Since 1887

Public issue of Secured, Redeemable Non Convertible Debentures by

Muthoot Finance Limited

Muthoot Finance

Disclaimer :-

"*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 December 16, 2011, filed with the Registrar of Companies, Kerala and Lakshadweep.*

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 SEBI and BSE and the Prospectus with the Registrar of Companies, Kerala and Lakshadweep. The Draft Prospectus and Prospectus are available on the website of SEBI, BSE and the respective websites of the Lead Managers and Co-Lead Managers related to the Issue."

Flow of Presentation

- Issue Summary
- Company Overview
- Company History
- Key Highlights
- Key Financials & Operating Ratios
- Issue Structure

Issue Summary

Issuer	■ Muthoot Finance Limited
Issue	■ Public Issue of Secured, Redeemable, Non Convertible Debentures (NCD's) of upto Rs. 3,000 million with an option to retain oversubscription upto Rs. 3,000 million for issuance of additional NCDs , aggregating to a total of upto Rs. 6,000 million
Rating	■ CRISIL AA- /stable & [ICRA] AA-(stable)
Issue Schedule	■ **Issue Opening Date :- Thursday - December 22, 2011** ■ **Issue Closing Date :- Saturday – January 7, 2012**
Allocation	■ Institutional Portion (Category I) :upto 20% ■ Non-Institutional Portion (Category II) : upto 40% ■ Retail Portion (Category III) :upto 40%
LMs & Co-LMs	LMs:- ICICI Securities, A.K. Capital Services Ltd., HDFC Bank, Karvy Investment Banking Co-LMs:- SMC Capitals
Listing	BSE Ltd is the Designated Stock Exchange.

Company Overview

- Muthoot Finance Ltd. is the largest gold financing company in India in terms of Gold loan portfolio* and is the flagship company of the Muthoot Group – An M George Enterprise
  - 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
  - The company has no business relationships with Muthoot Pappachan Group or with Mini Muthoottu Group
- Company is a public limited company classified as a **Systemically Important – Non Deposit taking NBFC**
  - Company has 3274(1) branches spread across 20 states/national capital territory of Delhi / 4 Union Territories
  - Company employs around 21,543(1) employees in its operations
- **Key Financials of the Company :-**

Particulars (Rs. Mn)	FY09	FY10	FY11	H1FY12
Gross retail Loan AUM(As on March 31)	33,690	74,382	158,684	209,405
Interest Income	6,062	10,774	22,983	20,126
PAT	978	2,285	4,941	4,060
ROAE (%)	33.9%	48.1%	51.5%	41.1%
CAR (%)^	16.3%	14.79%	15.82%	18.24%
Gross NPA/ Gross Retail Loans^	0.48%	0.46%	0.29%	0.59%

Note: (1): Branch network and employee information as on 30/Sep/2011

** IMaCS Industry report , (2010 update)*

H1FY12 figures are unaudited

^ As on March 31 of respective financial year

Company History

1887

- The group came into being with a trading business in a village in Kerala

1939

- Commenced Gold Loan business

2001

- Muthoot Finance received RBI license to function as an NBFC

2004

- Highest rating of F1 from Fitch Ratings for Short Term Debt of INR 200 mn

2005

- Retail loan and debenture portfolio crosses Rs. 5 bn

2007

- Retail loan portfolio crosses Rs.10 bn
- Net owned funds crosses Rs.1bn
- Accorded status of SI-ND-NBFC
- Branch network crosses 500 branches

2008

- Retail loan portfolio crosses Rs.20 bn
- Retail debenture portfolio crosses Rs.10 bn
- Fitch affirms the F1 ST debt rating with an enhanced amt of Rs. 800 mn
- Conversion into a public limited company

2009

- Retail loan portfolio crosses Rs. 30 bn
- Retail debenture portfolio crosses Rs. 15 bn
- Net owned funds crosses Rs.3 bn
- Gross annual income crosses Rs.5 bn
- BankCredit limits crosses INR 10 bn

2010

- Retail loan portfolio crosses Rs.74 bn
- Retail debenture portfolio crosses Rs. 27 bn
- CRISIL assigns 'P1+' rating for ST debt of Rs. 4 bn,ICRA assigns A1+ for ST debt of Rs2 bn
- PE investments of total Rs. 2000 mn by Matrix partners , LLC ,Kotak PE , Baring India PE ,

2011

- Retail loan portfolio crosses Rs. 150bn
- Retail debenture portfolio crosses Rs.39 bn
- CRISIL and ICRA assigns long term rating of AA-Stable
- Branch network crosses 2,500 branches
- Bank credit limit crosses Rs.70 bn

- **Successful IPO of INR 9.0 bn in April 2011**
- **Successful IPO (NCD Issue) of 6.93 bn**

Note: Year refers to financial year ended March

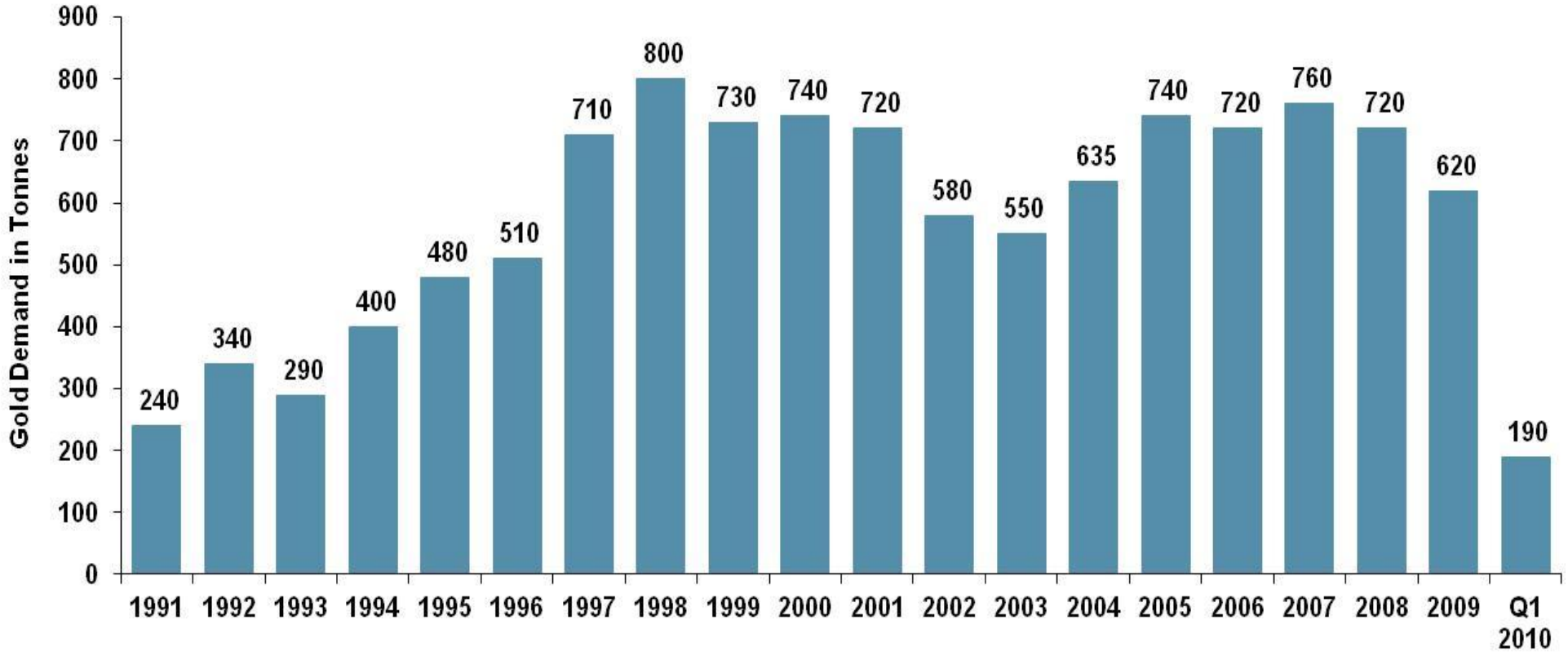
Key Highlights

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)



