, selling or dealing in securities. You are investing in the Issue under the Portfolio Investment Scheme and will make all necessary filings with appropriate regulatory authorities, including RBI, as required pursuant to applicable laws;
- You have made the representations and warranties set forth in “*Transfer Restrictions*” and “*Selling Restrictions*” beginning on pages 145 and 141 of this Red Herring Prospectus respectively;

- You are aware that this Red Herring Prospectus has not been reviewed, verified or affirmed by SEBI, RBI, the Stock Exchanges or any other regulatory or listing authority, other than the RoC pursuant to applicable provisions of the Companies Act and the relevant provisions of the Companies Act, 2013 applicable as on the date of this Red Herring Prospectus, and is intended only for use by QIBs;
- If you are Allotted the Equity Shares, you shall not, for a period of one year from the date of Allotment, sell such Equity Shares so acquired except on the Stock Exchanges;
- You are entitled to subscribe for the Equity Shares offered in the Issue under the laws of all relevant jurisdictions that apply to you and you have necessary capacity, have obtained all necessary consents, governmental or otherwise, and authorisations and complied with all necessary formalities, to enable you to commit to participation in the Issue and to perform your obligations in relation thereto (including, without limitation, in the case of any person on whose behalf you are acting, all necessary consents and authorisations to agree to the terms set out or referred to in this Red Herring Prospectus), and will honour such obligations;
- You confirm that, either: (i) you have not participated in or attended any investor meetings or presentations by the Company or its agents (the “**Company Presentations**”) with regard to the Company or the Issue; or (ii) if you have participated in or attended any Company Presentations: (a) you understand and acknowledge that the Book Running Lead Managers and the Syndicate Member may not have knowledge of the statements that the Company or its agents may have made at such Company Presentations and are therefore unable to determine whether the information provided to you at such Company Presentations may have included any material misstatements or omissions, and, accordingly you acknowledge that the Book Running Lead Managers and the Syndicate Member have advised you not to rely in any way on any information that was provided to you at any such Company Presentations, and (b) you confirm that, to the best of your knowledge, you have not been provided any material or price sensitive information relating to the Company and the Issue that was not made publicly available by the Company;
- Neither the Company nor the Book Running Lead Managers nor the Syndicate Member nor any of their respective shareholders, directors, officers, employees, counsel, representatives, agents or affiliates are making any recommendations to you or advising you regarding the suitability of any transactions you may enter into in connection with the Issue and your participation in the Issue is on the basis that you are not, and will not, up to the Allotment of the Equity Shares offered in the Issue, be a client of the Book Running Lead Managers or the Syndicate Member. Neither the Book Running Lead Managers nor the Syndicate Member nor any of their shareholders, directors, officers, employees, counsel, representatives, agents or affiliates have any duties or responsibilities to you for providing the protection afforded to its or their clients or customers or for providing advice in relation to the Issue and are not in any way acting in any fiduciary capacity;
- All statements other than statements of historical facts included in this Red Herring Prospectus, including those regarding the Company’s financial position, business strategy, plans and objectives of management for future operations (including development plans and objectives relating to the Company’s business), are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause actual results to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Company’s present and future business strategies and environment in which the Company will operate in the future. You should not place undue reliance on forward-looking statements, which speak only as of the date of this Red Herring Prospectus;
- You are aware of and understand that the Equity Shares issued pursuant to the Issue are being offered only to QIBs and are not being offered to the general public and the Allocation and Allotment shall be in accordance with the Basis of Allocation (as defined hereinafter), Allotment Criteria and the CAN (as defined hereinafter). See “**Issue Procedure**” beginning on page 121 of this Red Herring Prospectus;
- You have read this Red Herring Prospectus in its entirety, including in particular, “**Risk Factors**” beginning on page 32 of this Red Herring Prospectus;

- In making your investment decision, you have (i) relied on your own examination of the Company and the terms of the Issue, including the merits and risks involved, (ii) made your own assessment of our Company, the Equity Shares offered in the Issue and the terms of the Issue based solely on the information contained in this Red Herring Prospectus and publicly available information about the Company and no other disclosure or representation by us or any other party, (iii) consulted your own independent counsel and advisors or otherwise have satisfied yourself concerning, the effects of local laws, (iv) received all information that you believe is necessary or appropriate in order to make an investment decision in respect of the Company and the Equity Shares offered in the Issue, and (v) relied upon your own investigation and resources in deciding to invest in the Issue;
- Neither the Book Running Lead Managers nor the Syndicate Member nor any of their respective shareholders, directors, officers, employees, counsel, representatives, agents or affiliates, have provided you with any tax advice or otherwise made any representations regarding the tax consequences of purchase, ownership and disposal of the Equity Shares offered in the Issue (including the Issue and the use of proceeds from such Equity Shares). You will obtain your own independent tax advice and will not rely on the Book Running Lead Managers, the Syndicate Member or any of their respective shareholders, directors, officers, employees, counsel, representatives, agents or affiliates, when evaluating the tax consequences in relation to the Equity Shares offered in the Issue (including, in relation to the Issue and the use of proceeds from the Equity Shares offered in the Issue). You waive, and agree not to assert any claim against, any of the Company, the Book Running Lead Managers, the Syndicate Member or any of their respective shareholders, directors, officers, employees, counsel, representatives, agents or affiliates, with respect to the tax aspects of the Equity Shares offered in the Issue or as a result of any tax audits by tax authorities, wherever situated;
- You are a sophisticated investor who is seeking to subscribe to the Equity Shares offered in the Issue for your own investment and not with intent to distribute such Equity Shares and have such knowledge and experience in financial, business and investments as to be capable of evaluating the merits and risks of the investment in the Equity Shares offered in the Issue. You and any accounts for which you are subscribing to the Equity Shares offered in the Issue (i) are each able to bear the economic risk of the investment in the Equity Shares issued pursuant to the Issue, (ii) are able to sustain a complete loss on the investment in the Equity Shares issued pursuant to the Issue, (iii) have sufficient knowledge, sophistication and experience in financial and business matters so as to be capable of evaluating the merits and risk of subscribing to the Equity Shares offered in the Issue, and (iv) have no reason to anticipate any change in your or their circumstances, financial or otherwise, which may cause or require any sale or distribution by you or them of all or any part of the Equity Shares offered in the Issue. You acknowledge that an investment in the Equity Shares offered in the Issue involves a high degree of risk and that such Equity Shares are, therefore, a speculative investment. You are seeking to subscribe to the Equity Shares offered in this Issue for your own investment and not with a view to resale or distribution;
- If you are acquiring the Equity Shares offered in the Issue, for one or more managed accounts, you represent and warrant that you are authorised in writing, by each such managed account to acquire such Equity Shares for each managed account and make the representations, warranties, acknowledgements and agreements herein for and on behalf of each such account, reading the reference to 'you' to include such accounts;
- You are neither a Promoter nor a person related to the Promoters, either directly or indirectly, and your ASBA Application does not directly or indirectly represent the Promoters or the Promoter Group (hereinafter defined) or persons related to the Promoters. For the purposes of this representation you will be deemed to be related to the Promoters if you have any rights under any shareholders' agreement or voting agreement entered into with the Promoters or persons related to the Promoters, any veto rights or any right to appoint any nominee director on the Board (as defined hereinafter), other than the rights, if any, acquired in the capacity of a lender not holding any Equity Shares;
- You have no right to withdraw your ASBA Application or revise downwards the price per Equity Share or the number of Equity Shares mentioned in your ASBA Application;

- You are eligible to apply for and hold the Equity Shares offered in the Issue, which are Allotted to you together with any Equity Shares held by you prior to the Issue. You confirm that your aggregate holding after the Allotment of the Equity Shares offered in the Issue shall not exceed the level permissible as per any applicable regulations;
- The ASBA Application submitted by you would not result in triggering a tender offer under the Takeover Regulations (hereinafter defined);
- You shall not be Allotted more than 25% of the Issue Size. You, together with the other QIBs that belong to the same group as you or are under common control as you, shall not be Allotted Equity Shares in excess of 25% of the aggregate number of Equity Shares Allotted in the Issue. You agree that in the event that the aggregate number of Equity Shares Allotted in the Issue is less than the original Issue Size, the Company will reduce the number of Equity Shares that may be Allotted to you such that you are not Allotted Equity Shares in excess of 25% of the final Issue Size. For the purposes of this representation:
  - i. The expression ‘belong to the same group’ shall have the same meaning as under regulation 91H(2) of the SEBI Regulations; and
  - ii. The expression ‘control’ shall have the same meaning as is assigned to it under section 2(27) of Companies Act, 2013;

For meaning of the terms ‘companies under the same group’ under regulation 91H(2) of the SEBI Regulations and ‘control’ under section 2(27) of Companies Act, 2013, see “***Issue Procedure***” beginning on page 121 of this Red Herring Prospectus;

- You shall not undertake any trade in the Equity Shares issued pursuant to the Issue and credited to your Depository Participant (as defined hereinafter) account until such time that the final listing and trading approvals for such Equity Shares are issued by the Stock Exchanges;
- You are aware that (i) applications for in-principle approval, in terms of Clause 24(a) of the Equity Listing Agreement, for listing and admission of the Equity Shares offered in the Issue and for trading on the Stock Exchanges, were made and approval has been received from each of the Stock Exchanges, and (ii) the application for the final listing and trading approval will be made after Allotment. There can be no assurance that the final approvals for listing of the Equity Shares issued pursuant to the Issue will be obtained in time, or at all. The Company shall not be responsible for any delay or non-receipt of such final approvals or any loss arising from such delay or non-receipt;
- By participating in the Issue, you confirm that you have neither received nor relied on any other information, representation, warranty or statement made by, or on behalf of, the Book Running Lead Managers, the Syndicate Member or the Company or any of their respective affiliates or any other person acting on their behalf and neither the Book Running Lead Managers, the Company, the Syndicate Member nor any of their respective affiliates or other person acting on their behalf will be liable for your decision to participate in the Issue based on any other information, representation, warranty or statement that you may have obtained or received;
- You confirm that the only information you are entitled to rely on, and on which you have relied in committing yourself to acquire the Equity Shares offered in the Issue is contained in this Red Herring Prospectus, such information being all that you deem necessary to make an investment decision in respect of the Equity Shares offered in the Issue and neither the Book Running Lead Managers nor the Company nor the Syndicate Member will be liable for your decision to accept an invitation to participate in the Issue based on any other information, representation, warranty or statement that you may have obtained or received;
- The Book Running Lead Managers and the Syndicate Member do not have any obligation to purchase or acquire all or any part of the Equity Shares to be subscribed by you or to support any losses directly or indirectly sustained or incurred by you for any reason whatsoever in connection with the Issue, including non-performance by the Company of any of its obligations or any breach of any representations and warranties by the Company, whether to you or otherwise;



- You agree that any dispute arising in connection with the Issue will be governed by and construed in accordance with the laws of Republic of India, and the courts in Mumbai, India shall have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Issue, this Red Herring Prospectus and the Prospectus;
- Each of the representations, warranties, acknowledgements and agreements set out above shall continue to be true and accurate at all times up to and including the Allotment, listing and trading of the Equity Shares issued pursuant to the Issue on the Stock Exchanges;
- You agree to indemnify and hold the Company, the Book Running Lead Managers, the Syndicate Member and their respective affiliates harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach or alleged breach of the foregoing representations, warranties, acknowledgements and undertakings made by you in this Red Herring Prospectus. You agree that the indemnity set forth in this paragraph shall survive the resale of the Equity Shares issued pursuant to the Issue by, or on behalf of, the managed accounts;
- You agree to abide by the Basis of Allocation provided in this Red Herring Prospectus, and the Allocation done in accordance with Basis of Allocation as overseen by the Stock Exchanges;
- You agree to provide additional documents as may be required by the Company and the Syndicate (defined hereinafter) for finalisation of the Basis of Allocation along with the Stock Exchanges. The Company, the Book Running Lead Managers, the Syndicate Member and their affiliates may rely on the accuracy of such documents provided by you; and
- The Company, the Book Running Lead Managers, the Syndicate Member, their respective affiliates and others will rely on the truth and accuracy of the foregoing representations, warranties, acknowledgements and undertakings, which are given to the Book Running Lead Managers and the Syndicate Member on their own behalf and on behalf of the Company, and are irrevocable.

## OFFSHORE DERIVATIVE INSTRUMENTS

Subject to compliance with all applicable Indian laws, rules, regulations, guidelines and approvals in terms of Regulation 15A(1) of the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995, as amended, (the “**SEBI FII Regulations**”), an FII may issue or otherwise deal in offshore derivative instruments such as participatory notes, equity-linked notes or any other similar instruments issued overseas against underlying securities, listed or proposed to be listed on any recognised stock exchange in India, such as the Equity Shares offered in the Issue (all such offshore derivative instruments are referred to herein as “**P-Notes**”), for which they may receive compensation from the purchasers of such instruments. P-Notes may be issued only in favour of those entities which are regulated by any appropriate foreign regulatory authorities subject to compliance with applicable ‘know your client’ requirements. An FII shall also ensure that no further issue or transfer of any instrument referred to above is made by or on behalf of it to any person other than such entities regulated by an appropriate foreign regulatory authority. No sub-account of an FII is permitted to directly or indirectly issue P-Notes. P-Notes have not been and are not being offered, issued or sold pursuant to this Red Herring Prospectus. This Red Herring Prospectus does not contain any information concerning P-Notes or the issuer(s) of any P-notes, including any information regarding any risk factors relating thereto.

Any P-Notes that may be issued are not securities of the Company and do not constitute any obligation of, claims on or interests in the Company, the Book Running Lead Managers or the Syndicate Member. The Company has not participated in any offer of any P-Notes, or in the establishment of the terms of any P-Notes, or in the preparation of any disclosure related to the P-Notes. Any P-Notes that may be offered are issued by, and are the sole obligations of, third parties that are unrelated to the Company, the Book Running Lead Managers or the Syndicate Member. The Company, the Book Running Lead Managers and the Syndicate Member do not make any recommendation as to any investment in P-Notes and do not accept any responsibility whatsoever in connection with the P-Notes. Any P-Notes that may be issued are not securities of the Book Running Lead Managers or the Syndicate Member and do not constitute any obligations of or claims on the Book Running Lead Manager or the Syndicate Member. Affiliates of the Book Running Lead Managers that are registered as FIIs may purchase, to the extent permissible under law, the Equity Shares offered in the Issue, and may issue P-Notes in respect thereof.

**Prospective investors interested in purchasing any P-Notes have the responsibility to obtain adequate disclosures as to the issuer(s) of such P-Notes and the terms and conditions of any such P-Notes from the issuer(s) of such P-Notes. Neither SEBI nor any other regulatory authority has reviewed or approved any P-Notes or any disclosure related thereto. Prospective investors are urged to consult their own financial, legal, accounting and tax advisors regarding any contemplated investment in P-Notes, including whether P-Notes are issued in compliance with applicable laws and regulations.**

## DISCLAIMER CLAUSE

As required, a copy of this Red Herring Prospectus has been delivered to each of the Stock Exchanges and SEBI and for registration to the RoC. The Stock Exchanges, SEBI and the RoC do not in any manner:

1. warrant, certify or endorse the correctness or completeness of the contents of this Red Herring Prospectus;
2. warrant that the Equity Shares issued pursuant to the Issue will be listed or the Equity Shares will continue to be listed on the Stock Exchanges; or
3. take any responsibility for the financial or other soundness of the Company, its Promoters, its management or any scheme or project of the Company.

It should not for any reason be deemed or construed to mean that this Red Herring Prospectus has been reviewed or approved by the Stock Exchanges or SEBI. Every person who desires to apply for or otherwise acquire any Equity Shares offered in the Issue may do so pursuant to an independent inquiry, investigation and analysis and shall not have any claim against the Stock Exchanges, SEBI and the RoC whatsoever, by reason of any loss which may be suffered by such person consequent to or in connection with, such subscription/acquisition, whether by reason of anything stated or omitted to be stated herein, or for any other reason whatsoever.

## PRESENTATION OF FINANCIAL AND OTHER INFORMATION

In this Red Herring Prospectus, unless the context otherwise indicates or implies, references to ‘you’, ‘your’, ‘offeree’, ‘purchaser’, ‘subscriber’, ‘recipient’, ‘investors’, ‘prospective investors’ and ‘potential investor’ are to the prospective investors in the Issue and references to ‘we’, ‘us’, ‘our’, ‘the Company’ or ‘our Company’ are to Muthoot Finance Limited.

In this Red Herring Prospectus, all references to “Indian Rupees” “₹” and “Rs.” are to Indian Rupees and all references to “U.S. dollars”, “USD” and “U.S.\$” are to United States dollars. All references herein to the “U.S.” or the “United States” are to the United States of America and its territories and possessions and all references to “India” are to the Republic of India and its territories and possessions.

The financial year of the Company commences on April 1 of each calendar year and ends on March 31 of the succeeding calendar year, so, unless otherwise specified or if the context requires otherwise, all references to a particular ‘financial year’, ‘fiscal year’, ‘fiscal’ or ‘FY’ are to the twelve month period ended on March 31 of that year.

The Company publishes its financial statements in Indian Rupees. The Company’s audited financial statements included herein have been prepared in accordance with Indian GAAP, the Companies Act and the relevant provisions of the Companies Act, 2013 applicable as on the date of this Red Herring Prospectus. Unless otherwise indicated, all financial data in this Red Herring Prospectus are derived from the Company’s audited financial statements prepared in accordance with Indian GAAP. Indian GAAP differs in certain significant respects from International Financial Reporting Standards (“**IFRS**”) and U.S. GAAP and accordingly, the degree to which the financial statements prepared in accordance with Indian GAAP included in this Red Herring Prospectus will provide meaningful information is entirely dependent on the reader’s familiarity with the respective accounting policies. The Company does not provide a reconciliation of its financial statements to IFRS or U.S. GAAP financial statements. See “**Risk Factors – Significant differences exist between Indian GAAP used throughout our financial information and other accounting principles, such as U.S. GAAP and IFRS, with which investors may be more familiar.**” beginning on page 50.

The audited financial statements of the Company for the fiscal years ended March 31, 2013, 2012 and 2011, and for the nine months ended December 31, 2013 and December 31, 2012 prepared in accordance with Indian GAAP, are included in this Red Herring Prospectus and are referred to herein as the “**Financial Statements**” beginning on page 187.

In this Red Herring Prospectus, certain monetary thresholds have been subjected to rounding adjustments; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

## INDUSTRY AND MARKET DATA

Information regarding market position, growth rates and other industry data pertaining to the business of the Company contained in this Red Herring Prospectus consists of estimates based on data reports compiled by government bodies, professional organisations and analysts, data from other external sources and knowledge of the markets in which the Company competes. Unless stated otherwise, the statistical information included in this Red Herring Prospectus relating to the industry in which the Company operates has been reproduced from various trade, industry and government publications and websites.

This data is subject to change and cannot be verified with certainty due to limits on the availability and reliability of the raw data and other limitations and uncertainties inherent in any statistical survey. Neither the Company nor the Book Running Lead Managers nor the Syndicate Member have independently verified this data and do not make any representation regarding the accuracy of such data. The Company takes responsibility for accurately reproducing such information but accepts no further responsibility in respect of such information and data. In many cases, there is no readily available external information (whether from trade or industry associations, government bodies or other organisations) to validate market-related analysis and estimates, so the Company has relied on internally developed estimates. Similarly, while the Company believes its internal estimates to be reasonable, such estimates have not been verified by any independent sources and neither the Company, the Book Running Lead Managers nor the Syndicate Member can assure potential investors as to their accuracy.

All information contained in the industry reports has been obtained by IMaCS from sources believed to be accurate and reliable. Although reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and IMaCS in particular makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. All information contained herein must be construed solely as statements of opinion, and IMaCS shall not be liable for any losses incurred by users of these reports or their contents.

## FORWARD-LOOKING STATEMENTS

Certain statements contained in this Red Herring Prospectus that are not statements of historical fact constitute 'forward-looking statements'. Investors can generally identify forward-looking statements by terminology such as 'aim', 'anticipate', 'believe', 'continue', 'can', 'could', 'estimate', 'expect', 'intend', 'may', 'objective', 'plan', 'potential', 'project', 'pursue', 'shall', 'should', 'will', 'would', or other words or phrases of similar import. Similarly, statements that describe the strategies, objectives, plans or goals of the Company are also forward-looking statements. However, these are not the exclusive means of identifying forward-looking statements. All statements regarding the Company's expected financial conditions, results of operations, business plans and prospects are forward-looking statements. These forward-looking statements include statements as to the Company's business strategy, revenue and profitability (including, without limitation, any financial or operating projections or forecasts), new business and other matters discussed in this Red Herring Prospectus that are not historical facts. These forward-looking statements contained in this Red Herring Prospectus (whether made by the Company or any third party), are predictions and involve known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or other projections. All forward-looking statements are subject to risks, uncertainties and assumptions about the Company that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Important factors that could cause actual results to differ materially from the Company's expectations include, among others:

- general economic and business conditions in India;
- fluctuations in gold prices;
- our ability to successfully sustain our growth strategy;
- our ability to compete effectively and access funds at competitive cost;
- volatility in interest rates and other market conditions; the performance of the financial and capital markets in India and globally;
- the outcome of any legal or regulatory proceedings we are or may become a party to;
- any disruption or downturn in the economy of southern India;
- our ability to maintain or reduce the level of non-performing assets in our portfolio;
- general political and economic conditions in India;
- change in government regulations;
- competition from our existing as well as new competitors;
- our ability to compete with and adapt to technological advances; and
- occurrence of natural calamities or natural disasters affecting the areas in which our Company has operations.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed in "*Risk Factors*", "*Industry Overview*", "*Our Business*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" beginning on pages 32, 91, 97 and 61 respectively of this Red Herring Prospectus. The forward-looking statements contained in this Red Herring Prospectus are based on the beliefs of management, as well as the assumptions made by, and information currently available to, management of the Company. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable at this time, it cannot assure investors that such expectations will prove to be correct. Given these uncertainties, investors are cautioned not to place undue reliance on such forward-looking statements. In any event, these statements speak only as of the date of this Red Herring Prospectus or the respective dates indicated in this Red Herring Prospectus, and the Company undertakes no obligation to update or revise any of them, whether as a result of new information, future events or otherwise.

If any of these risks and uncertainties materialise, or if any of the Company's underlying assumptions prove to be incorrect, the actual results of operations or financial condition of the Company could differ materially from that described herein as anticipated, believed, estimated or expected. All subsequent forward-looking statements attributable to the Company are expressly qualified in their entirety by reference to these cautionary statements.

## ENFORCEMENT OF CIVIL LIABILITIES

The Company is a public company incorporated with limited liability under the laws of India. All of the Company's Directors are residents of India. All of the key managerial personnel named here are residents of India and substantially all the assets of the Company are located in India. As a result, it may be difficult for investors outside India to effect service of process upon the Company or such persons in India, or to enforce judgments obtained against such parties outside India.

Recognition and enforcement of foreign judgments is provided for under Section 13 and Section 44A of the Code of Civil Procedure, 1908, as amended (the "**Civil Procedure Code**"), on a statutory basis. Section 13 of the Civil Procedure Code provides that a foreign judgment shall be conclusive regarding any matter directly adjudicated upon by the same parties or between parties under whom they or any of them claim to be litigating under the same title, except: (i) where the judgment has not been pronounced by a court of competent jurisdiction; (ii) where the judgment has not been given on the merits of the case; (iii) where it appears on the face of the proceedings that the judgment is founded on an incorrect view of international law or a refusal to recognise the law of India in cases in which such law is applicable; (iv) where the proceedings in which the judgment was obtained were opposed to natural justice; (v) where the judgment has been obtained by fraud; and (vi) where the judgment sustains a claim founded on a breach of any law in force in India.

India is not a party to any international treaty in relation to the recognition or enforcement of foreign judgments. However, Section 44A of the Civil Procedure Code provides that a foreign judgment rendered by a superior court (within the meaning of that section) in any country or territory outside India which the Government of India (the "**GoI**" or the "**Government**") has by notification declared to be a reciprocating territory, may be enforced in India by proceedings in execution as if the judgment had been rendered by an appropriate court in India. However, Section 44A of the Civil Procedure Code is applicable only to monetary decrees not being in the nature of any amounts payable in respect of taxes or other charges of a like nature or in respect of a fine or other penalties and does not include arbitration awards.

Each of United Kingdom, Singapore, Hong Kong and United Arab Emirates has been declared by the GoI to be a reciprocating territory for the purposes of Section 44A of the Civil Procedure Code, but the United States of America has not been so declared. A judgment of a court in a jurisdiction which is not a reciprocating territory may be enforced only by a fresh suit upon the judgment and not by proceedings in execution. The suit has to be filed in India within three years from the date of the foreign judgment in the same manner as any other suit filed to enforce a civil liability in India. It is unlikely that a court in India would award damages on the same basis as a foreign court if an action is brought in India. Furthermore, it is unlikely that an Indian court would enforce foreign judgments if it viewed the amount of damages awarded as excessive or inconsistent with public policy in India. Further, any judgment or award in a foreign currency would be converted into Rupees on the date of such judgment or award and not on the date of payment. A party seeking to enforce a foreign judgment in India is required to obtain approval from RBI to repatriate outside India any amount recovered pursuant to such award, and any such amount may be subject to income tax and other applicable laws.

## EXCHANGE RATES

Fluctuations in the exchange rate between the Indian Rupee and foreign currencies will affect the foreign currency equivalent of the Indian Rupee price of the Equity Shares on the Stock Exchanges. These fluctuations will also affect the conversion into foreign currencies of any cash dividends paid in Indian Rupees on the Equity Shares.

The following table sets forth information concerning exchange rates between the Indian Rupee and the U.S. dollar for the periods indicated. Exchange rates are based on the reference rates released by RBI, which are available on the website of RBI. No representation is made that any Indian Rupee amounts could have been, or could be, converted into U.S. Dollars at any particular rate, the rates stated below, or at all. On April 16, 2014, the exchange rate (RBI reference rate) was ₹ 60.23 to U.S. \$1.00 (Source: <http://www.rbi.org.in>).

	Period End	Average <sup>#</sup>	High <sup>*</sup>	Low <sup>*</sup>
<b>Financial Year</b>				
2013	54.39***	54.45	57.22	50.56
2012	51.16**	47.95	54.24	43.95
2011	44.65	45.58	47.57	44.03
<b>Quarter ended:</b>				
December 31, 2013	61.90	62.03	63.65	61.16
September 30, 2013	62.78	62.13	68.36	58.91
June 30, 2013	59.70****	55.95	60.59	53.74

# Average official rate for each working day of the relevant period.

\* Note: High, low and average are based on the RBI reference rate

\*\* Data as on March 30, 2012

\*\*\* Data as on March 28, 2013

\*\*\*\* Data as on June 28, 2013

(Source: <http://www.rbi.org.in>)



## DEFINITIONS AND ABBREVIATIONS

Unless the context otherwise implies or requires, the terms and abbreviations stated hereunder shall have the meanings as assigned therewith. References to statutes, rules, regulations, guidelines and policies will be deemed to include all amendments and modifications notified thereto.

### Company related terms

Term	Description
“We”, “us”, “our Company”, “the Company”, and “Issuer”	Muthoot Finance Limited, a public limited company incorporated under the Companies Act, and having its registered and corporate office at Muthoot Chambers, Opposite Saritha Theatre Complex, 2 <sup>nd</sup> Floor, Banerji Road, Kochi 682 018, Kerala, India.
Articles/Articles of Association	The articles of association of the Company, as amended.
Auditors	The statutory auditors of the Company, M/s. Rangamani & Co, Chartered Accountants, (having firm registration no. 003050S), 17/598, 2 <sup>nd</sup> Floor, Card Bank Building, West of YMCA, VCSB Road, Alleppey 688 001, Kerala, India.
Audit Committee	Audit committee constituted by the board of directors of the Company vide resolution dated July 23, 2010.
Board/Board of Directors	The board of directors of the Company.
Corporate Office/Registered Office	Muthoot Chambers, Opposite Saritha Theatre Complex, 2 <sup>nd</sup> Floor, Banerji Road, Kochi 682 018, Kerala, India.
Director(s)	Director(s) on the Board, as appointed from time to time.
Equity Shares	Equity shares of our Company, each having a face value of ₹ 10.
Memorandum/Memorandum of Association	The memorandum of association of the Company, as amended.
Promoters/our Promoters	M.G. George Muthoot, George Thomas Muthoot, George Jacob Muthoot and George Alexander Muthoot.
Promoter Group	Includes such persons and entities constituting our promoter group pursuant to Regulation 2 (1)(zb) of the SEBI Regulations.
Securities Issuance Committee	Securities issuance committee constituted by the board of directors of the Company vide resolution dated October 29, 2012.

### Issue related terms

Term	Description
Allocation/Allocated	Allocation of the Equity Shares offered in the Issue following the determination of the Issue Price to Applicants on the basis of the ASBA Applications submitted by them and in accordance with the Allotment Criteria.
Allotment/Allot/Allotted	Unless the context otherwise requires, the issue and allotment of the Equity Shares
Allottees	QIBs to whom the Equity Shares are Allotted.
Allotment Criteria	The method as finalised by the Company in consultation with the Book Running Lead Managers based on which the Equity Shares offered in the Issue will be Allocated and Allotted to successful Applicants, in this case being the proportionate method.
Applicant	A QIB that submits an ASBA Application in accordance with the provisions of this Red Herring Prospectus.
Application Amount	The highest value indicated by the Applicant in the ASBA Application to subscribe for the Equity Shares applied for in the ASBA Application.
ASBA	Application supported by blocked amount.
ASBA Application	An application by an Applicant, whether physical or electronic, offering to subscribe for the Equity Shares in the Issue at any price at or above the Floor Price or within the Price Band, as the case may be, including any upward revisions thereof, pursuant to the terms of this Red Herring Prospectus and which shall also be an authorisation to an SCSB (defined hereinafter) to block the Application Amount in the ASBA Account maintained with such SCSB. The ASBA Application will also be considered as the application for Allotment for the purposes of this Red Herring Prospectus and the Prospectus. The price per Equity Share and the number of Equity Shares applied for under an ASBA Application may only be revised upwards and any downward revision in either the price per Equity Share or the number of Equity Shares applied for under an ASBA Application or withdrawal of the ASBA Application is not permitted.
ASBA Account	Account maintained with an SCSB and specified in the ASBA Application for blocking the Application Amount.
Basis of Allocation	The basis on which the Equity Shares will be Allocated to successful Applications under the Issue and which is described in “ <i>Issue Procedure – Basis of Allocation</i> ” on page 129.
Bid	An indication to make an offer during the Issue Period (defined hereinafter) by an Applicant to subscribe to the Equity Shares at a price within the Price Band, including all upward revisions and modifications thereto.
BRLMs/Book Running Lead Managers	The book running lead managers to the Issue, being I-Sec, Kotak and ESIB.
CAN/Confirmation of Allocation Note	The note or advice or intimation sent to the Applicants who have been Allocated the Equity Shares offered in the Issue confirming the Allocation of Equity Shares to such Applicants after the determination of the Issue Price in terms of the Basis of Allocation approved by the Stock Exchanges, and shall constitute a valid, binding and irrevocable agreement on part of the Applicant to subscribe to the Equity Shares which are Allocated to such Applicant at the Issue Price.

Term	Description
Cap Price	The higher end of the Price Band (defined hereinafter), if any, announced by the Company, above which the Issue Price will not be finalised and above which no Bids will be accepted.
Designated Branches	Branches of the SCSBs which can collect ASBA Forms, a list of which is available on <a href="http://www.sebi.gov.in/sebiweb/home/list/5/33/0/0/Recognised-Intermediaries">http://www.sebi.gov.in/sebiweb/home/list/5/33/0/0/Recognised-Intermediaries</a> or at such other website as may be prescribed by SEBI from time to time.
Designated Date	The date on which funds blocked by the SCSBs are transferred from the ASBA Accounts of the successful Applicants to the Public Issue Account or unblocked, as the case may be, after the Prospectus is filed with the RoC.
ESIB	Espirito Santo Securities India Private Limited
Floor Price	The price below which the Issue Price will not be finalized, the Equity Shares shall not be allotted and below which no Bids will be accepted. The Floor Price will be decided by the Company in consultation with the BRLMs and shall be announced at least one day prior to the Issue Opening Date.
Floor Price/Price Band Announcement	The announcement of either the Floor Price or the Price Band, made by the Company at least one day prior to the Issue Opening Date.
IPP/Institutional Placement Program	Institutional placement program in which offer, allocation and allotment of equity shares is made under Chapter VIII-A of the SEBI Regulations.
I-Sec Issue	ICICI Securities Limited.
Issue Closing Date	The offer and issuance of up to 25,351,062 Equity Shares, to QIBs, pursuant to Chapter VIII-A of the SEBI Regulations.
Issue Opening Date	The last date up to which the ASBA Applications shall be accepted, which date shall be announced along with the Floor Price/Price Band Announcement
Issue Period	The date on which the Designated Branches and the members of the Syndicate will start accepting the ASBA Applications, at Specified Cities (defined hereinafter), which date shall be announced along with the Floor Price/Price Band Announcement
Issue and Placement Agreement	The period between the Issue Opening Date and the Issue Closing Date inclusive of both dates and during which QIBs can submit their Bids, including any revisions thereof to the SCSBs and the members of the Syndicate (in the Specified Cities).
Issue Price	The agreement dated April 17, 2014 entered into between our Company and the BRLMs.
Issue Size	The price at which the Equity Shares offered in the Issue will be Allotted to the successful Applicants, and indicated in the CAN, which shall be equal to or greater than the Floor Price, or within the Price Band, as the case may be.
Listing Agreement	The aggregate size of the Issue, comprising of up to 25,351,062 Equity Shares, each Allotted at the Issue Price.
Lock-up Period	The equity listing agreements entered by our Company with each of the Stock Exchanges
Kotak Prospectus	The period commencing on the date of the lock up agreement executed pursuant to the Issue and Placement Agreement and ending 60 days after the date of Allotment
Red Herring Prospectus	Kotak Mahindra Capital Company Limited.
Price Band	The prospectus to be filed with the RoC in accordance with the provisions of the Companies Act and the relevant provisions of the Companies Act, 2013 applicable as on the date of the Prospectus, containing, inter alia, the Issue Size, the Issue Price and certain other information.
Pricing Date	This red herring prospectus issued in accordance with the provisions of the Companies Act and the relevant provisions of the Companies Act, 2013 applicable as on the date of this Red Herring Prospectus, which does not have complete particulars of the price at which the Equity Shares are offered in the Issue and the size of the Issue. This Red Herring Prospectus will be filed with the RoC at least three days before the Issue Opening Date and will become the Prospectus upon filing with the RoC after the Pricing Date.
Public Issue Account	Price band, if any, announced by the Company for the Issue, of a minimum price (Floor Price) and a maximum price (Cap Price), which will be decided by the Company in consultation with the Book Running Lead Managers and which shall be announced at least one day prior to the Issue Opening Date.
Public Issue Account Bank	The date on which our Company, in consultation with the BRLMs, finalises the Issue Price.
QIBs/Qualified Buyers	The account opened with the Public Issue Account Bank in terms of Section 40 of the Companies Act, 2013 to receive monies from the ASBA Accounts on the Designated Date.
Registrar to the Issue Revision Form	Public issue account agreement dated April 17, 2014 among the Company, the Book Running Lead Managers, the Registrar and the Public Issue Account Bank.
SEBI Exemption	The bank which is clearing member and registered with SEBI as a banker to the issue with whom the Public Issue Account will be opened and in this case being IndusInd Bank Limited.
Self Certified Bank/SCSB	A qualified institutional buyer, as defined under Regulation 2(1)(zd) of the SEBI Regulations.
Specified Cities	Link Intime India Private Limited
Stock Exchanges	The form used by the Applicants, to upwardly revise the number of Equity Shares applied for or the price per Equity Share in any of their ASBA Applications or any previous Revision Form(s). Applicants are not allowed to revise downwards either the price per Equity Share or the number of Equity Shares applied for.
Syndicate	The letter from SEBI dated April 11, 2014, pursuant to which the Company has been granted approval to (i) allot Equity Shares under the Issue to such minimum number of allottees; and (ii) allot Equity Shares under the Issue as per the pricing provisions; prescribed under Chapter VIII of the SEBI Regulations.
Syndicate Agreement	Banks which are registered with SEBI under the Securities and Exchange Board of India (Bankers to an Issue) Regulations, 1994 and offer ASBA services, including blocking of bank accounts, a list of which is available on <a href="http://www.sebi.gov.in/sebiweb/home/list/5/33/0/0/Recognised-Intermediaries">http://www.sebi.gov.in/sebiweb/home/list/5/33/0/0/Recognised-Intermediaries</a> .
Syndicate Members	Mumbai, Chennai, Kolkata, Delhi, Ahmedabad, Rajkot, Jaipur, Bengaluru, Hyderabad, Pune, Baroda and Surat.
	The BSE and the NSE.
	The BRLMs, and the Syndicate Members.
	The agreement dated April 17, 2014 among the members of the Syndicate, and the Company in relation to the Issue.
	Kotak Securities Limited

Term	Description
Takeover Regulations	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, as amended.
TRS/Transaction Registration Slip	The slip or document issued by a member of the Syndicate in Specified Cities or the SCSB (only on demand), as the case may be, to the Applicant as proof of registration of the ASBA Application.
Working Day	All days except Saturday and Sunday on which banks in Mumbai are open for business, provided however, for the purpose of the time period between the Issue Closing Date and listing of Equity Shares pursuant to the Issue on the Stock Exchanges, "Working Days" shall mean all days excluding Sundays and bank holidays in Mumbai in accordance with SEBI Circular No. CIR/CFD/DIL/3/2010 dated April 22, 2010.

## Abbreviations

Term	Description
AGM	Annual general meeting.
AS	Accounting standards issued by the Institute of Chartered Accountants of India.
AY	Assessment year.
BSE	BSE Limited.
CDSL	Central Depository Services (India) Limited.
EPS	Earnings per share (as calculated in accordance with AS-20).
FDI	Foreign direct investment.
FEMA	The Foreign Exchange Management Act, 1999, and the related rules and regulations framed thereunder.
FII(s)	Foreign institutional investors as defined under the SEBI FII Regulations and registered with SEBI under applicable laws in India.
Financial Year/Fiscal/FY	Period of twelve months ending on March 31 of that particular year, unless otherwise stated.
FVCI	Foreign venture capital investors, as defined and registered with SEBI under the Securities and Exchange Board of India (Foreign Venture Capital Investor) Regulations, 2000.
GDP	Gross domestic product.
GIR Number	General index registration number.
GoI	Government of India.
HUF	Hindu undivided family.
IPO	Initial public offer.
MAT	Minimum Alternate Tax.
MoU	Memorandum of Understanding.
Mutual Funds	Mutual funds registered with SEBI under the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996.
N.A.	Not applicable.
NSDL	National Securities Depository Limited.
NSE	The National Stock Exchange of India Limited.
OCB/Overseas Corporate Body	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs including overseas trusts, in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly as defined under Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000.
P/E Ratio	Price/earnings ratio.
PAN	Permanent account number allotted under the I.T. Act (defined hereinafter).
Rs./₹	Indian Rupees.
RoC/ROC	Registrar of Companies, Kerala and Lakshadweep.
Sec.	Section.
STT	Securities Transaction Tax.
USD/\$/US \$	United States Dollar.
U.S. QIB	A qualified institutional buyer, as defined under Rule 144A.
VCF(s)/Venture Capital Funds	Venture capital funds as defined by and registered with SEBI under the Securities and Exchange Board of India (Venture Capital Funds) Regulations, 1996 or the SEBI AIF Regulations as the case may be.

## Conventional and general terms

Term	Description
Act/Companies Act	The Companies Act, 1956.
Companies Act, 2013	The Companies Act, 2013, to the extent in force on the date of this Red Herring Prospectus.
AIF/Alternative Investment Fund	Alternative Investment Fund as defined under the SEBI AIF Regulations (defined hereinafter).
Client ID	Beneficiary account identity.
Civil Procedure Code	Code of Civil Procedure, 1908.
Depositories Act	Depositories Act, 1996.
Depository	A depository registered with SEBI under the Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996.
DP/Depository Participant	A depository participant as defined under the Depositories Act.
DP ID	Depository Participant identity.
Equity Listing Agreement	The equity listing agreements entered into by the Company with each of the Stock Exchanges.
IFRS	International Financial Reporting Standards
Indian GAAP	Generally accepted accounting principles in India.
I.T. Act	Income Tax Act, 1961

Term	Description
Insider Trading Regulations	Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992.
Insurance Company	An insurance company registered with the Insurance Regulatory and Development Authority in India.
RBI Act	Reserve Bank of India Act, 1934.
SCRA	Securities Contracts (Regulation) Act, 1956.
SCRR	Securities Contracts (Regulation) Rules, 1957.
SEBI	The Securities and Exchange Board of India constituted under the Securities and Exchange Board of India Act (defined hereinafter).
SEBI Act	Securities and Exchange Board of India Act 1992.
SEBI AIF Regulations	Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012.
SEBI FII Regulations	Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995.
SEBI Regulations	Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009.
Securities Act/U.S. Securities Act	The U.S. Securities Act, 1933.
Stock Exchange(s)	BSE and/or NSE depending on the context.
Sub-Account	Sub-accounts registered with SEBI under the SEBI FII Regulations.
U.S./U.S.A.	United States of America including its territories and possessions, any state of the United States of America and the District of Columbia.
U.S. GAAP	Generally accepted accounting principles in the U.S.A.

### Industry related terms

Term	Description
ALCO	Asset Liability Committee.
ALM	Asset Liability Management.
CRAR	Capital to Risk Adjusted Ratio.
Gold Loans	Personal and business loans secured by gold jewelry and ornaments.
IBPC	Inter Bank Participation Certificate.
IMaCS Industry Report 2012	IMaCS Research & Analytics Industry Reports, Gold Loans Market in India, 2012.
KYC	Know Your Customer.
NBFC	Non Banking Financial Company.
NBFC-ND	Non Banking Financial Company- Non Deposit Taking.
NBFC-ND-SI	Non Banking Financial Company- Non Deposit Taking-Systemically Important.
NPA	Non Performing Asset.
NSSO	National Sample Survey Organisation.
PPP	Purchasing Power Parity.
RRB	Regional Rural Bank.
SCB	Scheduled Commercial Banks.

## SUMMARY OF OUR BUSINESS

### Overview

We are the largest gold loan NBFC in India in terms of loan portfolio. According to the IMaCS Research & Analytics Industry Report, Gold Loans Market in India, 2012 (“**IMaCS Industry Report (2012)**”), we were ranked the largest gold loan company in India in terms of loan portfolio. We provide personal and business loans secured by gold jewellery, or Gold Loans, primarily to individuals who possess gold jewellery but could not access formal credit within a reasonable time, or to whom credit may not be available at all, to meet unanticipated or other short-term liquidity requirements. According to the IMaCS Industry Report (2012), as of March 31, 2012 our branch network was the largest among gold loan NBFCs in India. Our Gold Loan portfolio as of December 31, 2013 comprised approximately 5.77 million loan accounts in India that we serviced through 4,260 branches across 20 states, the national capital territory of Delhi and four union territories in India. As of December 31, 2013, we employed 25,469 persons in our operations.

We are a “Systemically Important Non-Deposit Taking NBFC” headquartered in the south Indian state of Kerala. Our operating history has evolved over a period of 75 years since M George Muthoot (the father of our Promoters) founded a gold loan business in 1939 under the heritage of a trading business established by his father, Ninan Mathai Muthoot, in 1887. Since our formation, we have broadened the scale and geographic scope of our gold loan business so that, as of March 31, 2012, we were India’s largest provider of Gold Loans. For the years ended March 31, 2011, 2012, 2013 and in the nine months ended December 31, 2013, revenues from our Gold Loan business constituted 98.75%, 99.12%, 98.77% and 98.15%, respectively, of our total income. In addition to our Gold Loans business, we provide money transfer services through our branches as sub-agents of various registered money transfer agencies and also provide collection agency services. We also operate three windmills in the state of Tamil Nadu. In February 2014, we entered the business of providing cash withdrawal services through white label ATMs to customers using cards issued to them by commercial banks. We believe that these services will enable us to improve our visibility as well as record increased customer presence in our branches.

Historically, we raised capital by issuing secured non-convertible debentures called “Muthoot Gold Bonds” on a private placement basis. Proceeds from our issuance of Muthoot Gold Bonds form a significant source of funds for our Gold Loan business. The RBI through its circular RBI/2012-13/560 DNBD(PD) CC No. 330/03.10.001/2012-13 dated June 27, 2013 and RBI/2013-14/115 DNBS(PD) CC No.349/03.10.001/2013-14 dated July 02, 2013 issued various guidelines with respect to raising money through private placements by NBFCs in the form of non-convertible debentures. These guidelines include restrictions on the number of investors in an issue to 49 investors, minimum subscription amounts ₹ 2.5 million per investor and prohibition on providing loan against own debentures. This has resulted in limiting our ability to raise capital by making private placements of debentures in India. Since the change in regulations in July 2013, we have raised ₹ 13,000.00 million in debentures issued under the public route. We are focusing our efforts on ensuring that upon maturity existing private placement debenture holders subscribe to debentures we issue through the public issue route. As of December 31, 2013, 0.53 million high net-worth and retail individuals had invested in our secured and unsecured debentures (subordinated debt).

We also rely on bank loans and subordinated debt instruments as our sources of funds. As of December 31, 2013, we had ₹ 86,503.09 million in outstanding Muthoot Gold Bonds and ₹ 117,600.29 million in other borrowings. We also raise capital by issuing commercial paper and listed and credit rated non-convertible debentures under private placement mode or through public issues to various institutional corporate, high net worth and retail investors.

Our customers are typically small businessmen, vendors, traders, farmers and salaried individuals, who for reasons of convenience, accessibility or necessity, avail of our credit facilities by pledging their gold jewellery with us rather than by taking loans from banks and other financial institutions. We provide retail loan products, primarily comprising Gold Loans. Our Gold Loans have a maximum 12 month term. Our average disbursed Gold Loan amount outstanding was ₹ 38,566.00 per loan account as of December 31, 2013. For the year ended March 31, 2013, our retail loan portfolio earned, on an average, interest of 1.81% per month, or 21.66% per annum. For the nine months ended December 31, 2013 our retail loan portfolio earned, on an average, interest of 1.69% per month, or 20.22% per annum.,

The RBI amended the Non Banking Financial (Non Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 (“**RBI Prudential Norms Directions 2007**”) in March 2012 making it compulsory for NBFCs to maintain a loan to value ratio not exceeding 60.00% for loans granted against the collateral of gold jewellery and to disclose in their balance sheet the percentage of such loans to their total assets. The amendments also require that such NBFCs wherein loan against gold jewellery comprise 50.00% or more of their financial assets maintain a minimum Tier I capital of 12.00% by April 01, 2014 and stipulate that they shall not grant any advance against bullion/primary gold and gold coins. The RBI has also reviewed its guidelines on the Fair Practice Code for all NBFCs, which among other things, cover general principles relating to adequate disclosures on the terms and conditions of loans the manner of disbursement of loans, including any change in their underlying terms and conditions, procedure for determining interest rate for such loans and adopting non-coercive recovery methods. These amendments further require NBFCs engaged in extending loans against jewellery to put in place adequate internal policies to ensure, among other things, proper assessment procedures for the jewellery received as collateral, internal control mechanisms for ascertaining the ownership of gold jewellery, procedures in relation to storage and safeguard and insurance of gold jewellery and adequate measures for prevention of fraudulent transactions.

Because of regulatory changes by the RBI in March 2012 by capping the loan to value ratio at 60.00% of the value of jewellery, our gross retail loan portfolio declined by 14.39% from ₹ 263,868.19 million as of March 31, 2013 to ₹ 225,885.51 million as of December 31, 2013. However RBI Vide Notification no RBI/2013-14/435 DNBS.CC.PD.No.365/03.10.01/2013-14, dated January 8, 2014 increased the cap on loan to value ratio to 75% from 60%. At the same time, the RBI implemented a similar cap on commercial banks through Circular no.RBI/2013-14/453 DBOD.BP.BC.No.86 /21.01.023 /2013-14, dated January 20, 2014. We believe that this recent regulatory change can positively impact our business in the future.

As of March 31, 2011, 2012, 2013 and as of December 31, 2013, our portfolio of outstanding gross Gold Loans under management was ₹ 157,280.72 million, ₹ 244,172.98 million, ₹ 260,003.72 million and ₹ 222,627.88 million, respectively, and approximately 112.01 tons, 137.11 tons, 133.75 tons and 123.23 tons, respectively, of gold jewellery was held by us as security for our Gold Loans. Gross non-performing assets (“**NPAs**”) were at 0.29%, 0.56%, 1.99% and 1.99% of our gross retail loan portfolio under management as of March 31, 2011, 2012, 2013 and December 31, 2013, respectively.

For the years ended March 31, 2011, 2012 and 2013, our total income was ₹ 23,158.68 million, ₹ 45,490.55 million and ₹ 53,871.37 million, respectively, demonstrating an annual growth rate of 112.59%, 96.42% and 18.42% respectively. For the nine months ended December 31, 2013, our total income was ₹ 37,883.53 million. For the years ended March 31, 2011, 2012 and 2013, our profit after tax was ₹ 4,941.78 million, ₹ 8,920.22 million and ₹ 10,042.40 million, respectively, demonstrating an annual growth rate of 116.25%, 80.51% and 12.58%, respectively. For the nine months ended December 31, 2013, our profit after tax was ₹ 5,991.25 million. As of March 31, 2011, 2012, 2013 and December 31, 2013, our net worth was ₹ 13,344.15 million, ₹ 29,257.33 million, ₹ 37,355.65 million and ₹ 41,213.49 million respectively.

## Competitive Strengths

We believe that the following competitive strengths position us well for continued growth:

### ***Market leading position in the Gold Loan business with a strong presence in under-served rural and semi-urban markets***

Gold loans are the core products in our asset portfolio. We believe that our experience, through our Promoters, has enabled us to have a leading position in the Gold Loan business in India. Highlights of our market leading position include the following:

- We are the largest gold loan NBFC in India in terms of loan portfolio. According to the IMA CS Industry Report (2012), we were ranked the largest gold loan company in India in terms of loan portfolio. Our loan portfolio as of December 31, 2013 comprised approximately 5.77 million loan accounts, in India with Gold Loans outstanding of ₹ 222,627.88 million.

- We have the largest branch network among gold loan NBFCs, according to the IMA CS Industry Report (2012). Our branch network has expanded significantly in recent years from 373 branches as of March 31, 2005 to 4,260 branches as of December 31, 2013, comprising 683 branches in northern India, 2,770 branches in southern India, 601 branches in western India and 206 branches in eastern India covering 20 states, the national capital territory of Delhi and four union territories in India.
- We believe that due to our early entry we have built a recognizable brand in the rural and semi-urban markets of India, particularly in the south Indian states of Tamil Nadu, Kerala, Andhra Pradesh and Karnataka. As of December 31, 2013, the south Indian states of Tamil Nadu, Kerala, Andhra Pradesh, Karnataka and the Union Territory of Pondicherry constituted 61.19% of our total Gold Loan portfolio.
- We have a strong presence in under-served rural and semi-urban markets. A large portion of the rural population has limited access to credit either because of their inability to meet the eligibility requirements of banks and financial institutions or because credit is not available in a timely manner, or at all. We have positioned ourselves to provide loans targeted at this market.
- We offer products with varying loan amounts, advance rates (per gram of gold) and interest rates. The maximum and average maturity of our loan product is 12 months and approximately 3 to 6 months, respectively. Our average disbursed Gold Loan amount outstanding was ₹ 38,566 per loan account as of December 31, 2013 while interest rates on our Gold Loans usually range between 12.00% and 24.00% per annum.

#### ***Strong brand name, track record, management expertise and Promoter support***

Our operating history has evolved over a period of 75 years since M George Muthoot (the father of our Promoters) founded a gold loan business in 1939. We believe that the experience, skills and goodwill acquired by our Promoters over these years cannot be easily replicated by competitors. We have a highly experienced and motivated management team that capitalizes on this heritage at both the corporate and operational levels. Our senior management team has extensive experience in the Gold Loan industry and has demonstrated the ability to grow our business through their operational leadership, strategic vision and ability to raise capital. Under the current management team, our gross retail loan portfolio has grown from ₹ 33,690.08 million as of March 31, 2009 to ₹ 225,885.51 million as of December 31, 2013. Our business is also well supported by our Promoters, who are members of the Muthoot family. We believe that our long operating history, track record, management expertise and Promoter support have established a strong brand name for us in the markets we serve. A strong brand name has contributed to our ability to earn the trust of individuals who entrust us with their gold jewellery, and will be key in allowing us to expand.

#### ***High-quality customer service and robust operating systems***

We adhere to a strict set of market survey and location guidelines when selecting branch sites to ensure that our branches are set up close to our customers. We believe that our customers appreciate this convenience, as well as extended operating hours that we typically offer, which are often more compatible with our customers' work schedules. We provide our customers a clean and secure environment to transact their business with us. In addition to the physical environment, it is equally important to have professional and attentive staff at both the branch level and at our centralized customer support centers. Each of our branches across India is staffed with persons who possess local knowledge and understanding of customers' needs and who are trained to appraise collateral and disburse loans within a few minutes. Although disbursement time may vary depending on the loan ticket size and the number of items pledged, we usually are able to disburse an average loan ticket size of ₹ 20,000 within five minutes to repeat customers from the time the gold is tendered to the appraiser, except in case of first time customers where it may take up to half an hour for carrying out one-time-compliance with the KYC norms. Furthermore, since our loans are all over-collateralized by gold jewellery, there are minimal documentary and credit assessment requirements, thereby shortening our turnaround time. We believe our high quality customer service and short response time are significant competitive strengths that differentiate our services and products from those provided by commercial banks.

#### ***Strong capital raising ability to fund a high profitability business model***

We have a track record of successfully raising capital from various sources at competitive costs. We regularly issue secured redeemable non-convertible debentures to retail investors on a private placement basis as a means to access capital for our Gold Loan business. We have also issued Equity Shares in three tranches to institutional investors and completed an initial public offering of our Equity Shares in the month of May 2011 raising

₹ 9,012.50 million and made eight public issues of secured non-convertible debentures: in September 2011 raising ₹ 6,932.81 million, in January 2012 raising ₹ 4,593.19 million, in April 2012 raising ₹ 2,597.52 million, in October 2012 raising ₹ 2,749.40 million, ₹ 2,790.70 million in September 2013 and ₹ 2,767.12 million in December 2013, raising ₹ 4,562.43 million in February 2014 and raising ₹ 1,785.82 million in April 2014. Since our inception, we have relied on the proceeds of secured non-convertible debentures called “Muthoot Gold Bonds” placed through our branches. These debentures are issued on a private placement basis and are subscribed to, mainly by retail investors. We also issue subordinated debt which is considered as Tier II capital of our Company under private placement mode to mainly retail investors through our branch network. We believe that we are able to raise capital from retail investors because of our leadership, goodwill, trust, reputation, track record, performance, stability in our business and strong quality asset portfolio. As of March 31, 2011, 2012 2013 and December 31, 2013, the aggregate amounts outstanding for our Muthoot Gold Bonds portfolio were ₹ 39,832.26 million, ₹ 66,102.38 million ₹ 94,596.21 million and ₹ 86,503.09 million, respectively. We have diversified our resource pool by supplementing our proceeds from the issuance of Muthoot Gold Bonds with borrowings from banks and other financial institutions. We have developed stable long-term relationships with our lenders, and established a track record of timely servicing our debt instruments. As of March 31, 2011, 2012 and 2013 and December 31, 2013, our outstanding borrowings from banks and financial institutions were ₹ 60,529.28 million, ₹ 92,320.12 million, ₹ 101363.70 million and ₹ 65,947.15 million, respectively. For details in relation to our credit rating of our debt instruments, see “Our Strategies - Access to low-cost and diversified sources of funds”.

#### ***In-house training capabilities to meet our branch expansion requirements***

Our ability to timely appraise the quality of the gold jewellery collateral is critical to the business. We do not engage third parties to assess the collateral for our Gold Loans, but instead employ in-house staff for this purpose. Assessing gold jewellery quickly is a specialized skill that requires assessing jewellery for gold content and quality manually without damaging the jewellery. We have two staff training colleges, one each in Kochi and in New Delhi, and regional training centers at each of our 64 regional offices. We use our staff training colleges and regional training centers to train new employees in appraisal skills, customer relations and communication skills. During the year ended March 31, 2013, we opened the Muthoot Management Academy in Kochi, Kerala. The academy serves as a management development center focusing on developing our future managers and leaders. The academy is conducted from a five-storeyed building that we own with approximately 50,000 square feet of space, several business and recreational facilities, including a computer lab, four lecture halls and accommodation for more than 150 participants at a time. We believe that our in-house training has built up a talent pool that enables us to staff new branches with qualified and skilled personnel as we seek to grow our branch network. Our in-house training capabilities also enable us to improve the skill sets of our existing personnel.

#### **Our Strategies**

Our business strategy is designed to capitalize on our competitive strengths and enhance our leading market position. Key elements of our strategy include:

#### ***Expand branch network and visibility to maintain our market leadership position***

We intend to continue to grow our retail loan portfolio by expanding our network through the addition of new branches. In order to optimize our expansion, we carefully assess potential markets by analyzing demographic, competitive and regulatory factors, site selection and availability, and growth potential. We have a long-standing presence in southern India, and are among the first organized Gold Loan providers in northern and western and eastern India. Our strategy for branch expansion includes further strengthening our market leading position in south Indian states by providing higher accessibility to customers as well as leveraging our expertise and presence in southern India to enhance our presence in other regions of India, particularly in northern India, where we intend to open branches in most states. We have added 404 branches in the year ended March 31, 2013 and 178 branches during nine months ended December 31, 2013, and expect this network to grow in the future. Over the years we have created a well-developed and extensive branch network, resulting in us progressively reducing the rate of our branch network year on year. While we do not need to grow our branch network as aggressively as we have in the past, our branch network strategy remains key to our growth. A new RBI regulation, issued on September 16, 2013, required us and other gold loan NBFCs that had more than 1,000 branches to obtain RBI approval prior to opening new branches. However, this regulation has not had an effect on slowing down our rate of expansion. Furthermore, we intend to increase our efforts on increasing the number of customers in our existing branches, thereby increasing our loan portfolio while continuing to expand our branch network.



At the core of our branch expansion strategy, we expect to penetrate new markets and expand our customer base to include customers who otherwise would rely on the unorganized sector. Moreover, our ethics, values and goodwill, which have established our strong brand, will continue to be important factors in our expansion. In addition to increasing the visibility of our brand by sponsoring events and publicity, we will continue to build trust among our customers and enhance our brand with quality services and safety and security of our customers' collateral.

#### ***Continue to target new customer segments***

The market for our loan products was traditionally confined to lower and middle income groups, who viewed Gold Loans as an option of the last resort in case of emergency. We have undertaken, and intend to continue undertaking, sustained marketing efforts to diminish the stigma attached to pledging gold jewellery in India. We plan to continue to work to position Gold Loans as a “lifestyle product” and expand our customer base to include upper-middle income and upper income groups. We intend to emphasize our Gold Loan products' key advantages of expediency and minimal documentation, and alter the image of Gold Loans from an option of the last resort to an option of convenience.

#### ***Access to low-cost and diversified sources of funds***

We source our funds for our Gold Loan business primarily from the proceeds of private placements and public issuances of debentures in India and from secured and unsecured credit facilities from banks and other financial institutions. We have been assigned a long-term rating of “ICRA AA-/Stable” and a short-term rating of “A1+” by ICRA for our 124,480.00 million line of credit. We intend to increase our efforts to access low-cost funds through rated debt instruments. In this regard, we have been assigned an “A1+” rating by CRISIL for short term debt instruments of 40,000.00 million. We also intend to raise long-term institutional funding through long-term debt instruments. We have been assigned an “CRISIL AA-/Stable” rating by CRISIL for our 5,000.00 million non-convertible debentures and our 1,000.00 million subordinated debt. ICRA has assigned “ICRA AA-/Stable” rating for our 2,000.00 million non-convertible debentures and our 1,000.00 million subordinated debt. We intend to keep the levels of our capital adequacy ratios in excess of regulatory requirements and strengthen our balance sheet with a view to have access to other sources of low-cost funds.

#### ***Strengthen our operating processes and risk management systems***

Risk management forms an integral part of our business as we are exposed to various risks relating to the Gold Loan business. The objective of our risk management systems is to measure and monitor the various risks we are subject to and to implement policies and procedures to address such risks. We intend to continue to improve our operating processes and risk management systems that will further enhance our ability to manage the risks inherent to our business. For example, we have commenced installing offsite surveillance cameras in our branches, and intend to implement this across our branch network. As of December 31, 2013, we had installed surveillance cameras in 3,880 branches across India. Furthermore, we intend to continue to train existing and new employees in appraisal skills, customer relations, communication skills and risk management procedures to enable replication of talent and ensures smooth transition on employee attrition, update our employees with latest developments to mitigate risks against frauds, cheating and spurious gold and strengthen their gold assessment skills.

#### **Key events, milestones and achievements**

<b>Fiscal Year</b>	<b>Particulars</b>
2000-2001	RBI license obtained to function as an NBFC.
2003-2004	Obtained highest rating of F1 from Fitch Ratings for short term debt of ₹ 200.00 million.
2004-2005	<ul style="list-style-type: none"> <li>Retail loan and debenture portfolio of our Company exceeds ₹ 5.00 billion.</li> <li>Merger of Muthoot Enterprises Private Limited with our Company.</li> <li>F1 rating obtained from Fitch Ratings affirmed with an enhanced short term debt of ₹ 400.00 million.</li> </ul>
2005-2006	<ul style="list-style-type: none"> <li>Retail loan and debenture portfolio crosses ₹ 7.00 billion and ₹ 6.00 billion respectively.</li> <li>Overall credit limits from banks crosses ₹ 1.00 billion.</li> </ul>
2006-2007	<ul style="list-style-type: none"> <li>Retail loan portfolio of our Company crosses ₹ 14.00 billion</li> <li>RBI accords status of Systemically Important ND-NBFC.</li> <li>Branch network of our Company crosses 500 branches.</li> <li>Net owned funds of our Company crosses ₹ 1.00 billion.</li> </ul>
2007-2008	<ul style="list-style-type: none"> <li>Retail loan and debenture portfolio crosses ₹ 21.00 billion and ₹ 12.00 billion respectively.</li> <li>Net owned funds of our Company crosses ₹ 2.00 billion.</li> </ul>

Fiscal Year	Particulars
	<ul style="list-style-type: none"> <li>F1 rating obtained from Fitch Ratings affirmed with an enhanced short term debt of ₹ 800.00 million.</li> <li>Overall credit limits from lending banks crosses ₹ 5.00 billion.</li> </ul>
2008-2009	<ul style="list-style-type: none"> <li>Conversion of our Company into a public limited company.</li> <li>Fresh RBI license obtained to function as an NBFC without accepting public deposits, consequent to change in name</li> <li>Retail loan and debenture portfolio crosses ₹ 33.00 billion and ₹ 19.00 billion respectively.</li> <li>Net owned funds of our Company crosses ₹ 3.00 billion.</li> <li>Gross annual income crosses ₹ 6.00 billion.</li> <li>Overall credit limits from lending banks crosses ₹ 10.00 billion.</li> <li>Branch network of our Company crosses 900 branches.</li> </ul>
2009-2010	<ul style="list-style-type: none"> <li>Retail loan and debenture portfolio crosses ₹ 74.00 billion and ₹ 27.00 billion respectively.</li> <li>Net owned funds of our Company crosses ₹ 5.00 billion.</li> <li>Overall credit limits from lending banks crosses ₹ 17.00 billion.</li> <li>ICRA assigns 'A1+' rating for short term debt of ₹ 2.00 billion.</li> <li>CRISIL assigns 'P1+' rating for short term debt of ₹ 4.00 billion.</li> <li>Branch network of our Company crosses 1,600 branches.</li> <li>Demerger of the FM radio business into Muthoot Broadcasting Private Limited.</li> <li>Gross annual income crossed ₹ 10.00 billion.</li> </ul>
2010-2011	<ul style="list-style-type: none"> <li>Retail loan and debenture portfolio crosses ₹ 158.00 billion and ₹ 39.00 billion respectively.</li> <li>CRISIL assigns "AA-/Stable" rating for ₹ 4.00 billion non convertible debenture issue.</li> <li>CRISIL assigns "AA-/Stable" rating for ₹ 1.00 billion subordinated debts issue.</li> <li>ICRA assigns long term rating of "AA-/Stable" for the ₹ 1.00 billion subordinated debt issue and for ₹ 2.00 billion Non-convertible Debenture issue respectively.</li> <li>Branch network crossed 2,700 branches.</li> <li>Overall credit limits from lending banks crosses ₹ 60.00 billion.</li> <li>Net owned funds crossed ₹ 13.00 billion.</li> <li>Gross annual income crossed ₹ 23.00 billion.</li> <li>Private equity investment of an aggregate of ₹ 2,556.90 million from Matrix Partners India Investments, LLC, The Wellcome Trust, Kotak PE, Kotak Investments and Baring India PE.</li> </ul>
2011-2012	<ul style="list-style-type: none"> <li>Successful IPO of ₹ 9,012.50 million in April 2011.</li> <li>Listing of Equity Shares in BSE and NSE.</li> <li>Retail loan portfolio crosses ₹ 246.00 billion.</li> <li>Retail debenture portfolio crosses ₹ 66.00 billion.</li> <li>ICRA assigns long term rating of AA- Stable and short term rating of A1+ for the ₹ 93,530.00 million line of credit.</li> <li>Raised ₹ 6.93 billion through a public issue of secured non-convertible debentures under Series I.</li> <li>Raised ₹ 4.60 billion through a public issue of secured non-convertible debentures under Series II.</li> <li>Received the Golden Peacock Award, 2012 for corporate social responsibility.</li> <li>Net owned funds crossed ₹ 29.00 billion.</li> <li>Gross annual income crossed ₹ 45.00 billion.</li> <li>Bank credit limit crosses ₹ 92.00 billion.</li> <li>Branch network crosses 3600 branches.</li> </ul>
2012-2013	<ul style="list-style-type: none"> <li>Retail loan portfolio crosses ₹ 260.00 billion</li> <li>Retail debenture portfolio crosses ₹ 97.00 billion</li> <li>Net owned funds crosses ₹ 37.00 billion</li> <li>Gross annual income crossed ₹ 53.00 billion</li> <li>Profit After Tax for the year crosses ₹ 10.00 billion</li> <li>Bank credit limit crosses ₹ 99.00 billion</li> <li>Branch network crosses 4,000 branches</li> <li>ICRA assigns long term rating of AA-/Negative and short term rating of A1+ for the ₹ 11,134.00 million line of credit</li> <li>Raised ₹ 2.60 billion and ₹ 2.70 billion, through public issues of Series III and Series IV, respectively of secured and/or unsecured non-convertible debentures.</li> </ul>
2013 - 2014	<ul style="list-style-type: none"> <li>Raised ₹ 3.00 billion, ₹3.00 billion, ₹5.00 billion and ₹2.00 billion through public issues of Series V, Series VI, Series VII and Series VIII respectively of secured and/or unsecured non-convertible debentures.</li> <li>ICRA has revised their outlook on long term ratings from "[ICRA]AA-/Negative" to "[ICRA]AA-/Stable" in January 14, 2014.</li> <li>CRISIL has revised their outlook on long term ratings from "CRISIL AA-/Negative" to "CRISIL AA-/Stable" in February 05, 2014.</li> </ul>

## SUMMARY OF THE ISSUE

This summary should be read in conjunction with, and is qualified in its entirety by, the information appearing in greater detail elsewhere in this Red Herring Prospectus, including in “*Risk Factors*”, “*Use of Proceeds*”, “*Placement*” and “*Issue Procedure*” beginning on pages 32, 56, 139 and 121 respectively.

### Objects of the Issue

The objects of the Issue are to augment long term resources by way of enhancing the capital base to meet future capital requirements and provide funding for loans to the customers of our Company and for general corporate purposes.

The Equity Shares being offered under the Issue are in all respects uniform with shares previously issued by our Company and for the time being dealt on the Stock Exchanges. Therefore, as per Section 26(2)(b) of the Companies Act, 2013, the Company is not required to comply with the disclosure requirements prescribed under Section 26(1) of the Companies Act, 2013.

The following is a general summary of the terms of the Issue:

<b>Issuer</b>	Muthoot Finance Limited.
<b>Issue Size</b>	Up to 25,351,062 Equity Shares
<b>Issue Price</b>	<p>The price at which the Equity Shares offered in the Issue will be Allotted to the successful Applicants in terms of the SEBI Exemption*, Basis of Allocation, Allotment Criteria and the CAN. Please see “<i>Issue Procedure</i>” beginning on page 121.</p> <p><i>*The pricing related provisions of Chapter VIII of the SEBI Regulations will be applicable only in case our Company takes the benefit of the SEBI Exemption as regards the number of Allottees. If we do not take benefit of the SEBI Exemption, the said pricing related provisions of Chapter VIII of the SEBI Regulations will not be applicable to us.</i></p>
<b>Eligible Investors</b>	QIBs
<b>Class of Equity Shares</b>	The Equity Shares offered in the Issue are securities of the Company of the same class and in all respects uniform with the Equity Shares listed and traded on the Stock Exchanges. For details, see “ <i>Description of the Equity Shares</i> ” beginning on page 151.
<b>Equity Shares issued and outstanding immediately prior to the Issue</b>	371,712,768 Equity Shares.
<b>Equity Shares issued and outstanding immediately after the Issue</b>	397,063,830 Equity Shares.
<b>Price Band</b>	The Price Band, if any, as decided by the Company in consultation with the Book Running Lead Managers, which shall be announced at least one day prior to the Issue Opening Date.
<b>Floor Price</b>	The Floor Price or the lower end of the Price Band, as decided by the Company in consultation with the Book Running Lead Managers, which shall be announced at least one day prior to the Issue Opening Date. No Application with a bid price below Floor Price will be accepted.
<b>Cap Price</b>	The higher end of the Price Band, if any, announced by the Company, above which the Issue Price will not be finalised and above which no ASBA Applications will be accepted.
<b>Listing</b>	(i) Applications for in-principle approval, in terms of clause 24(a) of the Equity Listing Agreement, for listing and admission of the Equity Shares offered in the Issue and for trading on the Stock Exchanges, were made and approval has been received from each of the Stock Exchanges vide letters dated April 17, 2014 from the BSE and NSE; and (ii) the application for the final listing and trading approval will be made after Allotment.
<b>Lock-up</b>	The Company will not, without the prior written consent of the Book Running Lead Managers, from the date of the Issue and Placement Agreement and for a period of upto 60 days from the date of Allotment, directly or indirectly: (a) issue, offer, lend, sell, pledge, contract to sell or issue, sell any option or contract to purchase, purchase any option or contract to sell or issue, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any Equity Shares, or any securities convertible into or exercisable or exchangeable for the Equity Shares or publicly announce an intention with respect to any of the foregoing; (b) enter into any swap or other agreement that transfers, directly or indirectly, in whole or in part, any of the economic

	<p>consequences of ownership of the Equity Shares or any securities convertible into or exercisable or exchangeable for the Equity Shares; or (c) deposit Equity Shares or any securities convertible into or exercisable or exchangeable for Equity Shares or which carry the right to subscribe for or purchase Equity Shares in depository receipt facilities or enter into any such transaction (including a transaction involving derivatives) having an economic effect similar to that of a sale or a deposit of Equity Shares in any depository receipt facility; or (d) announce any intention to enter into any transaction whether any such transaction described in (a), (b) or (c) above is to be settled by delivery of the Equity Shares, or such other securities, in cash or otherwise, provided, however, that the foregoing restrictions shall not be applicable to (i) any grant of options by the Company under an employee stock option scheme; or (ii) any issue or allotment of the Equity Shares by the Company pursuant to the exercise of any options; or (iii) the Allotment pursuant to the terms of this Red Herring Prospectus and the Prospectus.</p> <p>The Promoters and members of the Promoter Group, who are holding Equity Shares, have agreed that they will not, without the prior written consent of the Book Running Lead Managers, during the period commencing on the date of the Issue and Placement Agreement and ending 60 days after the date of Allotment (the “<b>Lock-up Period</b>”), directly or indirectly: (a) issue, offer, lend, sell, pledge, contract to sell or issue, sell any option or contract to purchase, purchase any option or contract to sell or issue, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any Equity Shares, or any securities convertible into or exercisable or exchangeable for the Equity Shares or publicly announce an intention with respect to any of the foregoing; (b) enter into any swap or other agreement that transfers, directly or indirectly, in whole or in part, any of the economic consequences of ownership of the Equity Shares or any securities convertible into or exercisable or exchangeable for the Equity Shares; or (c) deposit Equity Shares or any securities convertible into or exercisable or exchangeable for Equity Shares or which carry the right to subscribe for or purchase Equity Shares in depository receipt facilities or enter into any transaction (including transaction involving derivatives) having an economic effect similar to that of a sale or a deposit of Shares in any depository receipt facility; or (d) announce any intention to enter into any transaction whether any such transaction described in (a), (b) or (c) above is to be settled by delivery of the Equity Shares, or such other securities, in cash or otherwise.</p> <p>The foregoing paragraph shall not apply to (a) any inter-se transfer of Equity Shares between the Promoters and Promoter Group, provided that the lock-up shall continue for the remaining period with the transferee and such transferee shall not be eligible to transfer such Equity Shares till the Lock-up Period set out herein has expired; (b) bona fide pledge of lock-up Equity Shares, as collateral for loans as per the normal commercial terms entered into, in the ordinary course of business of the Company, where any arrangement for any such encumbrance as collateral is undertaken with the prior written approval of the Book Running Lead Managers and (c) any sale, transfer or disposition of such Equity Shares only to the extent such sale, transfer or disposition is required by applicable Indian law, including compliance with minimum public shareholding requirements applicable to the Company.</p>
<b>Transferability Restrictions</b>	The Equity Shares Allotted shall not be sold for a period of one year from the date of Allotment, except on the Stock Exchanges. Please see “ <b>Transfer Restrictions</b> ” beginning on page 145.
<b>Closing</b>	The Allotment of the Equity Shares offered pursuant to this Issue is expected to be made on or about ●, 2014.
<b>Use of Proceeds</b>	Net proceeds of the Issue (after deduction of fees, commissions and Issue related expenses) are expected to total approximately ₹ ●. Please see “ <b>Use of Proceeds</b> ” on page 56 of this Red Herring Prospectus.
<b>Risk Factors</b>	Please see “ <b>Risk Factors</b> ” beginning on page 32 of this Red Herring Prospectus for a discussion of factors you should consider before deciding whether to subscribe for the Equity Shares offered in the Issue.
<b>Ranking</b>	<p>The Equity Shares being issued pursuant to the Issue shall be subject to the provisions of the Memorandum and the Articles of Association and shall rank <i>pari passu</i> in all respects with the existing Equity Shares, including rights in respect of voting and dividends.</p> <p>The shareholders will be entitled to participate in dividends and other corporate benefits, if any, declared by the Company after the Allotment of the Equity Shares issued, in compliance with the Companies Act and the relevant provisions of the Companies Act, 2013 applicable as on the date of this Red Herring Prospectus, the Equity Listing Agreement and other applicable laws and regulations.</p>
<b>Security Codes for the Equity Shares</b>	<b>ISIN:</b> INE414G01012 <b>BSE Code:</b> 533398 <b>NSE Code/Symbol:</b> MUTHOOTFIN

## SELECTED FINANCIAL INFORMATION

The following tables present the summary financial information of the Company and have been prepared in accordance with Indian GAAP, the Companies Act and the SEBI ICDR Regulations. The summary financial information should be read in conjunction with the Auditor's reports and notes thereto contained in the section titled "Financial Information" on page 187 and "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 61.

### ANNEXURE-I REFORMATTED SUMMARY STATEMENT OF ASSETS AND LIABILITIES

		Rs.in Millions				
Particulars	Not e	As at December 31, 2013	As at December 31, 2012	As at March 31, 2013	As at March 31, 2012	As at March 31, 2011
<b>EQUITY AND LIABILITIES</b>						
<b>I Shareholders' funds</b>						
(a) Share capital	1	3,717.13	3,717.13	3,717.13	3,717.13	3,202.13
(b) Reserves and surplus	2	37,495.81	33,382.15	33,638.52	25,540.19	10,142.00
		<b>41,212.94</b>	<b>37,099.28</b>	<b>37,355.65</b>	<b>29,257.32</b>	<b>13,344.13</b>
<b>II Non-current liabilities</b>						
(a) Long-term borrowings	3	68,180.31	72,705.96	79,529.42	62,416.53	26,692.18
(b) Other Long term liabilities	4	8,336.04	4,773.00	5,633.84	2,686.94	1,258.61
(c) Long-term provisions		59.02	-	2.41	-	-
		<b>76,575.37</b>	<b>77,478.96</b>	<b>85,165.67</b>	<b>65,103.47</b>	<b>27,950.79</b>
<b>III Current liabilities</b>						
(a) Short-term borrowings	3	67,711.69	95,621.77	94,802.41	92,386.82	72,414.08
(b) Trade Payables & Other current liabilities	5	75,449.02	68,249.39	73,155.91	44,227.65	22,899.69
(c) Short-term provisions	6	2,525.98	1,677.83	3,683.01	2,746.76	601.31
		<b>145,686.69</b>	<b>165,548.99</b>	<b>171,641.33</b>	<b>139,361.23</b>	<b>95,915.08</b>
<b>Total Equity and Liabilities (I+II+III)</b>		<b>263,475.00</b>	<b>280,127.23</b>	<b>294,162.65</b>	<b>233,722.02</b>	<b>137,210.00</b>
<b>ASSETS</b>						
<b>IV Non-current assets</b>						
(a) <b>Fixed assets</b>	7					
Tangible assets		3,063.74	2,766.44	2,888.08	2,621.06	1,835.57
Intangible assets		4.77	6.20	5.70	5.84	2.21
Capital work-in-progress		58.21	96.83	95.96	38.95	47.97
Intangible assets under development		60.27	34.18	40.43	16.42	-
(b) Non-current investments	8	75.05	75.05	75.05	75.05	75.05
(c) Deferred tax assets (net)		210.92	110.18	195.45	3.90	(24.74)
(d) Long-term loans and advances	9	1,134.64	1,052.79	1,045.22	1,098.70	903.86
(e) Other non-current assets	10	-	-	-	0.51	-
		<b>4,607.60</b>	<b>4,141.67</b>	<b>4,345.89</b>	<b>3,860.43</b>	<b>2,839.92</b>
<b>V Current Assets</b>						
(a) Current investments	11	307.00	900.00	750.00	900.00	-

(b)					11,481.77	7,340.23	3,468.66
)	Trade receivables	12	13,109.17	10,385.21			
					13,419.98	7,950.39	13,754.95
(c)	Cash and Cash Equivalents	13	19,286.13	10,793.34			
(d)			226,148.1	253,808.0	264,131.0	213,600.22	117,057.2
)	Short-term loans and advances	14	4	0	9		2
(e)	Other current assets	15	16.96	99.01	33.92	70.75	89.25
			<b>258,867.4</b>	<b>275,985.5</b>	<b>289,816.7</b>	<b>229,861.59</b>	<b>134,370.0</b>
			<b>0</b>	<b>6</b>	<b>6</b>		<b>8</b>
			<b>263,475.0</b>	<b>280,127.2</b>	<b>294,162.6</b>	<b>233,722.02</b>	<b>137,210.0</b>
	<b>Total Assets (IV+V)</b>		<b>0</b>	<b>3</b>	<b>5</b>		<b>0</b>

Note:

The accompanying statement of Significant Accounting Policies and Notes to Accounts on Financial statements are integral part of this Statement

As per our report of even  
date

**RANGAMANI & CO.**  
Chartered Accountants  
(FRN: 003050 S)

**For and on behalf of  
the Board of Directors**

**R .SREENIVASAN**

**George Alexander  
Muthoot**

Partner  
Membership No. 20566  
Place: Cochin, India  
Date: 10<sup>th</sup> March 2014

**Managing Director**

## ANNEXURE-II: REFORMATTED SUMMARY STATEMENT OF PROFIT AND LOSS

		Rs.in Millions				
Particulars	Note	For the nine months ended December 31,2013	For the nine months ended December 31,2012	For the year ended March 31, 2013	For the year ended March 31, 2012	For the year ended March 31, 2011
<b>A INCOME</b>						
<b>i</b> Revenue from Operations	16	37,753.59	39,527.00	53,588.98	45,366.72	23,015.05
<b>ii</b> Other income	17	129.94	228.94	282.38	123.84	143.62
<b>Total Revenue</b>		<b>37,883.53</b>	<b>39,755.94</b>	<b>53,871.36</b>	<b>45,490.56</b>	<b>23,158.67</b>
<b>B EXPENSES</b>						
<b>i</b> Employee benefits expense	18	4,339.72	3,982.93	5,452.75	4,144.77	2,209.49
<b>ii</b> Finance costs	19	20,594.55	20,769.75	28,194.44	23,698.99	10,382.87
<b>ii</b> Other expenses	20	3,049.47	2,447.06	3,567.83	3,393.18	2,239.47
<b>i</b> Directors Remuneration		144.00	144.00	192.00	192.00	192.00
<b>v</b> Depreciation and amortization expense	7	347.16	334.80	454.43	329.18	180.98
<b>v</b> Provisions and Write Offs	21	256.41	431.62	895.46	419.97	341.75
<b>Total expenses</b>		<b>28,731.31</b>	<b>28,110.16</b>	<b>38,756.91</b>	<b>32,178.09</b>	<b>15,546.56</b>
<b>C Profit Before Tax (A-B)</b>		<b>9,152.22</b>	<b>11,645.78</b>	<b>15,114.45</b>	<b>13,312.47</b>	<b>7,612.11</b>
<b>D Tax expense</b>						
<b>i</b> Current tax		3,160.09	3,910.12	5,171.10	4,420.86	2,670.46
<b>ii</b> Deferred tax		(15.50)	(106.30)	(191.55)	(28.63)	(0.11)
<b>ii</b> Taxes relating to Previous Years		16.39	-	92.51	-	-
<b>Total tax expenses</b>		3,160.98	3,803.82	5,072.06	4,392.23	2,670.35
<b>E Profit for the year</b>		<b>5,991.24</b>	<b>7,841.96</b>	<b>10,042.39</b>	<b>8,920.24</b>	<b>4,941.76</b>
<b>F Earnings per share (Rs)</b>						
Basic		16.12	21.10	27.02	24.29	15.78
Diluted		16.12	21.10	27.02	24.29	15.78

Note:

The accompanying statement of Significant Accounting Policies and Notes to Accounts on Financial statements are integral part of this Statement.

