

*Public issue of Secured
Non Convertible Debentures (NCDs)
by
Muthoot Finance Limited*

SEPTEMBER 2012



Muthoot Finance

Disclaimer :-

Muthoot Finance Limited, is proposing, subject to market conditions and other considerations, to make a public issue of securities and has filed a Draft Prospectus with Securities and Exchange Board of India (“SEBI”), BSE Limited (BSE) and the National Stock Exchange of India Limited (NSE) and the Prospectus with the Registrar of Companies, Kerala and Lakshadweep. The Draft Prospectus and the Prospectus are available on the websites of SEBI [www.sebi.org.in], BSE Limited [www.bseindia.com], NSE [www.nseindia.com] the Company [www.muthootfinance.com] and the respective websites of the Lead Managers [www.icicisecurities.com www.akcapindia.com, www.edelweissfin.com, www.karvy.com, www.rrfcl.com, www.sbicans.com] related to the Issue.”

All investors proposing to participate in the Issue should invest only on the basis of the information contained in the Prospectus (including the risk factors therein) dated September 9, 2012, filed with the Registrar of Companies, Kerala and Lakshadweep (“ROC”).

Flow of Presentation

Issue Summary

Company Overview

Company History

Key Highlights

Key Financial and Operating Ratios

Issue Structure

Company Overview



- ❑ Muthoot Finance Ltd. is the largest gold financing company in India in terms of loan portfolio¹ and is the flagship company of the Muthoot Group
 - ❑ Gold Loan business was started in 1939
 - ❑ Group started its retail loan business under the name 'Muthoot Bankers', a partnership firm
 - ❑ Group incorporated 'Muthoot Finance Ltd' in 1997 and commenced business as NBFC in 2001
- ❑ Company is a public limited company classified as a **Systemically Important – Non Deposit taking NBFC**
- ❑ As of June 30, 2012 Company has **3,780 branches** spread across 20 states/national capital territory of Delhi / 4 Union Territories and has employed **25,103 employees** in its operations

Key Financials of the Company (₹ Million)	FY09	FY10	FY11	FY12	Q1 FY13
Gross retail Loan AUM	33,690	74,382	158,685	246,736	233,359
Revenue from Operations	6,121	10,805	23,015	45,367	12,875
PAT	979	2,285	4,942	8,920	2,461
ROAE (%)	33.0%	47.9%	51.5%	41.9%	32.3%
CAR (%)	16.3%	14.8%	15.8%	18.3%	19.4%
Bad Debts written off	-	6.18	18.29	69.23	16.00

1. ImaCS Industry report , (2010 update)
 2. As of March 31, of respective financial year

Company History

2000-01

- Muthoot Finance received RBI license to function as an NBFC

2004-05

- Retail loan and debenture portfolio of our Company exceeds ₹ 5.0 billion.
- Merger of Muthoot Enterprises Private Limited with our Company.
- F1 rating obtained from Fitch Ratings affirmed with an enhanced short term debt of ₹ 400.0 million.

2006-07

- Retail loan portfolio crosses ₹14 billion
- Net owned funds crosses Rs.1 billion
- RBI accorded status of SI-ND-NBFC
- Branch network crosses 500 branches

2008-09

- Converted into a public limited company.
- Fresh RBI license to function as an NBFC without accepting public deposits, consequent to change in name
- Retail loan and debenture portfolio crosses ₹ 33.0 billion and ₹ 19.0 billion respectively.
- Net owned funds of crosses ₹ 3.0 billion.
- Gross annual income crosses ₹ 6.0 billion.
- Overall credit limits from lending banks crosses ₹ 10.0 billion.
- Branch network of our Company crosses 900 branches.

2010-11

- Retail loan and debenture portfolio crosses ₹ 158.0 billion and ₹ 39.0 billion respectively.
- CRISIL assigns “AA-/Stable” rating for ₹ 4.0 billion non convertible debenture issue.
- CRISIL assigns “AA-/Stable” rating for ₹ 1.0 billion subordinated debts issue.
- ICRA assigns long term rating of “AA-/Stable” for the ₹1 billion subordinated debt issue and for ₹ 2.0 billion Non-convertible Debenture issue respectively.
- Branch network crossed 2,700 branches.
- Overall credit limits from lending banks crosses ₹ 60.0 billion.
- Net owned funds crossed ₹13.0 billion.
- Gross annual income crossed ₹ 23.0 billion.
- Private equity investment of ₹ 2,556.9 million from Matrix Partners India Investments, LLC, The Wellcome Trust, Kotak PE, Kotak Investments and Baring India PE

2012-13

- Raised ₹ 2.6 billion through a public issue of 2.6 million secured non-convertible debentures under Series III.

2003-04

- Obtained highest rating of F1 from Fitch Ratings for short term debt of ₹ 200.0 million.

2005-06

- Retail loan and debenture portfolio crosses ₹ 7.0 billion and ₹ 6.0 billion respectively.
- Overall credit limits from banks crosses ₹ 1.0 billion.

2007-08

- Retail loan and debenture portfolio crosses ₹ 21.0 billion and ₹ 12.0 billion respectively.
- Net owned funds of our Company crosses ₹ 2.0 billion.
- F1 rating obtained from Fitch Ratings affirmed with an enhanced short term debt of ₹ 800.0 million.
- Overall credit limits from lending banks crosses ₹ 5.0 billion.

2009-10

- Retail loan and debenture portfolio crosses ₹ 74.0 billion and ₹ 27.0 billion respectively.
- Net owned funds crosses ₹ 5.0 billion.
- Overall credit limits from lending banks crosses ₹ 17.0 billion.
- ICRA assigns ‘A1+’ rating for short term debt of ₹ 2.0 billion.
- CRISIL assigns ‘P1+’ rating for short term debt of ₹ 4.0 billion.
- Branch network crosses 1,600 branches.
- Demerger of the FM radio business into Muthoot Broadcasting Private Limited.
- Gross annual income crossed ₹ 10.0 billion.

2011-12

- Successful IPO of ₹ 9,012.5 million in April 2011.
- Listing of Equity Shares in BSE and NSE.
- Retail loan portfolio crosses ₹ 246.0 billion.
- Retail debenture portfolio crosses ₹ 66 billion.
- ICRA assigns long term rating of AA- Stable and short term rating of A1+ for the ₹ 93,530.0 million line of credit.
- Raised ₹ 6.93 billion and ₹ 4.6 billion through public issues of secured non-convertible debentures under Series I and Series II respectively.
- Received the Golden Peacock Award, 2012 for corporate social responsibility.
- Net owned funds crossed ₹ 29.0 billion.
- Gross annual income crossed ₹ 45.0 billion.
- Bank credit limit crosses ₹ 92.0 billion.
- Branch network crosses 3600 branches.

Key Highlights

Key Highlights

- #1 De-risked Industry with Untapped Opportunity and High Growth Potential
- #2 Largest Non-Banking Finance Company in Gold Loan Business in India
- #3 Pan-India Reach and Branch Network
- #4 Strong Brand with an Unique Business Model
- #5 Robust Operating System
- #6 Sound Financial Standing
- #7 Experienced and Respected Management

