

Muthoot Finance Limited

Company profile

Muthoot Finance Ltd (MUTHOOT), is a systemically important non-deposit taking NBFC focusing on gold loans to individuals for personal & business purpose.

As on Mar 2012, Gold loans under management was reported to be **Rs 24,417 cr** with **137.1 tons** of gold jewellery as security for the loans. As on Mar 2012; Co's network was spread across 3,678 branches across 20 states & 5 union territories with close to 6 mn loan accounts.

Salient features of the issue (NCD - Series II)

- The secured NCD issue is rated "[ICRA] AA- /Stable" by ICRA and "CRISIL AA- /Stable" by CRISIL which indicates a high degree of safety regarding timely servicing of financial obligations.
- MUTHOOT will create appropriate security in favor of the Debenture Trustee by way of first pari passu charge on the **identified immovable property** and a **first pari passu charge on current assets, book debts, loans and advances, and receivables** including gold loan receivables, both present and future of the Company. MUTHOOT will create the security for the NCDs so as to ensure **100% security cover** of the amount outstanding in respect of NCDs at any time.
- There are **5 investment options**, suiting the needs of different categories of investors. The NCDs bear an **attractive coupon rate ranging between 11.50% p.a. and 12.00% p.a. In case of Option V (Cumulative Option); invested amount DOUBLES in 6 Years.**
- The NCDs shall be allotted both in physical and in dematerialized form. However, NCDs under **Option V will be compulsorily allotted in dematerialized form only.**
- Applications may be made in single or joint names (not exceeding 3).
- NCD'S are **proposed to be listed on BSE and NSE** and will be available in Demat form facilitating trading of these debentures.
- In case of a **resident debenture holder, TDS on interest will not be applicable** since the debentures will be issued in demat form and will be listed on the BSE.
- Under section 2 (29A) of the I.T. Act, read with section 2 (42A) of the I.T. Act, a **listed debenture is treated as a long term capital asset if the same is held for more than 12 months** immediately preceding the date of its transfer.
- The company shall pay **interest on application money @ 11.50% p.a. on the amount allotted and interest @ 6% p.a. on application money which is liable to be refunded**, subject to deduction of income tax under the provisions of the Income Tax Act, 1961. However no interest is to be paid on application monies to the ASBA Applicants.

Issue highlights

Issue size: Rs 500 cr*

* Public issue of Rs 250 cr with an option to retain over-subscription of Rs 250 cr

Issue summary

Issue opens: 17 September 2012

Issue closes: 05 October 2012

Lead managers: ICICI Securities, AK Capital Services Ltd, RR Investors Capital Services Ltd, SBI Capital Markets Ltd, Edelweiss Financial Services Ltd and Karvy Investor Services Ltd.

Registrar: Link Intime India Pvt. Ltd.

Debenture Trustees: IDBI Trusteeship Services Ltd.

Credit rating by ICRA

Rating	Issue Type
[ICRA]AA-/Stable	Secured NCD

Credit rating by CRISIL

Rating	Issue Type
[Crisil]AA-/Stable	Secured NCD

The rating of ICRA and CRISIL indicates high degree safety for timely servicing of financial obligations and very low credit risk respectively. The ratings provided by ICRA and CRISIL may be suspended, withdrawn or revised at any time by the assigning rating agency and should be evaluated independently of any other rating.

Category of investors

	Category I	Category II	Category III
	Institutional Portion	Non-Institutional Portion	Individual Category Portion
Reservation for each category	<p>Upto 15% of issue size</p> <ul style="list-style-type: none"> Rs. 75 Cr for allotment to QIB assuming Issue size of Rs. 500 Cr 	<p>Upto 35% of issue size</p> <ul style="list-style-type: none"> Rs. 175 Cr for allotment to NII assuming Issue size of Rs. 500 Cr 	<p>Upto 50% of issue size</p> <ul style="list-style-type: none"> Rs 250 cr for allotment to Reserve & Unreserved Individual Portion assuming size of Rs. 500 Cr
Who can Apply	<ul style="list-style-type: none"> Public Financial Inst., Statutory Corp., Commercial Banks, Co-operative Banks and RRB's, which are authorized to invest in the NCDs; 	<ul style="list-style-type: none"> Resident Indian individuals and HUF through Karta applying for NCDs aggregating to a value exceeding Rs 500,000 (across all series of NCDs) 	<ul style="list-style-type: none"> Resident Indian individuals aggregating to a value not more than Rs 500,000, across all series of NCDs;
	<ul style="list-style-type: none"> Provident Fund, Pension Funds, Superannuation Fund and Gratuity Fund, which are authorized to invest in the NCDs; 	<ul style="list-style-type: none"> Companies, Bodies Corporate Societies & Trusts registered under the applicable laws in India and authorized to invest in NCDs; 	<ul style="list-style-type: none"> HUF through Karta aggregating to a value not more than Rs 500,000, across all series of NCDs;
	<ul style="list-style-type: none"> Venture Capital fund registered with SEBI; State industrial development corporations; 	<ul style="list-style-type: none"> Public / Private Charitable / religious Trusts which are authorized to invest in the NCDs 	
	<ul style="list-style-type: none"> Insurance Companies; Insurance funds set up and managed by the army, navy, or air force of the Union of India; Insurance funds set up and managed by the Department of Posts, the Union of India 	<ul style="list-style-type: none"> Scientific and/or Industrial Research Org., which are authorized to invest in the NCDs; 	
	<ul style="list-style-type: none"> National Investment Fund; 	<ul style="list-style-type: none"> Partnership firms in the name of the partner and LLPs formed & registered under the provisions of the Limited Liability Partnership Act, 2008 	
	<ul style="list-style-type: none"> Mutual Funds. 		