As per our report of even date

**RANGAMANI & CO.**  
Chartered Accountants  
(FRN: 003050 S)

**For and on behalf of the Board of Directors**

**R .SREENIVASAN**  
Partner  
Membership No. 20566  
Place: Cochin, India  
Date: 10<sup>th</sup> March 2014

**George Alexander Muthoot**  
Managing Director

### ANNEXURE III - REFORMATTED SUMMARY OF CASH FLOW STATEMENT

Particulars	Rs.in Millions				
	For the period ended December 31 2013	For the period ended December 31 2012	For the year ended March 31, 2013	For the year ended March 31, 2012	For the year ended March 31, 2011
<b>A Cash Flow From Operating Activities</b>					
<b>Net Profit Before Taxation</b>	<b>9,152.22</b>	<b>11,645.78</b>	<b>15,114.45</b>	<b>13,312.47</b>	<b>7,612.11</b>
Adjustments for:-					
Add: Provision for Non-Performing Assets and Standard assets	134.48	376.83	765.19	350.74	323.46
Add: Finance Cost	20,594.55	20,769.75	28,194.44	23,698.99	10,382.87
Add: Income Tax Paid	-	-	-	-	32.27
Add: Loss on Sale of Fixed Assets	-	0.24	0.21	-	0.13
Add: Depreciation and amortization	347.16	334.80	454.43	329.17	180.98
Add :Provision for Gratuity	56.61	-	2.41	-	-
Add :Expenses on ESOP	40.49	-	-	-	-
Less: Profit on sale of Fixed Assets	(0.32)	-	-	(0.40)	-
Less: Interest received on Bank Deposits	(50.82)	(163.95)	(195.64)	(122.57)	(142.92)
Less: Income from Investments	(78.17)	(64.01)	(85.70)	-	-
<b>Operating profit before working capital changes</b>	<b>30,196.20</b>	<b>32,899.44</b>	<b>44,249.79</b>	<b>37,568.40</b>	<b>18,388.90</b>
Adjustments for:-					
(Increase) / Decrease in Loans and Advances	37,893.53	(40,143.61)	(50,477.39)	(96,737.84)	(63,061.72)
(Increase) / Decrease in Trade receivables	(1,627.39)	(3,044.97)	(4,141.54)	(3,871.57)	(2,076.64)
(Increase) / Decrease in other receivables	-	0.52	0.52	(0.52)	-
Increase / (Decrease) in Current liabilities	(84.65)	(80.53)	(23.71)	200.12	170.62
Increase / (Decrease) in Other Liabilities	0.08	5.91	5.49	16.62	2.08
<b>Cash generated from operations</b>	<b>66,377.77</b>	<b>(10,363.24)</b>	<b>(10,386.84)</b>	<b>(62,824.79)</b>	<b>(46,576.76)</b>
Finance cost paid	(17,171.00)	(17,359.35)	(23,829.00)	(19,909.08)	(11,201.22)
Direct tax paid	(3,393.69)	(3,627.81)	(5,308.55)	(4,354.21)	(2,605.32)
<b>Net cash from operating activities</b>	<b>45,813.08</b>	<b>(31,350.40)</b>	<b>(39,524.39)</b>	<b>(87,088.08)</b>	<b>(60,383.30)</b>
<b>B Cash Flow From Investing Activities</b>					
Purchase of Fixed Assets	(525.19)	(483.20)	(724.07)	(1,118.78)	(773.86)
Sale of Fixed Assets	3.61	2.41	2.54	0.89	0.58
(Increase) / Decrease in Capital Work in Progress	17.92	(75.65)	(81.03)	(7.39)	(44.08)
Redemption of Bonds	443.00	-	150.00	(900.00)	-
Interest received on Bank Deposits	48.58	147.86	252.09	141.07	58.18
Income from Investments	97.36	33.58	66.08	-	-
<b>Net Cash from Investing Activities</b>	<b>85.28</b>	<b>(375.00)</b>	<b>(334.39)</b>	<b>(1,884.21)</b>	<b>(759.18)</b>
<b>C Cash From Financing Activities</b>					
Net Proceeds from Issue of Debentures	(3,277.06)	26,778.91	33,940.76	34,646.13	16,289.75
Increase / (Decrease) in Loan from Directors / Relatives of Directors	1,850.06	1,381.58	1,480.61	(559.54)	246.99
Increase / (Decrease) in Borrowings from Bank /Financial Institutions	(35,416.57)	7,633.86	9,043.58	31,790.84	39,250.59
Increase / (Decrease) in Inter Corporate Loan	(13.90)	45.35	(78.23)	127.40	(13.70)
Increase / (Decrease) in Subordinated debt	2,236.17	5,283.17	8,199.88	7,695.24	3,859.18



Increase / (Decrease) in Commercial Papers	(2,163.85)	(4,826.95)	(5,530.62)	746.67	6,947.81
Initial Public Offer of Equity Shares	-	-	-	9,012.50	2,556.90
Expenses for Initial Public Offer of Equity Shares	-	-	-	(291.49)	-
Dividend paid(including Dividend Distribution Tax)	(3,247.06)	(1,727.57)	(1,727.61)	-	-
(Increase)/ Decrease in bank deposits held for greater than 3 months	0.16	1,418.98	2,620.59	127.01	(1,737.69)
<b>Net Cash from Financing Activities</b>	<b>(40,032.05)</b>	<b>35,987.33</b>	<b>47,948.96</b>	<b>83,294.76</b>	<b>67,399.83</b>
<b>Net Increase In Cash And Cash Equivalents (A+B+C)</b>	<b>5,866.31</b>	<b>4,261.93</b>	<b>8,090.18</b>	<b>(5,677.53)</b>	<b>6,257.35</b>
Cash And Cash Equivalent At The Beginning of The Period	13,401.83	5,311.65	5,311.65	10,989.18	4,731.83
<b>Cash And Cash Equivalent At The End of The Period</b>	<b>19,268.14</b>	<b>9,573.58</b>	<b>13,401.83</b>	<b>5,311.65</b>	<b>10,989.18</b>
<b>Components of Cash and Cash Equivalents at the end of the period</b>					
Current Account with Banks	17,595.51	8,288.85	10,845.23	2,989.30	9,329.38
Deposit with Banks	411.20	50.00	720.00	50.00	309.71
Cash on Hand	1,259.33	1,234.24	1,836.16	2,272.35	1,350.09
Unpaid Dividend	2.10	0.49	0.44	-	-
<b>Total</b>	<b>19,268.14</b>	<b>9,573.58</b>	<b>13,401.83</b>	<b>5,311.65</b>	<b>10,989.18</b>

As per our report of even date

**RANGAMANI & CO.**

Chartered Accountants

(FRN: 003050 S)

**For and on behalf of the Board of Directors**

**George Alexander Muthoot**

**Managing Director**

**R .SREENIVASAN**

Partner

Membership No. 20566

Place: Cochin, India

Date: 10<sup>th</sup> March 2014

## RISK FACTORS

*An investment in our Equity Shares involves a high degree of risk. You should carefully consider all the information in this Red Herring Prospectus, including the risks and uncertainties described below, before making an investment in our Equity Shares. To obtain a complete understanding, you should read this section in conjunction with the sections "Our Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning on pages 97 and 61, respectively, of this Red Herring Prospectus as well as the other financial and statistical information contained in this Red Herring Prospectus. The risks and uncertainties described in this section are not the only risks and uncertainties we currently face. Additional risks and uncertainties not known to us or that we currently deem immaterial may adversely affect our business, financial condition and results of operations. If any of the following risks, or other risks that are not currently known or are now deemed immaterial, actually occur, our business, results of operations and financial condition could suffer, the price of our Equity Shares could decline, and you may lose all or part of your investment.*

*Unless otherwise stated, the financial information used in this section is derived from our audited financial statements prepared under Indian GAAP. The words "we", "us" and "our" refer to our Company, including all businesses, assets and liabilities held therein.*

### INTERNAL RISK FACTORS

#### **Risks relating to our Business and our Company**

***Our business requires substantial capital, and any disruption in funding sources would have a material adverse effect on our liquidity and financial condition.***

Our liquidity and ongoing profitability are, in large part, dependent upon our timely access to, and the costs associated with, raising capital. Our funding requirements historically have been met from a combination of borrowings such as term loans and working capital limits from banks and issuance of commercial paper, non-convertible debentures and equity through public issues and on private placement basis. Thus, our business depends and will continue to depend on our ability to access diversified low-cost funding sources.

The crisis in the global credit market that began in mid-2007 destabilized the then prevailing lending model by banks and financial institutions. The capital and lending markets were highly volatile and access to liquidity had been significantly reduced. In addition, it became more difficult to renew loans and facilities as many potential lenders and counterparties also faced liquidity and capital concerns as a result of the stress in the financial markets. If any event of similar nature and magnitude occurs again in the future, it may result in increased borrowing costs and difficulty in accessing debt in a cost-effective manner. Moreover, we are a NBFC-ND-SI, and do not have access to public deposits. We are also restricted from inviting interest in our secured non-convertible debentures which are issued on a private placement basis, by advertising to the public.

A significant portion of our debt matures each year. Out of our total outstanding debt of ₹ 204,103.39 million as of December 31, 2013, an amount of ₹ 135,923.09 million will mature during the next 12 months. In order to retire these instruments, we either will need to refinance this debt, which could be difficult in the event of volatility in the credit markets, or raise equity capital or generate sufficient cash to retire the debt. In the event that there are disruptions to our sources of funds, our business, results of operations and prospects will be materially adversely affected.

***Recent RBI regulations have made our Gold Loans ineligible for securitization, making our cost of funds higher***

The RBI has set targets and sub-targets for domestic and foreign banks operating in India to lend to certain designated priority sectors that impact large sections of the population, weaker sections and sectors that are employment-intensive such as agriculture, and small enterprises. The target for total priority sector loans for domestic banks is 40% of their adjusted net bank credit and 32% for foreign banks. Since we operate predominantly in rural and semi-urban areas, a portion of our lending historically met the priority sector requirements of RBI. Investments by banks in securitized assets, representing loans to various categories of priority sector, and outright purchases of any loan asset eligible to be categorized under priority sector on a risk sharing basis, were different avenues by which banks can meet these priority sector lending targets. In February 2011, the RBI issued a notification which provides that loans provided by NBFCs against gold jewellery for agriculture purposes (which purpose is one of the categories of a priority sector advance under extant guidelines issued by RBI) would not be treated as agricultural advance for priority sector advance. Further, in another

notification issued in July 2012, the RBI stipulated that loans provided by NBFCs against gold jewellery cannot be treated as for priority sector for banks if transferred through assignment/outright purchase/investment under securitisation route. Thus our loan portfolio is no longer classified as a priority sector advance by the RBI.

In August 2012, RBI modified the extant guidelines relating to securitization/ direct assignment transaction. In order to prevent unhealthy practices surrounding securitization such as origination of loans for the sole purpose of securitization and in order to align the interest of the originator with that of the investors and with a view to redistribute credit risk to a wide spectrum of investors, RBI has felt it necessary that originators should retain a portion of each securitization originated and should ensure more effective screening of loans. In addition, a minimum period of retention of loans prior to securitization was also considered desirable, to give comfort to the investors regarding the due diligence exercised by the originator. Further, assets with bullet repayment of both the principal and the interest amounts cannot be securitized, either whole, or in part. Since our loans are currently in the form of bullet repayment, they cannot meet such revised guidelines and be subject to securitization. The RBI has further stipulated that originating NBFCs can securitize loans only after these have been held by them for a minimum of three months. The average duration of our loans is around three to six months and consequently, will not enable us to get funding for a reasonable period under this mode. These changes have adversely affected our ability to raise funds under this route. The amount outstanding for portfolio sold under bilateral assignments was ₹ 41,863.93 million, and ₹ 33,352.12 million as of March 31, 2011 and 2012, respectively. As a consequence of the aforementioned changes to RBI guidelines, we have not been able to securitize our portfolio, and no such amounts were outstanding as of March 31, 2013 or thereafter.

***Our ability to borrow from various banks may be restricted on account of guidelines issued by the RBI imposing restrictions on banks in relation to their exposure to NBFCs. Any limitation on our ability to borrow from such banks may increase our cost of borrowing, which could adversely impact our growth, business and financial condition.***

Under the RBI Master Circular on bank finance to NBFCs issued on July 01, 2013, the exposure (both lending and investment, including off balance sheet exposures) of a bank to a single NBFC engaged in lending against collateral of gold jewellery (i.e. such loans comprising 50% or more of its financial assets) should not exceed 7.5%, of the bank's capital funds. Banks may, however, assume exposures on a single NBFC up to 12.5%, of their capital funds provided the exposure in excess of 7.5% is on account of funds on-lent by the NBFC to the infrastructure sector. Further, banks may also consider fixing internal limits for their aggregate exposure to all NBFCs put together and should include internal sub-limit to all NBFCs providing Gold Loans (i.e. such loans comprising 50% or more of their financial assets), including us.

This limits the exposure that banks may have on NBFCs such as us, which may restrict our ability to borrow from such banks and may increase our cost of borrowing, which could adversely impact our growth, business and financial condition.

***We are subject to supervision and regulation by the RBI as a non-deposit-taking systemically important NBFC. In case of any adverse change in the regulations, we may have to comply with stricter regulations and guidelines issued by regulatory authorities in India which may adversely affect our business, results of operation and financial condition.***

We are regulated principally by and have reporting obligations to the RBI. We are also subject to the corporate, taxation and other laws in effect in India. The regulatory and legal framework governing us may continue to change as India's economy and commercial and financial markets evolve. In recent years, existing rules and regulations have been modified, new rules and regulations have been enacted and reforms have been implemented which are intended to provide tighter control and more transparency in India's Gold Loan industry. Moreover, new regulations may be passed that restrict our ability to do business.

The RBI in March 2012 amended the Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 ("**Prudential Norms**") making it compulsory for NBFCs that are primarily engaged in lending against gold jewellery, to maintain a loan to value ratio not exceeding 60.00% for loans granted against the collateral of gold jewellery and to disclose in their balance sheet the percentage of such loans to their total assets. As a result of this regulatory change, our gross retail loan portfolio declined by 14.39% from ₹ 263,868.18 million as of March 31, 2013 to ₹ 225,885.51 million as of December 31, 2013.

The amendments also require that such NBFCs having gold loans at least 50.00% of their financial assets maintain a minimum Tier I capital of 12.00% by April 1, 2014 and stipulate that they shall not grant any advance against bullion/primary gold and gold coins. The RBI has also reviewed its guidelines on the Fair Practice Code for all NBFCs, which among other things, cover general principles relating to adequate disclosures on the terms and conditions of loans and adopting non-coercive recovery methods. These amendments further require NBFCs engaged in extending loans against jewellery to put in place adequate internal policies to ensure, among other things, proper assessment procedures for the jewellery received as collateral, internal control mechanisms for ascertaining the ownership of gold jewellery, procedures in relation to storage and safeguard and insurance of gold jewellery and adequate measures for prevention of fraudulent transactions.

The RBI has, on January 02, 2013, released a draft report by the K. U. B. Rao Committee, a committee set up by the RBI, on issues relating to gold and gold loans by NBFCs for public from stakeholders in the industry and the public. This report has made a number of significant recommendations in relation to the supply and imports of gold in India as well as the current legal framework governing gold loan NBFCs. Some of the significant recommendations of this report include moderation of the demand of gold imports, the introduction of tax incentives on the instruments that can impound idle gold, reduction of the inter-connectedness of the gold loan industry with the formal financial systems and monitoring of transactions of gold loan NBFCs with unincorporated bodies. Significantly, for gold loan NBFCs, the report has recommended, inter alia, the increase of the loan to value ratio of the underlying gold collateral to 75.00%, the approval of the RBI for the expansion of branches by a gold loan NBFC in a year in excess of 1,000 branches, rationalization of interest rates on gold loans including the adoption of an interest rate linked to benchmark bank rates or the maximum advance rate of the State Bank of India and confining the subscription to privately placed NCDs of gold loan NBFCs to institutions and high-net worth individuals as opposed to retail investors. In the event that the recommendations of this report are enacted as law, our operations and compliance cost could be significantly hampered, which could have an adverse effect on our results of operation and financial condition.

Based on the aforementioned K. U. B. Rao Committee's report, the RBI through its circular RBI/2013-14/260 DNBS.CC.PD.No.356/03.10.01/2013-14, dated September 16, 2013 issued the following guidelines with regard gold and gold loans by NBFCs:

- i. Appropriate Infrastructure for storage of gold ornaments:* A minimum level of physical infrastructure and facilities is available in each of the branches engaged in financing against gold jewellery including a safe deposit vault and appropriate security measures for operating the vault to ensure safety of the gold and borrower convenience. Existing NBFCs should review the arrangements in place at their branches and ensure that necessary infrastructure is put in place at the earliest. No new branches should be opened without suitable storage arrangements having been made thereat. No business of grant of loans against the security of gold can be transacted at places where there are no proper facilities for storage/security.
- ii. Prior approval of RBI for opening branches in excess of 1,000:* It is henceforth mandatory for NBFC to obtain prior approval of the Reserve Bank to open branches exceeding 1,000. However gold loan NBFCs that already have more than 1,000 branches may approach the Bank for prior approval for any further branch expansion. Besides, no new branches will be allowed to be opened without the facilities for storage of gold jewellery and minimum security facilities for the pledged gold jewellery.
- iii. Standardization of value of gold in arriving at the loan to value ratio:* For arriving at the value of gold jewellery accepted as collateral, it will have to be valued at the average of the closing price of 22 carat gold for the preceding 30 days as quoted by The Bombay Bullion Association Limited.
- iv. Verification of the Ownership of Gold:* NBFCs should have Board approved policies in place to satisfy ownership of the gold jewellery and adequate steps be taken to ensure that the KYC guidelines stipulated by the RBI are followed and due diligence of the customer undertaken. Where the gold jewellery pledged by a borrower at any one time or cumulatively on loan outstanding is more than 20 grams, NBFCs must keep record of the verification of the ownership of the jewellery. The method of establishing ownership should be laid down as a Board approved policy.

- v. *Auction Process and Procedures:* The following additional stipulations are made with respect to auctioning of pledged gold jewellery:
- a. The auction should be conducted in the same town or taluka in which the branch that has extended the loan is located.
  - b. While auctioning the gold the NBFC should declare a reserve price for the pledged ornaments. The reserve price for the pledged ornaments should not be less than 85% of the previous 30 day average closing price of 22 carat gold as declared by The Bombay Bullion Association Limited and value of the jewellery of lower purity in terms of carats should be proportionately reduced.
  - c. It will be mandatory on the part of the NBFCs to provide full details of the value fetched in the auction and the outstanding dues adjusted and any amount over and above the loan outstanding should be payable to the borrower.
  - d. NBFCs must disclose in their annual reports the details of the auctions conducted during the financial year including the number of loan accounts, outstanding amounts, value fetched and whether any of its sister concerns participated in the auction.
- vi. *Other Instructions:*
- a. NBFCs financing against the collateral of gold must insist on a copy of the PAN Card of the borrower for all transaction above ₹ 500,000.
  - b. High value loans of ₹ 100,000 and above must only be disbursed by cheque.
  - c. Documentation across all branches must be standardized.
  - d. NBFCs shall not issue misleading advertisements like claiming the availability of loans in a matter of 2-3 minutes.

The RBI through notification number RBI/2013-14/435 DNBS.CC.PD.No.365/03.10.01/2013-14, dated January 08, 2014 has also revised the loan to value ratio to 75% from 60% in line with the recommendations of the K. U. B. Rao Committee.

The RBI through its circular RBI/2012-13/560 DNBD(PD) CC No. 330/03.10.001/2012-13, dated June 27, 2013 and RBI/2013-14/115 DNBS(PD) CC No.349/03.10.001/2013-14, dated July 02, 2013 issued certain guidelines with respect to raising money through private placement by NBFCs in the form of non-convertible debentures. These guidelines include restricting the number of investors in an issue to 49 investors, implementing a minimum subscription amount for a single investor of ₹ 2.50 million and in multiples of ₹ 1.00 million thereafter, and prohibiting loan advances by NBFCs against debentures issued by them. This has significantly restricted our ability to raise fresh debentures under private placements, and has required us to instead issue debentures through public issues. Since the change in these regulations in July 2013, we have issued ₹ 13,000.00 million in debentures under the public route.

Compliance with many of the regulations applicable to our operations may involve significant costs and otherwise may impose restrictions on our operations. We cannot assure you that we will not be subject to any adverse regulatory action in the future. Further, these regulations are subject to frequent amendments and depend upon government policy. Our present operations may not meet all regulatory requirements or subsequent regulatory amendments. If the interpretation of the regulators and authorities varies from our interpretation, we may be subject to penalties and the business of our Company could be adversely affected. There can be no assurance that changes in these regulations and the enforcement of existing and future rules by governmental and regulatory authorities will not adversely affect our business, results of operation and financial condition.

***We and some of our Directors are involved in certain legal and other proceedings (including criminal proceedings) that if determined against us, could have a material adverse effect on our business, financial condition and results of operations.***

Our Company and some of our Directors are involved in certain legal proceedings including criminal proceedings, in relation to inter alia civil suits, eviction suits and tax claims. These legal proceedings are pending at different levels of adjudication before various courts and tribunals. For further details in relation to material legal proceedings, see “Legal Proceedings” beginning on page 171 of this Red Herring Prospectus.

We cannot provide any assurance in relation to the outcome of these proceedings. Any adverse decision may have an adverse effect on our business, financial condition and results of operations. Further, there is no assurance that similar proceedings will not be initiated against us in the future.

***The “Muthoot” logo and other combination marks are proposed to be registered in the name of our Promoters. If we are unable to use the trademarks and logos, our results of operations may be adversely affected. Further, any loss of rights to use the trademarks may adversely affect our reputation, goodwill, business and our results of operations.***

The brand and trademark “Muthoot”, and also related marks and associated logos (“**Muthoot Trademarks**”) are currently registered in the name of our Company. We believe that the Muthoot Trademarks are important for our business.

Our Company proposes to register the Muthoot Trademarks jointly in the name of our Promoters through a rectification process or irrevocably grant ownership rights by alternate legally compliant means. Pursuant to applications filed on September 20, 2010 by our Company and our Promoters before the Trade Marks Registry, Chennai, our Promoters have stated that their father, Late M. George Muthoot, had adopted and had been using the Muthoot Trademarks since 1939 and that our Promoters had, since the demise of Late M. George Muthoot, been continuing his business and using the Muthoot Trademarks as its joint proprietors. Our Company confirms that it has, since incorporation, been using the Muthoot Trademarks as per an implied user permission granted by our Promoters and that the application for registration of the Muthoot Trademarks in the name of our Company was filed through inadvertence. Consequently, an application has been made to Trade Marks Registry, Chennai, to effect a rectification in the Register of Trademarks. Since a rectification process by application before the Trade Marks Registry, Chennai as mentioned above is underway, and not an assignment of the Muthoot Trademarks, no independent valuation of the Muthoot Trademarks has been conducted.

It is proposed that consequent to such rectification, the Promoters will grant our Company a non-exclusive licence to use the Muthoot Trademarks for an annual royalty equivalent to 1.00% of the gross income of our Company, subject to a maximum of 3.00% of profit before tax (after charging the royalty) and managerial remuneration payable by our Company each financial year. Subject to certain other conditions, it is proposed that this licence would continue until such time that our Promoters, together with the Promoter Group, jointly, hold at least 50.01% of the paid-up equity share capital of our Company.

Since the rectification is yet to be effected and consequently, no licence has been granted to us as of date, we cannot assure you that we will be able to obtain a licence to use the Muthoot Trademarks, when registered, from our Promoters on commercially acceptable terms, or at all. In addition, loss of the rights to use the Muthoot Trademarks may adversely affect our reputation, goodwill, business and our results of operations.

***Our financial performance is particularly vulnerable to interest rate risk. If we fail to adequately manage our interest rate risk in the future it could have an adverse effect on our net interest margin, thereby adversely affecting our business and financial condition.***

Over the last several years, the Government of India has substantially deregulated the financial sector. As a result, interest rates are now primarily determined by the market, which has increased the interest rate risk exposure of all banks and financial intermediaries in India, including us.

Our results of operations are substantially dependent upon the level of our net interest margins. Interest rates are sensitive to many factors beyond our control, including the RBI’s monetary policies, domestic and international economic and political conditions and other factors. Rise in inflation, and consequent changes in bank rates, repo rates and reverse repo rates by the RBI has led to an increase in interest rates on loans provided by banks and financial institutions.

Our policy is to attempt to balance the proportion of our interest-earning assets, which bear fixed interest rates, with fixed interest rate bearing liabilities. A majority of our liabilities, such as our secured non-convertible redeemable debentures, subordinated debt and short term loans carry fixed rates of interest and the remaining borrowings are linked to the respective banks' benchmark prime lending rate/ base rates. As of December 31, 2013, 67.69% of our borrowings were at fixed rates of interest, comprising primarily of our secured and unsecured (subordinated debt) non-convertible redeemable debentures (which constituted 65.91% of our total borrowings). We cannot assure you that we will be able to adequately manage our interest rate risk in the future and be able to effectively balance the proportion of our fixed rate loan assets and fixed liabilities in the future. Further, despite this balancing, changes in interest rates could affect the interest rates charged on interest-earning assets and the interest rates paid on interest-bearing liabilities in different ways. Thus, our results of operations could be affected by changes in interest rates and the timing of any repricing of our liabilities compared with the re-pricing of our assets.

Furthermore, we are exposed to greater interest rate risk than banks or deposit-taking NBFCs. In a rising interest rate environment, if the yield on our interest-earning assets does not increase at the same time or to the same extent as our cost of funds, or, in a declining interest rate environment, if our cost of funds does not decline at the same time or to the same extent as the yield on our interest-earning assets, our net interest income and net interest margin would be adversely impacted.

Additional risks arising from increasing interest rates include:

- reductions in the volume of loans as a result of customers' inability to service high interest rate payments; and
- reductions in the value of fixed income securities held in our investment portfolio.

There can be no assurance that we will be able to adequately manage our interest rate risk. If we are unable to address the interest rate risk, it could have an adverse effect on our net interest margin, thereby adversely affecting our business and financial condition.

***We may not be able to recover the full loan amount, and the value of the collateral may not be sufficient to cover the outstanding amounts due under defaulted loans. Failure to recover the value of the collateral could expose us to a potential loss, thereby adversely affect our financial condition and results of operations.***

We extend loans secured by gold jewellery provided as collateral by the customer. An economic downturn or sharp downward movement in the price of gold could result in a fall in collateral value. In the event of any decrease in the price of gold, customers may not repay their loans and the value of collateral gold jewellery securing the loans may have decreased significantly in value, resulting in losses which we may not be able to support. Although we use a technology-based risk management system and follow strict internal risk management guidelines on portfolio monitoring, which include periodic assessment of loan to security value on the basis of conservative market price levels, limits on the amount of margin, ageing analysis and pre-determined loan closure call thresholds, no assurance can be given that if the price of gold decreases significantly, our financial condition and results of operations would not be adversely affected. The impact on our financial position and results of operations of a decrease in gold values cannot be reasonably estimated because the market and competitive response to changes in gold values is not pre-determinable.

Additionally, we may not be able to realize the full value of our collateral, due to, among other things, defects in the quality of gold or wastage on melting gold jewellery into gold bars. In the case of a default where we are unable to recover principal and interest payments from the customer, we sell the collateral gold jewellery through auctions primarily to local jewellers and there can be no assurance that we will be able to sell such gold jewellery at prices sufficient to cover the amounts under default. Moreover, there may be delays associated with such auction process. A failure to recover the expected value of collateral security could expose us to a potential loss. Any such losses could adversely affect our financial condition and results of operations.

We may also be affected by failure of employees to comply with internal procedures and inaccurate appraisal of credit or financial worth of our clients. Failure by our employees to properly appraise the value of the collateral provides us with no recourse against the borrower and the loan sanction may eventually result in a bad debt on our books of accounts. In the event we are unable to check the risks arising out of such lapses, our business and results of operations may be adversely affected.

***We face increasing competition in our business which may result in declining margins if we are unable to compete effectively. Increasing competition may have an adverse effect on our net interest margin, and, if we are unable to compete successfully, our market share may decline.***

Our principal business is the provision of personal loans to retail customers in India secured by gold jewellery as collateral. Historically, the Gold Loan industry in India has been largely unorganized and dominated by local jewellery pawn shops and money lenders, with very few public sector and old generation private sector banks focusing on this sector. The demand for Gold Loans has increased in recent years in part because of changes in attitudes resulting in increased demand for gold loan products from middle income group persons, whereas historically demand for our gold loan products was predominantly from lower income group customers with limited access to other forms of borrowings have increased our exposure to competition. The demand for Gold Loans has also increased due to relatively lower interest rates for Gold Loans compared to the unorganized money lending sector, increased need for urgent borrowing or bridge financing requirements and the need for liquidity for assets held in gold and also due to increased awareness among customers of Gold Loans as a source of quick access to funds.

All of these factors have resulted in us facing increased competition from other lenders in the Gold Loan industry, including commercial banks and other NBFCs. Unlike commercial banks or deposit-taking NBFCs, we do not have access to funding from savings and current deposits of customers. Instead, we are reliant on higher-cost term loans and non-convertible debentures for our funding requirements, which may reduce our margins compared to competitors. Our ability to compete effectively with commercial banks or deposit-taking NBFCs will depend, to some extent, on our ability to raise low-cost funding in the future. If we are unable to compete effectively with other participants in the Gold Loan industry, our business and future financial performance may be adversely affected.

We operate in largely un-tapped markets in various regions in India where banks operate actively in the Gold Loan business. We compete with pawnshops and financial institutions, such as consumer finance companies. Other lenders may lend money on an unsecured basis, at interest rates that may be lower than our service charges and on other terms that may be more favorable than ours.

Furthermore, as a result of increased competition in the Gold Loan industry, Gold Loans are becoming increasingly standardized and variable interest rate and payment terms and waiver of processing fees are becoming increasingly common in the Gold Loan industry in India. There can be no assurance that we will be able to react effectively to these or other market developments or compete effectively with new and existing players in the increasingly competitive Gold Loans industry. Increasing competition may have an adverse effect on our net interest margin and other income, and, if we are unable to compete successfully, our market share may decline as the origination of new loans declines.

***We have certain contingent liabilities; in the event any of these contingent liabilities materialize, our financial condition may be adversely affected.***

As of December 31, 2013, we had certain contingent liabilities not provided for, amounting to ₹ 293.09 million. Set forth below is a table highlighting the main heads of contingent liabilities.

₹ million

Claims against the Company, not acknowledged as debts	119.22
Counter Guarantee provided to banks	83.87

In the event that any of these contingent liabilities materialize, our financial condition may be adversely affected.

***We may not be able to successfully sustain our growth strategy. Inability to effectively manage our growth and related issues could materially and adversely affect our business and impact our future financial performance.***

Our growth strategy includes growing our loan book and expanding the range of products and services offered to our customers and expanding our branch network. There can be no assurance that we will be able to sustain our growth strategy successfully, or continue to achieve or grow the levels of net profit earned historically, or that we will be able to expand further or diversify our loan book. Furthermore, there may not be sufficient demand for such products, or they may not generate sufficient revenues relative to the costs associated with offering such products and services. Even if we were able to introduce new products and services successfully,



there can be no assurance that we will be able to achieve our intended return on such investments. If we grow our loan book too rapidly or fail to make proper assessments of credit risks associated with borrowers, a higher percentage of our loans may become non-performing, which would have a negative impact on the quality of our assets and our financial condition.

We also face a number of operational risks in executing our growth strategy. We have experienced rapid growth in our Gold Loan business and our branch network also has expanded significantly, and we are entering into new, smaller towns and cities within India as part of our growth strategy. Our rapid growth exposes us to a wide range of increased risks within India, including business risks, such as the possibility that our number of impaired loans may grow faster than anticipated, and operational risks, fraud risks and regulatory and legal risks. Moreover, our ability to sustain our rate of growth depends significantly upon our ability to manage key issues such as selecting and retaining key managerial personnel, maintaining effective risk management policies, continuing to offer products which are relevant to our target base of customers, developing managerial experience to address emerging challenges and ensuring a high standard of customer service. Particularly, we are significantly dependent upon a core management team who oversee the day-to-day operations, strategy and growth of our businesses. If one or more members of our core management team were unable or unwilling to continue in their present positions, such persons may be difficult to replace, and our business and results of operation could be adversely affected. Furthermore, we will need to recruit, train and integrate new employees, as well as provide continuing training to existing employees on internal controls and risk management procedures. Failure to train and integrate employees may increase employee attrition rates, require additional hiring, erode the quality of customer service, divert management resources, increase our exposure to high-risk credit and impose significant costs on us.

We also plan to expand our Gold Loan business in new geographies outside India. We have limited or no operating experience in these new geographies, and we may encounter difficulties in entering into these new geographies. This may require significant capital investments and commitment of time from our senior management, and there often is limited or no prospect of earnings in the initial years. Moreover, there is no assurance that we will be able to commence operations in accordance with our timelines, if at all, which could result in additional costs and time commitments from our senior management. There also can be no assurance that our management will be able to develop the skills necessary to successfully manage this geographical expansion. Our inability to effectively manage any of the above issues could materially and adversely affect our business and impact our future financial performance.

Furthermore, we are entering new businesses as part of our growth strategy. For example, the RBI has granted us a license under the Payment and Settlement Systems Act, 2007 to act as a White Label ATM Operator, which will enable us to operate ATM machines in our branches, allowing our customers to withdraw money using credit cards issued by their respective banks. This service enables us to earn 'interchange' fees from issuing banks, every time a card transaction is undertaken by customers of such issuing banks at an ATM owned and operated by us, in addition to other fee-based revenue. We have little or no operating experience in such businesses, and you should consider the risks and difficulties we may encounter by entering into new lines of business. New businesses may require significant capital investments and commitments of time from our senior management, and there often is little or no prospect of earnings in a new business for several years. Moreover, there is no assurance any new business we develop or enter will commence in accordance with our timelines, if at all, which could result in additional costs and time commitments from our senior management. There also can be no assurance that our management will be able to develop the skills necessary to successfully manage these new business areas. Our inability to effectively manage any of the above issues could materially and adversely affect our business and impact our future financial performance.

***We may not be in compliance with relevant state money lending laws, which could adversely affect our business. In the event that any state government requires us to comply with the provisions of their respective state money lending laws, or imposes any penalty, including for prior non-compliance, our business, results of operations and financial condition may be adversely affected.***

There is ambiguity on whether or not NBFCs are required to comply with the provisions of state money lending laws that establish ceilings on interest rates. As of March 31, 2013, our Company has been specifically exempted from the provisions of the money lending laws applicable in Andhra Pradesh and Gujarat and there is a blanket exemption for all NBFCs in Rajasthan. Further, we have also received show cause notices from certain Government authorities in Karnataka in relation to compliance of local money lending laws, and are currently involved in criminal proceedings in relation to such money lending laws. We also carry out operations in other states such as Tamil Nadu, Madhya Pradesh, and Maharashtra, where there are money lending laws in operation. In addition, in the event the provisions of any state specific regulations are extended to NBFCs in the Gold Loan business such as our Company, we could have increased costs of compliance and our business and operations

could be adversely affected, particularly if low interest rate ceiling norms are imposed on our operations. For further details, including on the status of the applicability of money lending laws in Kerala, please see “*Legal Proceedings*” beginning on page 171 of this Red Herring Prospectus. In the event that any state government requires us to comply with the provisions of their respective state money lending laws, or imposes any penalty against us, our Directors or our officers, including for prior non-compliance, our business, results of operations and financial condition may be adversely affected.

***A major part of our branch network is concentrated in southern India and any disruption or downturn in the economy of the region would adversely affect our operations.***

As of December 31, 2013, 2,770 out of our 4,260 branches were located in the south Indian states of Tamil Nadu (923 branches), Kerala (817 branches), Andhra Pradesh (590 branches), Karnataka (432 branches) and Union Territory of Pondicherry (8 branches). Any disruption, disturbance or breakdown in the economy of southern India could adversely affect the result of our business and operations. As of December 31, 2013, the south Indian states of Tamil Nadu, Kerala, Andhra Pradesh, Karnataka and the Union Territory of Pondicherry constituted 61.18% of our total Gold Loan portfolio. Our concentration in southern India exposes us to adverse economic or political circumstances that may arise in that region as compared to other NBFCs and commercial banks that may have a more diversified national presence compared to us. If there is a sustained downturn in the economy of southern India, our financial position may be adversely affected.

***Our indebtedness and the conditions and restrictions imposed by our financing agreements could restrict our ability to conduct our business and operations in the manner we desire.***

As of December 31, 2013, we had an outstanding debt of ₹ 204,103.39 million. We may incur additional indebtedness in the future. Our indebtedness could have several important consequences, including but not limited to the following:

- a portion of our cash flow may be used towards repayment of our existing debt, which will reduce the availability of our cash flow to fund our working capital, capital expenditures, acquisitions and other general corporate requirements;
- our ability to obtain additional financing in the future at reasonable terms may be restricted or our cost of borrowings may increase due to sudden adverse market conditions, including decreased availability of credit or fluctuations in interest rates, particularly because a significant proportion of our financing arrangements are in the form of borrowings from banks;
- fluctuations in market interest rates may adversely affect the cost of our borrowings, as some of our indebtedness including long term loan from banks are at variable interest rates;
- there could be a material adverse effect on our business, financial condition and results of operations if we are unable to service our indebtedness or otherwise comply with financial and other covenants specified in the financing agreements; and
- we may be more vulnerable to economic downturns, which may limit our ability to withstand competitive pressures and may reduce our flexibility in responding to changing business, regulatory and economic conditions.

Moreover, certain of our loans may be recalled by our lenders at any time. If any of these lenders recall their loans, our cash position, business and operations may be adversely affected.

***Our financing arrangements contain restrictive covenants that may adversely affect our business and operations, some of which we are currently in breach of or have breached in the past.***

The financing arrangements that we have entered into with certain banks and financial institutions and terms and conditions for issue of non-convertible debentures issued by us contain restrictive covenants, which among other things require us to obtain prior permission of such banks, financial institutions or debenture trustees or to inform them with respect to various activities, including, alteration of our capital structure, changes in management, raising of fresh capital or debt, payment of dividend, revaluation or sale of our assets, undertaking new projects, creating subsidiaries, change in accounting policies, or undertaking any merger or amalgamation, invest by way of share capital or lend to other companies, undertaking guarantee obligations on behalf of other companies, and creation of further charge on fixed assets. Additionally, certain loan agreements require us to meet and maintain prescribed financial ratios. Further, under these loan agreements during the subsistence of the

facilities, certain lenders have a right to appoint nominee directors on our Board from time to time. Furthermore, some of our financing arrangements contain cross default provisions which could automatically trigger defaults under other financing arrangements, in turn magnifying the effect of an individual default. Although we attempt to maintain compliance with our covenants or obtain prospective waivers where possible, we cannot assure you that we will be continuously compliant.

We have breached certain such covenants in the past, and may continue to be inadvertently in technical breach of, certain covenants under these loan agreements and other financing arrangements. While we are not aware of any such breaches, and although no bank or financial institution has issued a notice of default to us, if we are held to be in breach of any financial or other covenants contained in any of our financing arrangements, we may be required to immediately repay our borrowings either in whole or in part, together with any related costs, and because of such defaults we may be unable to find additional sources of financing. If any of these events were to occur, it would likely result in a material adverse effect on our financial condition and results of operations or even our ability to continue as a going concern.

***Our Gold Loans are due within one year of disbursement, and a failure to disburse new loans may result in a reduction of our loan portfolio and a corresponding decrease in our interest income.***

The Gold Loans we offer are due within one year of disbursement. The relatively short-term nature of our loans means that we are not assured of long-term interest income streams compared to businesses that offer loans with longer terms. In addition, our existing customers may not obtain new loans from us upon maturity of their existing loans, particularly if competition increases. The short-term nature of our loan products and the potential instability of our interest income could materially and adversely affect our results of operations and financial position.

***If we are not able to control or reduce the level of non-performing assets in our portfolio, the overall quality of our loan portfolio may deteriorate and our results of operations may be adversely affected.***

We may not be successful in our efforts to improve collections and/or enforce the security interest on the gold collateral on existing as well as future non-performing assets. Moreover, as our loan portfolio increases, we may experience greater defaults in principal and/or interest repayments. Thus, if we are not able to control or reduce our level of non-performing assets, the overall quality of our loan portfolio may deteriorate and our results of operations may be adversely affected. Our gross NPAs as of year ended March 31, 2011, 2012, 2013 and the nine months ended December 31, 2013 were ₹ 460.11 million, ₹ 1,389.53 million, ₹ 5,250.30 million and ₹ 4,492.13 million, respectively. For further details on our non-performing assets, see “Our Business - Non-performing Assets” beginning on page 106 of this Red Herring Prospectus.

The Prudential Norms prescribe the provisioning required in respect of our outstanding loan portfolio. Should the overall credit quality of our loan portfolio deteriorate, the current level of our provisions may not be adequate to cover further increases in the amount of our non-performing assets. Furthermore, although we believe that our total provision will be adequate to cover all known losses in our asset portfolio, our current provisions may not be adequate when compared to the loan portfolios of other financial institutions. Moreover, there also can be no assurance that there will be no further deterioration in our provisioning coverage as a percentage of gross non-performing assets or otherwise, or that the percentage of non-performing assets that we will be able to recover will be similar to our past experience of recoveries of non-performing assets. In the event of any further increase in our non-performing asset portfolio, there could be an even greater, adverse impact on our results of operations.

***We face difficulties in carrying out credit risk analyses on our customers, most of whom are individual borrowers, which could have a material and adverse effect on our results of operations and financial condition.***

Unlike several developed economies, a nationwide credit bureau has only become operational in India in 2000, so there is less financial information available about individuals, particularly our focus customer segment from the low to middle income group who typically have limited access to other financing sources. It is therefore difficult to carry out precise credit risk analyses on our customers. Although we follow certain KYC procedures at the time of sanctioning a loan, we generally rely on the quality of the gold jewellery provided as collateral rather than on a stringent analysis of the credit profile of our customers. Although we believe that our risk management controls are sufficient, we cannot be certain that they will continue to be sufficient or that additional risk management policies for individual borrowers will not be required. Failure to maintain sufficient credit assessment policies, particularly for individual borrowers, could adversely affect our credit portfolio which could have a material and adverse effect on our results of operations and financial condition.

***Our customer base comprises entirely of individual borrowers, who generally are more likely to be affected by declining economic conditions than large corporate borrowers. Any decline in the repayment capabilities of our borrowers, may result in increase in defaults, thereby adversely affecting our business and financial condition.***

Individual borrowers generally are less financially resilient than large corporate borrowers, and, as a result, they can be more adversely affected by declining economic conditions. In addition, a significant majority of our customer base belongs to the low to middle income group, who may be more likely to be affected by declining economic conditions than large corporate borrowers.

Any decline in the economic conditions may impact the repayment capabilities of our borrowers, which may result in increase in defaults, thereby adversely affecting our business and financial condition.

***Because we handle high volume of cash and gold jewellery in a dispersed network of branches, we are exposed to operational risks, including employee negligence, fraud, petty theft, burglary and embezzlement, which could harm our results of operations and financial position.***

As of December 31, 2013, we held cash balance of ₹ 1,259.33 million and gold jewellery of 123.23 tons. Our business involves carrying out cash and gold jewellery transactions that expose us to the risk of fraud by employees, agents, customers or third parties, theft, burglary, and misappropriation or unauthorised transactions by our employees. Our insurance policies, security systems and measures undertaken to detect and prevent these risks may not be sufficient to prevent or detect such activities in all cases, which may adversely affect our operations and profitability. Our employees may also become targets of the theft, burglary and other crimes if they are present when these crimes are committed, and may sustain physical and psychological injuries as a result. We may encounter difficulties recruiting and retaining qualified employees due to this risk and our business and operations may be adversely affected. Set forth below are examples of fraud and theft in the year ended March 31, 2014 (i), we encountered two instances of staff fraud at our Shahapur branch, Secunderabad and Doddipatla branch, Rajahmundry, where ₹ 0.99 million and ₹ 0.21 million, respectively were misappropriated by our employees, (ii) gold ornaments pledged by our customers at our Bangalore M S Palaya branch, Bangalore IV, and Annapur Sathagiri Circle branch, Kurnool, against loan amounts of ₹ 0.45 million and ₹ 0.72 million, respectively, were reported to be stolen goods and were seized by the police, and (iii) in the Maujpur Branch Delhi, Central of our Company, spurious gold was pledged by our customers, against loan amounts aggregating to ₹ 0.52 million.

Further, we may be subject to regulatory or other proceedings in connection with any unauthorized transaction, fraud or misappropriation by our representatives and employees, which could adversely affect our goodwill. The nature and size of the items provided as collateral allow these items to be misplaced or mistakenly delivered, which may have a negative impact on our operations and result in losses.

***A decline in our capital adequacy ratio could restrict our future business growth.***

As per extant RBI norms, from March 31, 2011, we are required to maintain a capital adequacy ratio of at least 15% of our risk-weighted assets. Further, RBI has introduced minimum Tier I capital requirement of 12% to be effective from April 01, 2014 for NBFCs primarily for whom loans against gold jewellery comprise more than 50% of their financial assets, including us. Our capital adequacy ratio was 23.76% as of December 31, 2013, with Tier I capital comprising of 17.00%. If we continue to grow our loan portfolio and asset base, we will be required to raise additional Tier I and Tier II capital in order to continue to meet applicable capital adequacy ratios and Tier I capital requirements with respect to our business of Gold Loans. There can be no assurance that we will be able to maintain adequate capital adequacy ratio or Tier I capital by raising additional capital in the future on terms favorable to us, or at all. Failure to maintain adequate capital adequacy ratio or Tier I capital may adversely affect the growth of our business. Further, any regulatory change in capital adequacy requirements imposed by the RBI may have an adverse effect on our results of operation.

***If we fail to maintain effective internal control over financial reporting in the future, the accuracy and timing of our financial reporting may be adversely affected.***

We have taken steps to enhance our internal controls commensurate to the size of our business, primarily through the formation of a designated internal audit team with additional technical accounting and financial reporting experience. However, certain matters such as fraud and embezzlement cannot be eliminated entirely given the cash nature of our business. While we expect to remedy such issues, we cannot assure you that we will

be able to do so in a timely manner, which could impair our ability to accurately and timely report our financial position, results of operations or cash flows.

***We may experience difficulties in expanding our business into additional geographical markets in India, which may adversely affect our business prospects, financial conditions and results of operations.***

While the Gold Loans markets in the south Indian states of Kerala, Tamil Nadu, Andhra Pradesh and Karnataka remains and is expected to remain our primary strategic focus, we also evaluate attractive growth opportunities in other regions in India and have expanded our operations in the northern, western and eastern states of India. We may not be able to leverage our experience in southern India to expand our operations in other regions, should we decide to further expand our operations. Factors such as competition, culture, regulatory regimes, business practices and customs, customer attitude, sentimental attachments towards gold jewellery, behavior and preferences in these cities where we may plan to expand our operations may differ from those in south Indian states of Kerala, Tamil Nadu, Andhra Pradesh and Karnataka and our experience in these states of Kerala, Tamil Nadu, Andhra Pradesh and Karnataka may not be applicable to other geographies. In addition, as we enter new markets and geographical areas, we are likely to compete not only with other large banks and financial institutions in the Gold Loan business, but also the local unorganized or semi-organized lenders, who are more familiar with local conditions, business practices and customs, have stronger relationships with customers and may have a more established brand name.

If we plan to further expand our geographical footprint, our business may be exposed to various additional challenges, including obtaining necessary governmental approvals, identifying and collaborating with local business partners with whom we may have no previous working relationship; successfully gauging market conditions in new markets; attracting potential customers; being susceptible to local laws in new geographical areas of India; and adapting our marketing strategy and operations to suit regions where different languages are spoken. Our inability to expand our current operations in additional geographical markets may adversely affect our business prospects, financial conditions and results of operations.

***System failures or inadequacy and security breaches in computer systems may adversely affect our operations and result in financial loss, disruption of our businesses, regulatory intervention or damage to our reputation.***

Our business is increasingly dependent on our ability to process, on a daily basis, a large number of transactions. Significantly, all our branches are required to send records of transactions, at the end of every working day, to a central system for consolidation of branch data. Our financial, accounting or other data processing systems may fail to operate adequately or become disabled as a result of events that are wholly or partially beyond our control, including a disruption of electrical or communications services.

If any of these systems do not operate properly or are disabled or if there are other shortcomings or failures in our internal processes or systems, it could adversely affect our operations and result in financial loss, disruption of our businesses, regulatory intervention or damage to our reputation. In addition, our ability to conduct business may be adversely impacted by a disruption in the infrastructure that supports our businesses and the localities in which we are located.

Our operations also rely on the secure processing, storage and transmission of confidential and other information in our computer systems and networks. Our computer systems, software and networks may be vulnerable to unauthorised access, computer viruses or other malicious code and other events that could compromise data integrity and security.

***We may not be able to maintain our current levels of profitability due to increased costs or reduced spreads.***

Our business involves a large volume of small-ticket size loans and requires manual operational support. Hence, we require dedicated staff for providing our services. In order to grow our portfolio, our expanded operations will also increase our manpower requirements and push up operational costs. Our growth will also require a relatively higher gross spread, or margin, on the lending products we offer in order to maintain profitability. If the gross spread on our lending products were to reduce, there can be no assurance that we will be able to maintain our current levels of profitability and it could adversely affect our results of operations.

***Our ability to access capital also depends on our credit ratings. Any downgrade in our credit ratings would increase borrowing costs and constrain our access to capital and lending markets and, as a result, would negatively affect our net interest margin and our business.***

The cost and availability of capital is also dependent on our short-term and long-term credit ratings. We have been assigned an “A1+” rating by ICRA for short-term non-convertible debentures of ₹ 2,000.00 million, and “A1+” rating by CRISIL for short term debt instruments of ₹ 40,000.00 million. We have been assigned a “CRISIL AA-/Stable” rating by CRISIL for our ₹ 5,000.00 million non-convertible debentures and our ₹ 1,000.00 million subordinated debt. ICRA has assigned an “ICRA AA-/Stable” rating for our ₹ 2,000.00 million non-convertible debentures and ₹ 1,000.00 million subordinated debt. We have been assigned a long-term rating of “ICRA AA-/Stable” and a short-term rating of “A1+” by ICRA for our ₹ 124,480.00 million line of credit. Ratings reflect a rating agency’s opinion of our financial strength, operating performance, strategic position, and ability to meet our obligations. Any downgrade of our credit ratings would increase borrowing costs and constrain our access to debt and bank lending markets and, as a result, would adversely affect our business. In addition, downgrades of our credit ratings could increase the possibility of additional terms and conditions being added to any new or replacement financing arrangements.

***We may be subject to regulations in respect of provisioning for non-performing assets that are less stringent than in some other countries. If such provisions are not sufficient to provide adequate cover for loan losses that may occur, this could have an adverse effect on our financial condition, liquidity and results of operations.***

RBI guidelines prescribe the provisioning required in respect of our outstanding loan portfolio. These provisioning requirements may require us to reserve lower amounts than the provisioning requirements applicable to financial institutions and banks in other countries. The provisioning requirements may also require the exercise of subjective judgments of management.

The level of our provisions may not be adequate to cover further increases in the amount of our non-performing assets or a decrease in the value of the underlying gold collateral. If such provisions are not sufficient to provide adequate cover for loan losses that may occur, or if we are required to increase our provisions, this could have an adverse effect on our financial condition, liquidity and results of operations and may require us to raise additional capital. For further details, see “Our Business - Non-performing Assets (NPAs) - Provisioning policy” beginning on page 106 of this Red Herring Prospectus.

***Our ability to assess, monitor and manage risks inherent in our business differs from the standards of some of our counterparts in India and in some developed countries. Inability to effectively manage our risk management systems can adversely affect our business, financial condition and results of operation.***

We are exposed to a variety of risks, including liquidity risk, interest rate risk, credit risk, operational risk and legal risk. The effectiveness of our risk management is limited by the quality and timeliness of available data.

Our hedging strategies and other risk management techniques may not be fully effective in mitigating our risks in all market environments or against all types of risk, including risks that are unidentified or unanticipated. Some methods of managing risks are based upon observed historical market behaviour. As a result, these methods may not predict future risk exposures, which could be greater than the historical measures indicated. Other risk management methods depend upon an evaluation of information regarding markets, customers or other matters. This information may not in all cases be accurate, complete, up-to-date or properly evaluated. Management of operational, legal or regulatory risk requires, among other things, policies and procedures to properly record and verify a number of transactions and events. Although we have established these policies and procedures, they may not be fully effective. Our future success will depend, in part, on our ability to respond to new technological advances and emerging financing institution and Gold Loan industry standards and practices on a cost-effective and timely basis. The development and implementation of such technology entails significant technical and business risks. There can be no assurance that we will successfully implement new technologies or adapt our transaction-processing systems to customer requirements or emerging market standards and any failure to do so can adversely affect our business, financial condition and results of operation.

***Any failure by us to identify, manage, complete and integrate acquisitions, divestitures and other significant transactions successfully could adversely affect our results of operations, business and prospects.***

As part of our business strategy, we may acquire complementary companies or businesses, divest non-core businesses or assets, enter into strategic alliances and joint ventures and make investments to further expand our business. In order to pursue this strategy successfully, we must identify suitable candidates for and successfully complete such transactions, some of which may be large and complex, and manage the integration of acquired companies or employees. We may not fully realize all of the anticipated benefits of any such transaction within the anticipated timeframe or at all. Any increased or unexpected costs, unanticipated delays or failure to achieve

contractual obligations could make such transactions less profitable or unprofitable. Managing business combination and investment transactions requires varying levels of management resources, which may divert our attention from other business operations, may result in significant costs and expenses and charges to earnings. The challenges involved in integration include:

- combining product offerings and entering into new markets in which we are not experienced;
- consolidating and maintaining relationships with customers;
- consolidating and rationalizing transaction processes and corporate and IT infrastructure;
- integrating employees and managing employee issues;
- coordinating and combining administrative and other operations and relationships with third parties in accordance with applicable laws and other obligations while maintaining adequate standards, controls and procedures;
- achieving savings from infrastructure integration; and
- managing other business, infrastructure and operational integration issues.

Any such acquisition may also result in earnings dilution, the amortization of goodwill and other intangible assets or other charges to operations, any of which could have a material adverse effect on our business, financial condition or results of operations. These acquisitions may give rise to unforeseen contingent risks or latent liabilities relating to these businesses that may only become apparent after the merger or the acquisition is finalised. Such acquisitions could involve numerous additional risks, including, without limitation, difficulties in the assimilation of the operations, products, services and personnel of any acquired company and could disrupt our ongoing business, distract our management and employees and increase our expenses.

In addition, in order to finance an acquisition, we may be required to make additional borrowings or may issue additional Equity Shares, potentially leading to dilution of existing shareholders.

***In order to be successful, we must attract, retain and motivate key employees, and failure to do so could adversely affect our business. Failure to hire key executives or employees or the loss of key executives or employees could have a significant impact on our operations.***

In order to be successful, we must attract, train, motivate and retain highly skilled employees, especially branch managers and gold assessment technical personnel. If we cannot hire additional personnel or retain existing qualified personnel, our ability to expand our business will be impaired and our revenue could decline. Hiring and retaining qualified and skilled managers and sales representatives are critical to our future, and competition for experienced employees in the Gold Loan industry can be intense. In addition, we may not be able to hire and retain enough skilled and experienced employees to replace those who leave, or may not be able to re-deploy and retain our employees to keep pace with continuing changes in technology, evolving standards and changing customer preferences. The failure to hire key executives or employees or the loss of executives and key employees could have a significant impact on our operations.

***Our insurance coverage may not be adequate to protect us against all potential losses to which we may be subject. Any liability in excess of our insurance claim could have a material adverse effect on our results of operations and financial position.***

We maintain insurance cover for our free hold real estate and tangible properties and infrastructure at all owned and leased premises which provide insurance cover against loss or damage by fire, earthquake, lightning, riot, strike, storm, flood, explosion, aircraft damage, rock slide and missile testing. Further we maintain insurance cover for employee fidelity, cash and gold in the office premises and in transit which provides insurance cover against loss or damage by employee theft, burglary, house breaking and hold up. The aggregate insured value covered by the various insurance policies we have subscribed may be less than the replacement cost of all covered property and may not be sufficient to cover all financial losses that we may suffer should a risk materialise. Further, there are many events that could significantly impact our operations, or expose us to third-party liabilities, for which we may not be adequately insured. If we were to incur a significant liability for which we were not fully insured, it could have a material adverse effect on our results of operations and financial position.

***Our results of operations could be adversely affected by any disputes with our employees.***

As of December 31, 2013 we employed 25,469 persons in our operations. Currently our employees do not belong to any labor union. We do not have a policy of recruiting non-permanent employees or contract labor. However, from time to time we reappoint, at our discretion, persons who reach the age of 55 years (the age of retirement according to our employment policies) on annual renewable contracts. While we believe that we maintain good relationships with our employees, there can be no assurance that we will not experience future disruptions to our operations due to disputes or other problems with our work force, which may adversely affect our business and results of operations.

***Our inability to obtain, renew or maintain our statutory and regulatory permits and approvals required to operate our business may have a material adverse effect on our business, financial condition and results of operations.***

NBFCs in India are subject to strict regulations and supervision by the RBI. In addition to the numerous conditions required for the registration as a NBFC with the RBI, we are required to maintain certain statutory and regulatory permits and approvals for our business. In the future, we will be required to renew such permits and approvals and obtain new permits and approvals for any proposed operations. There can be no assurance that the relevant authorities will issue any of such permits or approvals in the time-frame anticipated by us or at all. Our failure to renew, maintain or obtain the required permits or approvals may result in the interruption of our operations and may have a material adverse effect on our business, financial condition and results of operations.

In addition, our branches are required to be registered under the relevant shops and establishments laws of the states in which they are located. The shops and establishment laws regulate various employment conditions, including working hours, holidays and leave and overtime compensation. Some of our branches have not applied for such registration while other branches still have applications for registration pending. If we fail to obtain or retain any of these approvals or licenses, or renewals thereof, in a timely manner, or at all, our business may be adversely affected. If we fail to comply, or a regulator claims we have not complied, with any of these conditions, our certificate of registration may be suspended or cancelled and we shall not be able to carry on such activities.

***Major lapses of control, system failures or calamities could adversely impact our business.***

We are vulnerable to risks arising from the failure of employees to adhere to approved procedures, failures of security system, information system disruptions, communication systems failure and data interception during transmission through external communication channels and networks. Failure to detect these breaches in security may adversely affect our operations.

***We have entered into certain transactions with related parties. Any transaction with related parties may involve conflicts of interest.***

We have entered into transactions with several related parties, including our Promoters, Directors and related entities. We can give no assurance that we could not have achieved more favorable terms had such transactions not been entered into with related parties. Furthermore, it is likely that we will enter into related party transactions in the future. There can be no assurance that such transactions, individually or in the aggregate, will not have an adverse effect on our financial condition and results of operations. The transactions we have entered into and any future transactions with our related parties have involved or could potentially involve conflicts of interest.

For details regarding our related party transactions entered into by us as on December 31, 2013, see “*Financial Information*” beginning on page 187 of this Red Herring Prospectus.

***We have not entered into any definitive agreements to utilize a substantial portion of the net proceeds of the Issue.***

We intend to use the Net Proceeds for the purposes described in “*Use of Proceeds*” beginning on page 56 of this Red Herring Prospectus. Subject to compliance with applicable laws and regulations, we intend to use the net proceeds of the Issue to augment the long term resources by way of enhancing the capital base to meet future capital requirements and provide funding for loans to the customers of our Company and for general corporate purposes. Subject to supervision of the Audit Committee and the Board as required under the provisions of the



Equity Listing Agreement, the management of the Company will have flexibility in deploying the proceeds received by the Company from the Issue. Pending utilization of the net proceeds of the Issue as described above, the Company intends to temporarily invest the funds in interest bearing instruments including deposits with banks and investments in mutual funds.

***We continue to be controlled by our Promoters and they will continue to have the ability to exercise significant control over us. We cannot assure you that exercise of control by our Promoters will always favor our best interest.***

Our Promoters and Promoter Group hold, 80.12% of our outstanding Equity Shares as on December 31, 2013. Subsequent to the Issue, our Promoters will continue to exercise significant control over us, including being able to control the composition of our Board and determine matters requiring shareholder approval or approval of our Board. Our Promoters may take or block actions with respect to our business, which may conflict with our interests or the interests of our minority shareholders. By exercising their control, our Promoters could delay, defer or cause a change of our control or a change in our capital structure, delay, defer or cause a merger, consolidation, takeover or other business combination involving us, discourage or encourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of us which may not favor our best interest.

***Our business strategy may change in the future and may be different from that which is contained herein. Any failure to successfully diversify into other businesses can adversely affect our financial condition.***

Our current business strategy is to leverage on our experience in the Gold Loans industry in southern Indian to expand our branch network and increase our Gold Loan portfolio. We cannot assure you that we will continue to follow these business strategies. In the future, we may decide to diversify into other businesses. We may also explore opportunities for expansion into new geographic markets outside India. We have stated our objectives for raising funds through the Issue and have set forth our strategy for our future business herein. However, depending on prevailing market conditions and other commercial considerations, our business model in the future may change from what is described herein.

We cannot assure you that any diversification into other businesses will be beneficial to us. Further, any failure to successfully diversify in new businesses can adversely affect our financial condition.

***Our Promoters, Directors and related entities have interests in a number of entities, which are in businesses similar to ours and this may result in potential conflicts of interest with us.***

Certain decisions concerning our operations or financial structure may present conflicts of interest among our Promoters, other shareholders, Directors, executive officers and the holders of Equity Shares. Our Promoters, Directors and related entities have interests in the following entities that are engaged in businesses similar to ours:

***Companies:***

1. Muthoot Vehicle & Asset Finance Limited
2. Geo Bros Muthoot Funds (India) Limited
3. Emgee Muthoot Benefit Fund (India) Limited
4. Muthoot M George Permanent Fund Limited
5. Muthoot Gold Funds Limited
6. Muthoot Synergy Fund Limited
7. Muthoot M George Chits (India) Limited
8. Muthoot Finance UK Limited

***Partnership firms:***

1. Muthoot General Finance
2. Muthoot Insurance Advisory Services
3. Emgee Insurance Services
4. Geo Financial Services

Commercial transactions in the future between us and related parties could result in conflicting interests. A conflict of interest may occur directly or indirectly between our business and the business of our Promoters which could have an adverse effect on our operations. Conflicts of interest may also arise out of common business objectives shared by us, our Promoters, Directors and their related entities. Our Promoters, Directors

and their related entities may compete with us and have no obligation to direct any opportunities to us. There can be no assurance that these or other conflicts of interest will be resolved in an impartial manner.

***We are significantly dependent on our management team and our ability to attract and retain talent. Loss of any member from our management team can adversely affect our business and results of operation.***

We are significantly dependent upon a core management team which oversees the day-to-day operations, strategy and growth of our businesses. Many of the key management personnel have been with us since our inception and have been integral to our development. Our success is largely dependent on the management team which ensures the implementation of our strategy. If one or more members of our core management team are unable or unwilling to continue in their present positions, such persons may be difficult to replace, and our business and results of operation could be adversely affected.

***Our employees may be the target of theft, burglary and other crimes which may adversely affect our business, operations, and ability to recruit and retain employees.***

We handle large amounts of cash and gold jewellery in our daily operations and are exposed to risks of theft, burglary and other crimes. Our employees may therefore become targets of violence if they are present when these crimes are committed, and may sustain physical and psychological injuries as a result of the same. We may encounter difficulties recruiting and retaining qualified employees due to this risk and our business and operations may be adversely affected.

***Our internal procedures, on which we rely for obtaining information on our customers and loan collateral, may be deficient and result in business losses.***

We rely on our internal procedures for obtaining information on our customers and loan collateral provided. In the event of lapses or deficiencies in our procedures or in their implementation, we may be subject to business or operational risk. For example, in the event that we unknowingly receive stolen goods as collateral from a customer, the goods can be seized by authorities. Once seized by the authorities, gold items will be stored in court storage facilities without a surety arrangement. No recourse will generally be available to the Company in the event of such seizure, except the recovery of the loss from the customer.

***We do not own a majority of our branches of operation. Any termination of arrangements for lease of our branches or our failure to renew the same in a favorable, timely manner, or at all, could adversely affect our business and results of operations. Most of the lease agreements entered into by our Company may not be duly registered or adequately stamped.***

Except for 14 branch offices, which are owned by us, all our branches are located on leased premises of which, some branches are located on premises wherein the underlying lease agreements have currently expired. For instance, the lease agreements for our branches at Noida – I, Uttar Pradesh and Shalimar Bagh, New Delhi have expired and we are currently involved in negotiations for the renewal of these premises. If any of the owners of these premises does not renew an agreement under which we occupy the premises, attempts to evict us or seeks to renew an agreement on terms and conditions unfavorable to us, we may suffer a disruption in our operations or increased costs, or both, which may adversely affect our business and results of operations. For further details in relation to material eviction proceedings against us, see “Legal Proceedings” beginning on page 171 of this Red Herring Prospectus.

Further, most of our lease agreements with respect to our immovable properties may not be adequately stamped or duly registered. Unless such documents are adequately stamped or duly registered, such documents may be rendered as inadmissible as evidence in a court in India, may not be authenticated by any public officer, or attract penalty as prescribed under applicable law, which impact our ability to enforce these agreements effectively, which may result in a material adverse effect on the continuance of the operations and business of our Company.

***There can be no assurance that the Company will pay dividends to its shareholders in the near future.***

There can be no assurance that dividends will be paid in the future on a quarterly or annual basis. The declaration and payment of any dividends in the future will be recommended by the Company’s Board of Directors, in its discretion, and will depend on a number of factors, including Indian legal requirements, its earnings, cash generated from operations, capital requirements and overall financial condition.

***Our business and activities may be regulated by the Competition Act, 2002.***

The Competition Act, 2002 (the “**Competition Act**”) seeks to prevent business practices that have a material adverse effect on competition in India. Under the Competition Act, any arrangement, understanding or action in concert between enterprises, whether formal or informal, which causes or is likely to cause a material adverse effect on competition in India is void and attracts substantial monetary penalties. Any agreement that directly or indirectly determines purchase or sale prices, limits or controls production, shares the market by way of geographical area, market, or number of customers in the market is presumed to have a material adverse effect on competition. Provisions of the Competition Act relating to the regulation of certain acquisitions, mergers or amalgamations which have a material adverse effect on competition and regulations with respect to notification requirements for such combinations came into force on June 1, 2011. The effect of the Competition Act on the business environment in India is unclear. If we are affected, directly or indirectly, by the application or interpretation of any provision of the Competition Act, or any enforcement proceedings initiated by the Competition Commission of India, or any adverse publicity that may be generated due to scrutiny or prosecution by the Competition Commission of India, it may have a material adverse effect on our business, prospects, results of operations, cash flows and financial condition.

**EXTERNAL RISK FACTORS**

**Risk factors related to India**

***There could be political, economic or other factors that are beyond our control but may have a material adverse impact on our business and results of operations should they materialize.***

The following external risks may have a material adverse impact on our business and results of operations should any of them materialize:

- Political instability, a change in the Government or a significant change in the economic and deregulation policies, in particular, those relating to NBFCs and the Gold Loan industry, could adversely affect economic conditions in India, and could also adversely affect our financial condition and results of operations;
- The growth of our business and our performance is linked to the performance of the overall Indian economy. A slowdown in the economic growth in India, including because of global economic conditions, and in particular in the financing requirements of our customers could adversely affect our business and results of operations;
- Civil unrest, acts of violence, terrorist attacks, regional conflicts or situations or war involving India or neighboring countries could materially and adversely affect the financial markets which could impact our business. Such incidents could impact economic growth or create a perception that investment in Indian companies involves a higher degree in risk which could reduce the value of our Equity Shares;
- Natural disasters in India may disrupt or adversely affect the Indian economy, which in turn could adversely affect our business, financial condition and results of operation;
- Any downgrade of India's sovereign rating by international credit rating agencies could adversely affect our ability to raise additional financing as well as our capital expenditure plans, business and future financial performance. In such event, our ability to grow our business and operate profitably would be severely constrained;
- Instances of corruption in India have the potential to discourage investors and derail the growth prospects of the Indian economy. Corruption creates economic and regulatory uncertainty and could have an adverse effect on our business, profitability and results of operations; and
- The Indian economy has had sustained periods of high inflation. Should inflation continue to increase sharply, our profitability and results of operations may be adversely impacted. High rates of inflation in India could increase our employee costs which could have an adverse effect on our profitability and results of operations.

***A decline in India's foreign exchange reserves may affect liquidity and interest rates in the Indian economy, which could adversely impact our financial condition.***

According to the weekly statistical supplement released by the RBI, India's foreign exchange reserves totaled US\$292,330.40 as on February 07, 2014 (*Source: RBI Website as on February 14, 2014*). A decline in India's foreign exchange reserves could impact the valuation of the Rupee and could result in reduced liquidity and higher interest rates which could adversely affect our financial condition.

***Companies operating in India are subject to a variety of central and state government taxes and surcharges. Any increases tax rates could adversely affect our business and results of operations.***

Tax and other levies imposed by the central and state governments in India that affect our tax liability include central and state taxes and other levies, income tax, value added tax, turnover tax, service tax, stamp duty and other special taxes and surcharges which are introduced on a temporary or permanent basis from time to time. Moreover, the central and state tax scheme in India is extensive and subject to change from time to time. For example, a new direct tax code as well as a new goods and services tax regime are expected to be introduced in the future, and the scope of the service tax is proposed to be enlarged. The statutory corporate income tax in India, which includes a surcharge on the tax and an education cess on the tax and the surcharge, is currently 33.99%. The central or state government may in the future increase the corporate income tax it imposes. Any such future increases or amendments may affect the overall tax efficiency of companies operating in India and may result in significant additional taxes becoming payable. Additional tax exposure could adversely affect our business and results of operations.

***Our transition to the use of the IFRS converged Indian Accounting Standards may adversely affect our financial condition and results of operations.***

On February 25, 2011, the Ministry of Corporate Affairs, Government of India ("MCA"), notified that the IFRS converged Indian Accounting Standards ("IND AS") will be implemented in a phased manner and stated that the date of implementation of IND AS will be notified by the MCA at a later date. As of date, there is no significant body of established practice on which to draw from in forming judgements regarding the implementation and application of IND AS. Additionally, IND AS has fundamental differences with IFRS and as a result, financial statements prepared under IND AS may be substantially different from financial statements prepared under IFRS. As we adopt IND AS reporting, we may encounter difficulties in the ongoing process of implementing and enhancing our management information systems. Moreover, there is increasing competition for small number IFRS experienced accounting personnel available as Indian companies being to prepare IND AS financial statements.

Further, there is no assurance on the impact of IND AS on our significant accounting policies. The adoption of IND AS by us and any failure to successfully adopt IND AS in accordance with the prescribed timelines could have an adverse effect on our financial condition and result of operations.

***Significant differences exist between Indian GAAP used throughout our financial information and other accounting principles, such as U.S. GAAP and IFRS, with which investors may be more familiar.***

Our financial statements are currently prepared in conformity with Indian GAAP. Indian GAAP differs in certain significant respects from IFRS, U.S. GAAP and other accounting principles and standards. Substantial differences exist between our Company's results of operations, cash flows and financial position in its financial statements prepared under Indian GAAP.

In addition, if we were to prepare its financial statements in accordance with any other accounting principles, such as U.S. GAAP, its results of operations, cash flows and financial position may be substantially different. The significant accounting policies applied in the preparation of our Indian GAAP financial statements are set forth in the notes to the financial statements included in this Red Herring Prospectus. Prospective investors should review the accounting policies applied in the preparation of our financial statements, and consult their own professional advisors for an understanding of the differences between these accounting principles and those with which they may be more familiar.

## **Risks relating to the Equity Shares**

***After this Issue, our Equity Shares may experience price and volume fluctuations or an active trading market for our Equity Shares may not develop.***

The price of the Equity Shares may fluctuate after this Issue as a result of several factors, including volatility in the Indian and global securities markets, negative economic developments in other emerging market countries, the results of our operations, the performance of our competitors, developments in, and changing perceptions concerning the industries in which we operate, adverse media reports on us, changes in the estimates of our performance or recommendations by financial analysts and significant developments in India's economic liberalization, deregulation policies and fiscal regulations. Further, the price at which the Equity Shares are initially traded may not correspond to the prices at which the Equity Shares will trade in the market subsequent to this Issue.

***There are restrictions on daily movements in the price of the Equity Shares, which may adversely affect a shareholder's ability to sell, or the price at which it can sell, Equity Shares at a particular point in time.***

The Equity Shares will be subject to a daily circuit breaker imposed on listed companies by all stock exchanges in India which does not allow transactions beyond certain volatility in the price of the Equity Shares. This circuit breaker operates independently of the index-based market-wide circuit breakers generally imposed by SEBI on Indian stock exchanges. The percentage limit on our Equity Shares circuit breaker is set by the stock exchanges based on the historical volatility in the price and trading volume of the Equity Shares. The stock exchanges are not required to inform our Company of the percentage limit of the circuit breaker from time to time, and may change it without its knowledge. This circuit breaker would effectively limit the upward and downward movements in the price of the Equity Shares. As a result of this circuit breaker, we cannot make any assurance regarding the ability of shareholders to sell the Equity Shares or the price at which shareholders may be able to sell their Equity Shares.

***There may be less information available about companies listed on Indian stock exchanges than companies listed on stock exchanges in other countries.***

There may be less publicly available information about companies listed on Indian stock exchanges, including us, than is regularly disclosed by companies listed on stock exchanges in other countries. There is also a difference between the level of regulation and monitoring of the Indian securities markets and the activities of investors, brokers and other participants in those markets, and that of markets in certain other economies. In India, while there are certain regulations and guidelines on disclosure requirements, insider trading and other matters, there may be less publicly available information about Indian companies than is regularly made available by public companies in many certain other countries. As a result, you may have access to less information about our business, results of operations and financial condition, and those of our competitors that are listed on the Indian stock exchanges, on an ongoing basis, than you may in the case of companies subject to the reporting requirements of certain other countries.

***You may be restricted in your ability to exercise pre-emptive rights under Indian law and may be adversely affected by future dilution of your ownership position.***

Under the Companies Act, 2013, a company incorporated in India must offer its holders of shares pre-emptive rights to subscribe and pay for a proportionate number of shares to maintain their existing ownership percentages before the issuance of any new shares, unless the pre-emptive rights have been waived by adoption of a special resolution by holders of three-fourths of the shares which are voted on the resolution. However, if the law of the jurisdiction you are in does not permit you to exercise your pre-emptive rights without us filing an offering document or registration statement with the applicable authority in the jurisdiction you are in, you will be unable to exercise your pre-emptive rights unless we make such a filing. If we elect not to make such a filing, the new securities may be issued to a custodian, who may sell the securities for your benefit. The value such custodian would receive upon the sale of such securities, if any, and the related transaction costs cannot be predicted. To the extent that you are unable to exercise pre-emptive rights granted in respect of the Equity Shares, your proportional interest in us would be reduced.

***Any future equity issuance may dilute your shareholding and sales of our Equity Shares by our Promoters or other major shareholders may adversely affect the trading price of the Equity Shares.***

Any future equity issuances by us may lead to the dilution of your shareholdings in our Company. Any future equity issuances by us or sales of our Equity Shares by our Promoters or other major shareholders may adversely affect the trading price of the Equity Shares. In addition, any perception by investors that such issuances or sales might occur could also affect the trading price of our Equity Shares. Under the Securities Contracts (Regulation) Rules, 1957 (the “SCRR”), listed companies are required to maintain public shareholding of at least 25.00% of their issued share capital. We are required to increase our public shareholding to at least 25.00% of our issued share capital within three years of the commencement of the Securities Contracts (Regulation) (Amendment) Rules, 2010. Failure to comply with the minimum public shareholding provision may result in penal action being taken against us. We may not be able to meet these requirements even after the Allotment of Equity Shares pursuant to the Issue and to meet such requirements, our Promoters may sell or we may issue Equity Shares in the future.

***You may be subject to Indian taxes arising out of capital gains on the sale of our Equity Shares.***

Capital gains arising from the sale of our Equity Shares are generally taxable in India. Any gain realised on the sale of our Equity Shares on a stock exchange held for more than 12 months will not be subject to capital gains tax in India if the securities transaction tax has been paid on the transaction. The securities transaction tax will be levied on and collected by an Indian stock exchange on which our Equity Shares are sold. Any gain realised on the sale of our Equity Shares held for more than 12 months to an Indian resident, which are sold other than on a recognised stock exchange and as a result of which no securities transaction tax has been paid, will be subject to capital gains tax in India. Further, any gain realised on the sale of our Equity Shares held for a period of 12 months or less will be subject to capital gains tax in India. For details, see “Taxation” beginning on page 155 of this Red Herring Prospectus.

***An investor will not be able to sell any of the Equity Shares subscribed in the Issue other than on a recognised Indian stock exchange for a period of 12 months from the date of the Allotment of the Equity Shares.***

Pursuant to the SEBI Regulations, for a period of 12 months from the date of the Allotment of Equity Shares, QIBs subscribing to the Equity Shares in the Issue may only sell their Equity Shares on the NSE or the BSE and may not enter into any off-market trading in respect of these Equity Shares. We cannot assure you that these restrictions will not have an adverse effect on the price of the Equity Shares.

***We cannot assure you that our Equity Shares will be listed on the BSE and the NSE in a timely manner or at all, which may restrict your ability to dispose of the Equity Shares.***

In accordance with Indian law and practice, permission for listing of the Equity Shares will not be granted by the BSE and the NSE until after the Equity Shares offered in this Issue have been allotted. In addition, we are required to deliver the Red Herring Prospectus and the Prospectus to the ROC for registration under the applicable provisions of the Companies Act and the SEBI Regulations. Approval will require all other relevant documents authorizing the issuance of the Equity Shares to be submitted. There could be a failure or delay in listing the Equity Shares on the BSE and the NSE. Any failure or delay in obtaining such approval would restrict your ability to dispose of your Equity Shares.

***Investors may not be able to enforce a judgment of a foreign court against us or our management.***

The enforcement of civil liabilities by overseas investors in our Equity Shares, including the ability to effect service of process and to enforce judgments obtained in courts outside of India may be adversely affected by the fact that we are incorporated under the laws of the Republic of India and all of our executive officers and directors reside in India. Substantially all of our assets and the assets of our executive officers and directors are also located in India. As a result, it may be difficult to enforce the service of process upon us and any of these persons outside of India or to enforce outside of India, judgments obtained against us and these persons in courts outside of India.

Further, there are considerable delays in the disposal of suits by Indian courts. It may be unlikely that a court in India would award damages on the same basis as a foreign court if an action is brought in India. Furthermore, it may be unlikely that an Indian court would enforce foreign judgments if it viewed the amount of damages awarded as excessive or inconsistent with public policy in India. A party seeking to enforce a foreign judgment

in India is required to obtain prior approval from the RBI under FEMA to repatriate any amount recovered pursuant to execution and any such amount may be subject to income tax in accordance with applicable laws. Any judgment or award in a foreign currency would be converted into Indian Rupees on the date of the judgment or award and not on the date of the payment. Generally, there are considerable delays in the processing of legal actions to enforce a civil liability in India, and therefore it is uncertain whether a suit brought in an Indian court will be disposed off in a timely manner or be subject to considerable delays.

***Because we expect our Equity Shares will be treated as stock of a passive foreign investment company (a “PFIC”) for U.S. federal income tax purposes, U.S. investors may suffer various adverse U.S. tax consequences and interest charges.***

A non-U.S. corporation will be a passive foreign investment company (“PFIC”) if either (1) 75.00% or more of its gross income is passive income or (2) 50.00% or more of the total value of its assets is attributable to assets, including cash, that produce or are held for the production of passive income. Based on the current and expected composition of the Company’s income and assets, the Company expects that 75.00% or more of its gross income will constitute “passive income” and 50.00% or more of its gross assets will constitute “passive assets” for purposes of the PFIC rules. Since the Company does not believe that it can benefit from the exemption from the PFIC rules that is available for foreign banks, the Company expects that it will be treated as a PFIC in this and in subsequent years. As a consequence, U.S. Holders (as defined below) will be subject to the complex PFIC rules, which could result in additional U.S. taxes and interest charges upon a sale or disposition of their Equity Shares or upon certain distributions by the Company.

## MARKET PRICE INFORMATION

As of the date of this Red Herring Prospectus, 371,712,768 Equity Shares have been issued and are fully paid up. The Equity Shares are listed on the Stock Exchanges. As the Equity Shares are actively traded on the Stock Exchanges, the stock market data has been given separately for each of these Stock Exchanges. Our Equity Shares have been listed since May 06, 2011 on the Stock Exchanges.

The table set forth below indicates the high and low prices of the Equity Shares and the volume of trading activity for the specified periods.

The high, low and average market prices of the Equity Shares for the periods indicated are as below:

Year	Date of High	High (₹)	BSE		Low (₹)	Volume on date of low (No. of Shares)	Average* (₹)
			Volume on date of High (No. of Shares)	Date of Low			
2012	November 13, 2012	226.35	228,739	May 04, 2012	116.40	30,092	154.55
2013	January 08, 2013	230.90	241,358	August 01, 2013	75.10	67,511	153.00
2014	February 12, 2014	175.10	1,175,500	January 06, 2014	107.20	37,684	141.15

(Source: [www.bseindia.com](http://www.bseindia.com))

Year	Date of High	High (₹)	NSE		Low (₹)	Volume on date of low (No. of Shares)	Average* (₹)
			Volume on date of High (No. of Shares)	Date of Low			
2012	November 13, 2012	226.05	576,219	May 04, 2012	116.15	85,659	154.66
2013	January 08, 2013	230.70	1,461,855	August 06, 2013	74.95	236,818	152.82
2014	February 12, 2014	175.25	5,445,754	January 06, 2014	107.3	1,98,193	141.27

(Source: [www.nseindia.com](http://www.nseindia.com))

### Notes:

- <sup>(1)</sup> High, low and average prices are of the daily closing prices.
- <sup>(2)</sup> In case of two days with the same closing price, the date with the higher volume has been considered.
- <sup>(3)</sup> Average price represents the average of the daily closing prices of each day for each year presented.

Monthly high and low prices and trading volumes on the Stock Exchanges for the six months preceding the date of filing of this Red Herring Prospectus:

Month	Date	High (₹)	BSE		Low (₹)	Volume (No. of Shares)	Average* (₹)
			Volume (No. of Shares)	Date			
March 2014	March 10, 2014	171.75	1,170,265	March 18, 2014	155.85	120,969	163.80
February 2014	February 12, 2014	175.1	1,175,500	February 03, 2014	127.4	34,386	151.25
January 2014	January 10, 2014	138.55	2,192,795	January 06, 2014	107.2	37,684	122.88
December 2013	December 30, 2013	110.95	147,757	December 11, 2013	104.1	13,897	107.53
November 2013	November 07, 2013	120.95	649,655	November 22, 2013	104.55	50,862	112.75
October 2013	October 31, 2013	105.80	194,882	October 3, 2013	89.85	69,576	97.83

(Source: [www.bseindia.com](http://www.bseindia.com))



Month	Date	NSE		Date	Low (₹)	Volume (No. of Shares)	Average* (₹)
		High (₹)	Volume (No. of Shares)				
March 2014	March 31, 2014	172.00	2,43,493	March 18, 2014	156.25	5,07,799	164.12
February 2014	February 12, 2014	175.25	5,445,754	February 03, 2014	127.45	205027	151.35
January 2014	January 10, 2014	138.85	95,73,128	January 6, 2014	107.30	198,193	123.08
December 2013	December 30, 2013	110.7	867,838	December 20, 2013	103.9	150,394	107.30
November 2013	November 07, 2013	121.25	2825333	November 22, 2013	104.80	163520	113.02
October 2013	October 31, 2013	106.15	915,722	October 03, 2013	89.85	356,693	98.00

(Source: www.nseindia.com)

**Notes:**

- (1) High, low and average prices are of the daily closing prices.
- (2) In case of two days with the same closing price, the date with the higher volume has been considered.
- (3) Average price represents the average of the daily closing prices of each day for each month presented.

Market price on January 31, 2014, the first working day following the Board Meeting approving the Issue was:

Date	BSE				NSE			
	Open (₹)	High (₹)	Low (₹)	Close (₹)	Open (₹)	High (₹)	Low (₹)	Close (₹)
<b>Volume (No. of Equity Shares)</b>	122.25	127.65	122.25	126.5	122.25	127.9	122.25	127.15

(Source: www.bseindia.com, www.nseindia.com)

Details of the volume of business transacted during the last six months preceding the date of filing of this Red Herring Prospectus on the Stock Exchanges:

*All figures in Millions*

Period	NSE	BSE
March 2014	87.62	400.24
February 2014	242.80	865.87
January 2014	207.28	639.24
December 2013	57.51	139.78
November 2013	191.09	219.90
October 2013	70.28	157.04

(Source: www.bseindia.com, www.nseindia.com)

## **USE OF PROCEEDS**

The total proceeds of the Issue will be approximately ₹ •. After deducting fees and Issue related expenses of approximately ₹ •, the net proceeds of the Issue will be approximately ₹ •.

Subject to compliance with applicable laws and regulations, we intend to use the net proceeds of the Issue to augment the long term resources by way of enhancing the capital base to meet future capital requirements and provide funding for loans to the customers of our Company and for general corporate purposes.

Subject to supervision of the Audit Committee and the Board as required under the provisions of the Equity Listing Agreement, the management of the Company will have flexibility in deploying the proceeds received by the Company from the Issue. Pending utilisation of the net proceeds of the Issue as described above, the Company intends to temporarily invest the funds in interest bearing instruments including deposits with banks and investments in mutual funds.

## CAPITALISATION STATEMENT

The following table sets forth the Company's capitalisation and total debt, as of December 31, 2013 and as adjusted to give effect to the Issue. This table should be read in conjunction with “*Management's Discussion and Analysis of Financial Condition and Results of Operations*” and our financial information contained in “*Financial Statements*” beginning on pages 61 and 187 respectively.

PARTICULARS	₹ in million	
	As of December 31, 2013	As adjusted for the issue *
<b>Shareholders' Funds</b>		
- Equity Share Capital	3,717.13	•
<b>Reserves and Surplus, as Restated</b>		
- Securities Premium Account	10,570.78	•
- General Reserve	1,896.26	•
-Debenture Redemption reserve	2,627.48	•
-Statutory Reserves	6,972.80	•
-ESOP reserve	40.49	•
-Surplus in statement of profit and loss	15,388.00	•
<b>Total Shareholders' Funds(A)</b>	<b>41,212.94</b>	•
<b>Total Debts</b>		
-Long Term Debts	68,180.31	•
-Short Term Debts ( including current maturities of long term debt)	135,923.09	•
<b>Total Debts(B)</b>	<b>204,103.40</b>	•
<b>Total (A+B)</b>	<b>245,316.34</b>	•

\*To be included after determination of the Issue Price.