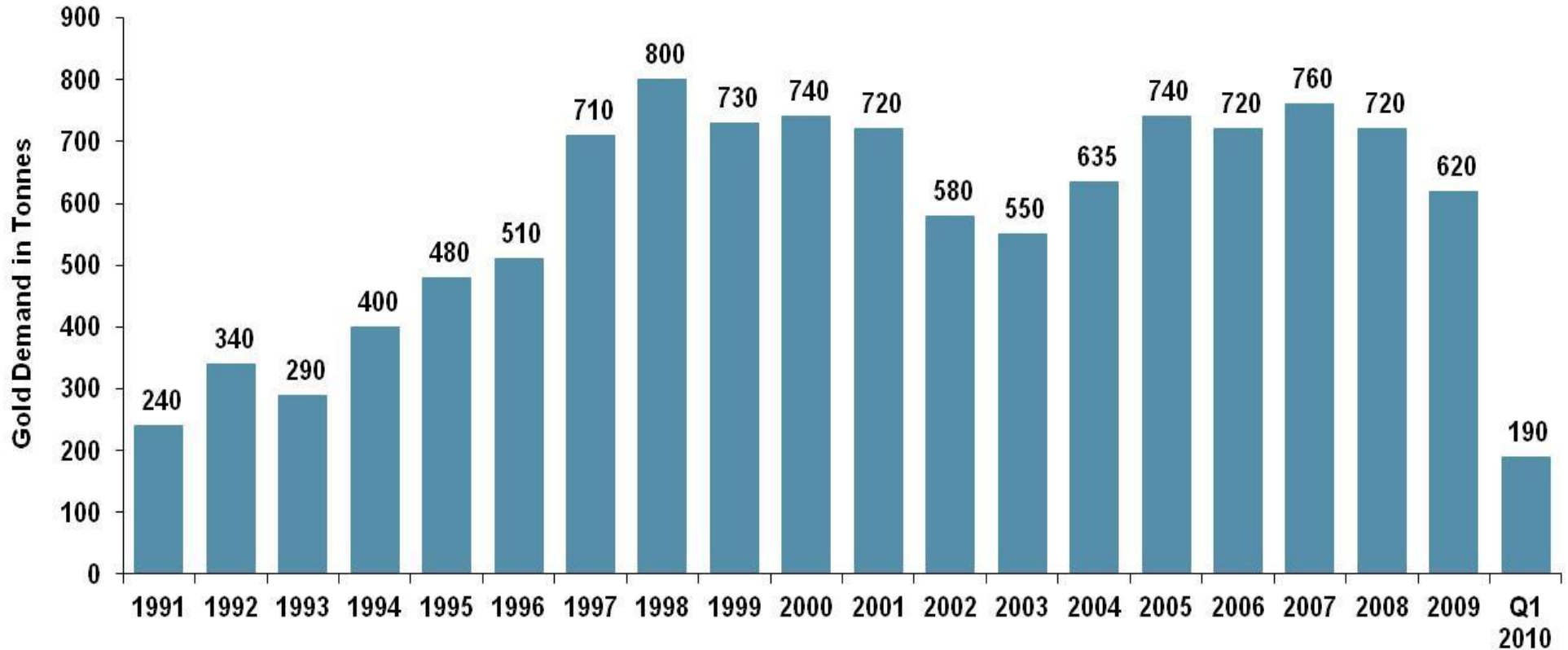
#1

De-risked Industry with Untapped Opportunity and High Growth Potential



Muthoot Finance

Gold Demand Trends in India (Tonnes)

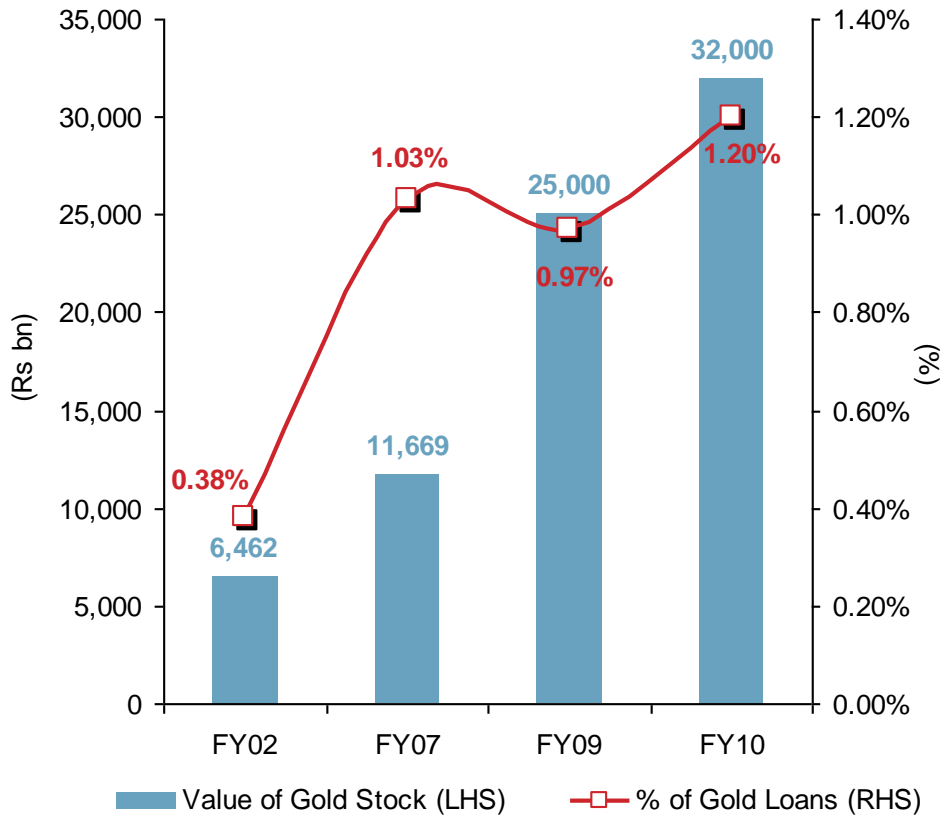


India is one of the largest markets for gold – accounted for ~10% of total world gold stock as of FY2010

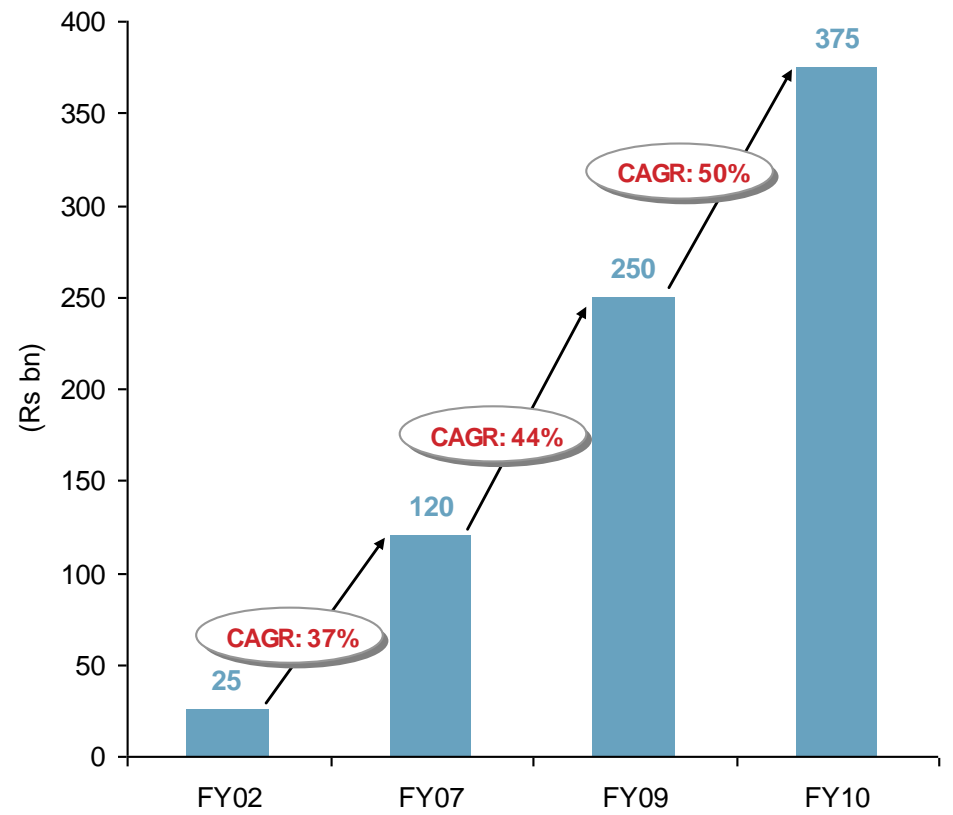
Source: IMacs Industry Report (2010 Update)