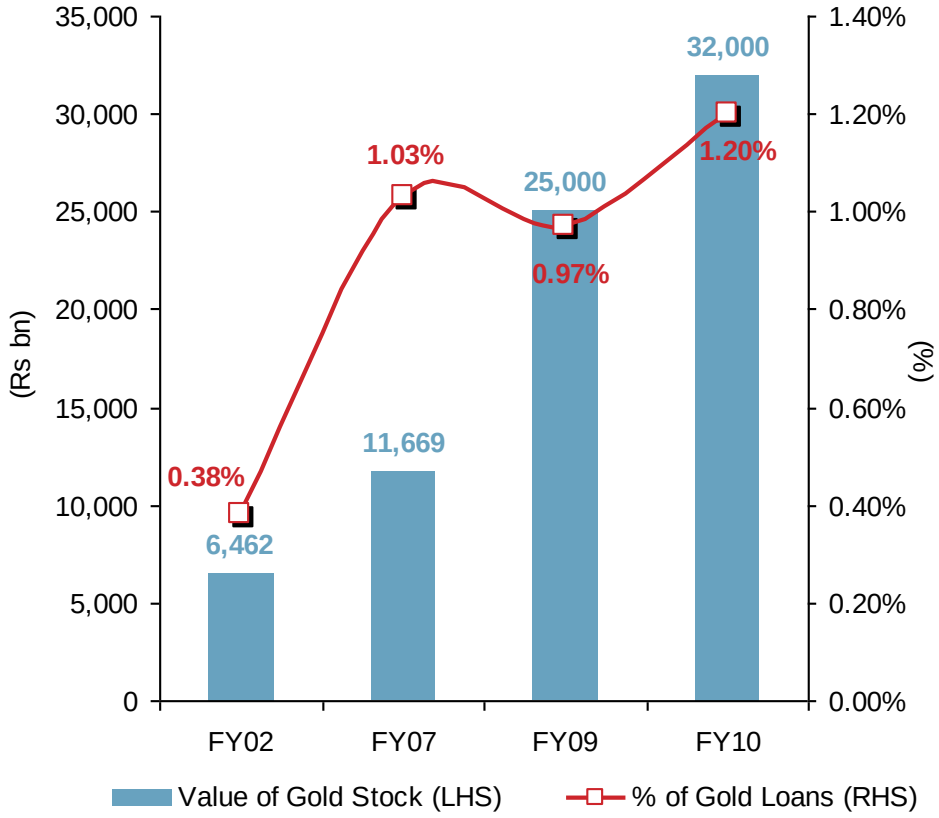
India is one of the largest markets for gold – accounted for ~10% of total world gold stock as of FY2010

Source: IMacs Industry Report

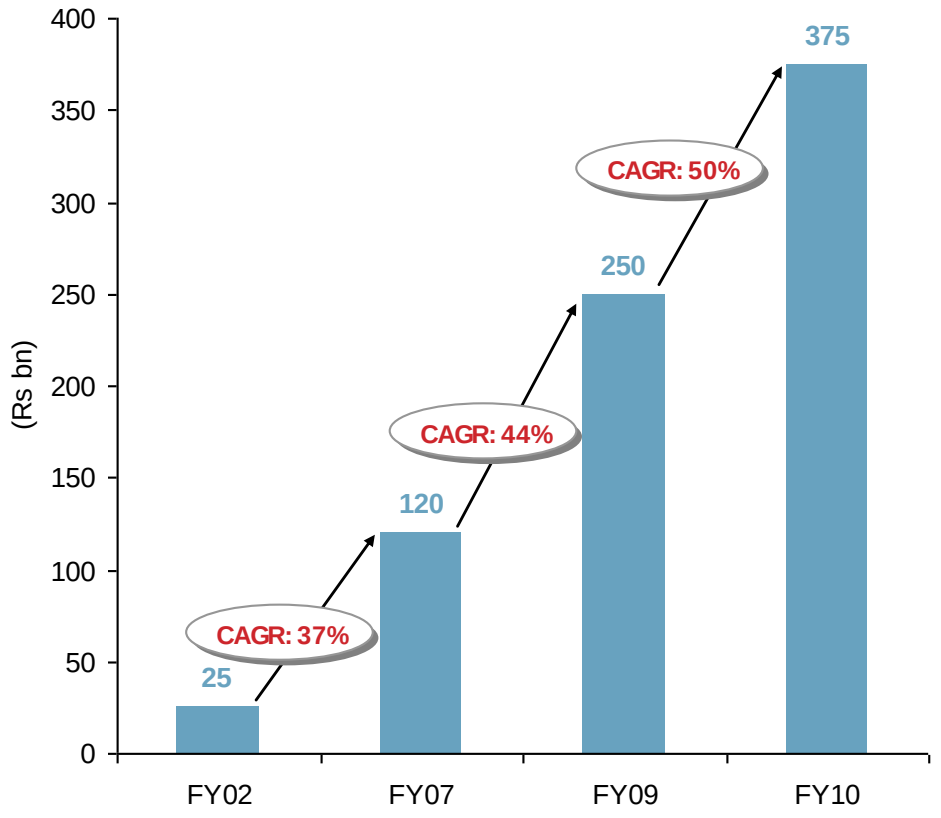
#1 De-risked Industry with Untapped Opportunity and High Growth Potential

Muthoot Finance

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

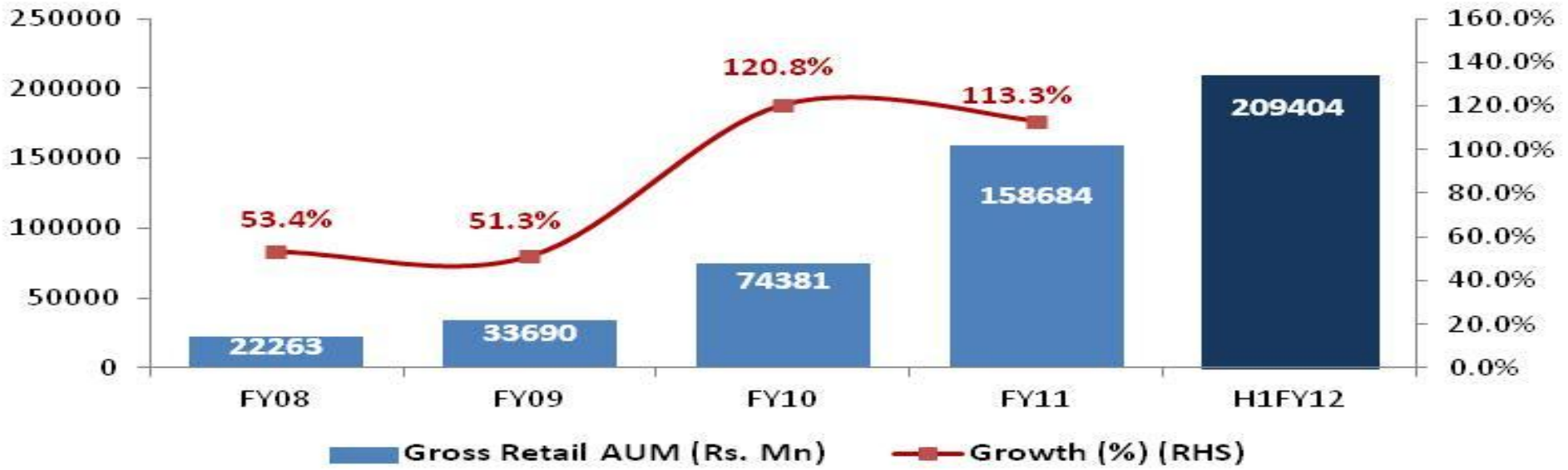
Source: IMacs Industry Report

#1 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

Growth Trajectory of Loan Book



- 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 calculated 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

