RANGAMANI & CO.,
CHARTERED ACCOUNTANTS

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17/598, IInd FLOOR
CARD BANK BUILDING
WEST OF Y. M. C. A. BRIDGE
V. C. S. B. ROAD
ALLEPPEY - 688 001

Certificate on Business , Operational and Financial Information

11/12/2023

To,

The Board of Directors
Muthoot Microfin Limited
13th Floor
Parinee Crescenzo
Bandra Kurla Complex
Bandra East, Mumbai 400 051
Maharashtra, India
(the "**Company**")

ICICI Securities Limited
ICICI Venture House
Appasaheb Marathe Marg
Prabhadevi, Mumbai 400 025
Maharashtra, India

Axis Capital Limited
1st Floor, Axis House,
C-2 Wadia International Centre,
PB Marg, Worli,
Mumbai 400 025
Maharashtra, India

JM Financial Limited
7th Floor, Cnergy
Appasaheb Marathe Marg
Prabhadevi
Mumbai 400 025
Maharashtra, India

SBI Capital Markets Limited
1501, 15th Floor, Parinee Crescenzo,
G Block, Bandra Kurla Complex, Bandra (East),
Mumbai- 400051
Maharashtra, India

(collectively, with any other book running lead managers that may be appointed in connection with the Offer, the "**Book Running Lead Managers**")

RANGAMANI & CO.
ALAPPUZHA
688001
Chartered Accountants

Re: Proposed initial public offering of equity shares of ₹10 each (the "Equity Shares") by the Company and such offering, the "Offer".

Dear Ladies and Gentlemen,

We, Rangamani & Co., Chartered Accountants, (Firm Registration Number: 003050S, Independent Chartered Accountant of the Company, have performed the procedures agreed with you and enumerated below with respect to certain identified operational, business and financial performance indicators ("**Identified Information**") of the Company, (collectively the "**Company Entities**") as on respective dates and for the respective period mentioned against each annexure (the "**Periods**"), set forth in the accompanying schedules. Our engagement was undertaken in accordance with the Standard on Related Services (SRS) 4400, "*Engagements to Perform Agreed-upon Procedures regarding Financial Information*", issued by the Institute of Chartered Accountants of India. SRS 4400 is generally adopted to perform agreed upon procedures regarding financial information; however, this standard can also be used as a guide to perform agreed upon procedures regarding non-financial information.

Accordingly, we have relied and reviewed the following documents:

a. Restated Financial Information for the six month periods ended September 30, 2023 and September 30, 2022 and the financial years ended March 31, 2023, March 31, 2022 and March 31, 2021 prepared in accordance with Companies Act, 2013, as amended ("**Companies Act**") and restated in accordance with the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended ("**ICDR Regulations**") ("**Restated Financial Information**").

b. Registers of the Company;

c. Minutes of the meetings of the Board of Directors of the Company, its committees and the shareholders' meetings;

d. Accounting records;

e. All other relevant records, correspondences with regulatory/ statutory authorities; and

f. Representations received from the management of the Company.

The procedures were performed solely to assist you in evaluating Identified Information of the Company Entities. Our Engagement on the Agreed upon Procedures has been performed in accordance with our Engagement Letter signed on 20th June, 2023.

The procedures were performed to assist you in evaluating the accuracy, validity and completeness of Identified Information and are summarized as follows:

<u>Identified Information of the Company Entities and procedures performed</u>

1. **Detail / heading of Identified Information as Annexure.**

   Compared the amounts with, or recalculated the percentages based on, amounts included in or derived from the Restated Financial Information.

   Compared the amounts identified to a schedule prepared and derived by the management of the Company from its accounting records for the Period indicated and found such amounts to be in agreement. We determined that the schedule was mathematically correct

   Recomputed and verified the mathematical accuracy of the amounts, total, percentage and ratio forming part of the Identified Information for the Period indicated from amounts appearing in the red herring prospectus.

The details of procedures performed to arrive at the Identified Information included in Annexure A, and the details included in Annexure B, are included in Annexure C.

On the basis of the procedures set forth above nothing came to our attention that caused us to believe the Identified Information were not accurate, valid and complete.

At your request, we have also read the items identified by you on the attached copy of the red herring prospectus ("**RHP**"), received by us on 08 December, 2023 and have compared the amounts to the corresponding amounts set out in the Annexures and found them to be in agreement.

We have conducted our examination in accordance with the 'Guidance Note on Audit Reports and Certificates for Special Purposes (Revised 2016)' issued by the Institute of Chartered Accountants of India.

We hereby confirm that while providing this certificate we have complied with the Code of Ethics and the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements, issued by the Institute of Chartered Accountants of India.

We confirm that the information in this certificate is true and correct, and is in accordance with the requirements of the Companies Act, ICDR Regulations and other applicable law, and there is no untrue statement or omission, which would render the contents of this certificate misleading in any material aspect. We confirm that the information in this certificate is adequate to enable investors to make a well- informed decision, to the extent that such information with respect to us is relevant to the prospective investor to make a well-informed decision.

This certificate is for information and for inclusion (in part or full) in the red herring prospectus ("**RHP**") and the prospectus ("**Prospectus**") filed in relation to the Offer (collectively, the "**Offer Documents**") or any other Offer-related material, and may be relied upon by the Company Entities, the Book Running Lead Managers and the legal advisors appointed by the Company and the Book Running Lead Managers in relation to the Offer. We hereby consent to the submission of this certificate as may be necessary to SEBI, the Registrar of Companies, Maharashtra at Mumbai ("**RoC**"), the relevant stock exchanges, any other regulatory authority and/or for the records to be maintained by the Book Running Lead Managers and in accordance with applicable law. We hereby consent to this certificate being disclosed by the Book Running Lead Managers, if required (i) by reason of any law, regulation or order of a court or by any governmental or competent regulatory authority, or (ii) in seeking to establish a defence in connection with, or to avoid, any actual, potential or threatened legal, arbitral or regulatory proceeding or investigation.