De-risked Industry with Untapped Opportunity and High Growth Potential

Value of Gold Stock & Penetration of Gold Loans



Size of Gold Loan Market in India



Southern India accounts for 85% to 90% of the Gold Loans market in India

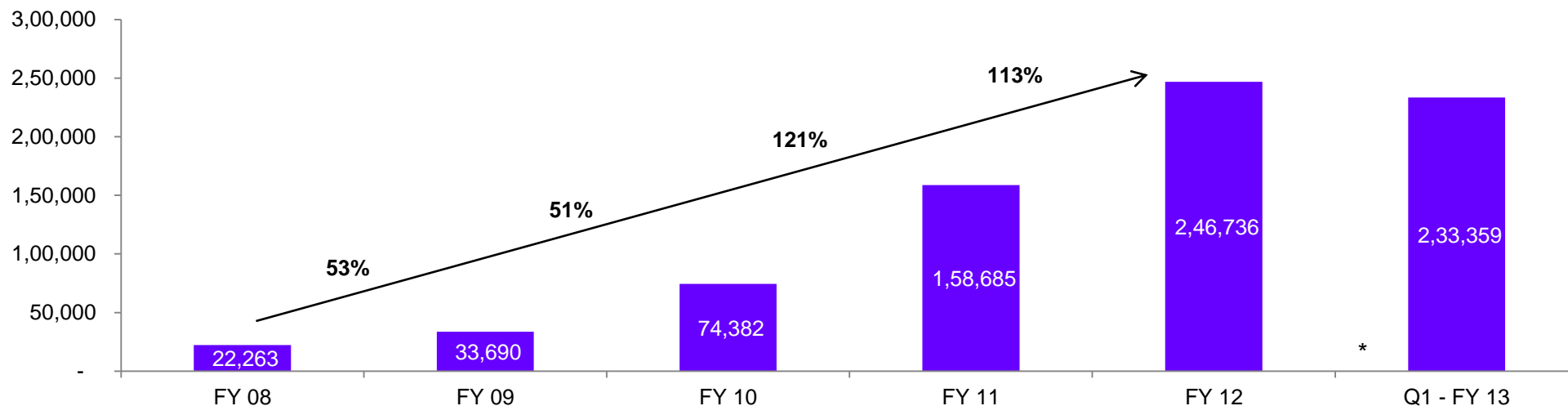
Source: IMacs Industry Report (2010 Update)

De-risked Industry with Untapped Opportunity and High Growth Potential – Key Industry Characteristics

- Historically market has been largely unorganised dominated by local jewellery shops, money lenders & co-operative societies.
- Gold loans perceived as a convenient source of short term/bridge financing
 - Customer service, speed and convenience are key business drivers
- Huge sentimental value attributed to personal jewellery/gold – ensures high recoverability
- Ticket size of loans and effective maturity generally smaller considering target customer segment – mitigates risk of interest rate volatility
- Interest rate sensitivity on a small ticket loan is relatively low

#2 Largest NBFC in Gold Loan Business in India

Muthoot Finance - Growth Trajectory of Loan Book (in ₹ million)



- Group has more than seven decades of business history – gives an edge in terms of expertise and capability to innovate
 - Standardized training modules, valuation processes and operating systems have been perfected over the period
- Pan-India presence provides unique understanding of customer behavior in different geographies and conditions – helps planned growth in that region
 - Enables customized product offerings to suit varied customer needs
- Have created Brand and built Trust amongst its customers and market community – an essential ingredient in this business

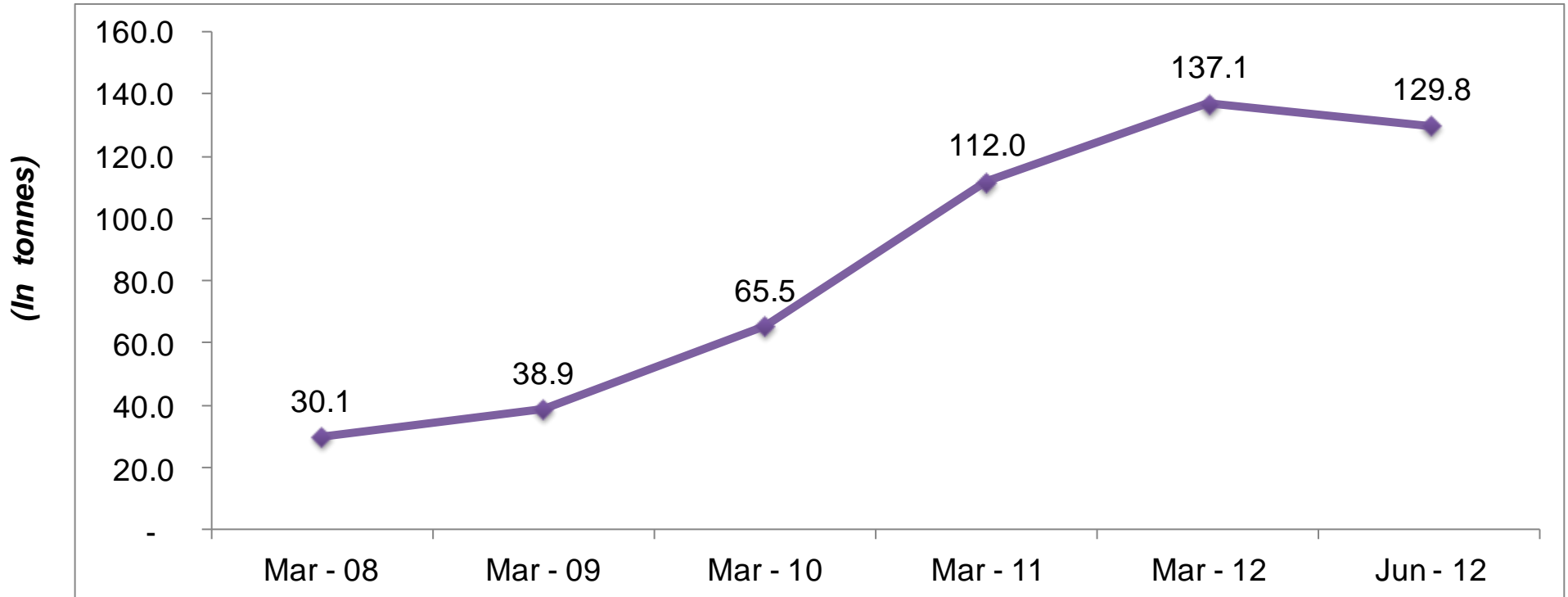
#2 Largest NBFC in Gold Loan Business in India



Gold Loan Providers	Gold Loan Market Share (%)		
	FY07	FY09	FY10
Muthoot Finance	11.0%	13.4%	19.5%
Indian Overseas Bank	13.1%	12.6%	13.9%
Indian Bank	13.2%	13.2%	10.4%
Manappuram (incl MAFIT)	3.7%	4.9%	6.8%
South Indian Bank	4.7%	6.1%	6.3%
Muthoot Fincorp	3.6%	4.8%	5.9%
State Bank of Travancore	8.9%	6.4%	5.1%
Andhra Bank	3.1%	3.6%	3.7%
Federal Bank	4.7%	4.3%	2.3%
Total Gold Loans (Rs. Bn)	120.00	250.00	375.00

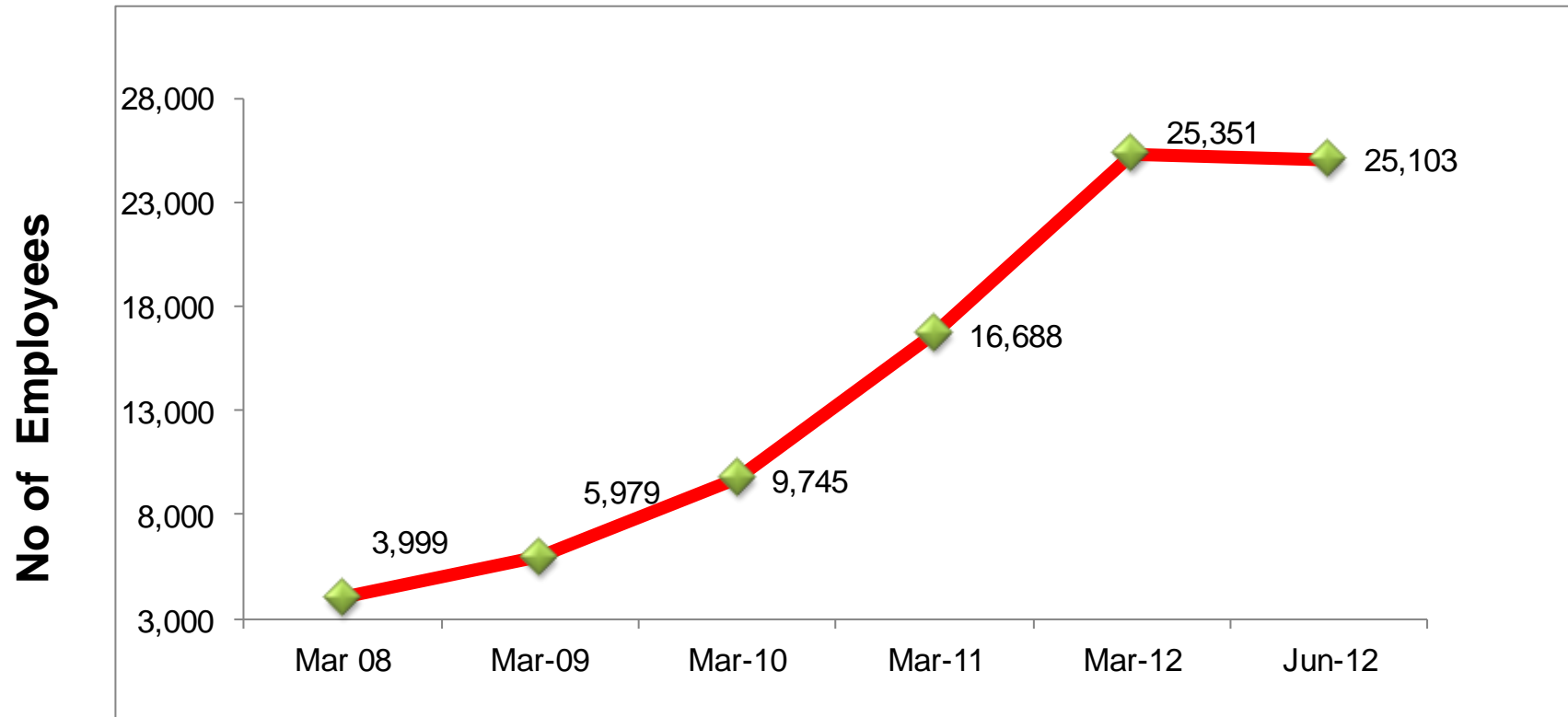
Source: IMacs Industry Report (2010 Update)