Who cannot apply: (a) Minors without a guardian name (A guardian may apply on behalf of a minor. However, the name of the guardian will need to be mentioned on the Application Form); (b) Foreign nationals; (c) Persons resident outside India; (d) Foreign Institutional Investors; (e) Non Resident Indians; (f) Qualified Foreign Investors; (g) Overseas Corporate Bodies; (h) Foreign Venture Capital Funds; (i) Persons ineligible to contract under applicable statutory/ regulatory requirements.

Investment Options (Secured NCD – Series II)

Options	I	II	III	IV	V
Interest Payment	Annual	Annual	Monthly	Annual	N. A.
Minimum Application (Retail)	Rs.10,000/- (10 NCDs) (for all options of NCDs, namely Options I, Option II, Option III, Option IV and Option V either taken individually or collectively)				
In Multiples of	Rs.1,000/- (1 NCD)				
Face Value of NCDs (Rs./NCD)	Rs.1,000/-				
Issue Price of (Rs./NCD)	Rs.1,000/-				
Coupon rate (%) p.a.	11.50% p.a.	11.75% p.a.	11.75% p.a.	12.00% p.a.	NA
Yield on Redemption	11.50% p.a.	11.75% p.a.	12.40% p.a.	12.00% p.a.	12.25% p.a.
Tenor	24 months	36 months	60 months	60 months	72 months
Redemption Date	24 months from the deemed date of allotment	36 months from the deemed date of allotment	60 months from the deemed date of allotment	60 months from the deemed date of allotment	72 months from the deemed date of allotment
Redemption Amount	Repayment of the Face Value + any interest that may have accrued payable on redemption				Rs 2,000/- per NCD
Security	First pari passu charge on the identified immovable property and a first pari passu charge on current assets, book debts, loans and advances, and receivables including gold loan receivables, both present and future, of the company.				

- ✓ **NCD in physical form:** In case of NCDs held in physical form, as per the current provisions of the IT Act, tax will not be deducted at source from interest payable on such NCDs held by the investor (in case of resident individual NCD holders), if such interest does not exceed Rs 5,000 in any financial year.
- ✓ **Loan against NCDs:** MUTHOOT at its sole discretion, subject to applicable statutory and/or regulatory requirements, may consider granting of a loan facility to the holders of NCDs against the security of such NCDs. Such loans shall be subject to the terms and conditions as may be decided by company from time to time.
- ✓ **Buy Back of NCDs:** MUTHOOT may, at its sole discretion, from time to time, consider, subject to applicable statutory and/or regulatory requirements, buyback of NCDs, upon such terms and conditions as may be decided by MUTHOOT.

Basis of allotment (Secured NCD)

- Applicants belonging to **Institutional Portion**, in the first instance will be allocated secured NCDs **upto 15% of the Overall Issue Size (First cum First basis)**
- Applicants belonging to **Non Institutional Portion**, in the first instance will be allocated secured NCDs **upto 35% of the Overall Issue Size (First cum First basis)**
- Applicants belonging to **Individual Category Portion**, in the first instance will be allocated secured NCDs **upto 50% of the Overall Issue Size (First cum First basis)**.

Under-subscription: If there is any under subscription in any category, priority in allotments will be given to Individual Category Portion, and balance, if any, shall be first made to applicants of Non Institutional Portion, and balance, if any, shall be first made to applicants of the Non Institutional Portion, followed by the Institutional Portion on a first come first serve basis, on proportionate basis.

Oversubscription: The Company is making a public Issue of secured NCDs aggregating upto Rs. 250 crs with an option to retain oversubscription of NCDs up to Rs 250 crs.

In case of an oversubscription, allotments to the maximum extent, as possible, will be made on a **first-come first-serve basis and thereafter on proportionate basis**, i.e. full allotment of NCDs to the Applicants on a first come first basis up to the date falling 1 (one) day prior to the date of oversubscription and proportionate allotment of NCDs to the applicants on the date of oversubscription (based on the date of upload of each Application on the electronic platform of the Stock Exchanges, in each Portion).

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