We confirm that we will immediately communicate any changes in writing in the above information to the Book Running Lead Managers until the date when the Equity Shares commence trading on the relevant stock exchanges. In the absence of any such communication from us, the Book Running Lead Managers and the legal advisors, each to the Company and the Book Running Lead Managers, can assume that there is no change to the above information until the Equity Shares commence trading on the relevant stock exchanges pursuant to the Offer.

We also consent to the inclusion of this certificate as a part of "Material Contracts and Documents for Inspection" in connection with this Offer, which will be available for public for inspection.

All capitalized terms used herein and not specifically defined shall have the same meaning as ascribed to them in the Offer Documents.

Yours faithfully,

For and on behalf of Rangamani & Co., Chartered Accountants

Partner
R.Sreenivasan
Membership No.: 020566
ICAI Firm Registration No: 003050S
UDIN: 23020566BGSMBU8562
Date: 11-12-2023

For RANGAMANI & Co.
Chartered Accountants
FRN: 003050 S

R. SREENIVASAN
Partner
M. No:020566

Encl: As above

Cc:

Cyril Amarchand Mangaldas
3rd Floor, Prestige Falcon Tower
19, Brunton Road, Off M.G. Road
Bengaluru 560 025
Karnataka, India

Sidley Austin LLP
Level 31, Six Battery Road
Singapore 049909

AZB & Partners
AZB House, Peninsula Corporate Park
Ganpatrao Kadam Marg, Lower Parel
Mumbai 400 013
Maharashtra, India

AZB & Partners
7th Floor, Embassy Icon
Infantry Road, Vasanth Nagar
Bengaluru, 560 001
Karnataka, India

(Please scan this QR code to view the Red Herring Prospectus)

RED HERRING PROSPECTUS
Dated: December [●], 2023
Please read Section 32 of the Companies Act, 2013
100% Book Built Offer

Project True Blue (RHP)
- ICA Circle-ups
(Dec 8, 2023)

MUTHOOT MICROFIN LIMITED
CORPORATE IDENTITY NUMBER: U65190MH1992PLC066228

REGISTERED OFFICE	ADMINISTRATIVE OFFICE	CONTACT PERSON	EMAIL AND TELEPHONE	WEBSITE
13th Floor, Parinee Crescenzo, Bandra Kurla Complex, Bandra East, Mumbai 400 051, Maharashtra, India	5th Floor, Muthoot Towers, M.G. Road, Ernakulam 682 035, Kerala, India	Neethu Ajay, *Company Secretary and Chief Compliance Officer*	**Email:** info@muthootmicrofin.com **Telephone:** +91 48 4427 7500	www.muthootmicrofin.com

THE PROMOTERS OF OUR COMPANY: THOMAS JOHN MUTHOOT, THOMAS MUTHOOT, THOMAS GEORGE MUTHOOT, PREETHI JOHN MUTHOOT, REMMY THOMAS, NINA GEORGE AND MUTHOOT FINCORP LIMITED

DETAILS OF THE OFFER TO THE PUBLIC

TYPE	FRESH ISSUE SIZE	OFFER FOR SALE SIZE	TOTAL OFFER SIZE	ELIGIBILITY AND SHARE RESERVATION AMONG QIB, RIB, NIB AND ELIGIBLE EMPLOYEES
Fresh Issue and Offer for Sale	Up to [●] Equity Shares of face value of ₹10 each aggregating up to ₹7,600.00 million	Up to [●] Equity Shares of face value of ₹10 each aggregating up to ₹2,000.00 million	Up to [●] Equity Shares of face value of ₹10 each aggregating up to ₹9,600.00 million	The Offer is being made pursuant to Regulation 6(1) of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended ("**SEBI ICDR Regulations**") as our Company fulfils the requirements under Regulation 6(1) of the SEBI ICDR Regulations. For further details, see *"Other Regulatory and Statutory Disclosures – Eligibility for the Offer"* on page 447. For details in relation to the share reservation among QIBs, RIBs, NIBs and Eligible Employees, see "*Offer Structure*" on page 467.

DETAILS OF THE OFFER FOR SALE

NAME OF THE SELLING SHAREHOLDERS	TYPE	NUMBER OF EQUITY SHARES OFFERED / AMOUNT	WEIGHTED AVERAGE COST OF ACQUISITION PER EQUITY SHARE* (IN ₹)^
Thomas John Muthoot	Promoter Selling Shareholder	Up to [●] Equity Shares of face value of ₹10 each aggregating to ₹163.63 million	90.91
Thomas Muthoot	Promoter Selling Shareholder	Up to [●] Equity Shares of face value of ₹10 each aggregating to ₹163.84 million	90.74
Thomas George Muthoot	Promoter Selling Shareholder	Up to [●] Equity Shares of face value of ₹10 each aggregating to ₹163.61 million	90.93
Preethi John Muthoot	Promoter Selling Shareholder	Up to [●] Equity Shares of face value of ₹10 each aggregating to ₹337.39 million	150.00
Remmy Thomas	Promoter Selling Shareholder	Up to [●] Equity Shares of face value of ₹10 each aggregating to ₹333.87 million	150.00
Nina George	Promoter Selling Shareholder	Up to [●] Equity Shares of face value of ₹10 each aggregating to ₹337.66 million	150.00
Greater Pacific Capital WIV Ltd	Investor Selling Shareholder	Up to [●] Equity Shares of face value of ₹10 each aggregating to ₹500.00 million	165.40

**Calculated on a fully diluted basis.*
^As certified by Rangamani & Co., Chartered Accountants, by way of their certificate dated December [●], 2023.