### Notes:

1. Short term debts represent debts which are due within twelve months from December 31, 2013.
2. Long term debts represent debts other than short term debts, as defined above.
3. The figures disclosed above are based on the Reformatted Summary Statement of Assets and Liabilities of the Company as at December 31, 2013.

There will be no further issue of Equity Shares whether by way of public issue, issue of bonus shares, preferential allotment, rights issue, qualified institutions placement or in any other manner during the period commencing from the date of registering this Red Herring Prospectus with the RoC until the Equity Shares offered in the Issue have been listed on the Stock Exchanges or the Application Amounts are refunded, on account of *inter alia*, refusal of the listing of such Equity Shares by the Stock Exchanges.

Our share capital as on March 31, 2014 is set forth below:

	Aggregate value at face value (₹)	Aggregate value at Issue Price (₹)
<b>A Authorised share capital</b>		
450,000,000 Equity Shares	4,500,000,000	
5,000,000 redeemable preference shares of ₹ 1,000.00 each	5,000,000,000	
<b>TOTAL</b>	<b>9,500,000,000</b>	
<b>B Issued, subscribed and paid-up share capital before the Issue</b>		
371,712,768 Equity Shares of ₹ 10.00 each	3,717,127,680.00	
<b>C Present Issue in terms of this Preliminary Offer Document</b>		
Issue of up to 25,351,062 Equity Shares	253,510,620	•
<b>D Issued, subscribed and paid-up share capital after the Issue</b>	•	•

<b>E</b>	<b>Securities Premium Account</b>	
	<i>Before the Issue</i>	10,570,780,000
	<i>After the Issue</i>	•

(1) The Issue has been authorised by the Board at its meeting held on July 23, 2010 and by the shareholders of the Company at an EGM held on September 28, 2010.

Equity Share capital history of the Company for the five financial years preceding the Issue:

Date of allotment	No. of Equity Shares	Face value (₹)	Issue price (₹)	Nature of consideration	Reasons for allotment	Cumulative no. of Equity Shares	Cumulative paid-up share capital (₹)	Cumulative share premium (₹)
August 29, 2009	252,000,000	10	-	N.A.	Bonus issue in the ratio 36:7 <sup>(1)</sup>	301,000,000	3,010,000,000	-
July 23, 2010	6,404,256	10	123	Cash	Preferential allotment to Matrix Partners India Investments, LLC pursuant to the Matrix Investment Agreement.	307,404,256	3,074,042,560	723,680,928
July 23, 2010	6,404,256	10	123	Cash	Preferential allotment to Baring India Private Equity Fund III Limited pursuant to the Baring Investment Agreement.	313,808,512	3,138,085,120	1,447,361,856
September 08, 2010	3,042,022	10	133	Cash	Preferential allotment to Kotak India Private Equity Fund pursuant to the Kotak Investment Agreement.	316,850,534	3,168,505,340	1,821,530,562
September 08, 2010	160,106	10	133	Cash	Preferential allotment to Kotak Investment Advisors Limited pursuant to the Kotak Investment Agreement.	317,010,640	3,170,106,400	1,841,223,600
September 23, 2010	1,440,922	10	173.50	Cash	Preferential allotment to Matrix Partners India Investments, LLC pursuant to the Matrix Investment Agreement.	318,451,562	3,184,515,620	2,076,814,380
September 23, 2010	1,761,206	10	173.50	Cash	Preferential allotment to The Wellcome Trust	320,212,768	3,202,127,680	2,364,771,561

Date of allotment	No. of Equity Shares	Face value (₹)	Issue price (₹)	Nature of consideration	Reasons for allotment	Cumulative no. of Equity Shares	Cumulative paid-up share capital (₹)	Cumulative share premium (₹)
					Limited (as trustee of The Wellcome Trust, United Kingdom) pursuant to the Wellcome Investment Agreement.			
May 03, 2011	51,500,000	10.00	175.00	Cash	Allotment pursuant to initial public offering	371,712,768	3,717,127,680.00	10,862,271,561.00

1. Allotment of Equity Shares to M.G. George Muthoot (37,800,000), George Alexander Muthoot (37,800,000), George Thomas Muthoot (37,800,000), George Jacob Muthoot (37,800,000), Anna Alexander (12,600,000), Sara George (11,414,736), Susan Thomas (25,200,000), Elizabeth Jacob (12,600,000), George M. George (5,670,000), Paul M. George (2,445,264), Alexander M. George (5,670,000), George M. Jacob (12,600,000), George M. Alexander (6,300,000), Eapen Alexander (6,300,000).

The Company has not issued any equity shares for consideration other than cash in the two financial years immediately preceding the Preliminary Offer Document.

## DIVIDENDS

The Company does not have a formal dividend policy. The declaration and payment of dividends on our shares will be recommended by our Board of Directors and approved by our shareholders, at their discretion, and will depend on a number of factors, including but not limited to our Company's profits, capital requirements and overall financial condition of our Company.

The dividend declared by our Company in the last three Financial Years/period is as provided below:

Particulars	Financial Year 2013	Financial Year 2012	Financial Year 2011
Face value per Equity Share (Rs.)	10	10	0
Declared Dividend (In Rs. million)	1,672.71	1,486.85	0
Dividend per Equity Share (Rs.)	4.50	4.00	0
Dividend rate (% to paid up Equity Share capital)	45%	40%	0

Our Company had also declared first interim dividend of ₹ 3.00 per share in October 2013 and second interim dividend of ₹2.00 per share in January 2014 on its Equity Shares.

The dividends declared in the past are not necessarily indicative of the Company's dividend policy or dividend amounts, if any, in the future. Investors are cautioned not to rely on past dividends as an indication of the future performance of the Company or for an investment in the Equity Shares offered in the Issue.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion of our financial condition and results of operations should be read in conjunction with our audited financial statements as of and for the years ended March 31, 2011, 2012 and 2013 as of and for the nine months ended December 31, 2012 and 2013, prepared in accordance with the Companies Act, Indian GAAP, including the schedules, annexures and notes thereto and the reports thereon, included in the section "Financial Information" beginning on page 187 of this Red Herring Prospectus. Unless otherwise stated, the financial information used in this section is derived from the financial statements of the Company.*

*Indian GAAP differs in certain material respects from U.S. GAAP and IFRS. We have not attempted to quantify the impact of IFRS or U.S. GAAP on the financial data included in this Red Herring Prospectus, nor do we provide a reconciliation of our financial statements to those of U.S. GAAP or IFRS. Accordingly, the degree to which the Indian GAAP financial statements included in this Red Herring Prospectus will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian GAAP.*

*This discussion contains forward-looking statements and reflects our current views with respect to future events and financial performance. Actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors such as those set forth in the section "Risk Factors" on page 32 of this Red Herring Prospectus.*

### Overview

We are the largest gold loan NBFC in India in terms of loan portfolio. According to the IMaCS Research & Analytics Industry Report, Gold Loans Market in India, 2012 ("**IMaCS Industry Report (2012)**"), we were ranked the largest gold loan company in India in terms of loan portfolio. We provide personal and business loans secured by gold jewellery, or Gold Loans, primarily to individuals who possess gold jewellery but could not access formal credit within a reasonable time, or to whom credit may not be available at all, to meet unanticipated or other short-term liquidity requirements. According to the IMaCS Industry Report (2012), as of March 31, 2012 our branch network was the largest among gold loan NBFCs in India. Our Gold Loan portfolio as of December 31, 2013 comprised approximately 5.77 million loan accounts in India that we serviced through 4,260 branches across 20 states, the national capital territory of Delhi and four union territories in India. As of December 31, 2013, we employed 25,469 persons in our operations.

We are a "Systemically Important Non-Deposit Taking NBFC" headquartered in the south Indian state of Kerala. Our operating history has evolved over a period of 75 years since M George Muthoot (the father of our Promoters) founded a gold loan business in 1939 under the heritage of a trading business established by his father, Ninan Mathai Muthoot, in 1887. Since our formation, we have broadened the scale and geographic scope of our gold loan business so that, as of March 31, 2012, we were India's largest provider of Gold Loans. For the years ended March 31, 2011, 2012, 2013 and in the nine months ended December 31, 2013, revenues from our Gold Loan business constituted 98.75%, 99.12% 98.77% and 98.15%, respectively, of our total income. In addition to our Gold Loans business, we provide money transfer services through our branches as sub-agents of various registered money transfer agencies and also provide collection agency services. We also operate three windmills in the state of Tamil Nadu. In February 2014, we entered the business of providing cash withdrawal services through white label ATMs to customers using cards issued to them by commercial banks. We believe that these services will enable us to improve our visibility as well as record increased customer presence in our branches.

Historically, we raised capital by issuing secured non-convertible debentures called "Muthoot Gold Bonds" on a private placement basis. Proceeds from our issuance of Muthoot Gold Bonds form a significant source of funds for our Gold Loan business. The RBI through its circular RBI/2012-13/560 DNBD(PD) CC No. 330/03.10.001/2012-13 dated June 27, 2013 and RBI/2013-14/115 DNBS(PD) CC No.349/03.10.001/2013-14 dated July 02, 2013 issued various guidelines with respect to raising money through private placements by NBFCs in the form of non-convertible debentures. These guidelines include restrictions on the number of investors in an issue to 49 investors, minimum subscription amounts 2.5 million per investor and prohibition on providing loan against own debentures. This has resulted in limiting our ability to raise capital by making private placements of debentures in India. Since the change in regulations in July 2013, we have raised ₹ 13,000.00 million in debentures issued under the public route. We are focusing our efforts on ensuring that upon maturity existing private placement debenture holders subscribe to debentures we issue through the public issue route. As of December 31, 2013, 0.53 million high net-worth and retail individuals had invested in our secured and unsecured debentures (subordinated debt).

We also rely on bank loans and subordinated debt instruments as our sources of funds. As of December 31, 2013, we had 86,503.09 million in outstanding Muthoot Gold Bonds and 117,600.29 million in other borrowings. We also raise capital by issuing commercial paper and listed and credit rated non-convertible debentures under private placement mode or through public issues to various institutional corporate, high net worth and retail investors.

Our customers are typically small businessmen, vendors, traders, farmers and salaried individuals, who for reasons of convenience, accessibility or necessity, avail of our credit facilities by pledging their gold jewellery with us rather than by taking loans from banks and other financial institutions. We provide retail loan products, primarily comprising Gold Loans. Our Gold Loans have a maximum 12 month term. Our average disbursed Gold Loan amount outstanding was 38,566.00 per loan account as of December 31, 2013. For the year ended March 31, 2013, our retail loan portfolio earned, on an average, interest of 1.81% per month, or 21.66% per annum. For the nine months ended December 31, 2013 our retail loan portfolio earned, on an average, interest of 1.69% per month, or 20.22% per annum.,

The RBI amended the RBI Prudential Norms Directions 2007 in March 2012 making it compulsory for NBFCs to maintain a loan to value ratio not exceeding 60.00% for loans granted against the collateral of gold jewellery and to disclose in their balance sheet the percentage of such loans to their total assets. The amendments also require that such NBFCs wherein loan against gold jewellery comprise 50.00% or more of their financial assets maintain a minimum Tier I capital of 12.00% by April 01, 2014 and stipulate that they shall not grant any advance against bullion/primary gold and gold coins. The RBI has also reviewed its guidelines on the Fair Practice Code for all NBFCs, which among other things, cover general principles relating to adequate disclosures on the terms and conditions of loans the manner of disbursement of loans, including any change in their underlying terms and conditions, procedure for determining interest rate for such loans and adopting non-coercive recovery methods. These amendments further require NBFCs engaged in extending loans against jewellery to put in place adequate internal policies to ensure, among other things, proper assessment procedures for the jewellery received as collateral, internal control mechanisms for ascertaining the ownership of gold jewellery, procedures in relation to storage and safeguard and insurance of gold jewellery and adequate measures for prevention of fraudulent transactions.

Because of regulatory changes by the RBI in March 2012 by capping the loan to value ratio at 60.00% of the value of jewellery, our gross retail loan portfolio declined by 14.39% from ₹ 263,868.19 million as of March 31, 2013 to ₹ 225,885.51 million as of December 31, 2013. However RBI Vide Notification no RBI/2013-14/435 DNBS.CC.PD.No.365/03.10.01/2013-14, dated January 8, 2014 increased the cap on loan to value ratio to 75% from 60%. At the same time, the RBI implemented a similar cap on commercial banks through Circular no.RBI/2013-14/453 DBOD.BP.BC.No.86 /21.01.023 /2013-14, dated January 20, 2014. We believe that this recent regulatory change can positively impact our business in the future.

As of March 31, 2011, 2012, 2013 and as of December 31, 2013, our portfolio of outstanding gross Gold Loans under management was ₹ 157,280.72 million, ₹ 244,172.98 million, ₹ 260,003.72 million and ₹ 222, 627.88 million, respectively, and approximately 112.01 tons, 137.11 tons, 133.75 tons and 123.23 tons, respectively, of gold jewellery was held by us as security for our Gold Loans. Gross NPAs were at 0.29%, 0.56%, 1.99% and 1.99% of our gross retail loan portfolio under management as of March 31, 2011, 2012, 2013 and December 31, 2013, respectively.

For the years ended March 31, 2011, 2012 and 2013, our total income was ₹ 23,158.68 million, ₹ 45,490.55 million and ₹ 53,871.37 million, respectively, demonstrating an annual growth rate of 112.59%, 96.42% and 18.42% respectively. For the nine months ended December 31, 2013, our total income was ₹ 37,883.53 million. For the years ended March 31, 2011, 2012 and 2013, our profit after tax was ₹ 4,941.78 million, ₹ 8,920.22 million and ₹ 10,042.40 million, respectively, demonstrating an annual growth rate of 116.25%, 80.51% and 12.58%, respectively. For the nine months ended December 31, 2013, our profit after tax was ₹ 5,991.25 million. As of March 31, 2011, 2012, 2013 and December 31, 2013, our net worth was ₹ 13,344.15 million, ₹ 29,257.33 million, ₹ 37,355.65 million and ₹ 41,213.49 million respectively.

## **Factors Affecting Results of Operations**

### ***Changes in regulatory policies for NBFCs***

Being a financial intermediary, our operations are regulated by the RBI. We are presently required by the RBI to maintain a minimum capital adequacy of 15.00%. In addition, the RBI also requires us to transfer 20.00% of our annual profits to a reserve fund. The RBI also requires us to make provisions in respect of NPAs. Any adverse changes in the regulatory framework affecting NBFCs including the provisioning for NPAs or capital adequacy



requirements could adversely affect our profitability and consequently our net worth. Any additional requirements, for example in relation to raising funds through secured redeemable non-convertible debentures or lending restrictions imposed on banks' lending to NBFCs or restrictions on opening of branches could adversely affect our growth.

The RBI has set targets and sub-targets for domestic and foreign banks operating in India to lend to certain designated priority sectors that impact large sections of the population, weaker sections and sectors that are employment-intensive such as agriculture, and small enterprises. The target for total priority sector loans for domestic banks is 40.00% of their adjusted net bank credit and 32.00% for foreign banks. Since we operate predominantly in rural and semi-urban areas, a portion of our lending historically met the priority sector requirements of RBI. Investments by banks in securitized assets, representing loans to various categories of priority sector, and outright purchases of any loan asset eligible to be categorised under priority sector on a risk sharing basis, were different avenues by which banks met these priority sector lending targets. In February 2011, RBI issued a notification that loans provided by NBFCs against gold jewellery for agriculture purposes (which is one of the categories of a priority sector advance under priority sector lending guidelines issued by RBI) would not be treated as agricultural advance for priority sector advance classification of banks including any assignments purchase or investment under securitisation route. Further, in another notification July 2012, RBI stipulated that loans provided by NBFCs against gold jewellery are not eligible for priority sector status for banks if transferred through assignment/outright purchase/investment under securitisation route. Thus our loan portfolio is no longer classified as a priority sector advance by the RBI. These changes increased our cost of funds and have adversely affected our results of operations.

In recent years, we have been subject to a number of regulatory changes that have impacted our business, prospects and results of operations.

For example, on account of regulatory changes initiated by RBI in March 2012 by capping the loan to value ratio at 60.00% of the value of jewellery, our gross retail loan portfolio declined by 14.39% from ₹ 263,868.18 million as of March 31, 2013 to ₹ 225,885.51 million as of December 31, 2013. However RBI Vide Notification no RBI/2013-14/435 DNBS.CC.PD.No.365/03.10.01/2013-14, dated January 08, 2014 increased the cap on loan to value ratio to 75% from 60%. At the same time, the RBI implemented a similar cap on commercial banks through Circular no.RBI/2013-14/453 DBOD.BP.BC.No.86 /21.01.023 /2013-14, dated January 20, 2014. We believe that these regulations can positively impact our business in the future.

In August 2012, RBI modified guidelines relating to securitisation/direct assignment transaction. In order to prevent unhealthy practices surrounding securitization such as origination of loans for the sole purpose of securitization and in order to align the interest of the originator with that of the investors and with a view to redistribute credit risk to a wide spectrum of investors, RBI felt necessary that originators should retain a portion of each securitization originated and ensure more effective screening of loans. In addition, a minimum period of retention of loans prior to securitization was also considered desirable, to give comfort to the investors regarding the due diligence exercised by the originator. More importantly, loans with bullet repayment of both principal and interest cannot be securitised. Since our loans are currently in the form of bullet repayment loans, our loans do not meet the revised guidelines. In addition, the RBI stipulated that at least there must be a minimum holding period of 180 days before loans can be securitised. The average duration of our loans is approximately between three and six months, which again deters us from being able to securitize our Gold Loans. These regulatory changes have adversely affected our ability to raise funds under this route. Our outstanding amount of sold portfolio under bilateral assignments was ₹ 41,863.93 million and ₹ 33,352.12 million as of March 31, 2011 and 2012, respectively. As a result of the change in regulations, we did not have any such amounts outstanding as of March 31, 2013 or December 31, 2013.

In April 2012, RBI mandated banks in India to reduce their exposure to any single gold finance NBFC to 7.5% from the prevailing 10% of their capital funds. Although the effect of these regulations is expected to be minimal because the exposure of banks to us is already within the 7.5% limit, this likely has and will continue to affect credit flow from banks to gold loan companies in the immediate term.

The RBI through its circular RBI/2012-13/560 DNBD(PD) CC No. 330/03.10.001/2012-13 dated June 27, 2013 and RBI/2013-14/115 DNBS(PD) CC No.349/03.10.001/2013-14 dated July 02, 2013 issued various guidelines with respect to raising money through private placements by NBFCs in the form of non-convertible debentures. These guidelines include restrictions on the number of investors in an issue to 49 investors, minimum subscription amounts ₹ 2.5 million per investor and prohibition on providing loan against own debentures. This has resulted in limiting our ability to raise capital by making private placements of debentures in India. Consequent to the changes in regulations with respect to private placement of debentures, we have focussed on efforts to make existing private placement debenture holders to subscribe to our issuances of debentures under

the public issue mode at maturity of existing private placement debentures. Since these changes in regulations in July 2013, we have made four public issues of debentures, raising ₹ 13,000.00 million in aggregate.

Any further changes in regulatory policies could affect our ability business, prospects and future results.

#### ***Volatility in interest rates***

Our results of operations are substantially dependent upon the level of our net interest margins. In the year ended March 31, 2011, 2012 and 2013 and in the nine months ended December 31, 2013, our interest income represented 99.24%, 99.54%, 99.41% and 99.09%, respectively, of our total income. Interest rates are sensitive to many factors beyond our control, including the RBI's monetary policies, domestic and international economic and political conditions and other factors. Our policy is to attempt to balance the proportion of our interest-earning assets (which earn fixed rates of interest) with our fixed interest rate bearing liabilities. As of December 31, 2013, 67.69% of our borrowings were at fixed rates of interest, comprising primarily our secured and unsecured (subordinated debt) non-convertible redeemable debentures, which constituted 65.91% of our total borrowings as of December 31, 2013. Our remaining borrowings are at floating rates of interest, particularly our borrowings from banks. Notwithstanding our attempts to balance our interest rate risk, changes in interest rates could affect the interest rates charged on interest-earning assets and the interest rates paid on interest-bearing liabilities in various ways. Our results of operations therefore can be affected by changes in interest rates and mismatches in re-pricing our liabilities and our assets.

In a rising interest rate environment, if the yield on our interest-earning assets does not increase at the same time or to the same extent as our cost of funds, or, in a declining interest rate environment, if our cost of funds does not decline at the same time or to the same extent as the yield on our interest-earning assets, our net interest income and net interest margin would be adversely impacted. However, on account of the generally short-term nature of our loan portfolio, in a rising interest rate scenario, loans in our portfolio can be revised upwards in a relatively short period of time. However, in a falling interest rate scenario, since the average ticket size of our loans is small (approximately ₹ 38,566 as of December 31, 2013), we have observed that our loan portfolio is price inelastic, and that we are able to retain the higher interest rate even though the corresponding cost of funds has come down.

#### ***Access to funds and availability of funds at low-cost***

Our results of operation significantly depend on our ability to access low-cost funds for our Gold Loans and advances. As a "systemically important non-deposit accepting" NBFC we do not have access to savings and current deposits, and our liquidity and on-going profitability are, in large part, dependent upon our timely access to, and the costs associated with, raising funds. Our funding requirements historically have been met from a combination of borrowings - term loan and cash credit from banks, issuance of commercial paper, non-convertible debentures and equity.

The crisis in the global credit market that began in mid-2007 destabilized the then prevailing lending model by banks and financial institutions. The capital and lending markets were highly volatile and access to liquidity had been significantly reduced. In addition, it became more difficult to renew loans and facilities as many potential lenders and counterparties also faced liquidity and capital concerns as a result of the stress in the financial markets. If any event of similar nature and magnitude occurs again in the future, it may result in increased borrowing costs and difficulty in accessing debt in a cost-effective manner.

We have developed stable long-term relationships with our lenders, and established a track record of timely servicing our debts. Since our inception, we have relied on the proceeds of secured non-convertible debentures called "Muthoot Gold Bonds" placed through our branches. These debentures were issued on a private placement basis and subscribed to, mainly by retail investors. We believe that we are able to raise funds from retail investors because of our leadership, goodwill, trust, reputation, track record, performance, stability in our business and strong quality asset portfolio. We have also been able to issue these bonds in the newer geographies that we have entered. The RBI through its circular RBI/2012-13/560 DNBD(PD) CC No. 330/03.10.001/2012-13 dated June 27, 2013 and RBI/2013-14/115 DNBS(PD) CC No.349/03.10.001/2013-14 dated July 02, 2013 issued various guidelines with respect to raising money through private placements by NBFCs in the form of non-convertible debentures. These guidelines include restrictions on the number of investors in an issue to 49 investors, minimum subscription amounts ₹ 2.5 million per investor and prohibition on providing loan against own debentures. This has resulted in limiting our ability to raise capital by making private placements of debentures in India. Since the change in regulations in July 2013, we have raised ₹ 13,000.00 million in debentures issued under the public route. We are focusing our efforts on ensuring that upon maturity existing private placement debenture holders subscribe to debentures we issue through the public

issue route. As of December 31, 2013, 0.53 million high net-worth and retail individuals had invested in our secured and unsecured debentures.

Under the RBI Master Circular on bank finance to NBFCs issued on July 01, 2013, the exposure (both lending and investment, including off balance sheet exposures) of a bank to a single NBFC engaged in lending against collateral of gold jewellery (i.e. such loans comprising 50% or more of its financial assets) should not exceed 7.5%, of the bank's capital funds. Banks may, however, assume exposures on a single NBFC up to 12.5%, of their capital funds provided the exposure in excess of 7.5% is on account of funds on-lent by the NBFC to the infrastructure sector. Further, banks may also consider fixing internal limits for their aggregate exposure to all NBFCs put together and should include internal sub-limit to all NBFCs providing Gold Loans (i.e. such loans comprising 50% or more of their financial assets), including us. .

Although the effect of these regulations is expected to be minimal because the exposure of banks to us is already within the 7.5% limit, this likely has and will continue to affect credit flow from banks to gold loan companies in the immediate term.

We are subject to supervision and regulation by the RBI as a non-deposit-taking systemically important NBFC. Adverse changes in regulations, such as those highlighted above can adversely affect our business, results of operation and financial condition.

In addition to the general economic factors and availability of funds, our cost of borrowing is also dependent on changes in our credit ratings and various performance or financial ratios, including those relating to capital adequacy and capital leverage. With the growth of our operations we have had to increasingly access the debt markets and commercial borrowings and we have generally benefited from competitive interest rates. We have been able to offer competitive interest rates for our loans due to our relatively low cost of funds. An increase in our cost of funds may reduce spreads earned on our loan products. Furthermore, competition from banks and other NBFCs continues to increase in rural and semi-urban India, and as a result there could be further downward pressure on our gross spread.

### ***Changes in gold prices***

Our earnings and financial position may be affected by changes in gold prices and the resulting impact on Gold Loans. A significant and sudden, sustained decline in the price of gold would negatively impact the value of gold jewellery that we retain as collateral for our Gold Loans.

A fall in gold prices to such an extent such that the replacement cost of the jewellery is significantly lower than the loan amount repayable including interest, can lead to the borrower defaulting on the loan and abandoning the jewellery collateral, thereby increasing the level of NPAs in our portfolio. Recovery of amounts through liquidation of collateral may result in inadequate recovery of dues or the principal amount. While management believes that some customers would be reluctant to abandon their jewellery because of their sentimental attachment to their jewellery, there can be no assurance that customers will not default and abandon their jewellery in the event of sustained declines in the price of gold. However, according to the terms of the Gold Loans we disburse, we reserve the right to sell the jewellery before the loans come due in the event of a fall in the value of the collateral. In the event amounts recovered from such sales are lower than the loan amount outstanding, we reserve the right to recover the difference from the customer.

Furthermore, a decline in gold prices could affect the growth of our loan portfolio because customers may be unable or unwilling to provide the additional collateral required to receive loan amounts that they otherwise would have received if the price of gold (and the value of the collateral) had not declined.

A temporary decline in gold prices is less likely to affect repayment on a loan because we do not lend to the full value of the collateral. We only lend up to 75% of the gold content in the collateral jewellery at the then prevailing value of the gold jewellery excluding the weight and value of stones studded in the jewellery.

Given the nature of our business, the impact of a decrease or increase in gold prices on our financial position and results of operations cannot be reasonably estimated.

## ***Competition***

We provide personal loans secured by gold jewellery, or Gold Loans, primarily to individuals who possess gold jewellery but are not able to access formal credit within a reasonable time, or to whom credit may not be available at all, to meet unanticipated or other short-term liquidity requirements. Historically, the Gold Loan sector in India has been largely unorganized and dominated by local jewellery pawn shops and money lenders. Attractive interest rates relative to risk, and increased demand for access to capital from middle income group have increased our exposure to competition. The demand for Gold Loans has also increased due to increased need for urgent borrowing or bridge financing requirements, relatively lower and affordable interest rates, the need for liquidity for assets held in gold, and also due to increased awareness among customers of Gold Loans as a source of quick access to funds.

All of these factors have resulted in us facing increased competition from other lenders in the Gold Loan sector, including commercial banks and other NBFCs. Unlike commercial banks, we do not have access to funding from savings and current deposits of customers. Instead, we are reliant on higher-cost term loans and debentures for our funding requirements, which may reduce our margins compared to competitors. Our ability to compete effectively with commercial banks will depend, to some extent, on our ability to raise low-cost funding in the future.

## ***Ability to control operating costs***

Our operating costs are relatively high compared to other participants in the financial services sector. This is because we deal in large volumes of low ticket size loans. For the years ended March 31, 2011, 2012 and 2013, and for the nine months ended December 31, 2013, our operating costs were ₹ 5,163.69 million, ₹ 8,479.10 million, ₹ 10,562.47 million and ₹ 8,136.76 million, respectively. In the year ended March 31, 2013, employee, rental and advertising costs formed approximately 51.62%, 12.40% and 5.48%, and in the nine months ended December 31, 2013 the same formed approximately 53.33%, 13.91% and 5.92% respectively, of our operating costs. A general increase in employee compensation levels caused by inflation and higher costs of living can adversely affect our operating costs. Rental levels can also significantly increase because we are rapidly scaling up our business by opening new branches in India. Similarly, we may be required to incur significant expenses on advertising our products as part of our growth strategy. Our ability to manage these operating costs is a significant factor affecting our future results of operations.

## ***Change in customer behaviour***

India is one of the largest consumers of gold jewellery in the world. Any change in customer behaviour such that people lose affinity to their gold jewellery can result in a situation where borrowers abandon jewellery and default on their Gold Loans. There can also be a reduction in our loan portfolio levels if Indian consumers do not purchase gold jewellery as a result of changing behavioural patterns, and therefore do not avail our Gold Loans. We believe that the Gold Loan business model in India is driven by the affinity of Indian consumers for gold jewellery. Therefore, in the event our target customers lose their personal attachment to gold jewellery or stop purchasing gold jewellery, our results of operation would be adversely affected. On the other hand, we believe that a change to the prevailing taboo on using family jewels as collateral for cash advances will positively affect our business and results of operations.

## ***Increasing the network and reach***

We have grown our revenues in recent years due to the growth in our network of branches. According to the IMaCS Industry Report 2012, as of March 31, 2012 our branch network was the largest among Gold Loan NBFCs in India. We have since increased our branch network to 4,260 branches as of December 31, 2013. We have used our increasing branch network to grow our Gold Loan portfolio from 4.7 million loan accounts as of March 31, 2011 to approximately 6.32 million loan accounts as of March 31, 2013. Our Gold Loan portfolio decreased in size marginally to approximately 5.77 million loan accounts as of December 31, 2013. This was because of regulatory changes initiated by RBI in March 2012 that capped loan to value ratios at 60.00% of the value of jewellery. This change in regulations resulted in significant levels of customer dissatisfaction, and resulted in customers seeking alternative opportunities for borrowing that were more cost efficient. In our assessment, customers mainly approached the unorganized sector (who were not subject any such regulatory restrictions) for loans. Some customers also approached banks who also did not have any loan to value cap. The absence of a level playing field with the unorganized sector as well as with banks led to a decrease in our customer base. Our business model is inherently dependent on our ability to expand our network as well as increase in customer base to grow our revenues and profitability in the future.

## **Critical Accounting Policies**

A summary of the significant accounting policies applied in the preparation of our financial statements is set out in the notes to the financial statements included on page 194 of this Red Herring Prospectus. The financial statements have been prepared and presented under the historical cost convention, on the accrual basis of accounting and in accordance with the provisions of the Companies Act and the Indian GAAP and comply with the accounting standards prescribed in the Companies (Accounting Standards) Rules, 2006 as amended issued by the Central Government, in consultation with the National Advisory Committee on Accounting Standards, to the extent applicable. We also follow prudential norms for income recognition, asset classification and provisioning for non-performing assets as prescribed by RBI's Non-Banking Financial (Non-deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Direction, 2007 as amended.

The preparation of the financial statements requires use of estimates and assumptions that affect the reported amount of assets and liabilities as at the balance sheet date, reported amount of income and expenses during the reporting period and disclosure of contingent liabilities as at that date. The estimates and assumptions used in these financial statements are based upon the management evaluation of the relevant facts and circumstances as of the date of the financial statements. Management believes that these estimates and assumptions used are prudent and reasonable. Future results may vary from these estimates. By their nature, these estimates are subject to a degree of uncertainty. These judgments are based on our historical experience, terms of Gold Loan agreements, and our observance of trends in the industry, information provided by our clients and information available from other third party sources, as appropriate. There can be no assurance that our judgments will prove correct or that actual results reported in future periods will not differ from our expectations reflected in our accounting treatment of certain items. Any revision to accounting estimates is recognized prospectively in current and future periods.

While all aspects of our financial statements should be read and understood in assessing our current and expected financial condition and results of operations, we believe that the following critical accounting policies warrant particular attention.

### ***Revenue recognition***

Revenues are recognized and expenses are accounted on an accrual basis with necessary provisions for all known liabilities and losses. Income from non-performing assets accrues and is recognized only when it is realized.

### ***Sell down of Receivables under bilateral assignment***

Income and expense under bilateral assignment of receivables accrue over the life of the related receivables assigned. Interest income and expenses on the above are accounted on gross basis.

### ***Taxes on income***

Income Tax expenses comprises of current tax and deferred tax (asset or liability). Current tax is the amount of tax payable on the taxable income for the year and determined in accordance with the provisions of the Income Tax Act 1961. Deferred tax is recognized, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets are recognized if there is reasonable certainty that there will be sufficient future taxable income available to realise such assets.

### ***Investments***

Investments intended to be held for not more than one year are classified as current investments. All other investments are classified as non-current investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Non-Current investments are carried at cost. However, provision for diminution in value is made to recognise a decline, other than temporary, in the value of the investments.

### ***Provisions, contingent liabilities and contingent assets***

Provisions are recognized only when the Company has present or legal or constructive obligations as a result of past events, for which it is probable that an outflow of economic benefit will be required to settle the transaction and a reliable estimate can be made for the amount of the obligation.

Contingent liability is disclosed for (i) possible obligations which will be confirmed only by future events not wholly within the control of the Company or (ii) present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

Contingent assets are not recognised in the financial statements since this may result in the recognition of income that may never be realised.

### ***Debenture redemption reserve***

Pursuant to Circular No. 4/2013 dated February 11, 2013 issued by the Ministry of Corporate Affairs, we have created a debenture redemption reserve in respect of secured non-convertible debentures issued through public issue. We are not required to maintain any debenture redemption reserve for privately placed debentures.

### ***Provision for standard assets and non-performing assets***

We make provision for standard assets and non-performing assets as per Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007. Provision for standard assets in excess of the prudential norms, as estimated by the management, is categorized under Provision for Standard Assets, as general provisions.

### ***Leases***

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases.

#### ***Where the Company is the Lessor***

Assets given on operating leases are included in fixed assets. Lease income is recognised in the Statement of Profit and Loss on a straight-line basis over the lease term. Costs, including depreciation are recognised as an expense in the Statement of Profit and Loss. Initial direct costs such as legal costs, brokerage costs, etc. are recognised immediately in the Statement of Profit and Loss.

#### ***Where the Company is the lessee***

Operating lease payments are recognized as an expense in the Statement of Profit and Loss on a straight-line basis over the lease term.

## **Income and Expenditure Overview**

### ***Income***

#### ***Revenue from operation***

We derive substantially all of our operating revenues from interest received on the Gold Loans we advance. We also earn interest income from loans other than Gold Loans, and interest income on Gold Loan receivables sold under bilateral assignment. We also earn income from wind mill power generation, sub-agency fees for operating payment centres for inward foreign remittances, collection agency fees and service charges on Gold Loans.

#### ***Other income***

Other income consist of interest income from fixed deposits with banks, interest income from current investments, rental income and profit from sale of fixed assets.

## ***Expenditure***

Our expenses consist of finance costs, employee benefits expenses, other expenses, depreciation, directors' remuneration and provisions & write-offs.

### ***Finance costs***

Finance costs consist of interest expenses and other borrowing costs. We incur significant interest expenses since borrowings constitute our primary source of funds for our Gold Loan business. We incur interest expenses on our secured non-convertible debentures, borrowings from banks and financial institutions as well as on other borrowings. Other borrowings cost includes various costs incurred for raising various sources of funds like processing charges, issue expenses and brokerage.

### ***Employee benefits expense***

This consists of salaries and incentives of employees, contributions to various statutory funds on behalf of employees like provident fund, employees state insurance scheme and welfare expenses incurred for staff.

### ***Other expenses***

Our other expenses largely consist of expenses related to rent expenses for our various branch offices, advertisement expenditure, bank charges, repairs and maintenance, audit and inspection expenses, printing and stationery, travelling and conveyance, electricity charges and postage and telephone charges.

### ***Provisions and write-offs***

We also incur some expenses in standard asset provisioning, provisioning for NPAs, and in write-off of bad debts.

### ***Provision for taxation***

Provision for taxation comprises current taxes and deferred tax charges or credits. Current tax is calculated in accordance with the applicable laws. For details, please refer “*Statement of Tax Benefits*” beginning on page 156 of this Red Herring Prospectus. Deferred tax reflects the impact of current year timing difference between taxable income and accounting income for the year and reversal of timing differences of earlier years.

## **Results of Operations**

Our financial statements as of and for the years ended March 31, 2013, 2012 and 2011, and for the nine months ended December 31, 2013 and 2012, included in this Red Herring Prospectus have been presented in compliance with paragraph B(1) of Part II of Schedule II to the Companies Act and Indian GAAP.

The following table sets forth certain information with respect to our results of operations for the periods indicated:

	<i>(Rs. in million)</i>				
	<b>Nine months ended December 31,</b>		<b>Year ended March 31,</b>		
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>INCOME</b>					
Revenue from Operations	37,753.59	39,527.00	53,588.98	45,366.72	23,015.05
Other income	129.94	228.94	282.38	123.84	143.62
<b>Total Revenue</b>	<b>37,883.53</b>	<b>39,755.94</b>	<b>53,871.36</b>	<b>45,490.56</b>	<b>23,158.67</b>
<b>EXPENSES</b>					
Employee benefits expense	4,339.72	3,982.93	5,452.75	4,144.77	2,209.49
Finance costs	20,594.55	20,769.75	28,194.44	23,698.99	10,382.87
Other expenses	3,049.47	2,447.06	3,567.83	3,393.18	2,239.47
Directors Remuneration	144.00	144.00	192.00	192.00	192.00
Depreciation and amortization expense	347.16	334.80	454.43	329.18	180.98

Provisions and Write Offs	256.41	431.62	895.46	419.97	341.75
<b>Total expenses</b>	<b>28,731.31</b>	<b>28,110.16</b>	<b>38,756.91</b>	<b>32,178.09</b>	<b>15,546.56</b>
<b>Profit Before Tax</b>	<b>9,152.22</b>	<b>11,645.78</b>	<b>15,114.45</b>	<b>13,312.47</b>	<b>7,612.11</b>
<b>Less: Tax expense</b>					
Current tax	3,160.09	3,910.12	5,171.10	4,420.86	2,670.45
Deferred tax	(15.50)	(106.30)	(191.55)	(28.63)	(0.11)
Taxes relating to Previous Years	16.39		92.51		
Total tax expenses	3,160.98	3,803.82	5,072.06	4,392.23	2,670.35
<b>Profit for the year</b>	<b>5,991.24</b>	<b>7,841.96</b>	<b>10,042.39</b>	<b>8,920.24</b>	<b>4,941.76</b>

## **Nine months ended December 31, 2013 compared to nine months ended December 31, 2012**

### ***Income***

#### ***Revenue from operations***

Our revenue from operations decreased by 4.71% to ₹ 37,883.53 million in the nine months ended December 31, 2013 from ₹ 39,755.94 million in the nine months ended December 31, 2012. This decrease was driven primarily by a decrease in interest income on retail loans which decreased by 4.73% to ₹ 37,487.72 million in the nine months ended December 31, 2013 from ₹ 39,349.49 million in the nine months ended December 31, 2012. The decrease in interest income was due to the following reasons: (a) the strict enforcement of the loan to value ratio cap stipulated by RBI resulted in significant levels of customer dissatisfaction, and resulted in customers seeking alternative opportunities for borrowing that were more cost efficient. The retail loan portfolio under management declined by 12.15% to ₹ 225,885.50 million as on December 31, 2013 from ₹ 257,127.32 million as on December 31, 2012. The decline was 14.39% compared to our retail loan portfolio under management as on March 31, 2013 of ₹ 263,868.18 million; (b) we lowered our interest rates on various schemes to retain customers as a measure to counter customer dissatisfaction arising from implementing the RBI mandated 60% loan to value cap; and (c) there was a steep decline in gold price (approximately 15%) between April and July 2013. Consequently interest income to average gross retail loan under management declined to 20.22% in the nine months ended December 31, 2013 from 21.62% in the nine months ended December 31, 2012. Our sub-agency fees for operating payment centres for inward foreign remittances increased to ₹ 142.48 million in the nine months ended December 31, 2013 from ₹ 132.89 million in the nine months ended December 31, 2012. Finally, we selectively re-introduced service charges on our Gold Loans, resulting in our service charges revenues increasing to ₹ 101.90 million in the nine months ended December 31, 2013 from ₹ 15.71 million in the nine months ended December 31, 2012.

#### ***Other income***

Other income decreased by 43.24% to ₹ 129.94 million in the nine months ended December 31, 2013 from ₹ 228.94 million in the nine months ended December 31, 2012. The decrease in other income was primarily on account of a decrease in interest on fixed deposits with banks to ₹ 50.82 million in the nine months ended December 31, 2013 from ₹ 163.95 million in the nine months ended December 31, 2012.

### ***Expenditure***

#### ***Finance costs***

Finance costs decreased by 0.84% to ₹ 20,594.55 million in the nine months ended December 31, 2013 from ₹ 20,769.75 million in the nine months ended December 31, 2012. Finance costs decreased primarily because interest expenses decreased by 1.04% to ₹ 20,152.31 million in the nine months ended December 31, 2013 from ₹ 20,363.45 million in the nine months ended December 31, 2012. Interest expenses in the nine months ended December 31, 2013 decreased because of higher level of retained earnings, resulting in lower borrowings to fund our gold loan business. Our borrowings from banks and financial institutions decreased from ₹ 99,953.97 million as of December 31, 2012 to ₹ 65,947.15 million as of December 31, 2013. The decrease in interest expenses was offset in part by (i) an increase in interest on our other borrowings, which increased by 14.89% to ₹ 10,106.94 million in the nine months ended December 31, 2013 from ₹ 8,338.46 million in the nine months ended December 31, 2012; (ii) an increase in other borrowing costs by 8.85% in the nine months ended December 31, 2013 to ₹ 442.24 million from ₹ 406.30 million in the nine months ended December 31, 2012 due



to higher expenses incurred in connection with the issue of non-convertible debentures; and (iii) a 18.35% increase in interest on secured debentures to ₹ 10,045.37 million in the nine months ended December 31, 2013 from ₹ 8,488.03.34 million in the nine months ended December 31, 2012. This increase was because of a 3.17% increase in our secured debenture portfolio issued at higher interest rates than in the nine months ended December 31, 2012. Finance cost to average retail loan assets under management declined marginally from 11.37% in the nine months ended December 31, 2012 to 11.07% in the nine months ended December 31, 2013 because of higher level of retained earnings.

#### *Employee benefits expense*

Employee benefit expenses increased by 8.96% to ₹ 4,339.72 million in the nine months ended December 31, 2013 from ₹ 3,982.93 million in the nine months ended December 31, 2012. This increase was due to an increase in the number of our employees from 24,846 as on December 31, 2012 to 25,469 as on December 31, 2013. We also awarded employee stock options under our Employee Stock Option scheme in November 2013 and booked the corresponding expense using the intrinsic value method. We also implemented a small increase in the compensation structure for our employees during the nine months ended December 31, 2013.

#### *Other expenses*

Other expenses increased by 24.62% to ₹ 3,049.47 million in the nine months ended December 31, 2013 from ₹ 2,447.06 million in the nine months ended December 31, 2012. This increase was largely due to increases in rent paid, advertisement expenditure, postage and telephone expenses and legal and professional charges during the nine months ended December 31, 2013.

#### *Provisions and write-offs*

Provisions and write-offs declined by 40.59% to ₹ 256.41 million in the nine months ended December 31, 2013 from ₹ 431.62 million in the nine months ended December 31, 2012. This was due to a 91.23% decrease in provision for non-performing assets, which decreased by ₹ 257.67 million to ₹ 24.76 million in the nine months ended December 31, 2013. The decrease in provision for non-performing assets was on account of a decrease in non-performing assets from ₹ 5,250.30 million as of March 31, 2013 to ₹ 4,492.13 million as of December 31, 2013 with a large portion of the non-performing assets as of December 31, 2013 already provided for in the year ended March 31, 2013. There was also an 122.54% increase in write-offs to ₹ 121.93 million in the nine months ended December 31, 2013. The write-offs primarily consisted of losses arising on matters such as account of fake gold pledged, stolen gold pledged and staff fraud. As of December 31, 2013, our total standard asset provisioning stood at 0.40% although the regulatory requirement is only 0.25%.

#### *Profit before taxation*

For the reasons discussed above, profit before taxation decreased by 21.41% to ₹ 9,152.22 million in the nine months ended December 31, 2013 from ₹ 11,645.78 million in the nine months ended December 31, 2012.

#### *Provision for taxation*

Provision for taxes decreased by 16.90% to ₹ 3,160.98 million in the nine months ended December 31, 2013 from ₹ 3,803.82 million in the nine months ended December 31, 2012. This decrease was primarily due to a decrease in provision for income tax in line with our decreased profit before taxation. The effective tax rate for the nine months ended December 31, 2013 and December 31, 2012 was 33.99%.

#### *Profit after tax*

For the reasons described above, our profit after tax decreased by 23.60% to ₹ 5,991.24 million in the nine months ended December 31, 2013 from ₹ 7,841.96 million in the nine months ended December 31, 2012.

## **Year ended March 31, 2013 compared to year ended March 31 , 2012**

### ***Income***

#### ***Revenue from operations***

Revenue from operations increased by 18.12% to ₹ 53,588.98 million in the year ended March 31, 2013 from ₹ 45,366.72 million in the year ended March 31, 2012. This increase was driven primarily by an increase in interest income on retail loans which increased by 18.16% to ₹ 53,360.14 million in the year ended March 31, 2013 from ₹ 45,157.74 million in the year ended March 31, 2012. The increase in interest income was consistent with our increased quarterly average retail loan portfolio under management for the year ended March 31, 2013 compared to the previous year. Interest income to average gross retail loan under management declined from 22.34% in the year ended March 31, 2012 to 21.66% in the year ended March 31, 2013. This decrease occurred on account of consciously reducing interest rates on products to face challenges posed by regulatory changes initiated by the RBI in March 2012 by capping the loan to value ratio on lending against gold jewellery at 60% and consequent customer dissatisfaction leading to them seeking alternative borrowing avenues. Our sub-agency fees for operating payment centres for inward foreign remittances increased to ₹ 175.47 million in the year ended March 31, 2013 from ₹ 123.78 million in the year ended March 31, 2012 due to widening of our branch network and increased awareness among customers about our branches as remittance collection centres. Finally, service charges on Gold Loans declined to ₹ 21.22 million for the year ended March 31, 2013 from ₹ 47.47 million for the year ended March 31, 2012 due to our strategic decision to eliminate hidden charges in order to promote our Gold Loans.

#### ***Other income***

Other income increased by 128.02% to ₹ 282.38 million in the year ended March 31, 2013 from ₹ 123.84 million in the year ended March 31, 2012. The increase in other income was on account of the increase in interest on fixed deposits with banks to ₹ 195.64 million in the year ended March 31, 2013 from ₹ 122.57 million in the year ended March 31, 2012 and also because of interest income of ₹ 85.70 million from investments in bonds in the year ended March 31, 2013.

### ***Expenditure***

#### ***Finance costs***

Finance costs increased by 18.97% to ₹ 28,194.44 million in the year ended March 31, 2013 from ₹ 23,698.99 million in the year ended March 31, 2012. Interest expenses increased by 19.53% to ₹ 27,623.93 million in the year ended March 31, 2013 from ₹ 23,109.79 million in the year ended March 31, 2012. This increase was in line with the growth in our Gold Loan portfolio, and comprised increased interest incurred on our secured debentures and bank borrowings as well as on our other borrowings. Other borrowing costs declined marginally by 3.17% in the year ended March 31, 2013 to ₹ 570.51 million from ₹ 589.20 million in the year ended March 31, 2012 due to lower expenses incurred in connection with the issue of non-convertible debentures and processing charges of borrowings from banks/financial institutions. Finance cost to average retail loan assets under management declined marginally from 11.69% in the year ended March 31, 2012 to 11.38% in the year ended March 31, 2013.

Interest on secured debentures was ₹ 11,875.62 million in the year ended March 31, 2013, an increase of ₹ 5242.10 million, or 79.02%, from the year ended March 31, 2012. This increase was because of a 43.04% increase in our secured debenture portfolio as well as higher interest rates on the debentures. Interest on our other borrowings was ₹ 15,748.31 million in the year ended March 31, 2013, a decline of ₹ 727.95 million or 4.42%, from the year ended March 31, 2012. This was mainly on account of marginal reduction in cost of borrowings from banks and financial institutions and borrowings in the form of subordinated debt.

#### ***Employee benefits expense***

Employee benefit expenses increased by 31.56% to ₹ 5,452.75 million in the year ended March 31, 2013 from ₹ 4,144.77 million in the year ended March 31, 2012. This increase was due to an increase in the quarterly average of our number of our employees during the year ended March 31, 2013 compared to the previous year. We also implemented a small increase in the compensation structure for our employees during the year ended March 31, 2013.

### *Other expenses*

Other expenses increased by 5.15% to ₹ 3,567.83 million in the year ended March 31, 2013 from ₹ 3,393.18 million in the year ended March 31, 2012. This increase was largely due to increases in rent paid and business promotion expenses, all as a result of expanded operations and the opening up of 404 new branches during the year ended March 31, 2013.

### *Provisions and write-offs*

Provisions and write-offs increased by 113.22% to ₹ 895.46 million in the year ended March 31, 2013 from ₹ 419.97 million in the year ended March 31, 2012. This was due to a 365.09% increase in provision for non-performing assets, which increased by ₹ 407.66 million to ₹ 519.32 million in the year ended March 31, 2013. The increase in provision for non-performing assets because of increase in non-performing assets from ₹ 1,389.53 million as on March 31, 2012 to ₹ 5,250.30 million. There was also an 88.17% increase in write-offs to ₹ 130.27 million in the year ended March 31, 2013. Increase in non-performing assets was because of our gentler approach to loan recovery as well as delaying our auctioning processes with a view to retain customers in the face of unfavorable regulatory changes initiated by the RBI. Our write-offs primarily consisted of losses arising on matters, such as account of fake gold pledged, stolen gold pledged and staff fraud. Increase in provisions has also been due to additional standard asset provision made in excess of the RBI requirement of 0.25%. As of March 31, 2013, our total standard asset provisioning stood at 0.30%.

### *Profit before taxation*

For the reasons discussed above, profit before taxation increased by 13.54% to ₹ 15,114.45 million in the year ended March 31, 2013 from ₹ 13,312.45 million in the year ended March 31, 2012.

### *Provision for taxation*

Our provision for taxes increased by 15.48% to ₹ 5,072.06 million in the year ended March 31, 2013 from ₹ 4,392.23 million in the year ended March 31, 2012. This increase was primarily due to increase in provision for income tax in line with our increased profit before taxation. The effective tax rate for the year ended March 31, 2013 and the year ended March 31, 2012 stood at 33.99% and at 32.445% respectively.

### *Profit after Tax*

For the reasons described above, our profit after tax increased by 12.58% to ₹ 10,042.39 million in the year ended March 31, 2013 from ₹ 8,920.24 million in the year ended March 31, 2012.

## **Year ended March 31, 2012 compared to year ended March 31, 2011**

### *Income*

#### *Revenue from operations*

Revenue from operations increased by 97.12% to ₹ 45,366.71 million in the year ended March 31, 2012 from ₹ 23,015.05 million in the year ended March 31, 2011. This increase was driven primarily by increase in interest income on retail loans which increased by 97.71% to ₹ 45,157.74 million in the year ended March 31, 2012 from ₹ 22,840.52 million in the year ended March 31, 2011. Increase in interest income was consistent with our increased retail loan portfolio under management, which grew by 55.49% to ₹ 246,736.01 million as of March 31, 2012 from ₹ 158,684.55 million as of March 31, 2011. Interest income to average gross retail loan under management increased from 19.72% in the year ended March 31, 2011 to 22.34% in the year ended March 31, 2012. This increase was attributable to a general increase in interest rates due to consistent increases by RBI of benchmark repo/reverse repo rates resulting in higher costs of borrowings which was passed on to borrowers. Our sub-agency fees for operating payment centres for inward foreign remittances increased to ₹ 123.78 million in the year ended March 31, 2012 from ₹ 65.97 million in the year ended March 31, 2011 due to widening of our branch network and increased awareness among customers about our branches as remittance collection centres. Finally, service charges on Gold Loans declined to ₹ 47.47 million for the year ended March 31, 2012 from ₹ 73.52 million for the year ended March 31, 2011 due to our strategic decision to eliminate all hidden charges in order to promote Gold Loans.

### *Other income*

Other income decreased by 13.77% to ₹ 123.84 million in the year ended March 31, 2012 from ₹ 143.62 million in the year ended March 31, 2011. The decrease in other income was on account of the decrease in interest on fixed deposits with banks to ₹ 122.57 million in the year ended March 31, 2012 from ₹ 142.92 million in the year ended March 31, 2011.

### *Expenditure*

#### *Finance costs*

Finance costs increased by 128.25% to ₹ 23,698.99 million in the year ended March 31, 2012 from ₹ 10,382.87 million in the year ended March 31, 2011. Interest expenses increased by 124.59% to ₹ 23,109.79 million in the year ended March 31, 2012 from ₹ 10,289.81 million in the year ended March 31, 2011. This increase was in line with the growth in our Gold Loan portfolio, and comprised increased interest incurred on our secured debentures and bank borrowings as well as on our other borrowings. Other borrowing costs increased 533.14% in the year ended March 31, 2012 to ₹ 589.20 million from ₹ 93.06 million in the year ended March 31, 2011 due to expenses incurred in connection with the issue of non-convertible debentures and processing charges of borrowings from banks/financial institutions. Finance cost to average retail loan assets under management rose from 8.91% in the year ended March 31, 2011 to 11.69% in the year ended March 31, 2012.

Interest on secured debentures was ₹ 6,633.53 million in the year ended March 31, 2012, an increase of ₹ 3,246.43 million, or 95.85%, from the year ended March 31, 2011. This increase was in line with the 87.29% increase in our secured debenture portfolio together with the higher interest rates. Interest on our other borrowings was ₹ 16,476.26 million in the year ended March 31, 2012, an increase of ₹ 9,573.54 million, or 138.69%, from the year ended March 31, 2011. This was mainly on account of increased borrowings from banks and financial institutions throughout the year, which increased from ₹ 60,529.28 million as on March 31, 2011 to ₹ 92,320.12 million as on March 31, 2012, as well as an increase in borrowings in the form of subordinated debt from ₹ 7,105.86 million as on March 31, 2011 to ₹ 14,801.10 million as on March 31, 2012.

#### *Employee benefits expense*

Employee benefit expenses increased by 87.59% to Rs. 4,144.77 million in the year ended March 31, 2012 from ₹ 2,209.49 million in the year ended March 31, 2011. This increase was largely due to an increase in the number of our employees, on account of expansion in branch network, from 16,688 as of March 31, 2011 to 25,351 as of March 31, 2012. The increase was in small part also due to marginal increase in our employee compensation structure.

#### *Other expenses*

Other expenses increased by 51.52% to ₹ 3,393.19 million in the year ended March 31, 2012 from ₹ 2,239.47 million in the year ended March 31, 2011. This increase was largely due to increases in rent paid, advertisement expenses and business promotion expenses, all as a result of expanded operations and the opening up of 945 new branches during the year ended March 31, 2012.

#### *Provisions and write-offs*

Provisions and write-offs increased by 22.89% to Rs. 419.97 million in the year ended March 31, 2012 from Rs. 341.75 million in the year ended March 31, 2011. This was due to increase provision for non-performing assets by Rs. 79.10 million or 242.94% on account of increase in non-performing assets by Rs. 929.42 million from Rs. 460.11 million in the year ended March 31, 2011 to Rs. 1,389.53 million in the year ended March 31, 2012 and increase in write-offs by Rs. 50.94 million or 278.51%.

#### *Profit before taxation*

For the reasons discussed above, profit before taxation increased by 74.89% to Rs. 13,312.47 million in the year ended March 31, 2012 from Rs. 7,612.11 million in the year ended March 31, 2011.

### ***Provision for taxation***

Our provision for taxes increased by 64.48% to ₹ 4,392.23 million in the year ended March 31, 2012 from ₹ 2,670.34 million in the year ended March 31, 2011. This increase was primarily due to increase in provision for income tax in line with our increased profit before taxation. The effective tax rate for the year ended March 31, 2012 and the year ended March 31, 2011 stood at 32.445% and at 33.2175% respectively.

### ***Profit after Tax***

For the reasons described above, our profit after tax increased by 80.51% to ₹ 8,920.24 million in the year ended March 31, 2012 from ₹ 4,941.76 million in the year ended March 31, 2011.

### **Financial position**

The following table sets forth information relating to our financial position as of December 31, 2013 and 2012 and as of March 31, 2013, 2012 and 2011.

<i>(Rs. in million)</i>					
	<b>As of December 31,</b>		<b>As of March 31,</b>		
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Share Capital	3,717.13	3,717.13	3,717.13	3,717.13	3,202.13
Reserves and Surplus					
- Securities Premium	10,570.78	10,570.78	10,570.78	10,570.78	2,364.78
- General Reserve	1,896.26	892.02	1,896.26	892.02	-
- Debenture Redemption Reserve	2,627.48	2,673.55	1,709.29	742.04	-
- Statutory Reserve	6,972.80	5,334.47	5,774.55	3,766.07	1,982.02
- Share options outstanding account	40.49	-	-	-	-
- Surplus/ (Deficit) in Profit and Loss Account	15,388.00	13,911.33	13,687.64	9,569.28	5,795.20
<b>NET WORTH</b>	<b>41,212.94</b>	<b>37,099.28</b>	<b>37,355.65</b>	<b>29,257.32</b>	<b>13,344.13</b>

Our net worth increased by 10.33% to ₹ 41,212.94 million as of December 31, 2013 from ₹ 37,355.65 million as of March 31, 2013. The increase is attributable to an increase in retained profits.

Our net worth increased by 27.68% to ₹ 37,355.65 million as of March 31, 2013 from ₹ 29,257.32 million as of March 31, 2012. The increase is attributable to an increase in retained profits.

Our net worth increased by 119.25% to ₹ 29,257.32 million as of March 31, 2012 from ₹ 13,344.13 million as of March 31, 2011. The increase is attributable to an increase in retained profits. In the year ended March 31, 2012, we also raised ₹ 9,012.50 million through our initial public offering of Equity Shares.

### ***Assets***

The following table sets forth the principal components of our assets as of December 31, 2013 and 2012 and as of March 31, 2013, 2012 and 2011.

<i>(Rs. in million)</i>					
	<b>As of December 31,</b>		<b>Year ended March 31,</b>		
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>Assets</b>					
<b>Non-current assets</b>					
Fixed assets	3,186.99	2,903.65	3,030.17	2,682.27	1,885.75
Non-current investments	75.05	75.05	75.05	75.05	75.05
Deferred tax assets (net)	210.92	110.18	195.45	3.90	(24.74)

Long-term loans and advances	1,134.64	1,052.79	1,045.22	1,098.70	903.86
Other non-current assets	-	-	-	0.51	0.00
<b>Current Assets</b>					
Current investments	307.00	900.00	750.00	900.00	0.00
Trade receivables	13,109.17	10,385.21	11,481.77	7,340.23	3,468.66
Cash and Cash Equivalents	19,286.13	10,793.34	13,419.98	7,950.39	13,754.95
Short-term loans and advances	226,148.14	253,808.00	264,131.09	213,600.22	117,057.22
Other current assets	16.96	99.01	33.92	70.75	89.25
<b>Total</b>	<b>263,475.00</b>	<b>280,127.23</b>	<b>294,162.65</b>	<b>233,722.02</b>	<b>137,210.00</b>

Our assets decreased by 10.43% to ₹ 263,475.00 million as of December 31, 2013 from ₹ 294,162.65 million as of March 31, 2013. The decrease was attributable primarily to a decrease in our retail loan portfolio under management, which declined by 14.39% to Rs. 225,885.50 million as on December 31, 2013 from ₹ 263,868.18 million on March 31, 2013.

Our assets increased by 25.86% to ₹ 294,162.65 million as of March 31, 2013 from ₹ 233,722.04 million as of March 31, 2012. This increase was attributable primarily to an increase in loans and advances, which increased by 23.66% to ₹ 263,868.18 million as of March 31, 2013 from ₹ 213,383.89 million (net of Gold Loans sold under bilateral assignment agreements of ₹ 33,352.12 million) as of March 31, 2012.

### Liabilities

The following table set forth the principal components of our liabilities as of December 31, 2013 and 2012 and as of March 31, 2013, 2012 and 2011.

<i>(Rs. in million)</i>					
	As of December 31,		Year ended March 31,		
	2013	2012	2013	2012	2011
<b>Liabilities</b>					
<b>Non-current liabilities</b>					
Long-term borrowings	68,180.31	72,705.96	79,529.42	62,416.53	26,692.18
Other Long term liabilities	8,336.04	4,773.00	5,633.84	2,686.94	1,258.61
Long-term provisions	59.02	-	2.41	-	-
<b>Current liabilities</b>					
Short-term borrowings	67,711.69	95,621.77	94,802.41	92,386.82	72,414.08
Trade Payables & Other current liabilities	75,449.02	68,249.39	73,155.91	44,227.65	22,899.69
Short-term provisions	2,525.98	1,677.83	3,683.01	2,746.76	601.31
<b>Total</b>	<b>222,262.06</b>	<b>243,027.95</b>	<b>256,807.00</b>	<b>204,464.70</b>	<b>123,865.87</b>

Our liabilities consisting of non-current liabilities and current liabilities decreased by 13.45% to ₹ 222,262.06 million as of December 31, 2013 from ₹ 256,807.00 million as of March 31, 2013. The decrease is mainly attributable to a 34.94% decrease in borrowings from banks and financial institutions which decreased from ₹ 101,363.70 million as of March 31, 2013 to ₹ 65,947.15 million as of December 31, 2013. There was also a decline of 3.29% in funds raised by issuing secured non-convertible debentures from ₹ 112,453.29 million as of March 31, 2013 to ₹ 108,749.90 million as of December 31, 2013.

Our liabilities increased by 25.60% to ₹ 256,807.00 million as of March 31, 2013 from ₹ 204,464.71 million as of March 31, 2012. The increase is mainly attributable to an increase in funds raised by issuing secured non-convertible debentures by 43.04% from ₹ 78,628.39 million as on March 31, 2012 to ₹ 11,2469.15 million as on March 31, 2013. There has also been a 9.80% increase in borrowings from banks and financial institutions from ₹ 92,320.12 million as on March 31, 2012 to ₹ 101,363.70 million as on March 31, 2013. In addition, there was a 55.40% increase in funds raised by issuing subordinated debt from ₹ 148,01.10 million as of March 31, 2012 to ₹ 23,0009.72 million as of March 31, 2013. The aforementioned increases in our liabilities were offset in part by a 71.88% decline in funds raised by issuing commercial paper from ₹ 7,694.48 million as of March 31, 2012 to ₹ 2,163.86 million as of March 31, 2013.

## LIQUIDITY AND CAPITAL RESOURCES

Our principal sources of cash are from operations, borrowings under our credit facilities and the issuance of Equity Shares and secured debentures and unsecured debentures in the form of subordinated debt. We anticipate that our primary uses of cash will be to provide working capital, finance capital expenditures, meet debt service requirements, fund our Gold Loans and advances, and finance branch expansion.

We have constantly strived to diversify our sources of capital. We have been able to fund the growth of our operations and loan portfolio through equity issuances, profits retained, debt securities both retail and institutional, loans with various maturities raised from banks and other entities.

In the nine months ended December 31, 2013 and in the year ended March 31, 2013, we had raised ₹ 245,316.36 million and ₹ 278,244.21million, respectively, from these sources, and as of December 31, 2013 and as of March 31, 2013, we had cash available for use in our operations of ₹ 19,286.13 million and ₹ 13,419.99 million, respectively. We currently deploy surplus funds into cash credit facilities and also invest our surplus cash reserves in short term deposits. Based upon our current level of expenditures, we believe our current working capital, together with cash flows from operating activities and the proceeds from the offerings contemplated herein, will be adequate to meet our anticipated cash requirements for capital expenditures and working capital for at least the next 12 months. We regularly monitor our funding levels to ensure we are able to satisfy the requirements for loan disbursements and maturity of our liabilities. We maintain diverse sources of funding and adequate available working capital limits to facilitate flexibility in meeting our liquidity requirements. Liquidity is provided principally by short term and long term borrowings from banks and other entities, sales of equity securities and debentures, retained earnings and repayment of existing Gold Loans. All our loan agreements and debentures contain a number of covenants including financial covenants. In addition, some loans contain provisions which allow the lender, at its discretion to call for repayment of the loan at short notice and/or require us to prepay on a *pari passu* basis if any other loan is being repaid. Such covenants, if acted upon, may have an impact on our liquidity.

### Cash Flows

The following table sets forth our cash flows for the periods indicated:

	Nine months ended December 31,		Year ended March 31,		
	2013	2012	2013	2012	2011
Net cash from (used in) operating activities	45,813.08	(31,350.40)	(39,524.39)	(87,088.08)	(60,383.30)
Net cash (used in) investing activities	85.28	(375.00)	(334.39)	(1,884.21)	(759.18)
Net cash from (used in) financing activities	(40,032.05)	35,987.33	47,948.96	83,294.76	67,399.83
Net increase (decrease) in cash and cash equivalents	5,866.31	4,261.93	8,090.18	(5,677.53)	6,257.35
Cash and cash equivalents at the beginning of the year	13,401.83	5,311.65	5,311.65	10,989.18	4,731.83
Cash and cash equivalents as at the end of the year	19,268.14	9,573.58	13,401.83	5,311.65	10,989.18

### Cash flows from Operating Activities

#### Nine months ended December 31, 2013

Net cash generated from operating activities of ₹ 45,813.08 million in the nine months ended December 31, 2013 consisted of profit before tax of ₹ 9,152.22 million, a net upward adjustment of ₹ 21,043.98 million relating to various items, and a net upward working capital adjustment of ₹ 36,181.57 million less financial expenses and taxes paid of ₹ 17,171.00 million and ₹ 3,393.69 million, respectively. Working capital adjustments were attributable primarily to a decrease in loans and advances of ₹ 37,893.53 million.

*Nine months ended December 31, 2012*

Net cash used in operating activities of ₹ 31,350.40 million in the nine months ended December 31, 2012 consisted of profit before tax of ₹ 11,645.78 million, a net upward adjustment of ₹ 21,253.66 million relating to various items, and a net downward working capital adjustment of ₹ 43,262.68 million less financial expenses and taxes paid of ₹ 17,359.35 million and ₹ 3,627.81 million, respectively. Working capital adjustments were attributable primarily to an increase in loans and advances of ₹ 40,143.61 million.

*Year ended March 31, 2013*

Net cash used in operating activities of ₹ 39,524.39 million for the year ended March 31, 2013 consisted of profit before tax of ₹ 15,114.45 million, a net upward adjustment of ₹ 29,135.34 million relating to various items, and a net downward working capital adjustment of ₹ 54,636.63 million less financial expenses and taxes paid of ₹ 23,829.00 million and ₹ 5,308.55 million, respectively. Working capital adjustments were attributable primarily to an increase in loans and advances of ₹ 50,477.39 million.

*Year ended March 31, 2012*

Net cash used in operating activities of ₹ 87,088.11 million for the year ended March 31, 2012 consisted of profit before tax of ₹ 13,312.47 million, a net upward adjustment of ₹ 24,255.93 million relating to various items, and a net downward working capital adjustment of ₹ 10,0393.19 million less financial expenses and taxes paid of ₹ 19,909.08 million and ₹ 4,354.21 million, respectively. Working capital adjustments were attributable primarily to an increase in loans and advances of ₹ 96,737.84 million, offset in part by an increase in current liabilities of ₹ 200.12 million.

*Year ended March 31, 2011*

Net cash used in operating activities of ₹ 60,383.31 million for the year ended March 31, 2011 consisted of profit before tax of ₹ 7,612.12 million, a net upward adjustment of ₹ 10,776.79 million relating to various items, and a net downward working capital adjustment of ₹ 64,965.68 million less financial expenses and taxes paid of ₹ 11,201.22 million and ₹ 2,605.32 million, respectively. Working capital adjustments were attributable primarily to an increase in loans and advances of ₹ 63,061.72 million.

***Cash Flows from Investing Activities***

*Nine months ended December 31, 2013*

In the nine months ended December 31, 2013, net cash generated from investing activities was ₹ 85.28 million, attributable primarily to the redemption of bonds of ₹ 443.00 million, interest on bank deposits of ₹ 48.58 million and income from investments of ₹ 97.36 million, offset partially by purchase of fixed assets of ₹ 525.19 million. The purchase of fixed assets was attributable primarily to the construction of strong rooms in various branches, weighing machines and other plant and machinery assets of ₹ 253.71 million as well as purchases of computers of ₹ 111.00 million and furniture and fixtures of ₹ 111.37 million and buildings of ₹ 43.47million.

*Nine months ended December 31, 2012*

In the nine months ended December 31, 2012, net cash used in investing activities was ₹ 375.00 million, attributable primarily to purchase of fixed assets of ₹ 483.20 million and an increase in capital work in progress of ₹ 75.65 million, partially offset by interest on bank deposits of ₹ 147.86 and income from investments in bonds ₹ 33.58 million. The purchase of fixed assets was attributable primarily to the construction of strong rooms in various branches, weighing machines and other plant and machinery assets of ₹ 198.75 million as well as purchases of computers of ₹ 77.44 million and furniture and fixtures of ₹ 128.26 million.

*Year ended March 31, 2013*

In the year ended March 31, 2013, net cash used in investing activities was ₹ 334.39 million, attributable primarily to purchase of fixed assets of ₹ 724.07 million and an increase in capital work in progress of ₹ 81.03 million, partially offset by interest on bank deposits of ₹ 252.09 million and redemption of bonds of ₹ 150.00 million. The purchase of fixed assets was attributable primarily to the construction of strong rooms in various branches, weighing machines and other plant and machinery assets of ₹ 299.88 million as well as purchases of computers of ₹ 115.51 million and furniture and fixtures of ₹ 160.47 million and buildings of ₹ 117.19 million



#### *Year ended March 31, 2012*

In the year ended March 31, 2012, net cash used in investing activities was ₹ 1,884.21 million, attributable to purchase of fixed assets of ₹ 1,118.78 million, investments in bonds of ₹ 900.00 million and an increase in capital work in progress of ₹ 7.39 million, partially offset by interest on bank deposits of ₹ 141.07 million and the sale of fixed assets of ₹ 0.89 million. The purchase of fixed assets was attributable primarily to the construction of strong rooms in various branches, weighing machines and other plant and machinery assets of ₹ 442.44 million as well as purchases of computers of ₹ 172.24 million and furniture and fixtures of ₹ 294.60 million.

#### *Year ended March 31, 2011*

In the year ended March 31, 2011, net cash used in investing activities was ₹ 759.18 million, attributable primarily to the purchase of fixed assets of ₹ 773.86 million and an increase in capital work in progress of ₹ 44.08 million, partially offset by interest on bank deposits of ₹ 58.18 million and the sale of fixed assets of ₹ 0.58 million. The purchase of fixed assets was attributable primarily to the construction of strong rooms in various branches, weighing machines and other plant and machinery assets of ₹ 314.30 million as well as purchases of computers of ₹ 118.42 million, furniture and fixtures of ₹ 222.17 million and land of ₹ 36.88 million.

#### ***Cash Flows from Financing Activities***

##### *Nine months ended December 31, 2013*

In the nine months ended December 31, 2013, net cash used in financing activities was ₹ 40,032.05 million, attributable primarily to decreases in borrowings from banks/financial institutions of ₹ 35,416.57 million, negative net proceeds from the issue of debentures of ₹ 3,277.06 million, decreases in commercial paper of ₹ 2,163.85 million and dividend paid of ₹ 3,247.06 million, partially offset by an increase in subordinated debt of ₹ 2,236.17 million and an increase in loan from directors and relatives of directors of ₹ 1,850.06 million.

##### *Nine months ended December 31, 2012*

In the nine months ended December 31, 2012, net cash generated from financing activities was ₹ 35,987.33 million, attributable primarily to net proceeds from the issue of debentures of ₹ 26,778.91 million, increases in borrowings from banks/financial institutions of ₹ 7,633.86 million, increases in subordinated debt of ₹ 5,283.17 million, increases in borrowings from directors and their relatives of ₹ 1,381.58 million, increases in inter-corporate loans of ₹ 45.35 million and decrease in bank deposits held for longer than three months of ₹ 1,418.98 million, offset partially by decreases in commercial paper of ₹ 4,826.95 million and dividend paid, including dividend distribution tax, of ₹ 1,727.57 million.

#### *Year ended March 31, 2013*

In the year ended March 31, 2013, net cash generated from financing activities was ₹ 47,948.96 million, attributable to net proceeds from the issue of debentures of ₹ 33,940.76 million, increases in borrowings from banks/financial institutions of ₹ 9,043.58 million, increases in subordinated debt of ₹ 8,199.88 million, decrease in bank deposits held for greater than three months of ₹ 2,620.59 million and increases in borrowings from directors and their relatives of ₹ 1,480.61 million, partially offset by decreases in inter-corporate loans of ₹ 78.23 million and decreases in commercial paper of ₹ 5,530.62 million and dividend paid, including dividend distribution tax, of ₹ 1,727.61 million.

#### *Year ended March 31, 2012*

In the year ended March 31, 2012, net cash generated from financing activities was ₹ 83,294.76 million, attributable to net proceeds from the issue of debentures of ₹ 34,646.13 million, increases in borrowings from banks/financial institutions of ₹ 31,790.84 million, increases in subordinated debt of ₹ 7,695.24 million, increases in inter-corporate loans of ₹ 127.40 million, increases in commercial paper of ₹ 746.67 million, decrease in bank deposits held for greater than three months of ₹ 127.03 million and proceeds from the issuance of equity share capital, including a securities premium of ₹ 9,012.50 million, partially offset by expenses for initial public offer of ₹ 291.49 million and decrease in borrowings from directors and their relatives of ₹ 559.54 million.

*Year ended March 31, 2011*

In the year ended March 31, 2011, net cash generated from financing activities was ₹ 67,399.83 million, attributable to net proceeds from the issue of debentures of ₹ 16,289.75 million, increases in borrowings from banks/financial institutions of ₹ 39,250.59 million, increases in subordinated debt of ₹ 3,859.18 million, increases in borrowings from directors and their relatives of ₹ 246.99 million, increases in commercial paper of ₹ 6,947.81 million and proceeds from the issue of equity shares of ₹ 2,556.90 million to institutional investors through a preferential share allotment partially offset by decrease in inter-corporate loan of ₹ 13.70 million and increase in bank deposits held for longer than three months of ₹ 1,737.69 million.

### **Capital Adequacy**

We disclose our CRAR in our balance sheets in accordance with RBI requirements. Our CRAR as of December 31, 2013 was 23.76%.

The following table sets forth information relating to our CRAR as of December 31, 2013 and 2012, and as of March 31, 2013, 2012 and 2011.

	As of December 31,		As of March 31		
	2013	2012	2013	2012	2011
	%	%	%	%	%
CRAR	23.76	19.50	19.62	18.29%	15.82%
CRAR-Tier I Capital	17.00	13.80	13.41	12.84%	10.63%
CRAR-Tier II Capital	6.76	5.70	6.21	5.45%	5.20%

Note:

- (i) Tier I capital includes paid up equity capital and free reserves net of intangible assets, deferred tax asset and net off loss reserve.
- (ii) Tier II capital includes, subordinated debt (after discounting for the residual maturity) and provision for standard asset.

### **Contingent Liabilities**

Contingent liabilities as of December 31, 2013 included the following:

*(Rs. in millions)*

Claims against the Company, not acknowledged as debts	119.22
Counter Guarantee provided to banks	83.87

### **Quantitative and Qualitative Disclosure about Market Risk**

The following discussion about our market risk disclosures involves forward-looking statements. Actual results could differ materially from those projected in the forward-looking statements. We are exposed to market risk related to changes in interest rates and gold values. We also are exposed to regulatory risk in relation to our Gold Loan products and services. We do not use derivative financial instruments.

#### ***Interest rate risk***

Management's objective is to minimize the cost of borrowing through an appropriate mix of fixed and floating rate debt. If prevailing interest rates were to increase by 100 basis points over the rates at December 31, 2013, and the variable rate of borrowings outstanding remained constant, our interest expense would increase by ₹ 1,860.39 million, and net profit after taxes would decrease by ₹ 1,228.05 million in the nine months ended December 31, 2013.

#### ***Liquidity risk***

Liquidity risk arises from the absence of liquid resources, when funding loans, and repaying borrowings. This could be due to a decline in the expected collection, or our inability to raise adequate resources at an appropriate price or at all. This risk is minimized through a mix of strategies, including the maintenance of back up bank credit lines and following a forward-looking borrowing programme based on projected loans and maturing obligations. We also monitor liquidity risk through our asset liability management function with the help of liquidity gap reports. This involves the categorization of all assets and liabilities in different maturity profiles,

and evaluating them for any mismatches in any particular maturities, especially in the short-term. The asset liability management policy is based on RBI guidelines and ALCO guidelines and establishes the maximum allowed mismatches in the various maturities. To manage short term funding arrangements we depend upon unutilised working capital limits. We are also required to submit Asset Liability Management Return on half yearly basis to RBI. The following table sets out a summary of our asset liability maturity profile (statement of structural liquidity) as of December 31, 2013:

(Rs. in millions)

	Up to 1 month	1 - 12 months	1 - 3 years	3 - 5 years	More than 5 years	Total
<b>Liabilities/ Outflow</b>						
Equity capital					3,717.13	3,717.13
Reserves and surplus					37,495.84	37,495.84
Borrowings						
Secured NCDs	7,499.67	58,764.38	37,852.31	4,631.48	2.05	108,749.89
Bank borrowings	326.55	65,068.10	549.79	-	-	65,944.44
Other borrowings	0.14	4,264.25	6,903.92	16,977.57	1,263.17	29,409.05
Current liabilities and provisions	2,430.78	7,332.83	3,148.23	5,037.90	208.93	18,158.67
<b>Total</b>	<b>10,257.14</b>	<b>135,429.56</b>	<b>48,454.25</b>	<b>26,646.95</b>	<b>42,687.12</b>	<b>263,475.02</b>
<b>Assets/ Inflow</b>						
Fixed assets	-	-	-	-	3,121.95	3,121.95
Investments	-	307.00	-	-	75.05	382.05
Cash and bank balance	19,269.78	15.26	0.92	0.17	-	19,286.13
Inflow from loans and advances	31,623.97	182,967.26	11,294.28	-	-	225,885.51
Other assets	2,974.77	9,824.01	1,717.46	-	283.14	14,799.38
<b>Total</b>	<b>53,868.52</b>	<b>193,113.53</b>	<b>13,012.66</b>	<b>0.17</b>	<b>3,480.14</b>	<b>263,475.02</b>
Mismatch (Asset-Liabilities)	43,611.38	57,683.97	(35,441.59)	(26,646.78)	(39,206.98)	
Cumulative gaps	43,611.38	101,295.35	65,853.76	39,206.98	-	

### Regulatory risk

The passage of new laws and regulations or changes in existing laws and regulations could have a negative impact on our Gold Loans activities. Our lending is subject to extensive regulation and licensing requirements by the RBI, India's central bank. The passage of additional local, state, or central legislation or any events of non-compliance could materially, adversely impact our results of operations and financial condition.

### Known trends or uncertainties

Other than as described in this Red Herring Prospectus, particularly in the sections “*Risk Factors*” and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” beginning on pages 32 and 61, respectively, of this Red Herring Prospectus, to our knowledge, there are no trends or uncertainties that have or had or are expected to have a material adverse impact on our income from continuing operations.

### Seasonality of business

We do not believe our business to be seasonal.

### Future relationship between costs and income

Other than as described elsewhere in this section “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*”, and in the section “*Risk Factors*” beginning on page 61 and 32, respectively of this Red Herring Prospectus, to our knowledge, there are no known factors which will have a material adverse impact on our operations and finances.

### Significant dependence on a single or few customers

We do not believe our business to be dependent on a single or few customers.

## **Related party transactions**

For details on related party transactions, please refer to the statement of related party transactions contained in our financial statements.

## **Competitive conditions – please align with the disclosure on competition earlier in the section**

We operate in highly competitive markets. Attractive interest rates relative to risk together with increased demand for access to capital from middle income group, previously availed predominantly by lower income group customers with limited access to other forms of borrowings, have increased our exposure to competition. The demand for Gold Loans has also increased due to relatively lower and affordable interest rates, increased need for urgent borrowing or bridge financing requirements and the need for liquidity for assets held in gold and also due to increased awareness among customers of Gold Loans as a source of quick access to funds. All of these factors have resulted in us facing increased competition from other lenders in the Gold Loan sector, including commercial banks and other NBFCs. Unlike commercial banks, we do not have access to funding from savings and current deposits of customers. Instead, we are reliant on higher-cost bank loans and debentures for our funding requirements, which may reduce our margins compared to competitors. Our ability to compete effectively with commercial banks will depend, to some extent, on our ability to raise low-cost funding in the future. If we are unable to compete effectively with other participants in the Gold Loan sector, our business, future financial performance may be adversely affected. Intense competition is expected to continue in these markets, presenting us with significant challenges in our ability to maintain strong growth rates and acceptable profit margins. For further details regarding our competitive conditions and our competitors, see “*Risk Factors*” and “*Our Business*” beginning on pages 32 and 97, respectively, of this Red Herring Prospectus.

## **Recent accounting pronouncements**

The Companies Act 2013 (“the Act”) was enacted on August 29, 2013. The Act is divided into 29 chapters containing 470 clauses. The Act is being implemented in a phased manner (in order to replace existing Companies Act, 1956) and 282 sections of the Act have been notified so far by the Ministry of Corporate Affairs. The notified provisions of the Act include matters such as corporate social responsibility and consolidation, which are expected to impact our profitability as well as aspects of financial reporting. We have prepared a framework to adopt the provisions of the Act applicable to us.

There are no other recent accounting pronouncements that are expected to impact our accounting policies or the manner of our financial reporting. However, the Institute of Chartered Accountants of India has announced a road map for the adoption of, and convergence of Indian GAAP with, IFRS through issue of IND-AS standards, pursuant to which all companies in India, such as us, will be required to prepare their annual and interim financial statements in compliance with IND-AS beginning with financial year to be notified by Ministry of Corporate Affairs. Because there is significant lack of clarity on the adoption of IND-AS, we have not determined with any degree of certainty the impact that such adoption will have on our financial reporting.

## **Significant developments after December 31, 2013 that may affect our future results of operations**

Set forth below are significant developments after December 31, 2013 that may affect our future results of operations.

1. The RBI through Notification no RBI/2013-14/435 DNBS.CC.PD.No.365/03.10.01/2013-14, dated January 8, 2014 increased the cap on loan to value ratio to 75% from 60%. At the same time, the RBI implemented a similar cap on commercial banks through Circular no.RBI/2013-14/453 DBOD.BP.BC.No.86 /21.01.023 /2013-14, dated January 20, 2014. We believe that this regulatory action will have the effect of reversing the customer dissatisfaction we experienced since we implemented the RBI mandated loan to value cap of 60% in 2012.
2. We have also issued ₹ 7,000.00 million in publicly issued debentures since December 31, 2013.
3. Furthermore, as a result of several recent regulatory changes that affected our results of operations (see “*Factors Affecting Results of Operations—Changes in regulatory policies for NBFCs*”), our retail loan portfolio has declined progressively in recent financial periods. As a consequence, (i) we expect our long term and short term borrowings as well as our short term and long term loan assets to decrease as of the date hereof compared to December 31, 2013; and (ii) we expect our interest income, other income, total income, profit before taxation and profit after taxation to decrease for the period from

January 1, 2014 to the date hereof compared to the corresponding period in the preceding year. However, due to the net profits after tax generated since December 31, 2013, we expect our Reserves and Surplus as of the date hereof to increase compared to December 31, 2013.

Except as stated above and in this Red Herring Prospectus, to our knowledge no circumstances have arisen since the date of the last financial statements as disclosed in this Red Herring Prospectus which materially and adversely affect or are likely to affect, the operations or profitability of our Company, or the value of our assets or our ability to pay our material liabilities within the next twelve months.

Except as stated above and elsewhere in this Red Herring Prospectus, to our knowledge there is no development subsequent to December 31, 2013 which materially and adversely affect or are likely to affect, the operations or profitability of our Company, or the value of our assets or our ability to pay our material liabilities within the next twelve months.

## SELECTED STATISTICAL INFORMATION

The following unaudited information should be read together with our financial statements included in this Red Herring Prospectus and the section "Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning on page 61 of this Red Herring Prospectus. All amounts presented in this section have been prepared in accordance with Indian GAAP. Footnotes appear at the end of each related section of tables. For the purposes of a comparative analysis in the discussion below, previous years' figures have been reclassified wherever necessary.

