



Muthoot Finance Limited

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September 07, 2021

The Securities and Exchange Board of India
G Block, Plot No. C 4-A, G Block Rd,
Bandra Kurla Complex, Bandra East,
Mumbai, Maharashtra 400051

Kind Attn: Shri. Pradeep Ramakrishnan, GM - Department of Debt and Hybrid Securities

Dear Sir,

Re: Request for an Interpretive Letter under the SEBI (Informal Guidance) Scheme, 2003 regarding clarification on requirement of financial statements accompanied with the Auditor's Report under the Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021 ("Debt Regulations")

About the Applicant:

Muthoot Finance Limited ("Company"), the applicant, is a Systemically Important Non-Banking Finance Company headquartered in the southern state of Kerala. We are the largest gold loan NBFC in India in terms of loan portfolio. We provide personal loans and business loans secured by gold jewelry, or gold loans primarily to individuals who possess gold jewelry but are not able to access the formal credit within a reasonable time, or to whom the credit may not be available at all to meet the unanticipated or other short term liquidity requirements. Our branch network is one of the largest among the gold loan companies in India. We have a pan India presence with 4,625 branches spread across 24 states and 5 union territories.

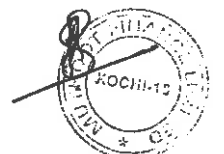
We have been raising funding by way of issuing secured & unsecured non-convertible debentures on private placement as well as through public issues from the debt securities market. NCDs issued by the Company are listed in Stock Exchanges. The Company has been a frequent player in the debt securities market and have been successful in creating a good customer base for its NCDs. Over the last 10 years, the Company has successfully carried out 25 series of public issues of NCDs. As of March 31, 2021 over 1 lakh retail investors have invested in our secured & unsecured debentures.

Query 1:

Schedule II to the Debt Regulations deals with the disclosure requirements for private placement of non-convertible securities. Para 2.3.8 of the said Schedule II deals with the Financial Information required to be disclosed by the Issuer in the offer document and inter alia provides as under:

Para 2.3.8 (a):

"A columnar representation of the audited financial statements (i.e. Profit & Loss statement, Balance Sheet and Cash Flow statement) both on a standalone and consolidated basis for a period of three completed years which shall not be more than six months old from the date of the placement memorandum or issue opening date, as applicable"



Para 2.3.8 (d) requires the Issuer to accompany the Auditor's Report and provides as under:

Para 2.3.8 (d):

"The above financial statements shall be accompanied with the Auditor's Report along with the requisite schedules, footnotes, summary etc."

Facts:

Muthoot Finance Limited ("Company") has been raising funding by way of issuing non-convertible debentures on private placement basis from the debt securities market. NCDs issued by the Company are listed in Stock Exchanges. The Company has been a frequent player in the market and have been successful in creating a good customer base for its NCDs. The Company is in the process of filing a Shelf Disclosure Document under the Debt Regulations for private placement of NCDs.

Our Understanding:

The Debt Regulations requires the issuer to make a columnar representation of the audited financial statements for a period of 3 completed years. Further, for listed issuers, if the financial statements are older than 6 months from the date of placement memorandum, then limited reviewed financial results for the stub period shall also be disclosed in the offer document.

The above mentioned columnar representation of the financial statements needs to be accompanied by the Auditor's Report along with the requisite schedules, footnotes, summary etc.

We understand that the Auditor's Report mentioned under Para 2.3.8 (d) of Schedule II refers to the annual auditors' report issued by the Statutory Auditors pursuant to the provisions of the Companies Act, 2013. And where the Issuer is attaching the quarterly financial results to the offer document, it shall be accompanied by the Limited Review Report issued by the Statutory Auditors pursuant to the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The above requirement of disclosure of 3 year's columnar representation of financial information is in line with the disclosure requirements under the PAS 4 disclosures required under Section 42 of the Companies Act, 2013.

Based on the above, our view is that Annual Statutory Auditor's report and Quarterly Limited Review Reports issued by the Statutory Auditors of the Company are to be annexed to the Shelf Disclosure Document as per the requirements of Para 2.3.8 (d) as stated above and no separate examination report by the Statutory Auditors is required to be annexed to the Shelf Disclosure Document. This view is also based on the fact that out of the three year's data mentioned in the columnar representation, two year's data is derived from the latest audited financial statements and merely for adding one more year to the same, obtaining a separate examination report from the auditor only adds to paperwork and goes against SEBI's efforts to ease procedural requirements for frequent issuers.