RISKS IN RELATION TO THE FIRST OFFER

This being the first public issue of Equity Shares of our Company, there has been no formal market for the Equity Shares. The face value of the Equity Shares is ₹10 each. The Floor Price, Cap Price and Offer Price as determined by our Company, acting through its IPO Committee in consultation with the Book Running Lead Managers ("**BRLMs**"), in accordance with the SEBI ICDR Regulations, and on the basis of assessment of market demand for the Equity Shares by way of the Book Building Process, as stated in *"Basis for Offer Price"* on page 109 should not be considered to be indicative of the market price of the

Particulars	Six months ended		As at and for the year ended March 31,		
	September 30, 2023	September 30, 2022	2023	2022	2021
Gross loan portfolio (₹ million)	1,08670.66	74,494.86	92,082.96	62,549.42	49,867.11
Revenue from operations on average monthly gross loan portfolio (%)	20.61%	17.76%	18.84%	16.24%	14.64%
Cost to income ratio (%)	46.61%	53.69%	51.39%	65.02%	64.41%

Auditor's qualifications which have not been given effect to in the Restated Financial Statements

There are no qualifications of Statutory Auditor which has not been given effect to in the Restated Financial Statements.

For details of emphasis of matter in the Restated Financial Statements, see "*Risk Factors – The audit reports on our audited financial statements as at and for the Financial Year 2021 contain an emphasis of matter paragraph*" on page 37.

Summary table of outstanding litigations

A summary of outstanding litigation proceedings involving our Company, Promoters, Group Companies and Directors, if applicable, as disclosed in the section titled "*Outstanding Litigation and Other Material Developments*" in terms of the SEBI ICDR Regulations and the Materiality Policy as of the date of this Red Herring Prospectus is provided below:

Category of individuals / entities	Criminal proceedings	Tax proceedings	Statutory or regulatory proceedings	Disciplinary actions by SEBI or Stock Exchanges against our Promoters in the last five years, including outstanding action	Material civil litigation	Aggregate amount involved (₹ in million)[1]
Company						
By the Company	339	Nil	Nil	NA	Nil	121.96
Against the Company	2	Nil	2	NA	Nil	Non-quantifiable
Directors (excluding Promoters)						
By the Directors	Nil	Nil	Nil	Nil	Nil	Nil
Against the Directors	1	Nil	Nil	Nil	Nil	Non-quantifiable
Promoters						
By Promoters	59	Nil	Nil	Nil	3	213.57
Against Promoters	8	73	1	4	6	3,837.30

(1) To the extent ascertainable and quantifiable

OK

Our Group Companies are not party to any pending litigation which will have a material impact on our Company.

For further details, see "*Outstanding Litigation and Material Developments*" on page 426.

Risk Factors

The following is a summary of the top ten risk factors in relation to our Company:

Risk Factor No.	Risk Category	Description of Risk
1.	Operational	The microfinance industry in India faces certain risks due to the category of customers that it services, which are not generally associated with other forms of lending. As a result, we may experience increased levels of non-performing assets and related provisions and write-offs that may adversely affect our business, financial condition and results of operations.
2.	Operational and Financial	Our business is vulnerable to interest rate risk, and volatility in interest rates could have an adverse effect on our net interest income and net interest margin, thereby affecting our results of operations.
3.	Legal	The Directorate of Enforcement, Ministry of Finance, Government of India ("ED") has issued summons to our Managing Director directing him to provide certain information in relation to himself and our Company. There is no assurance that the ED will not take any action against us or our Managing Director, which may adversely impact our business and operations, financial condition and reputation.
4.	Risks relating to the Offer	The market capitalization to revenue, market capitalisation to tangible assets, and enterprise value ("EV") to EBITDA, based on the Offer Price of our Company, may not be indicative of the market price of our Company on listing or thereafter.
5.	Operational and Legal	We are unable to trace some of our historical records including minutes of the Board and Shareholders meetings and corresponding form filings. Further, certain of our secretarial records have not been adequately maintained. We cannot assure you that no legal

established credit histories, as well as customers living in urban areas with better access to education, employment opportunities and social services.

Further, we primarily make unsecured loans to customers in a high-risk category and rely primarily on non-traditional guarantee mechanisms rather than collateral. Our unsecured loans generally involve a joint liability mechanism whereby customers form an informal joint liability group ("**JLG**") (generally comprising between 8 to 45 members) and provide joint and several guarantees for loans obtained by each member of the gronp. We cannot assure you that such joint liability arrangements will ensure repayment by the other members of the JLG in the event of default by any one of them. Further, while we have our own due diligence and credit analysis procedures, we cannot assure you that we will be able to ensure low delinquency rates. As a result, our customers potentially present a higher risk of loss in case of a credit default compared to that of customers in other asset-backed financing products. For details relating to our due diligence and credit analysis procedures, see "*Our Business – Description of our Business – Our Business Model – Joint Liability Group Lending Business Processes*" on page 198.

In the past, our business has been adversely impacted by the COVID-19 pandemic, which increased our level of write-offs and temporarily reduced the demand for our products. Despite having a larger total loan portfolio during the Financial Year 2022 as compared to the Financial Year 2021, the amount of our loans written off for the Financial Year 2021 was higher than that for the Financial Year 2022, primarily because of the impact of the COVID-19 pandemic. Further, the loans written off increased to ₹1,402.81 million for the Financial Year 2023 from ₹737.80 million for the Financial Year 2022, primarily because of our sale of a portion of our loans to a securitization / reconstruction company for asset reconstruction pursuant to the directions of the RBI. The table below sets forth our loans written off for the Financial Years 2021, 2022 and 2023, and the six months ended September 30, 2022 and 2023:

Particulars	**For the six months ended September 30,**		**For the Financial Year**		
	2023	**2022**	**2023**	**2022**	**2021**
Loans written off (₹ in millions)	322.70	1,402.81	1,402.81	737.80	983.09

Further, primarily because of government imposed lockdowns and safe distancing measures which resulted in us not being able to have physical meetings with our customers during certain periods, especially the Financial Year 2021, our collection efficiency for the Financial Year 2021 was lower than that for the Financial Years 2022 and 2023, and the six months ended September 30, 2022 and 2023, as set forth in the table below:

Particulars	**For the six months ended September 30,**		**For the Financial Year**		
	2023	**2022**	**2023**	**2022**	**2021**
Collection Efficiency *(%)*	98.89%	93.71%	95.84%	85.75%	67.52%