H1FY12 figures are unaudited

#2 Largest NBFC in Gold Loan Business in India

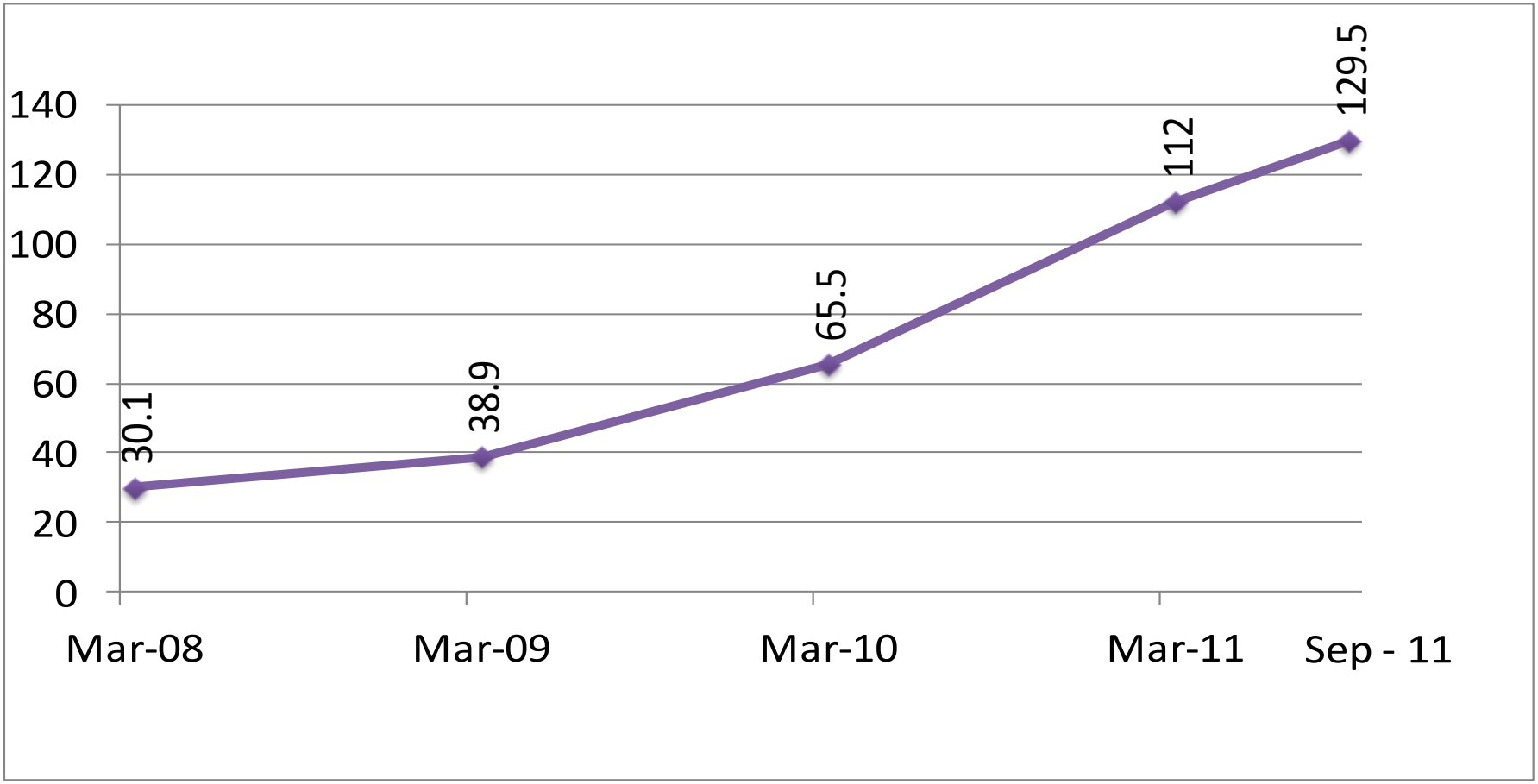
Gold Loan Providers	Gold Loan Market Share (%)		
	FY07	FY09	FY10
Muthoot Finance	**11.0%**	**13.4%**	**19.5%**
Indian Overseas Bank	13.1%	12.6%	13.9%
Indian Bank	13.2%	13.2%	10.4%
Manappuram (incl MAFIT)	3.7%	4.9%	6.8%
South Indian Bank	4.7%	6.1%	6.3%
Muthoot Fincorp	3.6%	4.8%	5.9%
State Bank of Travancore	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)	**129.1**	**246.3**	**376.4**

Source: IMacs Industry Report

#2 Gold Holdings

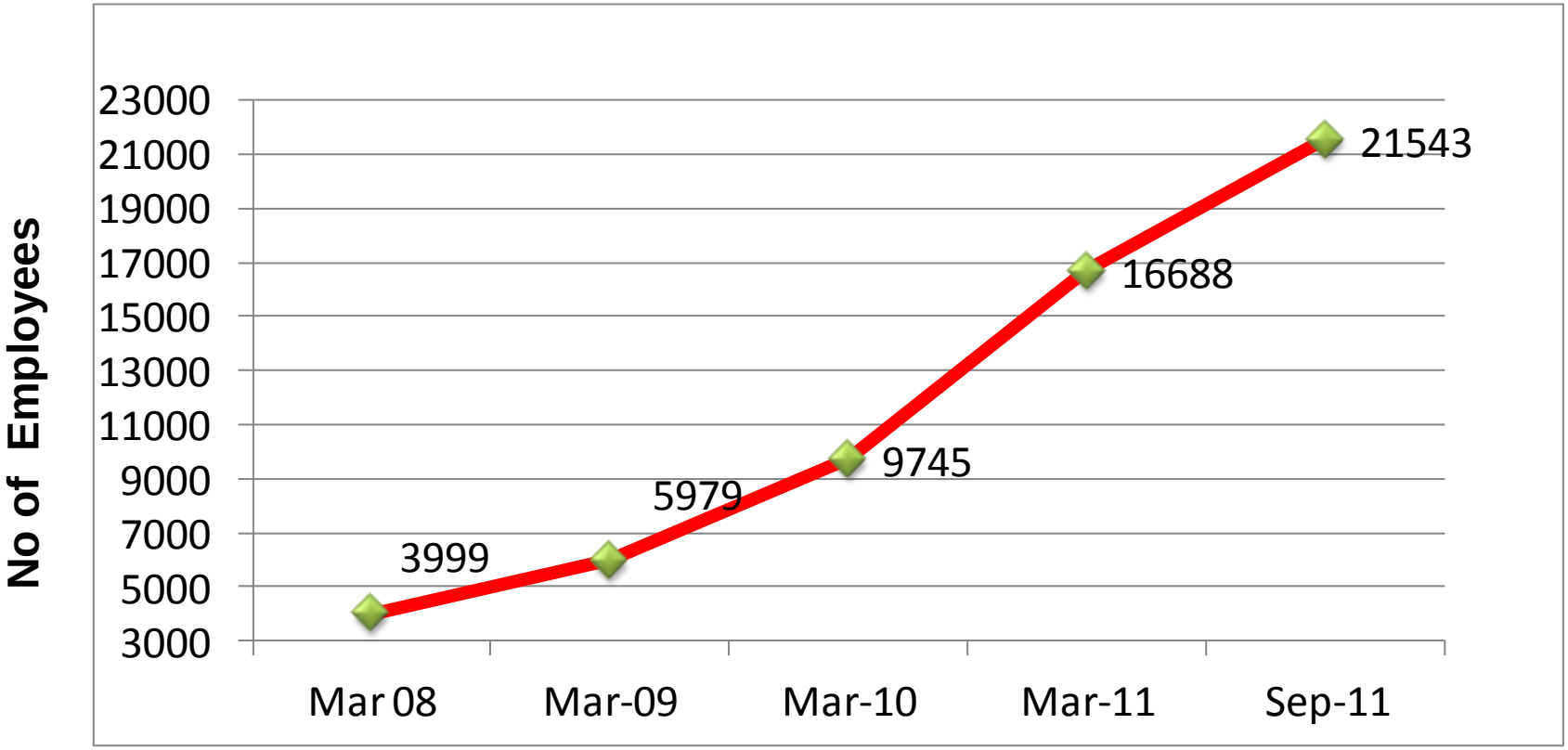
Muthoot Finance

(In tonnes)