### Average Balance Sheet

The table below presents the average balances for interest-earning assets and interest-bearing liabilities together with the related interest revenue and expense amounts, resulting in the presentation of the average yields and costs for each period. The average balance is the average of annual balances outstanding for the period upto March 31, 2013 and of quarterly balances for the period nine months ended December 31, 2013. The average yield on average interest-earning assets is the ratio of interest revenue to average interest-earning assets. The average cost on average interest-bearing liabilities is the ratio of interest expense to average interest-bearing liabilities. The average balances of loans include NPAs.

	Year ended March 31,								
	Average Balance	2011 Interest Income/Expense	Average Yield/Cost (%)	Average Balance	2012 Interest Income/Expense	Average Yield/Cost (%)	Average Balance	2013 Interest Income/Expense	Average Yield/Cost (%)
(Rs. in millions, except percentages)									
Interest-earning assets:									
Advances	116,533.02	22,840.52	19.60%	202,710.28	45,157.74	22.28%	255,302.10	53,360.14	20.90%
Others	2,101.89	142.92	6.80%	2,879.33	122.57	4.26%	1,710.67	195.64	11.44%
<b>Total interest-earning assets</b>	<b>118,634.90</b>	<b>22,983.44</b>	<b>19.37%</b>	<b>205,589.61</b>	<b>45,280.31</b>	<b>22.02%</b>	<b>257,012.77</b>	<b>53,555.78</b>	<b>20.84%</b>
Non-interest earning assets:									
Fixed assets	1,607.36	-	-	2,284.00	-	-	2,856.22	-	-
Other assets	11,014.04	-	-	15,200.43	-	-	20,749.41	-	-
<b>Total non-interest earning assets</b>	<b>12,621.40</b>	<b>-</b>	<b>-</b>	<b>17,484.43</b>	<b>-</b>	<b>-</b>	<b>23,605.63</b>	<b>-</b>	<b>-</b>
<b>Total assets</b>	<b>131,256.30</b>	<b>-</b>	<b>-</b>	<b>223,074.04</b>	<b>-</b>	<b>-</b>	<b>280,618.40</b>	<b>53,555.79</b>	
Interest-bearing liabilities:									
Borrowings	117,069.10	10,382.87	8.87%	194,217.25	23,698.99	12.20%	234,036.64	28,194.44	12.05%
<b>Total interest-bearing liabilities</b>	<b>117,069.10</b>	<b>10,382.87</b>	<b>8.87%</b>	<b>194,217.25</b>	<b>23,698.99</b>	<b>12.20%</b>	<b>234,036.64</b>	<b>28,194.44</b>	<b>12.05%</b>
Non-interest liabilities:									
Capital and reserves	9,594.80	-	-	21,300.73	-	-	333,06.49	-	-
Other liabilities	4,592.40	-	-	7,556.06	-	-	13,275.28	-	-
<b>Total non-interest bearing liabilities</b>	<b>14,187.20</b>	<b>-</b>	<b>-</b>	<b>28,856.79</b>	<b>-</b>	<b>-</b>	<b>46,581.76</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>	<b>131,256.30</b>	<b>-</b>	<b>-</b>	<b>223,074.04</b>	<b>-</b>	<b>-</b>	<b>280,618.40</b>	<b>-</b>	<b>-</b>

For the Nine months ended December 31,						
	Average Balance	2012 Interest Income/ Expense	Average Yield/ Cost (%)	Average Balance	2013 Interest Income/ Expense	Average Yield/ Cost (%)
<i>(Rs. in millions, except percentages)</i>						
Interest-earning assets:						
Advances	243,664.67	39,349.49	21.53%	248,060.12	37,487.72	20.15%
Others	2,201.65	163.95	9.93%	550.70	50.82	12.30%
<b>Total interest-earning assets</b>	<b>245,866.32</b>	<b>39,513.44</b>	<b>21.43%</b>	<b>248,610.82</b>	<b>37,538.54</b>	<b>20.13%</b>
Non-interest earning assets:						
Fixed assets	2,808.94	-	-	3,136.31	-	-
Other assets	19,937.56	-	-	34,244.43	-	-
<b>Total non-interest earning asset</b>	<b>22,746.50</b>	<b>-</b>	<b>-</b>	<b>37,380.74</b>	<b>-</b>	<b>-</b>
<b>Total assets</b>	<b>268,612.82</b>	<b>-</b>	<b>-</b>	<b>285,991.56</b>	<b>-</b>	<b>-</b>
Interest-bearing liabilities:						
Borrowings	223,588.52	20,769.75	12.39%	227,521.33	20,594.55	12.07%
<b>Total interest-bearing liabilities</b>	<b>223,588.52</b>	<b>20,769.75</b>	<b>12.39%</b>	<b>227,521.33</b>	<b>20,594.55</b>	<b>12.07%</b>
Non-interest liabilities:						
Capital and reserves	33118.39	-	-	39490.73	-	-
Other liabilities	11905.91	-	-	17336.23	-	-
<b>Total non-interest bearing liabilities</b>	<b>45024.30</b>	<b>-</b>	<b>-</b>	<b>56826.96</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>	<b>268612.82</b>	<b>-</b>	<b>-</b>	<b>284348.29</b>	<b>-</b>	<b>-</b>

### Analysis of Changes in Interest Income and Interest Expense by Volume and Rate

The following tables set forth, for the periods indicated, the allocation of the changes in our interest income and interest expense between average volume and changes in average rates.

	Year ended March 31, 2012 vs year ended March 31, 2011			Year ended March 31, 2013 vs year ended March 31, 2012			Nine months ended (annualised) December 31, 2013 vs year ended March 31, 2013		
	Net changes	Changes in average volume	Changes in average rate	Net changes	Changes in average volume	Changes in average rate	Net changes	Changes in average volume	Changes in average rate
<i>(Rs. in millions, except percentages)</i>									
Interest income:									
Advances	97.71%	73.95%	13.66%	6.94%	25.94%	(6.18%)	(14.39%)	(2.84%)	(3.59%)
Others	(14.24%)	36.99%	(37.39%)	(72.49%)	(40.59%)	168.66%	(41.86%)	(67.81%)	7.59%
	)	)	)	)	)	)	)	)	)
<b>Total income from interest-earning assets</b>	<b>45,280.31</b>	<b>-</b>	<b>-</b>	<b>53,555.78</b>	<b>-</b>	<b>-</b>	<b>37,538.54</b>	<b>-</b>	<b>-</b>
Interest expenses:									
Borrowings	128.25%	65.90%	37.58%	6.03%	20.50%	1.50%	(15.27%)	(2.78%)	0.18%
<b>Total expenses in relation to interest-bearing liabilities</b>	<b>23,698.99</b>	<b>-</b>	<b>-</b>	<b>28,194.44</b>	<b>-</b>	<b>-</b>	<b>20,594.55</b>	<b>-</b>	<b>-</b>
<b>Net interest revenue</b>	<b>21,581.32</b>	<b>-</b>	<b>-</b>	<b>25,361.34</b>	<b>-</b>	<b>-</b>	<b>16,943.99</b>	<b>-</b>	<b>-</b>

Note:

(1) The changes in net interest revenue between periods have been reflected as attributed either to volume or rate changes.

### Yields, Spreads and Margins

The following table sets forth, for the periods indicated, the yields, spreads and interest margins on our interest-earning assets.

	Year ended March 31,			Nine months ended December 31,
	2011	2012	2013	2013
<i>(Rs. in millions, except percentages)</i>				
Average interest-earning assets	118,634.90	205,589.61	257,012.77	248,610.82
Average interest-bearing liabilities	117,069.10	194,217.25	234,036.64	227,521.33
Average total assets	131,256.30	223,074.04	280,618.40	285,991.56

	Year ended March 31,			Nine months ended December 31, 2013
	2011	2012	2013	
	<i>(Rs. in millions, except percentages)</i>			
Average interest-earning assets as a percentage of average total assets (%)	90.38%	92.16%	91.59%	86.93%
Average interest-bearing liabilities as a percentage of average total assets (%)	89.19%	87.06%	83.40%	79.56%
Average interest-earning assets as a percentage of average interest-bearing liabilities (%)	101.34%	105.86%	109.82%	109.27%
Yield on Interest bearing assets <sup>(1)</sup>	19.37%	22.02%	20.84%	20.13%
Cost of Borrowings (%) <sup>(2)</sup>	8.87%	12.20%	12.05%	12.07%
Cost of Funds (%) <sup>(3)</sup>	8.75%	11.53%	10.97%	11.05%
Spread (%) <sup>(4)</sup>	10.50%	9.82%	8.79%	8.06%
Net interest margin (%) <sup>(5)</sup>	10.62%	10.50%	9.87%	9.09%

Note:

- (1) Yield on average interest-earning assets is the ratio of interest income to average interest-earning assets.  
(2) Cost of borrowings is the ratio of interest expense to average interest-bearing liabilities.  
(3) Cost of funds is the ratio of interest expense to average interest-earning assets.  
(4) Spread is the difference between yield on average interest-earning assets and cost of borrowings.  
(5) Net Interest Margin is the difference between yield on average interest-earning assets and cost of funds.

## Return on Equity and Assets

The following table presents selected financial ratios for the periods indicated.

	Year ended March 31,			Nine months ended December 31, 2013
	2011	2012	2013	
	<i>(Rs. in millions, except percentages)</i>			
Average total assets	131,256.30	223,074.04	280,618.40	285,991.56
Average shareholders' equity	9,594.80	21,300.74	33,306.49	39,284.30
Net Profit	4,941.76	8,920.24	10,042.39	5,991.24
Return on Equity (Net profit to average shareholders' equity) (%)	51.50%	41.88%	30.15%	20.33%
Return on Assets (Net profit to average total assets) (%)	3.76%	4.00%	3.58%	2.79%
Average shareholders' equity as a percentage of average total assets (%)	7.31%	9.55%	11.87%	13.74%

## Investment Portfolio

The following tables set forth, as of the dates indicated, information related to our investments.

	As of March 31, 2011			As of March 31, 2012			As of March 31, 2013		
	Held To Maturity	Availabl e For Sale	Held for Trading	Held To Maturity	Availabl e For Sale	Held for Trading	Held To Maturity	Availabl e For Sale	Held for Trading
	<i>(Rs. in millions)</i>								
Government securities	-	-	-	-	-	-	-	-	-
Other approved securities	-	-	-	-	-	-	-	-	-
Shares	75.05	-	-	75.05	-	-	75.05	-	-
Mutual fund investments	-	-	-	-	-	-	-	-	-
Debentures and bonds	-	-	-	-	-	900.00	-	-	750.00
Subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>75.05</b>	<b>0.00</b>	<b>0.00</b>	<b>75.05</b>	<b>0.00</b>	<b>900.00</b>	<b>75.05</b>	<b>0.00</b>	<b>750.00</b>

	As of December 31, 2012			As of December 31, 2013		
	Held to Maturity	Available for Sale	Held for Trading	Held to Maturity	Available for Sale	Held for Trading
	<i>(Rs. in millions)</i>					
Government securities	-	-	-	-	-	-
Other approved securities	-	-	-	-	-	-
Shares	75.05	-	-	75.05	-	-



	As of December 31, 2012			As of December 31, 2013		
	Held to Maturity	Available for Sale	Held for Trading	Held to Maturity	Available for Sale	Held for Trading
	<i>(Rs. in millions)</i>					
Mutual fund investments	-	-	-	-	-	-
Debentures and bonds	-	-	900.00	-	-	307.00
Subsidiaries and joint ventures	-	-	-	-	-	-
Others	-	-	-	-	-	-
<b>Total</b>	<b>75.05</b>	<b>0.00</b>	<b>900.00</b>	<b>75.05</b>	<b>0.00</b>	<b>307.00</b>

## Borrowings

The following table sets forth a summary of our borrowings as of or for the years ended March 31, 2011, 2012 and 2013 and nine months ended December 31, 2013 as indicated below:

	Secured Non-Convertible Debentures				Commercial Paper				Other Funds Borrowed			
	March 31, 2011	March 31, 2012	March 31, 2013	December 31, 2013	March 31, 2011	March 31, 2012	March 31, 2013	December 31, 2013	March 31, 2011	March 31, 2012	March 31, 2013	December 31, 2013
	<i>(Rs. in millions)</i>											
Amounts outstanding at year-end	43,982.27	78,628.40	112,469.16	108,749.90	6,947.81	7,694.48	2,163.86	0.00	110,319.71	140,861.83	126,255.55	95,353.50
Average outstanding during the year	35,837.40	61,305.34	95,548.77	110,609.53	3,473.91	7,321.15	4,929.17	1081.93	77,757.80	125,590.78	133,558.70	110,804.53

## Loan Portfolio

As of March 31, 2013 and December 31, 2013, our gross loan portfolio was Rs. 263868.18million and Rs. 225885.50million, respectively. As of each date, all our gross loans are to borrowers in India and are denominated in Rupees. For a description of our loan products, see “Our Business” beginning on page 97 of this Red Herring Prospectus.

The following table sets forth, for the periods indicated, our gross loan portfolio classified by product groups:

	2011		As of March 31, 2012		2013		As of December 31, 2013	
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
Classification of Loans and Advances	<i>(Rs. in millions)</i>							
Gold Loan Receivables	157,280.72	99.12%	244,172.99	98.96%	260,003.73	98.54%	222,627.87	98.56%
Loan against Muthoot Gold Loan	1,310.59	0.83%	2,448.00	0.99%	3,790.37	1.44%	3,206.58	1.42%
Other Loans	93.23	0.05%	115.03	0.05%	74.08	0.03%	51.05	0.02%
<b>Total</b>	<b>158,684.54</b>	<b>100.00%</b>	<b>246,736.02</b>	<b>100.00%</b>	<b>263,868.18</b>	<b>100.00%</b>	<b>225,885.50</b>	<b>100.00%</b>

## Maturity and Interest Rate Sensitivity of Loans

The following table sets forth, for the periods indicated, the interest rate sensitivity of our loans as at December 31, 2013:

	Due in 3 months	Due in 6 months	Due in 1 year	Due in more than 1 year	Total
<b>Interest rate classification of loans by maturity-based on historical repayment pattern:</b>	<i>(Rs in millions)</i>				
Fixed rates	119,719.32	49,694.81	45,177.10	11,294.27	225,885.50
<b>Total</b>	<b>119,719.32</b>	<b>49,694.81</b>	<b>45,177.10</b>	<b>11,294.27</b>	<b>225,885.50</b>

## **Non-Performing Assets**

As of December 31, 2013, gross NPAs as a proportion of gross loans were 1.99% and net NPAs as a proportion of net loans were 1.67%. As of December 31, 2013, we had in effect a provision cover of 16.15% of our gross NPAs.

### **Recognition of Non-Performing Assets**

As a Non-Banking Finance Company operating in India, we recognise NPAs in accordance with the RBI's guidelines. A "standard asset" means the asset in respect of which, no default in repayment of principal or payment of interest is perceived and which does not disclose any problem nor carry more than normal risk attached to the business. A 'non-performing asset' means:

- a. an asset, in respect of which, interest has remained overdue for a period of six months or more;
- b. a term loan inclusive of unpaid interest, when the instalment is overdue for a period of six months or more or on which interest amount remained overdue for a period of six months or more;
- c. a demand or call loan, which remained overdue for a period of six months or more from the date of demand or call or on which interest amount remained overdue for a period of six months or more;
- d. a bill which remains overdue for a period of six months or more;
- e. the interest in respect of a debt or the income on receivables under the head 'other current assets' in the nature of short term loans/advances, which facility remained overdue for a period of six months or more;
- f. any dues on account of sale of assets or services rendered or reimbursement of expenses incurred, which remained overdue for a period of six months or more;
- g. the lease rental and hire purchase instalment, which has become overdue for a period of twelve months or more;
- h. in respect of loans, advances and other credit facilities (including bills purchased and discounted), the balance outstanding under the credit facilities (including accrued interest) made available to the same borrower/beneficiary when any of the above credit facilities becomes non-performing asset:

Provided that in the case of lease and hire purchase transactions, a non-banking financial company may classify each such account on the basis of its record of recovery;

The guidelines require Non-Banking Finance Companies to classify their NPAs into three categories, as described below, based on the period for which the asset has remained non-performing and the estimated realisation of amounts due in relation to such asset.

### **Substandard Assets**

A "sub-standard asset" means:

- a. an asset which has been classified as non-performing asset for a period not exceeding 18 months;
- b. an asset where the terms of the agreement regarding interest and/ or principal have been renegotiated or rescheduled or restructured after commencement of operations, until the expiry of one year of satisfactory performance under the renegotiated or rescheduled or restructured terms.

### **Doubtful Assets**

A "doubtful asset" means:

- a. a term loan, or

- b. a lease asset, or
- c. a hire purchase asset, or
- d. any other asset,

which remains a sub-standard asset for a period exceeding 18 months.

### Loss Assets

A “loss asset” means:

- a. an asset which has been identified as loss asset by the non-banking financial company or its internal or external auditor or by the Reserve Bank of India during the inspection of the non-banking financial company, to the extent it is not written off by the non-banking financial company; and
- b. an asset which is adversely affected by a potential threat of non-recoverability due to either erosion in the value of security or non availability of security or due to any fraudulent act or omission on the part of the borrower.

The table below sets forth our NPA position as of the dates specified.

	2011	As of March 31 2012	2013	As of December 31, 2013
	<i>(Rs. in millions, except percentages)</i>			
Sub-standard loans:				
Amount	433.84	1,356.38	5,129.73	4,356.67
As a percentage of total NPAs	94.29%	97.62%	97.70%	96.98%
Doubtful loans:				
Amount	26.26	33.14	120.57	135.46
As a percentage of total NPAs	5.71%	2.38%	2.30%	3.02%
Loss loans:				
Amount	0.00	0.00	0.00	0.00
As a percentage of total NPAs	0.00%	0.00%	0.00%	0.00%
Gross NPAs	460.10	1,389.52	5,250.30	4,492.13

### Movement in our Provision for Non-Performing Loans

The table below sets forth movement in provision for Non-Performing Loans.

	March 2011	March 2012	March 2013	December 2013
	<i>(Rs. in millions)</i>			
Opening Gross NPA balance at the beginning of the period	343.57	460.10	1,389.52	5,250.30
Addition during the period	427.12	1,339.04	4,737.82	2,918.18
Less reduction during the period	310.59	409.62	877.04	3,676.35
Closing Gross NPA at the end of the period	460.10	1,389.52	5,250.30	4,492.13
Gross Loans	158,684.55	246,736.02	263,868.18	225,885.50

Gross NPA/ Gross Loans	0.29%	0.56%	1.99%	1.99%
Net NPA	390.45	1,208.22	4,549.67	3,766.75
Net Loans	116,820.62	213,383.90	263,868.18	225,885.5
Net NPA/ Net Loans	0.33%	0.57%	1.72%	1.67%

## INDUSTRY OVERVIEW

*The following information includes extracts from publicly available information, data and statistics derived from reports prepared by third party consultants, including the IMA CS Industry Report 2012, private publications, and industry reports prepared by various trade associations, as well as other sources, which have not been prepared or independently verified by the Company, the Lead Managers or any of their respective affiliates or advisors. Such information, data and statistics may be approximations or may use rounded numbers. Certain data has been reclassified for the purpose of presentation and much of the available information is based on best estimates and should therefore be regarded as indicative only and treated with appropriate caution.*

### Overview of the Indian Economy

India is the fourth largest economy in the world after the European Union, the United States and China with an estimated GDP of approximately US\$ 4.962 trillion in 2013, on a purchasing power parity ("PPP") basis. Its GDP grew at a real growth rate of 4.7% in 2013. (Source: CIA World Factbook).

India is the largest consumer of gold jewellery in the world; together with China, it makes up over half the global consumer demand for gold. (Source: World Gold Council).

According to the ASSOCHAM India, gold imports accounted for 9.6% of India's total imports in 2011 and along with silver was the second most imported commodity during this period.

### Overview of the Indian Consumer Credit Market

A variety of financial intermediaries in the public and private sectors participate in India's consumer lending sector, including commercial banks and NBFCs.

#### Commercial Banks

As of September 2013, there were 151 scheduled commercial banks ("SCBs"), (including regional rural banks ("RRBs")) in India. (Source: RBI, Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks, September 2013). As of September 2013, the number of banked centres served by SCBs was 39,694 of which 30,538 were single office centres and 74 centres had 100 or more bank offices (Source: RBI, Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks, September 2013). Scheduled commercial banks are banks that are listed in a schedule to the Reserve Bank of India Act, 1934, and may be further categorised as public sector banks, private sector banks and foreign banks.

#### Non-Banking Finance Companies

A non-banking finance company ("NBFC") is a company registered under the Companies Act, 1956 and is engaged in the business of loans and advances, acquisition of shares/stock/bonds/debentures/securities issued by Government or local authority or other securities of like marketable nature, leasing, hire-purchase, insurance business, chit business but does not include any institution whose principal business is that of agriculture activity, industrial activity, sale/purchase/construction of immovable property. A non-banking institution which is a company and which has its principal business of receiving deposits under any scheme or arrangement or any other manner, or lending in any manner is also a non-banking financial company (Residuary non-banking company). It is mandatory that every NBFC should be registered with RBI to commence or carry on any business of non-banking financial institution as defined in clause (a) of Section 45 I of the RBI Act, 1934. All NBFCs are not entitled to accept public deposits. Only those NBFCs holding a valid Certificate of Registration

with authorisation to accept public deposits can accept/hold public deposits. NBFCs authorised to accept/hold public deposits besides having minimum stipulated net owned fund should also comply with the directions such as investing part of the funds in liquid assets, maintain reserves, rating etc. issued by the Bank (*Source: RBI*). As of January 31, 2014, there were 238 NBFCs in India permitted to accept public deposits (*Source: [http://www.rbi.org.in/scripts/NBFC\\_Pub\\_lic.aspx](http://www.rbi.org.in/scripts/NBFC_Pub_lic.aspx)*). Further, as of January 31, 2014, there were 11,913 NBFCs in India that do not accept public deposits (*Source: [http://www.rbi.org.in/scripts/bs\\_nbfclist.aspx](http://www.rbi.org.in/scripts/bs_nbfclist.aspx)*)

## **Gold Finance Industry in India**

According to the World Gold Council, India is one of the largest markets for gold. For the year 2013, Indian investment in gold bars increased by 16% and demand for jewellery, the other component of consumer demand, increased by 11% from 552t to 613t (*Source: World Gold Council*).

The World Gold Council expects that by 2020, India (together with China) will have one billion new urban consumers of gold jewellery. In the fourth quarter of 2013, India accounted for 24.8% of the global demand of gold jewellery and bars and coins (*Source: World Gold Council*). Part of the large appetite for jewellery in India is driven by the cultural role gold plays; it is considered auspicious to buy gold at key festivals and events. Limited access to financial assets means gold has an important parallel status as a store of value. In India, gold jewellery is a desirable possession as well as an investment to be passed down through generations. (*Source: World Gold Council*)

Indian consumers have an affinity for gold that emanates from various social and cultural factors. Furthermore, the low level of financial inclusion and poor access to financial products and services make gold a safe and attractive investment proposition. Gold Loans in India, have largely been concentrated in southern India, which holds the largest proportion of India's gold portfolio, and is typically more open to borrowing against gold as compared to consumers in the northern and western regions of India. (*Source: Report of the Working Group to Study the Issues Related to Gold Imports and Gold Loans NBFCs in India, February 2013*)

## **Gold Demand in India**

- **Continued growth:** Despite several import related curbs during 2013, gold demand remained buoyant, with a full-year total of 975 tonnes compared to 864 tonnes in 2012. The World Gold Council estimates that unofficial imports almost doubled compared with 2012, to compensate for the decline in official imports. (*Source: World Gold Council February 2014*)

- **South India constitutes the largest market for gold:** Southern India has been the largest market accounting for approximately 40% of the gold demand, followed by the western region at approximately 25%, the northern region at 20-25%, and the eastern region at approximately 10-15% of India's annual gold demand. (*Source: Report of the Working Group to Study the Issues Related to Gold Imports and Gold Loans NBFCs in India, February 2013*)

- **Demand is further concentrated in rural pockets of India:** Rural India is estimated to hold around 65% of total gold stock as this section of the population views gold as a secure and easily accessible savings vehicle along with its consumption purpose. (*Source: Report of the Working Group to Study the Issues Related to Gold Imports and Gold Loans NBFCs in India, February 2013*).

In addition to a growing organized Gold Loans market in India, there is a large long-operated, unorganised Gold Loans market which includes numerous pawnbrokers, money lenders and cooperative societies, operating primarily in rural areas of India, and providing loans against jewellery to families at interest rates in excess of 30%. These operators have a strong understanding of the local customer base and offer an advantage of immediate liquidity to customers in need, without requiring elaborate formalities and documentation.

The southern region of India accounts for the largest share of the Gold Loans market in India. It was also realized that there is potential to expand gold loans market to the Northern and Western regions of India, provided the branch network is expanded and the loans are available easily with flexible options. Several large finance companies started expanding their branches in these regions and the response appears to be favourable. (Source: Report of the Working Group to Study the Issues Related to Gold Imports and Gold Loans NBFCs in India, February 2013).

### Drivers of Growth in Gold Loans Market in India

- i. **Regulatory incentives to lenders:** RBI recently released regulation, mandating 75% loan to value (LTV) cap (an increase from the 60% LTV cap mandated in September 2013 and which gold loan NBFCs were yet to implement). Revised LTV of 75% would provide a level-playing field to gold loan NBFCs compared with banks and lowers the risk of competition and loss of market share.
- ii. **Increasing need for liquidity:** As gold loans are issued solely on the basis of gold jewellery as collateral, the high growth rates observed for gold loans in recent years could be reflecting the emergence of a liquidity motive apart from the conventional saving motive to acquire gold. The rapid growth in gold loans in recent years indicates unleashing the latent demand for liquidity from significant proportion of the population who faced severe borrowing constraints in the past. (Source: Report of the Working Group to Study the Issues Related to Gold Imports and Gold Loans NBFCs in India, February 2013).
- iii. **Changing consumer attitudes and preferences:** Indian customers have demonstrated a change in their traditionally debt-averse psychology. A quiet swing in savings from financial products to assets, showing propensity for further growth, is visible in the Indian economy. (Source: Report of the Working Group to Study the Issues Related to Gold Imports and Gold Loans NBFCs in India, February 2013).

### Competition

The Gold Loans market has been dominated by SCBs focused on southern India, and NBFCs with market shares of approximately 47.7% and 45.6%, respectively in fiscal 2012, while the remaining market share has been held by small co-operative banks. (Source: IMaCS Industry Report 2012).

While the importance of banks has continued unabated, a striking increase in the share of NBFCs in total gold loans is also discernible in the recent years. The share of NBFCs doubled from 13% at end-April 2008 to 27% at end-March 2012. In other words, on average, the share of gold loan NBFCs increased by about three percentage points on an annual basis. (Source: Report of the Working Group to Study the Issues Related to Gold Imports and Gold Loans NBFCs in India, February 2013)

NBFCs offer flexibility, quick disbursal and an informal environment to their customers in return for a premium on the rates of interest offered. The interest rates charged by the banks vary from 7-10% in case of loans for agricultural purposes and approximately 12-16% on loans for non-agricultural purposes while NBFCs charge interest rates between 12% and 25%. *(Source: IMAcS Industry Report 2012)* However, changes in February 2011 in regulatory norms have precluded gold loans from being classified under the agriculture sector, thereby increasing the cost of funds of gold loan companies, including our Company.

### **Role of NBFC's in the competitive landscape of the gold finance industry in India**

A typical Gold Loan customer expects high loan-to-value ratios, easy access, low levels of documentation and formalities, quick approval and disbursal of loans, lockers to ensure safety of their pledged gold and a team of expert valuers. Specialized NBFCs with their long years of experience and a singular focus on the gold loans segment have developed a deep understanding of the customer and business dynamics and have acquired niche capabilities to cater to the requirements of the customers. *(Source: IMAcS Industry Report 2012)*

NBFCs specializing in Gold Loans continue to perform strongly in the Gold Loans market. In fiscal 2012, the Gold Loans market was largely concentrated between two categories of lenders: south India based SCBs and NBFCs specializing in Gold Loans which held approximately 47.7% and 45.6%, respectively, of the total market. The rest of the Gold Loans portfolio was held by several small co-operative banks. *(Source: IMAcS Industry Report 2012)*

Furthermore, the RBI's regulations in January 2014, mandating 75% LTV cap on gold value, improve the competitive positioning of gold loan NBFCs vis-à-vis unorganised players.

### **Outlook of the Gold Loans Market in India**

Based on the assessment of the emerging dynamics and competitive landscape, the Gold Loans market is expected to grow at an average rate between 18% and 20% over the period of fiscal 2012 to fiscal 2016. *(Source: IMAcS Industry Report 2012)*

On March 22, 2012, RBI issued guidelines which, among others, capped the LTV for gold lending at 60% and increased Tier I capital requirement for companies primarily engaged in gold lending (such loans comprising 50% or more of their financial assets) to 12%. However, in January 2014, RBI revised upwards the LTV norm for gold loan NBFCs to 75%.



## NBFCs in the Indian Gold Loans market

Parameters	Specialised NBFCs	South Based Banks	New NBFC Entrants	New Bank Entrants	Cooperative Banks
STRATEGIC STANCE AND FOCUS					
Focus on the segment	High	Medium -	Medium	Low to Medium	Medium
Willingness to expand in Non South regions	High	Low	High	Medium	Low
ABILITY TO PROVIDE ACCESSIBILITY					
Size of Existing Branch Network	High	Medium	Medium	Medium	Low
Flexibility to add branches	High	Low	High	Low	Low
ABILITY TO PROVIDE FLEXIBILITY					
Understanding of target Customer segments	High	Medium	Medium	Low	Medium
Ability to provide a wide range of products - High LTV products	Medium	Medium	Medium	Medium	Medium
Competitive advantage on account of Flexibility-long hours, cash disbursements	High	Low	Medium	Low	Low

Regulatory stress points for various categories of lenders

Potential threats to competitive positioning of specialised NBFCs

Source: IMaCS Industry Report 2012

In addition, it is anticipated that the large banks in southern India will continue to be amongst the leading lenders, but considering the various regulatory and operational processes, it would be challenging for the banks to offer the same level of accessibility, flexibility and turnaround to customers as that of NBFCs. (Source: IMaCS Industry Report 2012)

New NBFC entrants in the market are currently in a cautious preparatory mode to enter the Gold Loans market and have sought to position themselves between the specialized Gold Loan NBFCs and banks in terms of the target customers and operational efficiency such as extent of flexibility and quick turnaround. These NBFCs have been directly affected by the recent regulatory norms for specialized NBFCs, which may prompt them to take a relook at their internal growth plans for the segment. (Source: IMaCS Industry Report 2012)

The following factors will be crucial in contributing to the continued growth of specialized NBFCs:

- **Large distribution network:** Specialized NBFCs have a large distribution network in southern India and have a strong team of local employees who are well-versed with the psyche and demand characteristics of local customers for Gold Loans.
- **Fast turnaround:** Specialized NBFCs typically offers quick disbursement of loans between 10-15 minutes compared to banks, where the time to disburse the loans can range from few hours to 1-2 days. Specialized NBFCs have trained valuers at each of the branches to expedite the process. On the other hand, banks do have a panel of approved valuers, who visit the bank on a regular or as required basis. (Source: IMaCS Industry Report 2012)

- **Minimal documentation:** Specialized NBFCs check for only basic documents such as identity proof, while banks insist on full compliance to KYC norms. (*Source: IMaCS Industry Report 2012*)
- **Ability to handle cash transactions:** Specialized NBFCs have developed high cash handling capabilities as majority of the transactions are in cash and are not constrained by the norms for banks which restrict cash dealings. (*Source: IMaCS Industry Report 2012*)

## OUR BUSINESS

### Overview

We are the largest gold loan NBFC in India in terms of loan portfolio. According to the IMaCS Research & Analytics Industry Report, Gold Loans Market in India, 2012 (“**IMaCS Industry Report (2012)**”), we were ranked the largest gold loan company in India in terms of loan portfolio. We provide personal and business loans secured by gold jewellery, or Gold Loans, primarily to individuals who possess gold jewellery but could not access formal credit within a reasonable time, or to whom credit may not be available at all, to meet unanticipated or other short-term liquidity requirements. According to the IMaCS Industry Report (2012), as of March 31, 2012 our branch network was the largest among gold loan NBFCs in India. Our Gold Loan portfolio as of December 31, 2013 comprised approximately 5.77 million loan accounts in India that we serviced through 4,260 branches across 20 states, the national capital territory of Delhi and four union territories in India. As of December 31, 2013, we employed 25,469 persons in our operations.

We are a “Systemically Important Non-Deposit Taking NBFC” headquartered in the south Indian state of Kerala. Our operating history has evolved over a period of 75 years since M George Muthoot (the father of our Promoters) founded a gold loan business in 1939 under the heritage of a trading business established by his father, Ninan Mathai Muthoot, in 1887. Since our formation, we have broadened the scale and geographic scope of our gold loan business so that, as of March 31, 2012, we were India’s largest provider of Gold Loans. For the years ended March 31, 2011, 2012, 2013 and in the nine months ended December 31, 2013, revenues from our Gold Loan business constituted 98.75%, 99.12% 98.77% and 98.15%, respectively, of our total income. In addition to our Gold Loans business, we provide money transfer services through our branches as sub-agents of various registered money transfer agencies and also provide collection agency services. We also operate three windmills in the state of Tamil Nadu. In February 2014, we entered the business of providing cash withdrawal services through white label ATMs to customers using cards issued to them by commercial banks. We believe that these services will enable us to improve our visibility as well as record increased customer presence in our branches.

Historically, we raised capital by issuing secured non-convertible debentures called “Muthoot Gold Bonds” on a private placement basis. Proceeds from our issuance of Muthoot Gold Bonds form a significant source of funds for our Gold Loan business. The RBI through its circular RBI/2012-13/560 DNBD(PD) CC No. 330/03.10.001/2012-13 dated June 27, 2013 and RBI/2013-14/115 DNBS(PD) CC No.349/03.10.001/2013-14 dated July 02, 2013 issued various guidelines with respect to raising money through private placements by NBFCs in the form of non-convertible debentures. These guidelines include restrictions on the number of investors in an issue to 49 investors, minimum subscription amounts ₹ 2.5 million per investor and prohibition on providing loan against own debentures. This has resulted in limiting our ability to raise capital by making private placements of debentures in India. Since the change in regulations in July 2013, we have raised ₹ 13,000.00 million in debentures issued under the public route. We are focusing our efforts on ensuring that upon maturity existing private placement debenture holders subscribe to debentures we issue through the public issue route. As of December 31, 2013, 0.53 million high net-worth and retail individuals had invested in our secured and unsecured debentures (subordinated debt).

We also rely on bank loans and subordinated debt instruments as our sources of funds. As of December 31, 2013, we had ₹ 86,503.09 million in outstanding Muthoot Gold Bonds and ₹ 117,600.29 million in other borrowings. We also raise capital by issuing commercial paper and listed and credit rated non-convertible debentures under private placement mode or through public issues to various institutional corporate, high net worth and retail investors.

Our customers are typically small businessmen, vendors, traders, farmers and salaried individuals, who for reasons of convenience, accessibility or necessity, avail of our credit facilities by pledging their gold jewellery with us rather than by taking loans from banks and other financial institutions. We provide retail loan products, primarily comprising Gold Loans. Our Gold Loans have a maximum 12 month term. Our average disbursed Gold Loan amount outstanding was ₹ 38,566.00 per loan account as of December 31, 2013. For the year ended March 31, 2013, our retail loan portfolio earned, on an average, interest of 1.81% per month, or 21.66% per annum. For the nine months ended December 31, 2013 our retail loan portfolio earned, on an average, interest of 1.69% per month, or 20.22% per annum.,

The RBI amended the Non Banking Financial (Non Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 (“**RBI Prudential Norms Directions 2007**”) in March 2012 making it compulsory for NBFCs to maintain a loan to value ratio not exceeding 60.00% for loans granted against the collateral of gold jewellery and to disclose in their balance sheet the percentage of such loans to their total assets. The amendments also require that such NBFCs wherein loan against gold jewellery comprise 50.00% or more of their financial assets maintain a minimum Tier I capital of 12.00% by April 01, 2014 and stipulate that they shall not grant any advance against bullion/primary gold and gold coins. The RBI has also reviewed its guidelines on the Fair Practice Code for all NBFCs, which among other things, cover general principles relating to adequate disclosures on the terms and conditions of loans the manner of disbursement of loans, including any change in their underlying terms and conditions, procedure for determining interest rate for such loans and adopting non-coercive recovery methods. These amendments further require NBFCs engaged in extending loans against jewellery to put in place adequate internal policies to ensure, among other things, proper assessment procedures for the jewellery received as collateral, internal control mechanisms for ascertaining the ownership of gold jewellery, procedures in relation to storage and safeguard and insurance of gold jewellery and adequate measures for prevention of fraudulent transactions.

Because of regulatory changes by the RBI in March 2012 by capping the loan to value ratio at 60.00% of the value of jewellery, our gross retail loan portfolio declined by 14.39% from ₹ 263,868.19 million as of March 31, 2013 to ₹ 225,885.51 million as of December 31, 2013. However RBI Vide Notification no RBI/2013-14/435 DNBS.CC.PD.No.365/03.10.01/2013-14, dated January 8, 2014 increased the cap on loan to value ratio to 75% from 60%. At the same time, the RBI implemented a similar cap on commercial banks through Circular no.RBI/2013-14/453 DBOD.BP.BC.No.86 /21.01.023 /2013-14, dated January 20, 2014. We believe that this recent regulatory change can positively impact our business in the future.

As of March 31, 2011, 2012, 2013 and as of December 31, 2013, our portfolio of outstanding gross Gold Loans under management was ₹ 157,280.72 million, ₹ 244,172.98 million, ₹ 260,003.72 million and ₹ 222,627.88 million, respectively, and approximately 112.01 tons, 137.11 tons, 133.75 tons and 123.23 tons, respectively, of gold jewellery was held by us as security for our Gold Loans. Gross non-performing assets (“**NPAs**”) were at 0.29%, 0.56%, 1.99% and 1.99% of our gross retail loan portfolio under management as of March 31, 2011, 2012, 2013 and December 31, 2013, respectively.

For the years ended March 31, 2011, 2012 and 2013, our total income was ₹ 23,158.68 million, ₹ 45,490.55 million and ₹ 53,871.37 million, respectively, demonstrating an annual growth rate of 112.59%, 96.42% and 18.42% respectively. For the nine months ended December 31, 2013, our total income was ₹ 37,883.53 million. For the years ended March 31, 2011, 2012 and 2013, our profit after tax was ₹ 4,941.78 million, ₹ 8,920.22 million and ₹ 10,042.40 million, respectively, demonstrating an annual growth rate of 116.25%, 80.51% and 12.58%, respectively. For the nine months ended December 31, 2013, our profit after tax was ₹ 5,991.25 million. As of March 31, 2011, 2012, 2013 and December 31, 2013, our net worth was ₹ 13,344.15 million, ₹ 29,257.33 million, ₹ 37,355.65 million and ₹ 41,213.49 million respectively.

## Competitive Strengths

We believe that the following competitive strengths position us well for continued growth:

### ***Market leading position in the Gold Loan business with a strong presence in under-served rural and semi-urban markets***

Gold loans are the core products in our asset portfolio. We believe that our experience, through our Promoters, has enabled us to have a leading position in the Gold Loan business in India. Highlights of our market leading position include the following:

- We are the largest gold loan NBFC in India in terms of loan portfolio. According to the IMaCS Industry Report (2012), we were ranked the largest gold loan company in India in terms of loan portfolio. Our loan portfolio as of December 31, 2013 comprised approximately 5.77 million loan accounts, in India with Gold Loans outstanding of ₹ 222,627.88 million.
- We have the largest branch network among gold loan NBFCs, according to the IMaCS Industry Report (2012). Our branch network has expanded significantly in recent years from 373 branches as of March 31, 2005 to 4,260 branches as of December 31, 2013, comprising 683 branches in northern India, 2,770 branches in southern India, 601 branches in western India and 206 branches in eastern India covering 20 states, the national capital territory of Delhi and four union territories in India.

- We believe that due to our early entry we have built a recognizable brand in the rural and semi-urban markets of India, particularly in the south Indian states of Tamil Nadu, Kerala, Andhra Pradesh and Karnataka. As of December 31, 2013, the south Indian states of Tamil Nadu, Kerala, Andhra Pradesh, Karnataka and the Union Territory of Pondicherry constituted 61.19% of our total Gold Loan portfolio.
- We have a strong presence in under-served rural and semi-urban markets. A large portion of the rural population has limited access to credit either because of their inability to meet the eligibility requirements of banks and financial institutions or because credit is not available in a timely manner, or at all. We have positioned ourselves to provide loans targeted at this market.
- We offer products with varying loan amounts, advance rates (per gram of gold) and interest rates. The maximum and average maturity of our loan product is 12 months and approximately 3 to 6 months, respectively. Our average disbursed Gold Loan amount outstanding was ₹ 38,566 per loan account as of December 31, 2013 while interest rates on our Gold Loans usually range between 12.00% and 24.00% per annum.

#### ***Strong brand name, track record, management expertise and Promoter support***

Our operating history has evolved over a period of 75 years since M George Muthoot (the father of our Promoters) founded a gold loan business in 1939. We believe that the experience, skills and goodwill acquired by our Promoters over these years cannot be easily replicated by competitors. We have a highly experienced and motivated management team that capitalizes on this heritage at both the corporate and operational levels. Our senior management team has extensive experience in the Gold Loan industry and has demonstrated the ability to grow our business through their operational leadership, strategic vision and ability to raise capital. Under the current management team, our gross retail loan portfolio has grown from ₹ 33,690.08 million as of March 31, 2009 to ₹ 225,885.51 million as of December 31, 2013. Our business is also well supported by our Promoters, who are members of the Muthoot family. We believe that our long operating history, track record, management expertise and Promoter support have established a strong brand name for us in the markets we serve. A strong brand name has contributed to our ability to earn the trust of individuals who entrust us with their gold jewellery, and will be key in allowing us to expand.

#### ***High-quality customer service and robust operating systems***

We adhere to a strict set of market survey and location guidelines when selecting branch sites to ensure that our branches are set up close to our customers. We believe that our customers appreciate this convenience, as well as extended operating hours that we typically offer, which are often more compatible with our customers' work schedules. We provide our customers a clean and secure environment to transact their business with us. In addition to the physical environment, it is equally important to have professional and attentive staff at both the branch level and at our centralized customer support centers. Each of our branches across India is staffed with persons who possess local knowledge and understanding of customers' needs and who are trained to appraise collateral and disburse loans within a few minutes. Although disbursement time may vary depending on the loan ticket size and the number of items pledged, we usually are able to disburse an average loan ticket size of ₹ 20,000 within five minutes to repeat customers from the time the gold is tendered to the appraiser, except in case of first time customers where it may take up to half an hour for carrying out one-time-compliance with the KYC norms. Furthermore, since our loans are all over-collateralized by gold jewellery, there are minimal documentary and credit assessment requirements, thereby shortening our turnaround time. We believe our high quality customer service and short response time are significant competitive strengths that differentiate our services and products from those provided by commercial banks.

#### ***Strong capital raising ability to fund a high profitability business model***

We have a track record of successfully raising capital from various sources at competitive costs. We regularly issue secured redeemable non-convertible debentures to retail investors on a private placement basis as a means to access capital for our Gold Loan business. We have also issued Equity Shares in three tranches to institutional investors and completed an initial public offering of our Equity Shares in the month of May 2011 raising ₹ 9,012.50 million and made eight public issues of secured non-convertible debentures: in September 2011 raising ₹ 6,932.81 million, in January 2012 raising ₹ 4,593.19 million, in April 2012 raising ₹ 2,597.52 million, in October 2012 raising ₹ 2,749.40 million, ₹ 2,790.70 million in September 2013 and ₹ 2,767.12 million in December 2013, raising ₹ 4,562.43 million in February 2014 and raising ₹ 1,785.82 million in April 2014. Since our inception, we have relied on the proceeds of secured non-convertible debentures called "Muthoot Gold Bonds" placed through our branches. These debentures are issued on a private placement basis and are subscribed to, mainly by retail investors. We also issue subordinated debt which is considered as Tier II capital

of our Company under private placement mode to mainly retail investors through our branch network. We believe that we are able to raise capital from retail investors because of our leadership, goodwill, trust, reputation, track record, performance, stability in our business and strong quality asset portfolio. As of March 31, 2011, 2012 2013 and December 31, 2013, the aggregate amounts outstanding for our Muthoot Gold Bonds portfolio were ₹ 39,832.26 million, ₹ 66,102.38 million ₹ 94,596.21 million and ₹ 86,503.09 million, respectively. We have diversified our resource pool by supplementing our proceeds from the issuance of Muthoot Gold Bonds with borrowings from banks and other financial institutions. We have developed stable long-term relationships with our lenders, and established a track record of timely servicing our debt instruments. As of March 31, 2011, 2012 and 2013 and December 31, 2013, our outstanding borrowings from banks and financial institutions were ₹ 60,529.28 million, ₹ 92,320.12 million, ₹ 101363.70 million and ₹ 65,947.15 million, respectively. For details in relation to our credit rating of our debt instruments, see “*Our Strategies - Access to low-cost and diversified sources of funds*”.

#### ***In-house training capabilities to meet our branch expansion requirements***

Our ability to timely appraise the quality of the gold jewellery collateral is critical to the business. We do not engage third parties to assess the collateral for our Gold Loans, but instead employ in-house staff for this purpose. Assessing gold jewellery quickly is a specialized skill that requires assessing jewellery for gold content and quality manually without damaging the jewellery. We have two staff training colleges, one each in Kochi and in New Delhi, and regional training centers at each of our 64 regional offices. We use our staff training colleges and regional training centers to train new employees in appraisal skills, customer relations and communication skills. During the year ended March 31, 2013, we opened the Muthoot Management Academy in Kochi, Kerala. The academy serves as a management development center focusing on developing our future managers and leaders. The academy is conducted from a five-storeyed building that we own with approximately 50,000 square feet of space, several business and recreational facilities, including a computer lab, four lecture halls and accommodation for more than 150 participants at a time. We believe that our in-house training has built up a talent pool that enables us to staff new branches with qualified and skilled personnel as we seek to grow our branch network. Our in-house training capabilities also enable us to improve the skill sets of our existing personnel.

#### **Our Strategies**

Our business strategy is designed to capitalize on our competitive strengths and enhance our leading market position. Key elements of our strategy include:

#### ***Expand branch network and visibility to maintain our market leadership position***

We intend to continue to grow our retail loan portfolio by expanding our network through the addition of new branches. In order to optimize our expansion, we carefully assess potential markets by analyzing demographic, competitive and regulatory factors, site selection and availability, and growth potential. We have a long-standing presence in southern India, and are among the first organized Gold Loan providers in northern and western and eastern India. Our strategy for branch expansion includes further strengthening our market leading position in south Indian states by providing higher accessibility to customers as well as leveraging our expertise and presence in southern India to enhance our presence in other regions of India, particularly in northern India, where we intend to open branches in most states. We have added 404 branches in the year ended March 31, 2013 and 178 branches during nine months ended December 31, 2013, and expect this network to grow in the future. Over the years we have created a well-developed and extensive branch network, resulting in us progressively reducing the rate of our branch network year on year. While we do not need to grow our branch network as aggressively as we have in the past, our branch network strategy remains key to our growth. A new RBI regulation, issued on September 16, 2013, required us and other gold loan NBFCs that had more than 1,000 branches to obtain RBI approval prior to opening new branches. However, this regulation has not had an effect on slowing down our rate of expansion. Furthermore, we intend to increase our efforts on increasing the number of customers in our existing branches, thereby increasing our loan portfolio while continuing to expand our branch network.

At the core of our branch expansion strategy, we expect to penetrate new markets and expand our customer base to include customers who otherwise would rely on the unorganized sector. Moreover, our ethics, values and goodwill, which have established our strong brand, will continue to be important factors in our expansion. In addition to increasing the visibility of our brand by sponsoring events and publicity, we will continue to build trust among our customers and enhance our brand with quality services and safety and security of our customers' collateral.

### *Continue to target new customer segments*

The market for our loan products was traditionally confined to lower and middle income groups, who viewed Gold Loans as an option of the last resort in case of emergency. We have undertaken, and intend to continue undertaking, sustained marketing efforts to diminish the stigma attached to pledging gold jewellery in India. We plan to continue to work to position Gold Loans as a “lifestyle product” and expand our customer base to include upper-middle income and upper income groups. We intend to emphasize our Gold Loan products' key advantages of expediency and minimal documentation, and alter the image of Gold Loans from an option of the last resort to an option of convenience.

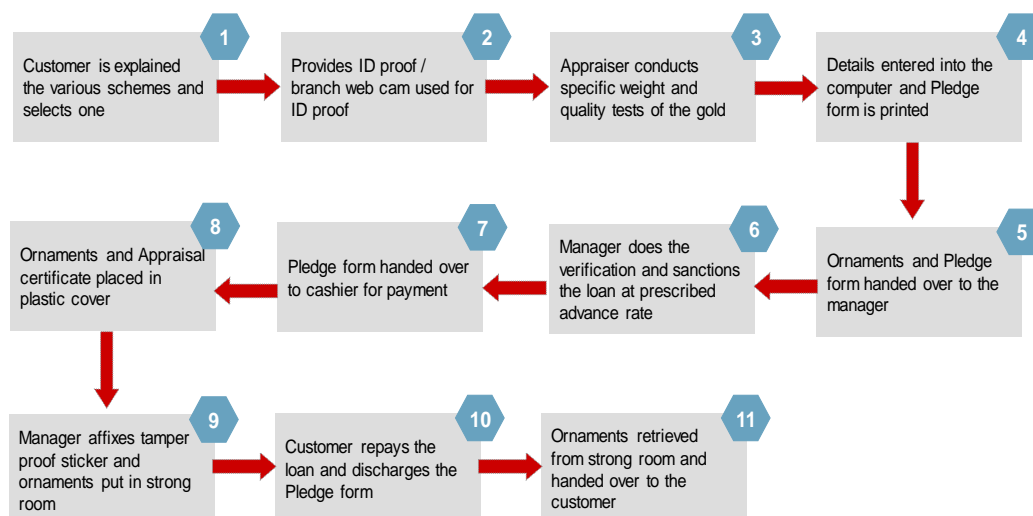
### *Access to low-cost and diversified sources of funds*

We source our funds for our Gold Loan business primarily from the proceeds of private placements and public issuances of debentures in India and from secured and unsecured credit facilities from banks and other financial institutions. We have been assigned a long-term rating of “ICRA AA-/Stable” and a short-term rating of “A1+” by ICRA for our 124,480.00 million line of credit. We intend to increase our efforts to access low-cost funds through rated debt instruments. In this regard, we have been assigned an “A1+” rating by CRISIL for short-term debt instruments of 40,000.00 million. We also intend to raise long-term institutional funding through long-term debt instruments. We have been assigned an “CRISIL AA-/Stable” rating by CRISIL for our 5,000.00 million non-convertible debentures and our 1,000.00 million subordinated debt. ICRA has assigned “ICRA AA-/Stable” rating for our 2,000.00 million non-convertible debentures and our 1,000.00 million subordinated debt. We intend to keep the levels of our capital adequacy ratios in excess of regulatory requirements and strengthen our balance sheet with a view to have access to other sources of low-cost funds.

### *Strengthen our operating processes and risk management systems*

Risk management forms an integral part of our business as we are exposed to various risks relating to the Gold Loan business. The objective of our risk management systems is to measure and monitor the various risks we are subject to and to implement policies and procedures to address such risks. We intend to continue to improve our operating processes and risk management systems that will further enhance our ability to manage the risks inherent to our business. For example, we have commenced installing offsite surveillance cameras in our branches, and intend to implement this across our branch network. As of December 31, 2013, we had installed surveillance cameras in 3,880 branches across India. Furthermore, we intend to continue to train existing and new employees in appraisal skills, customer relations, communication skills and risk management procedures to enable replication of talent and ensures smooth transition on employee attrition, update our employees with latest developments to mitigate risks against frauds, cheating and spurious gold and strengthen their gold assessment skills.

### **Gold Loan Business**



Our core business is disbursement of Gold Loans, which are typically small ticket loans collateralized by gold jewellery. As of December 31, 2013, we had approximately 5.77 million loan accounts, representing an aggregate principal balance of ₹ 222,627.88 million. For the nine months ended December 31, 2013, our retail

loan portfolio earned, on average, interest of 1.69% per month, or 20.22% per annum. For the years ended March 31, 2011, 2012, 2013 and in the nine months ended December 31, 2013, income from interest earned on our Gold Loans constituted 98.75%, 99.12%, 98.77% and 98.15%, respectively, of our total income.

### ***Loan disbursement process***

The principal form of collateral accepted by us is gold jewellery. The amount that we finance against the security of gold jewellery is typically based on the value of the jewellery. We value the gold jewellery brought by our Gold Loan customers based on our centralized policies and guidelines, including policy on fixing interest rates. In terms of the extant RBI guidelines, we currently lend up to 75.00% of the value of the jewellery. We appraise the jewellery collateral solely based on the weight of its gold content, excluding weight and value of the stone studded in the jewellery. Our Gold Loans are therefore well collateralized because the actual value of the collateral in all cases will be higher than the underlying loan value at the time of loan disbursement.

The amount we lend against an item and the total value of the collateral we hold fluctuates according to the gold prices. However, an increase in gold price will not result automatically in an increase in our Gold Loan portfolio unless the per gram rate are revised by our corporate office. Similarly, since adequate margins are kept at the time of disbursement of loan, a decrease in the price of gold has little impact on our interest income from our existing loan portfolio. However, a sustained decrease in the market price of gold can cause a decrease in the size of our loan portfolio and our interest income.

We rely on the disposition of collateral to recover the principal amount of an overdue Gold Loan and the interest due thereon. We also have recourse against the customers for the gold loans taken by them. Since the disbursement of loans is primarily based on the value of collateral, the customer's creditworthiness is not a factor in the loan decision. However, we comply with KYC norms adopted by the board and require proof of identification and address proof which are carefully documented and recorded. We also photograph customers with web-cameras installed in our branches. Since September 2013, we are also required by the RBI to require identification through PAN cards for transactions exceeding ₹ 0.50 million and record of ownership of gold that we accept as collateral.

All our Gold Loans have a maximum 12 month term. However, customers may redeem the loan at any time, and our Gold Loans are generally redeemed between 90 and 180 days. Interest is paid only when the principal is repaid. In the event that a loan is not repaid on time and after providing due notice to the customer, the unredeemed collateral is disposed of in satisfaction of the principal and all interest charges. In general, collateral is disposed of only when the recoverable amount is equal to or more than the realizable value of the collateral.

### ***Loan appraisal process***

Our Gold Loan approval process is generally linked with the appraisal of gold jewellery that serves as collateral, which takes only a few minutes. Each of our branches is staffed with persons who have been trained and have experience in appraising the gold content of jewellery. The appraisal process begins with weighing the jewellery using calibrated weighing machines. Jewellery is then subject to prescribed primary tests for the quality of gold, including stone tests and acid tests, followed by additional tests, if required, such as salt tests, sound tests, weight tests, pointed scratching tests, flexibility tests, color tests, smell tests, usability tests, magnifying glass tests and finishing tests. Once the jewellery passes these tests, loans are disbursed based on the rates per gram of gold approved by the corporate office. Although disbursement time may vary depending on the loan ticket size and the number of items pledged, we usually are able to disburse an average loan ticket size of ₹ 20,000.0 in five minutes to repeat customers from the time the gold is tendered to the appraiser, except in case of first time customer where it may take up to half an hour for carrying out one-time-compliance with the KYC norms. While our customers are provided the option to accept loan disbursements in cash or by cheque, almost all of our customers prefer disbursements in cash. However, since September 2013, the RBI requires us to disburse loans in excess of ₹ 100,000.0 by cheque, and we have implemented changes in our procedures to ensure that we comply with this new regulation.

At the time of disbursement, an undertaking is signed by the customer. It states the name and address of our Company's relevant branch office and the customer, a detailed description of the gold jewellery provided as collateral, the amount of the loan, the interest rate, the date of the loan, and other terms and conditions. Where the responsibility for compliance with applicable law relating to loan appraisal and disbursement lies with us, we are in compliance with the IT Act and other related provisions.



## ***Post-disbursement process***

### ***Custody of gold collateral***

The pledged gold jewellery is separately packed by the staff of the branch, and then placed in a polythene pouch with the relevant documents on the loan and the customer and stored in the safe or strong room of the branch. The safes and strong rooms in which the gold jewellery is kept are built as per industry standards and practices. The strong rooms are vaults with reinforced concrete cement structures. Currently, almost all of our branches are using strong rooms.

### ***Inventory control***

The pledged gold jewellery packed in pouches is identified by loan details marked on the cover. Tamper proof stickers are affixed on the jewellery packets to ensure inventory control. Additional stickers are used to seal packets by persons examining packages subsequently, including our internal auditors

### ***Branch security and safety measures***

Ensuring the safety and security of the branch premises is vital to our business since our cash reserves and gold inventory are stored in each branch. Our branch security measures mainly comprise the following:

#### ***Burglar alarms***

Burglar alarms are installed in all branches.

#### ***Security guards***

Security guards are deployed in branches where management perceived there to be heightened security risks.

### ***Release of the pledge***

We monitor our gold loan accounts and recovery of dues on an ongoing basis. Once a loan is fully repaid, the pledged gold jewellery is returned to the customer. When a customer does not repay a loan on or before its maturity, we initiate the recovery process and dispose of the collateral to satisfy the amount owed to us, including both the principal and the accrued interests. Before starting the recovery process, we inform the customer through registered letters or legal notices.

When a loan is repaid, we give the customer an option to pledge the security again and obtain another loan. The procedure of re-pledging entails the same procedure as that of a pledge and is accompanied by the same mode of documentation that a pledge entails. If the loan is not repaid when the loan falls due, we are able to sell the gold collateral in satisfaction of the amount due to us.

We also reserve the right to sell the collateral even before a loan becomes past due in the event the market value of the applicable portion of the underlying collateral is less than amounts outstanding on the loan (including accrued interest), after serving notice to the customer.

## **Other Business Initiatives**

### ***Money transfer services***

We provide fee based services including money transfer and foreign exchange services. For the years ended March 31 2011, 2012, 2013 and the nine months ended December 31, 2013, our money transfer services business generated ₹ 65.97 million, ₹ 123.78 million, ₹ 175.47 million and ₹ 142.48 million, respectively, or 0.28%, 0.27%, 0.33% and 0.37%, respectively, of our total income. We act as sub-agents to Indian representatives and enter into representation agreements for inward money transfer remittance. Under these agreements, we are entitled to receive a commission for the services provided depending on the number of transactions or the amount of money transferred and the location from which the money is transferred to us as well as a certain portion of the gross commissions earned by such Indian representatives towards administrative and office expenses and other advertising expenses. In terms of applicable law governing the provision of money transfer services in India, as a sub-agent, our Company is not required to obtain any regulatory approvals for engaging in such business.

### Collection services

We provide collection agency services to clients. We act as collection agents by receiving money for and on behalf of our clients who issue invoices to their customers for goods sold or service rendered. We receive commissions for each invoice for which remittance by a customer is made and money is collected by us. We commenced our collection services business in the fiscal year 2011, and accordingly have not generated any revenues in prior fiscal years. For the year ended March 31, 2011, 2012, 2013 and nine months ended December 31, 2013, we generated ₹ 4.79 million, ₹ 4.83 million, ₹ 4.54 million and ₹ 3.84 million, respectively, from our collection services business

### Wind mills business

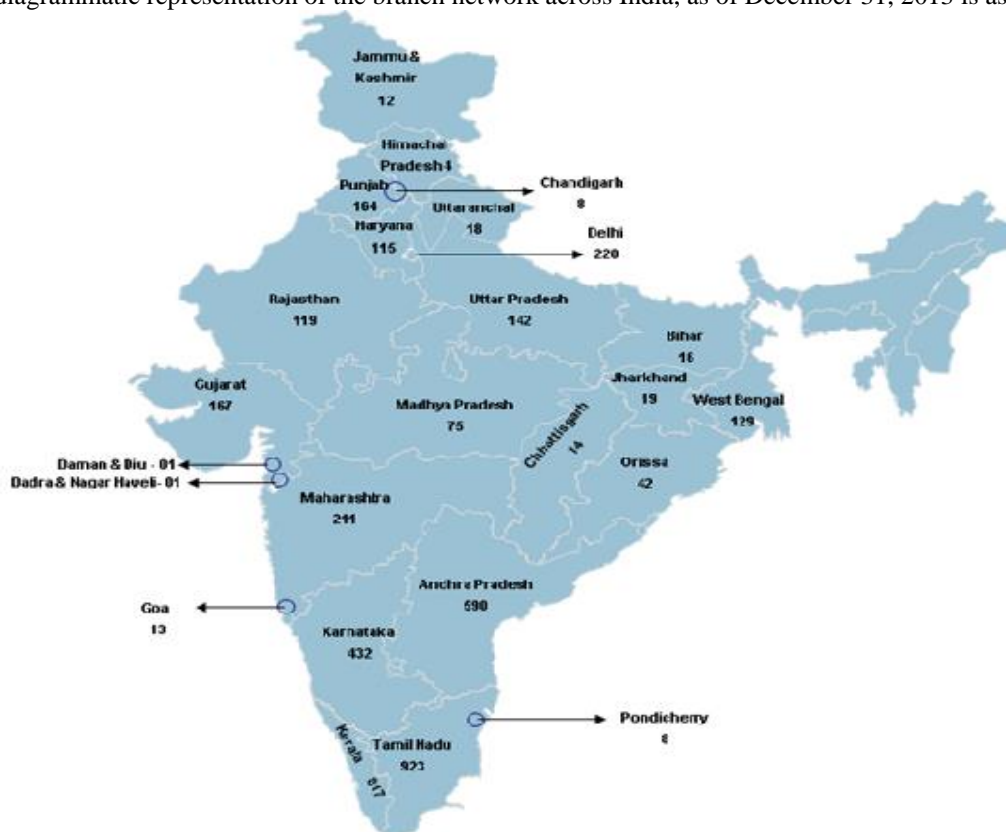
We operate three windmills of 1.25 MW each in the south Indian state of Tamil Nadu for the generation of electric power which is purchased by the local State Electricity Board. For the years ended March 31, 2011, 2012 and 2013 and the nine months ended December 31, 2013, income from our wind mills was ₹ 22.13 million, ₹ 17.67 million, ₹ 24.65 million and ₹ 13.35 million, respectively, or 0.10%, 0.04% 0.05% and 0.04%, respectively, of total income.

### Branch Network and Customer Service

As of December 31, 2013, we had branches located in 20 states, the national capital territory of Delhi and four union territories in India. The distribution of branches across India by region as of March 31, 2011, 2012, 2013 and as of December 31, 2013 is as set out in the following table:

	2011	As of March 31, 2012	2013	As of December 31 2013
Northern India		488	645	675
Southern India		1,814	2,381	2,640
Western India		324	473	570
Eastern India		107	179	197
<b>Total Branches</b>		<b>2,733</b>	<b>3,678</b>	<b>4,082</b>

A diagrammatic representation of the branch network across India, as of December 31, 2013 is as set out below:



In addition to our branches, as of December 31, 2013, we had more than 1,700 customer relation executives in charge of carrying out customer loyalty programs and a customer relations department which provides support over the phone for servicing the needs of our customers.

### Marketing, Sales and Customer Care

Our marketing and sales efforts centers around promoting our brand and positioning Gold Loans as a “lifestyle product”. In promoting our brand, our campaigns focus on the concept of “gold power” to differentiate our products from other financial institutions and stress the convenience, accessibility and expediency of Gold Loans. We also work to position Gold Loans as a “lifestyle product” because the market for Gold Loans was traditionally confined to lower and middle income groups, who viewed such loans as an option of the last resort in case of emergency. We have implemented aggressive marketing strategies to diminish the stigma attached to pledging gold jewellery. Furthermore, we target our efforts at small businessmen, vendors, traders and farmers, who may require credit on a regular basis.

Our sales and marketing efforts are led by a team of 83 managers as of December 31, 2013 who guide the marketing and sales efforts of their respective regions and who are supported by 138 marketing executives as of December 31, 2013 and 1,700 customer relation executives as of December 31, 2013. Marketing executives make personal visits and direct their sales efforts at high net-worth clients. Customer relation executives are responsible for product promotion and telemarketing. In addition, we carry out advertising campaigns with TV ads, print ads and road shows to increase the visibility of our brand and our Gold Loans products.

### Future Expansion

We have expanded by establishing new locations, and our business strategy is to leverage our extensive experience in disbursing gold loans in southern India to continue expanding our lending business within our existing geographic markets and into other markets that meet our risk/reward considerations. We have added 945 branches in the year ended March 31, 2012, 404 branches in the year ended March 31, 2013 and 178 branches in the nine months ended December 31, 2013. Our Board believes that such expansion will continue to provide economies of scale in supervision, administration and marketing by decreasing the overall average cost of such functions per branch. By concentrating on multiple lending units in regional and local markets, we seek to expand market penetration, enhance brand recognition and reinforce marketing programs.

A new branch can be ready for business within four to six weeks. The construction of a new location involves construction of secured counters and installation of strong rooms or safe and security systems. Our branches are generally established on leased premises, thus requiring a lower set-up cost. The set-up cost required for furnishing the premises and purchasing equipment generally ranges between ₹ 0.50 million to ₹ 1.50 million per branch.

### Regional Credit Exposure

The table below sets forth an analysis of our Gold Loan portfolio by region as of March 31, 2011, 2012, 2013 and as of December 31, 2013:

(₹ in millions)

As of March 31,	2011	2012	2013	As of December 31 2013
Northern India	23,037.76	41,525.85	48,319.84	45,728.71
Southern India	115,788.41	167,035.27	169,111.31	136,225.68
Western India	13,640.37	25,185.58	29,680.11	28,648.58
Eastern India	4,814.18	10,426.28	12,892.46	12,024.91
<b>Total Credit Exposure</b>	<b>157,280.72</b>	<b>244,172.98</b>	<b>260,003.72</b>	<b>222,627.88</b>

### Average Gold Loan Outstanding Per Branch

The average gold loan outstanding per branch has increased from ₹ 57.55 million as of March 31, 2011 to ₹ 66.39 million as of March 31, 2012. However, because of a raft of regulatory changes adversely affecting our business, average gold loans outstanding per branch declined to ₹ 63.70 million as of March 31, 2013 and 52.26 million as of December 31, 2013. The decline was a result of decreased business overall while our branch network continued to grow.

## Profitability Ratios

The table below sets forth an analysis of yield, interest expense, operating expense, return on retail loan assets, return on equity and earnings per share for the years ended March 31, 2011, 2012 and 2013 and the nine months ended December 31, 2013:

Years ended March 31,	2011	2012	2013	Nine months ended December 31, 2013 (annualized)
Interest income to average retail loans	19.72%	22.34%	21.66%	20.22%
Interest expense to average retail loans	8.91%	11.69%	11.38%	11.07%
Net Interest Margin	10.81%	10.65%	10.27%	9.15%
Operating expenses to average retail loans	3.98%	3.81%	3.72%	4.05%
Profit Before Tax to average retail loans	6.53%	6.57%	6.10%	4.92%
Profit After Tax to average retail loans	4.24%	4.40%	4.05%	3.22%
Return on Average Equity	51.50%	41.88%	30.15%	20.33%
Earnings Per Share(₹) (Basic and Diluted)	15.78	24.29	27.02	16.12

## Non-performing Assets (NPAs)

Based on the existing RBI guidelines for asset classification, details of the classification of our gross NPAs as of March 31, 2011, 2012 and 2013 and as of December 31, 2013:

(₹ in millions)

Asset Type	As of March 31, 2011	2012	2013	As of December 31, 2013
Sub-standard <sup>1</sup>	433.84	1,356.38	5,129.73	4,356.67
Doubtful <sup>2</sup>	26.26	33.15	120.57	135.46
Loss <sup>3</sup>	-	-	-	-
<b>Gross NPA</b>	<b>460.11</b>	<b>1,389.53</b>	<b>5,250.30</b>	<b>4,492.13</b>

1. Sub-standard assets are assets which have been classified as an NPA for a period of 18 months or less, or where the terms of the agreement regarding interest and/or principal have been renegotiated or rescheduled or restructured after commencement of operations until the expiry of one year of satisfactory performance under the renegotiated or rescheduled or restructured terms.

2. Doubtful assets are assets which have been classified as an NPA for a period exceeding 18 months.

3. Loss assets mean (a) assets which have been identified as a loss asset by us or our internal or external auditor or by the RBI to the extent that they are not written-off by us; and (b) assets which are adversely affected by a potential threat of non-recoverability due to either erosion in the value of security or non-availability of security, or due to any fraudulent act or omission on the part of the customer.

## Provisioning policy

Our provisioning in respect of our NPA accounts is in accordance with the norms prescribed by the RBI, with emphasis on the realizable value of the security and the period of overdue payments.

Statutory provisions are required to be made in respect of standard, sub-standard, doubtful and loss assets as per RBI directives. Set out below is a brief description of applicable RBI guidelines on provisioning and write-offs for loans, advances and other credit facilities including bills purchased and discounted:

*Standard assets:* A general provision of 0.25% of the total outstanding assets classified as standard assets is required to be made. Provision for standard assets in excess of prudential norms, as estimated by the management, is categorized under provision for Standard Assets as general provisions. Accordingly as on December 31, 2013, 0.15% of our total outstanding assets was classified under provision for standard assets as general provisions (in excess of prudential norms).

*Sub-standard assets:* A general provision of 10.00% of the total outstanding assets classified as sub-standard assets is required to be made.

*Doubtful assets:* 100.00% provision to the extent to which the advance is not covered by the realizable value of the security to which the NBFC has a valid recourse is required to be made. The realizable value is to be estimated on a realistic basis. In addition to the foregoing, depending upon the period for which the asset has remained doubtful, provision is required to be made as follows:

- if the asset has been considered doubtful for up to one year, provision to the extent of 20.00% of the secured portion is required to be made;
- if the asset has been considered doubtful for one to three years, provision to the extent of 30.00% of the secured portion is required to be made; and
- if the asset has been considered doubtful for more than three years, provision to the extent of 50.00% of the secured portion is required to be made.

*Loss assets:* The entire asset is required to be written off. If the assets are permitted to remain in the books for any reason, 100.00% of the outstanding assets classified as Loss assets should be provided for.

We have written-off ₹ 121.93 million for the nine months ended December 31, 2013. As per the provisioning norms prescribed by RBI, as of December 31, 2013, we have made a total provision of ₹ 725.38 million, which constituted 16.15% of our NPAs. Details of provisions and amounts written off as of March 31, 2011, 2012 and 2013 and as of December 31, 2013 are set out in the table below:

Years ended March 31,				(₹ in millions)
	2011	2012	2013	Nine months ended December 31, 2013
Gross NPAs	460.11	1,389.52	5,250.30	4,492.13
Provisions	69.65	181.30	700.63	725.38
Net NPAs	390.45	1,208.22	4,549.67	3,766.75
Net Retail loans	116,820.62	213,383.89	263,868.18 <sup>1</sup>	225,885.51 <sup>1</sup>
Net NPAs/Net Retail loans (%)	0.33%	0.57%	1.72%	1.67%
Gross Retail Loans	158,684.55	246,736.02	263,868.18	225,885.51
Gross NPAs/Gross Retail Loans (%)	0.29%	0.56%	1.99%	1.99%
Amounts Written-off	18.29	69.23	130.27	121.93
Amounts written-off to Gross Retail Loans (%)	0.012%	0.028%	0.049%	0.05%

Note

<sup>1</sup>. There was no difference between net retail loans and gross retail loans because we no longer securitized our loans assets after the change in RBI regulations in 2012.

## NPA Recovery

Our credit department assigns interest collection targets for each branch, reviews performance against targets, makes visits to the branches, and advises on timely corrective measures and repossession action. We also have procedures in place to penalize branches for loans overdue beyond three months. We maintain strict control over recovery procedures followed in our various branches by linking employee compensation to the performance of the branch (loans disbursed, NPA levels, etc.,) in which the employee is working. Once repossession is advised by our credit department, we conduct public auctions of the jewellery collateral after serving requisite legal notices.

The following table sets forth information relating to recovery from NPA accounts, written-off accounts and other overdue accounts for the years ended March 31, 2011, 2012, 2013 and the nine months ended December 31, 2013:

As of March 31,				(₹ in millions)
Recoveries From	2011	2012	2013	As of December 31, 2013
NPA, overdue and written off accounts	551.3	1,994.5	6,165.5	20,450.9

## **Capital Adequacy Ratio**

We are subject to the capital adequacy requirements of the RBI. With effect from April 1, 2010, RBI has increased the minimum capital adequacy ratio to 12.00% and to 15.00% from March 31, 2011. We maintain a capital adequacy ratio above the minimum levels prescribed by the RBI and had a capital adequacy ratio of 15.82%, 18.29%, 19.62% and 23.76% as of March 31, 2011, 2012 and 2013 and as of December 31, 2013, respectively. The RBI amended RBI Prudential Norms Directions, 2007 on March 21, 2012 pursuant to which we are required to maintain a minimum Tier I capital of 12% by April 01, 2014. As of December 31, 2013, our Tier I capital was 17.00%.

## **Treasury Operations**

Our treasury department undertakes liquidity management by seeking to maintain an optimum level of liquidity and monitors cash and bank balances. The objective is to ensure the sufficient cash reserves at all our branches while at the same time avoid holding cash in excess of what may be required in the ordinary course. Since almost all disbursements are made in cash, we maintain an average of ₹ 0.5 million in cash across our branches. Each regional office has the primary responsibility for directing branches within the region to move surplus funds to deficit branches. If there is a surplus of funds in the region as a whole, such surpluses are deposited in cash credit/overdraft accounts at the corporate level. Deficits at a region level are managed by cash transfers from our treasury department. We monitor cash and balances on daily basis using our management information systems, and have arrangements with various banks for the transfer of bank balances between locations. Cost of movement of cash also is taken into consideration while deciding optimum cash levels in each location. We use a real time gross settlement ("RTGS") facility if the remitting and receiving banks are different, or through internal transfer if both the branches belong to the same bank.

## **Risk Management**

Risk management forms an integral element of our business strategy. As a lending institution, we are exposed to various risks that are related to our gold lending business and operating environment. Our objective in our risk management processes is to appreciate, measure and monitor the various risks we are subject to and to follow the policies and procedures to address these risks. The major types of risk we face are collateral risk, credit risk, operational risk, liquidity risk and market risk (which includes interest rate risk).

### ***Collateral risk***

Collateral risk arises from the decline in the value of the gold collateral due to fluctuation in gold prices. This risk is in part mitigated by a minimum 25% margin retained on the value of jewellery for the purpose of calculation of the loan amount. Further, we appraise the jewellery collateral solely based on the weight of its gold content, excluding weight and value of the stone studded in the jewellery. In addition, the sentimental value of the gold jewellery to the customers may induce repayment and redemption of the collateral even if the value of the collateral falls below the value of the repayment amount. An occasional decrease in gold prices will increase collateral risk significantly on account of our adequate collateral security margins. However, a sustained decrease in the market price of gold can cause a decrease in the size of our loan portfolio and our interest income.

### ***Credit risk***

Credit risk is the possibility of loss due to the failure of any counterparty to abide by the terms and conditions of any financial contract with us. We aim to reduce credit risk through a rigorous loan approval and collateral appraisal process, as well as a strong NPA monitoring and collection strategy. This risk is diminished because the gold jewellery used as a collateral for our loans can be readily liquidated, and in light of the fact that we do not lend more than 75% of the value of the collateral retained, the risk of recovering less than the amounts due to us is quite remote.

### ***Operational risk***

Operational risk is broadly defined as the risk of direct or indirect loss due to the failure of systems, people or processes, or due to external events.

We have instituted a series of checks and balances, including an operating manual, and both internal and external audit reviews. Although we disburse loans in very short periods of time, we have clearly defined appraisal methods as well as 'know your customer' compliance procedures in place to mitigate operational risks.

Any loss on account of failure by employees to comply with defined appraisal mechanism is recovered out of their variable incentive. We also have detailed guidelines on the physical movement of, and security measures in connection with, cash and gold. We have also introduced centralized software which automates inter-branch transactions, enabling branches to be monitored centrally and thus reducing the risk of un-reconciled entries. In addition, we are in the process of installing surveillance cameras across our various branches, and subscribe to insurance covers for employee theft or fraud and burglary. Our internal audit department and our centralized monitoring systems assist in the management of operational risk.

### **Market risk**

Market risk refers to potential losses arising from the movement in market values of interest rates in our business. The objective of market risk management is to avoid excessive exposure of our earnings and equity to loss and to reduce our exposure to the volatility inherent in financial instruments. The majority of our borrowings, and all the loans and advances we make, are at fixed rates of interest. Our interest rate risk is therefore minimal at present.

### **Liquidity risk**

Liquidity risk is the risk of being unable to raise necessary funds from the market to meet operational and debt servicing requirements. The purpose of liquidity management is to ensure sufficient cash flow to meet all financial commitments and to capitalize on opportunities for business expansion. An Asset and Liabilities Committee ("ALCO") meeting is held regularly to review the liquidity position based on future cash-flow. In addition, we also track the potential impact of prepayment of loans at a realistic estimate of our near to medium-term liquidity position. We have developed and implemented comprehensive policies and procedures to identify, monitor and manage liquidity risks. The nature of our business is such that our source of funds (proceeds from the issue of debentures and term loans) has longer maturities than the loans and advances we make, resulting in low liquidity risk in our operations.

### **Business cycle risk**

Business cycle risk is the risk associated with the seasonal or cyclical nature of a business. As our customers include both individuals and business and our loan products are used by customers in various industries, trade cycles have limited impact on our business. Furthermore, the geographic spread of our branches will allow us to mitigate the cyclical pressures in the economic development of different regions.

### **Funding Sources**

We have depended on term loans from banks and issuance of redeemable non-convertible debentures as the primary sources of our funding. The following table sets forth the principal components of our secured loans as of the periods indicated:

Secured loans	As of March 31,			(₹ in millions)
	2011	2012	2013	As of December 31, 2013
Redeemable non-convertible debentures	39,832.26	66,102.38	94,596.21	86,503.09
Redeemable non-convertible debentures (Listed)	2,150.00	12,526.01	17,872.94	22,246.81
Term loans from banks & Financial Institutions	433.66	9,416.28	10916.03	2262.49
Cash Credit / working capital demand loans from banks & financial institutions	59,695.62	82,903.84	90447.67	63684.66
<b>Total</b>	<b>102,111.54</b>	<b>170,948.51</b>	<b>213,832.85</b>	<b>174,697.05</b>

We have developed stable long-term relationships with our lenders, and established a track record of timely servicing our debts.

Since our inception, we have relied on the proceeds of secured non-convertible debentures called "Muthoot Gold Bonds" placed through our branches. These debentures are issued on a private placement basis and are subscribed to, mainly by retail investors. We believe that raising funds from retail investors is possible because of our leadership, goodwill, trust, reputation, track record, performance, stability in our business and strong quality asset portfolio. We have been able to mobilize these bonds in the newer geographies that we have entered. The RBI through its circular RBI/2012-13/560 DNBD(PD) CC No. 330/03.10.001/2012-13, dated June 27, 2013 and RBI/2013-14/115 DNBS(PD) CC No.349/03.10.001/2013-14, dated July 02, 2013 issued certain

guidelines with respect to raising money through private placement by NBFCs in the form of non-convertible debentures. These guidelines include restricting the number of investors in an issue to 49 investors, implementing a minimum subscription amount for a single investor of ₹ 2.50 million and in multiples of ₹ 1.00 million thereafter, and prohibiting loan advances by NBFCs against debentures issued by them. This has significantly restricted our ability to raise fresh debentures under private placements. Since the change in regulations in July 2013, we have raised ₹ 13,000.00 million in debentures issued under the public route. We are focusing our efforts on ensuring that upon maturity existing private placement debenture holders subscribe to debentures we issue through the public issue route.

We have been assigned an “ICRA A1+” rating by ICRA for commercial paper and for short-term non-convertible debentures of 2,000.00 million and an “A1+” rating by CRISIL for short term debt instruments of 40,000.00 million. Further, CRISIL has assigned “CRISIL AA-/Stable” to our 5,000.00 million non-convertible debentures and to our 1,000.00 million subordinated debt. ICRA has assigned “ICRA AA-/Stable” rating for our 2,000.00 million non-convertible debentures and our 1,000.00 million subordinated debt. Further, ICRA has assigned a long term rating of “ICRA AA-/Stable” and a short term rating of “ICRA A1+” to our 124,480.00 million line of credit.

We also raise capital by issuing shares from time to time, particularly to various institutional investors.

### ***Asset and Liability Management***

ALCO monitors and manages our asset and liability mix. Most of our liabilities are short-to-medium-term and assets are short-term. We may in the future decide to pursue loan products with longer term maturities. We have a structural liquidity management system which measures our liquidity positions on an ongoing basis and also scrutinizes the reasons behind liquidity requirements evolving under different assumptions. For measuring net funding requirements, we prepare regular maturity gap analyses and use a maturity ladder to calculate the cumulative surplus or deficit of funds at selected maturity dates. Based on this analysis we re-price our assets and liabilities.

### **Technology**

We use information technology as a strategic tool for our business operations to improve our overall productivity and efficiency. We believe that through our information systems currently in place, we are able to manage our nationwide operations efficiently, market effectively to our target customers, and effectively monitor and control risks. We believe that this system has improved customer service by reducing transaction time and has allowed us to manage loan-collection efforts better and to comply with regulatory record-keeping and reporting requirements.

All our branches are computerized. We have used the power of information technology in our operations to improve our customer services, efficiency and management information systems. In March 2013, we developed a powerful, user-friendly core banking solution (“CBS”) and implemented the solution in all our branches across India. This solution has been designed and developed to meet our business requirements. The CBS takes care of centralized transaction processing, back-office and management information system across our branches and offices. The main objective of the CBS is to provide ubiquitous services to customers and enhance convenience, along with providing better control and cost-effectiveness to the Company. CBS has been rolled out with transaction processing and back-office functionalities so as to allow branches to provide fast and convenient services to customers.

### **Security threats and measures**

The security threats we face can be broadly classified as external and internal threats. The principal security risks to our operations are robbery (external threat) and employee theft or fraud (internal threat). We have extensive security and surveillance systems and dedicated security personnel to counter external security threats. To mitigate internal threats, we undertake careful pre-employment screening, including obtaining references before appointment. We also have installed management information systems to minimize the scope for employee theft or fraud. We also have started installing offsite surveillance cameras across our branches, which will be connected to a centrally located database and allow the corporate office to remotely monitor the branches.



To protect against robbery, all branch employees work behind wooden, glass and steel counters, and the back office, strong-room and computer areas are locked and closed to customers. Each branch's security measures include strong rooms with concrete walls, strong room door made of iron bars, burglary alarm systems, controlled entry to teller areas, and the tracking of employee movement in and out of secured areas. While we provide around the clock armed security guards for risk prone branches, the majority of our branches do not require security guards as the gold jewellery are stored securely in strong rooms.

Since we handle high volumes of cash and gold jewellery at our locations, daily monitoring, spot audits and immediate responses to irregularities are critical to our operations. We have an internal auditing program that includes unannounced branch audits and cash counts at randomly selected branches. We have an internal audit team of 1,142 persons who conduct audits on branches either weekly or fortnightly or monthly depending on the size of the branch.

## **Competition**

Although the business of making loans secured by gold is a time-honored industry (unorganized pawn-broking shops being the main participants), the Gold Loan industry in India remains very fragmented. Our Board believes that we can achieve economies of scale and increased operating efficiencies by increasing the number of branches under operation and utilizing modern point-of-sale systems and proven operating methods. We believe that the primary elements of competition are the quality of customer service and relationship management, branch location and the ability to loan competitive amounts at competitive rates. In addition, we believe the ability to compete effectively will be based increasingly on strong general management, regional market focus, automated management information systems and access to capital.

Historically, our competition was primarily from a few Kerala based banks, including Federal Bank, South Indian Bank and Catholic Syrian Bank, and a few other Kerala based NBFCs. In recent years, our main competition has expanded to include various commercial banks and other NBFCs, including deposit accepting NBFCs.

## **Insurance Coverage**

We maintain insurance coverage on all our assets located at our head office and on all our movable assets in branch premises owned by us against fire, earthquake and related perils. We also maintain insurance against burglaries at our head office and at our branches, and against loss by riots, strikes or terrorist activities, cash in transit and employee theft. We maintain special contingency insurance covering gold in transit, gold in branches and cash in transit against burglary. Our insurance policies are generally annual policies that we renew regularly.