OK

In addition, primarily because of the impact of the COVID-19 pandemic during certain periods, especially the Financial Year 2021, our ECL allowance percentage for the Financial Year 2021 was higher than that for the Financial Years 2022 and 2023, and the six months ended September 30, 2022 and 2023, as set forth in the table below:

Particulars	**For the six months ended September 30,**		**For the Financial Year**		
	2023	**2022**	**2023**	**2022**	**2021**
ECL allowance percentage* *(%)*	2.05%	2.40%	2.39%	4.80%	6.01%

**ECL allowance percentage represents ECL allowance for the relevant year as a percentage of the total gross carrying value of our loans as of the last day of the relevant period/year derived from our Restated Financial Statements. For details, see "– Internal Risk Factors – An increase in the level of our non-performing assets or provisions may adversely affect our financial condition and results of operations" on page 39.*

Due to the nature of our customers, we may, in the future, experience increased levels of NPAs and related provisions and write- offs, which may adversely affect our business, financial condition and results of operations. We cannot assure you that our risk management policies will continue to be sufficient or that additional risk management policies for individual customers will not be required.

2. ***Our business is vulnerable to interest rate risk, and volatility in interest rates could have an adverse effect on our net interest income and net interest margin, thereby affecting our results of operations.***

Our results of operations depend to a large extent on the amount of our net interest income as our primary revenue source is interest income. The table below sets forth the breakdown of our interest income as a percentage of our total revenues:

Particulars	**For the six months ended September 30,**				**For the Financial Year**					
	2023		**2022**		**2023**		**2022**		**2021**	
	(₹ in million)	*(% of total revenues)*	*(₹ in million)*	*(% of total revenues)*	*(₹ in million)*	*(% of total revenues)*	*(₹ in million)*	*(% of total revenues)*	*(₹ in million)*	*(% of total revenues)*
Interest income	9,135.76	87.65%	5,624.14	93.00%	12,906.45	90.33%	7,286.24	87.52%	6,227.83	91.03%

Net interest income is the difference between our revenue from operations and our finance costs. The difference between the interest rates that we charge on interest-earning assets (i.e., our microfinance loans) and the interest rates that we pay on interest-bearing liabilities, and the volume of such assets and liabilities have a significant effect on our results of operations. Interest rates are highly sensitive and any fluctuations thereof are dependent upon many factors which are beyond our control, including the monetary policies of the RBI, de-regulation of the financial services sector in India, domestic as well as international economic and political conditions, inflation and other factors.

Changes in market interest rates affect the interest rates we charge on our interest-earning assets differently from the interest rates we pay on our interest-bearing liabilities. An increase in interest rates could result in an increase in interest expense relative to interest income if we are not able to increase the rates charged on our portfolio loans and advances or if the volume of our interest-bearing liabilities is larger or growing faster than the volume of our interest-earning assets. Further, such increase in interest rates could affect our ability to raise low cost funds as compared to some of our competitors who may have access to lower cost funds. The table below sets forth our finance cost and cost to income ratio for the Financial Years 2021, 2022 and 2023, and the six months ended September 30, 2022 and 2023:

Particulars	**For the six months ended September 30,**		**For the Financial Year**		
	2023	**2022**	**2023**	**2022**	**2021**
Finance cost^ (₹ in millions)	4,153.25	2,260.76	5,490.10	3,401.55	2,993.28
Cost to income ratio* (%)	46.61%	53.69%	51.39%	65.02%	64.41%

^Finance cost comprise interest on borrowings (other than debt securities), interest on debt securities, interest on subordinated liabilities and interest cost on lease liabilities, as per our Restated Financial Statements for the relevant year.

**Cost to income ratio is the ratio of the aggregate of our fees and commission expenses, employee benefit expenses, operating expenses and depreciation and amortisation expense to total income net of finance cost as per our Restated Financial Statements for the relevant year/period.*

As per the RBI regulations, the interest rates charged by us are governed by our board policy on pricing of credit. As of September 30, 2023, the annual effective interest of our income-generating loans is between 23.90% and 24.95%. While we have been able to pass through interest rate increases during recent periods to our customers, there is no assurance that we will be able to effectively do so in the future. Any further increases in interest rates in the future could adversely impact our business, financial condition and results of operations. Further, in a declining interest rate environment, if our cost of funds does not decline simultaneously or to the same extent as the yield on our interest-earning assets, it could lead to a reduction in our net interest income and net interest margin, thereby affecting our results of operations. Further, changes in interest rates could also affect our fixed income portfolio and treasury income. OK

3. ***The Directorate of Enforcement, Ministry of Finance, Government of India ("ED") has issued summons to our Managing Director directing him to provide certain information in relation to himself and our Company. There is no assurance that the ED will not take any action against us or our Managing Director, which may adversely impact our business and operations, financial condition and reputation.***

The ED has issued three summons dated December 7, 2022, January 4, 2023 and January 10, 2023, respectively, to our Managing Director under Section 37(1) and (3) of FEMA read with Section 131(1) of the Income Tax Act and Section 30 of the Code of Civil Procedure, 1908 ("**Summons**") directing him to make a personal appearance at the office of the ED to provide evidence and to produce books of accounts and other documents, *inter alia*, details of bank accounts maintained by him, his family members and our Company, movable and immovable properties purchased/ sold in their names, copies of income tax returns filed by our Managing Director from Financial Year 2016-17 onwards, details of companies, firms, concerns, where our Managing Director is a director, partner or a proprietor, source of funds together with supporting documents in relation to cash deposited amounting to ₹44,172,643 during the demonetization period and copy of financial statements including balance sheet & profit and loss of our Company from Financial Year 2016-17 onwards. In response to these Summons, our Company's representatives have personally appeared at the offices of the ED and submitted all the required information and documents as required by ED in its Summons. Subsequent to the aforesaid personal hearings, neither our Managing Director nor our Company have received any further communication from the ED in this regard. For details, please see "*Outstanding Litigation and Material Developments - Litigation involving our Company – Litigation against our Company – Criminal litigation – Actions taken by regulatory and statutory authorities*" on page 427. OK to the allotment of 1,307,987 Equity Shares on August 31, 2017, the wrong shareholders' resolution was attached to the e-form inadvertently; (ii) as per Form PAS-3 and board resolution for allotment of 3,051,971 Equity Shares dated December 19, 2017, 930,124 Equity Shares were allotted to Thomas George Muthoot whereas, as per the shareholders' resolution, number of Equity Shares allotted to Thomas George Muthoot were 930,123; (iii) certain Form PAS-4 in relation to allotments made by us have incorrect details of share capital built up of our Company.