#2 Gold Holdings – Muthoot Finance

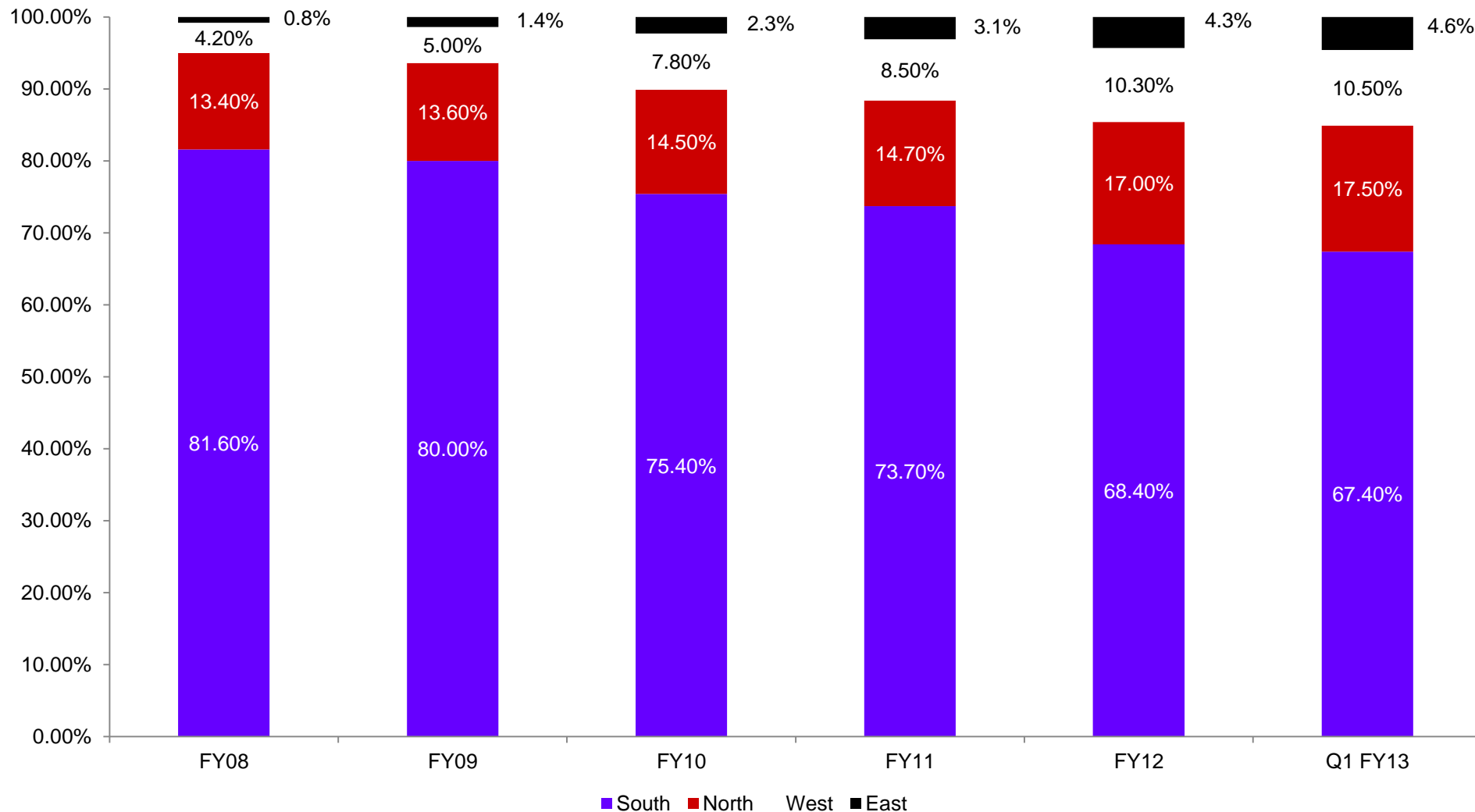


Gold Jewellery kept as Security (tonnes)