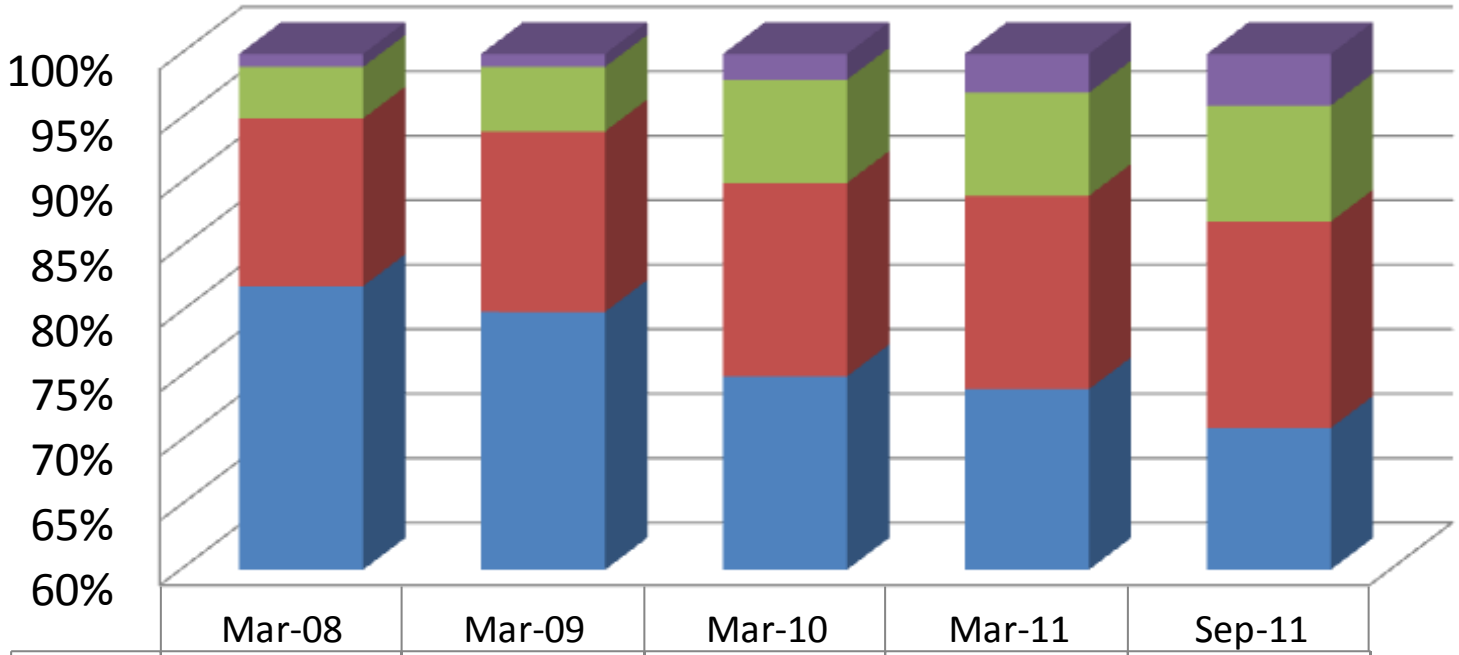


Gold Jewellery kept as Security (tonnes)

#2 Human Resources

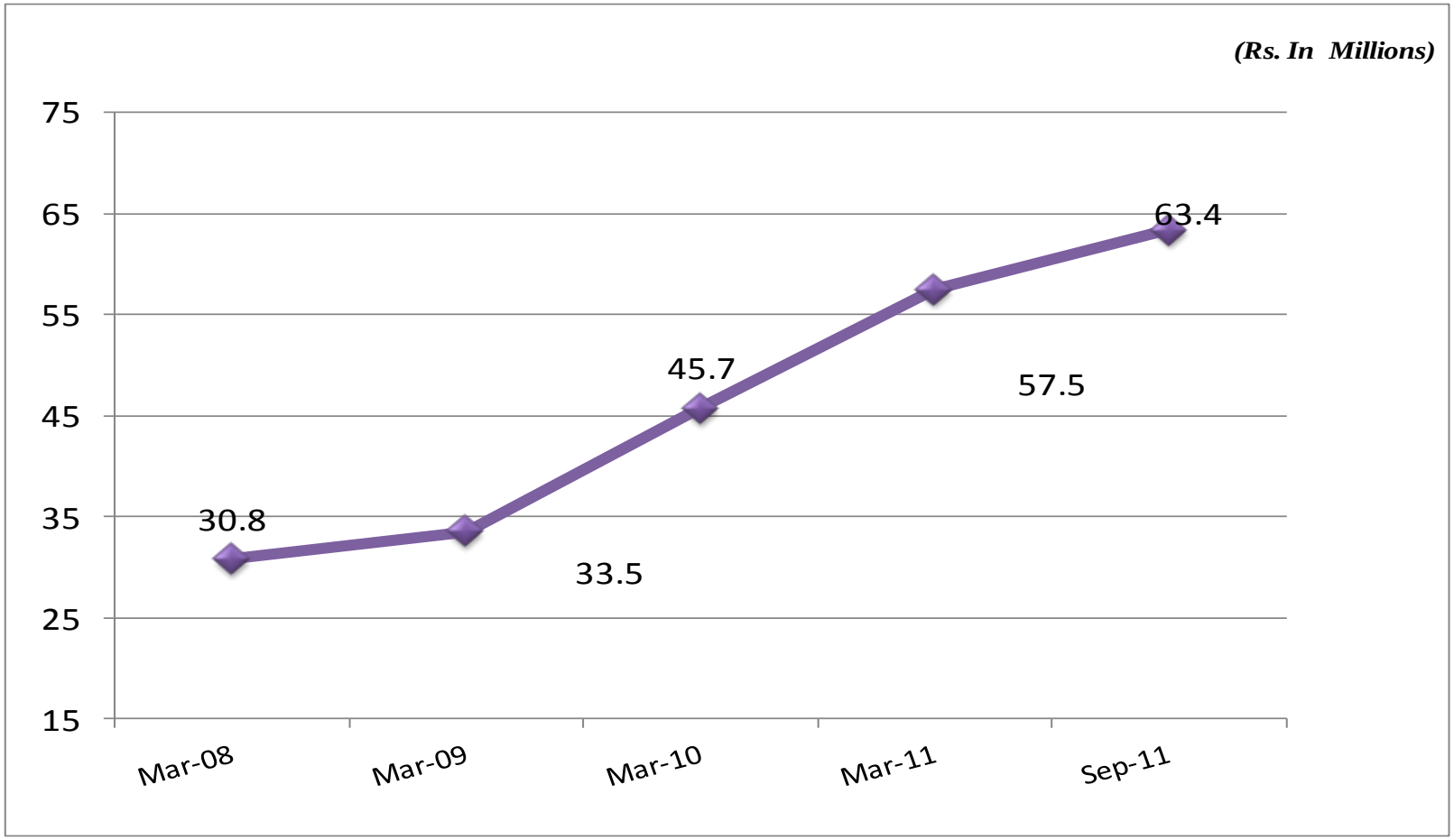


#2 Geographical spread of gold loan portfolio



	Mar-08	Mar-09	Mar-10	Mar-11	Sep-11
East	1%	1%	2%	3%	4%
West	4%	5%	8%	8%	9%
North	13%	14%	15%	15%	16%
South	82%	80%	75%	74%	71%

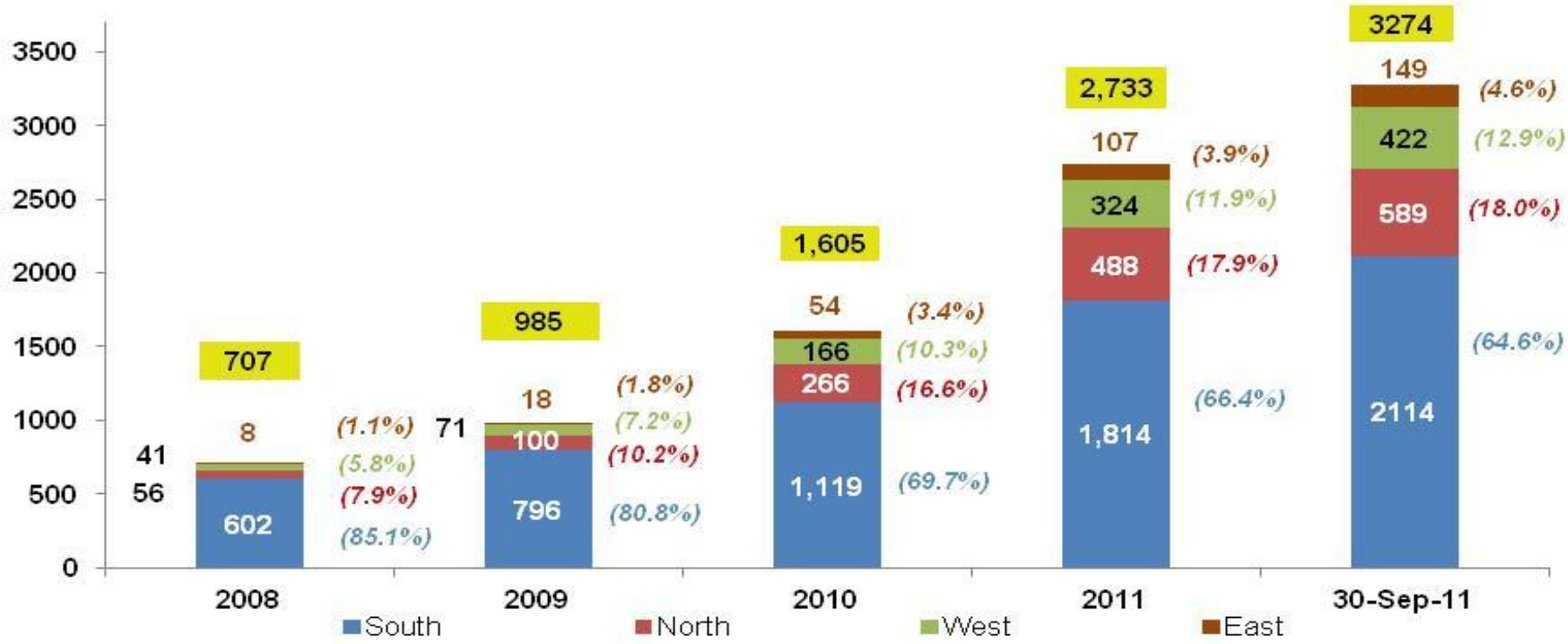
#2 Average Gold loan Outstanding per branch