Further, we are yet to generate challans for certain of our e-form filings in relation to certain corporate action undertaken by our Company. We cannot assure you that we will not be subject to any legal proceedings or regulatory actions, including monetary penalties by statutory authorities on account of any inadvertent discrepancies and delays in our secretarial filings and/or corporate records in the future, which may adversely affect our business, results of operations, financial condition, cash flows and reputation.

Accordingly, reliance has been placed on the register of members, minutes of the meeting of the Board and Shareholders and other secretarial documents maintained by our Company. For details of such allotments, see "*Capital Structure – Share Capital History of our Company*" on page 83. While no legal proceedings or regulatory action has been initiated against our Company in relation to the above-mentioned discrepancies, we cannot assnre you that no regulatory action will be initiated against us in this regard and that no penalties will be imposed on us on account of these discrepancies. The actual amount of the penalty which may be imposed or loss which may be suffered by us cannot be ascertained at this stage and shall depend on the nature and scope of the potential action which may be initiated against us. We cannot assure you that any such proceedings will not have a material adverse effect on our financial condition or reputation.

6. We are subject to certain conditions under our financing arrangements, which could restrict our ability to conduct our business and operations in the manner we desire.

As of September 30, 2023, we had debt securities of ₹14,356.23 million and borrowings (other than debt securities) of ₹63,104.87 million. Incurring indebtedness is a direct consequence of the nature of our business, and having a large outstanding borrowings portfolio may have significant implications on our business and results of operations, including, *inter alia*:

- fluctuations in market interest rates may affect the cost of our borrowings, as our indebtedness is at variable interest rates;
- affecting our ability to obtain additional financing in the future at acceptable terms;
- triggering provisinns of cross-default across multiple financing arrangements;
- adverse and onerous implications (including limitations on the use of funds in the relevant facility) in the event of inability to comply with financial and other covenants specified in the financing agreements; and
- our lenders' right to recall loans.

Some of the financing arrangements entered into by us also include conditions that require us to obtain the respective lender's consent prior to carrying out certain activities. Such lenders, inter alia, include UCO Bank, Kotak Mahindra Bank Limited, Axis Bank Limited, Bandhan Bank Limited, DCB Bank Limited, Karur Vysya Bank Limited, State Bank of India and Bank of Baroda. For a complete list of lenders of the Company from whom consent is obtained, see "*Financial Indebtedness*" on page 418. These covenants limit our ability to: (i) change our capital structure; (ii) approach capital markets for mobilizing additional sources, either as debt or equity; (iii) change the nature or scope of business or operations other than in the normal course of business; (iv) formulate any scheme of amalgamation with any other borrower or reconstruction; (v) alter organizational or the charter documents; (vi) change control, ownership or shareholding pattern of our Company; (vii) dilute equity shareholding of our Promoters in our Company below stipulated thresholds; (viii) reduce shareholding of our Directors; (ix) change our Key Managerial Personnel; (x) change our accounting policies, except as required under law; and (xii) declare or pay dividends.

Further, our financing arrangements also include financial covenants that require us to, among other things, maintain ratios relating to capital adequacy our gross NPA to gross loan portfolio, net NPA to tangible net worth pre-provision after tax net income, capital to risk weighted asset, debt to equity and failure to observe covenants under our financing arrangements or failure to obtain necessary waivers may lead to the termination of our credit facilities, acceleration of amounts due under such facilities, trigger of cross-default provisions and the enforcement of security provided.

There have been six instances of delay in the repayment of principal and by us in the past, which are as follows: (i) delay in interest payment of ₹64.9 million due on December 5, 2022, which was paid on December 7, 2022, due to an inadvertent operational error; (ii) shortfall of ₹1.25 million on account of incorrect repayment schedule shared by a lender; (iii) shortfall of 20 paise in repayment to a lender; (iv) shortfall of 62 paise in repayment to a lender; (v) one day delay in principal repayment of ₹20.6 million to a lender; and (vi) shortfall of ₹0.05 million in repayment of interest to a lender on account of revision in interest rate. The first instance was not considered as default as per the terms of the relevant facility agreement since the payment was made within the curing period, while the other five instances of delay were regularized. Further, there have OK

Any negative cash outflows from operating activities over extended periods, or significant cash outflows in the short term from investing and financing activities, could have an adverse impact on our cash flow requirements, business operations and growth plans. As a result, our cash flows, business, future financial performance and results of operations could be adversely affected. For further details, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Cash Flows*" on page 412.

11. Our non-convertible debentures are listed on the BSE and we are subject to rules and regulations with respect to such listed non-convertible debentures. Additionally, as a 'high value debt listed entity', we are subject to additional compliances under the SEBI Listing Regulations. If we fail to comply with such rules and regulations, we may be subject to certain penal actions, which may have an adverse effect on our business, results of operations, financial condition and cash flows.

Our non-convertible debentures are listed on the debt segment of the BSE. We are required to comply with various applicable rules and regulations, including the applicable SEBI regulations and applicable provisions of the SEBI Listing Regulations, in terms of our listed non-convertible debentures. We have had instances of non-compliances under certain provisions of the SEBI Listing Regulations in the past, including delays in furnishing intimation about meetings of the Board; non-submission of information related to payment obligation; non-submission of details of payable interest/dividend/principal obligations and delays in intimation of record date for the purpose of payment of interest within the period prescribed under the SEBI Listing Regulations. For instance, our Company has received an email dated October 3, 2023, imposing a fine of ₹0.01 million for not being compliant with the provisions of Regulation 60(2) of the SEBI Listings Regulations for non-submission of intimation of record date. Our Company has paid the fine imposed and as on the date of this Red Herring Prospectus it has not received any further correspondence from BSE.