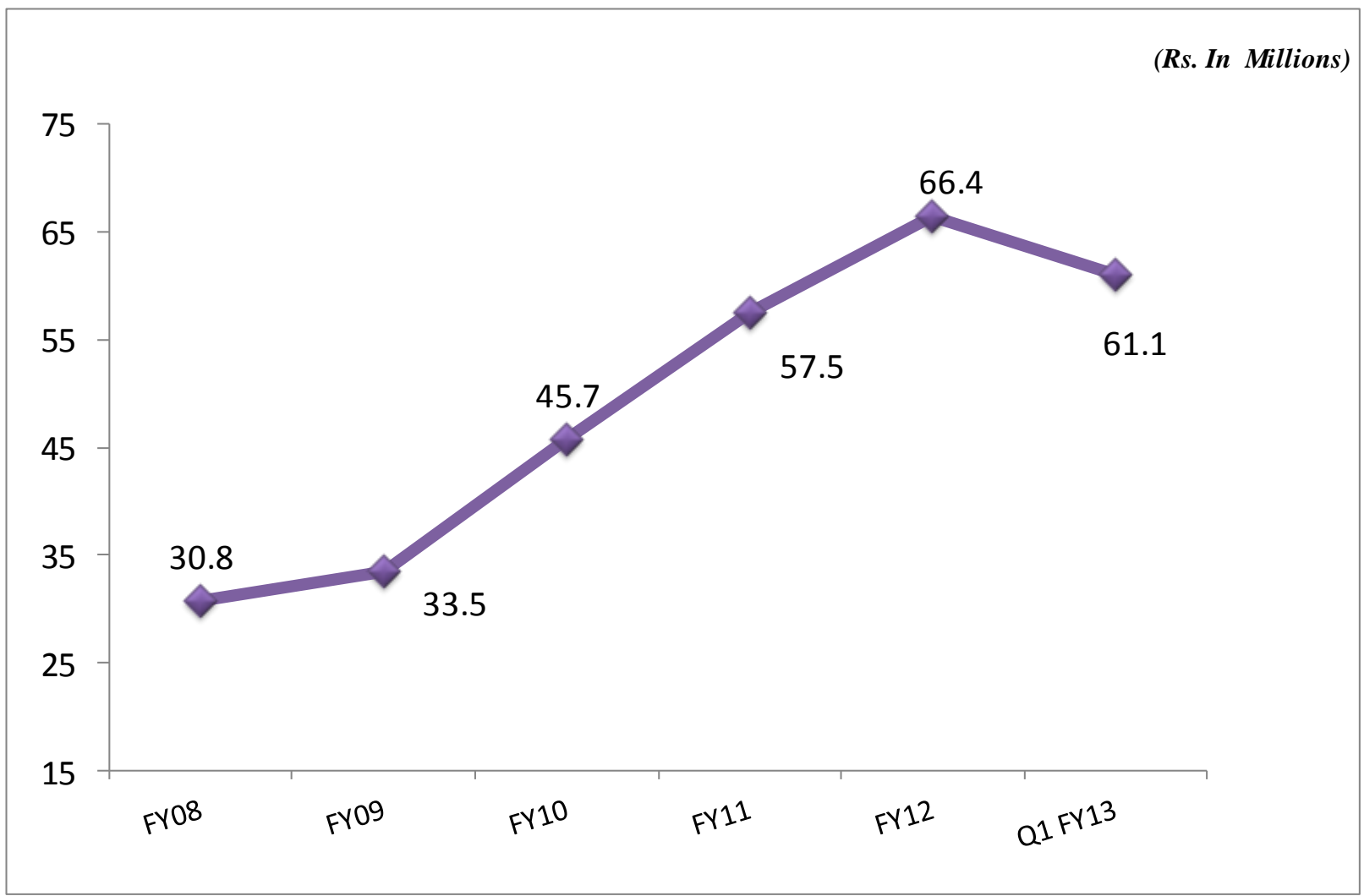
#2 Human Resources



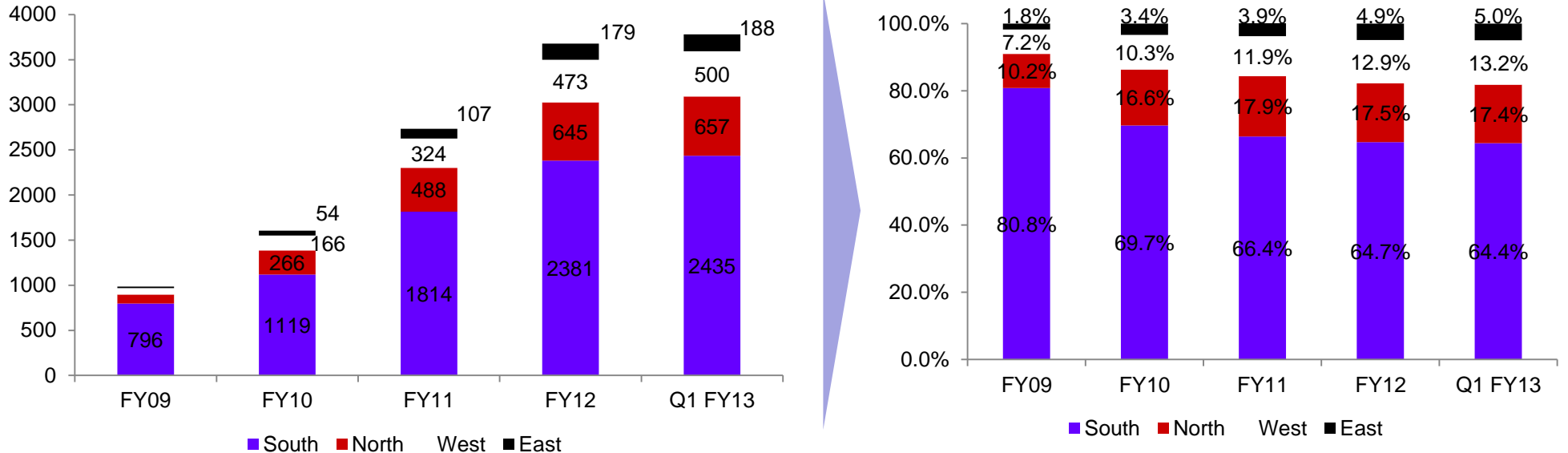
Geographical spread of Gold Loan Portfolio



#2 Average Gold loan Outstanding per branch



Branch Presence across the Country



- ❑ Presence of more than 3,780 branches covering 20 states/national capital territory of Delhi / 4 Union Territories as on June 30, 2012
- ❑ Strong ability to assess potential markets by carefully analyzing demographic, competitive & regulatory aspects
- ❑ Strong position in southern India /First organised Gold loan provider in Northern & Western region
- ❑ Plans to enhance presence in other regions in India, particularly in North by leveraging expertise and strong presence in Southern India

#4 Strong Brand with an Unique Business Model



- Company synonymous with Gold loan business with Group's long and successful track record under Muthoot family name
- Distinctive logo and branding initiatives have ensured a niche for Company and differentiation from competitors

Small ticket size – an insurance against bad loans

- Small ticket size loans lowers risk/impact of bad loans

Higher lending rates and margins yet fully secured

- Gold as collaterals with a LTV upto 60% gives robust security to amount lent
- Sentimental value for personal jewellery ensures high recoverability
- Targeting unbanked population, providing finance in need, providing liquidity to an illiquid asset, financing at rates much lower than the only other means of finance i.e. money lenders are some of the reasons for sustaining high yields

#5 Robust Operating System

Standardised Training Module

- Rigorous and regular employee training – on employment and thereafter
- Ensures standard operating procedures being followed across branches
- Strengthens gold assessment skills without spoiling/harming the asset

Service oriented approach

- Speed of transactions, customer convenience and service have been strongly prescribed and diligently ensured – key strength lies in fast and efficient gold appraisal capability and loan disbursement at branch level
 - Entire process of sanction, documentation and disbursement takes only a few minutes
- Quality of service is key determinant in attracting the retail borrowers

Local area concept

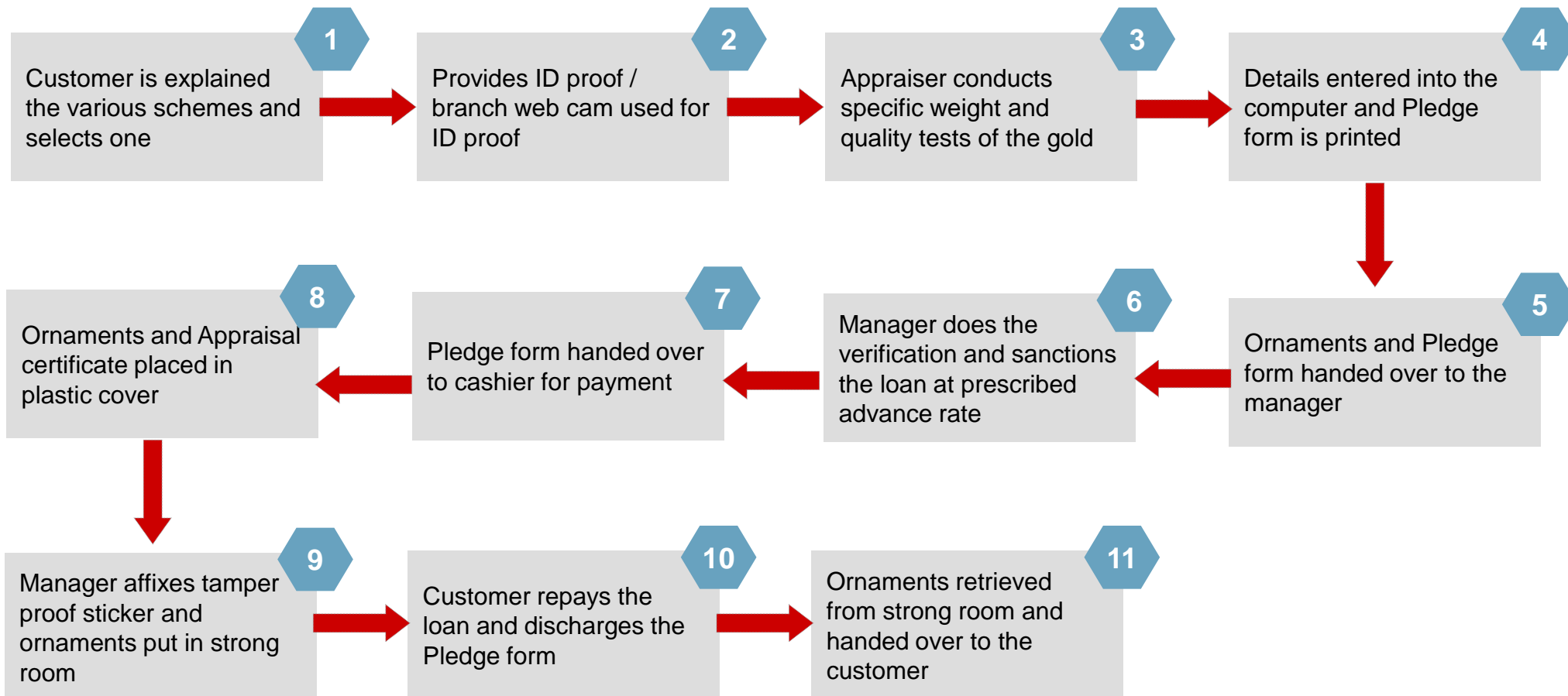
- Each branch services customers from local area
- Ensures familiarity and provides personal service