#3 Pan-India Reach and Branch Network

Muthoot Finance

Branch Presence across the Country



- Presence of more than 3,274 branches covering 20 states/national capital territory of Delhi / 4 Union Territories as on September 30, 2011
- Strong ability to assess potential markets by carefully analyzing demographic, competitive & regulatory aspects
- Market leading position in southern India /First organised Gold loan provider in Northen & Western region
- Plans to enhance presence in other regions in India, particularly in North by leveraging expertise & strong presence in Southern India

#4 Strong Brand with an Unique Business Model

Muthoot Finance

- 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

- Average loan size is ~ Rs 37,765 as on September 30, 2011
- Small ticket size loans lowers risk/impact of bad loans

Shorter tenor ensuring regular collection & safe margins

- Maximum tenure for loans is 1 year; average maturity is ~3-6 months

Higher lending rates and margins yet fully secured

- Gold as collaterals with a LTV ranging from 60-85% 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

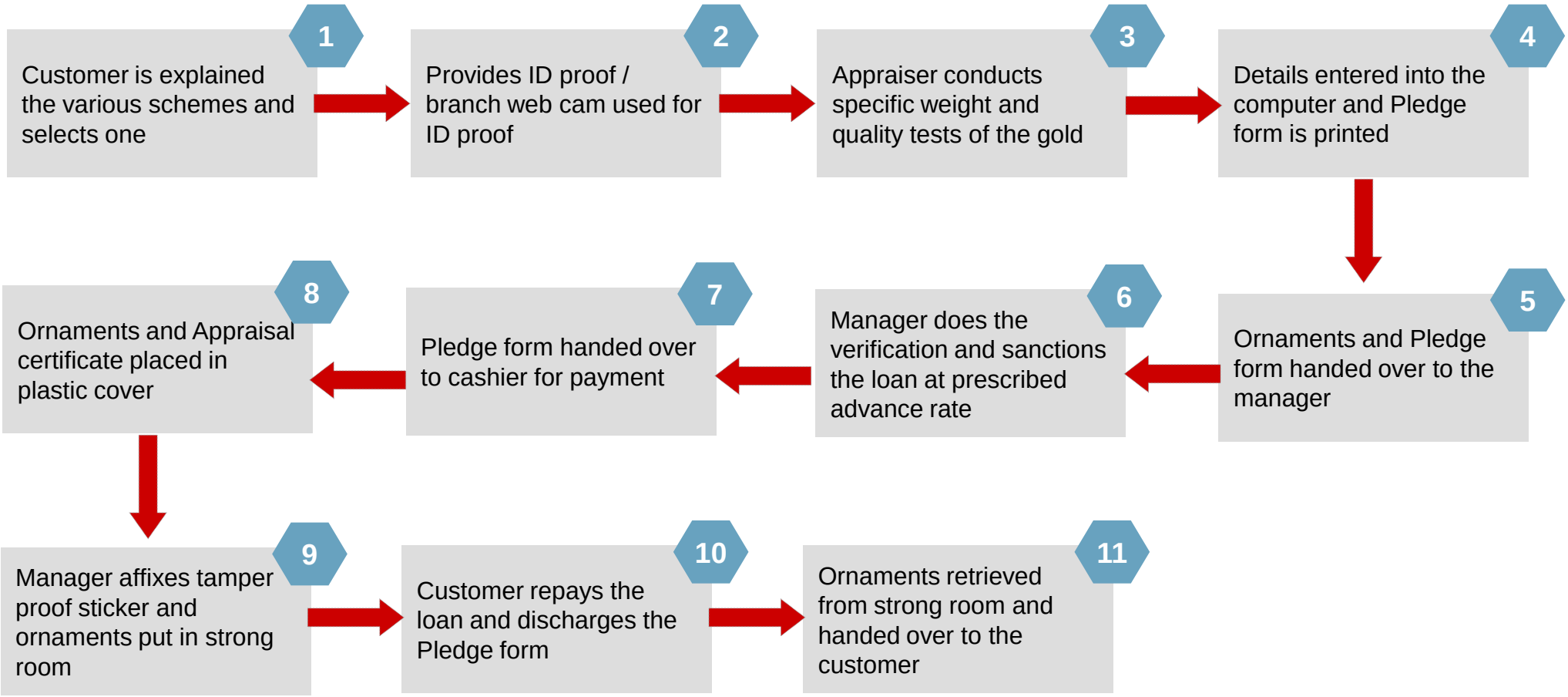
#5 Robust Operating System

Muthoot Finance

Standardised operating process	■ Ensures scalability ■ Reduce operating cost ■ Enables ease in implementation
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 ■ Builds Trust and Brand
Local area concept	■ Each branch services customers from local area ■ Ensures familiarity and provide personal service
Strong Risk Management Practice	■ KYC norms are strictly followed as each customer is photographed and its details 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 800 people conducts regular and surprise checks - helps maintain discipline in operations

Robust Operating System

Standardised Process Across Branches

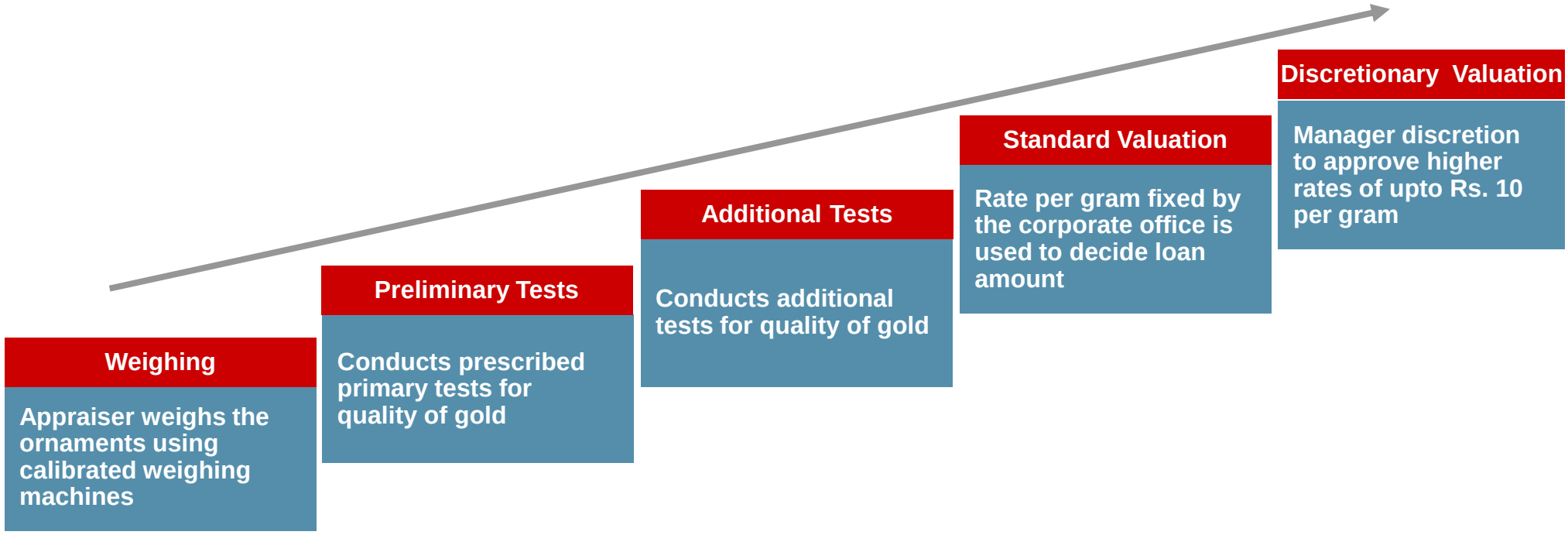


Process is supplemented with strong controls – a 800 strong internal member Audit team conducts monthly, fortnightly or weekly audits of all branches to ensure strong control on systems and processes