We have paid fines imposed upon us aggregating to ₹0.14 million for such non-compliances in the last three Financial Years and the six months ended September 30, 2023. While there are currently no continuing instances of non-compliances, if we fail to comply with such rules and regulations, we may be subject to certain penal actions, including, restrictions on the further issuance of securities and freezing of transfers of securities, which may have an adverse effect on our business, results of operations, financial condition and cash flows. For details of such listed non-convertible debentures, see "*Financial Indebtedness – Details of listed non-convertible debentures issued by our Company*" on page 424.

OK

Further, we are qualified as a 'high value debt listed entity' as per the thresholds set out under the SEBI Listing Regulations in November 2021. As a 'high value debt listed entity', Chapter IV of the SEBI Listing Regulations are applicable to us on a mandatory basis from April 1, 2023. Accordingly, the required compliance with Chapter IV of the SEBI Listing Regulations may cause additional compliance and legal costs for us and any non-compliance in relation to this may attract penalties, which may have an adverse effect on our business, results of operations, financial condition.

12. We have availed loans which may be recalled by the lenders, subject to the terms and conditions of their grant, at any time.

We have availed loans, amounting to ₹80,190.00 million (of which 59.65% is outstanding) as of September 30, 2023, which may be recalled by our lenders on demand. In such cases, the lenders are empowered to require repayment of the facility at any point in time during the tenure. In case any of such unsecured loans are recalled on demand by our lenders and we are unable to repay the outstanding amounts under the facilities at that point, it would constitute an event of default under the respective loan agreements. For details, see "*Restated Financial Statements*" and "*Financial Indebtedness*" on pages 278 and 418, respectively.

13. We depend on the recognition of the "Muthoot" brand, and failure to use, maintain and enhance awareness of the brand would adversely affect our ability to retain and expand our base of customers.

We do not own the "Muthoot Pappachan" and the "Muthoot Microfin" trademarks and the "muthoot" and " muthoot " logos ("**Trademarks and Logos**"). We have entered into the Principal License Agreement and Supplemental Agreement with Thomas John Muthoot, Thomas George Muthoot and Thomas Muthoot for the license and use of the Trademarks and Logos, subject to the terms stipulated therein. The licenses are valid for a period of 10 years commencing January 1, 2017 and may be terminated by either party by giving a written notice of 30 days to the other party. A total license fee of ₹0.10 million has to be paid annually by our Company to the Licensors as consideration, under the terms of the Principal License Agreement and Supplemental Agreement. We are subject to certain covenants under the license agreements, including use of the trademarks in relation to our microfinance business and for brand promotion activities, which might affect our usage of the Trademarks and Logos". Further, the terms of the license may not permit any proposed use of such trademark which may be deemed infringing, and thereby restrict our usage of this trademark. For details, see "*History and Certain Corporate Matters – Other material agreements*" on page 226.

Our Individual Promoters and Directors, Thomas Muthoot, Thomas John Muthoot and Thomas George Muthoot, have filed an application before the Intellectual Property Appellate Board, Chennai on July 3, 2012 for the removal, expungement, rectification, cancellation and variation of the trademark labelled 'MUTHOOT' with registration number 126/883 in class

(1) *Stage I (overdue for 0-30 days) includes loan assets that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date.*

(2) *Stage II (overdue for 31-90 days) includes loan assets that have had a significant increase in credit risk since initial recognition but that do not have objective evidence of impairment at the reporting date.*

(3) *Stage III (overdue for more than 90 days) includes loan assets that have objective evidence of impairment at the reporting date.*

(4) *ECL allowance for all assets is as per our Board-approved ECL model to ensure compliance with RBI Circular No. DOR (NBFC).CC.PD.No.109/22.10.106/2019-20 dated March 13, 2020.*

(5) *ECL allowance percentage represents ECL allowance for the relevant period/year as a percentage of the total gross carrying value of our loans as of the last day of the relevant period/year derived from our Restated Financial Statements.*

The table below sets forth provisions that we made with respect to our NPA portfolio for the Financial Years 2021, 2022 and 2023, and the six months ended September 30, 2022 and 2023:

Particulars	For the six months ended September 30,		For the Financial Year		
	2023	2022	2023	2022	2021
Provisions made with respect to our NPA portfolio *(%)*	63.40%	48.83%	59.92%	54.94%	58.82%

There are a number of factors outside of our control which affect our ability to limit NPAs. These factors include developments in the Indian and global economy, domestic and global macro-economic and political factors, changes in customer behaviours and demographic patterns, government decisions, natural calamities, widespread diseases, changes in interest rates and changes in regulations, including with respect to regulations requiring us to lend to certain sectors identified by the RBI, or the Government. In addition, the expansion of our business may cause our NPAs to increase and the overall quality of our loan portfolio to deteriorate.

15. There are several outstanding legal proceedings against our Company, Directors, Promoters and Group Companies. An adverse outcome in any of these proceedings may adversely affect our reputation, business, financial condition, results of operations and cash flows.

There are several outstanding legal proceedings against our Company, Directors and Promoters. These proceedings are pending at different levels of adjudication before various courts, tribunals, enquiry officers and appellate tribunals. The brief details of such outstanding legal proceedings along with the financial implications (to the extent ascertainable) are as follows:

Category of Individuals / entities	Criminal proceedings	Tax proceedings	Statutory or regulatory proceedings	Disciplinary actions by SEBI or Stock Exchanges against our Promoters in the last five years, including outstanding action	Material civil litigation	Aggregate amount involved (₹ in million)[1]
Company						
By the Company	339	Nil	Nil	NA	Nil	121.96
Against the Company	2	Nil	2	NA	Nil	Non-quantifiable
Directors (excluding Promoters)						
By the Directors	Nil	Nil	Nil	Nil	Nil	Nil
Against the Directors	1	Nil	Nil	Nil	Nil	Non-quantifiable
Promoters						
By Promoters	59	Nil	Nil	Nil	3	213.57
Against Promoters	8	73	1	4	6	3,837.30

(1) *To the extent ascertainable and quantifiable*

OK

Our Group Companies are not party to any pending litigation which will have a material impact on our Company.