## **Employees**

As of December 31, 2013 we employed 25,469 persons in our operations. Our employee strength has grown to its present size from 9,745 persons as of March 31, 2010, to 16,688 persons as of March 31, 2011, 25,351 persons as of March 31, 2012, 24,881 persons as of March 31, 2013, and 25,469 persons as of December 31, 2013. None of our employees is represented by a labor union, and we believe that our relations with our employees are good.

Remuneration to our employees comprises a fixed component as well as variable pay. Variable pay consists of direct incentives and shared incentives. Our direct and shared incentives are linked to performance targets being achieved by employees and branches. We have an annual performance appraisal system for all employees. Annual increments are awarded only for employees who meet minimum performance standards in their job.

## **Training**

Our ability to timely appraise the quality of the gold jewellery collateral is critical to the business, and requires us to employ persons possessing specialized skill sets in our various branches. We provide extensive training to our branch employees through training programs that are tailored to appraising the gold content in gold jewellery. A new employee is introduced to the business through an orientation program and through training programs covering job-appropriate topics. The experienced branch employee receives additional training and an introduction to the fundamentals of management to acquire the skills necessary to move into management positions within the organization. Manager training involves a program that includes additional management principles and more extensive training in topics such as income maximization, business development, staff motivation, customer relations and cost efficiency. We have two staff training colleges, one each in Kochi and

in New Delhi, and regional training centers at each of our regional offices. During the year ended March 31, 2013, we opened the Muthoot Management Academy in Kochi, Kerala. The academy serves as a management development center focusing on developing our future managers and leaders.

### **Litigation**

Except as disclosed elsewhere in this Red Herring Prospectus, we have no material litigation pending against us or our Directors. For details, see the section titled “*Legal Proceedings*” at page 171.

### **Intellectual Property Rights**

The brand and trademark “Muthoot”, as also related marks and associated logos (“**Muthoot Trademarks**”) are currently registered in the name of our Company. Our Company proposes to register the Muthoot Trademarks jointly in the name of our Promoters through a rectification process or an assignment (or irrevocably grant ownership rights by alternate, legally compliant means). For further details see the section titled “*Risk Factors*” at page 32.

### **Property**

Our registered and corporate office is located in Ernakulam, Kerala, and is owned by us. We acquired land in New Delhi, and constructed an office building to serve as an administrative base for our operations in the northern, eastern and western states of India. Except for 14 branch offices, which are owned by us, all our other branch offices are located at premises leased or licensed to us. We also own 60 guest houses all across India for use by our employees. We also hold 14 other properties used for various purposes.

## BOARD OF DIRECTORS AND SENIOR MANAGEMENT

### Board of Directors

The Company's Articles of Association, provide that the minimum number of Directors shall be three and the maximum number of Directors shall be twelve Directors. As on the date of this Red Herring Prospectus, the Company has eight Directors on the Board out of which four Directors, i.e. 50.00 % of the total strength of Directors are Independent Directors. The Company may, subject to the provisions of the Articles of Association, the Companies Act and the relevant provisions of the Companies Act, 2013 applicable as on the date of this Red Herring Prospectus, alter the minimum or the maximum number of Directors by way of a special resolution

Not less than two-thirds of the total number of Directors shall be elected Directors who are liable to retire by rotation. As per section 152 of Companies Act 2013, total number of directors for the purpose of rotation shall not include independent directors, whether appointed under this Act or any other law for the time being in force, on the Board of a company. At the Company's annual general meeting, one-third of the Directors, who are liable to retire by rotation, shall retire from office. The quorum for a meeting of the Board shall be one-third of its total strength (any fraction contained in that one-third being rounded off as one) or two Directors whichever is higher, provided that where at any time the number of interested Directors is equal to or exceeds two-thirds of total strength, the number of remaining Directors, that is to say the number of Directors who are not interested, present at the meeting being not less than two, shall be the quorum during such time. The total strength of the Board shall mean the number of Directors actually holding office as Directors on the date of the resolution or meeting, that is to say, the total strength of Board after deducting therefrom the number of Directors, if any, whose places are vacant at the time.

The Company's Directors are not required to hold any Equity Shares to qualify to be a Director.

The following table provides information about the Company's current Directors as on the date of this Red Herring Prospectus:

Name of the Director	Age	Nature of Directorship
<b>M. G. George Muthoot</b> DIN: 00018201 Nationality: Indian	64	Whole Time Director and Chairman
<b>George Thomas Muthoot</b> DIN: 00018281 Nationality: Indian	63	Whole Time Director
<b>George Jacob Muthoot</b> DIN: 00018235 Nationality: Indian	61	Whole Time Director
<b>George Alexander Muthoot</b> DIN: 00016787 Nationality: Indian	58	Managing Director
<b>K. George John</b> DIN : 00951332 Nationality: Indian	67	Independent Director
<b>K. John Mathew</b> DIN: 00371128 Nationality: Indian	81	Independent Director
<b>John K. Paul</b> DIN: 00016513 Nationality: Indian	60	Independent Director
<b>George Joseph</b> DIN: 00253754 Nationality: Indian	64	Independent Director

## **Profile of Directors**

### **M.G. George Muthoot**

M.G. George Muthoot is a graduate in engineering from Manipal University, and is a businessman by profession. He is the National Executive Committee Member of the Federation of Indian Chamber of Commerce and Industry (“FICCI”) and the current Chairman of FICCI - Kerala State Council. He was conferred the Mahatma Gandhi National Award for social service for the year 2001 by the Mahatma Gandhi National Foundation. He is an active member of various social organisations including the Delhi Malayalee Association, Kerala Club, Rotary Club, National Sports Club and has been chosen for several awards by the Rotary International and the Y’s Mens International for community development and social service. He has been a member of the Managing Committee of Malankara Orthodox Syrian Church for over 31 years and is presently the lay trustee of the Malankara Orthodox Syrian Church and a member of the working committee of the Indian Orthodox Church. He was conferred the HH Baselios Mathew I Award by Catholicate of the Syrian Orthodox Church Mathews the First Foundation for the year 2008 for his services to the Church. He is also the recipient of Asian Business Man of The Year 2011 from UK- Kerala Business Forum and was also conferred with the Golden Peacock Award, 2012 for business leadership.

### **George Thomas Muthoot**

George Thomas Muthoot is a businessman by profession. He is an undergraduate. He has over 32 years of experience in managing businesses operating in the field of financial services.

### **George Jacob Muthoot**

George Jacob Muthoot has a degree in civil engineering from Manipal University and is a businessman by profession. He is a member of the Trivandrum Management Association, the Confederation of Real Estate Developers Association of India (Trivandrum) and the Trivandrum Agenda Task Force. He is also a member of the Rotary Club, Trivandrum (South), governing body member of the Charitable and Educational Society of Trivandrum Orthodox Diocese, Ulloor, Trivandrum, Finance Committee Member, Mar Diocese College of Pharmacy, Althara, Trivandrum and Mar Gregorious Orthodox Christian Mercy Fellowship, Trivandrum. He has over thirty years of experience in managing businesses operating in the field of financial services.

### **George Alexander Muthoot**

George Alexander Muthoot is a chartered accountant who qualified with first rank in Kerala and was ranked 20th overall in India, in 1978. He has a bachelor degree in commerce from Kerala University where he was a rank holder and gold medalist. He was also awarded the Times of India group Business Excellence Award in customised Financial Services in March 2009. He was also awarded the CA Business Leader Award under Financial Services Sector from the Institute of Chartered Accountants of India for 2013. He served as the Chairman of the Kerala Non-banking Finance Companies Welfare Association from 2004 to 2007 and is currently its Vice Chairman. He is also the Member Secretary of Finance Companies Association, Chennai. He is the founder member for The Indus Entrepreneurs International, Kochi Chapter and is now a member of the Core Committee of the Indus Entrepreneurs International Kochi Chapter. He has over 32 years of experience in managing businesses operating in the field of financial services.

### **K. George John**

K. George John is a post graduate in mathematical statistics and has retired as Chairman and Managing Director of TBWA India, a part of Omnicorn Group. He previously managed Ulka Advertising (now FCB-Ulka). Thereafter he founded Anthem Communications Pvt Ltd, which later on went on to merge with TBWA Worldwide under a joint venture.

### **K. John Mathew**

K. John Mathew is a graduate in law from the Government Law College, Ernakulam and is a retired judge of the High Court of Kerala. He has served as the Chairman of the Cochin Stock Exchange and was a SEBI nominee director of the Cochin Stock Exchange from 2002 to 2007. He is currently the President of the Peoples Council for Social Justice, Kerala.

## John K Paul

John K Paul is a graduate in engineering from the Regional Engineering College, Kozhikode and a businessman by profession. He is a director of Popular Vehicles & Services Limited. He is trustee of the Kuttukaran Institute for HRD, which is a institution offering professional courses. He was the president of the Kerala Chamber of Commerce and Industry from 2005 to 2006. He was also the president of both the Kerala Hockey Association from 2005 onwards and the Ernakulam District Hockey Association from 2004 onwards.

## George Joseph

George Joseph is a first rank holder commerce graduate from Kerala University. He is also a certified associate of the Indian Institute of Banking and Finance. He is the former chairman and managing director of Syndicate Bank. He joined Syndicate Bank as an executive director on April 01, 2006 and was elevated to the post of Chairman and Managing Director on August 02, 2008 and subsequently retired from office on April 30, 2009. Before joining the Syndicate Bank, George Joseph was employed with Canara Bank for over 36 years.

## Borrowing powers of the Board

Pursuant to a resolution passed by the shareholders at the AGM held on September 28, 2011, in accordance with the provisions of the Companies Act, our Board has been authorised to borrow sums of money for the business of our Company, whether unsecured or secured, in Indian or foreign currency, or by way of issue of debentures/bonds or any other securities, from time to time, from any banks/financial institutions or any other institutions(s), firms, body corporate(s) or other persons, in India or abroad, apart from temporary loans obtained/to be obtained from our Company's bankers in the ordinary course of business, provided that the sum(s) so borrowed under this resolutions and remaining outstanding at any time shall not exceed the aggregate of ₹ 500,000 million in excess of and in addition to the paid up capital and free reserves of our Company for the time being.

## Shareholding of Directors as on March 31, 2014

S No.	Name of Director	No. of Equity Shares	Percentage shareholding in the share capital (%)
1.	M.G. George Muthoot	47,385,132	12.75
2.	George Thomas Muthoot	44,464,400	11.96
3.	George Jacob Muthoot	44,464,400	11.96
4.	George Alexander Muthoot	44,464,400	11.96
<b>Total</b>		<b>180,778,332</b>	<b>48.63</b>

## Compensation of the Directors

### Executive Non-Independent Directors

The following tables set forth the compensation paid by the Company to its Executive Directors for the Financial Year ended March 31, 2013

Name of the Director	Designation	Salary(In ₹)
George Alexander Muthoot	Managing Director	48,000,000
	Chairman cum	48,000,000
M. G. George Muthoot	Whole Time Director	
George Jacob Muthoot	Whole Time Director	48,000,000
George Thomas Muthoot	Whole Time Director	48,000,000

The following tables set forth compensation paid by the Company to its Non-Executive Directors for the Financial Year ended March 31, 2013

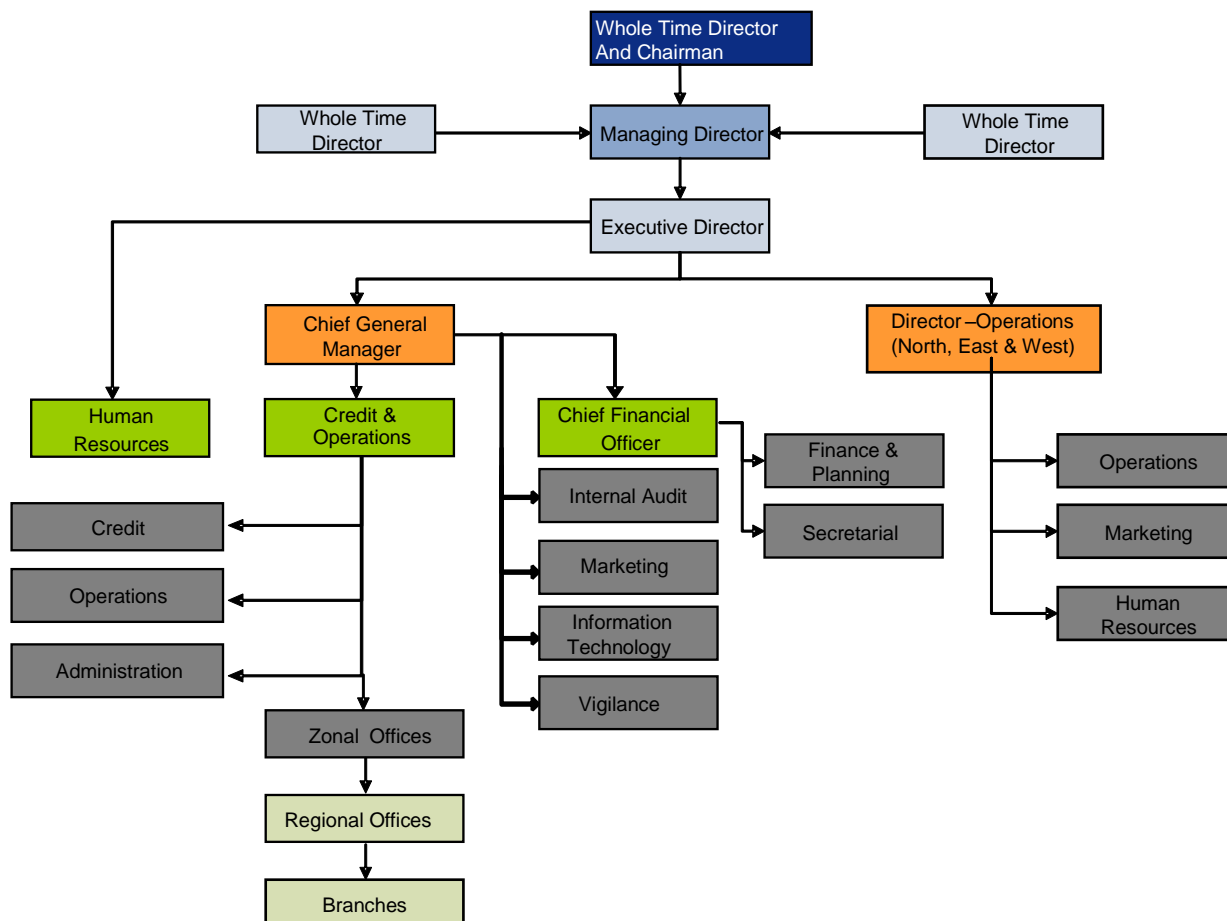
Name of the Director	Commission (In ₹)	Sitting Fees (In ₹)	Total (In ₹)
George Joseph	4,00,000	1,00,000	5,00,000
John K Paul	4,00,000	65,000	4,65,000
K. John Mathew	4,00,000	80,000	4,80,000
K. George John*	0	0	0

\*K. George John was appointed as Independent Director on September 27, 2013

## Prohibition by SEBI or other Governmental Authorities

None of the Directors or the companies with which they are or were associated as promoters, directors or persons in control have been debarred from accessing the capital market under any order or direction passed by SEBI or any other regulatory or governmental authority.

## Organisation Structure



## Key Managerial Personnel

The key managerial personnel of our Company are as follows:

**K P Padmakumar**, our Executive Director, is a banker with over 36 years of experience in commercial banking. Starting his career with State Bank of India as a probationary officer, he served SBI in various capacities in India and abroad for over twenty seven years including four years as Manager-Treasury with SBI's Offshore Banking Unit at Bahrain during the period 1984 to 1989 and as fund manager of SBI's Fund Management for 5 years from 1990 to 1995. He was Chairman of the Federal Bank Ltd during the period 1999 to 2004. He was recipient of Management Leadership Award from Kerala Management Association in the year 2004. He joined the Company on March 16, 2005.

**Alexander M George**, our Director (Operations), is a post graduate degree holder in International Management from Thunderbird, The Garvin School of International Management, Glendale, Arizona, United States of America with specialisation in marketing. He also holds an Advanced Diploma in Business Administration from Florida International University Miami, Florida, United States of America. He heads the operations of the Company in Northern India region. He joined the Company on March 01, 2006. As on March 31, 2014, Alexander M George holds 1.82% of the Equity Shares in the Company.

**K. R. Bijimon**, our Chief General Manager is a Fellow member of the Institute of Chartered Accountants of India, New Delhi. He has over 18 years of experience in the fields of financial services and has been employed with the Company since inception.

**Oommen K. Mammen** our Chief Financial Officer is a Fellow member of the Institute of Chartered Accountants of India, New Delhi. He is also a Certified Associate of Indian Institute of Banking and Finance, Mumbai. He has over 16 years of experience in the industry and joined the Company on August 01, 2001.

### Shareholding of our Key Managerial Personnel

S No.	Name of Key Managerial Personnel	No. of Equity Shares	Percentage shareholding in the share capital (%)
1.	K P Padmakumar	471	Negligible
2.	Alexander M George	6,772,500	1.82%
3.	K R Bijimon	134	Negligible
4.	Oommen K Mammen	134	Negligible
<b>Total</b>		<b>6,773,239</b>	<b>1.82</b>

There is no bonus or profit sharing plan for the Key Management Personnel of the Company.

### Corporate Governance

The Company complies with the applicable corporate governance requirements, including the requirements such as constitution of the Board and committees thereof under the Equity Listing Agreement.

Currently, the Board consists of 8 Directors out of which four are Independent Directors. The Company is in compliance with the requirements of corporate governance as mandated in Clause 49 of the Listing Agreements entered into by the Company with the Stock Exchanges, particularly those in relation to the composition of the Board of Directors, constitution of committees such as audit committee, remuneration committee and investor/shareholders grievance committee. The Board has laid down a code of conduct for the Board of Directors and senior management of the Company and the same is posted on the web site of the Company in accordance with Clause 49 of the Equity Listing Agreements. In addition, pursuant to a RBI Circular dated May 8, 2007, all NBFC-ND-SIs are required to adhere to certain corporate governance norms including constitution of an audit committee, a nomination committee, a risk management committee and certain other norms in connection with disclosure and transparency and connected lending. We have complied with these corporate governance requirements.

#### *Committees of the Board*

As of the date of this Red Herring Prospectus, there are several Board level committees in the Company, which have been constituted and which function in accordance with the relevant provisions of the Companies Act, the relevant provisions of the Companies Act, 2013 applicable as on the date of this Red Herring Prospectus and the Equity Listing Agreement: (i) Audit Committee; (ii) Remuneration Committee; and (iii) Shareholders /Investors' Grievance Committee. In addition, the Company also has the following Board level committees: (i) Asset Liability Management Committee; (ii) Risk Management Committee; (iii) Nomination Committee; (iv) NCD Public Issue Committee; (v) ESOP Committee; and (vi) Securities Issuance Committee.

The members of the aforesaid committees as of the date of this Red Herring Prospectus are:

Committee	Members
Audit Committee	George Joseph, John K Paul and George Alexander Muthoot
Remuneration Committee	K John Mathew, K George John and John K Paul
Shareholders /Investors' Grievance Committee	K John Mathew, John K Paul and George Thomas Muthoot
Asset Liability Management Committee	George Joseph, K George John and George Alexander Muthoot
Risk Management Committee	K George John, K John Mathew and George Jacob Muthoot
Nomination Committee	John K Paul and K John Mathew and George Jacob Muthoot
NCD Public Issue Committee	George Alexander Muthoot, George Thomas Muthoot and George Jacob Muthoot
ESOP Committee	K John Mathew, John K Paul and George Alexander Muthoot
Securities Issuance Committee	M.G. George Muthoot, George Alexander Muthoot, George Thomas Muthoot and George Jacob Muthoot

## Interest of our Directors and Key Managerial Personnel

All the Directors, including Independent Directors, may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board or a committee thereof, to the extent of other remuneration and reimbursement of expenses payable to them pursuant to the Articles of Association. In addition, save for the Independent Directors, the Directors would be deemed to be interested to the extent of interest receivable on loans advanced by the Directors, rent received from the Company for lease of immovable properties owned by Directors and to the extent of remuneration paid to them for services rendered as officers of the Company.

The Directors may also be deemed to be interested to the extent of Equity Shares, if any, held by them and also to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares. The Directors, excluding independent directors, may also be regarded as interested in the Equity Shares, if any, held by the companies, firms and trusts, in which they are interested as directors, members, partners or trustees and promoters.

Some of the Directors may be deemed to be interested to the extent of consideration received/paid or any loans or advances provided to any body corporate, including companies, firms, and trusts, in which they are interested as directors, members, partners or trustees. For details, see the section titled “**Financial Information**” at page 187 of this Red Herring Prospectus. Except as disclosed hereinabove and the section titled “**Risk Factors**” at page 32 of this Red Herring Prospectus, the Directors do not have an interest in any venture that is involved in any activities similar to those conducted by the Company. Except as stated in the section titled “**Financial Information**” at page 187 of this Red Herring Prospectus and to the extent of compensation and commission if any, and their shareholding in the Company, the Directors do not have any other interest in the business of the Company.

None of the Key Management Personnel have any interest in the Company except to the extent of remuneration, benefits and reimbursement of expenses incurred by them in the ordinary course of business and Equity Shares or other securities held by them and benefits accrued in respect of such Equity Shares or other securities. None of the Key Management Personnel have been appointed pursuant to any arrangement or understanding with the Company’s major shareholders, customers or suppliers or others.

## Employee Stock Option Plans

On November 09, 2013, our Company instituted the Employee Stock Option Scheme, 2013 (“**ESOP Scheme, 2013**”) which provides for the allotment of two categories of options to the employees of the Company, namely (i) loyalty options to employees with total continuous service of four years and above, as on September 30, 2013; and (ii) growth options to certain managerial employees, on the rolls of the Company as on September 30, 2013 and subsequent entrants to such grades of employees. The loyalty options will be granted at an offer price of ₹ 10 per share and the growth options will be granted at an offer price of ₹ 50 per share

Details regarding the ESOP Scheme, 2013 as at December 31, 2013 are provided in the following table:

S.No.	Description	No. of equity shares
1.	Total number of options	6,988,975
2.	Options granted	6,988,975
3.	Options vested	0
4.	Options exercised	0
5.	Options lapsed or forfeited	140,400
6.	Total number of options outstanding	6848575



## PRINCIPAL SHAREHOLDERS

The Promoters of the Company are M.G. George Muthoot, George Thomas Muthoot, George Jacob Muthoot, and George Alexander Muthoot.

The shareholding pattern of the Company as of March 31, 2014 is as indicated in the table below:

Category of shareholder	Number of shareholders	Total number of Equity Shares	Number of shares held in dematerialised form	Total shareholding as a % of total number of Equity Shares (A+B)	Total shareholding as a % of total number of Equity Shares (A+B+C)	Shares pledged or otherwise encumbered	
						Number of shares	As a %
Shareholding of Promoter and Promoter Group (A)							
Indian							
Individuals/HUF	13	297,797,872	297,797,872	80.12	80.12	0	0.00
Central Government/State Government(s)	-	-	-	-	-	-	-
Bodies Corporate	-	-	-	-	-	-	-
Financial Institutions/Banks	-	-	-	-	-	-	-
Any Other	-	-	-	-	-	-	-
Foreign-							
Individuals (Non-Resident Individuals/Foreign Individuals)	-	-	-	-	-	-	-
Bodies Corporate	-	-	-	-	-	-	-
Institutions/FII	-	-	-	-	-	-	-
Qualified Foreign Investor	-	-	-	-	-	-	-
Any Other	-	-	-	-	-	-	-
Total Shareholding of Promoter and Promoter Group (A)	13	297,797,872	297,797,872	80.12	80.12	0	0.00
Public shareholding (B)							
Institutions (B1)							
Mutual Funds/UTI	13	3923273	3923273	1.0555	1.0555	N.A.	N.A.
Financial Institutions/Banks	3	25490	25490	0.0069	0.0069	16892	66.2691.
Central Government/State Government(s)	0	0	0	0	0	N.A.	N.A.
Venture Capital Funds	0	0	0	0	0	N.A.	N.A.
Insurance Companies	0	0	0	0	0	N.A.	N.A.
Foreign Institutional Investors	50	38317834	38317834	10.3085	10.3085	N.A.	N.A.
Foreign Venture Capital Investors	0	0	0	0	0	N.A.	N.A.
Qualified Foreign Investors	1	1000	1000	0.0003	0.0003	N.A.	N.A.
Any Other	0	0	0	0	0	N.A.	N.A.
Sub-Total (B)(1)	67	42267597	42267597	11.3710	11.3710	16892	0.0400
Non-institutions (B2)							
Bodies Corporate	336	3371256	3371256	0.9070	0.9070	526664	15.6222
Individual shareholders holding nominal share capital upto ₹ 1 lakh	48442	5568084	5559567	1.4980	1.8167	41025	0.7368
Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	39	1998560	1998560	0.5377	0.5377	N.A.	N.A.
Qualified Foreign Investors	0	0	0	0	0	0	0
Any Others (TOTAL)	236	342593	342593	0.0921	0.0921	304	0.0888
Others including Trusts	3	136	136	0	0	N.A.	N.A.
Foreign nationals, Non Resident Indians (Repatriation basis), Non Resident Indians (Non-repatriation basis), Foreign Companies	886	20366806	20366806	5.4792	5.4792	0	0.00
Sub-Total (B)(2)	49939	31647299	31638782	8.5139	8.5139	567993	1.7948
Total Public Shareholding (B) = (B)(1)+(B)(2)	50006	73914896	73906379	19.88	19.88	584885	0.7913
Total (A)+(B)	50019	371712768	371704251	100.00	100.00	584885	0.1573
Shares held by custodians against which Depository receipts have been issued (C)							
(1) Promoter and Promoter Group	0	0	0	0	0	0	0.00

Category of shareholder	Number of shareholders	Total number of Equity Shares	Number of shares held in dematerialised form	Total shareholding as a % of total number of Equity Shares (A+B)	Total shareholding as a % of total number of Equity Shares (A+B+C)	Shares pledged or otherwise encumbered	
						Number of shares	As a %
(2) Public	0	0	0	0	0	0	0.00
<b>GRAND TOTAL (A)+(B)+(C)</b>	<b>50019</b>	<b>371,712,768</b>	<b>371704251</b>	<b>100.00</b>	<b>100.00</b>	<b>584885</b>	<b>0.16</b>

Shareholding of persons belonging to the category “Promoter and Promoter Group” as of March 31, 2014 is detailed in the table below:

S No.	Name	Number of Equity Shares	% of paid up Equity Share Capital
1.	M.G. George Muthoot	47,385,132	12.75
2.	George Thomas Muthoot	44,464,400	11.96
3.	George Jacob Muthoot	44,464,400	11.96
4.	George Alexander Muthoot	44,464,400	11.96
5.	Susan Thomas	29,985,068	8.07
6.	George M. Jacob	15,050,000	4.05
7.	Elizabeth Jacob	14,935,068	4.02
8.	Anna Alexander	14,935,068	4.02
9.	Sara George	13,519,336	3.64
10.	George Alexander (Jr.)	7,525,000	2.02
11.	Eapen Alexander	7,525,000	2.02
12.	George M. George	6,772,500	1.82
13.	Alexander M. George	6,772,500	1.82
	<b>TOTAL</b>	<b>297,797,872</b>	<b>80.12</b>

## ISSUE PROCEDURE

*The following is a summary intended to present a general outline of the procedure relating to the application, payment, Allocation and Allotment of the Equity Shares offered in the Issue. The Company and the members of the Syndicate do not accept any responsibility for the completeness and accuracy of the information stated in this section, and are not liable for any amendment, modification or change in applicable laws or regulations, which may occur after the date of this Red Herring Prospectus. This section applies to all Applicants. The Applicants are advised to inform themselves of any restrictions or limitations that may be applicable to them. Please see “Selling Restrictions” and “Transfer Restrictions” beginning on pages 141 and 145 respectively. Applicants are advised to make their independent investigations and ensure that their applications do not exceed the Issue Size or the investment limits or maximum number of Equity Shares that can be held by them under applicable laws.*

### **Authority for the Issue**

The Issue has been authorised and approved by the Board of Directors by a resolution dated January 30, 2014 and by the shareholders of the Company through postal ballot, the results being declared on March 10, 2014.

The Company has applied for and received in-principle approvals from the Stock Exchanges on April 17, 2014, under Clause 24(a) of the Equity Listing Agreement for listing of the Equity Shares offered in the Issue on the Stock Exchanges. The Company has also filed a copy of this Red Herring Prospectus with the RoC, SEBI and the Stock Exchanges.

### **Prohibition by SEBI or other governmental authorities**

The Company, its Promoters, the members of the Promoter Group, the Directors and the persons in control of the Company have not been debarred from accessing the capital market under any order or direction passed by SEBI or any other regulatory or governmental authority. The companies with which the Promoters, the Directors or the persons in control of the Company are or were associated as promoter, directors or persons in control have not been debarred from accessing the capital market under any order or direction passed by SEBI or any other regulatory or governmental authority.

### **Details of Underwriters**

In terms of Chapter VIII-A of the SEBI Regulations, the underwriting requirements prescribed under regulation 13 of the SEBI Regulations are not applicable to an institutional placement programme. The Issue is therefore not required to be mandatorily underwritten and the Company has not appointed any underwriter to the Issue.

### **Promoters’ Contribution**

In terms of Chapter VIII-A of the SEBI Regulations, the provisions of regulation 32 of the SEBI Regulations relating to minimum promoters’ contribution are not applicable to an institutional placement programme. The promoters and promoter group are not offering any Equity Shares for sale under the Issue.

### **Restrictions on Issue Size**

The aggregate of all tranches of the IPP undertaken by the Company cannot result in an increase in the public shareholding in the Company by more than 10% or such lesser percentage as may be required for the Company to achieve the required minimum public shareholding. Based on the Issue Size of up to 25,351,062 Equity Shares, the increase in public shareholding of the Company shall be 5.12%.

Vide the SEBI Exemption, approval has been granted to the Company by SEBI under SEBI circular no. CIR/CFD/DIL/11/2012 to (i) allot Equity Shares under the Issue to such minimum number of allottees, as prescribed under Chapter VIII of the SEBI Regulations; and (ii) allot Equity Shares under the Issue as per the pricing provisions; prescribed under Chapter VIII of the SEBI Regulations, solely for the purpose of achieving the minimum level of public shareholding as required under the SCRR.

## Who can Apply

- This Issue is being made only to QIBs, being the following:
- Mutual Funds, venture capital funds, AIFs and foreign venture capital investors registered with SEBI;
- FIIs and sub-accounts registered with SEBI, other than a sub-account which is a foreign corporate or foreign individual;
- public financial institutions, as defined in Section 2(72) of the Companies Act, 2013;
- scheduled commercial banks;
- state industrial development corporations;
- insurance companies registered with the Insurance Regulatory and Development Authority;
- multilateral and bilateral development financial institutions;
- provident funds with minimum corpus of ₹ 250 million;
- pension funds with minimum corpus of ₹ 250 million;
- National Investment Fund set up by resolution no. F. No. 2/3/2005-DDII dated November 23, 2005 of the GoI published in the Gazette of India;
- insurance funds set up and managed by army, navy or air force of the Union of India; and
- insurance funds set up and managed by the Department of Posts, India.

FIIs are permitted to participate in the Issue only under the Portfolio Investment Scheme, subject to compliance with all applicable laws and the shareholding of the FIIs not exceeding specified limits as prescribed under applicable laws in this regard.

No single FII can hold more than 10% of the post Issue paid-up capital of the Company. In respect of an FII investing in the Equity Shares offered in the Issue on behalf of its eligible sub-accounts, the investment on behalf of each eligible sub-account shall not exceed 10% of the Company's total issued capital. **The aggregate FII holding in the Company cannot exceed 24% of the total issued capital of the Company.**

**Note:** Each eligible sub-account of an FII, other than a sub-account which is a foreign corporate or foreign individual, will need to submit a separate ASBA Applications. FIIs or sub-accounts of FIIs, are required to indicate the SEBI FII/sub-account registration number in the ASBA Applications.

No Allotment shall be made, either directly or indirectly, to any QIB being a Promoter or any person related to the Promoter(s). QIBs which have all or any of the following rights shall be deemed to be persons related to promoter(s):

- a) rights under a shareholders' agreement or voting agreement entered into with a promoter or persons related to the promoters;
- b) veto rights; or
- c) right to appoint any nominee director on the Board.

Provided that a QIB which does not hold any Equity Shares and which has acquired the said rights in the capacity of a lender shall not be deemed to be a person related to the promoters.

Applicants are advised to make their independent investigations and satisfy themselves that they are eligible to apply. Applicants are advised to ensure that the number of Equity Shares for which they have provided ASBA Applications does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Red Herring Prospectus. Further, Applicants are required to satisfy themselves that their ASBA Applications would not result in triggering a tender offer under the Takeover Regulations.

A minimum of 25% of the aggregate number of Equity Shares to be Allotted in the Issue shall be Allocated and Allotted to Mutual Funds and Insurance Companies, subject to receipt of valid ASBA Applications at or above the Issue Price, provided that if this portion or any part thereof to be Allocated and Allotted to Mutual Funds and Insurance Companies remains unsubscribed, such minimum portion or part thereof may be Allotted to other QIBs. For further details, please see “*Basis of Allocation*”.

Affiliates or associates of the Book Running Lead Managers who are QIBs may participate in the Issue in compliance with applicable laws.

No person connected with the Issue shall offer any incentive, direct or indirect, in any manner, whether in cash, kind, services or otherwise, to any Applicant for making an ASBA Application.

### ***Number of Allottees***

As provided in the SEBI Exemption the Equity Shares offered in the Issue may be Allotted to less than 10 Allottees. As provided in the SEBI Exemption, no single Allottee shall be Allotted more than 25% of the aggregate number of the Equity Shares Allotted in the Issue.

Provided further that QIBs belonging to the same group or those who are under common control shall be deemed to be a single Allottee for the purpose of the foregoing.

- i. The expression ‘belong to the same group’ shall have the same meaning as under regulation 91H(2) of the SEBI Regulations:
- ii. The expression ‘control’ shall have the same meaning as is assigned to it under section 2(27) of Companies Act, 2013:

*Section 2(27) of Companies Act, 2013 – “control” includes the right to appoint majority of the directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholders agreements or voting agreements or in any other manner:*

In the event that we take the benefit of the SEBI Exemption, as regards the minimum number of Allottees, we are required to ensure that the Issue Price be in compliance with regulations applicable for a Qualified Institutions Placement, i.e. Chapter VIII of SEBI Regulations. Under Chapter VIII of the SEBI Regulations, the Issue Price could be at a maximum discount (if any) of five percent to the floor price calculated as per Chapter VIII of the SEBI Regulations. It is hereby clarified that the pricing related provisions of Chapter VIII of the SEBI Regulations will be applicable only in case our Company takes the benefit of the SEBI Exemption as regards number of Allottees. If we do not take benefit of the SEBI Exemption, the said pricing restriction, including restriction on discount will not be applicable to us.

### **Minimum Application Size**

Each ASBA Application is required to be for such number of Equity Shares and at such price per Equity Share that the minimum Application Amount exceeds ₹ 200,000.

### **Information for the Applicants**

- (a) Only ASBA mode of payment can be used by QIBs to participate in this Issue.
- (b) The Company, in consultation with the Book Running Lead Managers, will decide the Floor Price or the Price Band for the Issue and the same shall be announced at least one day prior to the Issue Opening Date.

- (c) The Company will publish the Issue Opening Date and the Issue Closing Date in the Floor Price/Price Band Announcement. The Issue Period shall be for a minimum of one Working Day and shall not exceed two Working Days.
- (d) The Company has filed this Red Herring Prospectus with the RoC at least three days before the Issue Opening Date.
- (e) Once a duly filled in ASBA Application is submitted by an Applicant, such ASBA Application constitutes an irrevocable offer and cannot be withdrawn. In addition, neither the price per Equity Share nor the number of Equity Shares applied for in an ASBA Application cannot be revised downwards.
- (f) The Board of Directors confirms that the Company shall open the Public Issue Account with the Public Issue Account Bank in terms of Section 40 of the Companies Act, 2013 to receive monies on the Designated Date from the ASBA Accounts.
- (g) Upon the receipt of the ASBA Applications, the Company, after the closure of the Issue, shall determine the Issue Price and the number of Equity Shares issued at the Issue Price, in consultation with the Book Running Lead Managers and in accordance with the Allotment Criteria. Upon finalisation of the Basis of Allocation, the Company will issue CANs to the successful Applicants. The dispatch of the CANs shall be deemed a valid, binding and irrevocable agreement on the part of the Applicant to subscribe to such number of Equity Shares as mentioned in their respective CANs at the Issue Price indicated in such CAN. The CAN shall contain details such as the number of Equity Shares Allocated to the Applicant and the Issue Price.
- (h) The Company shall take all steps to ensure that listing and commencement of trading of the Equity Shares Allotted in the Issue at the Stock Exchanges is within 12 Working Days of the Issue Closing Date.
- (i) The Company or the Book Running Lead Managers shall not be responsible for any delay or non-receipt of the communication of the final listing and trading permissions from the Stock Exchanges or any loss arising from such delay or non-receipt. Final listing and trading approvals granted by the Stock Exchanges are also placed on their respective websites. Applicants are advised to apprise themselves of the status of the receipt of the listing and trading approvals from the Stock Exchanges or the Company.
- (j) The Company will issue a statutory advertisement after the filing of the Prospectus with the RoC in terms of Regulation 66 of the SEBI Regulations, in an English national newspaper, a Hindi national newspaper and a Malayalam newspaper, each with wide circulation.
- (k) In case of a Mutual Fund, a separate ASBA Application can be made in respect of each scheme of the Mutual Fund registered with SEBI and such ASBA Applications in respect of more than one scheme of the Mutual Fund will not be treated as multiple ASBA Applications, provided that the ASBA Applications clearly indicate the scheme concerned for which it has been made. No Mutual Fund scheme can invest more than 10% of its net asset value in equity shares or equity related instruments of any single company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No Mutual Fund under all its schemes should own more than 10% of any company's paid-up share capital carrying voting rights. Further, no single Mutual Fund shall be Allocated and Allotted more than 25% of the aggregate number of the Equity Shares Allotted in the Issue.

#### **Pre-Issue Advertisement**

Subject to Section 30 of the Companies Act, 2013, the Company shall, after registering this Red Herring Prospectus with the RoC, publish a pre-Issue advertisement, in the form prescribed by the SEBI Regulations, in an English national newspaper, a Hindi national newspaper and a Malayalam newspaper, each with wide circulation.

## ASBA Application and Revision Form

The ASBA Application and the Revision Form shall be in the form prescribed by SEBI pursuant to the circular dated September 27, 2011, to the extent applicable to the Issue. By making an application for the Equity Shares offered in the Issue through an ASBA Application, an Applicant will be deemed to have made the representations, warranties and agreements made under “*Representations by Investors*”, “*Selling Restrictions*” and “*Transfer Restrictions*” beginning on pages 3, 141 and 145 respectively.

SCSBs would be entitled to a processing fee of ₹ 25 per valid ASBA Application collected by the members of the Syndicate in the Specified Cities and submitted to the SCSBs. No selling commission is payable in respect of ASBA Applications procured in the Issue.

## Method and Process of Bidding

- (a) ASBA Applications will be available with the SCSBs, the members of the Syndicate and at the Registered Office of the Company. Electronic ASBA Applications will be available to download on the website of the Stock Exchanges and the Designated Branches of the SCSBs.
- (b) Any eligible Applicant may obtain a copy of this Red Herring Prospectus and the ASBA Applications from the Registered Office of the Company.
- (c) Applicants should approach the Designated Branches of the SCSBs or the members of the Syndicate to submit their ASBA Applications.
- (d) Applicants may submit their ASBA Applications, and/or the Revision Forms, during the Issue Period to (i) the members of the Syndicate; (ii) the Designated Branches of the SCSBs where the ASBA Account is maintained; or (iii) in electronic form to the SCSBs with whom the ASBA Account is maintained. For details, the Applicants should contact the SCSBs where the ASBA Account is maintained. The SCSBs may provide the electronic mode of bidding either through an internet enabled bidding and banking facility or through any secured, electronically enabled mechanism for bidding and blocking funds in the ASBA Account.
- (e) ASBA Applications submitted directly to the SCSBs should bear the stamp of the SCSBs and the ASBA Applications submitted to the members of the Syndicate should bear the stamp of such members of the Syndicate.
- (f) For ASBA Applications submitted to the members of the Syndicate, the members of the Syndicate shall upload the details of the ASBA Application onto the electronic bidding system of the Stock Exchanges and deposit a schedule (containing certain information including the ASBA Application number and the Application Amount) along with the ASBA Application with the relevant branch of the SCSB, named by such SCSB to accept such ASBA Applications from the members of the Syndicate in such Specified City. The relevant branch of the SCSB shall block an amount equal to the Application Amount specified in the ASBA Application in the ASBA Account. For ASBA Applications submitted directly to the SCSBs, the relevant SCSBs shall block the amounts equal to the Application Amounts specified in the ASBA Applications in the ASBA Accounts, before entering the required details of the ASBA Applications into the electronic bidding system.
- (g) The Applicant should mention its PAN allotted under the I.T. Act in the ASBA Application. Any ASBA Application without the PAN is liable to be rejected. Applicants should not submit the GIR Number instead of the PAN as the ASBA Application is liable to be rejected on this ground.
- (h) The Registrar to the Issue shall validate the details of the ASBA Application uploaded on the electronic bidding system of the Stock Exchanges with the Depository records and the complete reconciliation of the final certificates received from the SCSBs with the electronic details of the ASBA Applications.

**Applicants should note that in case the DP ID, Client ID and PAN mentioned in the ASBA Application and entered into the electronic bidding system of the Stock Exchanges by the Syndicate/SCSBs do not match with the DP ID, Client ID and PAN available in the database of Depositories, the ASBA Application is liable to be rejected.**

- (i) Each ASBA Application will give the Applicant the option to indicate up to three prices within the Price Band or at or above the Floor Price, as the case may be, and specify the demand (i.e., the number of Equity Shares applied for at each such price). The number of Equity Shares applied for by an Applicant at or above the Floor Price or within the Price Band, as the case may be, will be considered for Allocation and Allotment in accordance with the Basis of Allocation. The highest value indicated by the Applicant in the ASBA Application to subscribe for the Equity Shares applied for in the ASBA Application shall be blocked in the ASBA Account of such Applicant. After determination of the Issue Price, the maximum number of Equity Shares applied for by an Applicant at or above the Issue Price will be considered for Allocation and the rest of the options will become automatically invalid.
- (j) The Applicant cannot submit another ASBA Application after one ASBA Application has been submitted to the SCSBs or any member of the Syndicate. Submission of a second ASBA Application to either the same or to another SCSBs or any member of the Syndicate will be treated as multiple applications and is liable to be rejected either before entering the required details of the ASBA Application into the electronic bidding system, or at any point of time prior to the Allotment of the Equity Shares offered in this Issue. However, the Applicant can revise upwards the price per Equity Share or the number of Equity Shares applied for through the Revision Form, the procedure for which is detailed under the paragraph titled “*Revision of ASBA Applications*” on page 128 of this Red Herring Prospectus.
- (k) Upon receipt of an ASBA Application directly from the Applicant, in physical mode, the Designated Branches of the SCSBs shall verify if sufficient funds equal to the Application Amount are available in the ASBA Account, as mentioned in the ASBA Application, prior to uploading details of the ASBA Application on the electronic bidding system of the Stock Exchanges.
- (l) If sufficient funds are not available in the ASBA Account, the Designated Branches of the SCSBs shall reject such ASBA Application and shall not upload the details of the ASBA Application on the electronic bidding system of the Stock Exchanges.
- (m) If sufficient funds are available in the ASBA Account, the SCSB shall block an amount equivalent to the Application Amount mentioned in the ASBA Application and in case of the ASBA Application submitted directly to the SCSB, will enter the details of the ASBA Application into the electronic bidding system and generate a TRS for each price and demand option. It is the Applicant’s responsibility to obtain the TRS from the members of the Syndicate or the Designated Branches of the SCSBs as applicable. Such TRS will be non-negotiable and by itself will not create any obligation of any kind.
- (n) The Application Amount shall remain blocked in the ASBA Account until the finalisation of the Basis of Allocation, the dispatch of the CAN and consequent transfer of the Application Amount for the Allotted Equity Shares to the Public Issue Account from the ASBA Accounts, or alternatively, until the withdrawal of the Issue or the rejection of the ASBA Application, as the case may be. Once the Basis of Allocation is finalised and the CAN is dispatched, the Registrar to the Issue shall send an appropriate request to the SCSBs to unblock the relevant ASBA Accounts and to transfer the amount due on the Equity Shares to be Allotted to the successful Applicants to the Public Issue Account on the Designated Date.
- (o) In case the Company withdraws or cancels the Issue, the Registrar to the Issue shall give instructions to the SCSBs to unblock the Application Amounts in the relevant ASBA Accounts of the Applicants within one day of receipt of such instruction. The Company shall also inform the Stock Exchanges of such cancellation or withdrawal.

### **Electronic Registration of ASBA Applications**

- (a) The Stock Exchanges will offer an electronic facility for registering details under the ASBA Applications for the Issue. This facility will be available with the Syndicate and their authorised agents and the SCSBs during the Issue Period. The members of the Syndicate and the Designated Branches of the SCSBs can also set up facilities for off-line electronic registration of details under the ASBA Applications, subject to the condition that they will subsequently upload the off-line data file into the electronic facilities offered by the Stock Exchanges. The members of the Syndicate and the SCSBs will register the ASBA Applications received, using the electronic bidding system of the Stock Exchanges. On the Issue Closing Date, the members of the Syndicate and the Designated Branches of the SCSBs



shall upload the details under the ASBA Applications on the electronic bidding system of the Stock Exchanges till such time as may be permitted by the Stock Exchanges.

- (b) With respect to details under the ASBA Applications submitted to the members of Syndicate, the members of Syndicate shall enter the following details in the electronic bidding system of the Stock Exchanges:
- ASBA Application number;
  - PAN;
  - DP ID and Client ID number of the beneficiary account of the Applicant;
  - Application Amount;
  - ASBA Account number (not compulsory);
  - Category of the Applicant;
  - Numbers of Equity Shares applied for;
  - Price per Equity Share;
  - Bank code for the SCSB where the ASBA Account is maintained; and
  - Name of the Specified City.
- (c) With respect to details under the ASBA Applications submitted to the SCSBs, the SCSBs shall enter the following details in the electronic bidding system of the Stock Exchanges:
- ASBA Application number;
  - PAN;
  - DP ID and Client ID number of the beneficiary account of the Applicant;
  - Application Amount;
  - ASBA Account number;
  - Category of the Applicant;
  - Numbers of Equity Shares applied for; and
  - Price per Equity Share.
- (d) TRS will be generated when the ASBA Application is registered for each price and demand option. The registration of the ASBA Application by the member of the Syndicate or the Designated Branches of the SCSBs does not guarantee that the Equity Shares shall be Allocated/Allotted either by the members of the Syndicate or the Company. Each ASBA Application will give the Applicant the choice to apply for up to three optional prices at or above the Floor Price or within the Price Band, as the case may be, and to specify the demand (i.e., the number of Equity Shares applied for) at each such price.
- (e) The members of the Syndicate and the SCSBs will register the ASBA Applications received, using the electronic bidding system of the Stock Exchanges.
- (f) The members of the Syndicate and the SCSBs may undertake modification of selected fields in the details under the ASBA Application already uploaded within one Working Day from the Issue Closing Date.

- (g) Neither the Company nor the Registrar to the Issue shall be responsible for any acts, mistakes or errors or omission and commissions in relation to (i) the ASBA Applications accepted by the members of the Syndicate or the SCSBs, (ii) the details under the ASBA Applications uploaded by the members of the Syndicate or the SCSBs, or (iii) the ASBA Applications accepted but not uploaded by the members of the Syndicate or the SCSBs.
- (h) The SCSBs shall be responsible for any acts, mistakes, errors or omissions and commissions in relation to (i) the ASBA Applications accepted by them, (ii) the details under the ASBA Applications uploaded by them, (iii) the ASBA Applications accepted but details not uploaded by them, and (iv) the ASBA Applications accepted and details uploaded without blocking funds in the ASBA Accounts. It shall be presumed that for ASBA Applications uploaded by the SCSBs, the full Application Amount has been blocked in the relevant ASBA Account and that clear, demarcated funds are available in the blocked ASBA Account and can be transferred to the Public Issue Account on the Designated Date.
- (i) The permission given by the Stock Exchanges to use its network and software of the electronic bidding system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by the Company, the members of the Syndicate or the SCSBs are cleared or approved by the Stock Exchanges; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of the Company or any scheme or project of the Company; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Red Herring Prospectus; nor does it warrant that the Equity Shares offered in the Issue will be listed or will continue to be listed on the Stock Exchanges.
- (j) The aggregate demand in relation to ASBA Applications registered shall be displayed by Stock Exchanges without disclosing the price.
- (k) Only those ASBA Applications details of which are uploaded on the electronic bidding system of the Stock Exchanges shall be considered for the Allocation and Allotment. Members of the Syndicate and the SCSBs will be given up to one Working Day after the Issue Closing Date to verify the DP ID and Client ID uploaded on the electronic bidding system of the Stock Exchanges during the Issue Period, after which the Registrar to the Issue will receive this data from the Stock Exchanges and will reconcile and validate the details of the ASBA Application uploaded on the electronic bidding system of the Stock Exchanges with the Depositories records. In case no corresponding record is available with the Depositories, which matches the three parameters, namely, DP ID, Client ID and PAN, then such ASBA Applications are liable to be rejected.
- (l) The details of the ASBA Applications uploaded on the electronic bidding system of the Stock Exchanges shall be considered as final and Allocation and Allotment will be based on such details.

#### **Revision of ASBA Applications**

- (a) During the Issue Period, any Applicant who has submitted an ASBA Application may revise upwards the number of Equity Shares applied for and/or the price per Equity Shares within the Price Band or at or above the Floor Price, as the case may be, using the printed Revision Form, which is a part of the ASBA Application. An ASBA Application cannot be withdrawn and the price per Equity Share and/or the number of Equity Shares applied for cannot be revised downwards.
- (b) Upward revisions can be made in both the desired number of Equity Shares and the price per Equity Share by using the Revision Form. The members of the Syndicate and the Designated Branches of the SCSBs will not accept incomplete or inaccurate Revision Forms.
- (c) The Applicant can make this upward revision any number of times during the Issue Period. However, for any revision(s) in the ASBA Application, the Applicants will have to use the services of the same member of the Syndicate or the SCSB through whom such Applicant had placed the original ASBA Application. Applicants are advised to retain copies of the blank Revision Form and any revision in the ASBA Application must be made only in such Revision Form or copies thereof.

- (d) Apart from mentioning the revised options in the Revision Form, the Applicant must also mention the details of all the options in his or her ASBA Application or earlier Revision Form. For example, if an Applicant has applied for three options in the ASBA Application and such Applicant is changing only one of the options in the Revision Form, the Applicant must still fill the details of the other two options that are not being revised, in the Revision Form. The members of the Syndicate and the Designated Branches of the SCSBs will not accept incomplete or inaccurate Revision Forms.
- (e) In case of upward revision of the number of Equity Shares and/or the price per Equity Share, the relevant SCSB shall block the additional Application Amount in the ASBA Account of such Applicant. The Registrar to the Issue will reconcile the ASBA Application data and consider the revised ASBA Application data for preparing the Basis of Allocation.
- (f) When an Applicant revises its ASBA Application, it should surrender the earlier TRS and request for a revised TRS from the members of the Syndicate or the SCSB as proof of it having revised the previous ASBA Application.

### **Allocation**

- (a) Allocation to FIIs and FVCIs, applying on repatriation basis will be subject to applicable law, rules, regulations, guidelines and approvals.
- (b) A minimum of 25% of the aggregate number of Equity Shares to be Allotted in the Issue shall be Allocated and Allotted to Mutual Funds and Insurance Companies, subject to valid ASBA Applications being received at or above the Issue Price, provided that if this portion or any part thereof to be Allotted to Mutual Funds and Insurance Companies remains unsubscribed, such minimum portion or part thereof may be Allotted to other QIBs.
- (c) As provided in the SEBI Exemption the Equity Shares may be Allotted to less than 10 Allottees under the Issue. As provided in the SEBI Regulations, no single Allottee shall be Allotted more than 25% of the aggregate number of the Equity Shares Allotted in the Issue. See “*Number of Allottees*” on page 123 of this Red Herring Prospectus.

### **Price Discovery**

- (a) Based on the demand for the Equity Shares offered in the Issue generated at various price levels, the Company, in consultation with the Book Running Lead Managers, shall finalise the Issue Price.
- (b) The Issue Price shall be the price at or above the Floor Price, or within the Price Band, as the case may be. The Equity Shares offered in the Issue shall be Allocated and Allotted at the Issue Price.

### **RoC Filing**

The Company will update and deliver a copy of the updated Red Herring Prospectus for registration to the RoC in accordance with the applicable law, which then would be termed as the ‘Prospectus’. The Prospectus will contain details of the Issue and will be complete in all material respects. The Company will register a copy of the Prospectus with the RoC in terms of the relevant provisions of the Companies Act, 2013 applicable as on the date of the Prospectus.

### **Allotment Criteria**

The Equity Shares offered in the Issue will be Allocated and Allotted to successful Applicants as per the proportionate method.

### **Basis of Allocation**

- ASBA Applications received at or above the Issue Price shall be grouped together to determine the total demand for the Equity Shares offered in the Issue. The Allocation and Allotment to all successful Applicants will be made at the Issue Price finalised by the Company, in consultation with the Book Running Lead Managers.

- The Allocation shall be undertaken in the following manner:
  - (a) In the first instance, Allocation to Mutual Funds and Insurance Companies for 25% of the aggregate number of Equity Shares to be Allotted in the Issue shall be determined as follows:
    - (i) In the event that the aggregate demand from Mutual Funds and Insurance Companies exceeds 25% of the aggregate number of Equity Shares to be Allotted in the Issue, then subject to valid ASBA Applications received at or above the Issue Price, Allocation to Mutual Funds and Insurance Companies shall be made on a proportionate basis at the Issue Price as per the Allocation criteria mentioned below for 25% of the aggregate number of Equity Shares to be Allotted in the Issue.
    - (ii) In the event that the aggregate demand from Mutual Funds and Insurance Companies is equal to or less than 25% of the aggregate number of Equity Shares to be Allotted in the Issue, then all Mutual Funds and Insurance Companies shall get full Allocation at the Issue Price to the extent of valid ASBA Applications received at or above the Issue Price.
    - (iii) In the event that the aggregate demand from Mutual Funds and Insurance Companies exceeds 25% of the aggregate number of Equity Shares to be Allotted in the Issue, then the additional demand from Mutual Funds and Insurance Companies after Allocation of 25% of the aggregate number of Equity Shares to be Allotted in the Issue, shall be aggregated with the portion to be Allocated to other QIBs.
    - (iv) In the event subscription from Mutual Funds and Insurance Companies is below 25% of the aggregate number of Equity Shares to be Allotted in the Issue, the Equity Shares offered in the Issue that remain unsubscribed shall be available for Allocation to other QIBs as set out in (b) below.
  - (b) In the second instance, Allocation to all Applicants shall be determined as follows:
    - (i) All Applicants who have submitted valid ASBA Applications at or above the Issue Price shall be Allocated Equity Shares offered in the Issue at the Issue Price on a proportionate basis as per the Allocation criteria mentioned below, until the Equity Shares offered in the Issue representing up to 75% of the Issue Size or such number of Equity Shares offered in the Issue as may remain after Allocation to Mutual Funds and Insurance Companies are exhausted.
    - (ii) Mutual Funds and Insurance Companies, who have received Allocation as per (a) above, for less than the number of Equity Shares applied for by them, are eligible to receive Equity Shares on a proportionate basis as per the Allocation criteria mentioned below along with the other QIBs. For the purpose of Allocation to Mutual Funds and Insurance Companies in this category, quantity of Equity Shares applied for in the Issue less the Equity Shares Allocated as per (a) above shall be considered for Allocation.
    - (iii) In the event subscription from Mutual Funds and Insurance Companies pursuant to (a) above is below 25% of the aggregate number of Equity Shares to be Allotted in the Issue, such portion which remains unsubscribed would be included for Allocation along with the other QIBs on a proportionate basis.
    - (iv) Allocation and Allotment to FIIs will be subject to individual and aggregate caps on FII shareholding in the post-issue paid-up share capital of the Company. If due to such caps, Equity Shares offered remain unsubscribed, such Equity Shares shall be considered for Allocation to other QIBs.

### **Proportionate Method**

The Allocation and Allotment shall be made on a proportionate basis as explained below:

- (a) The number of Equity Shares applied for in the Issue at or above the Issue Price shall first be aggregated.
- (b) Number of Equity Shares to be Allocated to a successful Applicant will be calculated on a proportionate basis, which is total number of Equity Shares applied for by each Applicant multiplied by the inverse of the over-subscription ratio (subject to the maximum limit of 25% of the aggregate number of Equity Shares to be Allotted), where oversubscription ratio means the ratio of the total number of Equity Shares applied for in the Issue and the remaining number of Equity Shares offered in the Issue that are available for Allocation.
- (c) If the determination of proportionate Allocation to an Applicant is not a multiple of one (which is the marketable lot), the decimal would be rounded off to the higher whole number if that decimal is 0.5 or higher. If that number is lower than 0.5 it would be rounded off to the lower whole number. Allocation and Allotment to all Applicants would be arrived at after such rounding off.

**THE DECISION OF THE COMPANY AND THE BOOK RUNNING LEAD MANAGERS IN RESPECT OF ALLOCATION AND ALLOTMENT SHALL BE BINDING ON ALL APPLICANTS.**

### **Issuance of the CAN**

- (a) Upon approval of the Basis of Allocation by the Stock Exchanges, the Registrar to the Issue shall send to the Book Running Lead Managers a list of the Applicants who would be Allotted Equity Shares in the Issue.
- (b) The Company will then issue a CAN to the Applicants who have been Allocated Equity Shares in the Issue.
- (c) The dispatch of the CAN shall be deemed a valid, binding and irrevocable agreement on part of the Applicant to subscribe to the Equity Shares Allocated to such Applicant at the Issue Price.
- (d) On the basis of the approved Basis of Allocation, the Company shall pass necessary resolutions for Allotment of Equity Shares in the Issue.

The Board hereby confirms that CAN shall be issued or application money shall be refunded within fifteen days from the closure of the Issue or such lesser time as may be specified by SEBI or else the application money shall be refunded to the applicants forthwith, failing which interest shall be due to be paid to the applicants at the rate of 15% per annum for the delayed period.

### **Advertisement under Regulation 66 of the SEBI Regulations**

The Company will issue a statutory advertisement after the filing of the Prospectus with the RoC in terms of Regulation 66 of the SEBI Regulations, in an English national newspaper, a Hindi national newspaper and a Malayalam newspaper, each with wide circulation. Any material updates between the date of this Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

### **Designated Date and Allotment of Equity Shares offered in the Issue**

- (a) The Company will ensure that (i) the Allotment of Equity Shares offered in the Issue; and (ii) credit to the successful Applicant's depository account will be completed within 12 Working Days of the Issue Closing Date.
- (b) In accordance with the SEBI Regulations, Equity Shares offered in the Issue will be issued and Allotment shall be made only in the dematerialised form to the Allottees.

- (c) Allottees will have the option to re-materialise the Equity Shares so Allotted in the Issue as per the provisions of the Companies Act, the relevant provisions of the Companies Act, 2013 applicable as on the date of the Prospectus and the Depositories Act.
- (d) As provided in the SEBI Exemption the Equity Shares may be Allotted to less than 10 Allottees under the Issue. As provided in the SEBI Regulations, no single Allottee shall be Allotted more than 25% of the aggregate number of the Equity Shares Allotted in the Issue. See “*Number of Allottees*” at page 123 of this Red Herring Prospectus.

**Applicants are advised to instruct their Depository Participant to accept the Equity Shares that may be Allotted to them pursuant to this Issue.**

## **GENERAL INSTRUCTIONS**

- (a) Check if you are eligible to apply;
- (b) Ensure that the price per Equity Share you have included in the ASBA Applications is a price per Equity Share at or above the Floor Price or within the Price Band, as the case may be;
- (c) Do not apply for or revise the prices indicated in the ASBA Application to a price higher than the Cap Price, if applicable;
- (d) Ensure that the details about the Depository Participant and the beneficiary account are correct as Allotment of Equity Shares in the Issue will be in the dematerialised form only;
- (e) Ensure that the ASBA Applications are submitted either to the members of the Syndicate or at a Designated Branch of the SCSB where the Applicant or the person whose ASBA Account will be utilised by the Applicant for bidding has an ASBA Account;
- (f) Ensure that the ASBA Application is signed by the account holder(s) or an authorised signatory on behalf of the account holder, in case the Applicant is not the ASBA Account holder. Ensure that you have mentioned the correct ASBA Account number in the ASBA Application;
- (g) Ensure that the ASBA Application is completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the ASBA Application or in the Revision Form. Applicants should note that the members of the Syndicate and/or the SCSBs, as appropriate, will not be liable for errors in data entry due to incomplete or illegible ASBA Applications or Revision Forms;
- (h) If you are an SCSB and are applying for Allotment of the Equity Shares, ensure that you use an ASBA Account for your ASBA Application which is maintained in your own name with a different SEBI registered SCSB, which ASBA Account is used solely for the purpose of subscribing in public issues, having clear, demarcated funds.
- (i) Ensure that you request for and receive a TRS for each of the options applied for in the ASBA Application;
- (j) Ensure that you have funds equal at least to the Application Amount in your ASBA Account maintained with the SCSB before submitting the ASBA Application to the respective Designated Branch of the SCSB or the member of the Syndicate;
- (k) Submit revised ASBA Applications to the same member of the Syndicate/SCSB through whom the original ASBA Application was placed and obtain a revised TRS;
- (l) Ensure that the Demographic Details (as defined herein below) are updated, true and correct in all respects;
- (m) Ensure that the name given in the ASBA Application is exactly the same as the name in which the beneficiary account is held with the Depository Participant;

- (i) Ensure that the DP ID, the Client ID and the PAN mentioned in the ASBA Application and entered into the electronic bidding system of the Stock Exchanges by SCSBs and the members of the Syndicate match with the DP ID, Client ID and PAN available in the Depository database;
- (ii) Ensure that you use the ASBA Application bearing the stamp of the relevant SCSB and/or the Designated Branch of the SCSB and/or the member of the Syndicate (except in case of electronic forms);
- (iii) Applicants bidding through Members of the Syndicate should ensure that the ASBA Application is submitted to a member of the Syndicate and that the SCSB where the ASBA Account, as specified in the ASBA Application, is maintained has named at least one branch; and
- (iv) Ensure that in case of ASBA Applications made under power of attorney, relevant documents are submitted;
- (n) Ensure that ASBA Applications submitted by QIBs resident outside India should be in compliance with applicable foreign and Indian laws;
- (o) Ensure that you have correctly signed the authorisation/undertaking box in the ASBA Application, or have otherwise provided an authorisation to the SCSB via the electronic mode, for blocking funds in the ASBA Account equivalent to the Application Amount mentioned in the ASBA Application;
- (p) ASBA Applications made on a repatriation basis shall be in the name of FII under the Portfolio Investment Scheme;
- (q) Do not fill up the ASBA Application such that the number of Equity Shares applied for exceeds the investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations; and
- (r) Information provided by the Applicants will be uploaded on the electronic bidding system of the Stock Exchanges by the members of the Syndicate and the SCSBs, as the case may be, and the electronic data will be used to make Allocation and Allotment. Please ensure that the details are correct and legible.

#### **Applicant's PAN, Depository Account and ASBA Account Details**

**Applicants should note that on the basis of PAN of the Applicants, DP ID and Client ID entered into the electronic bidding system of the Stock Exchanges by the members of the Syndicate or SCSBs, the Registrar to the Issue will obtain from the Depository the demographic details including address, Applicants' ASBA Account details, and PAN registered with the Depository (the "Demographic Details"). These Demographic Details would be used for processing, including identifying ASBA Applications to be rejected on technical grounds and unblocking of ASBA Account. Hence, Applicants are advised to immediately update their Demographic Details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in unblocking of the ASBA Account at the Applicants sole risk and none of the Book Running Lead Managers, the Registrar to the Issue, the Syndicate Member, the SCSBs or the Company shall have any responsibility and undertake any liability for the same. Hence, Applicants should carefully fill in their Depository Account details in the ASBA Application.**

The Demographic Details would be used for all correspondence with the Applicants including mailing of the CANs. The Demographic Details given by Applicants in the ASBA Application would not be used for any other purpose by the Registrar to the Issue.

By signing the ASBA Application, the Applicant would be deemed to have authorised the Depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

**The CAN will be mailed at the address of the Applicant as per the Demographic Details received from the Depositories or the email address provided by the Applicant in the ASBA Application. Applicants may note that delivery of the CAN may get delayed if the same once sent to the address obtained from the Depositories are returned undelivered. Please note that any such delay shall be at such Applicant's sole risk and none of the Company, Book Running Lead Managers, Syndicate Member or the Registrar to the Issue shall be liable to compensate the Applicant for any losses caused to the Applicant due to any such delay or liable to pay any interest for such delay.**

**In case no corresponding record is available with the Depositories, which matches the parameters, namely, PAN of the Applicant, the DP ID and Client ID, then such ASBA Application is liable to be rejected.**

#### **ASBA Applications made under Power of Attorney**

In case of ASBA Applications made pursuant to a power of attorney or by FIIs, Mutual Funds, VCFs, FVCIs, AIFs, Insurance Companies and provident funds with a minimum corpus of ₹ 250 million (subject to applicable law) and pension funds with a minimum corpus of ₹ 250 million, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the memorandum of association and articles of association and/or bye laws must be lodged along with the ASBA Application.

In addition to the above, certain additional documents are required to be submitted by the following entities:

- (a) With respect to ASBA Applications by FIIs, Mutual Funds, VCFs, FVCI's and AIFs a certified copy of their SEBI registration certificate must be lodged along with the ASBA Application.
- (b) With respect to ASBA Applications by Insurance Companies, in addition to the above, a certified copy of the certificate of registration issued by the Insurance Regulatory and Development Authority must be lodged along with the ASBA Application.
- (c) With respect to ASBA Applications made by provident funds with a minimum corpus of ₹ 250 million (subject to applicable law) and pension funds with a minimum corpus of ₹ 250 million (subject to applicable law), a certified copy of a certificate from a chartered accountant certifying the corpus of the provident fund/pension fund must be lodged along with the ASBA Application.

#### **PAYMENT INSTRUCTIONS**

##### **Payment mechanism for Applicants**

The Applicants shall specify the ASBA Account number in the ASBA Application. The SCSB shall block an amount equivalent to the Application Amount in the ASBA Account specified in the ASBA Application and each Applicant or the account holder shall be deemed to have agreed to block such amount. In case of revision of the number of Equity Shares applied for or the price per Equity Share, the SCSB shall block additional Application Amount in the ASBA Account of such Applicant and the Applicants or the account holder shall be deemed to have agreed to block such amount.

The Application Amount shall remain blocked in the ASBA Account until finalisation of the Basis of Allocation in the Issue, dispatch of the CAN and consequent transfer of the Application Amount to the Public Issue Account, until rejection of the ASBA Applications or until withdrawal of the Issue, as the case may be. In the event of rejection of the ASBA Application or for unsuccessful or partially successful ASBA Applications, the Registrar to the Issue shall give instructions to the SCSB to unblock the application money in the relevant ASBA Account and the same shall be acted upon by the SCSB concerned within one Working Day of receipt of such instruction.

#### **OTHER INSTRUCTIONS**

##### **Multiple Applications**

An Applicant should submit only one (and not more than one) ASBA Application.



Provided (i) in case of a Mutual Fund, a separate ASBA Application may be made in respect of each scheme of the Mutual Fund and such ASBA Applications in respect of over one scheme of the Mutual Fund will not be treated as multiple ASBA Applications provided that the ASBA Applications clearly indicate the scheme concerned for which the ASBA Application has been made and (ii) in case of an Insurance Company, a separate ASBA Application may be made in respect of each fund of the Insurance Company and such ASBA Applications in respect of over one fund of the Insurance Company will not be treated as multiple ASBA Applications provided that the ASBA Applications clearly indicate the fund concerned for which the ASBA Application has been made.

After submitting an ASBA Application, an Applicant cannot submit another ASBA Application, to either the same or another Designated Branch of the SCSB or member of the Syndicate. Submission of a second ASBA Applications in such manner will be deemed a multiple ASBA Application and is liable to be rejected. However, the Applicants may upwardly revise their ASBA Application through the Revision Form, the procedure for which is described in “Revision of ASBA Applications” above at page 128 of this Red Herring Prospectus..

Copies of ASBA Applications with the same PAN details shall be treated as multiple ASBA Applications and are liable to be rejected.

The Company, in consultation with the Book Running Lead Managers, reserves the right to reject, in its absolute discretion, all or all except one of such multiple ASBA Application(s) in any or all categories.

- (a) All ASBA Applications will be checked for common PAN as per the records of Depository. For Applicants other than Mutual Funds and FII sub-accounts, ASBA Applications bearing the same PAN will be treated as multiple ASBA Applications and will be rejected.
- (b) For ASBA Applications from Mutual Funds and FII sub-accounts which were submitted under the same PAN, the ASBA Applications will be scrutinised for DP ID and Client ID. In case ASBA applications bear the same DP ID and Client ID, these will be treated as multiple ASBA Applications.

The Registrar to the Issue will obtain, from the depositories, details of the Applicant’s address based on the DP ID and Client ID provided in the ASBA Applications.

## **REJECTION OF ASBA APPLICATIONS**

The Company has a right to reject the ASBA Applications based on technical grounds. The Designated Branches of the SCSBs shall have the right to reject ASBA Applications if at the time of blocking the Application Amount in the Applicant’s ASBA Account, the respective Designated Branch of the SCSB ascertains that sufficient funds are not available in the Applicant’s ASBA Account maintained with the SCSB.

### **Grounds for Technical Rejections**

Applicants are advised to note that ASBA Applications are liable to be rejected inter alia on the following technical grounds and for any other reasons after assigning reason for such rejection in writing:

- (a) ASBA Applications other than by QIBs.
- (b) Incomplete ASBA Application. For instance, ASBA Application not having details of the ASBA Account to be blocked or not containing the authorisations for blocking the Application Amount in the ASBA Account specified in the ASBA Application;
- (c) The amount mentioned in ASBA Application does not tally with the amount payable for the value of the Equity Shares applied for;
- (d) PAN not mentioned in the ASBA Application;
- (e) ASBA Applications made at a price per Equity Share less than the Floor Price or not within the Price Band, as the case may be;
- (f) ASBA Application by Applicants whose demat account have been “suspended for credit” pursuant to the circular issued by SEBI on July 29, 2010 bearing number CIR/MRD/DP/22/2010;

- (g) Multiple ASBA Applications as explained in this Red Herring Prospectus. See “- **Other Instructions – Multiple ASBA Applications**” on page 134 of this Red Herring Prospectus;
- (h) ASBA Applications are not delivered by the Applicants within the time prescribed as per the ASBA Applications, the Floor Price/Price Band Announcement and this Red Herring Prospectus and as per the instructions in this Red Herring Prospectus and the ASBA Applications;
- (i) In case no matching or corresponding record is available with the Depositories that matches the DP ID and the Client ID;
- (j) Inadequate funds in the ASBA Account to block the Application Amount specified in the ASBA Application at the time of blocking such Application Amount in the ASBA Account;
- (k) In case of SCSBs applying for Allotment of Equity Shares, if the ASBA Account is not maintained in the name of such SCSB with a different SEBI registered SCSB;
- (l) ASBA Applications by persons in the United States – other than qualified institutional buyers as defined in Rule 144A of the U.S. Securities Act;
- (m) ASBA Applications, details of which are not uploaded on the electronic bidding system of the Stock Exchanges; and
- (n) ASBA Applications by persons prohibited from buying, selling or dealing in the shares directly or indirectly by SEBI or any other regulatory authority.
- (o) ASBA Application submitted by Applicants to a member of the Syndicate at locations other than the Specified Cities.
- (p) ASBA Application does not have the Applicant’s depository account details.

#### **EQUITY SHARES IN DEMATERIALISED FORM WITH NSDL OR CDSL**

The Allotment of Equity Shares in this Issue shall be only in a dematerialised form, (i.e., not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

Applicants can seek Allotment only in dematerialised mode. ASBA Applications from any Applicant without relevant details of its depository account are liable to be rejected.

- (a) An Applicant applying for Equity Shares in the Issue must have at least one beneficiary account with a Depository Participant of either NSDL or CDSL prior to making the ASBA Application.
- (b) Allotment to a successful Applicant will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Applicant as provided in the ASBA Application.
- (c) Names in the ASBA Application or Revision Form should be identical to those appearing in the account details in the Depository.
- (d) The Applicant is responsible for the correctness of its Demographic Details given in the ASBA Application vis-à-vis those with its Depository Participant.
- (e) The trading of the Equity Shares issued pursuant to the Issue of the Company would be in dematerialised form only for all Applicants in the demat segment of the Stock Exchanges.
- (f) Non transferable CAN will be directly sent to the Applicants.

The Company or the members of the Syndicate will not be responsible or liable for the delay in the credit of the Equity Shares Allotted in the Issue due to errors in the ASBA Application or otherwise on part of the Applicants.

## **Communications**

All future communications in connection with ASBA Applications made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the Applicant, ASBA Application number, the Applicants' Depository Account details, number of Equity Shares applied for, date of the ASBA Application, name and address of the member of the Syndicate or the Designated Branch of the SCSBs where the ASBA Application was submitted and ASBA Account number in which the amount equivalent to the Application Amount was blocked.

Applicants can contact the Registrar to the Issue in case of any pre-Issue or post-Issue related problems such as non-receipt of the CAN, credit of Allotted Equity Shares in the respective beneficiary accounts etc. In case of ASBA Applications submitted with the Designated Branches of the SCSBs, Applicants can contact the Designated Branches of the SCSBs.

## **UNBLOCKING THE FUNDS**

The Registrar to the Issue shall instruct the relevant SCSBs to unblock the funds in the relevant ASBA Accounts to the extent of the Application Amount specified in the ASBA Applications for rejected or unsuccessful or partially successful ASBA Applications within 12 Working Days of the Issue Closing Date and the same shall be acted upon by the SCSBs within one Working Day of receipt of such instruction.

## **DISPOSAL OF ASBA APPLICATIONS AND APPLICATION MONEYS AND INTEREST IN CASE OF DELAY**

The Company shall take all steps to ensure that listing and commencement of trading of the Equity Shares Allotted in the Issue at the Stock Exchanges is made within 12 Working Days of the Issue Closing Date.

In accordance with the Companies Act, the relevant provisions of the Companies Act, 2013 applicable as on the date of the Prospectus, the requirements of the Stock Exchanges and the SEBI Regulations, the Company further undertakes that:

- (a) Allotment of Equity Shares in the Issue shall be made only in dematerialised form within 12 Working Days of the Issue Closing Date;
- (b) Instructions for unblocking of the Applicant's ASBA Account shall be made within 12 Working Days from the Issue Closing Date; and
- (c) The Company shall pay interest at 15% per annum for any delay, if Allotment is not made, funds in the relevant ASBA Accounts to the extent of the Application Amount specified in the ASBA Applications for rejected or unsuccessful or partially successful ASBA Applications are not unblocked and/or demat credits are not made to investors within the 12 Working Days.

## **IMPERSONATION**

**Attention of the Applicants is specifically drawn to the provisions of sub-section (1) of Section 38 of the Companies Act, 2013, which is reproduced below:**

*"Any person who:*

- (a) makes or abets making of an application in a fictitious name to a company for acquiring, or subscribing for, its securities; or*
- (b) makes or abets making of multiple applications to a company in different names or in different combinations of his name or surname for acquiring or subscribing for its securities; or*
- (c) otherwise induces directly or indirectly a company to allot, or register any transfer of, securities to him, or to any other person in a fictitious name."*

**Issue Period**

ISSUE OPENS ON	•
ISSUE CLOSES ON	•

Details of the Issue program shall be disclosed in the Floor Price/Price Band Announcement. Investors should refer to the pre-issue advertisement and the Floor Price/Price Band Announcement for further details.

ASBA Applications and any upward revision in the ASBA Applications shall be accepted and uploaded only between 10 a.m. (Indian Standard Time, “**IST**”) and 5 p.m. IST during the Issue Period as mentioned above by the members of the Syndicate and the Designated Branches of SCSBs as mentioned on the ASBA Application.

**Withdrawal of the Issue**

The Company reserves the right to withdraw the Issue at any stage prior to Allotment. In such an event, the Company would issue a public notice in the newspapers in which the pre-Issue advertisements were published. The Registrar to the Issue, shall issue instructions to the SCSBs to unblock the ASBA Accounts of the Applicants within one day of receipt of such instructions. The Company shall also inform the Stock Exchanges of such withdrawal.

## PLACEMENT

### Issue and Placement Agreement

The Book Running Lead Managers have entered into the Issue and Placement Agreement with the Company, pursuant to which the Book Running Lead Managers will agree to manage the Issue and use reasonable efforts to procure subscription for Equity Shares to be placed with the QIBs, pursuant to Chapter VIII-A of the SEBI Regulations.

The Issue and Placement Agreement contains customary representations and warranties, as well as indemnities from the Company and is subject to termination in accordance with the terms contained therein.

The Company has received in-principle approvals from the Stock Exchanges under Clause 24(a) of the Equity Listing Agreement to list the Equity Shares being offered in the Issue on the Stock Exchanges. After Allotment of the Equity Shares, applications shall be made to list the Equity Shares and admit them to trading on the Stock Exchanges. The Issue is subject to obtaining (i) the final approval of the RoC after the Prospectus is filed with the RoC; and (ii) final listing and trading approvals of the Stock Exchanges, which the Company shall apply for after the Allotment.

In connection with the Issue, the Book Running Lead Managers (or its affiliates and associates) may, for their own accounts, enter into asset swaps, credit derivatives or other derivative transactions relating to the Equity Shares at the same time as the offer and issuance of the Equity Shares, or in secondary market transactions. As a result of such transactions, the Book Running Lead Managers may hold long or short positions in such Equity Shares. These transactions may comprise a substantial portion of the Issue and no specific disclosure will be made of such positions. Affiliates of the Book Running Lead Managers may purchase Equity Shares and be Allotted Equity Shares for proprietary purposes and not with a view to distribution or in connection with the issuance of P-Notes. See “*Offshore Derivative Instruments*” beginning on page 8.

From time to time, the Book Running Lead Managers and certain of its affiliates and associates have provided and continue to provide commercial and investment banking services, particularly acting as an underwriter or lead manager, to us or our affiliates for which they have received and may in the future receive compensation.

### Lock-up

The Company will not, without the prior written consent of the Book Running Lead Managers, from the date of the Issue and Placement Agreement and for a period of up to 60 days from the date of Allotment, directly or indirectly: (a) issue, offer, lend, sell, pledge, contract to sell or issue, sell any option or contract to purchase, purchase any option or contract to sell or issue, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any Equity Shares, or any securities convertible into or exercisable or exchangeable for the Equity Shares or publicly announce an intention with respect to any of the foregoing; (b) enter into any swap or other agreement that transfers, directly or indirectly, in whole or in part, any of the economic consequences of ownership of the Equity Shares or any securities convertible into or exercisable or exchangeable for the Equity Shares; or (c) deposit Equity Shares or any securities convertible into or exercisable or exchangeable for Equity Shares or which carry the right to subscribe for or purchase Equity Shares in depository receipt facilities or enter into any such transaction (including a transaction involving derivatives) having an economic effect similar to that of a sale or a deposit of Equity Shares in any depository receipt facility; or (d) announce any intention to enter into any transaction whether any such transaction described in (a), (b) or (c) above is to be settled by delivery of the Equity Shares, or such other securities, in cash or otherwise, provided, however, that the foregoing restrictions shall not be applicable to (i) any grant of options by the Company under an employee stock option scheme; or (ii) the Allotment pursuant to the terms of this Red Herring Prospectus and the Prospectus.

The Promoters and members of the Promoter Group, who are holding Equity Shares, have agreed that they will not, without the prior written consent of the Book Running Lead Managers, during the period commencing on the date of the Issue and Placement Agreement and ending 60 days after the date of Allotment (the “**Lock-up Period**”), directly or indirectly: (a) issue, offer, lend, sell, pledge, contract to sell or issue, sell any option or contract to purchase, purchase any option or contract to sell or issue, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any Equity Shares, or any securities convertible into or exercisable or exchangeable for the Equity Shares or publicly announce an intention with respect to any of the foregoing; (b) enter into any swap or other agreement that transfers, directly or indirectly, in whole or in part, any of the economic consequences of ownership of the Equity Shares or any securities convertible into or exercisable or exchangeable for the Equity Shares; or (c) deposit Equity Shares or any

securities convertible into or exercisable or exchangeable for Equity Shares or which carry the right to subscribe for or purchase Equity Shares in depository receipt facilities or enter into any transaction (including transaction involving derivatives) having an economic effect similar to that of a sale or a deposit of Shares in any depository receipt facility; or (d) announce any intention to enter into any transaction whether any such transaction described in (a), (b) or (c) above is to be settled by delivery of the Equity Shares, or such other securities, in cash or otherwise.

The foregoing paragraph shall not apply to (a) any inter-se transfer of Equity Shares between the Promoters and Promoter Group, provided that the lock-up shall continue for the remaining period with the transferee and such transferee shall not be eligible to transfer such Equity Shares till the Lock-up Period set out herein has expired; (b) bona fide pledge of lock-up Equity Shares, as collateral for loans as per the normal commercial terms entered into, in the ordinary course of business of the Company, where any arrangement for any such encumbrance as collateral is undertaken with the prior written approval of the Book Running Lead Managers and (c) any sale, transfer or disposition of such Equity Shares only to the extent such sale, transfer or disposition is required by applicable Indian law, including compliance with minimum public shareholding requirements applicable to the Company.

### Statement of Responsibilities of the Book Running Lead Managers

The following table sets forth the *inter se* allocation of responsibilities for various activities among the BRLMs for the Issue:

Sr. No.	Activities	Responsibility	Co-ordinator
1.	Capital structuring with the relative components and formalities	I-sec, Kotak, ESIB	I-sec
2.	Co-ordination with SEBI including seeking of the requisite approvals / exemptions	I-sec, Kotak, ESIB	I-sec
3.	Co-ordinating with the Auditors for Auditor deliverables including Comfort and Consent letters, circle ups and other certificates related to the Issue	I-sec, Kotak, ESIB	I-sec
4.	Due diligence of the Company including its operations, management, business plans, legal etc. Drafting and design of Red Herring Prospectus and Prospectus and other issue related material such as application forms etc.	I-sec, Kotak, ESIB	I-sec
The BRLMs shall ensure compliance with stipulated requirements and completion of prescribed formalities with the Stock Exchanges, the ROC and SEBI including finalisation of the Red Herring Prospectus and Prospectus, in-principle approval of the Stock Exchanges under clause 24(a) of the Listing agreement and ROC filing.			
5.	Drafting and approval of all statutory advertisements	I-sec, Kotak, ESIB	I-sec
6.	Review and approval of other publicity materials such as corporate advertisements, press releases, etc.	I-sec, Kotak, ESIB	ESIB
7.	Appointment of Intermediaries: Public Issue Account Bank, Registrar to the Issue and other intermediaries including printers, advertising agency, etc.	I-sec, Kotak, ESIB	Kotak
8.	International institutional marketing strategy, which will cover, <i>inter alia</i> : <ul style="list-style-type: none"> <li>Finalising the list and division of investors for one to one meetings</li> <li>Finalising the International road show schedule and investor meeting schedules</li> <li>Preparing road show presentation and frequently asked questions</li> </ul>	I-sec, Kotak, ESIB	Asia-I-sec Europe-ESIB US-Kotak
9.	Domestic institutional marketing strategy, which will cover, <i>inter alia</i> : <ul style="list-style-type: none"> <li>Finalising the list and division of investors for one to one meetings</li> <li>Finalising the domestic road show schedule and investor meeting schedules</li> </ul>	I-sec, Kotak, ESIB	Kotak
10.	Pricing, managing the book and allocation	I-sec, Kotak, ESIB	ESIB
11.	Co-ordination with the Stock Exchanges for book building software and bidding terminals.	I-sec, Kotak, ESIB	Kotak
12.	Post-issue activities including preparation of CAN, management of public issue accounts, follow-up with SCSBs, Registrar to the Issue, co-ordination for allocation, demat delivery of shares, intimation of allocation and dispatch of CANs to Bidders etc. The merchant banker shall be responsible for ensuring that these agencies fulfil their functions and enable it to discharge this responsibility through suitable agreements with the Company.	I-sec, Kotak, ESIB	Kotak
The post Issue activities will involve essential co-ordination and follow up steps with the Stock Exchanges, which include the receipt of in-principle approval of the Stock Exchanges and finalisation of listing and trading of Equity Shares.			