Strong Risk Management Practice

- KYC norms are strictly followed as each customer is photographed and his details are captured
- Each branch equipped with locker/storage system; gold is sealed with limited access on payback or on audit
- Strong internal audit team of more than 950 people who conducts regular and surprise checks - helps maintain discipline in operations

#5 Robust Operating System

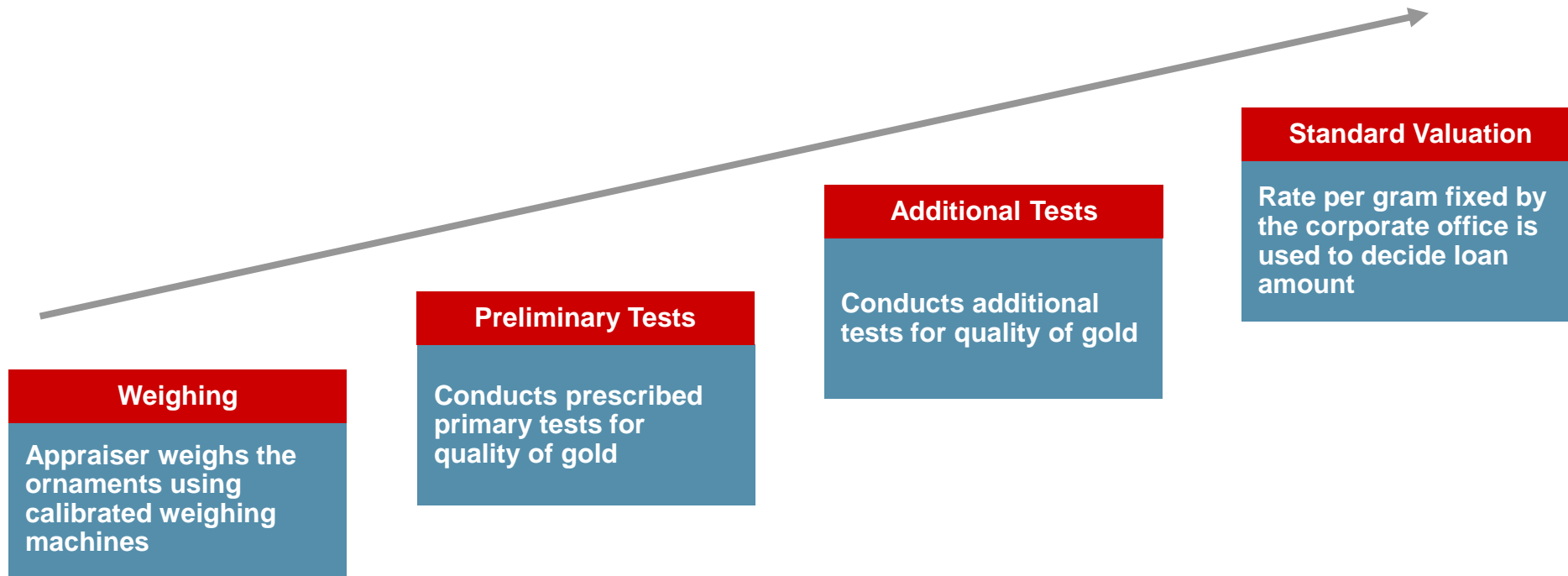
Standardised Process Across Branches



Process is supplemented with strong controls – a 974 member strong internal Audit team conducts monthly, fortnightly or weekly audits of all branches to ensure strong control on systems and processes

Robust Operating System

Comprehensive and Standardised Valuation Process – Ensures Quality of Gold



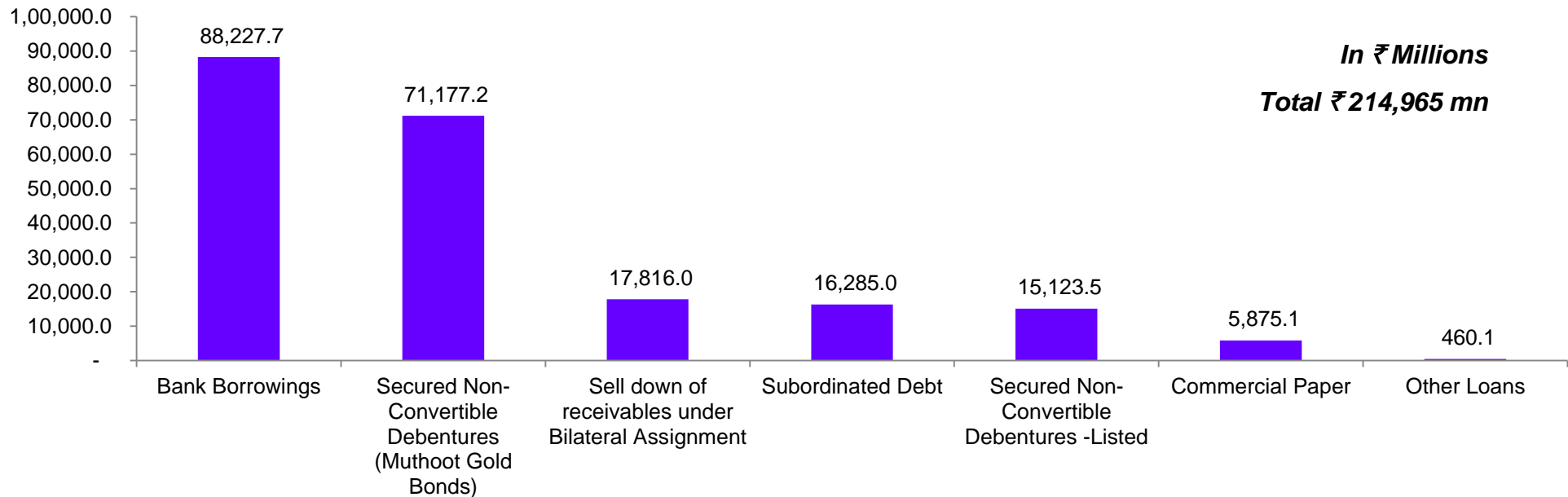
Classification	Primary Tests	Additional Tests	
<ul style="list-style-type: none"> ■ Solid Items (without stones) 	<ul style="list-style-type: none"> ■ Stone test ■ Acid test 	<ul style="list-style-type: none"> ■ Salt test ■ Sound test ■ Weight test ■ Pointed scratching test ■ Flexibility test 	<ul style="list-style-type: none"> ■ Color test ■ Smell test ■ Usability test ■ Magnifying glass test ■ Finishing test

Source: Company

#6 Sound Financial Standing

- Multiple sources of funding ensures free flow of raw material and manage cost pressures
- Business model always ensures a positive ALM
 - Loan maturity of less than a year
 - Borrowing tenure greater than a year