In relation to such outstanding litigation matters involving our Company, Directors, Promoters and Group Companies, while the amounts and interests levied thereon to the extent ascertainable and involved in these matters have been mentioned above, the amounts and interests involved in many pending litigations are not ascertainable or quantifiable and are hence not disclosed. For further details of such outstanding legal proceedings against our Company, Directors, Promoters and Group Companies, see "*Outstanding Litigation and Material Developments*" on page 426. Further, in the past, certain customer complaints have been forwarded by the RBI to us. We have responded to and clarified these matters with the RBI. We cannot assure you that such complaints or matters will not occur in the future, and as a result, divert our management's time and attention from our business or consume our financial resources in responding to such complaints.

Such proceedings could divert management time and attention, and consume financial resources in their defence or prosecution. Further, an adverse outcome in any of these proceedings may adversely affect our reputation, business, prospects, financial condition and results of operations. We cannot assure you that any of these proceedings will be decided in favour of our Company, Directors, Promoters and Group Companies, or that no further liability will arise out of these proceedings.

16. Some of our Promoters and Directors have provided personal guarantees for loan facilities obtained by third

parties, and any failure or default by such third parties to repay such loans could trigger repayment obligations on them, which may impact their ability to effectively perform their obligations as our Promoters and/or Directors, as applicable, and thereby, adversely impact our business and operations.

As of November 20, 2023, the Promoter Selling Shareholders (i.e., Thomas Muthoot, Thomas John Muthoot, Thomas George Muthoot, Preethi John Muthoot, Remmy Thomas and Nina George) have given personal guarantees for an outstanding amount of ₹168,520.13 million, ₹168,358.83 million, ₹168,358.83 million, ₹66,554.10 million, ₹1,648.10 million and ₹1,220.90 million, respectively, in favour of certain loans availed for onward lending/business purposes, for an outstanding amount of ₹1,232.20 million, ₹303.50 million, ₹265.90 million, ₹13,727.53 million, ₹14,350.00 million, ₹4,019.80 million and ₹139,861.80 million, respectively. These third parties include Muthoot Motors (Cochin), Muthoot Automobile Solutions Private Limited, Muthoot Automotive (India) Private Limited, Muthoot Housing Finance Company Limited, Muthoot Capital Services Limited, MPG Hotels and Infrastructure Ventures Private Limited and Muthoot Fincorp Limited. The rate of interest for such loans range from 6.90% to 13.90%

OK

Any default or failure by the above-mentioned third parties to repay their loans in a timely manner or at all could trigger repayment obligations on the part of the Promoter Selling Shareholders in respect of such loans. This, in turn, could have an impact on their ability to effectively carry out their obligations as Promoters and/or Directors, of our Company, as applicable, thereby having an adverse effect on our business, results of operation and financial condition.

17. *As a non-banking financial company – microfinance institution, we are subject to periodic inspections by the Reserve Bank of India. Non-compliance with observations made by the Reserve Bank of India during these inspections could expose us to penalties and restrictions.*

The RBI as a part of its supervisory processes, conducts periodic inspections pursuant to which it issues observations, directions and monitorable action plans, on issues related to, amongst other things, our operations, risk management systems, internal controls, regulatory compliance and credit monitoring systems. During the course of finalizing inspections, the RBI inspection team shares its findings and recommendations with us and provides us with an opportunity to provide clarifications, additional information and, where necessary, justification for a different position, if any, than that observed by the RBI. The RBI incorporates such findings in its final inspection report and, upon final determination by the RBI of the inspection results, we are required to take actions specified in the inspection report issued by the RBI to its satisfaction, including, without limitation, requiring us to make provisions, implement credit rating and scoring models for loans, and tighten controls and compliance measures. Any significant deficiencies identified by the RBI that we are unable to rectify to the RBI's satisfaction could lead to sanctions and penalties imposed by the RBI against us and our management, as well as expose us to increased risks. For instance, the RBI pursuant to its letter dated October 13, 2014 imposed a penalty of ₹5,000 on our Company for violation of paragraph 5 of the RBI circular DNBS. (PD) CC. No. 12/02.01/99-2000 dated January 13, 2000, in relation to the change of name of our Company to "Muthoot Microfin Limited". The fine was paid by our Company as per letter dated October 31, 2014 to the RBI, by way of a demand draft dated October 30, 2014, and a revised certificate of registration was issued to our Company in 2015 by the RBI, bearing our Company's new name, i.e. "Muthoot Microfin Limited".

In the past, the RBI, pursuant to its annual inspection for the period ending March 31, 2019 and March 31, 2022, has made observations in its inspection reports, which include, *inter alia*, the following observations and the actions and corrective measures taken by our Company:

Observation	Implications	Actions and corrective measures taken by our Company	Time period in concern
In certain loan documents, proper documentation has not been done and there were deviations in several loan accounts with regard to per capita income criteria provided under the Income Generating Loans ("**IGL**") credit policy of our Company.	RBI may give certain directions for ensuring compliance or may impose fines.	Our Company has provided strict instructions to field level employees to properly update and fill in loan documents. Our Company intends to take action against staff members who have improperly updated and/or filled in the loan documentations. Our Company has also implemented a new software with build-in controls to automatically validate the conditions stipulated in our policy to prevent any violations of our policy.	Fiscal ended March 31, 2019
Our Company did not (i) formulate Expected Credit Loss ("**ECL**") policy, and (ii) document the ECL methodology being used by our Company.	RBI may give certain directions for ensuring compliance or may impose fines.	Our Company has adopted ECL policy and methodology pursuant to the Board meeting dated August 7, 2019.	Fiscal ended March 31, 2019
Delay in reporting of frauds in contravention of the RBI's Master Direction on Monitoring of Frauds in NBFCs dated September 29,	RBI may give certain directions for ensuring compliance or may impose fines.	Our Company has submitted the reasons for delays in the reporting of certain fraud cases, including delays due to COVID- 19 lockdown. Our Company will ensure that all fraud	Fiscal ended March 31, 2019