We had in the past issued Fixed Rate USD Notes in the international bond market. As per the international disclosure norms for issuance of FRNs, the requirement was only to disclose the audited financial statements along with the statutory auditor's report issued by the Auditors under the Companies Act, 2013.



Request:

We request for an interpretive letter on our understanding:

1. Of the disclosure requirements of financial information under the Debt Regulations and requirements of attaching the Statutory Auditors report and Limited Review Reports issued by the Statutory Auditors of the Company;
2. Whether a separate examination report by the Statutory Auditors is required in addition to the Annual Statutory Auditors report and Quarterly Limited Review Reports issued by the Statutory Auditors of the Company.

Query 2:

Schedule I to the Debt Regulations deals with the disclosure requirements for public issue of non-convertible securities. Para 2.2.8 of the said Schedule I deals with the Financial Information required to be disclosed by the Issuer in the offer document and inter alia provides as under:

Para 2.2.8 (a):

"A columnar representation of the audited financial statements (i.e. Profit & Loss statement, Balance Sheet and Cash Flow statement) both on a standalone and consolidated basis for a period of three completed years which shall not be more than six months old from the date of the draft offer document or offer document or issue opening date, as applicable"

Para 2.2.8 (c) requires the Issuer to accompany the Auditor's Report and provides as under:

Para 2.2.8 (c):

"The above financial statements shall be accompanied with the Auditor's Report along with the requisite schedules, footnotes, summary etc."

Facts:

Muthoot Finance Limited ("Company) has been raising funding by way of issuing non-convertible debentures through public issue from the debt securities market. NCDs issued by the Company are listed in Stock Exchanges. The Company has been a frequent player in the market and have been successful in creating a good customer base for its NCDs. The Company is in the process of filing a Draft Shelf Prospectus under the Debt Regulations for public issue of NCDs.

Our Understanding:

The Debt Regulations requires the issuer to make a columnar representation of the audited financial statements for a period of 3 completed years. Further, for listed issuers, if the financial statements are older than 6 months from the date of placement memorandum, then limited reviewed financial results for the stub period shall also be disclosed in the offer document.

The above mentioned columnar representation of the financial statements needs to be accompanied by the Auditor's Report along with the requisite schedules, footnotes, summary etc.

We understand that the Auditor's Report mentioned under Para 2.2.8 (c) of Schedule I refers to the annual auditors' report issued by the Statutory Auditors pursuant to the provisions of the Companies Act, 2013. And where the Issuer is attaching the quarterly financial results to the offer document, it



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shall be accompanied by the Limited Review Report issued by the Statutory Auditors pursuant to the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The language used under Para 2.2.8 (a) & Para 2.2.8 (c) of Schedule I is the same as used under Para 2.3.8 (a) & Para 2.3.8 (d) of Schedule II to the Debt Regulations. Hence, we understand that the requirement to attach auditor's report mentioned under both Para 2.2.8 (c) and Para 2.3.8 (d) refers to the Auditor's Report issued by the statutory auditors of the Company pursuant the Companies Act, 2013.

Based on the above, our view is that Annual Statutory Auditor's report and Quarterly Limited Review Reports issued by the Statutory Auditors of the Company is to be annexed to the Shelf Disclosure Document as per the requirements of Para 2.2.8 (c) as stated above and no separate examination report by the Statutory Auditors is required to be annexed to the Shelf Disclosure Document. This view is also based on the fact that out of the three year's data mentioned in the columnar representation, two year's data is derived from the latest audited financial statements and merely for adding one more year to the same, obtaining a separate examination report from the auditor only adds to paperwork and goes against SEBI's efforts to ease procedural requirements for frequent issuers.

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Request:

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2. Whether a separate examination report by the Statutory Auditors is required in addition to the Annual Statutory Auditors report and Quarterly Limited Review Reports issued by the Statutory Auditors of the Company.

Fees for the Information Guidance:

Demand Draft of Rs. 25,000/- in favour of Securities and Exchange Board of India payable at Mumbai is enclosed towards fees for informal guidance and request your opinion.

Contact Information:

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Company Secretary
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Opposite Saritha Theatre Complex,
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Email: rajesh.warrier@muthootgroup.com



We would appreciate an early response in the above matters.

Thank you

For Muthoot Finance Limited



Rajesh A
Company Secretary