Funding Sources – Outstanding as on June 30, 2012



#7 Experienced Team and Respected Management



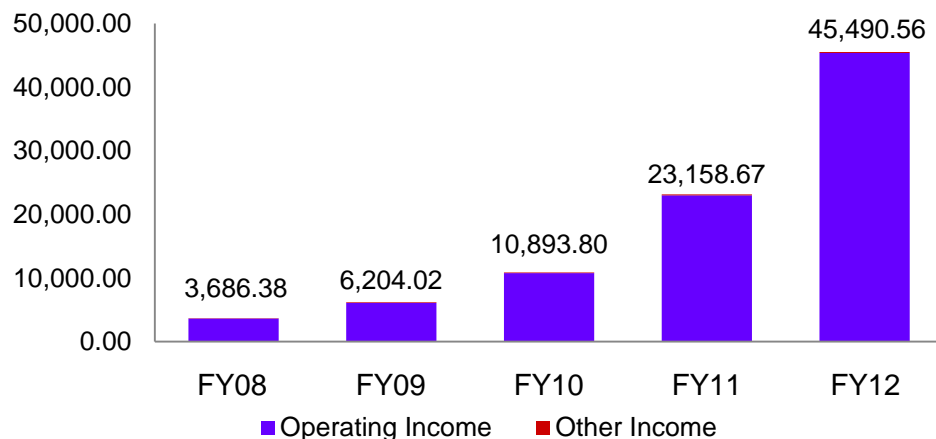
Board of Directors	Brief Profile
<p>Mr. M.G. George Muthoot (Chairman)</p>	<ul style="list-style-type: none"> ■ Graduate in engineering from Manipal University and businessman by profession. ■ National Executive Committee Member of FICCI and current chairman of FICCI-Kerala State Council ■ Conferred the Mahatma Gandhi National Award for social service for year 2001 by the Mahatma Gandhi National Foundation ■ Active member of various social organisations including Delhi Malayalee Association, Kerala Club, Rotary Club, National Sports Club – chosen for several awards by Rotary International and Y’s Mens International for community development and social service ■ Has been member of the Managing Committee of Malankara Orthodox Syrian Church for over 31 years ■ 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 the ASIAN BUSINESS MAN OF THE YEAR 2011 from UK-KERALA BUSINESS FORUM ■ He was also conferred with Business leadership for the year 2012 at Golden peacock Awards, Bengaluru
<p>Mr. George Thomas Muthoot (Director)</p>	<ul style="list-style-type: none"> ■ Businessman by profession ■ Over 30 years of experience in managing businesses operating in financial services
<p>Mr. George Jacob Muthoot (Director)</p>	<ul style="list-style-type: none"> ■ Has a degree in civil engineering from Manipal University and businessman by profession ■ Member of the Trivandrum Management Association, the Confederation of Real Estate Developers Association of India (Trivandrum) and the Trivandrum Agenda Task Force ■ Member of the Rotary Club, Trivandrum (South), governing body member of the charitable and educational society of Trivandrum Orthodox Diocese, Uloor Trivandrum, Finance Committee member, Mar Diocese college of Pharmacy, Althara Trivandrum and Mar Gregorious Orthodox Christian Mercy Fellowship, Trivandrum. ■ He has over 30 years of experience in managing businesses operating in the field of financial services.
<p>Mr. George Alexander Muthoot (Managing Director)</p>	<ul style="list-style-type: none"> ■ Chartered Accountant who qualified with first rank in Kerala and ranked 20th overall in India in 1978 ■ Has a bachelor degree in Commerce from Kerala University where he was a rank holder and gold medallist ■ Awarded the Times of India group Business Excellence Award in customised Financial Services in Mar 2009 ■ Served as Chairman of Kerala Non-banking Finance Companies Welfare Association from 2004 – 2007 and is currently its Vice Chairman ■ Founder member of the Indus Entrepreneurs International, Kochi Chapter and is now a member of the Core Committee of the Indus Entrepreneurs International Kochi Chapter

#7 Experienced Team and Respected Management

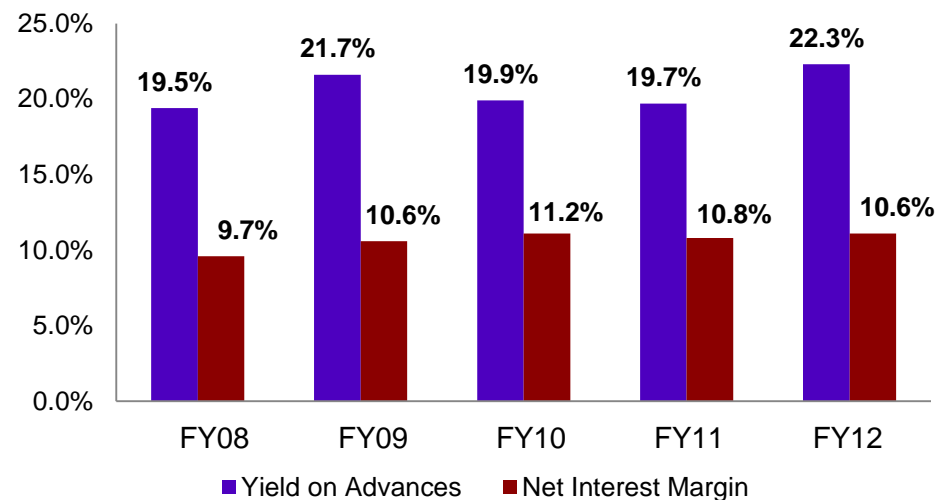
Board of Directors	Brief Profile
<p>Mr. P. George Varghese (Independent Director)</p>	<ul style="list-style-type: none"> ■ Graduate in mechanical engineering from Kerala University and holds a masters degree in business administration from Cochin University of Science and Technology ■ Trustee of the IMA Blood Bank, Kochi and member of the governing council of DC School of Management and Technology ■ Served as the vice-president of Kerala Management Association in 2006 – 2007 and has been on the managing committee of the Indo American Chamber of Commerce for from 1992 – 1999 ■ Member of the CII Kerala
<p>Mr. K John Matthew (Independent Director)</p>	<ul style="list-style-type: none"> ■ Graduate in law from the Government Law College, Ernakulam and is a retired judge of the High Court of Kerala ■ Served as Chairman of the Cochin Stock Exchange; was a SEBI nominee director of Cochin Stock Exchange from 2002 – 2007 ■ Is currently the President of the Peoples Council for Social Justice, Kerala
<p>Mr. John K Paul (Independent Director)</p>	<ul style="list-style-type: none"> ■ Graduate in engineering from Regional Engineering College, Kozhikode and businessman by profession ■ Director of Popular Automobiles Limited, Popular Vehicles & Services Limited, the first Maruti dealer in Kerala and of Popular Mega Motors (India) Limited, dealer for TATA Commercial Vehicles ■ Trustee of the Kuttukaran Institute for HRD, a leading institution offering professional courses ■ President of Kerala Chamber of Commerce and Industry from 2005 – 06 ■ President of Kerala Hockey Association from 2005 onwards and Ernakulam District Hockey Association from 2004 onwards
<p>Mr. George Joseph (Independent Director)</p>	<ul style="list-style-type: none"> ■ First rank holder commerce graduate from Kerala University ■ Certified associate of the Indian Institute of Banking and Finance ■ Former CMD of Syndicate Bank ■ Employed with Canara Bank for over 36 years prior to Syndicate Bank