Source: Company

Robust Operating System

Comprehensive and Standardised Valuation Process – Ensures Quality of Gold



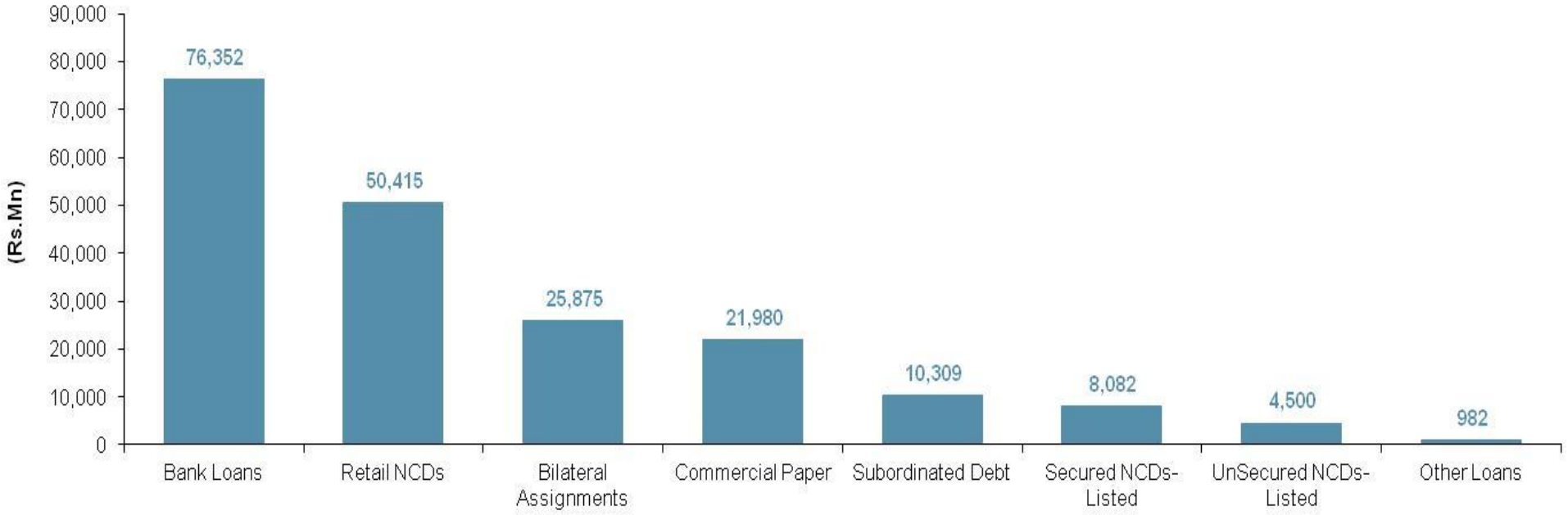
Classification	Primary Tests	Additional Tests	
■ Solid Items (without stones)	■ Stone test	■ Salt test	■ Color test
■ Chains (without stones)	■ Acid test	■ Sound test	■ Smell test
■ Ear rings and other items (with stones)		■ Weight test	■ Usability test
		■ Pointed scratching test	■ Magnifying glass test
		■ Flexibility 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

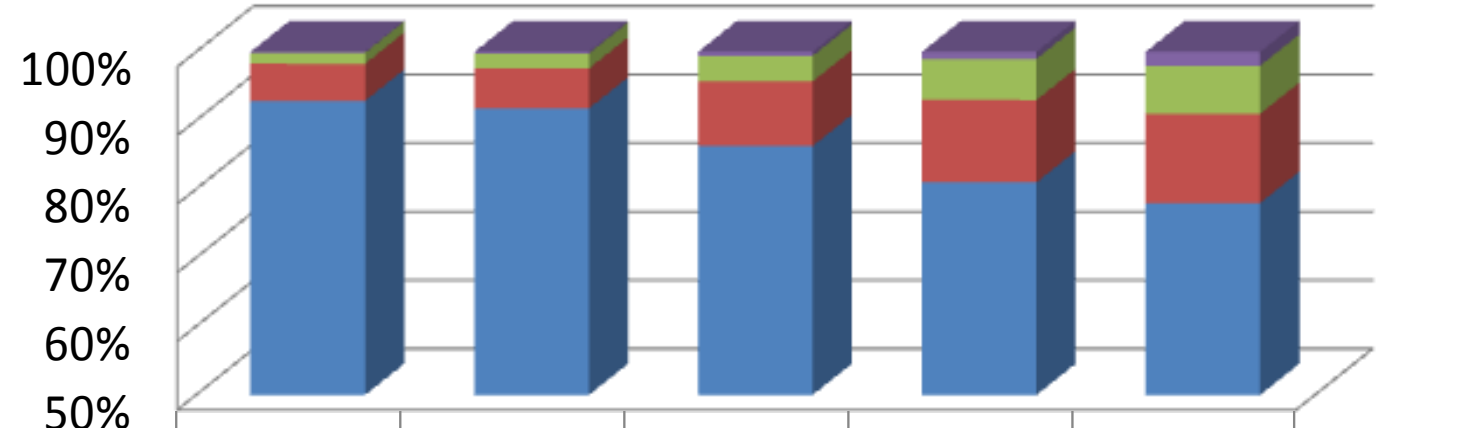
Funding Sources – Outstanding as on 30th September ,2011



#6 Geographical spread of Muthoot Gold Bond

(Rs. In Millions)

Muthoot Gold Bond Portfolio	12403	19019	27192	39832	50415



	Mar-08	Mar-09	Mar-10	Mar-11	Sep-11
East	0%	0%	1%	1%	2%
West	2%	2%	4%	6%	7%
North	5%	6%	9%	12%	13%
South	93%	92%	86%	81%	78%

- **Created a significant retail investor base**

#6 Debt Rating

Muthoot Finance

Short Term Rating			
	Amount of Rating	**Rating Assigned**	**Remark**
Commercial Paper			
CRISIL	Rs.4000 Crs	CRISILA1+	Degree of safety with regard to timely payment of interest & principal on the instrument is very strong
ICRA	Rs.200 Crs	[ICRA]A1+	Lowest credit risk & Stronger credit quality
Bank Loans			
ICRA	Rs.4073 Crs	[ICRA]A1+	Lowest credit risk & Stronger credit quality
Long Term Rating			
Subordinated debt			
CRISIL	Rs.100 Crs	CRISILAA-(Stable)	High Degree of safety with regard to timely payment of interest & principal on the instrument
ICRA	Rs.100 Crs	[ICRA]AA-(Stable)	High quality credit rating & Lowest credit risk
Non Convertible Debentures			
CRISIL	Rs.500 Crs	CRISILAA-(Stable)	High Degree of safety with regard to timely payment of interest & principal on the instrument
ICRA	Rs.200 Crs	[ICRA]AA-(Stable)	High quality credit rating & Lowest credit risk
Bank Loans			
ICRA	Rs.3572 Crs	[ICRA]AA-(stable)	High quality credit rating & Lowest credit risk

#7 Experienced Team and Respected Management

Muthoot Finance

Board of Directors	Brief Profile
Mr. M.G. George Muthoot (Chairman)	■ 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 ■ Recently, 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.
Mr. George Thomas Muthoot (Director)	■ Businessman by profession ■ Over 30 years of experience in managing businesses operating in financial services
Mr. George Jacob Muthoot (Director)	■ 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.
Mr. George Alexander Muthoot (Managing Director)	■ 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