## SELLING RESTRICTIONS

*The distribution of this Red Herring Prospectus or any material related to the Issue and the offering, sale or delivery of the Equity Shares is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Red Herring Prospectus or any offering material are advised to consult with their own legal advisors as to what restrictions may be applicable to them and to observe such restrictions. This Red Herring Prospectus may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised. No action has been taken or will be taken that would permit a public offering of the Equity Shares to occur in any jurisdiction, or the possession, circulation or distribution of this Red Herring Prospectus or any other material relating to the Company or the Equity Shares in any jurisdiction where action for such purpose is required. Accordingly, the Equity Shares may not be offered or sold, directly or indirectly, and neither this Red Herring Prospectus nor any offering materials or advertisements in connection with the Equity Shares may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.*

*The distribution of this Red Herring Prospectus or any offering material and the offering, sale or delivery of the Equity Shares is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Red Herring Prospectus or any offering material are advised to consult with their own legal advisors as to what restrictions may be applicable to them and to observe such restrictions. This Red Herring Prospectus may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.*

### General

No action has been taken or will be taken that would permit a public offering of the Equity Shares to occur in any jurisdiction other than India, or the possession, circulation or distribution of this Red Herring Prospectus or any other material relating to the Company or the Equity Shares in any jurisdiction where action for such purpose is required. Accordingly, the Equity Shares may not be offered or sold, directly or indirectly, and neither this Red Herring Prospectus nor any offering materials or advertisements in connection with the Equity Shares may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction. The Issue will be made in compliance with the applicable SEBI Regulations. Each purchaser of the Equity Shares in this Issue will be deemed to have made acknowledgments and agreements as described under “**Transfer Restrictions**” in this Red Herring Prospectus.

### European Economic Area

The Equity Shares have not been and will not be offered, sold or publicly promoted or advertised in any Member State of the European Economic Area (“**EEA**”) which has implemented the Prospectus Directive (each, a “**Relevant Member State**”) other than in compliance with the Prospectus Directive or any other laws applicable in the EEA governing the issue, offering and sale of securities. No action has been taken, or will be taken, in any Relevant Member State to permit an offer to the public of any of the Equity Shares in that Relevant Member State. Accordingly, the Equity Shares are not being (and will not be) offered and will not be allocated to any person in the EEA other than:

- to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- to any legal entity which has two or more of: (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000; and (3) an annual net turnover of more than €50,000,000, in the case of (2) and (3) as shown in its last annual or consolidated accounts;
- to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of each Underwriter; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offering of Equity Shares shall result in a requirement for the publication by the Company or any Underwriter of a prospectus pursuant to Article 3 of the Prospectus Directive of the Prospectus Directive or any measure implementing the Prospectus Directive in a Relevant Member State and each person who initially acquires any Equity Shares or to whom any offer is made under the Issue will be deemed to have represented, acknowledged and agreed that it is a “qualified investor” within the meaning of Article 2(1)(e) of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of Equity Shares to the public” in relation to any Equity Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Equity Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Equity Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

In the case of any Equity Shares being offered to a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, such financial intermediary will also be deemed to have represented, acknowledged and agreed that the Equity Shares acquired by it in the Issue have not been acquired on a non discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any Equity Shares to the public other than their offer or resale in a Relevant Member State to “qualified investors” within the meaning of Article 2 (1)(e) of the Prospectus Directive or in circumstances in which the prior consent of the Underwriters has been obtained to each such proposed offer or resale. The Company, the Underwriters and their respective affiliates will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement. Notwithstanding the above, a person who is not a “qualified investor” as so defined and who has notified the Underwriters of such fact in writing may, with the consent of the Underwriters, be permitted to subscribe for or purchase Equity Shares in the Issue subject to compliance at all times by the Company and the Underwriters with the provisions of Article 3(2) of the Prospectus Directive.

## **Hong Kong**

No Equity Shares have been offered or sold, and no Equity Shares may be offered or sold, in Hong Kong, by means of any document, other than to “professional investors” as defined in the Securities and Futures Ordinance, Chapter. 571 of the laws of Hong Kong (“**Securities and Futures Ordinance**”) and any rules made under that Ordinance; or to persons whose ordinary business is to buy or sell shares or debentures, whether as principal or agent; or in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance, Chapter. 32 of the laws of Hong Kong (“**Companies Ordinance**”) or which do not constitute an offer to the public within the meaning of the Companies Ordinance or an invitation to the public within the meaning of the Securities and Futures Ordinance. No document, invitation or advertisement relating to the Equity Shares has been issued or may be issued, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted under the securities laws of Hong Kong) other than with respect to Equity Shares which are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance. This Red Herring Prospectus and the Equity Shares have not been and will not be registered with the Securities and Futures Commission of Hong Kong and/or the Stock Exchange of Hong Kong. There are no public markets or platforms in Hong Kong for the purchase or disposal of the Equity Shares. If you are in doubt as to the contents of this Red Herring Prospectus, you must immediately seek legal and investment advice from your solicitor, accountant and/or professional advisors.

## **Singapore**

This Red Herring Prospectus has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Red Herring Prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Equity Shares may not be circulated or distributed, nor may the Equity Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor pursuant to Section 274 of the Securities and Future Act (Chapter 289) of Singapore (the “**SFA**”), (ii) to a relevant person, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.



Unless otherwise permitted under the SFA, where the Equity Shares are acquired by a person pursuant to Section 274 or 275 of the SFA, such Equity Shares shall not be transferable for six months after that person has acquired the Equity Shares, except (i) to another person who is an institutional investor or a relevant person, or (ii) pursuant to Section 275(1A) of the SFA.

Unless otherwise permitted under the SFA, where the Equity Shares are subscribed or purchased pursuant to Section 275 of the SFA by a relevant person which is:

- a corporation which is not an accredited investor (as defined in Section 4A of the SFA) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- a trust (where the trustee is not an accredited investor) the sole purpose of which is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for six months after that corporation or that trust has acquired the Equity Shares pursuant to an offer made under Section 275 of the SFA except: (i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on the terms that such Equity Shares, debentures and units of Equity Shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than S\$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, in accordance with the conditions, specified in Section 275 of the SFA as applicable; (ii) where no consideration is given for the transfer; or (iii) by operation of law.

## **United Arab Emirates**

This Red Herring Prospectus does not, and shall not, constitute an invitation, offer, sale or delivery of Equity Shares or other securities under the laws of the United Arab Emirates (the “**UAE**”) (including the laws of the Dubai International Financial Centre (the “**DIFC**”)) and accordingly shall not be construed as such. Neither the Issue, Equity Shares nor interests therein offered are regulated under the laws of the UAE (including the laws of the DIFC) relating to securities, investments or otherwise. Neither the Issue nor the Red Herring Prospectus is approved or licensed by, or registered with, the UAE Central Bank, the Dubai Financial Services Authority (“**DFSA**”), or any other relevant licensing or regulatory authorities or governmental agencies in the UAE (including in the DIFC). The Equity Shares have not been and will not be registered under Federal Law No. 4 of 2000 Concerning the Emirates Securities and Commodities Authority and the Emirates Security and Commodity Exchange, or with the UAE Central Bank, the Dubai Financial Market, the Abu Dhabi Securities market or with any other UAE or DIFC exchange.

The Issue, the Equity Shares and interests therein do not constitute a public offer of securities or an advertisement or solicitation to the general public in the UAE in accordance with the Commercial Companies Law, Federal Law No. 8 of 1984 (as amended) or otherwise, or an offer of securities in the DIFC in accordance with the Markets Law, DIFC Law No. 12 of 2004. This Red Herring Prospectus is strictly private and confidential and is being distributed to a limited number of selected institutional and/or sophisticated investors and must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose. The interests in the Equity Shares may not be offered or sold directly or indirectly to retail investors or the public in the UAE (including in the DIFC) and no sale of securities or other investment products is intended to be consummated within the UAE or the DIFC. The Underwriters are not licensed brokers, dealers, financial advisors or investment advisors under the laws applicable in UAE and the DIFC, and do not advise individuals resident in the UAE or the DIFC as to the appropriateness of investing in or purchasing or selling securities or other financial products. Nothing contained in this Red Herring Prospectus is intended to constitute investment, legal, tax, accounting or other professional advice in, or in respect of, the UAE or the DIFC. This document is confidential and for your information only and nothing in this Red Herring Prospectus is intended to endorse or recommend a particular course of action. Prospective investors should conduct their own due diligence on the Issue and the Equity Shares. You should consult an appropriate professional for specific advice rendered on the basis of your situation.

## United Kingdom

The Equity Shares cannot be promoted in the United Kingdom to the general public. The contents of this Red Herring Prospectus has not been approved by an authorised person within the meaning of FSMA. Each Underwriter has represented, warranted and agreed in the Underwriting Agreement that (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000, as amended (the “**FSMA**”), to persons who (i) are investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “**Financial Promotion Order**”), or (ii) fall within any of the categories of persons described in article 49(2)(a) to (d) of the Financial Promotion Order or otherwise in circumstances in which section 21(1) of the FSMA does not apply to the Company; and (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Equity Shares in, from or otherwise involving the United Kingdom. Any invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) in connection with, or relating to, the sale or purchase of any Equity Shares, may only be communicated or caused to be communicated in circumstances in which section 21(1) of the FSMA does not apply. It is the responsibility of all persons under whose control or into whose possession this document comes to inform themselves about and to ensure observance of all applicable provisions of FSMA in respect of anything done in relation to an investment in Equity Shares in, from or otherwise involving, the United Kingdom.

## United States

The Equity Shares have not been and will not be registered under the U.S. Securities Act, and may not be offered or sold within the United States, or for the account or benefit of U.S. persons (as defined in Regulations S of the U.S. Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. The Equity Shares are being offered and sold (1) in the United States to “qualified institutional buyers” (as defined in Rule 144A Rule 144A pursuant to section 4(a)(2) of the U.S. Securities Act, and (2) outside the United States in offshore transactions in reliance on Regulations S under the Securities Act.

## **TRANSFER RESTRICTIONS**

The Equity Shares being Allotted shall not be sold for a period of one year from the date of Allotment, except on the Stock Exchanges.

Subject to the foregoing:

### **U.S. Offer Transfer Restrictions**

Each purchaser of the Equity Shares in the United States by accepting delivery of this Red Herring Prospectus, submitting a bid to purchase Equity Shares and/or accepting delivery of any Equity Shares, will be deemed to have represented and agreed that it has received a copy of this Red Herring Prospectus and such other information as it deems necessary to make an informed investment decision and that (terms used herein that are defined in Rule 144A or Regulation S are used herein as defined therein):

- It (A) is a “qualified institutional buyer” (as defined in Rule 144A) and (B) is aware that the sale of the Equity Shares to it is being made in reliance on exemptions under the Securities Act.
- It is acquiring the Equity Shares for its own account or for the account of one or more eligible US investors (i.e., qualified institutional buyers), each of which is acquiring beneficial interests in the Equity Shares for its own account.
- It understands that the Equity Shares have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S and on a recognised stock exchange, as applicable.
- It acknowledges that the Company, the Lead Managers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of such acknowledgements, representations or agreements deemed to have been made by virtue of its purchase of the Equity Shares are no longer accurate, it will promptly notify the Company and the Lead Managers.

### **Global Offer Transfer Restrictions**

Each purchaser of the Equity Shares outside the United States pursuant to Regulation S will be deemed to have represented and agreed as follows:

- It is authorised to consummate the purchase of the Equity Shares in compliance with all applicable laws and regulations.
- It acknowledges (or if it is a broker-dealer acting on behalf of a customer, its customer has confirmed to it that such customer acknowledges) that such Equity Shares have not been and will not be registered under the Securities Act.
- It certifies that either (A) it is, or at the time the Equity Shares are purchased will be, the beneficial owner of the Equity Shares and is located outside the United States (within the meaning of Regulation S) or (B) it is a broker-dealer acting on behalf of its customer and its customer has confirmed to it that (i) such customer is, or at the time the Equity Shares are purchased will be, the beneficial owner of the Equity Shares, and (ii) such customer is located outside the United States (within the meaning of Regulation S).
- It agrees that it will not offer, sell, pledge or otherwise transfer such Equity Shares except in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S or pursuant to any other available exemption from registration under the Securities Act and in accordance with all applicable securities laws of the States of the United States and any other jurisdiction, including India.

- It acknowledges that the Company, the Lead Managers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of such acknowledgements, representations or agreements deemed to have been made by virtue of its purchase of the Equity Shares are no longer accurate, it will promptly notify us.

Any resale or other transfer or attempted resale or other transfer, made other than in compliance with the above stated restrictions will not be recognised by the Company.

## THE SECURITIES MARKET OF INDIA

*The information in this section has been extracted from publicly available documents from various sources, including officially prepared materials from the SEBI, the BSE and the NSE, and has not been prepared or independently verified by the Company, the Book Running Lead Managers, the Syndicate Member or any of their respective affiliates or advisors.*

India has a long history of organised securities trading. In 1875, the first stock exchange was established in Mumbai.

### The Indian Securities Market

#### Stock exchanges regulations

Indian stock exchanges are regulated primarily by SEBI, as well as by the Government acting through the Ministry of Finance, Stock Exchange Division, under the SCRA and the SCRR.

The SEBI Act empowers SEBI to regulate the Indian securities markets, including stock exchanges and capital market intermediaries, promote and monitor self-regulatory organisations and prohibit fraudulent and unfair trade practices. Regulations concerning minimum disclosure requirements by public companies, investor protection, insider trading, substantial acquisitions of shares and takeover of companies, buy-backs of securities, employee stock option schemes, stockbrokers, merchant bankers, underwriters, mutual funds, foreign institutional investors, credit rating agencies and other capital market participants have been notified by the relevant regulatory authorities.

Most of the stock exchanges have their own governing board for self regulation. The BSE and the NSE together hold a dominant position among the stock exchanges in terms of the number of listed companies, market capitalisation and trading activity.

On June 20, 2012, SEBI, in exercise of its powers under the SCRA and the SEBI Act, notified the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012, which regulate *inter alia* the recognition, ownership and internal governance of stock exchanges and clearing corporations in India together with providing for minimum capitalisation requirements for stock exchanges. Various rules, byelaws and regulations of the respective stock exchanges regulate the recognition of stock exchanges, the qualifications for membership thereof and the manner in which contracts are entered into, settled and enforced between members.

#### Listing of securities

The listing of securities on a recognised Indian stock exchange is regulated by applicable Indian laws including the Companies Act, the relevant provisions of the Companies Act, 2013 applicable as on the date of the Prospectus, the SCRA, the SCRR, the SEBI Act, the SEBI Regulations and various guidelines and regulations issued by SEBI and the listing agreements of the respective stock exchanges. The governing body of each stock exchange is empowered to suspend to dealings in a listed security for breach of or non compliance under such listing agreement or for any other reason, subject to the issuer receiving prior written notice of the intent of the exchange and upon granting of a hearing in the matter. SEBI also has the power to amend such equity listing agreements and the bye-laws of the stock exchanges in India, to overrule a stock exchange's governing body and withdraw recognition of a recognised stock exchange.

SEBI has notified the Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 ("**Delisting Regulations**") in relation to the voluntary and compulsory delisting of equity shares from the stock exchanges. In addition, certain amendments to the SCRR have also been notified in relation to delisting.

#### Minimum public shareholding

Pursuant to an amendment of the SCRR in June 2010, all listed companies (except public sector undertakings) are required to maintain a minimum public shareholding of 25% and have been given a period of three years to comply with such requirement. In order to comply with the requirement of maintaining minimum public shareholding, listed companies are entitled to make a further public offer in accordance with the SEBI Regulations. SEBI had also introduced pursuant to a notification dated January 30, 2012 and a circular dated February 01, 2012, SEBI two mechanisms for listed Indian companies and their controlling shareholders to meet

minimum public shareholding requirements, i.e., (i) the institutional placement program; and (ii) an offer for sale (secondary offering) by the promoters and promoter group through the relevant stock exchange.

Pursuant to a circular dated August 29, 2012, SEBI has introduced two additional mechanisms for listed Indian companies to comply with the minimum public shareholding requirements i.e., (i) rights issues to public shareholders, with promoters/promoter group shareholders forgoing their rights entitlement; and (ii) bonus issues to public shareholders, with promoters/promoter group shareholders forgoing their bonus entitlement. Through the circular dated August 29, 2012, SEBI has also made corresponding amendments to Clause 40A of the Equity Listing Agreement to facilitate listed companies to achieve the minimum shareholding requirements.

### **Index-Based Market-Wide Circuit Breaker System**

In order to restrict abnormal price volatility in any particular stock, the SEBI has instructed stock exchanges to apply daily circuit breakers which do not allow transactions beyond a certain level of price volatility. The index-based market-wide circuit breaker system (equity and equity derivatives) applies at three stages of the index movement, at 10%, 15% and 20%. The index-based market-wide circuit breakers, when triggered, bring about a co-ordinated trading halt in all equity and equity derivative markets nationwide. The market-wide circuit breakers are triggered by movement of either the SENSEX of the BSE or the S&P CNX NIFTY of the NSE, whichever is breached earlier.

In addition to the market-wide index-based circuit breakers, there are currently in place individual scripwise price bands of 20% movements either up or down. However, no price bands are applicable on scrips on which derivative products are available or scrips included in indices on which derivative products are available.

As per the circular dated June 28, 2001 issued by SEBI, stock exchanges had been advised to implement appropriate individual scrip wise price bands in either direction, for all scrips in the compulsory rolling settlement except for the scrips on which derivatives products are available or scrips included in indices on which derivatives products are available. For scrips excluded from the requirement of price bands, stock exchanges have implemented a mechanism of dynamic price bands (commonly known as dummy filters or operating range) which prevents acceptance of orders for execution that are placed beyond the price limits set by the stock exchanges. Such dynamic price bands are relaxed by the stock exchanges as and when a market-wide trend is observed in either direction. It has been decided to tighten the initial price threshold of the dynamic price bands. Stock exchanges are required to set the dynamic price bands at 10% of the previous closing price for the following securities:

- (a) stocks on which derivatives products are available;
- (b) stocks included in indices on which derivatives products are available;
- (c) index futures; and
- (d) stock futures.

Further, in the event of a market trend in either direction, the dynamic price bands shall be relaxed by the stock exchanges in increments of 5%. Stock exchanges are entitled to frame suitable rules with mutual consultation for such relaxation of dynamic price bands and shall make it known to the market.

The stock exchanges in India can also exercise the power to suspend trading during periods of market volatility. Margin requirements are imposed by stock exchanges that are required to be paid by the stockbrokers. SEBI has partially modified the system of index based market wide circuit breaker by circular number CIR/MRD/DP/25/2013 September 03, 2013 providing for daily revision of index based market-wide circuit breaker limits and resumption of trading after the halt with a pre-open call auction session.

### **Stock exchanges in India**

The SCRA and the SCRR along with rules, bye-laws and the regulations of the respective stock exchanges, regulate the recognition of stock exchanges, the qualification for membership thereof and the manner in which contracts are entered into, settled and enforced between members.

#### **BSE**

The BSE is one of the stock exchanges in India on which the Equity Shares are listed. Established in 1875, it is the first stock exchange in India to have obtained permanent recognition in 1956 from the Government of India under the SCRA. The BSE Sensitive Index or Sensex consists of listed shares of 30 companies. As of December 31, 2013, the BSE had 1,373 members, comprising 206 individual members, 1,136 Indian companies and 31

FIIs. Only a member of the BSE has the right to trade in the stocks listed on the BSE. As of December 31, 2013 there were 5,294 listed companies trading on the BSE (excluding permitted companies). The estimated market capitalisation of stocks trading on the BSE was ₹ 70,44,257.84 billion as of December 31, 2013. In December 2013, the average daily equity turnover on the BSE was ₹ 20.75 billion. As of December 31, 2013, the BSE had 15,199 trader work stations spread over 199 cities.

(Source: [www.bseindia.com](http://www.bseindia.com))

## NSE

The NSE was established by financial institutions and banks to provide nationwide on-line satellite-linked, screen-based trading facilities to market makers, to provide electronic clearing and settlement for securities including government securities, debentures, public sector bonds and units. Deliveries for trades executed “on-market” are exchanged through the National Securities Clearing Corporation Limited. After recognition as a stock exchange under the SCRA in April 1993, the NSE commenced operations in the wholesale debt market segment in June 1994 and operations in the derivatives segment in June 2000. The average daily turnover for December 2013 was ₹ 109.91 billion. The NSE launched the NSE 50 index, now known as S&P CNX NIFTY, on April 22, 1996 and the Mid-cap Index on January 1, 1996. As of December 31, 2013 the NSE had 1,679 companies listed. The market capitalisation of stocks trading on the NSE was approximately ₹ 68,841.67 billion as of December 31, 2013. The NSE has a wide network in major metropolitan cities and has a screen based trading and a central monitoring system.

(Source: [www.nseindia.com](http://www.nseindia.com))

## Internet-based securities trading and services

SEBI approved internet trading in January, 2000. Internet trading takes place through order routing systems, which route client orders to exchange trading systems for execution. Stockbrokers interested in providing this service are required to apply for permission to the relevant stock exchange and also have to comply with certain minimum conditions stipulated under applicable law. The NSE became the first exchange to grant approval to its members for providing internet-based trading services. Internet trading is possible on both the “equities” as well as the “derivatives” segments of the NSE.

## Trading Hours

Trading on both the BSE and the NSE occurs from Monday through Friday, from 9.15 a.m. to 3.30 p.m. IST (excluding the 15 minutes pre-open session from 9.00 a.m. to 9.15 a.m.). The BSE and the NSE are closed on public holidays. The recognised stock exchanges have been permitted to set their own trading hours (in cash and derivatives segments) subject to the condition that (i) the trading hours are between 9.00 a.m. and 5.00 p.m.; and (ii) the stock exchange has in place risk management system and infrastructure commensurate with the trading hours.

## Trading procedure

Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992

In order to facilitate smooth transactions, the BSE replaced its open outcry system with BSE On-line Trading (BOLT) facility in 1995. This totally automated screen based trading in securities was put into practice nationwide. This has enhanced transparency in dealings and has assisted considerably in smoothening settlement cycles and improving efficiency in back-office work. NSE also provides on-line trading facilities through a fully automated screen based trading system called ‘National Exchange for Automated Trading’ (NEAT), which operates on a strict price/time priority besides enabling efficient trade. NEAT has provided depth in the market by enabling a large number of members all over India to trade simultaneously narrowing the spreads.

## Takeover Regulations

Disclosure and mandatory bid obligations for listed Indian companies under Indian law are governed by the specific regulations in relation to substantial acquisition of shares and takeover being the Takeover Regulations. Since the Company is an Indian listed company, the provisions of the Takeover Regulations apply to the Company.

The Takeover Regulations came into effect on 22 October 2011 and replaced the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 (the “**Takeover Code 1997**”).

The key changes from the Takeover Code 1997 under the Takeover Regulations include:

- the trigger for making a public offer upon acquisition of shares or voting rights has been increased from 15% to 25%;
- every public offer has to be made for at least 26% of all the shares held by other shareholders;
- creeping acquisition of up to 5% is permitted up to a limit of 75% of the shares or voting rights of a company;
- acquisition of control in a target company triggers the requirement to make a public offer regardless of the level of shareholding and the acquisition of shares; and
- if the indirect acquisition of a target company is a predominant part of the business or entity being acquired, it would be treated as a direct acquisition.

### **Insider Trading Regulations**

The Insider Trading Regulations have been notified by SEBI to prohibit and penalise insider trading in India. An insider is, among other things, prohibited from dealing in the securities of a listed company when in possession of unpublished price sensitive information. The Insider Trading Regulations also provide disclosure obligations for shareholders holding more than a pre-defined percentage, and directors and officers, with respect to their shareholding in the company, and the changes therein. The definition of “insider” includes any person who has received or has had access to unpublished price sensitive information in relation to securities of the Company or any person reasonably expected to have access to unpublished price sensitive information and who is or was or is deemed to have been connected with the Company..

### **Depositories**

The Depositories Act provides a legal framework for the establishment of depositories to record ownership details and effect transfers in book-entry form. Further, SEBI framed the Securities and Exchange Board of India (Depositories and Participant) Regulations, 1996, which among other things provide regulations in relation to the formation and registration of such depositories, the registration of participants as well as the rights and obligations of the depositories, participants, companies and beneficial owners. The depository system has significantly improved the operation of the Indian securities markets.

The NSDL and the CDSL are two depositories that provide electronic depository facilities for the trading of equity and debt securities in India.

### **Derivatives (Futures and Options)**

Trading in derivatives is governed by the SCRA, the SCRR and the SEBI Act. The SCRA was amended in February 2000 and derivatives contracts were included within the term “securities”, as defined by the SCRA. Trading in derivatives in India takes place either on separate and independent derivatives exchanges or on a separate segment of an existing stock exchange. The derivatives exchange or derivatives segment of a stock exchange functions as a self-regulatory organisation under the supervision of the SEBI. Derivatives products were introduced in phases in India, starting with futures contracts in June 2000 and index options, stock options and stock futures in June 2000, July 2001 and November 2001, respectively.



## DESCRIPTION OF THE EQUITY SHARES

*The following is a summary of some of the provisions contained in, and is qualified in its entirety by, the Company's Memorandum and Articles of Association, the Companies Act, the relevant provisions of the Companies Act, 2013 applicable as on the date of this Red Herring Prospectus, the SCRA and other related Indian regulations. Prospective investors are urged to read the Company's Memorandum and Articles of Association carefully, and consult with their advisers, as to the Company's Memorandum and Articles of Association and applicable Indian law, and not this summary, govern the rights of the holders of the Equity Shares.*

### Authorised Capital

The authorised share capital of the Company is ₹ 9,500 million divided into 450 million equity shares of ₹ 10 each and 5,000,000 redeemable preference shares of ₹ 1,000 each. As on the date of this Red Herring Prospectus, the Company's issued subscribed and paid-up share capital is ₹ 3,717.13 million divided into 371,712,768 Equity Shares of ₹ 10 each.

### Memorandum and Articles of Association

The Company is governed by its Memorandum and Articles of Association.

### Main objects of our Company

The main objects of our Company as contained in our Memorandum of Association are:

- To carry on the business of money lending and financing, whether by making loans or advances or by purchasing, discounting or accepting bills of exchange, promissory notes or other negotiable instruments or by giving guarantees or otherwise, for any industrial, trade, commercial, agricultural or economic activities of individuals, firms, companies, associations of persons or bodies of individuals, whether incorporated or not.
- To carry on the business as acceptance houses, confirming houses, venture capital funds, merchant bankers, underwriters or investors. However, the Company shall not carry on the business of banking as defined under the Banking Regulation Act, 1949.
- To carry on the business of marketing and dealing of financial products.
- To engage in micro finance activities and thereby provide financial assistance to that segment of the population belonging to the rural and urban poor so as to enable them to engage themselves in productive ventures and thus uplift their overall well being.

### Dividends

Under the Companies Act, an Indian company pays dividend upon a recommendation by its board of directors and subject to approval by a majority of the members, who have the right to decrease but not to increase the amount of the dividend recommended by the board of directors. Subject to certain conditions specified under Section 123 of the Companies Act, 2013, no dividend can be declared or paid by a company for any financial year except out of the profits of the company for that year, calculated in accordance with the provisions of the Companies Act, 2013 or out of the profits of the company for any previous financial year(s) arrived at as laid down by the Companies Act, 2013 and remaining undistributed, or out of both.

However, the board of directors is not obligated to recommend a dividend. The decision of the Board of Directors and shareholders of the Company may depend on a number of factors, including but not limited to, the Company's profits, capital requirements and overall financial condition.

No unpaid or unclaimed dividend shall be forfeited unless the claim thereto becomes barred by law. The Company shall comply with the provisions of Section 205A read with Section 205C of the Companies Act and the Articles of the Company in respect of unpaid or unclaimed dividend. In addition, as permitted by the Articles, the Board may from time to time pay to the members of the Company such interim dividends as in their judgment the position of the Company justifies.

Subject to applicable provisions of the FEMA, all dividends and other distributions declared and payable on the Equity Shares may be paid by the Company to the holder thereof in Indian Rupees and may be converted into foreign currency and freely transferred out of India without the necessity of obtaining any governmental or regulatory authorisation or approval in the India or any political subdivision or taxing authority thereof. The Equity Shares issued pursuant to the Issue shall rank *pari passu* with the existing Equity Shares of the Company in all respects including entitlements to any dividends that may be declared by our Company.

### **Capitalisation of Profits and Issue of Bonus Shares**

The Company may capitalise any amounts standing to the credit of the Company's reserve funds or capital redemption reserve account or in the hands of the Company and available for dividend (or representing premium received on the issue of shares and standing to the credit of the securities premium account) and distribute among shareholders in paying up in full either at par or at premium any unissued shares of the Company or in payment of uncalled liability on the issued shares. However, the securities premium account or the capital redemption reserve account of the Company can only be applied towards payment for unissued Equity Shares issued to members of the Company as fully paid bonus shares. Any issue of bonus shares by a listed company will be subject to the applicable SEBI regulations.

### **Alteration of Share Capital**

The Company's issued share capital may be increased by, *inter alia*, creation of new shares. Subject to provisions of the Companies Act and the relevant provisions of the Companies Act, 2013 applicable as on the date of this Red Herring Prospectus, the Company may also from time to time by special resolution reduce its capital redemption reserve account or premium account. Further, the Company may convert all or any of its fully paid paid-up Equity Shares into stock and re-convert that stock into paid-up equity shares of any denomination and cancel the Equity Shares which have not been taken or agreed to be taken by any person.

The Articles further provide that the Company may in a general meeting, from time to time consolidate or sub-divide its share capital or any of them subject as aforesaid and the Company in a general meeting may also cancel shares which have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled. The Company may also buyback its shares or any other securities issued by it.

### **Pre-emptive Rights**

When it is proposed to increase the subscribed capital of the Company by the issue of new Equity Shares, whether out of unissued share capital or out of increased share capital, such Equity Shares shall be offered first to the existing shareholders in proportion to the to the capital paid up on those shares at that date.

Further, new Equity Shares may be offered to any person whether or not those persons include existing shareholders, if a special resolution to that effect is passed by the shareholders of the Company in a general meeting.

### **Preference Shares**

The Company may issue preference shares which are liable to be redeemed subject to provisions of the Companies Act and the relevant provisions of the Companies Act, 2013 applicable as on the date of this Red Herring Prospectus.

### **General Meetings of Shareholders**

The Company must hold its annual general meeting within six months after the expiry of each financial year, provided that not more than 15 months shall elapse between the date of the previous annual general meeting and the next, unless extended by the Registrar of Companies at the request of the Company for any special reason for a period not exceeding three months.

Written notices convening a meeting setting out the date, place and agenda of the meeting must be given to members at least 21 days prior to the date of the proposed meeting. A general meeting may be called after giving shorter notice if consent is given in writing or by electronic mode by not less than 95% of the members entitled to vote at such meeting.. No general meeting, annual or extraordinary, shall be competent to enter upon, discuss or transact any business which has not been mentioned in the notice or notices upon which it was convened.

A listed company intending to pass a resolution relating to matters such as, but not limited to, amendment in the objects clause of the memorandum of association, the issuing of shares with differential voting or dividend rights, a variation of the rights attached to a class of shares or debentures or other securities, buy-back of shares under the Section 70(1) of the Companies Act, 2013, giving loans or extending guarantee or providing security in excess of the limits prescribed under Section 186 of the Companies Act, 2013, is required to obtain the resolution passed by means of a postal ballot instead of transacting such business in the company's general meeting. A notice to all the shareholders is required to be sent along with a draft resolution explaining the reasons therefore and requesting them to send their assent or dissent in writing on a postal ballot within a period of 30 days from the date of posting the letter. Such postal ballot includes procedure for voting by electronic mode.

### **Voting Rights**

Every member present in person and entitled to vote shall have one vote on a show of hands and on a poll the voting right of every member present in person or by proxy shall be in proportion to his share of the paid-up equity share capital of the Company.

A shareholder may exercise his voting rights by proxy to be given in the form required by the Articles. The instrument appointing a proxy is required to be deposited at the registered office of the Company at least 48 hours before the time of the meeting. A vote given in accordance with the terms of an instrument appointing a proxy shall be valid notwithstanding the prior death or insanity of the principal, or revocation of the instrument, or transfer of the share in respect of which the vote is given, provided no intimation in writing of the death, insanity, revocation or transfer of the share shall have been received by the Company at the office before the meeting. Further no member shall be entitled to exercise any voting right personally or by proxy at any meeting of the Company in respect of any shares registered in his name on which any calls or other sums presently payable by him have not been paid in regard to which the Company has exercised any right of lien.

Pursuant to SEBI Circular dated July 13, 2012, our Company (being one of the top 500 companies listed on the Stock Exchanges based on market capitalisation as on the date of the circular) is required to provide e-voting facility to its shareholders for the businesses which are transacted through postal ballot and for which the notices are issued on or after October 1, 2012.

### **Register of Members**

The Company is required to maintain a register of members wherein the particulars of the members of the Company are entered. For the purpose of determining the shareholders the register may be closed for such period not exceeding 45 days in any one year or 30 days at any one time at such times, as the board of directors may deem expedient.

### **Annual Report and Financial Results**

The annual report must be laid before the annual general meeting of the shareholders of a company. This includes financial information about the company such as the audited financial statements as of the date of closing of the financial year, directors' report, management's discussion and analysis and a corporate governance section, and is sent to the shareholders of the company.

### **Transfer of shares**

Shares held through depositories are transferred in the form of book entries or in electronic form in accordance with the regulations laid down by SEBI, which provide the regime for the functioning of the depositories and the participants and set out the manner in which the records are to be kept and maintained and the safeguards to be followed. Transfers of beneficial ownership of shares held through a depository are exempt from stamp duty. The Company has entered into an agreement for such depository services with NSDL and CDSL.

Under the Equity Listing Agreements, in respect of transfer of Equity Shares, in the event the Company does not effect transfer of Equity Shares within fifteen days or where the Company fails to communicate to the transferee any valid objection to the transfer within the stipulated time period of fifteen days, it is required to compensate the aggrieved party for the opportunity loss caused during the period of the delay. The Equity Shares of the Company are freely transferable. Further, in terms of the Articles, any person, entitled to a share by transmission shall, subject to the right of the Directors to retain such dividends, or money as provided in the Articles, be entitled to receive, and may give a discharge for any dividends or other money payable in respect of the share.

### **Liquidation Rights**

Under the Articles of the Company, the liquidator on any winding-up (whether voluntary under supervision or compulsory) may, with the sanction of a special resolution, but subject to the rights attached to any preference share capital, divide among the contributors in specie any part of the assets of the Company and may with the like sanction, vest any part of the assets of the Company in trustees upon such trusts for the benefit of the contributories as the liquidator shall think fit.

## TAXATION

### I. *Statement of possible tax benefits available to the Company and its shareholders under the applicable laws in India*

#### STATEMENT OF TAX BENEFITS

To,  
The Board of Directors  
Muthoot Finance Limited  
Muthoot Chambers,  
Opposite Saritha Theatre Complex,  
2nd Floor, Banerji Road,  
Kochi 682 018

Dear Sirs,

#### **Statement of Possible Tax Benefits Available to Muthoot Finance Limited (the “Company”) and its shareholders**

We hereby report that the enclosed statement provides the possible tax benefits available to the Company and to the shareholders of the Company under the Income tax Act, 1961, the Wealth Tax Act, 1957, presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant provisions of the statute. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon their fulfilling such conditions, which based on the business imperatives the Company faces in the future, the Company may or may not choose to fulfill.

The benefits discussed in the enclosed statement are neither exhaustive nor conclusive. This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue and we shall in no way be liable or responsible to any shareholder or subscriber for placing reliance upon the contents of this statement.

We do not express any opinion or provide any assurance as to whether:

- (i) Company or its shareholders will continue to obtain these benefits in future; or
- (ii) The conditions prescribed for availing the benefits has been/ would be met with.

The contents of the enclosed statement are based on information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company.

This statement is intended solely for information and for inclusion in the Red Herring Prospectus and Prospectus in connection with the proposed issue of equity shares of the Company in accordance with SEBI ICDR Regulations.

*For and on behalf of*

**M/s. Rangamani & Co.**

Firm Registration No.: 003050S

*R. Sreenivasan*

**PARTNER**

M. No.: 20566

Kochi: March 10, 2014.

## **STATEMENT OF TAX BENEFITS**

### **I. SPECIAL TAX BENEFITS AVAILABLE TO THE COMPANY**

There are no special tax benefits available to the Company.

### **II. GENERAL TAX BENEFITS**

The Income Tax Act, 1961 (provisions of Finance Act, 2012), Wealth Tax Act, 1957, presently in force in India, make available the following general tax benefits to companies and to their shareholders. Several of these benefits are dependent on the companies or their shareholders fulfilling the conditions prescribed under the relevant provisions of the statute.

#### **(A) BENEFITS TO THE COMPANY UNDER THE INCOME TAX ACT, 1961 (“THE ACT”):**

The Company will be entitled to deduction under the sections mentioned hereunder from its total income chargeable to Income Tax.

##### **(a) Dividends and Interest exemptions**

Under section 10(34) of the Act, the Company will be eligible for exemption of income by way of dividend (interim or final) on shares held in a domestic Company referred to in section 115-O of the Act from units of mutual funds specified under section 10(23D) of the Act, income received in respect of units from the Administrator of the specified undertaking and income received in respect of units from the specified company in accordance with and subject to the provisions of section 10(35) of the Act. However, in view of the provisions of Section 14A of Act, no deduction is allowed in respect of any expenditure incurred in relation to earning such dividend income. The quantum of such expenditure liable for disallowance is to be computed in accordance with the provisions contained therein.

Income by way of interest, premium on redemption or other payment on notified securities, bonds, certificates issued by the Central Government is exempt from tax under section 10(15) of the Act in accordance with and subject to the conditions and limits as may be specified in notifications.

Also, Section 94(7) of the Act provides that losses arising from the sale/transfer of shares or units purchased within a period of three months prior to the record date and sold/transferred within three months or nine months respectively after such date, will be disallowed to the extent dividend income on such shares or units is claimed as tax exempt.

##### **(b) Computation of Capital Gains**

Capital assets may be categorised into short term capital assets and long term capital assets based on the period of holding. Shares of a company, listed securities or units of UTI or units of Mutual Fund specified under section 10 (23D) or zero coupon bond will be considered as long term capital assets if they are held for period exceeding 12 months. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as “Long Term Capital Gains”. Capital gains arising on sale of these assets held for 12 months or less are considered as “Short Term Capital Gains”. Section 48 of the Act, which prescribes the mode of computation of Capital Gains, provides for deduction of cost of acquisition/improvement and expenses incurred in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of Capital Gains. However, in respect of long term capital gains, it offers a benefit by permitting substitution of cost of acquisition/improvement with the indexed cost of acquisition/improvement, which adjusts the cost of acquisition/improvement by a cost inflation index as prescribed from time to time.

As per the provisions of section 112(1)(b) of the Act, long term gains as computed above that are not exempt under section 10(38) of the Act, would be subject to tax at a rate of 20 percent (plus applicable surcharge, education cess and secondary higher education cess). However, as per the proviso to section 112(1), if the tax on long term capital gains resulting on transfer of listed securities or units or zero coupon bond, calculated at the rate of 20 percent with indexation benefit exceeds the tax on long term capital gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at concessional rate of 10 percent (plus applicable surcharge, education cess and secondary higher education cess).

Gains arising on transfer of short term capital assets are currently chargeable to tax at the rate of 30 percent (plus applicable surcharge, education cess and secondary higher education cess). However, as per the provisions of section 111A of the Act, short-term capital gains on sale of equity shares or units of an equity oriented fund

on or after 1st October, 2004, where the transaction of sale is subject to STT shall be chargeable to tax at a rate of 15 percent (plus applicable surcharge, education cess and secondary higher education cess). Further the tax benefits related to capital gains are subjected to the CBDT Circular No. 4/2007 dated 15th June 2007, and on fulfillment of criteria laid down in the circular, the Company will be able to enjoy the concessional benefits of taxation on capital gains.

As per Section 74, short term capital loss suffered during the year is allowed to be set-off against short-term as well as long term capital gain of the said year. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years' short-term as well as long-term capital gains. Long term capital loss suffered during the year is allowed to be set-off against long term capital gains. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years' long term capital gains only. Offshore share transfers of non-resident companies, the underlying value of whose assets is substantially derived from assets located in India are now taxable. Hence any gains arising on the transfer of any such investment made by a non-resident, directly or indirectly, in shares of such Company, is taxable even if the shares are transferred outside India to a non-resident.

**(c) Exemption of capital gain from income tax**

- i. Under section 10(38) of the Act, any long term capital gains arising out of sale of equity shares or units of an equity oriented fund on or after 1st October, 2004, will be exempt from tax provided that the transaction of sale of such shares or units is chargeable to STT. However, such income shall be taken into account in computing the book profits under section 115JB of the Act.
- ii. According to the provisions of section 54EC of the Act and subject to the conditions specified therein, long term capital gains not exempt under section 10(38) shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six month from the date of transfer. If only part of the capital gain is so reinvested, the exemption shall be allowed proportionately. However, if the said bonds are transferred or converted into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money. Investment in such notified bonds (made on or after April 01, 2007) is now restricted to and cannot exceed Rupees Fifty Lakhs.

**(d) Deductibility of dividend received from subsidiary company while computing Dividend Distribution Tax liability of the Holding Company**

Every domestic company is liable to pay Dividend Distribution Tax (DDT) on the amount of dividend distributed by it whether interim or final, @15% (plus applicable surcharge and education cess). However, while computing the DDT liability of a domestic company which is the holding company, amount of the dividend so paid or distributed, shall be reduced by the dividend received from its subsidiary company where the subsidiary company has paid DDT on such dividend. Thus, the holding company is eligible to take credit for the dividend distributed by its subsidiary company while computing the amount of DDT payable by itself on the dividend distributed. For the purposes of this provision a company is considered to be a subsidiary of another company if such other company holds more than half in nominal value of the equity share capital of the Company.

**(e) Computation of business income:**

Subject to the fulfillment of conditions prescribed, the company will be eligible, inter-alia, for the following specified deductions in computing its business income:-

- a. Under Section 35(1)(i) and Section 35(1)(iv) of the Act, in respect of any revenue or capital expenditure incurred, other than expenditure on the acquisition of any land, on scientific research related to the business of the Company.
- b. Under Section 35(1)(ii) of the Act, any sum paid to a research association which has as its object, the undertaking of scientific research or to a university, college or other institution to be used for scientific research is eligible for weighted deduction to the extent of one and three fourth times (175%) of the sum so paid. This weighted deduction is available to amounts paid to approved research association, university, college or institution.

- c. Under Section 35(1)(iia) of the Act any sum paid to a company registered in India which has as its main object the conduct of scientific research and development and is approved by the prescribed authority and fulfills such conditions as may be prescribed shall be liable to deduction at one and one fourth times(125%) of the amount so paid.
- d. Under section 35(1)(iii) any sum paid to a research association, university, college or other institution to be used for research in social science or statistical research is eligible for deduction to the extent of one and one fourth times (125%) of the sum so paid. This weighted deduction is available to amounts paid to approved research association, university, college or institution.
- e. Similarly, payments to a National Laboratory, university or Indian Institute of Technology in respect of approved programs of scientific research are also eligible for weighted deduction of 200% under Section 35(2AA).
- f. Under Section 35(2AB) a weighted deduction of 200% in respect of expenditure incurred on scientific research (excluding cost of land or building) in an approved in-house research and development facility is allowable to Companies engaged in the business of bio-technology or in the business of manufacturing articles or things, not being items mentioned in the Eleventh Schedule.
- g. Under Section 35AD(ac) of the Act an assessee shall be allowed a deduction in respect of the whole of the purposes of any specified business which is in the nature of developing and building a housing project under a scheme for slum redevelopment or rehabilitation framed by Central Government and notified by the CBDT, in accordance with the guidelines prescribed in this regard.
- h. Under Section 35AD(ad) of the Act an assessee shall be allowed a deduction in respect of the whole of the purposes of any specified business which is in the nature of developing and building a housing project under a scheme for affordable housing framed by Central Government and notified by the CBDT, in accordance with the guidelines prescribed in this regard.
- i. Subject to certain conditions, Section 35D of the Act provides for deduction of specified preliminary expenditure incurred before the commencement of the business or after the commencement of business in connection with the extension of the undertaking or in connection with the setting up a new unit. The deduction allowable is equal to one-fifth of such expenditure incurred for each of the five successive previous years beginning with the previous year in which the business commences.
- j. Section 35DDA of the Act provides for deduction for any expenditure incurred in any year by way of payment of any sum to an employee in connection with his voluntary retirement scheme. The deduction allowable is equal to one-fifth of such expenditure incurred for each of the five successive previous years beginning with the previous year in which the expenses are incurred.
- k. Under section 36(1)(vii) of the Act, any bad debt or part thereof written off as irrecoverable in the accounts is allowable as a deduction from the total income.
- l. Under Section 36(1)(xv) of the Act, the amount of Securities Transaction Tax (“STT”)paid by an assessee in respect of taxable securities transactions offered to tax as “Profits and gains of business or profession” shall be allowable as a deduction against such Business Income.
- m. Subject to compliance with certain conditions laid down in section 32 of the Act, the Company will be entitled to deduction for depreciation in respect of tangible assets (being buildings, machinery, plant or furniture) and intangible assets (being know-how, patents, copyrights, trademarks, licenses, franchises or any other business or commercial rights of similar nature acquired on or after 1st day of April, 1998) at the rates prescribed under the Income Tax Rules,1962;
- n. Under section 24(a) of the I.T. Act, the Company is eligible for deduction of thirty percent of the annual value of the property (i.e. actual rent received or receivable on the property or any part of the property which is let out).
- o. The Finance Act, 2012 have introduced transfer pricing regulations (earlier applicable to international related parties transactions only) to domestic related party transactions (including inter-unit transfers) with the threshold limit of such transactions being ` 50 million in aggregate for all such transactions. The Company will have to comply with all the provisions of the transfer pricing regulations, which were earlier applicable to the international transactions only.



- p. The corporate tax rate presently is 30% (plus surcharge at 5%, where total taxable income exceeds Rs 1 crore / at 10 % where total taxable income exceeds Rs 10 crore; education cess of 2% and secondary and higher education cess of 1%).
- q. The tax rate on distributed profits of domestic companies is 15 % and surcharge at 10 % and education cess of 2% and secondary and higher education cess of 1%).

#### **Expenditure of amalgamation and demerger**

Under Sec 35DD of the Act, for any expenditure incurred wholly and inclusively for the purposes of amalgamation or demerger, the company is eligible for deduction of an amount equal to one-fifth of such expenditure incurred for each of the five successive previous years beginning with the previous year in which amalgamation or demerger takes place.

#### **Donation**

The company is entitled to a deduction under section 80G of the Act in respect of amounts contributed as donations to various charitable institutions and funds covered under that section, subject to fulfillment of conditions therein.

#### **Section 94(8)**

As per the section 94(8) of the Act, if the investor purchases units within three months prior to the record date for entitlement of bonus, is allotted bonus unit without any payment on the basis of holding original units on the record date and such person sells/redeems the original units within nine months of the record date, then the loss arising from sale / redemption of the original units will be ignored for the purpose of computing the income chargeable to tax and the amount of loss ignored shall be regarded as the cost of acquisition of the bonus units.

#### **Section 80 IA**

As per the provisions of the Sec 80IA of the Income Tax Act, 1961, Where the gross total income of an assessee includes any profits and gains derived by an undertaking or an enterprise from any eligible business referred to in sub-section (4), there shall, in accordance with and subject to the provisions of this section, be allowed, in computing the total income of the assessee, a deduction of an amount equal to hundred per cent of the profits and gains derived from such business for ten consecutive assessment years out of fifteen years beginning from the year in which the undertaking or the enterprise engages in such eligible business referred to in sub section (4).

The eligible business as per the provisions referred in sec 80IA (4) are; any enterprise carrying on the business of developing or operating and maintaining or developing, operating and maintaining any infrastructure facility or any undertaking which has started or starts providing telecommunication services or any undertaking which develops, develops and operates or maintains and operates an industrial park or special economic zone or an undertaking which is set up in any part of India for the generation or generation and distribution of power or starts transmission or distribution by laying a network of new transmission or distribution lines or undertakes substantial renovation and modernization of the existing network of transmission or distribution lines or an undertaking owned by an Indian company and set up for reconstruction or revival of a power generating plant.

#### **COMPUTATION OF TAX ON BOOK PROFITS:**

As provided under section 115JB of the Act, the company is liable to pay income tax at the rate of 18.50% (plus applicable surcharge of 5% in case the book profit is greater than Rs 1 crore, education cess of 2% and secondary and higher education cess of 1%) on the Book Profit as computed in accordance with the provisions of section 115JB of the Act, if the total tax payable as computed under the normal provisions of the Act is less than 18.50% of the Book Profit as computed under the said section.

Under section 115JAA (1A) of the Act, tax credit shall be allowed of any tax paid under section 115JB of the Act (MAT). Credit eligible for carry forward is the difference between MAT paid and the tax computed as per the normal provisions of the Act. Such MAT credit shall not be available for set-off beyond 10 years succeeding the year in which the MAT becomes allowable. The company shall be eligible to set-off the MAT credit, thus carried forward, in the year in which it is required to pay the tax under the regular provisions of the Income-tax Act. The amount which can be set-off is restricted to the difference between the tax payable under the regular provisions of the Act and tax payable under the provisions of section 115JB in that year.

## **TAX REBATES (TAX CREDITS):**

As per the provisions of section 90, for taxes on income paid in Foreign Countries with which India has entered into Double Taxation Avoidance Agreements (Tax Treaties from projects/activities undertaken thereat), the Company will be entitled to the deduction from the India Income-tax of a sum calculated on such doubly taxed income to the extent of taxes paid in Foreign Countries. Further, the company as a tax resident of India would be entitled to the benefits of such Tax Treaties in respect of income derived by it in foreign countries. In such cases, the provisions of the Income-tax Act shall apply to the extent they are more beneficial to the company. Section 91 provides for unilateral relief in respect of taxes paid in Foreign Countries.

### **(B) General tax benefits available to Resident Shareholders**

1. As per section 10(34) of the Act, any income by way of dividends referred to in section 115-O received on the share of any Indian company is exempt from tax. However as per section 94(7) of the Act, losses arising from sale / transfer of share , where such shares are purchased within three month prior to the record date and sold within three months from the record date, will be disallowed to the extent such loss does not exceed the amount of dividend claimed exempt.
2. As per section 2(42 A) of the Act, share held in a company or any other security listed in a recognized stock exchange in India will be considered as short term capital assets if the period of holding of such security is 12 months or less immediately preceding the date of transfer. If the period of holding is more than 12 months, it will be considered as long term capital assets. Further, gain/loss arising from transfer of a short term capital asset and long term capital asset is regarded as short term capital gain and long term capital gain respectively.
3. As per section 10(38) of the Act, long term capital gains arising from the transfer of a long term capital asset being an equity share of the company, where such transaction has been entered into on a recognised stock exchange of India and is chargeable to securities transaction tax, will be exempt in the hands of the shareholders. However, income by way of long - capital gain of corporate shareholders shall be taken into account in computation of the book profit and income-tax payable under section 115JB.
4. Under section 70 read with section 74 of the Act, where the net result of computation under the head “Capital Gains” is a loss, such loss shall be carried forward to the following assessment year and it can be set-off against any income under the head “Capital Gain”. However , Long Term Capital Losses can be set off against , Long Term Capital Gain (LTCG). On the other hand “Short Term Capital Loss (STCL) “can be set off against any capital Gain viz, LTCG or Short Term Capital Gain .STCL or LTCL can be carried forward for 8 assessment years. However, loss cannot be carried forward unless the return is filed within the time limit of section 139 (1).
5. As per section 111A of the Act, short term capital gain arising from the sale of equity share of the company, where such transaction is chargeable to securities transaction tax will be taxable at the rate of 15 %(plus application surcharge and education cess).
6. As per section 112 of the Act, taxable long term capital gain, on which securities transaction tax is not paid, on sale of listed securities will be charged to the tax at the rate of 20% (plus applicable surcharge and education cess ) after considering indexation benefits or at 10 % (plus applicable surcharge and education cess) without indexation benefits ,whichever is less. Under section 48 of the Act, the long term capital gain arising out of the sale of capital asset will be computed after indexing the cost of acquisition/improvement.
7. Section 14 A of the Act restricts claim for deduction of expenses incurred in relation to incomes which do not form part of the total income under the Act. Thus, any expenditure incurred to earn tax exempt income is not tax deductible.
8. Under section 54EC of the Act and subject to the conditions and to the extent specified therein, long term capital gain (in case not covered under section 10 (38) of the Act arising on the transfer of shares of company would be exempt from tax if such capital gain is invested within 6 months from the date of such transfer in a “long term specified asset”. The investment in the long term specified assets is eligible for such deduction only to the extent of Rs 5000000 during any financial year. However ,if the assessee transfer or converts the long term specified asset into money within a period of three year from

the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long-term gain in the year in which the long term specified asset is transferred or converted into money.

A “long term specified asset” means any bond, redeemable after three years and issued on or after the 1st day of April 2007.

a) by the National Highways Authority of India constituted under section 3 of the national highways authority of India Act,1988;or

b) by the Rural Electrification Corporation Limited ,a company formed and registered under the companies Act,1956.

9. According to the provision of section 54 F of the Act and subject to the condition specified therein, in the case of an individual or a Hindu Undivided Family (HUF),gains arising on transfer of a long term capital asset (not being a residential house),other than gain exempt under section 10(38),are not chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period in a residential house, If part of such net consideration is invested within the prescribed period in a residential house, then such gains would not be chargeable to tax on a proportionate basis. For this purpose, net consideration means full value of the consideration received or accruing as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer. Prescribed period means one year before or 2 years after the date of transfer for purchase of residential property and three years after the date of transfer for construction of new house. If the specified conditions prescribed in section 54F of the Act are not followed, then, the exemption claimed will be revoked and the gains so exempted will be taxable as long term capital gains in the year in which default is committed.
10. As per section 36(1)(xv) of the Act, the securities transaction tax paid by the shareholders in respect of taxable securities transactions entered in the course of business will be eligible for the deduction from the income chargeable under the head “Profits and Gains of Business or Profession” if income arising from taxable securities transaction is included in such income.

#### **(C) General Benefits available to Non – Resident Shareholders (Other than FIIs)**

1. As per section 10(34) of the Act, any income by way of dividends referred to in section 115-O received on the shares of any Indian Company is exempt from tax. However, as per section 94(7) of the Act, losses arising from sale/transfer of shares, where such shares are purchased within three months prior to the record date and sold within three months from the record date, will be disallowed to the extent such loss does not exceed the amount of dividend claimed exempt.
2. As per section 2(42A) of the Act, shares held in a company or any other security listed in a recognized stock exchange in India will be considered as short term capital asset if the period of holding of such security is 12 months or less immediately preceding the date of transfer. If the period of holding is more than 12 months, it will be considered as long term capital assets. Further, gain/loss arising from transfer of a short term capital asset and long term capital asset is regarded as short term capital gain and long term capital gain respectively.
3. As per section 10(38) of the Act, long term capital gains arising from the transfer of long term capital asset being an equity share of the company, where such transaction has been entered into on a recognized stock exchange of India and is chargeable to security transaction tax, will be exempt in the hands of the QIB. However, income by way of long term capital gain of corporate shareholders may be taken into account in computation of book profit and income tax payable under section 115JB.
4. As per section 111A of the Act, short term capital gains arising from the sale of equity shares of the company, where such transaction is chargeable to securities transaction tax (STT), will be taxable at rate of 15% (plus applicable surcharge and education cess). Where transaction is not subject to STT then gain shall be taxable as per Part II to the First Schedule of Finance Act at the maximum marginal rate of 30% in case of Individuals and 40% in case of Foreign Company.

As per section 70 read with section 74 of the Act, short term capital loss, if any arising during the year can be set off against short term capital gains as well as against long term capital gains and shall be allowed to be carried forward up to eight assessment year immediately preceding the assessment year for which the loss was first computed.

5. As per first proviso to section 48 of the Act, in case of Non Resident Shareholders, the capital gain/loss arising from the transfer of shares of the company, acquired in convertible foreign exchange, is to be computed by converting the cost of acquisition, sales consideration and expenditure incurred wholly and exclusively in connection with such transfer, into the same foreign currency which was initially utilized in the purchase of shares. The capital gains so arrived in foreign currency shall be converted into Indian Rupees for the purpose of determining taxability. Cost indexation benefit will not be available in such a case.
6. As per section 112 of the Act, taxable long-term capital gains, on which securities transaction tax is not paid, on sale of shares of the company will be charged to tax at the rate of 20% (plus applicable surcharge and education cess)
7. The benefit of proviso to section 112(1) providing for tax rate of 10% on long-term capital gains without indexation may be available to listed securities. There are judicial decisions for and against this proposition.
8. As per section 70 read with section 74 of the Act, long-term capital loss, if any arising during the year can be set-off only against long-term capital gain and shall be allowed to be carried forward up to eight assessment years immediately succeeding the assessment year for which the loss was first computed for set-off against future long term capital gain. The brought forward long term capital loss can be set off only against future long term capital gains.
9. Section 14A of the Act restricts claim for deduction of expenses incurred in relation to incomes which do not form part of the total income under the Act. Thus, any expenditure incurred to earn tax exempt income is not tax deductible.
10. Under section 54EC of the Act and subject to the conditions and to the extent specified therein, long term capital gain (in case not covered under section 10(38) of the Act) arising on the transfer of shares of a Company would be exempt from tax if such capital gain is invested within 6 months from the date of such transfer in a "long term specified asset". The investment in the long term specified assets is eligible for such deduction only to the extent of Rs.50,00,000 during any financial year. However, if the assessee transfers or converts the long term specified asset in to money within a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long-term capital gains in the year in which the long term specified asset is transferred or converted in to money.

A "long term specified asset" means any bond, redeemable after three years and issued on or after the 1st day of April 2007:

  - a) by The National Highways Authority of India constituted under section 3 of the National Highways Authority of India Act, 1988; or
  - b) by the Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956,
11. According to the provisions of section 54F of the Act and subject to the conditions specified there in, in the case of an individual or a HUF, gains arising on transfer of a long term capital asset(not being a residential house), other than gains exempt under section 10(38), are not chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period in a residential house. If part of such net consideration is invested within the prescribed period in a residential house, then such gains would not be chargeable to tax on a proportionate basis. Prescribed period means one before or 2 years after the date of transfer for purchase of residential property and three years after the date of transfer for construction of new house. For this purpose, net consideration means full value of the consideration received or accruing as a result of the transfer of capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer. If the specified conditions prescribed in section 54F of the Act are not followed, then the exemption claimed will be revoked and gains so exempted will be taxable as Long term capital gains in the year in which default is committed. The benefit of this section is not available to a Foreign National of Non-Indian Origin. Since as per the Guidelines of RBI a foreign national cannot purchase immovable property in India.

12. As per section 36(1)(xv) of the Act the securities transaction tax paid by the shareholders in respect of taxable securities transactions entered in the course of the business will be eligible for deduction from the income chargeable under the head "Profits and Gains of Business or Profession" if income arising from taxable securities transaction is included in such income.
13. In respect of non-residents, the tax rates and consequent taxation mentioned above will be further subject to any benefits available under the Tax Treaty, if any, between India and the country in which the non-resident is considered resident in terms of such Tax Treaty. As per the provisions of section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the Tax Treaty to the extent they are more beneficial to the non-resident.
14. As per the provisions of section 90(4) as inserted by the Finance Act 2012, an assessee being a non-resident shall not be entitled to claim relief under Section 90(2) unless a certificate containing such particulars as may be prescribed, of his being a resident in any country outside India, is obtained by him from the government of that country or any specified territory.
15. According to the provisions of section 115D read with Section 115E of the Act and subject to the conditions specified therein, long term capital gains arising on transfer of an Indian company's shares, will be subject to tax at the rate of 10 percent (plus applicable surcharge and education cess), without indexation benefit.
16. As per the provisions of Section 115I of the Act Non-Resident Indian may elect not to be governed by the provisions of Chapter XII-A for any assessment year by furnishing his return of income for that assessment year under Section 139 of the Act declaring therein that the provisions of Chapter XII-A shall not apply to him for that assessment year and accordingly his total income for that assessment year will be computed in accordance with the other provisions of the Act.
17. According to the provisions of section 115F of the Act and subject to the conditions specified therein gains arising on transfer of a long term capital asset being shares in an Indian company shall not be chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period of six months in any specified asset. If part of such net consideration is invested within the prescribed period of six months in any specified asset then such gains would not be chargeable to tax on a proportionate basis. For this purpose, net consideration means full value of the consideration received or accruing as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.

Further, if the specified asset in which the investment has been made is transferred /converted into money within a period of three years from the date of investment, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such specified asset are transferred / converted.

Specified Asset inter alia means Shares in an Indian company.

18. As per the provisions of Section 115G of the Act, Non-Resident Indians are not obliged to file return of income under Section 139(1) of the Act, if their only source of income is income from investments or long term capital gains earned on transfer of such investments or both provided tax has been deducted at source from such income as per the provisions of chapter XVII-B of the Act.
19. Under Section 115H of the Act, where the Non-Resident Indian becomes assessable as a resident in India, he may furnish a declaration in writing to the Assessing Officer, along with his return of income for that year under Section 139 of the Act to the effect that the provisions of the Chapter XII-A shall continue to apply to him in relation to such investment income derived from the specified assets for that year and subsequent assessment years until such assets are converted into money.

**(B) BENEFITS AVAILABLE TO FOREIGN INSTITUTIONAL INVESTORS ('FIIs'):**

**(a) Dividends exempt under section 10 (34)**

Under section 10(34) of the Act, income earned by way of dividend (Interim or final) from domestic Company referred to in section 115-O of the Act is exempt from income tax in the hands of the shareholders. However, in view of the provisions of Section 14A of Act, no deduction is allowed in respect of any expenditure incurred in

relation to earning such dividend income. The quantum of such expenditure liable for disallowance is to be computed in accordance with the provisions contained therein. Also, Section 94(7) of the Act provides that losses arising from the sale/transfer of shares or units purchased within a period of three months prior to the record date and sold/transferred within three months or nine months respectively after such date, will be disallowed to the extent dividend income on such shares or units is claimed as tax exempt.

**(b) Taxability of capital gains**

Under section 10(38) of the Act, long term capital gains arising out of sale of equity shares or units of equity oriented fund will be exempt from tax provided that the transaction of sale of such equity shares or units is chargeable to STT.

The income by way of short term capital gains or long term capital gains long term capital gains not covered under section 10(38) of the Act realised by FII's on sale of the shares of the Company would be taxed at the following rates as per section 115AD of the Act.

- Short term capital gains, other than those referred to under section 111A of the Act shall be taxed @ 30% (plus applicable surcharge, education cess and secondary higher education cess).
- Short term capital gains, referred to under section 111A of the Act shall be taxed @ 15% (plus applicable surcharge, education cess and secondary higher education cess).
- Long term capital gains @10% (plus applicable surcharge, education cess and secondary higher education cess) (without cost indexation).

It may be noted that the benefits of indexation and foreign currency fluctuation protection as provided by section 48 of the Act are not applicable.

According to provisions of section 54EC of the Act and subject to the condition specified therein, long term capital gains not exempt under section 10(38) shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. If only part of the capital gain is so reinvested, the exemption shall be allowed proportionately. Provided that investments made on or after 1st April 2007, in the said bonds should not exceed Rupees fifty lakh.

However, if the assessee transfers or converts the notified bonds into money within a period of three years from the date of their acquisition, the amount of capital gains exempt earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.

Further the tax benefits related to capital gains are subjected to the CBDT Circular No. 4/2007 dated 15th June 2007, and on fulfillment of criteria laid down in the circular, the institution will be able to enjoy the concessional benefits of taxation on capital gains.

Offshore share transfers of non-resident companies, the underlying value of whose assets is substantially derived from assets located in India are now taxable. Hence any gains arising on the transfer of any such investment made by a non-resident, directly or indirectly, in shares of such Company, is taxable even if the shares are transferred outside India to a non-resident.

**Provisions of the Act vis-à-vis provisions of the tax treaty**

As per Section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the relevant tax treaty to the extent they are more beneficial to the non-resident.

**(C) BENEFITS AVAILABLE TO MUTUAL FUNDS**

As per the provisions of section 10(23D) of the Act, any income of Mutual Funds registered under the Securities and Exchange Board of India Act, 1992 or regulations made there under, Mutual Funds set up by public sector banks or public financial institutions or authorised by the Reserve Bank of India, would be exempt from income tax subject to the conditions as the Central Government may notify. However, the mutual funds shall be liable to pay tax on distributed income to unit holders under section 115R of the Act.

**(D) BENEFITS AVAILABLE TO VENTURE CAPITAL COMPANIES/FUNDS**

As per the provisions of section 10 (23FB) of the Act, any income of Venture Capital Companies/Funds (set up to raise funds for investment in a venture capital undertaking registered and notified in this behalf) registered with the Securities and Exchange Board of India, would be exempt from income tax, subject to the conditions specified therein. However, the exemption is restricted to the Venture Capital Company and Venture Capital Fund set up to raise funds for investment in a Venture Capital Undertaking (referred to in the Securities Exchange Board of India (Venture Capital Funds), Regulations, 1996 made under the SEBI Act, 1992), which is engaged in the business as specified under section 10(23FB)(c). However, the income distributed by the Venture Capital Companies/Funds to its investors would be taxable in the hands of the recipients on accrual basis. Further, the explanation to Section 3(4)(a) provides that Alternative Investment Funds which are generally perceived to have positive spillover effects on economy and for which the Board or Government of India or other regulators in India might consider providing incentives or concessions shall be included and such funds which are formed as trusts or companies shall be construed as “venture capital company” or “venture capital fund” as specified under sub-section (23FB) of Section 10 of the Income Tax Act, 1961.

**(E) BENEFITS AVAILABLE UNDER THE WEALTH-TAX ACT, 1957**

Shares of the company held by the shareholder will not be treated as an asset within the meaning of section 2(ea) of Wealth Tax Act, 1957. Hence, no wealth tax will be payable on the market value of shares of the company held by the shareholder of the company.

**I. The Gift Tax Act, 1958**

Since the provisions of The Gift Tax Act, 1958 have ceased to apply with effect from October 1, 1998, gift of shares made on or after October 1, 1998 will not be liable to Gift Tax under the Gift Tax Act, 1958. However, pursuant to the Finance Act, 2009, Section 56 of the Act has been amended to provide that the value of any property, including shares and securities, received without consideration or for inadequate consideration (from persons or in situations other than those exempted under section 56 (vii) of the Act) will be included in the computation of total income of the recipient and be subject to tax.

**Notes:**

1. The above Statement sets out the provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of shares.
2. The above statement covers only certain relevant direct tax law benefits and does not cover any indirect tax law benefits or benefit under any other law. The Finance Minister of India tabled the Direct Taxes Code (DTC) on 30th August, 2010 in Parliament for debate and discussion. The DTC has been referred to a Standing Committee of the Members of Parliament. Once the same is ratified by the Parliament and confirmed by the President of India, DTC shall be enacted as law. We have not considered the impact of DTC on this statement.
3. The above statement of possible tax benefits are as per the current direct tax laws relevant for the assessment year 2014-15. Several of these benefits are dependent on the Company or its shareholder fulfilling the conditions prescribed under the relevant tax laws.
4. This statement is intended only to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of tax consequences, each investor is advised to consult his/her own tax advisor with respect to specific tax consequences of his/her investment in the shares of the Company.
5. In respect of non-residents, the tax rates and consequent taxation mentioned above will be further subject to any benefits available under the relevant DTAA, if any, between India and the country in which the nonresident has fiscal domicile.
6. No assurance is given that the revenue authorities/courts will concur with the views expressed herein. Our views are based on the existing provisions of law and its interpretation, which are subject to changes from time to time. We do not assume responsibility to update the views consequent to such changes.

**The foregoing does not purport to be a complete analysis of the potential tax considerations relating to the Offering, and is not tax advice. Prospective investors should consult their own tax advisors as to the particular tax considerations applicable to them relating to the purchase, ownership and disposition of the Equity Shares, including the applicability of the U.S. federal, state and local tax laws or non-tax laws, foreign tax laws, and any changes in applicable tax laws and any pending or proposed legislation or regulations.**

## ***II. Certain U.S. Federal Income Tax Considerations***

The following is a discussion of certain U.S. federal income tax consequences of purchasing, owning and disposing of Equity Shares. It does not purport to be a comprehensive description of all of the U.S. tax considerations that may be relevant to a particular person's decision to acquire the Equity Shares. This section is based on the United States Internal Revenue Code of 1986, as amended (the "Code"), its legislative history, final, temporary and proposed Treasury regulations issued under the Code, administrative pronouncements by the U.S. Internal Revenue Service (the "IRS") and judicial decisions, all as in effect or in existence as of the date of this Red Herring Prospectus and all of which at any time may be repealed, revoked or modified or subject to differing interpretations so as to result in U.S. federal income tax consequences different from those discussed below, possibly with retroactive effect. This discussion is not binding on the IRS or the courts. No ruling has been or will be sought from the IRS with respect to the positions and issues discussed herein, and there can be no assurance that the IRS will not take a different position concerning the U.S. federal income tax consequences of an investment in the Equity Shares or that any such position would not be sustained.

**YOU SHOULD CONSULT YOUR OWN TAX ADVISOR CONCERNING THE U.S. FEDERAL, STATE, LOCAL AND NON-U.S. TAX CONSEQUENCES OF PURCHASING, OWNING AND DISPOSING OF EQUITY SHARES IN YOUR PARTICULAR SITUATION.**

The following discussion applies to you only if you are a U.S. Holder (as defined below), you acquire the Equity Shares in this Issue, you hold the Equity Shares as capital assets for U.S. federal income tax purposes and you are not resident in India for purposes of the Indian Income Tax Act, 1961 or the U.S. - India income tax treaty. This section does not apply to you if you are a member of a special class of U.S. Holders subject to special tax rules, including:

- a dealer in securities or foreign currencies;
- a trader in securities that elects to use a mark-to-market method of accounting for your securities holdings;
- a bank or other financial institution;
- a tax-exempt organization, retirement plan, individual retirement account or tax-deferred account;
- an insurance company;
- a holder liable for alternative minimum tax;
- a holder that directly, indirectly or constructively owns 10% or more of the total combined voting power of all classes of the Company's stock entitled to vote;
- a holder that holds the Equity Shares as part of a straddle, hedging or conversion transaction;
- a holder who is a U.S. expatriate; or
- a holder whose functional currency is not the U.S. dollar.

This discussion does not address any aspect of U.S. federal gift or estate tax, or state, local or non-U.S. tax laws. Additionally, the discussion does not consider the tax treatment of partnerships or other pass-through entities (including entities treated as partnerships for U.S. federal income tax purposes) or persons who hold the Equity Shares through such entities.

You are a "U.S. Holder" if you are a beneficial owner of Equity Shares and you are for U.S. federal income tax purposes:

- a citizen of the United States;
- a permanent resident of the United States whose income is subject to U.S. federal income tax regardless of its source;
- a U.S. domestic corporation, or other entity treated as a domestic corporation for U.S. federal income tax purposes;
- an estate whose income is subject to U.S. federal income tax regardless of its source; or
- a trust if (i) a U.S. court can exercise primary supervision over the trust's administration and one or more U.S. persons are authorized to control all substantial decisions of the trust or (ii) the trust has a valid election in effect under current Treasury regulations to be treated as a U.S. person.



### ***The Company's Status as a Passive Foreign Investment Company (a "PFIC")***

The Company expects that it will be treated as a PFIC in the current taxable year and subsequent taxable years. As a consequence, U.S. Holders will be subject to the complex PFIC rules, which could result in additional U.S. taxes and interest charges upon a sale or disposition of their Equity Shares or upon certain distributions by the Company as discussed below.

#### **Taxation of Dividends**

Subject to the PFIC rules referred to below, if you are a U.S. Holder, you must include in your gross income the gross amount of any dividend paid by the Company out of its current or accumulated earnings and profits (as determined for U.S. federal income tax purposes) when you receive the dividend, actually or constructively. The dividend is ordinary income that you must include in income when you receive the dividend, actually or constructively. Dividends generally are subject to tax at ordinary income rates of up to 39.6%. However, if the Company is not treated as a PFIC, U.S. Holders who are individuals may be eligible for the reduced tax rate equal to the current U.S. federal capital gains tax rate of up to 20% if the Company qualifies for benefits under the U.S. - India income tax treaty. As described below, the Company believes that it is likely to be treated as a PFIC for the current taxable year and in subsequent taxable years. As such, you would not be able to benefit from any preferential tax rate with respect to any dividend distribution that you may receive from the Company. U.S. Holders should consult their own tax advisor regarding their eligibility for the reduced tax rate described above.

Dividends received generally will be income from non-U.S. sources. Such non-U.S. source income generally will be "passive category income", which is treated separately from other types of income for purposes of computing the foreign tax credit allowable to you. You should consult your own tax advisor to determine the foreign tax credit implications of owning the Equity Shares.

The amount of the dividend distribution that you must include in your income as a U.S. Holder will be the U.S. dollar value of the Indian rupee payments made, determined at the spot Indian rupee/U.S. dollar exchange rate on the date the dividend distribution, regardless of whether the payment is in fact converted into U.S. dollars. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date you include the dividend payment in income to the date you convert the payment into U.S. dollars will be treated as ordinary income or loss. The gain or loss generally will be income or loss from sources within the United States for foreign tax credit limitation purposes.

Distributions in excess of current and accumulated earnings and profits, as determined for U.S. federal income tax purposes, will be treated as a non-taxable return of capital to the extent of your adjusted tax basis in the Equity Shares and thereafter as capital gain. However, the Company does not intend to maintain calculations of its earnings and profits in accordance with U.S. federal income tax principles, so each U.S. Holder should therefore assume that any distribution by the Company with respect to the Equity Shares will constitute ordinary dividend income.

#### **Taxation of Capital Gains**

If you are a U.S. Holder and you sell or otherwise dispose of any of your Equity Shares, subject to the PFIC rules referred to below, you will recognize capital gain or loss for U.S. federal income tax purposes equal to the difference between the U.S. dollar value of the amount that you realize and your adjusted tax basis, determined in U.S. dollars, in those Equity Shares that are sold or otherwise disposed of. Your adjusted tax basis in your Equity Shares generally should be the acquisition cost for such shares. Capital gain or loss from the sale, exchange or other disposition of shares held for more than one year is long-term capital gain or loss, and long-term capital gain is eligible for a reduced rate of taxation for non-corporate taxpayers. Long-term capital gains recognized by certain non-corporate U.S. Holders may generally qualify for a reduced rate of taxation of up to 20%. As described below, the Company believes that it is likely to be treated as a PFIC for the current taxable year and in subsequent taxable years. As such, you would not be able to benefit from any preferential tax rate with respect to any capital gains on the sale of Equity Shares. U.S. Holders should consult their own tax advisor regarding their eligibility for the reduced tax rate described above. Your ability to deduct capital losses is subject to limitations.

Under the U.S. - India income tax treaty, India may generally tax capital gains in accordance with the provisions of its domestic law. U.S. Holders should consult their Indian tax advisors concerning the Indian tax consequences of capital gains arising from the sale or other disposition of their Equity Shares. If Indian tax is imposed on a U.S. Holder's capital gain on the sale or other disposition of Equity Shares, a foreign tax credit may be available for U.S. federal income tax purposes with respect to such Indian tax. U.S. Holders should consult their U.S. tax advisors concerning the U.S. tax treatment of any such Indian tax.

U.S. Holders should consult their own tax advisors regarding the treatment of any foreign currency gain or loss (which generally will be treated as U.S. source ordinary income or loss) on any non-U.S. currency received in a sale or exchange of the Equity Shares that is converted into U.S. dollars (or otherwise disposed of) on a date subsequent to receipt.

### ***Passive Foreign Investment Company Rules***

The Company will be a passive foreign investment company, or PFIC, if 75% or more of the Company's gross income in a taxable year, including a pro rata share of the gross income of any company of which the Company owns 25% or more of the shares by value, is passive income. Alternatively, the Company will be a PFIC if at least 50% of the Company's assets in a taxable year, based on a quarterly average for each year and ordinarily determined based on fair market value, including a pro rata share of the assets of any company of which the Company owns 25% or more of the shares by value, produce or are held for the production of, passive income. Passive income generally includes dividends, interest, rents, royalties and gains from the disposition of passive assets. Passive income also includes gains from some commodities transactions.

Based on the current and expected composition of the Company's income and assets, the Company expects that 75% or more of its gross income constitute "passive income" and 50% or more of its gross assets will constitute "passive assets" for purposes of the PFIC rules. Since the Company does not believe that it can benefit from the exemption from the PFIC rules that applies to foreign banks, the Company expects that it will be treated as a PFIC in the current taxable year and subsequent taxable years. Accordingly, a U.S. holder will be subject to either the regular PFIC rules (the "Regular PFIC Rules") or, if a "mark-to-market" election is available and made, the special mark-to-market PFIC rules (the "Mark-To-Market Rules"), both of which are described below. U.S. holders cannot make a "qualified electing fund" election (which is a special election applicable to certain PFICs) because we do not intend to provide the information required under the qualified electing fund rules.

Under the Regular PFIC Rules, U.S. Holders of Equity Shares would be subject to special rules and a variety of potentially adverse tax consequences under the Code. Under those rules, (a) any gain realized on a sale or other disposition of the Company's Equity Shares and any "excess distribution" (generally the excess amount of any distribution during a taxable year in which distributions to the U.S. Holder on the Company's Equity Shares exceed 125% of the average annual distributions the U.S. Holder received on the Company's Equity Shares during the preceding three taxable years or, if shorter, the U.S. Holder's holding period for the Company's Equity Shares) would be treated as realized ratably over the U.S. Holder's holding period for the Company's Equity Shares, (b) the amount allocated to the taxable year in which the gain or excess distribution is realized and to taxable years before the first day on which the Company became a PFIC would be treated as ordinary income (and not as capital gain), (c) the amount allocated to each prior year in which the Company was a PFIC would be subject to U.S. federal income tax at the highest rate in effect for that year and (d) the interest charge generally applicable to underpayments of U.S. federal income tax would be imposed in respect of the tax attributable to each prior year in which the Company was a PFIC. If, at any time, the Company had non-U.S. subsidiaries that were classified as PFICs, the U.S. Holder could incur liability for the deferred tax and interest charge described above if either (1) the Company received a distribution from, or disposed of all or part of the Company's interest in, a lower-tier PFIC or (2) the U.S. Holder disposed of all or part of its Equity Shares.

Under the Mark-to-Market Rules, if a U.S. Holder makes a mark-to-market election with respect to the Company's Equity Shares, the Regular PFIC Rules generally will not apply, and such U.S. Holder generally will include as U.S. source ordinary income the excess, if any, of the fair market value of the Equity Shares at the end of each taxable year over such U.S. Holder's adjusted tax basis in the Equity Shares, and will be permitted a U.S. source ordinary loss in respect of the excess, if any, of such U.S. Holder's adjusted tax basis in the Equity Shares over their fair market value at the end of each taxable year (but only to the extent of the net amount of previously included income as a result of the mark-to-market election with respect to the Equity Shares). A U.S. Holder's adjusted tax basis in the Equity Shares will be increased by the amount of any income inclusions and decreased by the amount of any deductions under the mark-to-market rules. Any gains recognized on the sale or other disposition of the Equity Shares will be treated as ordinary income and any losses will be treated as

ordinary losses (but only to the extent of the net amount of previously included income as a result of the mark-to-market election with respect to the Equity Shares). It is not clear whether the Equity Shares will be eligible for the mark-to-market election. The mark-to-market election is available only for “marketable stock,” which is stock that is traded in other than de minimis quantities on at least 15 days during each calendar quarter on a qualified exchange or other market, as defined in the applicable U.S. Treasury regulations. A “qualified exchange” includes a non-U.S. securities exchange that has the following characteristics: (i) the exchange is regulated by a governmental authority in which the exchange is located, (ii) the exchange has trading volume, listing, financial disclosure, surveillance, and other requirements designed to prevent fraudulent and manipulative acts and practices, to remove impediments to and perfect the mechanism of a free and open, fair and orderly, market, and to protect investors; and the laws of the country in which the exchange is located and the rules of the exchange ensure that such requirements are actually enforced and (iii) the rules of the exchange effectively promote active trading of listed stocks. Since the IRS has not yet identified specific non-U.S. securities exchanges that are “qualified exchanges”, there can be no assurance that the mark-to-market election will be available. If a U.S. Holder makes a mark-to-market election, the election will be effective for the taxable year for which it is made and all subsequent taxable years unless the Company’s Equity Shares are no longer marketable stock or the IRS consents to revocation of the election.

The application and interpretation of certain aspects of the PFIC rules require the issuance of regulations which in many instances have not been promulgated and which may have retroactive effect. There can be no assurance that any of these regulations will be enacted or promulgated, and if so, the form they will take or the effect that they may have on this discussion. The rules dealing with PFICs are affected by various factors in addition to those described above.

If the Company was a PFIC for any taxable year during which a U.S. Holder held the Equity Shares, the U.S. Holder must file IRS Form 8621 for each taxable year in which the U.S. Holder recognizes any gain on a direct or indirect sale or other disposition of Equity Shares, receives deemed or actual distributions from the Company, or makes certain elections (including a mark-to-market election) with respect to the Equity Shares.

**U.S. Holders should consult their own tax advisors regarding the Company’s classification as a PFIC, the potential U.S. federal income tax consequences arising from the ownership and disposition of shares in a PFIC as well as the availability, advisability, timeliness and effectiveness of making a “mark-to-market” election.**

### **Medicare Contribution Tax**

A United States person that is an individual, estate or a trust that does not fall into a special class of trusts that is exempt from such tax, will be subject to a 3.8% tax on the lesser of (1) such person’s “net investment income” for the relevant taxable year and (2) the excess of such person’s modified adjusted gross income for the taxable year over a certain threshold (which in the case of individual will be between \$125,000 and \$250,000, depending on the individual’s circumstances). A United States person’s net investment income will generally include its dividend income and its net gains from the disposition of Equity Shares, unless such dividend income or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities).

Under final Treasury Regulations published December 2, 2013 and generally effective for taxable years after December 31, 2013, income inclusions as a result of a QEF Election would not be considered “net investment income” unless a United States person making a QEF Election: (1) holds Equity Shares in connection with a trade or business of trading in financial instruments or commodities; or (2) elects to treat the income inclusion as a result of the QEF Election as “net investment income.” Absent a situation under (1) or (2), such income inclusions under a QEF Election will not be subject to the surtax on net investment income until that investment income is actually distributed to the United States person. The election under (2) above (as well as the calculation of the amount of any tax) should be made on IRS Form 8960 (currently in draft form), which must accompany a taxpayer’s timely filed (including extensions) return. This election must be made no later than the first taxable year beginning after December 31, 2013, in which a taxpayer both has an inclusion as a result of a QEF Election and is subject to the surtax (or would be subject to this tax if the election were made with respect to the QEF). Such election can be made on an original or amended return, provided that the year of the election, and all years affected by the election, are not closed as a result of the relevant statute of limitations.

United States persons are advised to consult their own tax advisors regarding the application of this tax and the final Treasury Regulations (including any elections thereunder) with respect to an investment in Equity Shares.

## **Foreign Account Tax Compliance Act (“FATCA”)**

U.S. return disclosure obligations (and related penalties) apply to U.S. Holders that hold certain specified foreign financial assets in excess of \$50,000 for tax years beginning after March 18, 2010. The definition of specified foreign financial assets includes not only financial accounts maintained in foreign financial institutions, but also, unless held in accounts maintained by a financial institution, any stock or security issued by a non-U.S. person, any financial instrument or contract held for investment that has an issuer or counterparty other than a U.S. person and any interest in a foreign entity. U.S. Holders may be subject to these reporting requirements unless their Equity Shares are held in an account at a U.S. domestic financial institution. Penalties for failure to file certain of these information returns are substantial. U.S. Holders should consult their own tax advisors regarding the potential application of the FATCA rules to their Equity Shares.

