



GENERAL MANAGER
DEPARTMENT OF DEBT AND HYBRID SECURITIES
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**भारतीय प्रतिभूति
और विनिमय बोर्ड**
**Securities and Exchange
Board of India**

SEBI/HO/DDHS/P/OW/2021/28580/1
October 14, 2021

Muthoot Finance Limited
Muthoot Chambers
Opposite Saritha Theatre Complex,
Banerji Road, Ernakulam – 682 018

Kind Attention: Rajesh A, Company Secretary

Dear Sir,

Subject: Request for informal guidance by way of an interpretive letter under the SEBI (Informal Guidance) Scheme, 2003 in connection to SEBI (Issue and Listing of Non-convertible Securities) Regulations, 2021 (NCS Regulations)

1. This has reference to your letter dated September 07, 2021 wherein you have sought informal guidance by way of an "Interpretative letter" from SEBI under paragraph 5(ii) of the SEBI (Informal Guidance) Scheme, 2003.
2. In your letter under reference, you have, *inter-alia*, represented the following:
 - a. Muthoot Finance Limited, is a Systemically, Important Non-Banking Finance Company headquartered in the southern state of Kerala. Muthoot Finance Limited provide personal loans and business loans secured by gold jewellery, or gold loans.
 - b. Muthoot Finance Limited has been raising funds by way of issuance of secured and unsecured non-convertible debentures on private placement as well as public issue basis.
 - c. Applicant is in the process of filing a Shelf Disclosure Document under the NCS Regulations for private placement of Non-Convertible Debentures (NCD) and is also in the process of filing a Draft Shelf Prospectus for public issue of NCDs.
 - d. Para 2.2.8 (c) of Schedule I and 2.3.8 (d) of Schedule II of NCS Regulations requires that the financial statements disclosed in the offer document shall be accompanied with the Auditor's Report
 - e. It is understood that the Annual Statutory Auditor's report and Quarterly limited review report issued by the statutory auditor's report of the company may be annexed to the offer document and no separate examination report by statutory auditors is required to be annexed to the offer document.

सेबी भवन, प्लॉट सं. सी 4-ए, "जी" ब्लॉक, बांद्रा-कुर्ला कॉम्प्लेक्स, बांद्रा (पूर्व), मुंबई - 400 051.
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Queries:

3. Applicant referring to Para 2.2.8 of Schedule I of NCS Regulations and Para 2.3.8 of Schedule II of the said Regulations has raised the following queries:
- 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;*
 - Whether a separate examination report by the Statutory Auditor is required in addition to the Annual Statutory Auditors report and Quarterly Limited Review Reports issued by the Statutory Auditors of the Company?*

Our comments:

4. We have considered the submissions made by you in your letter under reference. Without necessarily agreeing with your analysis, our view is as under:
- The following provisions of NCS Regulations are applicable to the case under reference:
 - Reg. 41(3) reads as under:

The shelf prospectus shall contain the following disclosures:

 - disclosures specified in Schedule I of these regulations;
 - disclosures specified in the Companies Act (18 of 2013), as applicable; and
 - additional disclosures as may be specified by the Board.
 - Para 2.2.8 of Schedule-I of NCS Regulations reads as under:
 - “columnar representation of the audited financial information (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 issue opening date, as applicable....”*
 - Listed issuers (whose debt securities or specified securities are listed on stock exchange(s)) in compliance with the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, may disclose unaudited financial information for the stub period in the format as prescribed therein with limited review report in the offer document, as filed with the stock exchanges, instead of audited financial statements for stub period, subject to making necessary disclosures in this regard in offer document including risk factors.*





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- c. The above financial information shall be accompanied with the Auditor's Report along with the requisite schedules, footnotes, summary etc.
- d. Key operational parameters on consolidated and standalone basis.....
- e. Debt equity ratio of the issuer"

Before the Issue	
After the Issue	

(iii) Regulation 45(1) of NCS Regulations reads as under:

The issuer making a private placement of debt securities and non-convertible redeemable preference shares and seeking listing thereof on a recognised stock exchange shall make the following disclosures in the placement memorandum:

- (a) disclosures specified in Schedule II of these regulations;
- (b) disclosures specified in the Companies Act, 2013 (18 of 2013), as applicable;
- (c) additional disclosures as may be specified by the Board.

(iv) Para 2.3.8 of Schedule II of NCS Regulations reads as under:

- 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....
- b. Listed issuers (whose debt securities or specified securities are listed on recognised stock exchange(s)) in compliance with the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, may disclose unaudited financial information for the stub period in the format as prescribed therein with limited review report in the placement memorandum, as filed with the stock exchanges, instead of audited financial statements for stub period, subject to making necessary disclosures in this regard in placement memorandum including risk factors.
- c.
- d. The above financial statements shall be accompanied with the Auditor's Report along with the requisite schedules, footnotes, summary etc.
- e. Key operational parameters on consolidated and standalone basis.....
- f. Debt equity ratio of the issuer"

Before the Issue	
After the Issue	

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5. (a) With regard to the first query, in view of Para 2.2.8 of Schedule I of NCS Regulations and Para 2.3.8 of Schedule II of NCS Regulations, it may be noted that an issuer which seeks to issue debt securities by way of public issue or by way of private placement is *inter alia* required to make the disclosures of the following financial information:
- Columnar representation of the audited financial information (i.e. Profit & Loss statement, Balance Sheet and Cash Flow statement)
 - In relation to stub period, unaudited financial information accompanied with limited review report.
 - Auditor's report along with the requisite schedules, footnotes, summary etc.
 - Key operational parameters on consolidated and standalone basis as per table (ii) in sub-para e of Para 2.2.8 of Schedule-I for public issue of debt securities. Key operational parameters on consolidated and standalone basis as per table (iv) in Para 2.3.8 of Schedule-II for private placement of debt securities.
 - Debt: Equity ratio of the Issuer before and after the issue
- (b) With regard to the second query, it may be noted that the aforesaid provisions do not provide for the requirement of disclosing any separate examination report by the statutory auditor. Since the auditor's report is required to be accompanied with columnar representation of audited financial information for the three completed years, a separate audit report may not be required. As far as the stub period is concerned, unaudited financial information accompanied with limited review report would suffice for the purpose of disclosures as required under the said provisions. .
6. The above position is based on the information furnished in your letter under reference. Different facts or conditions might require different results. Further, this letter does not express a decision of the Board on the question referred.
7. You may also note that the above position/view is expressed only with respect to the clarifications sought in your letter under reference with respect to the Circulars and Regulations as referred above and does not affect the applicability of any other law or requirements of any other SEBI Regulations, Guidelines and Circulars administered by SEBI or the laws administered by any other authority.

Yours faithfully,

Pradeep Ramakrishnan