Muthoot Finance

Board of Directors	Brief Profile
Justice John Matthew (Independent Director)	■ 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
Mr. P. George Varghese (Independent Director)	■ Graduate in mechanical engineering from Kerala University and holds a masters degree in business administration from Cochin University of Science and Technology ■ MD of FCI OEN Connectors Limited and FCI Technology Services Limited ■ 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
Mr. John K Paul (Independent Director)	■ 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
Mr. George Joseph (Independent Director)	■ 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

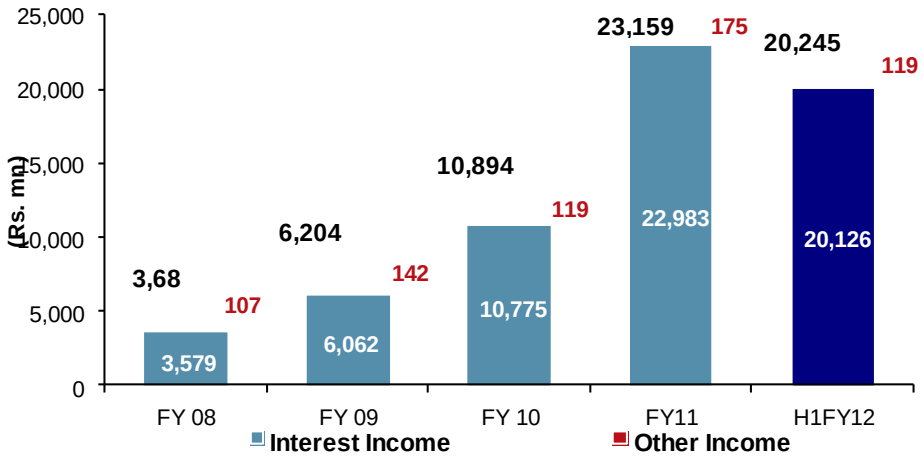
#7 Experienced Team and Respected Management

Muthoot Finance

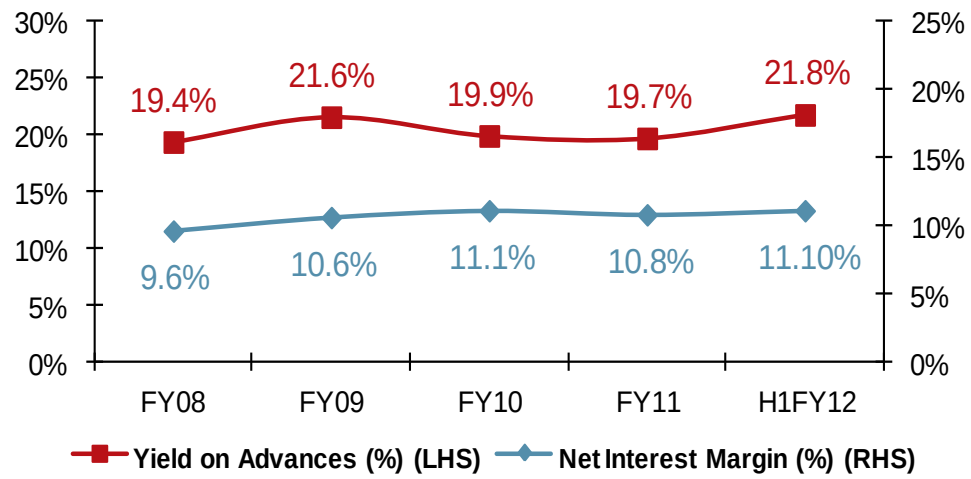
Board of Directors	Brief Profile
Mr. K.P Padmakumar (Executive Director)	■ Banker with over 36 years of experience in commercial banking ■ Started career with SBI as Probationary Officer – served SBI in various capacities in India and abroad for over 27 years including 4 years as Manager-Treasury with SBI's Offshore Banking Unit at Bahrain during 1984 – 1989 and as Fund Manager of SBI's Fund Management for 5 years from 1990 – 1995 ■ Chairman of Federal Bank during 1999 – 2004 ■ Recipient of Management Leadership Award from Kerala Management Association in year 2004 ■ Joined Company in 2005
Mr. K.R. Bijimon (Chief General Manager)	■ Fellow member of ICAI, New Delhi. ■ Over 15 years of experience in financial services and employed in Company since inception ■ Responsible for day to day business operations of the company
Mr. Alexander M George (Director- Operations for East , West & North region)	■ Post graduate degree holder in International Management from Thunderbird, The Garvin School of International Management, Glendale, Arizona, United States of America with specialization in marketing ■ Holds an Advanced Diploma in Business Administration from Florida International University Miami, Florida, US ■ Director-Operations for East , West & North region ■ Joined Company in 2006
Mr. Oommen K. Mammen (Chief Financial Officer)	■ Fellow member of ICAI, New Delhi ■ Certified Associate of Indian Institute of Banking and Finance, Mumbai. ■ Over 12 years of experience in the industry and joined Company in August 2001