## **Backup Withholding and Information Reporting**

In general, information reporting requirements will apply to dividends in respect of Equity Shares or the proceeds received on the sale, exchange or redemption of any of the Equity Shares paid within the United States to U.S. Holders other than certain exempt recipients, such as corporations, and backup withholding tax at 28% may apply to such amounts if the U.S. Holder fails to provide an accurate taxpayer identification number and a duly executed IRS Form W-9 (or to otherwise establish, in the manner provided by law, an exemption from backup withholding) or to report dividends required to be shown on the U.S. Holder's U.S. federal income tax returns.

Backup withholding is not an additional income tax, and the amount of any backup withholding from a payment to a U.S. Holder will be allowed as credit against the U.S. Holder's U.S. federal income tax liability provided that the appropriate returns are filed.

The foregoing does not purport to be a complete analysis of the potential tax considerations relating to the Issue, and is not tax advice. Prospective investors should consult their own tax advisors as to the particular tax considerations applicable to them relating to the purchase, ownership and disposition of the Equity Shares, including the applicability of the U.S. federal, state and local tax laws or non-tax laws, any changes in applicable tax laws and any pending or proposed legislation or regulations.

**TO ENSURE COMPLIANCE WITH UNITED STATES TREASURY DEPARTMENT CIRCULAR 230, INVESTORS ARE HEREBY NOTIFIED THAT: (I) ANY DISCUSSION OF UNITED STATES FEDERAL TAX ISSUES IN THIS RED HERRING PROSPECTUS IS NOT INTENDED OR WRITTEN BY US TO BE RELIED UPON, AND CANNOT BE RELIED UPON BY INVESTORS, FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON INVESTORS UNDER THE CODE; (II) SUCH DISCUSSION IS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN BY THE COMPANY; AND (III) INVESTORS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM THEIR OWN INDEPENDENT TAX ADVISORS. COUNSEL DOES NOT INTEND TO BE, AND IS NOT, ENGAGED IN THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS DESCRIBED IN THIS RED HERRING PROSPECTUS AND NO INFERENCE TO THE CONTRARY SHALL BE IMPLIED BY REASON OF THE DISCLOSURES SET FORTH IN THIS SECTION.**

## LEGAL PROCEEDINGS

We are involved in various legal proceedings including, among others, central excise duty and service tax cases and criminal proceedings. Except as described below, we believe that we are not involved in any material legal proceedings, and in our opinion, no proceedings are threatened, which may have, or have had during the 12 months preceding the date of this Red Herring Prospectus, material adverse effect on our business, financial position, profitability or results of operations.

### **Litigations against our Company**

#### *Civil cases*

1. T. Manivasagam, the petitioner, has filed a petition (R.C.O.P.No. 48 of 2010) on December 21, 2010 against our Company before the District Munsiff cum Rent Controller at Poonamallee under sections 10(3)(a)(i), (ii) and (iii) of the Tamil Nadu Buildings (Lease & Rent Control) Act, 1960. The petitioner had leased out the premises at First Floor, No 175, Trunk Road, Poonamallee, Chennai, to the Company by a rental agreement dated July 10, 2006. The petitioner has filed the present petition seeking an order of eviction directing the Company to vacate the leased premises and for costs of the proceedings. The District Munsiff Cum Rent Controller has passed an order dated January 23, 2012 in favour of T. Manivasagam and ordered the Company to evict the leased premises. The Company has filed an appeal (R.C.O.P. No. 12 of 2012) against the said order before the Subordinate Judge at Poonmale. This matter is posted for hearing on June 09, 2014 and is currently pending.
2. Selvin Jayakumar, the plaintiff, has filed a suit (OS 52 of 2011) against the Company before the Munsiff court, Devikulam on February 10, 2011. The plaintiff is the landlord of premises taken on lease by the Company for one of its branch offices. The plaintiff had filed the suit praying for direction to put an end to the occupation of the Company under the licence agreement and vacate the premises by a decree of mandatory injunction and for a direction to pay an amount of ₹ 0.1 million as arrears of license fees and damages. This matter is posted for April 28, 2014 and is currently pending.
3. R. Thangavel Chettiar, the petitioner has filed a petition (R.C.O.P No. 01 of 2011), before the Rent Controller cum District Munsiff at Orathanadu under section 10(3) A (ii) of the Tamil Nadu Buildings (Lease and Controls) Act, 1960 against the Company. The petitioner had leased out property located at No. 155, South Bazaar Street, Orathanadu Town to the Company. The petitioner has filed the present petition seeking an order of eviction against the Company from such premises. The matter has been disposed off against our Company on August 26, 2013 and an appeal has been filed by the Company before the Rent Control Appellate Authority cum Principal Subordinate Judge, Thanjavur which is posted on April 21, 2014 for admission and is currently pending.
4. Sunil Kumar, Anil Kumar and Ajit Kumar, the petitioners have filed a petition (R.C.O.P. No. 5 of 2012), before the Kollan Rent Controller cum District Munisiff under section 11(3) of the Kerala Buildings (Lease and Rent Control) Act, 1965. The Company had entered into a lease agreement with the petitioners to rent the property at room No. 1144/47, Ward 24, Kollam by lease agreement dated January 14, 2005 for a period of 10 years. The petitioners have instituted this petition for evicting the Company from the leased premises. The matter was posted for hearing on December 18, 2013 and the court had transferred the matter to the mediation centre for settlement and it was posted on April 08, 2014 for hearing. Since the mediation did not result in a settlement, the matter has been sent back to the court and is currently pending.
5. V. Karthik, the plaintiff has filed a suit (O.S. No. 10 of 2011) before the District Court, Trichy, against G. Vijayakumar, S. Ganeshan, and 59 others, including the Company. The suit relates to the schedule property in which the Company is a tenant. The plaintiff has alleged that he is entitled to half of the schedule property and has sought a decree of partition against G. Vijayakumar and S. Ganeshan and a mandatory injunction against the other defendants directing them to pay rent to the plaintiff in respect of his share of the schedule property. This matter was posted for hearing on April 30, 2014 and is currently pending.

6. S. Kalavathi, the plaintiff, has filed a suit (O.S No. 377 of 2012) dated October 17, 2012, before the Court of the Subordinate Judge, Dindigul against Balammal, Sujatha and 11 others, including the Company. The suit relates to the schedule property in which the Company is a tenant. The plaintiff has alleged that she is entitled to one fifth of the schedule property and has sought a decree directing Balammal and Sujatha to partition the property, failing which a commissioner should be appointed to partition the schedule property. The plaintiff has also sought a decree directing the other defendants to deposit the rent amounts payable by them, in the court. This matter has been posted for the defendant's evidence on May 02, 2014 and is currently pending.
7. Kamaljeet Singh Kumar, the plaintiff has filed a suit (no. 100 of 2008) dated April 23, 2009, before the Additional District Judge, Delhi against the Company, seeking the arrears of rent, mesne profits and costs for alleged damage caused to the property by the Company amounting to ₹ 911,773. The plaintiff is the owner of property that was leased to the Company. The plaintiff claims that the lease was terminated as the Company stopped making rent payments, but the Company is still in possession of the property and substantial damage has been caused to the property by the plaintiff. The Company in its reply, has contended that it terminated the tenancy vide a communication to the plaintiff dated May 01, 2007 and called upon the plaintiff to take possession of the property. It has stated that the property has been lying vacant and locked since May 31, 2007 as the plaintiff is refusing to take possession of the same. It has also stated that the rent amounts till May 31, 2007 have been paid in full and denied that any damage has been caused by the Company to the property. This matter has been posted for plaintiff's evidence on May 05, 2014 and is currently pending.
8. Venkatachala A., the plaintiff has filed a suit (O.S. No. 6496 of 2011), dated September 08, 2011, before the Court of the City Civil Judge at Bangalore against the Company. The plaintiff has alleged that he availed a loan of ₹ 1,05,000 from the Company on May 26, 2009 and when he approached the Company to repay the loan, an interest amount of ₹ 80,000 was demanded along with the loan amount. The plaintiff has further alleged that he issued a legal notice to the Company asking them to accept ₹ 20,000 as the interest, which was not accepted by the Company. The plaintiff apprehends that the pledged items will be auctioned and has sought an order restraining the Company from auctioning the pledged items and grant any other relief that the court deems fit. The plaintiff has also applied for a temporary injunction restraining the Company from auctioning the pledged items pending disposal of the suit. The Company in its written statement has denied the allegations of the plaintiff and stated that he never approached the Company to repay the loan amount. The Company contends that the plaintiff was unable to repay the amount but sought that the loan amount be enhanced on two separate occasions which were agreed to by the Company, thereby enhancing the principle loan amount from ₹ 1,05,000 to ₹ 1,40,000. Together with the interest and penal interest for the said period, the plaintiff is liable to repay ₹ 2,02,811 to the Company. The Company contends that these material facts have been suppressed by the plaintiff and sought that the suit be dismissed. This matter has been posted for hearing on June 21, 2014 and is currently pending.
9. J.S Kannan, the petitioner, has filed a petition (O.P No. 279 of 2012) against the Company before the City Civil Court at Chennai on December 14, 2012. The petitioner has sought an ad-interim injunction restraining the Company from depositing certain cheques pending disposal of original petition. The original petition seeks to restrain the Company from charging variable and exorbitant interest rates for repayment of loan secured by gold jewels, in contravention of the Tamil Nadu Prohibition of Charging Exorbitant Interest Act, 2003. The Petitioner has also prayed for restraining the Company from auctioning the pledged jewelry. This matter was posted for further enquiry on October 25, 2013 and has been dismissed on account of non-appearance by the petitioner. No appeal has been filed by the petitioner as on the date of this Issue.
10. S.Raja, the petitioner, has filed a petition (O.P No. 278 of 2012) against the Company before the City Civil Court at Chennai on December 14, 2012. The petitioner has sought an ad-interim injunction restraining the Company from depositing certain cheques pending disposal of the original petition. The original petition seeks to restrain the Company from charging variable and exorbitant interest rates for repayment of loan secured by gold jewels. The Petitioner also prays for restraining the Company from auctioning the pledged jewelry. This matter was posted for further enquiry on October 25, 2013 and has been dismissed on account of non-appearance by the petitioner. No appeal has been filed by the petitioner as on the date of this Issue.

11. K.Madasamy, the petitioner, has filed a petition (O.P No. 280 of 2012) against the Company before the City Civil Court at Chennai on December 14, 2012. The petitioner is the owner of a school. The petitioner has sought an ad-interim injunction restraining the Company from disposing of the petitioner's jewels pledged for securing loan. The petitioner has also contended that the varying and exorbitant rates of interest on loans charged by the Company are violative of the Tamil Nadu Prohibition of Charging Exorbitant Interest Act, 2003. This matter was posted for further enquiry on October 25, 2013 and has been dismissed on account of non-appearance by the petitioner. No appeal has been filed by the petitioner as on the date of this Issue.
12. The State of Karnataka, represented by the Labour Inspector, Hannovar circle has filed a complaint (Kveka/Claim 09/2012-13) against the Company under the Minimum Wages Act, 1948 alleging non-payment of minimum wages by the Company to one, Krishna Ganappaya Naik who was employed as a security guard at the Company's branch office at Karwar. The Company has accordingly filed objections in the matter on March, 13, 2013 before the Labour Officer and Minimum Wages Authority Uttarkannda District, Karwar and has stated that the security guard was in fact not an employee of the Company but was employed by Siddeshwar Security Agency, Belgaum, at the Company's Karwar branch office, on contract basis and was being paid salary by such security agency. Further, the Company has stated that the Company has made payment of ₹ 4,500 to the security agency for appointment of the security guard, which is above the prescribed minimum wage rate. This matter is currently pending.
13. S.Devendran, the applicant, has filed an application (I.D 34 of 2013) against the Company before the Labour Court at Kollam on April 4, 2013. The applicant had been working as a Branch Manager at the Nellimoodu branch of the Company. He was been dismissed from the service for allegedly receiving counterfeit notes in respect of a certain loan repayment, without conducting an enquiry and framing specific charges. The applicant has filed this application for a declaration to the effect that his dismissal from service was irregular and illegal and for being reinstated in service with back wages, continuity in service and all other benefits. This matter is posted for written statement on May 15, 2014 and is currently pending.
14. G.T Sreekumar, the plaintiff, has filed a suit (O.S No. 491 of 2013) against the Company before the Munsiff's Court, Nedumangadu on June 27, 2013. The plaintiff has filed the suit praying for permanent prohibitory injunction restraining the Company from selling, without giving notice to the plaintiff, gold ornaments pledged for the purpose of securing loan for cultivation and running the financial company of the plaintiff. This matter was posted to December 12, 2013 for filing of written statement. Thereafter, the suit was dismissed as not pressed even though the court had given directions to auction all accounts that have completed more than one year.
15. Y. Jawahar Ali and Jahira Banu, the plaintiffs have filed a suit (RCOP No. 1436 of 2012) against the Company before the Small Causes Court cum Rent Controller Authority at Chennai in July 2012. The plaintiffs have filed the suit for fixation of fair rent for certain premises occupied by the Company, belonging to the plaintiffs. Accordingly, the court passed an order dated July 29, 2013, fixing the fair rent as ₹ 54,254 per month. The Company has filed an appeal against this order before the Court of Small Causes Judge cum Rent Control Appellate Authority, Chennai (RCA No. 464 of 2013) on the grounds that the trial court has erred in fixing the fair rent and has not considered the true facts and circumstances of the cases. This matter is posted for hearing on April 28, 2014 and is currently pending.
16. Microsoft Corporation and Microsoft Corporation India Private Limited, the plaintiffs have filed a case against the Company (CS (OS) No: 2441 of 2013) before the Delhi High Court alleging usage by the Company of unlicensed copies of software belonging to the plaintiffs for commercial purposes. The plaintiffs have thus sought, among others, permanent injunction, restraining copyright infringement, rendition of accounts and damages against the Company. The Company has filed its objections to the application of local inspection and the interim commission report. The matter is currently pending.

17. K.P.Kalpana, the plaintiff has filed a suit (OS.No.6157 of 2013) against the Company before the court of the City Civil Judge, Bangalore on August 19, 2013. The plaintiff has leased the first floor premises of building bearing number 25, Sathyam Complex, Bangalore to the Company on a month to month basis. The plaintiff has stated that the Company has not vacated the leased premises despite termination of tenancy and has thus filed the suit for recovery of possession of the premises and for grant of mesne profits for illegal occupation of the premises. The Company has filed its written statement and the case is posted for hearing on April 19, 2014. This matter is currently pending.
18. Ravi Kumar, the plaintiff has filed a suit (OS No.692 of 13) against the Company before the court of the Subordinate Judge, Thiruchirapalli on August 02, 2013. The plaintiff has leased a portion in the ground floor and a portion of the third floor of MDSR Enclave, Promenade Road, Cantonment, Thiruchirapalli to the Company. The plaintiff has alleged that the Company has not been making necessary payments of service tax for the abovementioned premises. The plaintiff has thus filed the suit for the recovery of service tax with subsequent interest of 12% from the date of the plaint till the date of the decree and a further interest of 6% till the date of realisation. The case was posted for written statement on April 29, 2014. The matter is currently pending.
19. Arulsamy, the plaintiff has filed a suit (OS No.171 of 2013) against the Company before the court of the Sub Judge, Sivagangai Town, Tamil Nadu. The plaintiff has leased the building bearing door no. 1545, Annai Complex to the Company on February 17, 2005. The plaintiff has filed the suit for directing the Company to vacate the premises and pay unpaid rent amounts along with an interest of 12% per annum from the date of the plaint till the date of realisation of the plaint. The case is posted for hearing on June 12, 2014 and is currently pending.

#### ***Criminal cases***

1. Davidson Tharmaraj, the complainant, has instituted a criminal case (C.C. No. 110 of 2011) before the Court of the Judicial Magistrate, Tenkasi against the Company, the Promoters, Subramanian, the ex-Manager of the Tenkasi south Masi street branch of the Company and A. Mahadevan Pillai, the gold auctioneer, the accused in the present case. The complainant has alleged that between January 12, 2004 and February 9, 2004, on the advice of one of the accused, he pledged gold ornaments and availed loans from the Company on four separate occasions, amounting to a sum of ₹ 0.1 million without the accused having mentioned the rate of interest of such loans. The complainant has also alleged that the Company's pawn broker license had expired in March, 2003 and has not been renewed and hence the Company was not authorised to conduct the auctions as it was in contravention of the Tamil Nadu Pawn Brokers Act, 1943. The complainant has alleged that the accused were guilty of offences under sections 420, 419, 406 and 409 of the IPC read with section 120(b) of the IPC. The Company and other accused have filed a criminal original petition CrI.OP(MD) No. 7174 of 2011 before the High Court of Judicature at Madras, Madurai Bench, seeking to have the proceedings in the present case (C.C. 110 of 2011) quashed. The Madurai Bench of the Madras High Court has passed two orders on June 24, 2011 dispensing with the personal appearance of the accused and staying all proceedings in the present case on the file of the Judicial Magistrate, Tenkasi, pending disposal of the above CrI.OP(MD) No. 7174 of 2011. The matter is currently pending.
2. Vipin Bhola, the complainant in the present matter, has filed a criminal complaint (CC No: 106 of 2012), under sections 406, 467, 468 and 471 of the IPC against the Company and certain employees before the Judicial Magistrate, Gurgaon. The complainant has alleged that he was an agent of the Company and that he has deposited gold ornaments with the Company. The complainant has also alleged that the Company has refused to redeem the ornaments pledged with it against part re-payment of the amount of loan taken by the complainant. This matter is posted for consideration on April 28, 2014 and is currently pending.
3. Deepankar Bhola, the complainant, has filed a criminal complaint (CC No: 31 of 2011), under sections 405, 420, 467, 468, 506 and 120B of the IPC before the Court of Chief Judicial Magistrate, Gurgaon against the Company and few of its Directors, the accused in the case. The complainant had obtained a loan from the Company by pledging 407.50 gms of gold ornaments. The complainant has alleged that he has repaid the entire outstanding loan amount and the Company is illegally retaining the gold ornaments. The complainant has further alleged that the Company has forged documents regarding the return of gold pledged with them so as to cause wrongful loss to the complainant. In the said complaint, summons have been issued against the accused persons.. The Company has filed a petition on



January 31, 2012 under section 482 of the Code of Criminal Procedure in the High Court of Punjab and Haryana at Chandigarh. This matter is posted on April 28, 2014 for evidence and is currently pending.

4. The Assistant Registrar, Co-operative Society, the complainant, had filed an FIR against the Company under sections 5 and 28 of Karnataka Money Lenders Act, 1961 and sections 4 and 15 of the Karnataka Prohibition of Charging Exorbitant Interest Act, 2004. The Company has filed a petition (Criminal Petition No. 3981 of 2012) before the High Court of Karnataka, Bangalore to quash the FIR. The court vide order dated July 24, 2012 has granted an interim stay till the disposal of the matter. The matter is currently pending.
5. Maddula Sampath Kumar, the complainant, has filed a petition (CC no. 346 of 2012) against the Company and its Directors. The complainant's late cousin Mr. M. Anil Kumar had availed 4 personal loans from the Company on June 29, 2009 and July 01, 2009, of ₹ 0.66 lakh on gold that he had taken from the complainant and the complainant's mother without their knowledge. The personal loans carried an interest rate of 29% per annum. The complainant approached the Company seeking foreclosure of the loans on August 01, 2009 and a reduction of the rate of the loan to the minimum slab of 12% per annum on humanitarian grounds. The complainant alleges that he was ready to settle the amount at that date of making the request; however the Company took nine months to process the said request. The complainant claims that the Company did so with mala fide intent to extract interest at exorbitant rates for the said nine months in violation of the provisions of the Consumer Protection Act, 1986. According to the complainant, this amounts to an unfair trade practice under the Consumer Protection Act, 1986. The complainant further claims the rate of interest is violative of the principles of the RBI guidelines. The complainant has prayed for a refund of ₹ 0.15 million and additional compensation of ₹ 0.06 million for mental agony, hardship caused to the complainant and costs. The matter is posted for hearing on June 06, 2014 and is currently pending.
6. V. Sathyamoorthy, the petitioner, has filed Crl. O.P. No. 1024 of 2006 before the Court of the Munsiff cum Judicial Magistrate at Bodinayakanur, against the Company alleging charging of excessive rates of interest by the Company in respect of the loan availed by the petitioner, and for issuing an intimation notice without furnishing exact statement of accounts, thereby contravening the Tamil Nadu Pawn Brokers Act, 1943 and applicable RBI guidelines. This matter is currently pending.

#### *Service tax cases*

1. The Directorate General of Central Excise Intelligence, Delhi Zonal Unit has issued a show cause notice bearing reference DZU/INV/ST/39/2006 dated September 28, 2007 against the Company directing the Company to show cause why an amount of ₹ 2.6 million as service tax and an amount of ₹ 0.1 million as educational cess, service tax amounting to ₹ 6.4 million and educational cess of ₹ 0.1 million under various provisions of the Finance Act, 1994 had not been paid by the Company. Further, the Company is directed to show cause why interest on ₹ 0.3 million should not be recovered and cenvat credit amounting to ₹ 0.5 million should not be denied under the Cenvat Credit Rules, 2004. The notice states that the Company was not paying service tax on its money lending business and that the Company is not registered with the service tax department. The Commissioner of Central Excise, Customs and Service Tax, Kochi Commissionerate, passed an order dated January 20, 2009, confirming the recovery of tax and penalty imposed on the Company and further imposed a penalty of ₹ 100 for every day from the due date and a penalty of ₹ 200 for every day such failure continues or at the rate of 2% of such tax per month whichever is higher subject to maximum of ₹ 9.2 million and a further penalty of ₹ 1,000 under section 7 of the Finance Act, 1994, a penalty of ₹ 9.2 million under section 78 of the Finance Act and a penalty of ₹ 4.8 million on the Company under section 15 of the Cenvat Credit Rules, 2004 read with section 78 of the Finance Act, 1994. The Company has filed an appeal dated April 17, 2009, against the order before the Customs, Excise and Gold (Control) Appellate Tribunal, Bangalore, and the matter is currently pending. The company has also filed an application for the stay of the pre deposit of demand order together with the appeal. The stay application has been allowed by order dated February 17, 2010, on pre-deposit of an amount of ₹ 2.5 million. The appeal is currently pending.
2. The Commissioner of Central Excise and Customs, Kochi Commissionerate has issued a show cause notice bearing reference V/ST/15/16/2008 ST Adj/517 dated April 1, 2008, against the Company directing the Company to show cause why an amount of ₹ 4.3 million as service tax and an amount of ₹ 0.1 million as educational cess, service tax amounting to ₹ 0.02 million and educational cess of ₹ 511, an amount of ₹ 0.7 million, as service tax and an amount of ₹ 0.1 million as educational cess in respect of various provisions of the Finance Act, 1994 had not been paid by the Company. The

Commissioner of Central Excise, Customs and Service Tax, passed an order dated May 12, 2009 and confirmed the recovery of tax and penalty imposed on the Company and further imposed a penalty of ₹ 1,000 under section 77 of the Finance Act, 1994, a penalty of ₹ 5.1 million under section 78 of the Finance Act, 1994. The Company has filed an appeal against the order before the Customs, Excise and Gold (Control) Appellate Tribunal, Bangalore, and the matter is currently pending. The Company has filed an application for the stay of the pre deposit of demand order together with the appeal and a stay has been granted on February 17, 2010 on pre-deposit of ₹ 1.8 million. The appeal is currently pending.

3. The Commissioner for Central Excise and Customs, Kochi has issued a show cause notice No. 122/2008/ST dated October 7, 2008 directing our Company to show cause why an amount of ₹ 7.8 million as service tax and penalties under sections 76, 77, and 78 of the Finance Act 1994 had not been paid by the Company. The Commissioner of Central Excise, Customs and Service Tax, passed an order dated November 30, 2009, confirming the recovery of tax and penalty imposed on our Company and further imposed a penalty of ₹ 200 for every day of failure to pay service tax and educational cess or at the rate of 2% of such tax per month whichever is higher subject to a maximum of ₹ 7.8 million and a further penalty of ₹ 1,000 under section 7 of the Finance Act, 1994, a penalty of ₹ 7.8 million under section 78 of the Finance Act. Our Company has filed an appeal and a petition seeking stay of the order of the Commissioner of Central Excise, Customs and Service Tax, as ST/482/10 before the Customs, Excise and Service Tax Appellate Tribunal on March 15, 2010. The Customs, Excise and Service Tax Appellate Tribunal, by its order dated October 31, 2011, waived the pre-deposit of balance amounts of dues under the impugned order and granted a stay on the recovery thereof till the disposal of the appeal, on pre-deposit of ₹ 4 million. The appeal is currently pending.
4. By a letter dated September 9, 2010, the Superintendent of Central Excise and Service Tax, Kochi, forwarded copies of three audit enquiries raised by the Comptroller and Auditors General's audit party regarding three instances of alleged non payment of service tax for the period from 2007-08 to 2009-10 and required the Company to pay service tax as per the audit enquiry. The amount liable to be paid as per the first audit enquiry was ₹ 1.8 million, the second audit enquiry was ₹ 0.9 million and as per the third audit enquiry was ₹ 7.4 million. The Company has replied to the letter dated September 09, 2010 on October 26, 2010. The Additional Commissioner of Central Excise, Kochi has issued a show cause notice No.V/ST/15/102/2012 ST Adj directing the Company to show cause recovery of an amount of ₹ 2.2 million towards service tax, education cess and secondary education cess and interest and penalty applicable on the above, from our Company, on marketing expenses paid in foreign currency, as per the first audit enquiry. The Company has by letter dated July 17, 2013, responded to the show cause notice and has stated that the show cause notice be dropped for the following reasons: (i) the Company is not liable to pay service tax for amounts paid for marketing services provided by its group concern, Muthoot Marketing Services Private Limited, Dubai as such payments were made only in the form of reimbursements and not as any actual consideration; (ii) the entire exercise in respect of which the demand has been made is revenue neutral; (iii) major portion of the demand made is time barred; and (iv) the Company is not liable to pay any penalty as it has not contravened any provisions of the Finance Act, 1994. The matter is currently pending.
5. The Commissioner of Central Excise and Customs, Kochi Commissionerate has issued a show cause notice bearing reference no. 194/2012/ST dated October 22, 2012, against our Company to show cause as to why: (i) an amount of ₹ 15.89 million as service tax and an amount of ₹ 0.48 million as educational cess, amounting to ₹ 16.37 million for period 2010-11 to 2011-12 had not been paid by the Company undervarious provisions of the Finance Act, 1994 on account of providing taxable services (business auxiliary services) under the Finance Act, 1994; (ii) an amount of ₹ 1.70 million inclusive of education cess for the services received from foreign firms has not been paid undervarious provisions of the Finance Act, 1994; (iii) interest on delayed payment of service tax (including education cess) should not be demanded and recovered under section 75 of the Finance Act, 1994 and the relevant rules thereunder, (iv) penalty should not be imposed under sections 76, 77 and 78 of the Finance Act, 1994 for failure to comply with the provisions of the Finance Act, 1994 and the relevant rules thereunder. The company has filed its reply to the show cause notice on February 19, 2013 stating that (i) the Company is not liable for payment of service tax for business auxiliary services as the same qualifies as export of service; (ii) the demand regarding payment of service tax for payments made to foreign firms have been included in a previous show cause notice and have been paid towards donations and not services; (iii) the demand for interest on delayed payment of service tax is time barred; and (iv) the Company is not liable for payment of penalty as it has not defaulted under the provisions of the Finance Act, 1994. The matter is currently pending.

6. The Commissioner of Central Excise and Customs, Kochi has issued show cause notice bearing reference no. 199/2012/ST dated October 22, 2012 directing the company to show cause why: (i) an amount of ₹ 1672.3 million as service tax (including education cess) had not been paid by the Company for the period from 2007-2008 to 2011-2012 in accordance with the provisions of the Finance Act, 1994 on account of providing taxable services (business auxiliary services) under the Finance Act, 1994 and (ii) penalties under sections 75, 76, 77, and 78 of the Finance Act, 1994 should not be levied against the Company. The company has filed its reply to the show cause notice on February 19, 2013 stating that (i) services as collection agent are not taxable as the same cannot be viewed as a separate and independent service being rendered by the Company, the entire exercise is revenue neutral and the demand for service tax is time barred; and (ii) the Company is not liable for payment of penalties as it has not defaulted under the provisions of the Finance Act, 1994. The matter is currently pending.
7. The Assistant Commissioner of Central Excise has issued a show cause notice no. 1 of 2013-ST (C.No.V/ST/38/63/2013, ST Adj./790) dated March 30, 2013 asking the Company to show cause why (i) an amount of ₹ 1,63,018 being service tax for the period of 2011-12 should not be demanded from the Company; (ii) interest on the appropriate rate of service tax, education cess and secondary and higher education cess should not be demanded under Section 75 of the Finance Act, 1994; and (iii) penalties should not be imposed on them under Sections 66A, 70, 76, 77 and 78 of the Finance Act, 1994. The Company has filed its reply to the show cause notice on August 18, 2013 setting out the factual position and explaining why all the allegations contained in the show cause notice are incorrect and unsustainable. The matter is currently pending.
8. The Additional Commissioner of Central excise, Customs & Service tax, Cochin has issued a show cause notice no.233 /2013/ST (C No.V/ST/15/212/2013/ST Adj) dated October 25, 2013 asking the Company to show cause as to why (i) CENVAT credit totalling ₹ 1,075,156 should not be demanded from the company; (ii) interest at the appropriate rate on the ineligible CENVAT credit availed should not be demanded from the Company, (iii) penalty should not be imposed under Rule 15 of CENVAT Credit Rules, 2004; (iv) penalty should not be imposed on the Company under Section 78 of Chapter V of the Finance Act, 1994. The matter is currently pending.

#### ***Income tax cases***

1. By an assessment order dated December 19, 2011, the Additional Commissioner of Income Tax, Range-1, Kochi, has demanded a sum of ₹ 13.8 million as the deductions claimed by the Company were disallowed for the AY 2009-10. The Company has preferred an application dated January 20, 2012 for rectification of the assessment order, under section 154 of the IT Act. The Company has also filed an appeal against the said order before the Commissioner of Income Tax (Appeals)-II, Kochi. With regard to the application filed by the Company, the assessing officer, vide order dated July 2, 2012 has revised the demand to ₹ 13.3 million. The Company has filed appeal before the Income Tax Appellate Tribunal, Kochi against certain disallowances, which is currently pending.
2. The Additional Commissioner of Income Tax, Range-1, Kochi has by an assessment order dated March 21, 2013 under Section 143(3) of the Income Tax Act demanded payment of ₹ 36,384,640 and has stated that the Company cannot be allowed to claim certain tax deductions, on account of undertaking generation and distribution of power, non-payment of tax on payments made to non-resident entities, expenses relating to its demerged radio business, bad debts and payments made into the Company's staff welfare scheme account. The Company has filed an appeal against the said order before the Commissioner of Income Tax (Appeals)-II, Kochi. The Company has already paid an amount of ₹ 21.82 million towards the demand. The appeal is currently pending.
3. The Additional Commissioner of Income Tax, Range-1, Kochi has demanded payment of ₹ 4.55 million for the assessment year 2011-12 from the Company by an assessment order dated November 29, 2013 under Section 143(3) of the Income Tax Act and has disallowed certain deductions under section 80IA of the Income Tax Act, which the Company had claimed on account of bad debts written off. The Company has filed an appeal against the order before the Income Tax (Appeals) – II which is currently pending.

4. The Commissioner of Income Tax-I, Kochi has filed an appeal before the High Court of Kerala against the order of the Income Tax Appellate Tribunal, Kochi. The Income Tax Appellate Tribunal, Kochi in their order dated June 01, 2012 had dismissed the appeal filed by the Additional Commissioner of Income Tax, Circle-1(3) Kochi against a previous order of the Commissioner of Income Tax (Appeals)-II, Kochi dated February 16, 2007. This order of the Commissioner of Income Tax (Appeals)-II Kochi pertained to an assessment order issued as regards the Company for the assessment year 2004 – 2005 as regards certain additions and disallowances.
5. The Commissioner of Income Tax-I, Kochi has filed two appeals before the High Court of Kerala against the orders of the Income Tax Appellate Tribunal, Kochi. Earlier, the Income Tax Appellate Tribunal in their order dated June 01, 2012 had partly allowed the appeal filed by the Company dated March 31, 2010 against the order of Commissioner of Income Tax (Appeals), Kochi. This appeal by the Company was regarding additions previously made by an assessing officer on account of staff welfare account scheme and certain disallowances as regards the assessment year 2006 - 2007. The matter is currently pending.

#### ***Cases filed against the Directors***

In addition to the litigations disclosed above, the following litigations are currently pending against the Directors:

1. The Deputy Commissioner of Income Tax has issued two assessment orders both dated December 30, 2010 to George Thomas Muthoot under section 143(3) read with section 147 of the IT Act for the assessment years 2006-07, demanding ₹ 5.6 million and for the assessment year 2007-08, ₹ 5.2 million. An appeal dated January 07, 2011 has been filed by George Thomas Muthoot before the Commissioner of Income Tax (Appeals), Trivandrum against the above order. The appeal is currently pending.
2. The Deputy Commissioner of Income Tax has issued an assessment order dated December 30, 2010 to George Jacob Muthoot under section 143(3) read with section 147 of the IT Act for the assessment years 2006-07 by demanding a total tax payable of ₹ 14.5 million. An appeal dated January 07, 2011 has been filed by George Jacob Muthoot before the Commissioner of Income Tax (Appeals), Trivandrum against the above order. The appeal is pending.
3. The Joint commissioner of Income tax, Thiruvalla has issued an assessment order dated December 12, 2011 to George Jacob Muthoot under section 143(3) of the IT Act for the year ended March 31, 2009 by demanding a total tax payable of ₹ 38.7 million. George Jacob Muthoot has filed an appeal against the assessment order on December 20, 2011 before the Commissioner of Income Tax (Appeals), Trivandrum. The appeal is pending.
4. The Deputy Commissioner of Income Tax, Thiruvalla has issued an assessment order dated March 28, 2014 to George Jacob Muthoot under section 143(3) of the IT Act for the year ended March 31, 2011 by demanding a total tax payable of ₹ 15.85 million in respect of certain disallowances under agricultural income. The matter is currently pending.
5. A first information report was filed on August 07, 2012 by Yarrabothula Srinivasa Reddy in Guntur, Andhra Pradesh against the managing director of the Company, branch manager, regional manager of the Company claiming that he was cheated and requesting for full investigation of the matter along with retrieval of gold jewellery deposited with the Company. The complainant claims that he had availed from the Company three loans secured against gold jewellery deposited with the Company, to the tune of ₹ 0.21 million, at an agreed interest rate of 15%. The complainant claims that he had deposited gold ornaments weighing about 290.70 grams in 2007 while availing the loan. The complainant further claims that he received two demand notices on May 23, 2008 and July 31, 2008 from the Company for ₹. 0.30 million and ₹ 0.32 million, however when he approached the bank manager to settle the loan his request was allegedly denied. The complainant also claims that he later received three auction notices stating the amount due to him was ₹ 0.43 million which was more than the principal amount. The complainant requested the bank to not proceed with any such auction and to settle his account and claims that his requests were refused. The complainant alleges that in 2010 when he contacted the branch manager, he was informed that the amount due to the Company was only ₹ 0.29 million. A first information report bearing no. 355/2012 has been registered with the Station House Officer, Guntur, alleging violation of Section 420 of the Indian Penal Code, 1860 against the

managing director of the Company, branch manager and regional manager of the Company. The Company has filed criminal petition No. 8535/2012, before the High Court of Andhra Pradesh, seeking that the proceedings in crime no. 355/2012 be quashed. The High Court of Andhra Pradesh vide an order dated November 13, 2012, has issued notice to the complainant, directing him to show cause why the petition should not be quashed and has also granted an interim stay on all further proceedings in crime no. 355/2012 for six weeks. The matter has been posted for evidence and is currently pending.

6. Petition WP(MD) No. 14627 of 2012 filed on January 02, 2013 by Jeya Ruthran, the petitioner, before the High Court of Judicature of Madras at Madurai against the Union of India, the Assistant General Manager of the RBI and other parties. The petitioner had filed a writ petition challenging the alleged exorbitant interest rates charged by the NBFCs engaged in gold loan business in W.P. No. 2206/2012 before the High Court of Chennai. The High Court of Chennai passed an order stating that the proper course for the petitioner is to pursue remedy before the statutory authority, RBI which regulates such NBFCs. The petitioner claims that the RBI has communicated to him stating that it is not regulating the rate of interest charged by such NBFCs. The petitioner is challenging the communication from the RBI dated May 03, 2012 as illegal, arbitrary and contrary to the order of the High Court in W.P. No. 2206/2012. The petitioner seeks the records in relation to the communication from the RBI dated May 03, 2012, quashing of the impugned communication from the RBI as illegal and for the Union of India, RBI and the Tamil Nadu Government Finance Department to regulate the interest rates charged by NBFCs. The matter is currently pending.
7. R.V.V.Prabhakaran, the petitioner has filed a petition (RCOP.No.5 of 2013) on October 09, 2013 against George Alexander Muthoot before the Court of the Rent Controller, Arni; under section 4(i) and 4(iii) of Tamil Nadu Building Lease and Rent Control Act, 1960. The petitioner has leased out the vacant site and the first floor of the building bearing door no. 65, Gandhi Road, Thiruvannamalia District, Arni Town, Arni Taluk on February 13, 2007 to George Alexander Muthoot for conducting financial and commercial transactions of the Muthoot Group. The petitioner has filed the present petition seeking the fixation of fair rent for the scheduled property and for directing George Alexander Muthoot to pay such fair rent from the date of the petition and the costs arising thereof. The case has been posted for counter affidavit on April 28, 2014.

## **Litigations filed by our Company**

### ***Civil cases***

1. Our Company has filed a special leave petition before the Supreme Court of India (SLP (Civil) No. 14386 of 2010) against the judgment of the High Court of Kerala in W.P (C) No. 7526 of 2006 wherein it was held that NBFCs such as the Company must comply with the provisions of the Kerala Money Lenders Act, 1958. The Company has contended that it is regulated by the provisions of the Reserve Bank of India Act, 1934 and action on the part of the Government of Kerala to levy license fee under the Kerala Money Lenders Act, 1958 on the Company amounts to dual control by the State Government and the Central Government on the same activities. The Company has sought an interim order from the Supreme Court of India to stay the judgment and final order passed by the High Court of Kerala. The Supreme Court of India accordingly directed that status quo be maintained. The matter is currently pending.
2. Our Company has filed a writ petition (W.P. no. 18932 of 2012) against the State of Karnataka and certain others before the High Court of Karnataka seeking a writ of mandamus declaring that the Company is exempted from the provisions of the Karnataka Prohibition of Charging Exorbitant Interest Act, 2004 and that the Company is governed solely by regulations framed by the RBI. The Company has also sought a direction from the High Court of Karnataka directing the respondents to not interfere in the Company's activities. The matter is currently pending.
3. Our Company has filed a civil suit (O. S. No. 78 of 2006), before the Sub Court, Ernakulum against Cardamom Marketing Corporation, a partnership firm and 11 other persons who are partners of Cardamom Marketing Corporation, the defendants in the case. Our Company has alleged that the defendants availed a loan of ₹ 17.50 million in the month of September 2005 agreeing to repay the loan with 24.00% interest per annum within 21 days from the date of disbursement. However the defendants did not repay the loan as agreed. On November 2, 2005 and November 26, 2005 our Company sent registered notices demanding the repayment of loan with the interest. The defendants had issued a cheque of ₹ 18.5 million towards repayment of the loan amount which when presented for encashment by our Company was dishonoured on December 13, 2005. Our Company issued a notice dated January 11,

2006 to the defendants intimating about the dishonour of cheque and demanding payment and the defendants denied any transactions between our Company and the defendants. Therefore our Company has filed the suit for recovery of an amount of ₹ 19.05 million along with interest on ₹ 17.5 million at 24% per annum from the defendants and further seeking costs of the proceedings. The case has been posted on May 26, 2014 for production of documents from the Central Bureau of Investigation. The matter is currently pending.

## **INDEPENDENT ACCOUNTANTS**

M/s. Rangamani & Co, the Statutory Auditors of the Company (firm registration no. 003050S) have audited our financial statements as of and for each of the years ended March 31, 2013, 2012 and 2011, and as of and for the nine months ended December 31, 2013 and December 31, 2012, included in this Red Herring Prospectus.

## GENERAL INFORMATION

1. Our Company was originally incorporated as a private limited company on March 14, 1997 under the Companies Act, as “The Muthoot Finance Private Limited”. Subsequently, by a fresh certificate of incorporation dated May 16, 2007, our name was changed to “Muthoot Finance Private Limited”. Our Company was converted into a public limited company on November 18, 2008 with the name “Muthoot Finance Limited” and received a fresh certificate of incorporation consequent to change in status on December 02, 2008 from the RoC, Kerala and Lakshadweep.
2. The Issue is being made to QIBs in reliance upon Chapter VIII-A of the SEBI Regulations.
3. The Issue has been authorised and approved by the Board of Directors through resolution dated January 30, 2014 and by the Company’s shareholders through a postal ballot, the results being declared on March 10, 2014.
4. The Company has received in-principle approvals under Clause 24(a) of the Equity Listing Agreement to list the Equity Shares being offered in the Issue from the BSE and the NSE on April 17, 2014.
5. The Company has obtained and will obtain necessary consents, approvals and authorisations required in connection with the Issue.
6. Except as disclosed in this Red Herring Prospectus, there has been no material change in the Company’s financial condition since December 31, 2013, the date of its latest audited financial statements, prepared in accordance with Indian GAAP, included herein.
7. Except as disclosed in this Red Herring Prospectus, there are no legal or arbitration proceedings against or affecting the Company or its assets or revenues, nor is the Company aware of any pending or threatened legal or arbitration proceedings, which are, or might be, material in the context of the Issue.
8. The Company’s statutory Auditor, M/s. Rangamani & Co., Chartered Accountants (having firm registration no. 003050S) has audited the Company’s financial statements as of and for each of the years ended March 31, 2013, 2012 and 2011 and as of and for the nine months ended December 31, 2013, and December 31, 2012 and have consented to the inclusion of their audit report in relation thereto in this Red Herring Prospectus.
9. There shall be only one denomination of the Equity Shares, unless otherwise permitted by law. The Company shall comply with such disclosure and accounting norms as may be specified by SEBI from time to time.
10. **Consents**

Consents in writing of: the Directors and the legal counsels; and the Book Running Lead Managers, the Syndicate Member, the Public Issue Account Bank and the Registrar to the Issue to act in their respective capacities, have been obtained and filed along with a copy of this Red Herring Prospectus with the RoC and such consents have not been withdrawn before the delivery of this Red Herring Prospectus for registration with the RoC.

M/s. Rangamani & Co the Company’s statutory Auditor chartered accountants (having firm registration no. 003050S), have given their written consent to the inclusion of their report dated March 10, 2014 in the form and context in which it appears in this Red Herring Prospectus. M/s. Rangamani & Co the Company’s statutory Auditor chartered accountants, have given their written consent to inclusion of their report dated March 10, 2014 relating to the possible tax benefits accruing to the Company and its shareholders in the form and context in which it appears in this Red Herring Prospectus. Such consents have not been withdrawn before the of delivery of this Red Herring Prospectus for registration with the RoC.



11. **Experts**

M/s. Rangamani & Co, Chartered Accountants (having firm registration no. 003050S) have been named as experts pursuant to applicable provisions of Companies Act, 2013.

12. **Company Secretary and Compliance Officer**

The Company Secretary and Compliance Officer of the Company is Maxin James. His contact details are as follows:

Maxin James  
Muthoot Chambers  
Opposite Saritha Theatre Complex  
2<sup>nd</sup> Floor, Banerji Road  
Kochi 682 018  
Kerala, India  
Tel: (+91 484) 353 5533  
Fax: (+91 484) 2396506  
E-mail: cs@muthootgroup.com

Investors can contact the Compliance Officer or the Registrar to the Issue in case of any pre or post-Issue related problems related to Allotment, credit of Allotted Equity Shares in the respective beneficiary account or unblocking of funds in the ASBA Accounts.

13. **Chief Financial Officer**

The Chief Financial Officer of our Company is Oommen K. Mammen. His contact details are as follows:

Oommen K. Mammen  
Muthoot Chambers  
Opposite Saritha Theatre Complex  
2<sup>nd</sup> Floor, Banerji Road  
Kochi 682 018  
Kerala, India  
Tel: (+91 484) 353 5533  
Fax: (+91 484) 2396506  
E-mail: oommen@muthootgroup.com

#### 14. Price information of Past Issues Handled by Book Running Lead Managers

The price information of past issues handled by Book Running Lead Managers to the Issue is as follows:

- Price information of past issues handled by I-Sec:

S. No.	Issue Name	Issue size (₹ in million)	Issue price (₹)	Listing date	Opening price on listing date	Closing price on listing date	% Change in Price on listing date (Closing) vs. Issue Price	Benchmark index on listing date (Closing)	Closing price as on 10th calendar day from listing day	Benchmark index as on 10th calendar day from listing day (Closing)	Closing price as on 20th calendar day from listing day (Closing)	Benchmark index as on 20th calendar day from listing day (Closing)	Closing price as on 30th calendar day from listing day (Closing)	Benchmark index as on 30th calendar day from listing day (Closing)
1.	Bharti Infratel Limited	41,727.60	220 *	December 28, 2012	200	191.65	- 12.89 %	5,908.35	207.40	5,988.40	204.95	6,039.20	210.30	6,074.80
2.	Credit Analysis and Research Limited	5,399.78	750	December 26, 2012	940	922.55	23.01 %	5,905.60	929.25	5,988.40	931.05	6,056.60	924.85	6,074.65
3.	Tara Jewels Limited	1,794.99	230	December 06, 2012	242	229.9	- 0.04%	5,930.90	230.25	5,857.90	223.75	5,905.60	234.00	5,988.40

\*Discount of Rs. 10 per equity share offered to retail investors and Premium of Rs. 10 per equity share to Anchor investors. All calculations are based on Issue Price of Rs 220.00 per equity share

Note:

- All above data is of NSE (Website [www.nseindia.com](http://www.nseindia.com))
- Benchmark Index considered above in all the cases was NIFTY
- 10th, 20th, 30th trading day from listed day have been taken as listing day plus 10, 20 and 30 calendar days. Wherever 10th, 20th, 30th trading day is a holiday, we have considered the closing data of the next trading date / day

- Summary statement of price information of past issues handled by I-Sec:

Fiscal Year	Total No. of IPOs	Total Funds Raised (₹ in million)	No. of IPOs trading at discount on listing date			No. of IPOs trading at premium on listing date			No. of IPOs trading at discount as on 30th calendar day from listing day			No. of IPOs trading at premium as on 30th calendar day from listing day		
			Over 50%	Between 25-50%	Less than 25%	Over 50%	Between 25-50%	Less than 25%	Over 50%	Between 25-50%	Less than 25%	Over 50%	Between 25-50%	Less than 25%
2014-15	0	Nil	0	0	0	0	0	0	0	0	0	0	0	0
2013-14	0	Nil	0	0	0	0	0	0	0	0	0	0	0	0
2012-13	3	48,922.37	0	0	2	0	0	1	0	0	1	0	0	2

- Price information of past issues handled by Kotak:

S r N o.	Issue Name	Issue Size (₹ in milli on)	Issu e Pri ce (₹)	Listing Date	Openi ng Price on Listin g Date	Clo sing Pric e on List ing Dat e	% Cha nge in Price on listin g date (Clos ing) vs. Issue Price	Bench mark index on listing date (Clos ing)	Clos ing pric e as on 10th calen dar day fro m listi ng date	Bench mark index as on 10th calend ar days from listing day (Closi ng)	Clos ing pric e as on 20th calen dar days from listing day (Closi ng)	Bench mark index as on 20th calend ar days from listing day (Closi ng)	Clos ing pric e as on 30th calen dar days from listing day (Closi ng)	Bench mark index as on 30th calend ar days from listing day (Closi ng)
1	Bharti Infratel Limited <sup>(1)</sup>	41,72 7.60	220. 00	December 28, 2012	200.0 0	191. 65	- 12.89 %	5,908. 35	207. 40	5,988. 40	204. 40	6,001. 85	210. 30	6,074. 80
2	PC Jeweller Limited <sup>(2)</sup>	6,013 .08	135. 00	December 27, 2012	137.0 0	149. 20	10.52 %	5,870. 10	181. 65	5,988. 40	168. 90	6,056. 60	157. 55	6,074. 65
3	Credit Analysis & Research Limited	5,39 9.78	750. 00	December 26, 2012	940.0 0	922. 55	23.01 %	5,905. 60	934. 75	6,016. 15	923. 45	6,024. 05	920. 85	6,019. 35
4	Speciality Restaurants Limited	1,760 .91	150. 00	May 30, 2012	152.0 0	159. 60	6.40 %	4,950. 75	182. 45	5,068. 35	206. 65	5,064. 25	213. 05	5,149. 15

Source: [www.nseindia.com](http://www.nseindia.com)

<sup>(1)</sup> In Bharti Infratel Limited, the anchor investor issue price was **Rs. 230** per equity share and the issue price after discount to Retail Individual Bidders was **Rs. 210** per equity share.

<sup>(2)</sup> In PC Jeweller Limited, the issue price after discount to Retail Individual Bidders and Eligible Employees was **Rs. 130** per equity share.

- Summary statement of price information of past issues handled by Kotak:

Financi al Year	Tota l No. of IPO' s	Total Funds Raised (₹ in million)	Nos. of IPOs trading at discount on listing date			No. of IPOs trading at premium on listing date			Nos. of IPOs trading at discount as on 30th calendar day from listing date			Nos. of IPOs trading at premium as on 30th calendar day from listing date		
			Ove r 50 %	Between 25- 50%	Les s than 25 %	Ove r 50 %	Between 25- 50%	Les s than 25 %	Ove r 50 %	Between 25- 50%	Les s than 25 %	Ove r 50 %	Between 25- 50%	Les s than 25 %
2014-15	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2013-14	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2012-13	4	54,901.3 6	-	-	1	-	-	3	-	-	1	-	1	2

- Price information of past issues handled by ESIB: ESIB has not handled any public issues in the last three financial years.
- Summary statement of price information of past issues handled by ESIB: ESIB has not handled any public issues in the last three financial years.

15. Track record of past issues handled by Book Running Lead Managers

For details regarding the track record of the Managers, as specified in Circular reference CIR/MIRSD/1/2012 dated January 10, 2012 issued by the SEBI, please refer to the websites of the BRLMs, as set forth in the table below:

Sr. No	Name of the Manager	Website
1.	ICICI Securities Ltd.	<a href="http://www.icicisecurities.com">www.icicisecurities.com</a>
2.	Kotak Mahindra Capital Company Limited	<a href="http://www.investmentbank.kotak.com/track-record/Disclaimer.html">www.investmentbank.kotak.com/track-record/Disclaimer.html</a>
3.	Espirito Santo Securities India Private Limited	<a href="http://www.espiritosantoib.com">www.espiritosantoib.com</a>

## FINANCIAL STATEMENTS OF OUR COMPANY

### AUDITORS' REPORT

#### Report of the Independent Auditor on the Audited Financial Statements

To The Board of Directors of Muthoot Finance Limited  
Muthoot Chambers, Kurien Tower,  
Opp. Saritha Theatre,  
Banerji Road, Cochin  
India – 682018

1. We have examined the accompanying Summary Financial Statements of Muthoot Finance Limited (“the Company”) which comprises the Balance Sheet as at December 31, 2013, December 31, 2012, March 31, 2013, March 31, 2012 and March 31, 2011, the statement of profit and loss and the cash flow statement for the nine month ended December 31, 2013 and December 31, 2012 and for the years ended March 31, 2013, March 31, 2012 and March 31, 2011, together with the related explanatory notes referred to herein as the “Summary Financial Statements”, prepared in connection with the proposed Institutional Placement Programme (“IPP”). The Summary Financial Statements are derived from the audited financial statements (the “Audited Financial Statements”) of the company for the respective years/periods, audited by us.
2. We have expressed unmodified audit opinions on the Audited Financial statements of the Company for the years / periods ended December 31, 2013, December 31, 2012, March 31, 2013, March 31, 2012 and March 31, 2011 vide our reports issued on the financial statements for the respective years / periods.
3. The Audited Financial Statements or the Summary Financial Statements do not reflect the effect of events that occurred subsequent to the date of our reports on those respective financial statements.

#### 4. Management Responsibility

Management is responsible for the preparation and presentation of this financial information prepared in accordance with Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 as amended from time to time and other accounting principles generally accepted in India.

#### 5. Auditors Responsibility

Our responsibility is to express an opinion on the financial information based on our procedures, which were conducted in accordance with Standard on Auditing (SA) 810 “Engagements to Report on Summary Financial Statement” issued by the Institute of Chartered Accountants of India.

#### 6. Opinion

In our opinion, the summary financial statement derived from the audited financial statement of the company for the respective years are a fair summary of those audited financial statement, in accordance with Accounting Standards notified under the Companies (Accounting Standards) rules, 2006 as amended from time to time and other accounting principles generally accepted in India.

#### 7. Restrictive Clause

Our report and the attached summary financial statement are intended for the use of the management and for inclusion in the Red Herring Prospectus and the Prospectus of the Company (hereinafter collectively referred to as the ‘Prospectus’) in connection with the proposed institutional placement programme (‘IPP’) of equity shares of the company. Our report should not be used for any other purpose except with our prior consent in writing.

**For Rangamani & Co.**  
Chartered Accountants  
Reg No.003050S  
**Sreenivasan R**  
**Partner**

Place: Alleppey

Date: March 10, 2014

**(MNo.020566)**

**ANNEXURE-I REFORMATTED SUMMARY STATEMENT OF ASSETS AND LIABILITIES**
**Rs.in Millions**

Particulars	Note	As at December 31, 2013	As at December 31, 2012	As at March 31, 2013	As at March 31, 2012	As at March 31, 2011
<b>EQUITY AND LIABILITIES</b>						
<b>I Shareholders' funds</b>						
(a) Share capital	1	3,717.13	3,717.13	3,717.13	3,717.13	3,202.13
(b) Reserves and surplus	2	37,495.81	33,382.15	33,638.52	25,540.19	10,142.00
		<b>41,212.94</b>	<b>37,099.28</b>	<b>37,355.65</b>	<b>29,257.32</b>	<b>13,344.13</b>
<b>II Non-current liabilities</b>						
(a) Long-term borrowings	3	68,180.31	72,705.96	79,529.42	62,416.53	26,692.18
(b) Other Long term liabilities	4	8,336.04	4,773.00	5,633.84	2,686.94	1,258.61
(c) Long-term provisions		59.02	-	2.41	-	-
		<b>76,575.37</b>	<b>77,478.96</b>	<b>85,165.67</b>	<b>65,103.47</b>	<b>27,950.79</b>
<b>III Current liabilities</b>						
(a) Short-term borrowings	3	67,711.69	95,621.77	94,802.41	92,386.82	72,414.08
Trade Payables & Other current liabilities	5	75,449.02	68,249.39	73,155.91	44,227.65	22,899.69
(c) Short-term provisions	6	2,525.98	1,677.83	3,683.01	2,746.76	601.31
		<b>145,686.69</b>	<b>165,548.99</b>	<b>171,641.33</b>	<b>139,361.23</b>	<b>95,915.08</b>
<b>Total Equity and Liabilities (I+II+III)</b>		<b>263,475.00</b>	<b>280,127.23</b>	<b>294,162.65</b>	<b>233,722.02</b>	<b>137,210.00</b>
<b>ASSETS</b>						
<b>IV Non-current assets</b>						
(a) <b>Fixed assets</b>	7					
Tangible assets		3,063.74	2,766.44	2,888.08	2,621.06	1,835.57
Intangible assets		4.77	6.20	5.70	5.84	2.21
Capital work-in-progress		58.21	96.83	95.96	38.95	47.97
Intangible assets under development		60.27	34.18	40.43	16.42	-
(b) Non-current investments	8	75.05	75.05	75.05	75.05	75.05
(c) Deferred tax assets (net)		210.92	110.18	195.45	3.90	(24.74)
Long-term loans and advances	9	1,134.64	1,052.79	1,045.22	1,098.70	903.86
(e) Other non-current assets	10	-	-	-	0.51	-
		<b>4,607.60</b>	<b>4,141.67</b>	<b>4,345.89</b>	<b>3,860.43</b>	<b>2,839.92</b>
<b>V Current Assets</b>						
(a) Current investments	11	307.00	900.00	750.00	900.00	-
(b) Trade receivables	12	13,109.17	10,385.21	11,481.77	7,340.23	3,468.66
(c) Cash and Cash Equivalents	13	19,286.13	10,793.34	13,419.98	7,950.39	13,754.95
Short-term loans and advances	14	226,148.14	253,808.00	264,131.09	213,600.22	117,057.22
(e) Other current assets	15	16.96	99.01	33.92	70.75	89.25
		<b>258,867.40</b>	<b>275,985.56</b>	<b>289,816.76</b>	<b>229,861.59</b>	<b>134,370.08</b>
<b>Total Assets (IV+V)</b>		<b>263,475.00</b>	<b>280,127.23</b>	<b>294,162.65</b>	<b>233,722.02</b>	<b>137,210.00</b>

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Note:

The accompanying statement of Significant Accounting Policies and Notes to Accounts on Financial statements are integral part of this Statement

As per our report of even  
date

**RANGAMANI & CO.**  
Chartered Accountants  
(FRN: 003050 S)

**For and on behalf of the  
Board of Directors**

**R .SREENIVASAN**

**George Alexander Muthoot**

Partner  
Membership No. 20566  
Place: Cochin, India  
Date: 10<sup>th</sup> March 2014

**Managing Director**



## ANNEXURE-II : REFORMATTED SUMMARY STATEMENT OF PROFIT AND LOSS

							Rs.in Millions
Particulars	Note	For the nine months ended December 31,2013	For the nine months ended December 31,2012	For the year ended March 31, 2013	For the year ended March 31, 2012	For the year ended March 31, 2011	
<b>A INCOME</b>							
<b>i</b> Revenue from Operations	16	37,753.59	39,527.00	53,588.98	45,366.72	23,015.05	
<b>ii</b> Other income	17	129.94	228.94	282.38	123.84	143.62	
<b>Total Revenue</b>		<b>37,883.53</b>	<b>39,755.94</b>	<b>53,871.36</b>	<b>45,490.56</b>	<b>23,158.67</b>	
<b>B EXPENSES</b>							
<b>i</b> Employee benefits expense	18	4,339.72	3,982.93	5,452.75	4,144.77	2,209.49	
<b>ii</b> Finance costs	19	20,594.55	20,769.75	28,194.44	23,698.99	10,382.87	
<b>iii</b> Other expenses	20	3,049.47	2,447.06	3,567.83	3,393.18	2,239.47	
<b>iv</b> Directors Remuneration		144.00	144.00	192.00	192.00	192.00	
<b>v</b> Depreciation and amortization expense	7	347.16	334.80	454.43	329.18	180.98	
<b>vi</b> Provisions and Write Offs	21	256.41	431.62	895.46	419.97	341.75	
<b>Total expenses</b>		<b>28,731.31</b>	<b>28,110.16</b>	<b>38,756.91</b>	<b>32,178.09</b>	<b>15,546.56</b>	
<b>C Profit Before Tax (A-B)</b>		<b>9,152.22</b>	<b>11,645.78</b>	<b>15,114.45</b>	<b>13,312.47</b>	<b>7,612.11</b>	
<b>D Tax expense</b>							
<b>i</b> Current tax		3,160.09	3,910.12	5,171.10	4,420.86	2,670.46	
<b>ii</b> Deferred tax		(15.50)	(106.30)	(191.55)	(28.63)	(0.11)	
<b>iii</b> Taxes relating to Previous Years		16.39	-	92.51	-	-	
<b>Total tax expenses</b>		<b>3,160.98</b>	<b>3,803.82</b>	<b>5,072.06</b>	<b>4,392.23</b>	<b>2,670.35</b>	
<b>E Profit for the year</b>		<b>5,991.24</b>	<b>7,841.96</b>	<b>10,042.39</b>	<b>8,920.24</b>	<b>4,941.76</b>	
<b>F Earnings per share (Rs)</b>							
Basic		16.12	21.10	27.02	24.29	15.78	
Diluted		16.12	21.10	27.02	24.29	15.78	

Note:

The accompanying statement of Significant Accounting Policies and Notes to Accounts on Financial statements are integral part of this Statement.

As per our report of even date

**RANGAMANI & CO.**

Chartered Accountants

(FRN: 003050 S)

**For and on behalf of the Board of Directors**

**George Alexander Muthoot**

**Managing Director**

**R .SREENIVASAN**

Partner

Membership No. 20566

Place: Cochin, India

Date: 10<sup>th</sup> March 2014

### ANNEXURE III - REFORMATTED SUMMARY OF CASH FLOW STATEMENT

Particulars	Rs.in Millions				
	For the period ended December 31 2013	For the period ended December 31 2012	For the year ended March 31, 2013	For the year ended March 31, 2012	For the year ended March 31, 2011
<b>A Cash Flow From Operating Activities</b>					
<b>Net Profit Before Taxation</b>	<b>9,152.22</b>	<b>11,645.78</b>	<b>15,114.45</b>	<b>13,312.47</b>	<b>7,612.11</b>
Adjustments for:-					
Add: Provision for Non-Performing Assets and Standard assets	134.48	376.83	765.19	350.74	323.46
Add: Finance Cost	20,594.55	20,769.75	28,194.44	23,698.99	10,382.87
Add: Income Tax Paid	-	-	-	-	32.27
Add: Loss on Sale of Fixed Assets	-	0.24	0.21	-	0.13
Add: Depreciation and amortization	347.16	334.80	454.43	329.17	180.98
Add :Provision for Gratuity	56.61	-	2.41	-	-
Add :Expenses on ESOP	40.49	-	-	-	-
Less: Profit on sale of Fixed Assets	(0.32)	-	-	(0.40)	-
Less: Interest received on Bank Deposits	(50.82)	(163.95)	(195.64)	(122.57)	(142.92)
Less: Income from Investments	(78.17)	(64.01)	(85.70)	-	-
<b>Operating profit before working capital changes</b>	<b>30,196.20</b>	<b>32,899.44</b>	<b>44,249.79</b>	<b>37,568.40</b>	<b>18,388.90</b>
Adjustments for:-					
(Increase) / Decrease in Loans and Advances	37,893.53	(40,143.61)	(50,477.39)	(96,737.84)	(63,061.72)
(Increase) / Decrease in Trade receivables	(1,627.39)	(3,044.97)	(4,141.54)	(3,871.57)	(2,076.64)
(Increase) / Decrease in other receivables	-	0.52	0.52	(0.52)	-
Increase / (Decrease) in Current liabilities	(84.65)	(80.53)	(23.71)	200.12	170.62
Increase / (Decrease) in Other Liabilities	0.08	5.91	5.49	16.62	2.08
<b>Cash generated from operations</b>	<b>66,377.77</b>	<b>(10,363.24)</b>	<b>(10,386.84)</b>	<b>(62,824.79)</b>	<b>(46,576.76)</b>
Finance cost paid	(17,171.00)	(17,359.35)	(23,829.00)	(19,909.08)	(11,201.22)
Direct tax paid	(3,393.69)	(3,627.81)	(5,308.55)	(4,354.21)	(2,605.32)
<b>Net cash from operating activities</b>	<b>45,813.08</b>	<b>(31,350.40)</b>	<b>(39,524.39)</b>	<b>(87,088.08)</b>	<b>(60,383.30)</b>
<b>B Cash Flow From Investing Activities</b>					
Purchase of Fixed Assets	(525.19)	(483.20)	(724.07)	(1,118.78)	(773.86)
Sale of Fixed Assets	3.61	2.41	2.54	0.89	0.58
(Increase) / Decrease in Capital Work in Progress	17.92	(75.65)	(81.03)	(7.39)	(44.08)
Redemption of Bonds	443.00	-	150.00	(900.00)	-
Interest received on Bank Deposits	48.58	147.86	252.09	141.07	58.18
Income from Investments	97.36	33.58	66.08	-	-
<b>Net Cash from Investing Activities</b>	<b>85.28</b>	<b>(375.00)</b>	<b>(334.39)</b>	<b>(1,884.21)</b>	<b>(759.18)</b>
<b>C Cash From Financing Activities</b>					
Net Proceeds from Issue of Debentures	(3,277.06)	26,778.91	33,940.76	34,646.13	16,289.75
Increase / (Decrease) in Loan from Directors / Relatives of Directors	1,850.06	1,381.58	1,480.61	(559.54)	246.99
Increase / (Decrease) in Borrowings from Bank /Financial Institutions	(35,416.57)	7,633.86	9,043.58	31,790.84	39,250.59
Increase / (Decrease) in Inter Corporate Loan	(13.90)	45.35	(78.23)	127.40	(13.70)
Increase / (Decrease) in Subordinated debt	2,236.17	5,283.17	8,199.88	7,695.24	3,859.18
Increase / (Decrease) in Commercial Papers	(2,163.85)	(4,826.95)	(5,530.62)	746.67	6,947.81
Initial Public Offer of Equity Shares	-	-	-	9,012.50	2,556.90
Expenses for Initial Public Offer of Equity Shares	-	-	-	(291.49)	-
Dividend paid(including Dividend Distribution Tax)	(3,247.06)	(1,727.57)	(1,727.61)	-	-

(Increase)/ Decrease in bank deposits held for greater than 3 months	0.16	1,418.98	2,620.59	127.01	(1,737.69)
<b>Net Cash from Financing Activities</b>	<b>(40,032.05)</b>	<b>35,987.33</b>	<b>47,948.96</b>	<b>83,294.76</b>	<b>67,399.83</b>
<b>Net Increase In Cash And Cash Equivalents (A+B+C)</b>	<b>5,866.31</b>	<b>4,261.93</b>	<b>8,090.18</b>	<b>(5,677.53)</b>	<b>6,257.35</b>
Cash And Cash Equivalent At The Beginning of The Period	13,401.83	5,311.65	5,311.65	10,989.18	4,731.83
<b>Cash And Cash Equivalent At The End of The Period</b>	<b>19,268.14</b>	<b>9,573.58</b>	<b>13,401.83</b>	<b>5,311.65</b>	<b>10,989.18</b>
<b>Components of Cash and Cash Equivalents at the end of the period</b>					
Current Account with Banks	17,595.51	8,288.85	10,845.23	2,989.30	9,329.38
Deposit with Banks	411.20	50.00	720.00	50.00	309.71
Cash on Hand	1,259.33	1,234.24	1,836.16	2,272.35	1,350.09
Unpaid Dividend	2.10	0.49	0.44	-	-
<b>Total</b>	<b>19,268.14</b>	<b>9,573.58</b>	<b>13,401.83</b>	<b>5,311.65</b>	<b>10,989.18</b>

As per our report of even date

**RANGAMANI & CO.**

Chartered Accountants

(FRN: 003050 S)

**For and on behalf of the Board of Directors**

**R .SREENIVASAN**

Partner

Membership No. 20566

Place: Cochin, India

Date: 10<sup>th</sup> March 2014

**George Alexander Muthoot**

**Managing Director**

## **ANNEXURE IV – NOTES ON SUMMARY STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES**

### **A. BACKGROUND**

1. Muthoot Finance Ltd. was incorporated as a private limited Company on 14th March 1997 and was converted into a public limited Company on 18th November 2008. The Company is promoted by Mr. M. G. George Muthoot, Mr. George Thomas Muthoot, Mr. George Jacob Muthoot and Mr. George Alexander Muthoot collectively operating under the brand name of 'The Muthoot Group', which has diversified interests in the fields of Financial Services, Healthcare, Education, Plantations, Real Estate, Foreign Exchange, Information Technology, Insurance Distribution, Hospitality etc. The Company obtained permission from the Reserve Bank of India for carrying on the business of Non-Banking Financial Institutions on 13.11.2001 vide Regn No. N 16.00167. The Company is presently classified as Systemically Important Non Deposit Taking NBFC (NBFC-ND-SI).

### **B. SIGNIFICANT ACCOUNTING POLICIES**

#### **1. ACCOUNTING CONCEPTS**

The financial statements are prepared on historical cost convention complying with the relevant provisions of the Companies Act, 1956 and the Accounting Standards issued by the Institute of Chartered Accountants of India, as applicable. The Company follows prudential norms for income recognition, asset classification and provisioning as prescribed by Reserve Bank of India vide Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007.

#### **2. USE OF ESTIMATES**

The preparation of the financial statements requires use of estimates and assumptions that affect the reported amount of assets and liabilities as at the Balance Sheet date, reported amount of income and expenses during the reporting period and disclosure of contingent liabilities as at that date. The estimates and assumptions used in these financial statements are based upon the management evaluation of the relevant facts and circumstances as of the date of the financial statements. Management believes that these estimates and assumptions used are prudent and reasonable. Future results may vary from these estimates.

#### **3. REVENUE RECOGNITION**

Revenues are recognized and expenses are accounted on accrual basis with necessary provisions for all known liabilities and losses. Revenue is recognised to the extent it is realizable wherever there is uncertainty in the ultimate collection. Income from Non-Performing Assets is recognized only when it is realized. Income and expense under bilateral assignment of receivables accrue over the life of the related receivables assigned. Interest income and expenses on bilateral assignment of receivables are accounted on gross basis. Interest income on deposits is recognised on time proportionate basis.

#### **4. EMPLOYEE BENEFITS**

##### **A) Short Term Employee Benefits:**

Short Term Employee Benefits for services rendered by employees are recognized during the period when the services are rendered.

##### **B) Post employment benefits:**

###### **a) Defined Contribution Plan**

###### **Provident Fund**

Contributions are made to Employees Provident Fund Organization in respect of Provident Fund, Pension Fund and Employees Deposit Linked Insurance Scheme at the prescribed rates and are charged to Profit & Loss Account at actuals.

b) Defined Benefit Plan

Gratuity

The Company makes annual contribution to a Gratuity Fund administered by Trustees and managed by Kotak Mahindra Old Mutual Life Insurance Limited and ICICI Prudential Life Insurance Company Limited. The Company accounts for its liability for future gratuity benefits based on actuarial valuation determined every year by the Insurance Company using Projected Unit Credit Method.

c) Employee share based payments

Stock options granted to the employees under the stock option scheme established are evaluated as per the accounting treatment prescribed by the Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines, 1999 issued by Securities Exchange Board of India. The company follows the intrinsic value method of accounting for the options and accordingly, the excess of market value of the stock options as on the date of grant over the exercise price of the options, if any, is recognized as deferred employee compensation cost and is charged to the Statement of Profit and Loss on graded vesting basis over the vesting period of the options.

**5. FIXED ASSETS**

Fixed assets are stated at historical cost less accumulated depreciation. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

Depreciation is charged at the rates specified in Schedule XIV of the Companies Act, 1956 on Written Down Value method

**6. FOREIGN EXCHANGE TRANSACTIONS**

Foreign currency transactions are recorded, on initial recognition, by applying to the foreign currency amount the exchange rate at the date of the transaction. Foreign currency monetary assets and liabilities are reported using the exchange rate as on the Balance Sheet date. Non-monetary items, which are carried in terms of historical cost denominated in foreign currency, are reported using the exchange rate at the date of the transaction. Exchange differences arising on the settlement of monetary items are recognised as income or as expenses in the period in which they arise.

**7. INTANGIBLE ASSETS**

Intangible Assets are amortized over their expected useful life. It is stated at cost, net of amortization. Computer Software is amortized over a period of five years on straight-line method.

**8. TAXES ON INCOME**

Income Tax expenses comprises of current tax and deferred tax (asset or liability). Current tax is the amount of tax payable on the taxable income for the year determined in accordance with the provisions of the Income Tax Act 1961. Deferred tax is recognized, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets are recognized if there is reasonable certainty that there will be sufficient future taxable income available to realise such assets.

**9. INVESTMENTS**

Investments intended to be held for not more than one year are classified as current investments. All other investments are classified as non-current investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Non-Current investments are carried at cost. However, provision for diminution in value is made to recognise a decline, other than temporary, in the value of the investments.

## **10. IMPAIRMENT OF ASSETS**

The carrying amounts of assets are reviewed at each balance sheet date to ascertain impairment based on internal / external factors. An impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of the net selling price of the assets or their value in use. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life. A previously recognized impairment loss is increased or reversed depending on changes in circumstances. However, the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment.

## **11. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprise of cash at bank, cash in hand, bank deposits having a maturity of less than 3 months and unpaid dividend.

## **12. PROVISIONS, CONTINGENT LIABILITIES & CONTINGENT ASSETS**

Provisions are recognized only when the Company has present, legal, or constructive obligations as a result of past events, for which it is probable that an outflow of economic benefit will be required to settle the transaction and a reliable estimate can be made for the amount of the obligation.

Contingent liability is disclosed for (i) possible obligations which will be confirmed only by future events not wholly within the control of the Company or (ii) present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

Contingent assets are not recognized in the financial statements since this may result in the recognition of income that may never be realized.

## **13. DEBENTURE REDEMPTION RESERVE**

In terms of Circular No. 4/2013 dated February 11, 2013 issued by the Ministry of Corporate Affairs, Company has created Debenture Redemption Reserve in respect of Secured Non-Convertible Debentures issued through public issue as per present SEBI (Issue & Listing of Debt Securities) Regulations, 2008.

No Debenture Redemption Reserve is to be created for privately placed debentures of Non-Banking Finance Companies.

## **14. PROVISION FOR STANDARD AND NON PERFORMING ASSETS**

Company makes provision for standard assets and non performing assets as per Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007. Provision for standard assets in excess of the prudential norms, as estimated by the management, is categorised under Provision for Standard Assets, as general provisions.

## **15. LEASES**

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets, are classified as operating leases.

### **Where the Company is the Lessor:**

Assets given on operating leases are included in fixed assets. Lease income is recognised in the Statement of Profit and Loss on a straight-line basis over the lease term. Costs, including depreciation are recognised as an expense in the Statement of Profit and Loss. Initial direct costs such as legal costs, brokerage costs, etc. are recognised immediately in the Statement of Profit and Loss.

**Where the Company is the lessee:**

Operating lease payments are recognized as an expense in the Statement of Profit and Loss on a straight-line basis over the lease term.

**16. SEGMENT REPORTING****Identification of segments:**

- a) The Company's operating businesses are organized and managed separately according to the nature of services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Company has identified two business segments – Financing and Power Generation.
- b) In the context of Accounting Standard 17 on Segment Reporting, issued by the Institute of Chartered Accountants of India, Company has identified business segment as the primary segment for the purpose of disclosure.
- c) Company operates in a single geographical segment. Hence, secondary geographical segment information disclosure is not applicable
- d) The segment revenues, results, assets and liabilities include the respective amounts identifiable to each of the segment and amounts allocated on a reasonable basis.

**Unallocated items:**

Unallocated items include income, expenses, assets and liabilities which are not allocated to any reportable business segment.

**Segment Policies:**

The Company prepares its segment information in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Company as a whole.

## ANNEXURE-V: SCHEDULES TO REFORMATTED SUMMARY STATEMENT OF ASSETS AND LIABILITIES

### Note 1: SHARE CAPITAL

#### 1.1 Share Capital

Particulars	Rs. in Millions				
	As at December 31, 2013	As at December 31, 2012	As at March 31, 2013	As at March 31, 2012	As at March 31, 2011
<b>Authorised</b>					
Equity Shares	4,500.00	4,500.00	4,500.00	4,500.00	4,500.00
	450 mn equity shares of Rs. 10/- each	450 mn equity shares of Rs. 10/- each	450 mn equity shares of Rs. 10/- each	450 mn equity shares of Rs. 10/- each	450 mn equity shares of Rs. 10/- each
Preference Shares	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00
	5 mn preference shares of Rs. 1000/- each	5 mn preference shares of Rs. 1000/- each	5 mn preference shares of Rs. 1000/- each	5 mn preference shares of Rs. 1000/- each	5 mn preference shares of Rs. 1000/- each
<b>Total</b>	<b>9,500.00</b>	<b>9,500.00</b>	<b>9,500.00</b>	<b>9,500.00</b>	<b>9,500.00</b>
<b>Issued, Subscribed &amp; Paid up</b>					
	3,717.13	3,717.13	3,717.13	3,717.13	3,202.13
	37,17,12,768 Equity shares of Rs.10/- each fully paid up	37,17,12,768 Equity shares of Rs.10/- each fully paid up	37,17,12,768 Equity shares of Rs.10/- each fully paid up	37,17,12,768 Equity shares of Rs.10/- each fully paid up	32,02,12,768 Equity shares of Rs.10/- each fully paid up
<b>Total</b>	<b>3,717.13</b>	<b>3,717.13</b>	<b>3,717.13</b>	<b>3,717.13</b>	<b>3,202.13</b>

#### 1.2 Terms and Rights attached to Equity Shares

The Company has only one class of equity shares having face value Rs. 10/- per share. All these shares have the same rights and preferences with respect to the payment of dividend, repayment of capital and voting. The dividend proposed by your Board of Directors is subject to the approval of shareholders in the ensuing Annual General Meeting.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive any of the remaining assets of the Company, after distribution of all preferential amounts. However, no such preferential amounts exist currently. The distribution will be in proportion to the number of equity shares held by the shareholders.

#### 1.3 The reconciliation of the number of shares outstanding and the amount of share capital as at

Particulars	As at December 31, 2013	As at December 31, 2012	As at March 31, 2013	As at March 31, 2012	As at March 31, 2011
Shares outstanding at the beginning of the period	371,712,768	371,712,768	371,712,768	320,212,768	301,000,000
Shares Issued during the period	-	-	-	51,500,000	19,212,768
Shares outstanding at the end of the period	371,712,768	371,712,768	371,712,768	371,712,768	320,212,768



**1.4 Disclosure as to the shareholders holding more than 5 percent shares**

Name of Shareholder	As at December 31, 2013		As at December 31, 2012		As at March 31, 2013		As at March 31, 2012		As at March 31, 2011	
	No. of Shares	% of Holding	No. of Shares	% of Holding	No. of Shares	% of Holding	No. of Shares	% of Holding	No. of Shares	% of Holding
	held	Holding	held	Holding	held	Holding	held	Holding	held	Holding
M. G. George Muthoot	47,385,132	12.75%	47,385,132	12.75%	47,385,132	12.75%	47,385,132	12.75%	47,385,132	14.80%
George Alexander Muthoot	44,464,400	11.96%	44,464,400	11.96%	44,464,400	11.96%	44,464,400	11.96%	44,464,400	13.89%
George Jacob Muthoot	44,464,400	11.96%	44,464,400	11.96%	44,464,400	11.96%	44,464,400	11.96%	44,464,400	13.89%
George Thomas Muthoot	44,464,400	11.96%	44,464,400	11.96%	44,464,400	11.96%	44,464,400	11.96%	44,464,400	13.89%
Susan Thomas	29,985,068	8.07%	29,985,068	8.07%	29,985,068	8.07%	29,985,068	8.07%	29,985,068	9.36%

**1.5 Disclosure as to aggregate number and class of shares allotted as pursuant to contract(s) without payment being received in cash, fully paid up by way of bonus shares and shares bought back.**

Particulars	Aggregate No. of Shares issued in the financial years				
	Period ended December 31, 2013	Period ended December 31, 2012	Year ended 2012-13	Year ended 2011-12	Year ended 2010-11
<b>Equity Shares :</b>					
Fully paid up pursuant to contract(s) without payment being received in cash	Nil	Nil	Nil	Nil	Nil
Fully paid up by way of bonus shares	Nil	Nil	Nil	Nil	Nil
Shares bought back	Nil	Nil	Nil	Nil	Nil

**Note 2: Reserves and Surplus**

Rs in Millions

Particulars	As at December 31, 2013	As at December 31, 2012	As at March 31, 2013	As at March 31, 2012	As at March 31, 2011
<b>a. Securities Premium Account</b>					
Balance at the beginning of the year	10,570.78	10,570.78	10,570.78	2,364.77	-
Add : Securities premium credited on Share issue	-	-	-	8,497.50	2,364.78
Less : Premium Utilised for Initial Public Offering expenses	-	-	-	291.49	-
<b>Closing Balance</b>	<b>10,570.78</b>	<b>10,570.78</b>	<b>10,570.78</b>	<b>10,570.78</b>	<b>2,364.78</b>
<b>b. General Reserve ( Refer Note 2 a )</b>					
Balance at the beginning of the year	1,896.26	892.02	892.02	-	-
Add: Amount transferred from surplus balance in the Statement of Profit and Loss	-	-	1,004.24	892.02	-
<b>Closing Balance</b>	<b>1,896.26</b>	<b>892.02</b>	<b>1,896.26</b>	<b>892.02</b>	<b>-</b>
<b>c. Debenture Redemption Reserve ( Refer Note 2 b )</b>					
Balance at the beginning of the year	1,709.29	742.04	742.04	-	-
Add: Amount transferred from surplus balance in the Statement of Profit and Loss	918.19	1,931.51	967.25	742.04	-
<b>Closing Balance</b>	<b>2,627.48</b>	<b>2,673.55</b>	<b>1,709.29</b>	<b>742.04</b>	<b>-</b>
<b>d. Statutory Reserve ( Refer Note 2 c )</b>					
Balance at the beginning of the year	5,774.55	3,766.07	3,766.07	1,982.02	993.67
Add: Amount transferred from surplus balance in the Statement of Profit and Loss	1,198.25	1,568.40	2,008.48	1,784.05	988.35
<b>Closing Balance</b>	<b>6,972.80</b>	<b>5,334.47</b>	<b>5,774.55</b>	<b>3,766.07</b>	<b>1,982.02</b>
<b>e. Share options outstanding account</b>					
Balance at the beginning of the year	-	-	-	-	-
Add: Amounts recorded on grants during the period	533.20	-	-	-	-
Less: Value of lapsed options during the period	9.64	-	-	-	-
Less: Deferred stock compensation expenses	483.07	-	-	-	-
<b>Closing Balance</b>	<b>40.49</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>f. Surplus in the Statement of Profit and Loss</b>					
Balance at the beginning of the year	13,687.64	9,569.28	9,569.28	5,795.20	1,841.79
Add: Net Profit For the period	5,991.24	7,841.96	10,042.39	8,920.24	4,941.76
Less: Appropriations					
Interim Dividend & Dividend Tax up to 30.09.2013	1,304.66	-	-	-	-
Proposed Equity Dividend	743.43	-	1,672.71	1,486.85	-
Corporate Dividend Tax	126.35	-	271.35	241.20	-
Transfer to General Reserve	-	-	1,004.24	892.02	-
Transfer to Debenture Redemption Reserves	918.19	1,931.51	967.25	742.04	-
Transfer to Statutory Reserves	1,198.25	1,568.40	2,008.48	1,784.05	988.35
<b>Closing Balance</b>	<b>15,388.00</b>	<b>13,911.33</b>	<b>13,687.64</b>	<b>9,569.28</b>	<b>5,795.20</b>
<b>TOTAL</b>	<b>37,495.81</b>	<b>33,382.15</b>	<b>33,638.52</b>	<b>25,540.19</b>	<b>10,142.00</b>

**2(a) General Reserve**

Appropriate transfer to General Reserves in accordance with Companies (Transfer of Profits to Reserves) Rules, 1975, has been made in the financial statements.

**2(b) Debenture Redemption Reserve**

In accordance with Section 117C of the Companies Act, 1956, read with Circular No. 4/2013 dated 11.02.2013 issued by the Ministry of Corporate Affairs, in conjunction with Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008, Company is required to create a Debenture Redemption Reserve equal to the 25% of the value of debentures issued through public issue. Accordingly, Company has transferred an amount of Rs. 918.19 million (Previous period: Rs. 1,931.51 million) to the Debenture Redemption Reserve. No appropriation was made from this Reserve during the year.

**2(c) Statutory Reserve**

Statutory Reserve represents the Reserve Fund created under Section 45 IC of the Reserve Bank of India Act, 1934. An amount of Rs. 1,198.25 million representing 20% of Net Profit is transferred to the Fund for the year (Previous period Rs.1,568.40 million) . No appropriation was made from the Reserve Fund during the year.