Key Financials and Operating Ratios

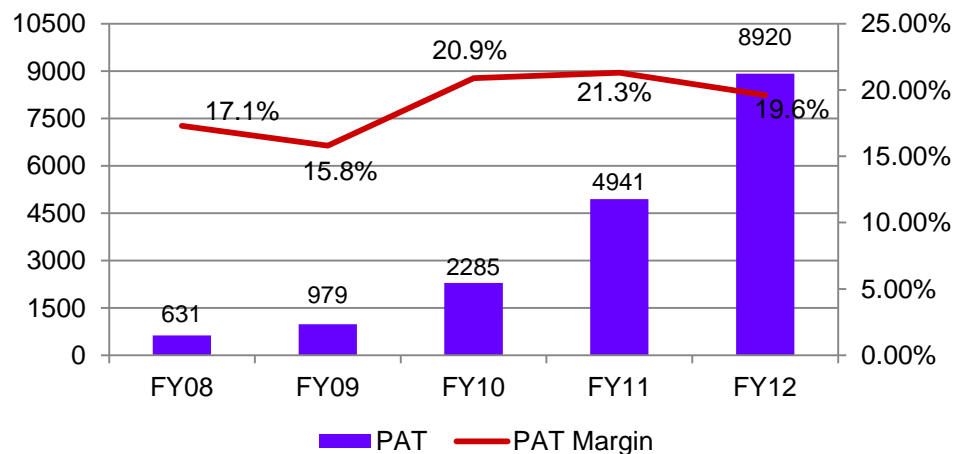
Income



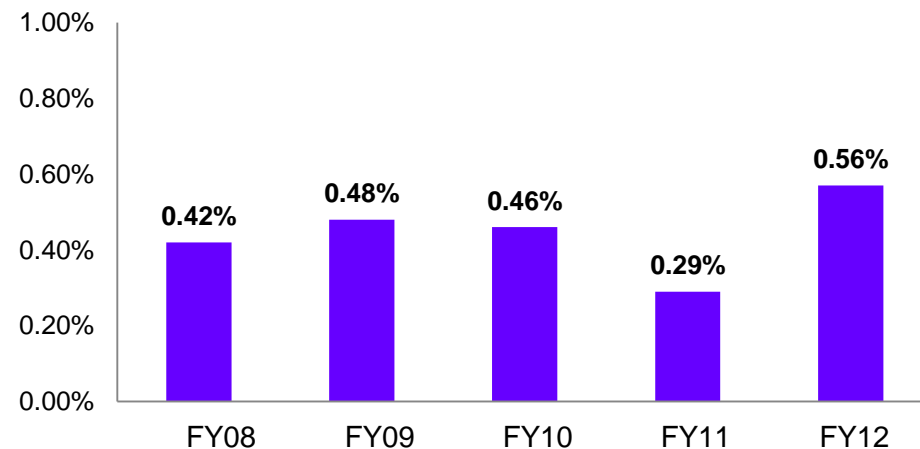
Yield on Average Advances and NIM



PAT and PAT Margin

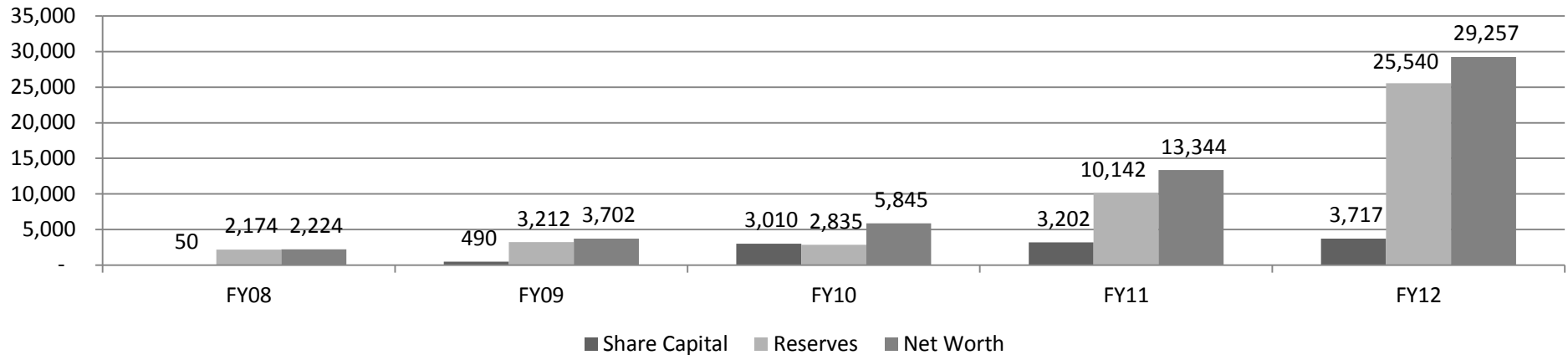


Gross NPA / Gross Retail AUM

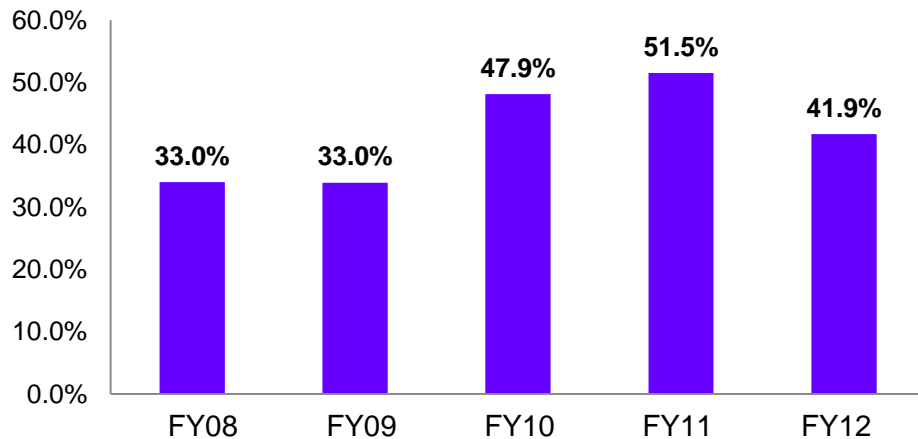


Key Financials and Operating Ratios

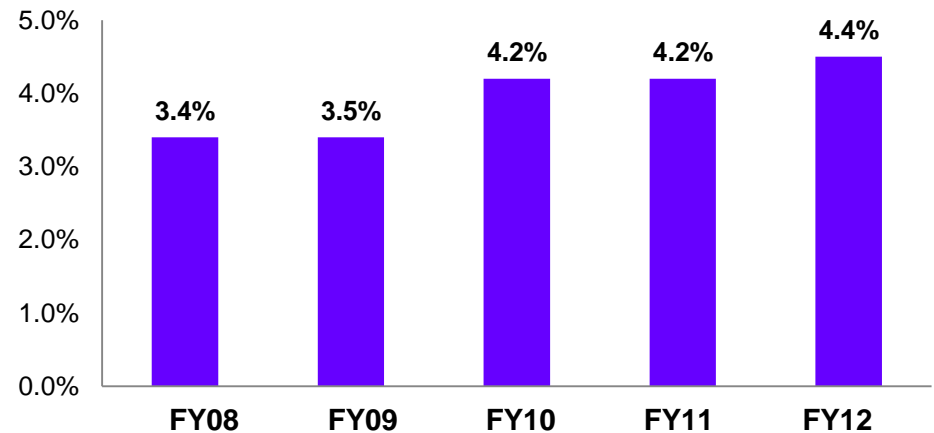
Networth (₹ Million)



Return on Average Equity



PAT to Average Retail Loans



Issue Structure: Specific Terms of NCDs

Options	I	II	III	IV	V
Frequency of Interest Payment	Annual	Annual	Monthly	Annual	On Maturity
Minimum Application	₹ 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	₹ 1,000	₹ 1,000	₹ 1,000	₹ 1,000	₹ 1,000
Face Value of NCDs (Rs. / NCD)	₹ 1,000	₹ 1,000	₹ 1,000	₹ 1,000	₹ 1,000
Issue Price (Rs. / NCD)	₹ 1,000	₹ 1,000	₹ 1,000	₹ 1,000	₹ 1,000
Mode of Interest Payment	Through various options available	Through various options available	Through various options available	Through various options available	Through various options available
Coupon Rate (%) for NCD Holders across Categories	11.50%	11.75%	11.75%	12.00%	NA
Effective Yield (per annum) for NCD Holders in Category I, Category II and Category III	11.50%	11.75%	12.40%	12.00%	12.25%

Issue Structure: Specific Terms of NCDs

Options	I	II	III	IV	V
Tenor	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
Put Option	Not Available				
Call Option	Not Available				
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 (per NCD)	Repayment of the face value plus any interest that may have accrued at the redemption date.	Repayment of the face value plus any interest that may have accrued at the redemption date.	Repayment of the face value plus any interest that may have accrued at the redemption date.	Repayment of the face value plus any interest that may have accrued at the redemption date.	₹ 2,000
Nature of Indebtedness	Pari-passu with other secured creditors and priority over unsecured creditors				
Credit Rating	[ICRA] AA-/ Stable by ICRA and CRISIL AA-/Stable by CRISIL The rating of the NCDs by CRISIL and ICRA indicate a high degree of safety with regard to timely servicing of financial obligations on the NCDs and such instruments carry a very low credit risk.				
Deemed Date of Allotment	The Deemed Date of Allotment shall be the date as decided by the Board or the NCD Public Issue Committee, and as mentioned on the Allotment Advice				
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				

Issue Structure – Common Terms of NCDs

Exchanges proposed for listing of the NCDs	<ul style="list-style-type: none">■ BSE Ltd & National Stock Exchange of India Ltd■ BSE Ltd is the Designated Stock Exchange
Issuance, Trading & TDS	<ul style="list-style-type: none">■ Issuance of NCDs under Option V will be compulsorily in dematerialized form,■ No Tax will be deducted at source from the interest on listed NCD's in the dematerialized form.■ For other Options, the investor has the option to apply for NCDs in physical form also, in which case TDS at applicable rates will be deducted if interest amount exceeds ₹ 5,000
Trading Lot	<ul style="list-style-type: none">■ 1 (one) NCD
Depositories	<ul style="list-style-type: none">■ NSDL and CDSL
Issue Schedule	<ul style="list-style-type: none">■ The Issue shall be open from September 17, 2012 to October 5, 2012 with an option to close earlier and/or extend upto a period as may be determined by the NCD Public Issue Committee, subject to necessary approvals.
Pay-in date	<ul style="list-style-type: none">■ 3 (Three) days from the date of upload of the Application on the electronic platform of the Stock Exchanges or the date of realisation of the cheques/demand drafts, whichever is later
Basis of Allotment	<ul style="list-style-type: none">■ Allotment shall be on first come first serve basis
Day count basis	<ul style="list-style-type: none">■ Actual/Actual
Interest on Application Money & Refund	<ul style="list-style-type: none">■ Interest on Application Money– 11.50%■ Interest on Refund 6%



Muthoot Finance