Key Financials and Operating Ratios

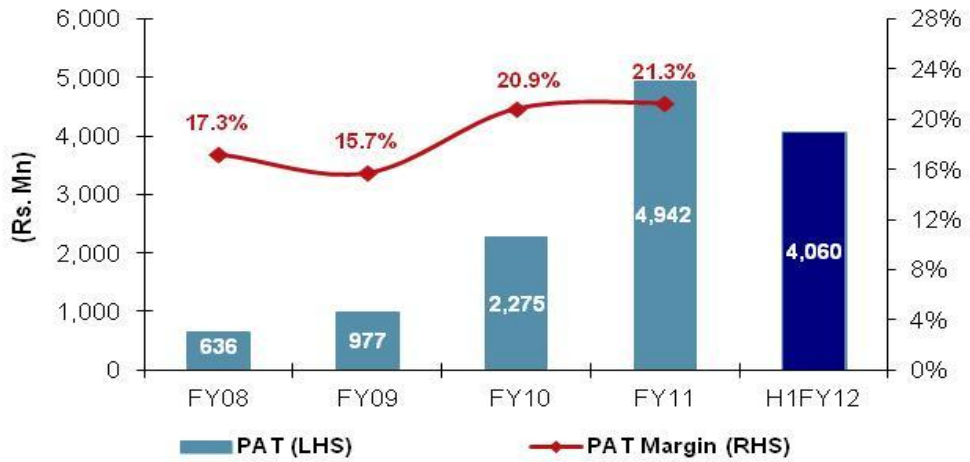
Interest Income & Gross Income



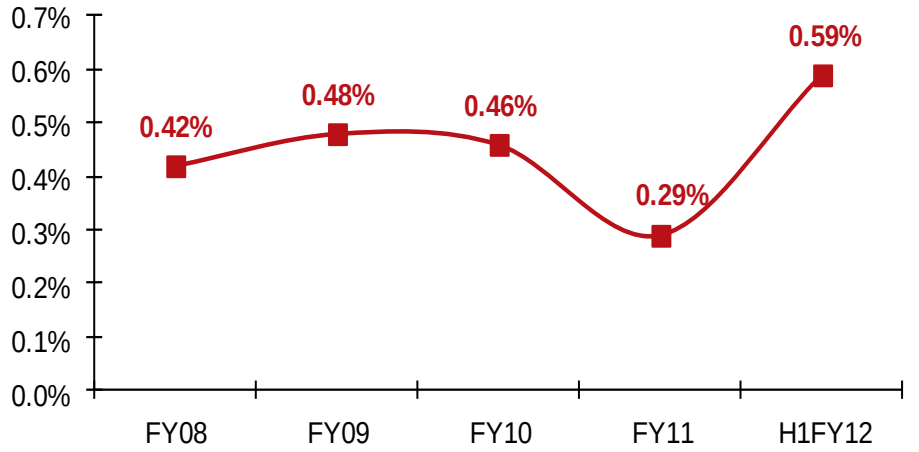
Yield on Average Advances and NIM



PAT & PAT Margin



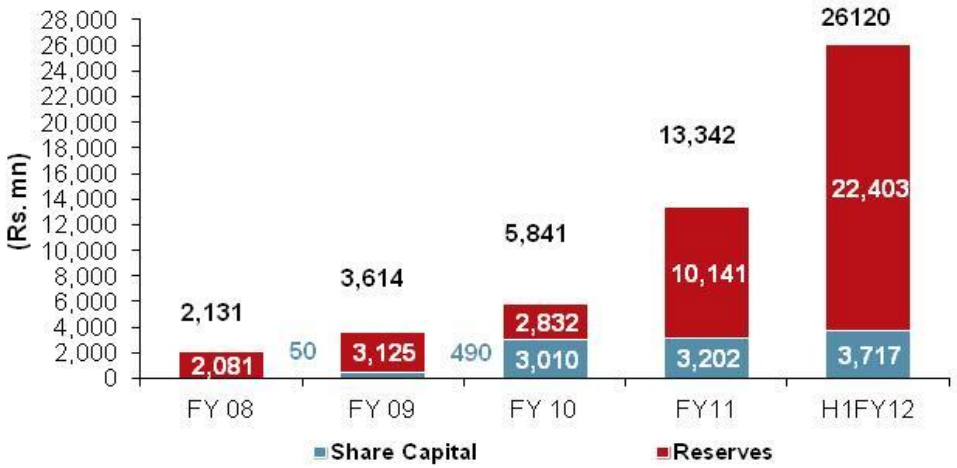
Gross NPA / Gross Retail AUM



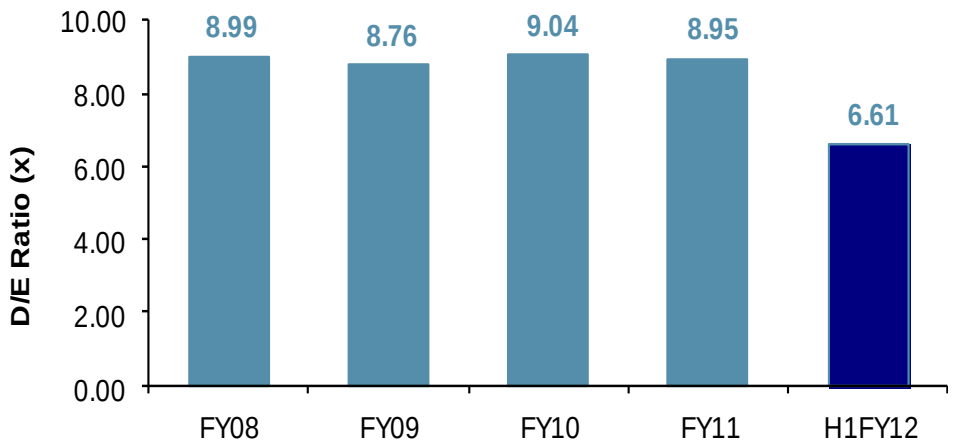
H1FY12 figures are unaudited & annualized

Key Financials and Operating Ratios

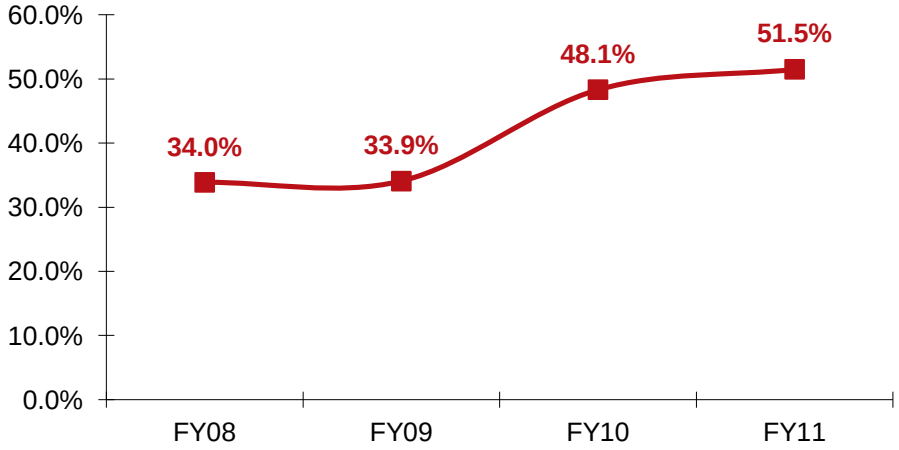
Networth



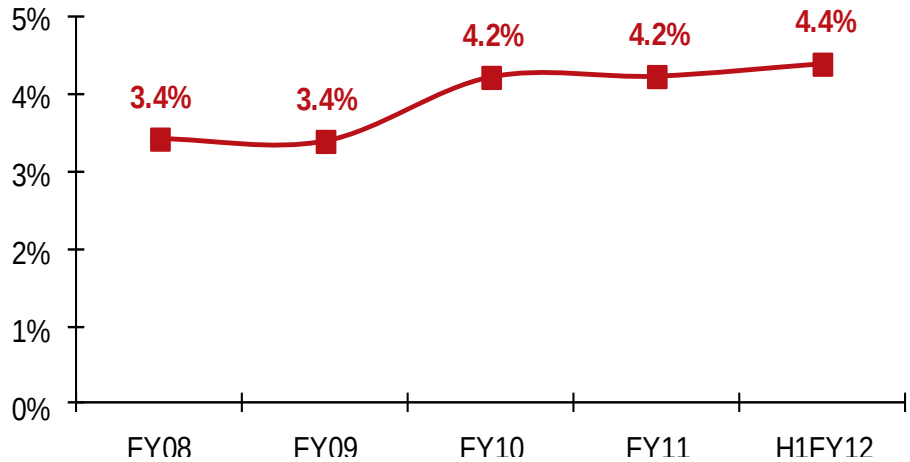
Leverage



Return on Average Equity



Return on Average Retail Loan AUM



H1FY12 figures are unaudited & annualized

Issue Structure: Specific Terms of NCDs

Options	I	II	III	IV
Frequency of Interest Payment	Annual	Annual	Annual	NA
Minimum Application	Rs. 5,000 (5 NCDs) (for all options of NCDs, namely Options I, Option II, and Option III and Option IV either taken individually or collectively)			
In Multiples of	Rs. 1,000 (1 NCD)	Rs. 1,000 (1 NCD)	Rs. 1,000 (1 NCD)	Rs. 1,000 (1 NCD)
Face Value of NCDs (Rs. / NCD)	Rs. 1,000	Rs. 1,000	Rs. 1,000	Rs. 1,000
Issue Price (Rs. / NCD)	Rs. 1,000	Rs. 1,000	Rs. 1,000	Rs. 1,000
Mode of Interest Payment	Through various options available	Through various options available	Through various options available	Through various options available
Coupon Rate (%) for NCD Holders in Category I, Category II and Category III	13.00	13.25	13.25	NA
Effective Yield (per annum) for NCD Holders in Category I, Category II and Category III	13.00	13.25	13.25	13.43

Issue Structure: Specific Terms of NCDs

Options	I	II	III	IV
Tenor	24 months	36 months	60 months	66 months
Put Option	None			
Call Option	None			
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	66 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.	Rs. 2,000
Nature of Indebtedness	Pari passu with other secured creditors and priority over unsecured creditors	Pari passu with other secured creditors and priority over unsecured creditors	Pari passu with other secured creditors and priority over unsecured creditors	Pari passu with other secured creditors and priority over unsecured creditors
Credit Rating	The NCDs proposed to be issued under this Issue have been rated • 'CRISIL AA-/Stable' by CRISIL and • '[ICRA] AA-(stable)' by ICRA 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	Deemed Date of Allotment shall be the date as decided by the duly authorised committee of the Board constituted by resolution of the Board dated July 25, 2011, and as mentioned on the Allotment Advice / regret.			
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.			

Issue Structure – Common Terms of NCDs

Exchanges proposed for listing of the NCDs	■ BSE Ltd is the Designated Stock Exchange
Issuance, Trading & TDS	■ Compulsorily in dematerialized form, No Tax will be deducted at source from the interest on listed NCD's in the dematerialized form.
Trading Lot	■ 1 (one) NCD
Depositories	■ NSDL and CDSL
Issue Schedule	■ The Issue shall be open from **December 22, 2011** to **January 07, 2012** with an option to close earlier and/or extend upto a period as may be determined by a duly authorised committee of the Board constituted by resolution of the Board dated July 25, 2011.
Pay-in date	■ 3 (Three) Business Days from the date of receipt of application or the date of realisation of the cheques/demand drafts, whichever is later.
Basis of Allotment	■ Allotment shall be on first come first serve basis
Day count basis	■ Actual/Actual
Interest on Application Money & Refund	■ 8% p.a.

Thank You

Muthoot Finance