## 2. BORROWINGS

### Note 3.1: Borrowings – Secured and Unsecured

					Rs. In Millions
Particulars			Non-Current		
	As at December 31, 2013	As at December 31, 2012	As at March 31, 2013	As at March 31, 2012	As at March 31, 2011
<b><u>Secured</u></b>					
<b>(a) Bonds/debentures</b>					
Secured Non-Convertible Debentures	27,846.93	35,925.07	40,281.72	27,040.22	19,430.58
(Secured by mortgage of immovable property and paripassu floating charge on current assets, book debts and Loans & advances)					
(Refer Note No. 3.2)					
Secured Non-Convertible Debentures	-	-	-	49.21	139.47
(Secured by mortgage of immovable property and charge on all movable fixed assets)					
(Refer Note No. 3.2)					
Secured Non-Convertible Debentures –Listed	14,638.92	16,688.99	14,614.78	12,526.01	-
(Secured by mortgage of immovable property and paripassu floating charge on current assets, book debts and Loans & advances)					
(Refer Note No. 3.3 & 3.4)					
<b>(b) Term loans</b>					
<b>From banks</b>					
Term Loan (Secured by specific charge on wind mills & Land appurtenant thereto and personal guarantee and collateral property of promoter directors)	-	-	-	-	16.28
Terms of Repayment : Repayable in Quarterly Installments - NA (Previous Period : Repayable in Quarterly Installments)					
Term Loan (Secured by specific charge on vehicles)	6.39	4.92	7.96	-	-
(Terms of Repayment : Repayable in Monthly Installments)					
-					
Short Term Loan (Secured by mortgage of immovable property and subservient charge on current assets, book debts, loans & advances and personal guarantee of Promoter Directors and collateral security by a group company)	-	-	-	-	-

Term Loan (Secured by paripassu floating charge on current assets, book debts and Loans & advances and personal guarantee of Promoter Directors)	543.40	-	1,521.70	3,000.00	-
(Terms of Repayment: Rs. 543.40 million repayable in FY 2014-15 )					
<b>From Financial Institutions</b>					
Term Loan (Secured by paripassu floating charge on current assets, book debts and Loans & advances and personal guarantee of Promoter Directors)	-	-	-	5,000.00	-
(Terms of Repayment : NA (Previous Period - Repayable in 5 monthly installments in FY 2013-14 )					
Term Loan - (Secured by specific charge on vehicles)	0.95	2.72	2.29	-	-
(Terms of Repayment : Repayable in Monthly Installments )					
<b>(c) Loans repayable on demand</b>					
<b>From banks</b>					
Overdraft against Deposit with Banks	-	-	-	-	-
(Secured by a lien on Fixed Deposit with Banks)					
Cash Credit	-	-	-	-	-
(Secured by paripassu floating charge on current assets, book debts, Loans & advances and personal guarantee of Promoter Directors)					
<b>(d) Short Term Loans</b>					
<b>From Banks</b>					
(Secured by paripassu floating charge on current assets, book debts, Loans & advances and personal guarantee of Promoter Directors)	-	-	-	-	-
<b>From Financial Institutions</b>					
(Secured by paripassu floating charge on current assets, book debts, Loans & advances and personal guarantee of promoter directors)	-	-	-	-	-
<b>Sub Total (a)</b>	<b>43,036.59</b>	<b>52,621.70</b>	<b>56,428.45</b>	<b>47,615.44</b>	<b>19,586.33</b>

<b><u>Unsecured</u></b>					
<b>(a) Loans repayable on demand</b>					
From Banks	-	-	-	-	-
<b>(b) Loans and advances from related parties</b>					
Loan from Directors and Relatives	-	-	-	-	-
Inter Corporate Loan	-	-	-	-	-
Subordinated Debt (Refer Note 3.6)	404.47	408.02	408.02	407.78	407.14
<b>(c) Other loans and advances</b>					
Non-Convertible Debentures - Listed (Refer Note 3.5)	-	-	-	-	-
Subordinated Debt Listed (Refer Note 3.7 and 3.8)	542.18	-	100.00	-	-
Commercial Paper	-	-	-	-	-
Subordinated Debt (Refer Note 3.6)	24,197.07	19,676.24	22,592.95	14,393.31	6,698.71
Inter Corporate Loan	-	-	-	-	-
<b>Sub Total (b)</b>	<b>25,143.72</b>	<b>20,084.26</b>	<b>23,100.97</b>	<b>14,801.09</b>	<b>7,105.85</b>
<b>Total</b>	<b>68,180.31</b>	<b>72,705.96</b>	<b>79,529.42</b>	<b>62,416.53</b>	<b>26,692.18</b>

Particulars	Current				
	As at December 31, 2013	As at December 31, 2012	As at March 31, 2013	As at March 31, 2012	As at March 31, 2011
<b>Secured</b>					
<b>(a) Bonds/debentures</b>					
Secured Non-Convertible Debentures	58,656.16	51,576.41	54,298.64	39,012.96	20,262.22
(Secured by mortgage of immovable property and paripassu floating charge on current assets, book debts and Loans & advances)					
(Refer Note No. 3.2)					
Secured Non-Convertible Debentures	-	32.89	15.86	-	-
(Secured by mortgage of immovable property and charge on all movable fixed assets)					
(Refer Note No. 3.2)					
Secured Non-Convertible Debentures –Listed	7,607.89	1,183.95	3,258.16	-	2,150.00
(Secured by mortgage of immovable property and paripassu floating charge on current assets, book debts and Loans & advances)					
(Refer Note No. 3.3 & 3.4)					
<b>(b) Term loans</b>					
<b>From banks</b>					
Term Loan (Secured by specific charge on wind mills & Land appurtenant thereto and personal guarantee and collateral property of promoter directors)	-	3.52	-	16.28	17.38
Terms of Repayment : Repayable in Quarterly Instalments - NA (Previous Period : Repayable in Quarterly Instalments)					
Term Loan (Secured by specific charge on vehicles)	5.59	2.39	4.14	-	-
(Terms of Repayment : Repayable in Monthly Instalments)					
Short Term Loan (Secured by mortgage of immovable property and subservient charge on current assets, book debts, loans & advances and personal guarantee of Promoter Directors and collateral security by a group company)	400.00	400.00	400.00	400.00	400.00
Term Loan (Secured by paripassu floating charge on current assets, book debts and Loans & advances and personal guarantee of Promoter Directors)	1,304.40	3,000.00	3,978.30	1,000.00	-
(Terms of Repayment: Rs. 1,304.40 million repayable in FY 2013-14 )					

<b>From Financial Institutions</b>					
Term Loan (Secured by paripassu floating charge on current assets, book debts and Loans & advances and personal guarantee of Promoter Directors)	-	6,000.00	5,000.00	-	-
(Terms of Repayment : NA (Previous Period - Repayable in 5 monthly instalments in FY 2013-14 )					
Term Loan - (Secured by specific charge on vehicles)	1.77	1.60	1.64	-	-
(Terms of Repayment : Repayable in Monthly Instalments )					
<b>(c) Loans repayable on demand</b>					
<b>From banks</b>					
Overdraft against Deposit with Banks	-	0.16	-	0.44	1.02
(Secured by a lien on Fixed Deposit with Banks)					
Cash Credit	29,104.66	55,268.66	56,497.67	48,123.40	28,909.61
(Secured by paripassu floating charge on current assets, book debts, Loans & advances and personal guarantee of Promoter Directors)					
<b>(d) Short Term Loans</b>					
<b>From Banks</b>	34,580.00	35,270.00	32,950.00	33,930.00	29,785.00
(Secured by paripassu floating charge on current assets, book debts, Loans & advances and personal guarantee of Promoter Directors)					
<b>From Financial Institutions</b>	-	-	1,000.00	850.00	1,000.00
(Secured by paripassu floating charge on current assets, book debts, Loans & advances and personal guarantee of promoter directors)					
<b>Sub Total (a)</b>	<b>131,660.47</b>	<b>152,739.58</b>	<b>157,404.41</b>	<b>123,333.08</b>	<b>82,525.23</b>
<b>Unsecured</b>					
<b>(a) Loans repayable on demand</b>					
From Banks	-	-	-	-	400.00
<b>(b) Loans and advances from related parties</b>					
Loan from Directors and Relatives	3,588.71	1,639.63	1,738.66	258.05	817.59



Inter Corporate Loan	17.22	157.85	32.22	125.95	3.05
Subordinated Debt (Refer Note 3.6)	3.63	-	-	-	-
<b>(c) Other loans and advances</b>					
Non-Convertible Debentures - Listed (Refer Note 3.5)	-	-	-	-	2,000.00
Subordinated Debt Listed (Refer Note 3.7and 3.8)	-	-	-	-	-
Commercial Paper	-	2,867.53	2,163.86	7,694.48	6,947.81
Subordinated Debt (Refer Note 3.6)	631.96	-	-	-	-
Inter Corporate Loan	21.10	17.95	20.00	4.50	-
<b>Sub Total (b)</b>	<b>4,262.62</b>	<b>4,682.96</b>	<b>3,954.74</b>	<b>8,082.98</b>	<b>10,168.45</b>
<b>Total</b>	<b>135,923.09</b>	<b>157,422.54</b>	<b>161,359.15</b>	<b>131,416.06</b>	<b>92,693.68</b>
Less: Amount included under Current Liabilities					
Current maturities of long term debt (Refer Note 5.1)	68,159.06	61,726.44	66,474.92	38,960.85	20,233.91
Unpaid Matured Debentures (Refer Note 5.2)	52.34	74.33	81.82	68.39	45.69
<b>As per Balance Sheet</b>	<b>67,711.69</b>	<b>95,621.77</b>	<b>94,802.41</b>	<b>92,386.82</b>	<b>72,414.08</b>
<b>Long Term Borrowings</b>	<b>68,180.31</b>	<b>72,705.96</b>	<b>79,529.42</b>	<b>62,416.53</b>	<b>26,692.18</b>
<b>Short Term Borrowings</b>	<b>67,711.69</b>	<b>95,621.77</b>	<b>94,802.41</b>	<b>92,386.82</b>	<b>72,414.08</b>

### Note 3.2 Secured Non-Convertible Debentures

The Company had privately placed Secured Non-Convertible Debentures for a maturity period upto 10 years with an outstanding of:

Series	Date of allotment	Amount					Rs. In Millions	
		As at December 31, 2013	As at December 31, 2012	As at March 31, 2013	As at March 31, 2012	As at March 31, 2011	Redemption Period	Interest Rate (%)
CM	24.12.2013-31.12.2013	58.00	-	-	-	-	120 months	10.5-12.5
CL	05.12.2013-24.12.2013	126.00	-	-	-	-	120 months	10.5-12.5
CK	18.11.2013-05.12.2013	133.00	-	-	-	-	120 months	10.5-12.5
CJ	29.10.2013-18.11.2013	131.50	-	-	-	-	120 months	10.5-12.5
CI	09.10.2013-29.10.2013	133.00	-	-	-	-	120 months	10.5-12.5
CH	27.09.2013 - 09.10.2013	177.50	-	-	-	-	120 months	10.5-12.5
CG	06.09.2013 - 27.09.2013	127.00	-	-	-	-	120 months	10.5-12.5
CF	31.08.2013 - 06.09.2013	80.00	-	-	-	-	120 months	10.5-12.5
CE	12.08.2013 - 31.08.2013	143.00	-	-	-	-	120 months	10.5-12.5
CD	31.07.2013 - 10.08.2013	138.00	-	-	-	-	120 months	10.5-12.5
CC	08.07.2013 - 31.07.2013	229.00	-	-	-	-	120 months	10.5-12.5
CB	24.06.2013 - 07.07.2013	3,733.61	-	-	-	-	120 months	10.5-12.5
CA	18.04.2013 - 23.06.2013	7,491.34	-	-	-	-	120 months	10.5-12.5
BZ	01.03.2013-17.04.2013	7,886.52	-	6,523.46	-	-	120 months	10.5-12.5
BY	18.01.2013-28.02.2013	6,968.97	-	7,749.71	-	-	120 months	10.5-12.5
BX	26.11.2012-17.01.2013	6,354.99	5,124.12	7,519.25	-	-	60 months	10.5-12.5
BW	01.10.2012-25.11.2012	7,563.37	9,148.99	8,821.61	-	-	60 months	11.5-12.5
BV	17.08.2012 - 30.09.2012	5,852.67	7,251.45	6,995.30	-	-	60 months	11.5-12.5
BU	01.07.2012 - 16.08.2012	6,431.73	8,520.31	8,183.78	-	-	60 months	11.5-12.5
BT	21.05.2012 – 30.06.2012	3,406.55	5,772.09	5,604.13	-	-	60 months	11.5-12.5
BS	01.05.2012 – 20.05.2012	1,340.98	2,148.41	2,075.08	-	-	60 months	11.5-12.5
BR	01.03.2012-30.04.2012	4,223.94	6,886.83	6,631.28	5,351.35	-	60 months	11.5-12.5
BQ	23.01.2012-29.02.2012	3,331.83	6,025.39	4,876.43	7,983.37	-	60 months	11.5-12.5
BP	01.12.2011-22.01.2012	2,917.81	6,120.74	5,023.30	7,728.85	-	60 months	11.5-12.5
BO	19.09.2011–30.11.2011	2,604.61	5,063.84	4,545.04	7,053.79	-	60 months	11-12
BN	01.07.2011–18.09.2011	2,831.66	5,659.97	3,343.92	7,394.77	-	60 months	11-12
BM	01.04.2011–30.06.2011	2,626.80	3,391.71	3,223.39	6,421.79	-	60 months	11-12
BL	01.01.2011-31.03.2011	3,135.84	4,674.25	3,512.89	6,649.93	10,075.09	60 months	10-11.5
BK	01.10.2010-31.12.2010	1,903.75	2,693.73	2,631.80	4,317.30	6,088.72	60 months	9.5-11.5
BJ	01.07.2010–30.09.2010	1,287.52	2,094.22	1,859.17	2,493.89	4,721.64	60 months	9.5-11
BI	01.04.2010-30.06.2010	768.22	1,593.18	1,552.50	1,984.77	4,119.70	60 months	9-10.5

BH	01.01.2010-31.03.2010	720.30	1,651.99	892.78	1,920.25	3,006.04	60 months	9-10.5
BG	01.10.2009-31.12.2009	512.58	778.13	703.94	1,545.71	1,953.23	60 months	9.5-10.5
BF	01.07.2009-30.09.2009	665.97	949.91	873.08	1,298.10	1,802.96	60 months	10.5
BE	01.04.2009-30.06.2009	250.58	509.36	481.96	1,118.07	1,510.81	60 months	10.5-11.5
BD	01.01.2009-31.03.2009	162.60	456.68	312.79	595.18	1,244.97	60 months	11-12
BC	22.09.2008-31.12.2008	33.33	355.43	305.14	556.51	1,281.77	60 months	11-12
BB	10.07.2008-21.09.2008	6.57	225.33	126.88	336.51	892.70	60 months	11-11.5
BA	03.07.2008-09.07.2008	0.05	32.89	15.86	49.21	139.47	60 months	11-11.5
AZ	01.04.2008-02.07.2008	3.93	199.20	179.23	400.00	798.50	60 months	10.5-11
AY	01.01.2008-31.03.2008	1.37	178.58	20.89	272.89	411.23	60 months	10.5-11
AX	01.10.2007-31.12.2007	1.38	15.54	3.10	227.06	325.06	60 months	10.5-11
AW	01.07.2007-30.09.2007	0.68	2.82	1.91	174.94	337.81	60 months	10.5-11
AV	01.04.2007-30.06.2007	0.66	2.64	1.64	190.79	398.13	60 months	10.5-11
AU	01.01.2007-31.03.2007	1.77	2.64	2.04	21.83	292.65	60 months	09-11
AT	13.08.2006-31.12.2006	1.00	1.88	1.17	3.60	212.92	60 months	9-9.5
AS	01.05.2006-12.08.2006	0.49	0.62	0.49	1.31	138.41	60 months	8.5-9
AR	15.06.2005-30.04.2006	0.46	0.64	0.58	0.86	26.56	60 months	8-8.5
AQ	01.04.2005-14.06.2005	0.37	0.37	0.37	0.37	0.45	60 months	8-8.5
AP	07.02.2005-14.06.2005	0.03	0.03	0.03	0.38	0.49	60 months	9.27-10.08
AO	07.02.2005-31.03.2005	0.04	0.04	0.04	0.04	0.04	60 months	8-8.5
AN	01.01.2005-06.02.2005	0.15	0.15	0.15	0.16	0.16	60 months	8.5-9
AM	01.12.2004-31.12.2004	-	-	-	-	0.01	60 months	8.5-9
AI	01.10.2004-06.02.2005	0.01	0.05	0.05	2.56	2.61	60 months	10.2-12
AE	15.07.2004-30.09.2004	0.03	0.19	0.03	6.02	49.91	90 months	10.83-12
AD	01.07.2004-14.11.2004	0.03	0.03	0.03	0.23	0.23	60 months	9.5
<b>Total</b>		<b>86503.09</b>	<b>87534.37</b>	<b>94596.22</b>	<b>66102.39</b>	<b>39832.27</b>		

### Note 3.3 Secured Non-Convertible Debentures – Listed

The Company privately placed Rated Secured Non-Convertible Listed Debentures with an outstanding of

Series	Date of allotment	Amount					Redemption Period	Rate of Interest (%)
		As at December 31, 2013	As at December 31, 2012	As at March 31, 2013	As at March 31, 2012	As at March 31, 2011		
L 4	12.01.2012	1,000.00	1,000.00	1,000.00	1,000.00	-	60 Months	13
L 3	31.03.2011	-	-	-	-	1,000.00	364 Days	12.5
L 2	25.03.2011	-	-	-	-	650.00	357 Days	12.5
L 1	23.03.2011	-	-	-	-	500.00	366 Days	12.5
<b>Total</b>		<b>1,000.00</b>	<b>1,000.00</b>	<b>1,000.00</b>	<b>1,000.00</b>	<b>2,150.00</b>		

### Note 3.4 Secured Non-Convertible Debentures – Public Issue

The outstanding amount of Secured Rated Non-Convertible Listed Debentures raised through Public Issue stood at

Series	Date of allotment	Amount					Redemption Period	Rate of Interest
		As at December 31, 2013	As at December 31, 2012	As at March 31, 2013	As at March 31, 2012	As at March 31, 2011		
PL 6	04.12.2013	2,767.12	-	-	-	-	400 Days, 2,3,5 years	11.00-12.25
PL 5	25.09.2013	2,790.70	-	-	-	-	400 Days, 2,3,5 years	11.00-12.55
PL 4	01.11.2012	2,749.40	2,749.40	2,749.40	-	-	2,3,5,6 years	11.50-12.25
PL 3	18.04.2012	2,597.52	2,597.52	2,597.52	-	-	2, 3, 5, 5.5 years	13.00-13.43
PL 2	18.01.2012	4,593.20	4,593.20	4,593.20	4,593.20	-	2, 3, 5, 5.5 years	13.00-13.43
PL 1	14.09.2011	5,748.87	6,932.82	6,932.81	6,932.81	-	2, 3, 5 years	11.75-12.25
<b>Total</b>		<b>21,246.81</b>	<b>16,872.94</b>	<b>16,872.93</b>	<b>11,526.01</b>	<b>-</b>		

### 3.5 Short Term Borrowings - Unsecured Non-Convertible Debentures – Listed

The Unsecured Non-Convertible Debentures represents debentures private placed to a Mutual Fund governed by the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996.

Series	Date of allotment	Amount					Redemption Period	Rs. In Millions Rate of Interest (%)
		As at Decemb 31, 2013	As at December 31, 2012	As at March 31, 2013	As at March 31, 2012	As at March 31, 2011		
E	10.03.2011	-	-	-	-	2,000.00	364 days	12.50
<b>Total</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,000.00</b>		

### Note 3.6 Subordinated Debt

Subordinated Debt is subordinated to the claims of other creditors and qualifies as Tier II capital under the Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007.

Series	Date of Allotment	Amount					Redemption Period	Rs. In Millions Rate of Interest (%)
		As at Decemb 31, 2013	As at December 31, 2012	As at March 31, 2013	As at March 31, 2012	As at March 31, 2011		
XV	22.12.2013-31.12.2013	15.00	-	-	-	-	66months	12.67
XIV	18.09.2013-21.12.2013	298.00	-	-	-	-	66months	12.67
XIII	08.07.2013-17.09.2013	98.00	-	-	-	-	66months	12.67
XII	01.04.2013-07.07.2013	1,825.16	-	-	-	-	66months	12.67
XI	01.10.2012-31.03.2013	4,651.41	1,734.70	4,651.42	-	-	66 months	12.67-13.39
X	01.04.2012 - 30.09.2012	3,548.46	3,548.46	3,548.46	-	-	66 months	12.67-13.39
IX	01.11.2011-31.03.2012	4,081.07	4,081.07	4,081.07	4,081.07	-	66 months	12.67-13.39
E	21.03.2005	65.94	65.94	65.94	65.94	65.94	144 months	15
VIII	01.07.2011-31.10.2011	2,343.85	2,343.85	2,343.85	2,343.85	-	66 months	12.67
VII	01.01.2011-07.02.2011	437.28	437.28	437.28	437.28	437.28	72 months	11.61
VII	01.04.2011-30.06.2011	1,270.32	1,270.32	1,270.32	1,270.32	-	66 months	12.67
VII	08.02.2011-31.03.2011	1,080.40	1,080.40	1,080.40	1,080.40	1,080.40	66 months	12.67
VI	01.07.2010-31.12.2010	1,912.71	1,912.71	1,912.71	1,912.71	1,912.71	72 months	11.61
D	03.04.2004	14.06	14.06	14.06	14.06	14.06	144 months	15
V	01.01.2010-30.06.2010	1,038.65	1,038.65	1,038.65	1,038.65	1,038.65	72 months	11.61

C	01.11.2003	98.75	98.75	98.75	98.75	98.75	144 months	15
B	30.09.2003	110.00	110.00	110.00	110.00	110.00	144 months	15
IV	17.08.2009-31.12.2009	759.31	759.31	759.31	759.31	759.31	72 months	11.61
IV	01.07.2009-16.08.2009	12.42	12.42	12.42	12.42	12.42	72 months	12.50
IV	01.07.2009-16.08.2009	263.62	263.62	263.62	263.62	263.62	69 months	12.12
A	25.03.2003	111.25	111.25	111.25	111.25	111.25	144 months	15
III	15.12.2008-30.06.2009	193.19	193.19	193.19	193.19	193.19	72 months	12.5
III	15.12.2008-30.06.2009	744.89	744.89	744.89	744.89	744.89	69 months	12.12
II	18.08.2008-13.12.2008	263.39	263.39	263.38	263.38	263.38	72 months	11.61
<b>Total</b>		<b>25,237.13</b>	<b>20,084.26</b>	<b>23,000.97</b>	<b>14,801.09</b>	<b>7,105.85</b>		

### 3.7 Subordinated Debt – Public Issue

The Company has raised through Public Issue, Rated Unsecured, Redeemable Non-Convertible, Listed Debentures which qualifies as Tier II capital under the Non-Banking Financial (Non-Deposit Accepting or Holding ) Companies Prudential Norms ( Reserve Bank) Directions ,2007 of

Series	Date of allotment	Amount					Redemption Period	Rate of Interest (%)
		As at December 31, 2013	As at December 31, 2012	As at March 31, 2013	As at March 31, 2012	As at March 31, 2011		
PL 6	04.12.2013	232.88	-	-	-	-	6 Years	12.25
PL 5	25.09.2013	209.30	-	-	-	-	6 Years	12.25
<b>Total</b>		<b>442.18</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		

### 3.8 Subordinated Debt - Listed

The Company privately placed Rated Unsecured, Redeemable Non-Convertible Listed Subordinated Debt which qualifies as Tier II capital under the Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms ( Reserve Bank) Directions, 2007 of

Series	Date of allotment	Amount					Redemption Period	Rate of Interest (%)
		As at December 31, 2013	As at December 31, 2012	As at March 31, 2013	As at March 31, 2012	As at March 31, 2011		
IA	26.03.2013	100.00	-	100.00	-	-	10 Years	12.35
<b>Total</b>		<b>100.00</b>	<b>-</b>	<b>100.00</b>	<b>-</b>	<b>-</b>		

**Note 4: Other long term liabilities**

Particulars	Rs. In Millions				
	As at December 31, 2013	As at December 31, 2012	As at March 31, 2013	As at March 31, 2012	As at March 31, 2011
Interest accrued but not due on long term borrowings	8,270.62	4,707.24	5,568.50	2,627.08	1,215.38
Security Deposit Received	65.42	65.76	65.34	59.86	43.23
<b>Total</b>	<b>8,336.04</b>	<b>4,773.00</b>	<b>5,633.84</b>	<b>2,686.94</b>	<b>1,258.61</b>

**Note 5: Trade payables and other current liabilities**

Particulars	Rs. In Millions				
	As at December 31, 2013	As at December 31, 2012	As at March 31, 2013	As at March 31, 2012	As at March 31, 2011
(a) Current maturities of long-term debt (Refer Note No. 5.1)	68,159.06	61,726.44	66,474.92	38,960.85	20,233.91
(b ) Interest accrued but not due on borrowings	6,277.46	4,726.03	5,455.93	2,733.06	1,445.71
(c) Interest accrued and due on borrowings	537.54	1,256.38	620.52	1,917.26	839.41
(d) Unpaid matured debentures and interest accrued thereon (Refer Note No. 5.2)	61.77	101.12	108.36	97.04	61.34
(e) Trade Payables	310.58	354.47	327.06	392.24	244.03
(f) Other payables					
Statutory Payables	82.65	67.56	160.90	121.65	74.06
Unpaid dividend	2.10	0.49	0.44	-	-
Others	17.86	16.90	7.78	5.55	1.23
<b>Total</b>	<b>75,449.02</b>	<b>68,249.39</b>	<b>73,155.91</b>	<b>44,227.65</b>	<b>22,899.69</b>

**Note 5.1 Current maturities of long-term debt**

Particulars	Rs. In Millions				
	As at December 31, 2013	As at December 31, 2012	As at March 31, 2013	As at March 31, 2012	As at March 31, 2011
<b>Secured</b>					
Secured Non- Convertible Debentures	58,603.82	51,534.98	54,216.82	38,944.57	20,216.53
(Secured by mortgage of immovable property and paripassu floating charge on current assets, book debts and Loans & advances)					
Secured Non- Convertible Debentures	-	-	15.86	-	-
(Secured by mortgage of immovable property and charge on all movable fixed assets)					
Secured Non Convertible Debentures - Listed	7,607.89	1,183.95	3,258.16	-	-
(Secured by mortgage of immovable property and paripassu floating charge on current assets, book debts and Loans & advances)					
<b>From Banks</b>					
Term Loan (Secured by paripassu floating charge on current assets ,book debts, Loans & Advances and personal guarantee of Promoter Directors)	1,304.40	3,000.00	3,978.30	-	-
Term loan ( Secured by charge on Vehicles)	5.59	2.39	4.14	-	-
Term Loan (Secured by specific charge on wind mills & Land appurtenant thereto and personal guarantee and collateral property of Promoter Directors)	-	3.52	-	16.28	17.38
<b>From Financial Institution</b>					

Term Loan (Secured by paripassu floating charge on current assets, book debts and Loans & advances and personal guarantee of Promoter Directors)	-	6,000.00	5,000.00	-	-
Term Loan (Secured by specific charge on vehicles)	1.77	1.60	1.64	-	-
<b>Unsecured</b>					
Subordinated Debt –Unsecured	631.96	-	-	-	-
Subordinated Debt -Unsecured - From Related Parties	3.63	-	-	-	-
<b>Total</b>	<b>68,159.06</b>	<b>61,726.44</b>	<b>66,474.92</b>	<b>38,960.85</b>	<b>20,233.91</b>

## Note 5.2 Unpaid matured debentures and interest thereon:

Rs. In Millions					
Particulars	As at December 31, 2013	As at December 31, 2012	As at March 31, 2013	As at March 31, 2012	As at March 31, 2011
Unpaid Matured debentures	52.34	74.33	81.82	68.39	45.69
Interest on Unpaid matured debentures	9.43	26.79	26.54	28.65	15.65
<b>Total</b>	<b>61.77</b>	<b>101.12</b>	<b>108.36</b>	<b>97.04</b>	<b>61.34</b>

## Note 6: Short term provisions

Rs. In Millions					
Particulars	As at December 31, 2013	As at December 31, 2012	As at March 31, 2013	As at March 31, 2012	As at March 31, 2011
Proposed Dividend	743.43	-	1,672.71	1,486.85	-
Provision for Corporate Dividend Tax	126.35	-	271.35	241.20	-
Provision for Non-Performing Assets (Refer Note 6.1)	725.38	463.73	700.63	181.30	69.65
Provision for Standard Assets (Refer Note 6.1)					
- As per RBI Prudential Norms	553.48	624.38	646.54	529.99	290.90
- General	332.09	-	129.31	-	-
Provision for Income Tax (Net of Advance Tax and TDS of Rs.3,114.84 million, Previous Period Rs.3,320.40 million)	45.25	589.72	262.47	307.42	240.76
<b>Total</b>	<b>2,525.98</b>	<b>1,677.83</b>	<b>3,683.01</b>	<b>2,746.76</b>	<b>601.31</b>

### 6.1 Movement of Provision for Standard and Non-Performing Assets

As per the Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007, Company has created provisions for Standard Assets as well as Non-Performing Assets. Company has created General Standard Asset Provision over and above RBI Prudential norms, as estimated by the management. Details are as per the table below:

Particulars	As at December 31, 2013	As at December 31, 2012	As at March 31, 2013	As at March 31, 2012	As at March 31, 2011
<b>Provision for Standard Assets</b>					
Standard Assets	221,393.38	249,753.09	258,617.87	211,994.37	116,360.51
<b>Provision at the beginning of the year</b>					
- As per RBI Prudential Norms	646.54	529.99	529.99	290.90	-
- General	129.31	-	-	-	-
<b>Additional provision made / Reversed during the year</b>					
- As per RBI Prudential Norms	(93.06)	94.40	116.56	239.08	290.90
- General	202.78	-	129.31	-	-
<b>Provision at the close of the year</b>					
- As per RBI Prudential Norms	553.48	624.38	646.54	529.99	290.90
- General	332.09	-	129.31	-	-



	<b>885.57</b>	<b>624.38</b>	<b>775.85</b>	<b>529.99</b>	<b>290.90</b>
<b>Provision for Non-Performing Assets</b>					
Substandard Assets	4,356.67	3,787.13	5,129.73	1,356.38	433.84
Doubtful Assets	135.46	82.32	120.57	33.15	26.26
Total Non-Performing Assets	4,492.13	3,869.45	5,250.30	1,389.53	460.10
Provision at the beginning of the year	700.63	181.30	181.31	69.64	37.09
Additional provision made during the year	24.75	282.43	519.32	111.66	32.56
<b>Provision at the close of the year</b>	<b>725.38</b>	<b>463.73</b>	<b>700.63</b>	<b>181.30</b>	<b>69.65</b>

# Note 7: Fixed Assets

Rs. In Millions

Description	Gross Block					Accumulated Depreciation					Net Block				
	As at Dec 31, 2013	As at Dec 31, 2012	As at March 31, 2013	As at March 31, 2012	As at March 31, 2011	As at Dec 31, 2013	As at Dec 31, 2012	As at March 31, 2013	As at March 31, 2012	As at March 31, 2011	As at Dec 31, 2013	As at Dec 31, 2012	As at March 31, 2013	As at March 31, 2012	As at March 31, 2011
<b>Tangible Assets</b>															
Land	545.86	545.86	545.86	545.86	537.16	-	-	-	-	-	545.86	545.86	545.86	545.86	537.16
Building	603.63	499.05	560.15	442.96	265.89	104.00	79.62	85.01	64.35	50.57	499.63	419.43	475.15	378.61	215.31
Furniture & Fixtures	1,118.85	975.67	1,007.87	848.06	553.46	528.81	391.84	428.12	286.31	184.24	590.04	583.84	579.74	561.74	369.22
Plant & Machinery	1,594.50	1,239.67	1,340.79	1,041.87	599.43	488.30	324.93	364.74	209.19	111.43	1,106.20	914.73	976.06	832.68	487.99
Computer	690.83	541.76	579.83	464.32	292.08	438.51	318.58	350.56	236.92	142.60	252.32	223.17	229.27	227.41	149.48
Motor Car	74.35	66.83	74.59	50.66	34.73	36.78	27.57	30.40	23.17	17.42	37.57	39.26	44.19	27.49	17.31
Wind Mill	180.60	180.60	180.60	180.60	180.60	148.48	140.45	142.78	133.33	121.51	32.12	40.15	37.82	47.27	59.09
<b>Sub Total</b>	<b>4,808.62</b>	<b>4,049.43</b>	<b>4,289.69</b>	<b>3,574.32</b>	<b>2,463.34</b>	<b>1,744.88</b>	<b>1,282.99</b>	<b>1,401.61</b>	<b>953.27</b>	<b>627.77</b>	<b>3,063.74</b>	<b>2,766.44</b>	<b>2,888.08</b>	<b>2,621.06</b>	<b>1,835.57</b>
<b>Intangible Assets</b>															
Computer Software	15.69	15.00	15.23	12.58	6.65	10.92	8.80	9.53	6.75	4.44	4.77	6.20	5.70	5.84	2.21
<b>Sub Total</b>	<b>15.69</b>	<b>15.00</b>	<b>15.23</b>	<b>12.58</b>	<b>6.65</b>	<b>10.92</b>	<b>8.80</b>	<b>9.53</b>	<b>6.75</b>	<b>4.44</b>	<b>4.77</b>	<b>6.20</b>	<b>5.70</b>	<b>5.84</b>	<b>2.21</b>
<b>Capital work in progress</b>			-	-	-	-	-	-	-	-	58.21	96.83	95.96	38.95	47.97
<b>Intangible assets under Development</b>															
Computer Software	-	-	-	-	-	-	-	-	-	-	60.27	34.18	40.43	16.42	-
<b>Total</b>	<b>4,824.31</b>	<b>4,064.43</b>	<b>4,304.92</b>	<b>3,586.91</b>	<b>2,469.99</b>	<b>1,755.79</b>	<b>1,291.79</b>	<b>1,411.15</b>	<b>960.01</b>	<b>632.22</b>	<b>3,186.99</b>	<b>2,903.66</b>	<b>3,030.17</b>	<b>2,682.26</b>	<b>1,885.74</b>

**Note 8: Non Current Investments**

Particulars	Rs. In Millions				
	As at December 31, 2013	As at December 31, 2012	As at March 31, 2013	As at March 31, 2012	As at March 31, 2011
<b>Quoted</b>					
Union Bank of India – valued at cost	0.05	0.05	0.05	0.05	0.05
454 Equity shares of Rs. 10/ each fully paid up (Previous year: 454 Equity shares of Rs. 10/ each fully paid up)					
Market Value	0.06	0.12	0.10	0.11	0.16
<b>Aggregate value of quoted investments</b>	<b>0.05</b>	<b>0.05</b>	<b>0.05</b>	<b>0.05</b>	<b>0.05</b>
<b>Unquoted</b>					
<b>In other Companies – valued at cost</b>	<b>45.00</b>	<b>45.00</b>	<b>45.00</b>	<b>45.00</b>	<b>45.00</b>
Muthoot Exchange Company Private Limited					
4,500,000/ Equity shares of Rs. 10/ each fully paid up (Previous year: 4,500,000/ Equity shares of Rs. 10/ each fully paid up)					
Muthoot Securities Limited	30.00	30.00	30.00	30.00	30.00
3,000,000/ Equity share of Rs. 10/- each fully paid up (Previous Year: 3,000,000/ Equity share of Rs.10/ each fully paid up)					
<b>Aggregate amount of unquoted Investments</b>	<b>75.00</b>	<b>75.00</b>	<b>75.00</b>	<b>75.00</b>	<b>75.00</b>
<b>Total Non-Current Investment</b>	<b>75.05</b>	<b>75.05</b>	<b>75.05</b>	<b>75.05</b>	<b>75.05</b>

**Note 9: Long term loans and advances**

Particulars	Rs. In Millions				
	As at December 31, 2013	As at December 31, 2012	As at March 31, 2013	As at March 31, 2012	As at March 31, 2011
Unsecured, considered good					
a. Capital Advances	218.11	173.22	220.54	277.94	457.30
b. Security Deposits	916.53	879.57	824.68	820.76	446.56
<b>Total</b>	<b>1,134.64</b>	<b>1,052.79</b>	<b>1,045.22</b>	<b>1,098.70</b>	<b>903.86</b>

**Note 10: Other non current assets**

Particulars	Rs. In Millions				
	As at December 31, 2013	As at December 31, 2012	As at March 31, 2013	As at March 31, 2012	As at March 31, 2011
<b>Long term trade receivables</b>					
Unsecured, considered good	-	-	-	0.51	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.51</b>	<b>-</b>

**Note 11: Current Investments (Valued at lower of cost and fair value) – Non Trade – Quoted**

					Rs. In Millions
Particulars	As at December 31, 2013	As at December 31, 2012	As at March 31, 2013	As at March 31, 2012	As at March 31, 2011
<b>Current Investments (At lower of cost or market value)</b>					
Unsecured Redeemable Non Convertible Bonds in Yes Bank	307.00	900.00	750.00	900.00	-
<b>Total</b>	<b>307.00</b>	<b>900.00</b>	<b>750.00</b>	<b>900.00</b>	<b>-</b>
Aggregate amount of Quoted investments	<b>307.00</b>	<b>900.00</b>	<b>750.00</b>	<b>900.00</b>	<b>-</b>

**Note 12: Trade receivables**

					Rs. In Millions
Particulars	As at December 31, 2013	As at December 31, 2012	As at March 31, 2013	As at March 31, 2012	As at March 31, 2011
<b>Trade receivables outstanding for a period less than six months from the date they are due for payment</b>					
<b>Secured, considered good</b>					
Interest Receivable on Retail loans	11,798.38	10,122.18	10,910.00	7,106.89	3,397.30
<b>Unsecured, considered good</b>					
Interest Receivable on Retail loans	1.45	4.30	4.33	4.31	3.45
Receivables from Money Transfer business	183.71	229.52	300.70	211.36	53.94
Receivables from Auction Proceeds	1,122.54	-	242.41	-	-
Wind Mill income receivable	3.09	17.19	2.64	2.50	4.57
<b>Sub Total</b>	<b>13,109.17</b>	<b>10,373.19</b>	<b>11,460.08</b>	<b>7,325.06</b>	<b>3,459.26</b>
<b>Trade receivables outstanding for a period exceeding six months from the date they are due for payment</b>					
<b>Unsecured, considered good</b>					
Wind Mill income receivable	-	12.02	21.69	15.17	9.40
<b>Sub Total</b>	<b>-</b>	<b>12.02</b>	<b>21.69</b>	<b>15.17</b>	<b>9.40</b>
<b>Total</b>	<b>13,109.17</b>	<b>10,385.21</b>	<b>11,481.77</b>	<b>7,340.23</b>	<b>3,468.66</b>

**Note 13: Cash and bank balances**

	Rs. in Millions				
Particulars	As at December 31, 2013	As at December 31, 2012	As at March 31, 2013	As at March 31, 2012	As at March 31, 2011
<b>I. Cash and Cash Equivalents</b>					
a. Cash on hand	1,259.33	1,234.24	1,836.16	2,272.35	1,350.09
b. Balances with banks					
- Current Accounts	17,595.51	8,288.85	10,845.23	2,989.30	9,329.38
- Unpaid Dividend Account	2.10	0.49	0.44	-	-
- Fixed Deposits (maturing within a period of 3 months )	411.20	50.00	720.00	50.00	309.71
<b>II. Other Bank Balances</b>					
Fixed Deposits on which lien is marked	0.49	0.29	0.45	0.26	0.23
Initial Public Offering for issue of Equity Shares - Balance in Escrow Account	-	-	-	5.56	-
NCD public issue Balance in Escrow account	-	-	-	-	-
Fixed Deposits give as Cash collateral for bilateral assignment of receivables	-	1,139.75	-	2,610.70	2,743.17
Fixed Deposits given as Security against borrowings	13.63	15.93	13.83	19.13	20.13
Fixed Deposits given as Security against Guarantees	3.87	3.79	3.87	3.09	2.24
Other Fixed Deposits on which lien is not marked	-	60.00	-	-	-
<b>Total</b>	<b>19,286.13</b>	<b>10,793.34</b>	<b>13,419.98</b>	<b>7,950.39</b>	<b>13,754.95</b>
Fixed Deposits with more than 12 months maturity	<b>1.09</b>	<b>6.87</b>	<b>5.19</b>	<b>153.35</b>	<b>2.48</b>

**Note 14: Short term loans and advances**

	Rs. In Millions				
Particulars	As at December 31, 2013	As at December 31, 2012	As at March 31, 2013	As at March 31, 2012	As at March 31, 2011
<b>Retail Loans (Ref Note No: 14.1)</b>					
Secured, Considered good	221,342.32	249,670.33	258,543.79	211,879.34	116,267.28
Secured, Doubtful	4,492.13	3,869.45	5,250.31	1,389.53	460.11
Unsecured, considered good	51.05	82.76	74.08	115.02	93.23
<b>Other Deposits &amp; Advances</b>					
Unsecured, considered good					
Prepaid Expenses	62.37	68.35	73.76	69.68	93.67
Service tax Pre-Deposit	8.30	8.30	8.30	8.30	4.30
Others	191.97	108.81	180.85	138.35	138.63
<b>Total</b>	<b>226,148.14</b>	<b>253,808.00</b>	<b>264,131.09</b>	<b>213,600.22</b>	<b>117,057.22</b>

## 14.1 Retail Loans

Particulars	As at December 31, 2013	As at December 31, 2012	As at March 31, 2013	As at March 31, 2012	As at March 31, 2011
Gross Retail Loan assets under management	225,885.50	257,127.32	263,868.18	246,736.01	158,684.55
Less: Sell down of receivables under bilateral assignment	-	3,504.78	-	33,352.12	41,863.93
<b>Net Retail Loan assets as per Balance Sheet</b>	<b>225,885.50</b>	<b>253,622.54</b>	<b>263,868.18</b>	<b>213,383.89</b>	<b>116,820.62</b>

### Break-up of Gross Retail Loan assets under management

Gold Loan Receivables	222,627.87	253,883.63	260,003.73	244,172.99	157,280.72
Loan against Secured NCD (Muthoot Gold Bonds)	3,206.58	3,160.93	3,790.37	2,448.00	1,310.59
Other Loans	51.05	82.76	74.08	115.02	93.24
<b>Total</b>	<b>225,885.50</b>	<b>257,127.32</b>	<b>263,868.18</b>	<b>246,736.01</b>	<b>158,684.55</b>

## Note 15: Other current assets

Particulars	Rs. In Millions				
	As at December 31, 2013	As at December 31, 2012	As at March 31, 2013	As at March 31, 2012	As at March 31, 2011
Interest receivable on Bank Deposits	16.54	86.83	14.30	70.75	89.25
Interest receivable on Current Investments	0.42	12.18	19.62	-	-
<b>Total</b>	<b>16.96</b>	<b>99.01</b>	<b>33.92</b>	<b>70.75</b>	<b>89.25</b>

# ANNEXURE-VI: SCHEDULES TO REFORMATTED SUMMARY STATEMENT OF PROFIT AND LOSS

## Note 16: Revenue from operations

Rs. In Millions

Particulars	For the nine months ended December 31,2013	For the nine months ended December 31,2012	For the year ended March 31, 2013	For the year ended March 31, 2012	For the year ended March 31, 2011
Interest Income on Retail Loans	37,487.72	39,349.49	53,360.14	45,157.74	22,840.52
Income from Windmill	13.35	24.10	24.65	17.67	22.13
Other Operating Income	252.52	153.41	204.19	191.31	152.40
<b>Total</b>	<b>37,753.59</b>	<b>39,527.00</b>	<b>53,588.98</b>	<b>45,366.72</b>	<b>23,015.05</b>

## Note 17: Other Income

Rs. In Millions

Particulars	For the nine months ended December 31,2013	For the nine months ended December 31,2012	For the year ended March 31, 2013	For the year ended March 31, 2012	For the year ended March 31, 2011
Interest from Fixed Deposits with Bank	50.82	163.95	195.64	122.57	142.92
Interest from current investments	78.17	64.01	85.70	-	-
Profit on sale of Fixed Assets	0.32	-	-	0.40	-
Other non-operating income	0.63	0.98	1.04	0.87	0.70
<b>Total</b>	<b>129.94</b>	<b>228.94</b>	<b>282.38</b>	<b>123.84</b>	<b>143.62</b>

## Note 18: Employee Benefits Expenses

Rs. In Millions

Particulars	For the nine months ended December 31,2013	For the nine months ended December 31,2012	For the year ended March 31, 2013	For the year ended March 31, 2012	For the year ended March 31, 2011
Salaries and incentives	3,952.07	3,674.63	4,983.95	3,729.73	2,024.89
Contributions to Provident and Other Funds	240.89	231.08	359.10	340.57	135.10
Expense on ESOP	40.49	-	-	-	-
Staff welfare expenses	106.27	77.22	109.70	74.47	49.50
<b>Total</b>	<b>4,339.72</b>	<b>3,982.93</b>	<b>5,452.75</b>	<b>4,144.77</b>	<b>2,209.49</b>

## Note 19: Finance Costs

Rs. In Millions

Particulars	For the nine months ended December 31,2013	For the nine months ended December 31,2012	For the year ended March 31, 2013	For the year ended March 31, 2012	For the year ended March 31, 2011
Interest Expenses	20,152.31	20,363.45	27,623.93	23,109.79	10,289.81
Other Borrowing Costs	442.24	406.30	570.51	589.20	93.06
<b>Total</b>	<b>20,594.55</b>	<b>20,769.75</b>	<b>28,194.44</b>	<b>23,698.99</b>	<b>10,382.87</b>

**Note 20: Other expenses**

Rs. In Millions

Particulars	For the nine months ended December 31, 2013	For the nine months ended December 31, 2012	For the year ended March 31, 2013	For the year ended March 31, 2012	For the year ended March 31, 2011
Postage, Telegram and Telephone	262.03	174.64	242.74	184.23	115.38
Printing and Stationary	122.12	106.65	168.29	155.22	110.60
Rent Paid	1,132.03	954.05	1,309.25	1,042.00	602.69
Traveling and Conveyance	138.38	127.44	175.84	167.54	113.54
Bank Charges	26.80	28.30	38.79	24.55	16.34
Electricity Charges	171.59	139.84	186.71	134.76	77.91
Repairs and Maintenance – Buildings	40.84	50.61	77.40	88.65	60.39
Repairs and Maintenance - Plant & Machinery	67.33	80.03	86.21	140.18	87.28
Repairs and Maintenance – Others	100.22	63.94	92.01	112.00	62.98
Water Charges	3.36	4.39	6.20	6.56	2.50
Rates & Taxes and License Fee	61.02	39.61	27.19	23.31	16.52
Legal & Professional Charges	115.67	56.10	86.42	59.73	113.67
Insurance Charges	29.86	19.71	32.79	24.33	13.98
Newspaper and Periodicals	4.88	2.20	2.81	1.79	0.79
Business Promotion Expense	193.79	172.31	331.92	267.36	118.74
Advertisement	482.00	336.46	579.14	866.28	646.69
Vehicle Hire & Maintenance	8.88	7.23	10.29	8.72	7.53
Internal Audit and Inspection Expenses	87.42	82.32	110.31	83.01	37.55
Income Tax Paid	-	-	-	-	32.27
Remuneration to Auditors (Ref. Note 20.1)	1.01	0.78	1.45	1.03	0.70
Directors' Sitting Fee	0.24	0.21	0.26	0.33	0.57
Commission to Non-Executive Directors	-	-	1.60	1.60	0.53
Foreign Exchange Conversion Loss	-	-	-	-	0.19
Loss on Sale of Fixed Assets	-	0.24	0.21	-	0.13
<b>TOTAL</b>	<b>3,049.47</b>	<b>2,447.06</b>	<b>3,567.83</b>	<b>3,393.18</b>	<b>2,239.47</b>

**Note 20.1 Auditors' Remuneration (including Service Tax)**

Particulars	For the nine months ended December 31, 2013	For the nine months ended December 31, 2012	For the year ended March 31, 2013	For the year ended March 31, 2012	For the year ended March 31, 2011
Statutory Audit	0.76	0.65	1.12	0.80	0.55
Tax Audit	0.25	0.10	0.22	0.20	0.15
Other Services	-	0.03	0.11	0.03	-
<b>Total</b>	<b>1.01</b>	<b>0.78</b>	<b>1.45</b>	<b>1.03</b>	<b>0.70</b>



**Note 21: Provisions and write offs**

Rs. In Millions

Particulars	For the nine months ended December 31,2013	For the nine months ended December 31,2012	For the year ended March 31, 2013	For the year ended March 31, 2012	For the year ended March 31, 2011
Provision For Non Performing Assets (Refer Note 6.1)	24.76	282.43	519.32	111.66	32.56
Provision For Standard Assets (Refer Note 6.1)					
- As per RBI Prudential Norms	(93.06)	94.40	116.56	239.08	290.90
- General	202.78	-	129.31	-	-
Bad Debt Written Off	121.93	54.79	130.27	69.23	18.29
<b>TOTAL</b>	<b>256.41</b>	<b>431.62</b>	<b>895.46</b>	<b>419.97</b>	<b>341.75</b>

**ANNEXURE VII: DETAILS OF CONTINGENT LIABILITIES**

Rs. In Millions

Particulars	As at December 31, 2013	As at December 31, 2012	As at March 31, 2013	As at March 31, 2012	As at March 31, 2011
<b>(a) Claims against the Company, not acknowledged as debts</b>					
i) Service Tax demand for the period 2003-2008, pending in appeal with CESTAT (Net of amount already remitted)	49.92	49.92	49.92	49.92	49.92
Commissioner of Central Excise, Customs and Service Tax, Cochin has raised a demand of Rs. 52.01 million (Previous year Rs. 52.01 million) as Service tax liability and penalty. During the course of the proceedings Company paid Rs. 2.09 million. The Appellate Authority admitted the Appeal preferred by the company and granted stay of recovery, on predeposit of Rs. 8.30 million (Previous year Rs. 8.30 million). Pending disposal of appeal, no provision has been made by the company during the year.					
ii) Income Tax demand for Assessment Year 2012-13 issued by CPC Bangalore U/s. 143 (1) Intimation Rs.52.83 million. Out of the above demand Rs.47.73 million has already been paid and balance outstanding is Rs. 5.10 million.	5.10	Nil	Nil	Nil	Nil
iii) Income Tax demand for Assessment Year 2010-11, pending in appeal with Commissioner of Income Tax (Appeals) , Cochin.	21.38	Nil	36.38	Nil	Nil
Additional Commissioner of Income Tax, Range 1, Kochi has passed an order demanding Rs. 36.38 million towards income tax due for the Assessment Year 2010-11 U/s.143(3).The Company has remitted Rs.15.00 million and the balance demand outstanding as on 31.12.2013 is Rs.21.38 million.					
iv) Income tax demand for Assessment Year 2009-10, pending in appeal with Commissioner of Income Tax (Appeals), Kochi	7.27	13.78	11.07	13.78	NIL
Additional Commissioner of Income Tax, Range 1, Kochi has passed an order demanding Rs. 13.78 million towards income tax due for the Assessment Year 2009-10 and on rectification ,demand was reduced to Rs.13.32 million. The Commissioner of Income Tax (Appeals) admitted the appeal preferred by the Company. The Company has remitted Rs.6.05 million of tax demanded and the balance demand pending as on 31.12.2013 is Rs.7.27 million Pending disposal of appeal, no provision has been made by the company during the year.					
v) Income tax demand for Assessment Year 2006-07, pending in appeal with CIT(Appeals) II ,Cochin.	0.91	Nil	0.91	Nil	Nil
Demand for the Asst. year 2006-07 Rs.1.82 million out of which Rs0.91 million has been paid.					
vi) Draft order on proposed action U/s.13 of Prevention of Money Laundering Act,2002 pending in appeal with Appellate Tribunal under Prevention of Money Laundering Act,2002 .	26.97	Nil	26.97	Nil	Nil
vii) Disputed claims against the company under litigation not acknowledged as debts	7.66	Nil	6.48	Nil	Nil
<b>(b) Guarantees - Counter Guarantees Provided to Banks</b>	<b>83.87</b>	<b>143.92</b>	<b>83.87</b>	<b>218.49</b>	<b>32.54</b>
<b>(c) Other money for which the company is contingently liable</b>					
i) Cash collateral provided as credit enhancement for bilateral assignment of receivables	-	113.97	-	2,610.70	2,743.16

ii) Over collateral provided as credit enhancement for bilateral assignment of receivables	-	25.00	-	25.00	63.57
iii) Corporate guarantee provided as credit enhancement for bilateral assignment of receivables	-	323.40	-	1,571.43	751.55
<b>Commitments</b>					
Estimated amount of contracts remaining to be executed on capital account and not provided for.	90.22	77.47	148.74	189.80	24.73

## ANNEXURE VIII. A: DETAILS OF THE LIST OF RELATED PARTIES AND NATURE OF RELATIONSHIPS

### A. Key Managerial Personnel (with whom transactions have taken place during the Year)

Sl. No.	For the nine months ended December 31,2013	For the nine months ended December 31,2012	For the year ended March 31, 2013	For the year ended March 31, 2012	For the year ended March 31, 2011
1	M. G. George Muthoot (Chairman)	M. G. George Muthoot (Chairman)	M. G. George Muthoot (Chairman)	M. G. George Muthoot (Chairman)	M. G. George Muthoot (Chairman)
2	George Alexander Muthoot (Managing Director)	George Alexander Muthoot (Managing Director)	George Alexander Muthoot (Managing Director)	George Alexander Muthoot (Managing Director)	George Alexander Muthoot (Managing Director)
3	George Thomas Muthoot (Director)	George Thomas Muthoot (Director)	George Thomas Muthoot (Director)	George Thomas Muthoot (Director)	George Thomas Muthoot (Director)
4	George Jacob Muthoot (Director)	George Jacob Muthoot (Director)	George Jacob Muthoot (Director)	George Jacob Muthoot (Director)	George Jacob Muthoot (Director)

### B. Relatives of key managerial personnel (with whom transactions have taken place during the period)

Sl. No.	For the nine months ended December 31,2013	For the nine months ended December 31,2012	For the year ended March 31, 2013	For the year ended March 31, 2012	For the year ended March 31, 2011
1	Sara George w/o M. G. George Muthoot	Sara George w/o M. G. George Muthoot	Sara George w/o M. G. George Muthoot	Sara George w/o M. G. George Muthoot	Sara George w/o M. G. George Muthoot
2	Susan Thomas w/o George Thomas Muthoot	Susan Thomas w/o George Thomas Muthoot	Susan Thomas w/o George Thomas Muthoot	Susan Thomas w/o George Thomas Muthoot	Susan Thomas w/o George Thomas Muthoot
3	Elizabeth Jacob w/o George Jacob Muthoot	Elizabeth Jacob w/o George Jacob Muthoot	Elizabeth Jacob w/o George Jacob Muthoot	Elizabeth Jacob w/o George Jacob Muthoot	Elizabeth Jacob w/o George Jacob Muthoot
4	Anna Alexander w/o George Alexander Muthoot	Anna Alexander w/o George Alexander Muthoot	Anna Alexander w/o George Alexander Muthoot	Anna Alexander w/o George Alexander Muthoot	Anna Alexander w/o George Alexander Muthoot
5	George M. George s/o M. G. George Muthoot	George M. George s/o M. G. George Muthoot	George M. George s/o M. G. George Muthoot	George M. George s/o M. G. George Muthoot	George M. George s/o M. G. George Muthoot
6	Alexander M. George s/o M. G. George Muthoot	Alexander M. George s/o M. G. George Muthoot	Alexander M. George s/o M. G. George Muthoot	Alexander M. George s/o M. G. George Muthoot	Alexander M. George s/o M. G. George Muthoot
7	George M. Jacob s/o George Jacob Muthoot	George M. Jacob s/o George Jacob Muthoot	George M. Jacob s/o George Jacob Muthoot	George M. Jacob s/o George Jacob Muthoot	George M. Jacob s/o George Jacob Muthoot
8	George Alexander (Jr.) s/o George Alexander Muthoot	George Alexander (Jr.) s/o George Alexander Muthoot	George Alexander (Jr.) s/o George Alexander Muthoot	George Alexander (Jr.) s/o George Alexander Muthoot	George Alexander (Jr.) s/o George Alexander Muthoot
9	Eapen Alexander s/o George Alexander Muthoot	Eapen Alexander s/o George Alexander Muthoot	Eapen Alexander s/o George Alexander Muthoot	Eapen Alexander s/o George Alexander Muthoot	Eapen Alexander s/o George Alexander Muthoot
10	Reshma Susan Jacob d/o George Jacob Muthoot	Reshma Susan Jacob d/o George Jacob Muthoot	Reshma Susan Jacob d/o George Jacob Muthoot	-	-

11	Anna Thomas d/o George Thomas Muthoot	Anna Thomas d/o George Thomas Muthoot	Anna Thomas d/o George Thomas Muthoot	-	-
12	Valsa Kurien w/o George Kurien	Valsa Kurien w/o George Kurien	Valsa Kurien w/o George Kurien	-	-
13	George Kurien s/o George Kurien	George Kurien s/o George Kurien	George Kurien s/o George Kurien	-	-

**C. Enterprise owned by directors or major shareholders of the reporting enterprise and enterprises that have a member of key management in common with the reporting enterprise (with whom transactions have taken place during the year):**

Sl. No.	For the nine months ended Dec 31,2013	For the nine months ended Dec 31,2012	For the year ended March 31, 2013	For the year ended March 31, 2012	For the year ended March 31, 2011
1	Muthoot Vehicle And Assets Finance Limited	Muthoot Vehicle And Assets Finance Limited	Muthoot Vehicle And Assets Finance Limited	Muthoot Vehicle And Assets Finance Limited	Muthoot Vehicle And Assets Finance Limited
2	Muthoot Leisure And Hospitality Services Pvt. Limited	Muthoot Leisure And Hospitality Services Pvt. Limited	Muthoot Leisure And Hospitality Services Pvt. Limited	Muthoot Leisure And Hospitality Services Pvt. Limited	Muthoot Leisure And Hospitality Services Pvt. Limited
3	M.G.M. Muthoot Medical Centre Pvt. Limited.	M.G.M. Muthoot Medical Centre Pvt. Limited.	M.G.M. Muthoot Medical Centre Pvt. Limited.	M.G.M. Muthoot Medical Centre Pvt. Limited.	MGM Muthoot Medical Centre Pvt. Limited.
4	Muthoot Marketing Services Pvt. Limited.	Muthoot Marketing Services Pvt. Limited.	Muthoot Marketing Services Pvt. Limited.	Muthoot Marketing Services Pvt. Limited.	Muthoot Marketing Services Pvt. Limited.
5	Muthoot Broadcasting Pvt. Limited	Muthoot Broadcasting Pvt. Limited	Muthoot Broadcasting Pvt. Limited	Muthoot Broadcasting Pvt. Limited	Muthoot Broadcasting Pvt. Limited
6	Muthoot Exchange Company Pvt. Limited.	Muthoot Exchange Company Pvt. Limited.	Muthoot Exchange Company Pvt. Limited.	Muthoot Exchange Company Pvt. Limited.	Muthoot Exchange Company Pvt. Limited.
7	Backdrop Advertising Pvt. Limited	Backdrop Advertising Pvt. Limited	Backdrop Advertising Pvt. Limited	Backdrop Advertising Pvt. Limited	Backdrop Advertising Pvt. Limited
8	-	-	-	Muthoot Global Money Transfers Pvt. Limited	Muthoot Global Money Transfers Pvt. Limited
9	Emgee Board and Paper Mills Pvt. Limited	Emgee Board and Paper Mills Pvt. Limited	Emgee Board and Paper Mills Pvt. Limited	Emgee Board and Paper Mills Pvt. Limited	Emgee Board and Paper Mills Pvt. Limited
10	Muthoot Health Care Private Limited	MGM Muthoot Medical Centre	MGM Muthoot Medical Centre	MGM Muthoot Medical Centre	MGM Muthoot Medical Centre
11	Muthoot Precious Metals Corporation	Muthoot Precious Metals Corporation	Muthoot Precious Metals Corporation	Muthoot Precious Metals Corporation	Muthoot Precious Metals Corporation
12	GMG Associates	GMG Associates	GMG Associates	GMG Associates	GMG Associates
13	-	-	-	-	St. George's School
14	Muthoot Insurance Brokers Private Limited	Muthoot Insurance Brokers Private Limited	Muthoot Insurance Brokers Private Limited	Muthoot Insurance Brokers Private Limited	-

<b>15</b>	Emgee Muthoot Benefits Funds (India ) Limited	Emgee Muthoot Benefits Funds (India ) Limited	Emgee Muthoot Benefits Funds (India ) Limited	Emgee Muthoot Benefits Funds (India ) Limited	-
<b>16</b>	Geo Bros Muthoot Funds (India) Limited	Geo Bros Muthoot Funds (India) Limited	Geo Bros Muthoot Funds (India) Limited	Geo Bros Muthoot Funds (India) Limited	-
<b>17</b>	Muthoot Investment Advisory Services Private Limited	Muthoot Investment Advisory Services Private Limited	Muthoot Investment Advisory Services Private Limited	Muthoot Investment Advisory Services Private Limited	-
<b>18</b>	Muthoot M George Permenant Fund Limited	Muthoot M George Permenant Fund Limited	Muthoot M George Permenant Fund Limited	Muthoot M George Permenant Fund Limited	-
<b>19</b>	Muthoot Securities Limited	Muthoot Securities Limited	Muthoot Securities Limited	Muthoot Securities Limited	-
<b>20</b>	Muthoot Builders	Muthoot Builders	Muthoot Builders	-	-
<b>21</b>	Muthoot Properties &Investments	Muthoot Properties &Investments	Muthoot Properties &Investments	-	-
<b>22</b>	Venus Diagnostics Limited	Venus Diagnostics Limited	Venus Diagnostics Limited	-	-
<b>23</b>	Muthoot Systems & Technologies Pvt. Ltd.	-	-	-	-

**ANNEXURE VIII.B: DETAILS OF THE LIST OF RELATED PARTIES AND NATURE OF RELATIONSHIPS**

Rs. In Millions

Sl. No.	Particulars	For the nine months ended December 31,2013	For the nine months ended December 31,2012	Associates For the year ended March 31, 2013	For the year ended March 31, 2012	For the year ended March 31, 2011
A	<b>Transactions during the year</b>					
1	Purchase of Travel Tickets for Company Executives/Directors/Customers	5.57	6.05	10.11	10.99	5.55
2	Travel Arrangements for Company Executives/Customers	0.76	0.56	3.49	2.11	4.87
3	Marketing of Money Transfer Business Outside the Country	3.19	4.13	5.48	1.58	-
4	Accommodation facilities for Company Executives/Clients/Customers	1.76	0.16	0.30	0.28	0.11
5	Complementary Medical Health Check Ups for Customers/ Employees	0.84	0.90	1.03	1.34	1.86
6	Release of Advertisements in Outdoor, Print and Electronic Media	40.31	67.07	145.08	217.09	118.74
7	Brokerage paid for NCD issue	58.36	0.80	1.63	1.95	-
8	Business Promotion Expenses	22.78	4.44	5.41		
9	Interest paid on loans/subordinated debts	-	-	-		
10	Interest paid on Secured NCD	-	0.16	0.16		
11	Interest on Inter Corporate Loans	3.63	14.78	16.61	2.59	2.99
12	Remuneration to Directors	-	-	-	-	-
13	Remuneration to Directors' Relatives	-	-	-	-	-
14	Loans and Subordinated debts accepted				-	-
15	Loans and Subordinated debts repaid				-	-
16	Sell down of receivables under Bilateral Assignment				950.00	300.00
17	Inter Corporate Loans accepted	42.05	44.70	55.07	128.85	31.50
18	Inter corporate Loans repaid	42.95	12.80	148.80	5.95	45.20
19	Investment in Secured NCD	-	37.50	37.50	40.00	
20	Repayment of Secured NCD	-	77.50	77.50	-	-
21	Rent paid	3.24	2.91	3.88	2.94	2.94
22	Service Charges Collected	3.44	3.42	5.10	5.33	5.29
23	Purchase of Fixed Assets	0.10	-	-	-	0.55
24	Loans availed by the Company for which guarantee is provided by related parties	400.00	400.00	400.00	400.00	400.00
25	Loans availed by the Company for which collateral security is provided by related parties	400.00	400.00	400.00	400.00	400.00
<b>Net Amount Receivable / (Due) as at the year end</b>						
		<b>As at Dec 31, 2013</b>	<b>As at Dec 31, 2012</b>	<b>As at March 31 2013</b>	<b>As at March 31 2012</b>	<b>As at March 31 2011</b>
	Investments in Equity Shares	75.00	75.00	75.00	75.00	75.00
	Secured NCD	-	-	-	(40.00)	-

Security Deposit	(40.00)	(40.00)	(40.00)	(40.00)	(40.00)
Inter Corporate Loans	(31.32)	(157.85)	(32.22)	(125.95)	(3.05)
Rent Deposit	1.47	1.47	1.47	1.47	1.47
Loans and Subordinated debts	-	-	-	-	-
Trade Payables	(3.03)	(20.46)	(25.72)	(83.88)	(28.91)
Trade Receivable	52.43	43.79	87.44	59.00	-
Other Loans and Advances	-	-	-	6.87	-

Sl. No.	Particulars	Key Managerial Personnel				
		For the nine months ended December 31,2013	For the nine months ended December 31,2012	For the year ended March 31, 2013	For the year ended March 31, 2012	For the year ended March 31, 2011
A	<b>Transactions during the year</b>					
1	Purchase of Travel Tickets for Company Executives/Directors/Customers	-	-	-	-	-
2	Travel Arrangements for Company Executives/Customers	-	-	-	-	-
3	Marketing of Money Transfer Business Outside the Country	-	-	-	-	-
4	Accommodation facilities for Company Executives/Clients/Customers	-	-	-	-	-
5	Complementary Medical Health Check Ups for Customers/ Employees	-	-	-	-	-
6	Release of Advertisements in Outdoor, Print and Electronic Media	-	-	-	-	-
7	Brokerage paid for NCD issue	-	-	-	-	-
8	Business Promotion Expenses	-	-	-	-	-
9	Interest paid on loans/subordinated debts	175.72	105.84	142.68	85.98	90.34
10	Interest paid on Secured NCD	0.01	0.00	0.00		
11	Interest on Inter Corporate Loans	-	-	-	-	-
12	Remuneration to Directors	144.00	144.00	192.00	192.00	192.00
13	Remuneration to Directors' Relatives	-		-	-	-
14	Loans and Subordinated debts accepted	2,018.69	1,551.98	1,724.90	650.27	734.57
15	Loans and Subordinated debts repaid	1,024.58	568.42	960.00	936.03	726.33
16	Sell down of receivables under Bilateral Assignment	-	-	-	-	
17	Inter Corporate Loans accepted	-	-	-	-	-
18	Inter corporate Loans repaid	-	-	-	-	-
19	Investment in Secured NCD	-	0.10	0.10	-	-
20	Repayment of Secured NCD	-	-	-	-	-
21	Rent paid	2.64	2.30	3.06	3.06	3.00
22	Service Charges Collected	-	-	-	-	-
23	Purchase of Fixed Assets	-	-	-	-	-
24	Loans availed by the Company for which guarantee is provided by related parties	102,290.00	100,315.00	112,130.00	90,180.00	66,840.00
25	Loans availed by the Company for which collateral security is provided by related parties	-	135.00	-	135.00	135.00



<b>Net Amount Receivable / (Due) as at the year end</b>					
	<b>As at Dec 31, 2013</b>	<b>As at Dec 31, 2012</b>	<b>As at March 31 2013</b>	<b>As at March 31 2012</b>	<b>As at March 31 2011</b>
Investments in Equity Shares	-	-	-	-	-
Secured NCD	(0.10)	(0.10)	(0.10)	-	-
Security Deposit	-	-	-	-	-
Inter Corporate Loans	-	-	-	-	-
Rent Deposit	1.82	1.82	1.82	1.82	1.82
Loans and Subordinated debts	(2,295.09)	(1,333.14)	(1,300.99)	(536.09)	(821.19)
Trade Payables	(0.26)	(0.23)	(0.23)	(0.23)	-
Trade Receivable	-	-	-	-	-
Other Loans and Advances	-	-	-	-	-

<b>Sl. No.</b>	<b>Particulars</b>	<b>Relative of Key Managerial Personnel</b>				
		<b>For the nine months ended December 31,2013</b>	<b>For the nine months ended December 31,2012</b>	<b>For the year ended March 31, 2013</b>	<b>For the year ended March 31, 2012</b>	<b>For the year ended March 31, 2011</b>
<b>A</b>	<b>Transactions during the year</b>					
1	Purchase of Travel Tickets for Company Executives/Directors/Customers				-	-
2	Travel Arrangements for Company Executives/Customers				-	-
3	Marketing of Money Transfer Business Outside the Country				-	-
4	Accommodation facilities for Company Executives/Clients/Customers				-	-
5	Complementary Medical Health Check Ups for Customers/ Employees				-	-
6	Release of Advertisements in Outdoor, Print and Electronic Media				-	-
7	Brokerage paid for NCD issue					
8	Business Promotion Expenses					
9	Interest paid on loans/subordinated debts	117.59	43.51	69.37	30.04	16.02
10	Interest paid on Secured NCD	0.56	0.15	0.16		
11	Interest on Inter Corporate Loans				-	-
12	Remuneration to Directors	-	-	-		
13	Remuneration to Directors' Relatives	2.64	2.48	3.28	1.56	1.49
14	Loans and Subordinated debts accepted	1,031.95	746.36	911.39	405.97	287.95
15	Loans and Subordinated debts repaid	171.51	127.80	195.44	674.68	49.20
16	Sell down of receivables under Bilateral Assignment					
17	Inter Corporate Loans accepted				-	-
18	Inter corporate Loans repaid				-	-
19	Investment in Secured NCD	-	1.66	1.66		

20	Repayment of Secured NCD	-				
21	Rent paid	0.53	0.45	0.60	0.20	0.20
22	Service Charges Collected					
23	Purchase of Fixed Assets				-	
24	Loans availed by the Company for which guarantee is provided by related parties	27,000.00	27,500.00	22,500.00	24,500.00	66,840.00
25	Loans availed by the Company for which collateral security is provided by related parties	-	135.00	-	-	-
<b>Net Amount Receivable / (Due) as at the year end</b>						
		<b>As at Dec 31, 2013</b>	<b>As at Dec 31, 2012</b>	<b>As at March 31 2013</b>	<b>As at March 31 2012</b>	<b>As at March 31 2011</b>
	Investments in Equity Shares	-	-	-	-	-
	Secured NCD	(6.08)	(1.66)	(1.66)	-	-
	Security Deposit	-	-	-	-	-
	Inter Corporate Loans	-	-	-	-	-
	Rent Deposit	0.32	0.32	0.32	0.10	0.10
	Loans and Subordinated debts	(1,701.72)	(714.51)	(845.70)	(102.80)	(320.91)
	Trade Payables	(0.05)	(0.04)	(0.04)	(0.01)	-
	Trade Receivable	-	-	-	-	-
	Other Loans and Advances	-	-	-	-	-

**ANNEXURE IX: SEGMENT REPORTING**

Rs. In Millions

Particulars	Financing					Power Generation				
	For the nine months ended December 31,2013	For the nine months ended December 31,2012	For the year ended March 31, 2013	For the year ended March 31, 2012	For the year ended March 31, 2011	For the nine months ended December 3 1,2013	For the nine months ended December 3 1,2012	For the year ended March 31, 2013	For the year ended March 31, 2012	For the year ended March 31, 2011
<b>REVENUE</b>										
External revenue	37,740.24	39,502.90	53,564.33	45,349.05	22,992.92	13.35	24.10	24.65	17.67	22.13
<b>Total revenue</b>	<b>37,740.24</b>	<b>39,502.90</b>	<b>53,564.33</b>	<b>45,349.05</b>	<b>22,992.92</b>	<b>13.35</b>	<b>24.10</b>	<b>24.65</b>	<b>17.67</b>	<b>22.13</b>
<b>SEGMENT RESULT</b>	<b>9,163.12</b>	<b>11,547.78</b>	<b>15,015.73</b>	<b>13,385.06</b>	<b>7,514.94</b>	<b>4.41</b>	<b>14.93</b>	<b>12.46</b>	<b>1.90</b>	<b>0.14</b>
Unallocated corporate Income					-					-
Unallocated corporate expenses					-					-
<b>Profit Before Tax</b>	<b>9,163.12</b>	<b>11,547.78</b>	<b>15,015.73</b>	<b>13,385.06</b>	<b>7,514.94</b>	<b>4.41</b>	<b>14.93</b>	<b>12.46</b>	<b>1.90</b>	<b>0.14</b>
Less: provision for current tax/deferred tax										
<b>Profit After Tax</b>	<b>9,163.12</b>	<b>11,547.78</b>	<b>15,015.73</b>	<b>13,385.06</b>	<b>7,514.94</b>	<b>4.41</b>	<b>14.93</b>	<b>12.46</b>	<b>1.90</b>	<b>0.14</b>
<b>OTHER INFORMATION</b>										
Segment assets	262,841.01	278,966.84	293,074.22	232,671.81	137,080.82	41.00	75.14	67.95	71.26	78.86
Unallocated corporate assets										
<b>TOTAL ASSETS</b>	<b>262,841.01</b>	<b>278,966.84</b>	<b>293,074.22</b>	<b>232,671.81</b>	<b>137,080.82</b>	<b>41.00</b>	<b>75.14</b>	<b>67.95</b>	<b>71.26</b>	<b>78.86</b>
Segment liabilities	221,244.42	242,350.25	254,431.35	202,285.74	123,516.16	-	-	-	-	-
Unallocated corporate liabilities										
<b>TOTAL LIABILITIES</b>	<b>221,244.42</b>	<b>242,350.25</b>	<b>254,431.35</b>	<b>202,285.74</b>	<b>123,516.16</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Capital expenditure	524.73	480.78	721.42	1,112.85	773.86	-	-	-	-	-
Depreciation	341.46	327.68	444.98	317.36	162.51	5.70	7.12	9.45	11.82	18.47
Non cash expenses other than depreciation	134.48	376.83	765.19	350.74	323.46	-	-	-	-	-

Particulars	Total				
	For the nine months ended December 31,2013	For the nine months ended December 31,2012	For the year ended March 31, 2013	For the year ended March 31, 2012	For the year ended March 31, 2011
<b>REVENUE</b>					
External revenue	37,753.59	39,527.00	53,588.98	45,366.72	23,015.05
<b>Total revenue</b>	<b>37,753.59</b>	<b>39,527.00</b>	<b>53,588.98</b>	<b>45,366.72</b>	<b>23,015.05</b>
<b>SEGMENT RESULT</b>	<b>9,167.53</b>	<b>11,562.71</b>	<b>15,028.19</b>	<b>13,386.96</b>	<b>7,515.08</b>
Unallocated corporate Income	129.94	228.95	282.38	123.84	143.62
Unallocated corporate expenses	(145.25)	(145.88)	(196.12)	(198.33)	(46.59)
<b>Profit Before Tax</b>	<b>9,152.22</b>	<b>11,645.78</b>	<b>15,114.45</b>	<b>13,312.47</b>	<b>7,612.11</b>
Less: provision for current tax/deferred tax	3,160.98	3,803.82	5,072.06	4,392.23	2,670.35
<b>Profit After Tax</b>	<b>5,991.24</b>	<b>7,841.96</b>	<b>10,042.39</b>	<b>8,920.24</b>	<b>4,941.76</b>
<b>OTHER INFORMATION</b>					
Segment assets	262,882.01	279,041.98	293,142.17	232,743.07	137,159.68
Unallocated corporate assets	592.99	1,085.25	1,020.48	978.95	50.32
<b>TOTAL ASSETS</b>	<b>263,475.00</b>	<b>280,127.23</b>	<b>294,162.65</b>	<b>233,722.02</b>	<b>137,210.00</b>
Segment liabilities	221,244.42	242,350.25	254,431.35	202,285.74	123,516.16
Unallocated corporate liabilities	1,017.64	677.70	2,375.65	2,178.96	349.71
<b>TOTAL LIABILITIES</b>	<b>222,262.06</b>	<b>243,027.95</b>	<b>256,807.00</b>	<b>204,464.70</b>	<b>123,865.87</b>
Capital expenditure	524.73	480.78	721.42	1,112.85	773.86
Depreciation	347.16	334.80	454.43	329.18	180.98
Non cash expenses other than depreciation	134.48	376.83	765.19	350.74	323.46

## Other Notes on accounts for the period ended December 31, 2013

### 1. Employee Benefits

#### a) Defined Contribution Plan

During the year, the Company has recognized the contribution to Provident Fund, in the Statement of Profit and Loss in Note 20- Employee Benefit Expenses as under:-

Rs in million	
Particulars	As on December 31, 2013
Contribution to Provident Fund	180.90
<b>Total</b>	<b>180.90</b>

#### b) Defined Benefit Plan

##### Gratuity Plan

Gratuity liability is funded through a Gratuity Fund managed by Kotak Mahindra Old Mutual Life Insurance Limited and ICICI Prudential Life Insurance Company Limited.

The following table set out the status of the Gratuity Plan as required under AS 15.

Reconciliation of opening and closing balances of the present value of the defined benefit obligation and plan assets:

Rs. In millions	
Particulars	As on December 31, 2013
<b>A) Reconciliation of opening and closing balance of defined benefit obligation</b>	
Defined benefit obligation at the beginning of the year	304.11
Interest Cost	70.74
Current Service Cost	18.02
Benefits paid	(4.23)
Actuarial (gain)/loss	(20.30)
Defined benefit obligation at the end of the year	<b>368.36</b>
<b>B) Reconciliation of opening and closing balance of fair value of Plan Assets</b>	
Fair value of plan assets at the beginning of the year	<b>301.70</b>
Expected rate of return on plan assets	19.18
Contributions	2.41
(Benefit paid)	(4.23)
Actuarial gains/(losses) on plan assets	(9.73)
Fair value of plan assets at the end of the year	<b>309.34</b>
<b>C) Expense for the year</b>	
Current service cost	18.02
Interest Cost	70.74
(Expected rate of return on plan assets)	(19.18)
Actuarial gains/(losses)	(10.56)
<b>D) Investment details</b>	
Insurer managed funds	309.34
<b>E) Experience adjustment</b>	
On Plan Liability (Gain)/Losses	9.49
On Plan Assets (Losses)/Gain	(9.73)
<b>F) Actuarial assumptions</b>	
Discount rate	8.9% p.a.
Salary Escalation	7.00% p.a.
Rate of return on plan assets	8.5% p.a.

The deficit in funding of gratuity Rs 59.02 million has been accounted as Long term provisions.  
Estimated employer contribution for 2013-14 - Rs 90.00 million

The estimates of rate of escalation in salary considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market. Discount rate is based on the prevailing market yields of the Government Bond as at Balance Sheet date for the estimated term of obligation.

### c) Employee stock option plan – 2013

Pursuant to the decision of the shareholders at their meeting held on September 27, 2013, the company has established “Muthoot ESOP 2013” scheme to be administered by the ESOP Committee of Board of Directors. The options are being granted as per the following:

	<b>Growth Options – Grant A</b>	<b>Growth Options – Grant B</b>	<b>Loyalty Options</b>
Grant Date	November 9,2013	November 9,2013	November 9,2013
Option Type	Equity settled	Equity settled	Equity settled
No. of equity shares for an option	One option – One share	One option – One share	One option – One share
No. of options granted	3,711,200	1,706,700	1,571,075
Exercise Price	Rs 50	Rs 50	Rs 10
Vesting Period	1-5 years	2-6 years	1-2 years
No of options lapsed	66,800	68,800	4,800
No. of options outstanding as at December 31 2013	3,644,400	1,637,900	1,566,275

The fair value of options based on valuation of independent valuer as of the respective date of grant are given below

	<b>Growth Options – Grant A</b>	<b>Growth Options – Grant B</b>	<b>Loyalty Options</b>
Fair value per option tranche on grant date	Rs 68.75 (Nov 9,2014) Rs 70.21 ( Nov 9, 2015) Rs 71.13 ( Nov 9,2016) Rs 71.52 (Nov 9,2017) Rs 71.47 (Nov 9,2018)	Rs 70.21 ( Nov 9, 2015) Rs 71.13 ( Nov 9,2016) Rs 71.52 (Nov 9,2017) Rs 71.47 (Nov 9,2018) Rs 71.11 (Nov 9,2019)	Rs 102.01 (Nov 9,2014) Rs 98.64 ( Nov 9,2015)

Had the company adopted fair value method in respect of options granted instead of intrinsic value method, the impact of the financial statements for the period would be

Rs in Million

<b>Decrease in employee compensation costs</b>	Rs 0.43
<b>Increase in profit after tax</b>	Rs 0.43
<b>Increase in Basic and Diluted EPS ( Rs per share)</b>	0.01

The fair value has been calculated using Black Scholes Model and the significant assumptions made in this regard are as follows

	<b>Growth Options – Grant A</b>	<b>Growth Options – Grant B</b>	<b>Loyalty Options</b>
Risk free interest rate	8.4% - 8.8% p.a.	8.4%-8.95% p.a.	8.4% -8.45% p.a.
Expected average life of option	1.5 – 5.5 years	2.5 – 6.5 years	1.5-2.5 years
Expected Volatility	0.5768	0.5768	0.5768
Expected Dividend Yield	3.84 % p.a.	3.84 % p.a.	3.84 % p.a.

## 2. Disclosure with regard to dues to Micro and Small Enterprises

Based on the information available with the Company and has been relied upon by the auditors, none of the suppliers have confirmed to be registered under “The Micro, Small and Medium Enterprises Development (‘MSMED’) Act, 2006”. Accordingly, no disclosures relating to amounts unpaid as at the period ended 31<sup>st</sup> December, 2013 together with interest paid /payable is required to be furnished.

## DECLARATION

We hereby declare and certify that all relevant provisions of the Companies Act, 1956, the relevant provisions of the Companies Act, 2013 applicable as on the date of this Red Herring Prospectus, the guidelines issued by the Government or the regulations or guidelines issued by SEBI, established under Section 3 of the SEBI Act, as the case may be and the Securities Contracts (Regulation) Act, 1956, have been complied with and no statement made in this Red Herring Prospectus is contrary to the provisions of the Companies Act, 1956, the relevant provisions of the Companies Act, 2013 applicable as on the date of this Red Herring Prospectus, the SEBI Act or rules or regulations made thereunder or guidelines issued, as the case may be and the Securities Contracts (Regulation) Act, 1956. We certify that this Red Herring Prospectus contains all information specified under Schedule XVIII of the SEBI Regulations and such other information as is material and appropriate to enable the investors to make a well informed decision as to investment in the proposed Issue and further certify that all the statements in this Red Herring Prospectus are true and correct.

### SIGNED BY THE DIRECTORS OF THE COMPANY

***M. G. George Muthoot***  
Whole Time Director and Chairman : Sd

***George Thomas Muthoot***  
Whole Time Director : Sd

***George Jacob Muthoot***  
Whole Time Director : Sd

***George Alexander Muthoot***  
Managing Director : Sd

***K. George John***  
Independent Director : Sd

***K. John Mathew***  
Independent Director : Sd

***John K. Paul***  
Independent Director : Sd

***George Joseph***  
Independent Director : Sd

### SIGNED BY THE CHIEF FINANCIAL OFFICER

***Oommen K. Mammen***  
Chief Financial Officer : Sd

Place: Kochi, India

Date: April 21, 2014

**Registered Office of the Company**  
Muthoot Chambers  
Opposite Saritha Theatre Complex  
2<sup>nd</sup> Floor, Banerji Road  
Kochi 682 018  
Kerala, India

**Statutory Auditor to the Company**  
**M/s. Rangamani & Co**  
Chartered Accountants  
17/598, 2nd Floor, Card Bank Building  
West of YMCA Bridge  
VCSB Road  
Allepey 688 001  
Kerala, India

**Book Running Lead Managers**

**ICICI Securities Limited**  
H.T. Parekh Marg, Churchgate  
Mumbai 400 020, India

**Kotak Mahindra Capital Company Limited**  
27 BKC, Plot No. C-27  
"G" Block, Bandra Kurla Complex  
Bandra (East),  
Mumbai – 400 051

**Espirito Santo Securities India Private Limited**  
1203A, Floor 12A, Tower 2A, One Indiabulls Centre  
841, Senapati Bapat Marg, Elphinstone Road  
Mumbai – 400 013

**Registrar to the Issue**

**Link Intime India Private Limited**  
C-13, Pannalal Silk Mills  
Compound,  
L.B.S. Marg,  
Bhandup (West),  
Mumbai 400 078

**Indian Legal Counsel to the Company**

**AZB & Partners**  
AZB House, 67-4  
4<sup>th</sup> Cross, Lavelle Road  
Bangalore 560 001, India

**Syndicate Member**

**Kotak Securities Limited**  
27 BKC, C 27, G Block,  
Bandra Kurla Complex,  
Bandra (E)  
Mumbai 400 051

**International Legal Counsel to the Book Running Lead Managers**

**DLA Piper Singapore Pte. Ltd.**  
80 Raffles Place  
#48-01 UOB Plaza 1  
Singapore 048624

**Public Issue Account Bank**

**IndusInd Bank Limited**  
8th Floor, Tower 1,  
One Indiabulls Centre,  
841, Senapati Bapat Marg,  
Elphinstone Road West,  
Mumbai 400 013