ND-SIs are subject to extensive RBI regulations. Any non-compliance by our Promoters with these regulations or any other regulations applicable to them, may adversely affect our ability to comply with regulations applicable to us and our business, results of operations and prospects may be adversely affected. Further, MFL received a show cause notice from the RBI ("RBI Show Cause Notice") dated May 18, 2012, which alleged that the affairs of MFL had been conducted in a manner detrimental to the interest of the public and that MFL was functioning in contravention of the provisions of the RBI Act, 1934. The RBI Show Cause Notice was issued to MFL, on account of, among others, (a) the alleged unauthorized acceptance of deposits by Muthoot Estate Investments, a partnership firm where the promoters of MFL were partners; (b) the operations of Muthoot Estate Investments being conducted out of certain premises of MFL; and (c) the staff of MFL being involved in the operations of Muthoot Estate Investments. MFL responded to the RBI Show Cause Notice on May 31, 2012 and through subsequent correspondences, including on July 13, 2018 and clarified that alleged non-compliances highlighted in the RBI Show Cause Notice, both in relation to MFL and Muthoot Estate Investments, had been rectified, and requested for a closure of the RBI Show Cause Notice. Pursuant to the letter dated September 4, 2018, the RBI has confirmed that the matters relating to the RBI Show Cause Notice are closed.

Further, MFL has had instances of non-compliance under regulations 54(2), 50(1)(d), 50(2), 53(2) and 57(1) of SEBI Listing Regulations in the past including non-disclosure of extent and nature of security created and maintained with respect to secured listed NCDs, payment obligation of listed commercial papers, non-intimation of meeting of the annual general meeting, submission of annual report and delay in intimation of board meeting for fund raising by way of issuance of non-convertible securities for the year ended March 31, 2023. MFL has paid fines imposed on it aggregating to ₹0.16 million for such non-compliance.

Any adverse action against MFL, or our other Promoters and Directors may have an adverse impact on our ability to carry out our business and comply with regulations applicable to us. For example, under the RBI regulations applicable to us we are obliged to, among other things, maintain a policy approved by the board of directors for ascertaining the fit and proper criteria of the directors at the time of appointment, and on a continuing basis and furnish to the RBI a quarterly statement on change of directors and a certificate from our managing director that fit and proper criteria in selection of the directors has been followed. For instance, we had received a letter from the RBI dated August 20, 2013 (the "**RBI Letter**") which directed our Company to cause our Individual Promoters, Thomas Muthoot, Thomas John Muthoot and Thomas George Muthoot, to step down from their directorship in our Company. The RBI Letter alleged that these directors did not fulfil the 'fit and proper' criteria as a result of them holding substantial interest in Muthoot Estate Investments, one of the entities forming part of our Promoter Group. In compliance with the RBI Letter, our Board was reconstituted on September 9, 2013. Subsequently, pursuant to specific approval from the RBI on April 26, 2017, these directors were reinstated on our Board. Further, MFL has delayed the payment of interest amounting to ₹0.48 million on its rated NCD to investors by three working days due to a one-off inadvertent operational error. OK

Our Promoters continue to hold a substantial interest in several entities which operate across a variety of sectors and are regulated by specific regulators and regulations. For details in relation to the entities in which our Promoters are interested, see "*Our Promoters and Promoter Group – Promoter Group*" on page 251.

21. *If we are unable to manage our growth effectively, our business and reputation could be adversely affected. Further, we may not be able to sustain the growth rates we have had since our inception.*

Our business has experienced growth over the past few years. Our network of branches and customers in India expanded from 755 branches and 6,846 employees serving 1.86 million active customers, as of March 31, 2021, to 905 branches and 8,178 employees serving 2.05 million active customers, as of March 31, 2022, to 1,172 branches and 10,227 employees serving 2.77 million active customers, as of March 31, 2023, and to 1,340 branches and 12,297 employees serving 3.19 million active customers, as of September 30, 2023. OK

As part of our future growth strategy, we aim to expand our geographical footprint and sourcing platform across India, which may further constrain our capital and human resources, and make asset quality management increasingly important. As we move to newer geographies, we may not be able to maintain the level of our NPAs or the quality of our portfolio. We will need to continue to enhance and upgrade our financial, accounting, information technology, administrative, risk management and operational infrastructure and internal capabilities to manage the future growth of our business effectively. Further, we may be unable to develop adequate infrastructure or devote sufficient financial resources or develop and attract talent to manage our growth. While we have not faced any material deficiencies in our existing systems and controls in the past, we may not be able to implement the necessary improvements in a timely manner in the future, or at all, and we may encounter deficiencies in existing systems and controls. If we are unable to manage our future expansion successfully, our ability to provide products and services to our customers would be adversely affected, and, as a result, our business and reputation could be adversely affected.

22. *We derive a significant portion of our revenues from South India, and any adverse developments in the southern states of India may have an adverse effect on our business, results of operations, financial condition and cash flows.*

We derive a significant portion of our revenues from South India, where a majority of our branches are located, and a majority of our gross loan portfolio originates from. The tables below set forth the geographic break-up of our branches and gross loan portfolio:

Zones	As of six months ended September 30,				As of March 31,					
	2023		2022		2023		2022		2021	
	Number of Branches	*% of Branches*	*Number of Branches*	*% of Branches*	*Number of Branches*	*% of Branches*	*Number of Branches*	*% of Branches*	*Number of Branches*	*% of Branches*
South	633	47.24%	503	49.90%	576	49.15%	468	51.71%	413	54.70%
North	318	23.73%	223	22.12%	269	22.95%	193	21.33%	138	18.28%
East	192	14.33%	128	12.70%	179	15.27%	127	14.03%	98	12.98%
West	197	14.70%	154	15.28%	148	12.63%	117	12.93%	106	14.04%
Total	**1,340**	**100.00%**	**1,008**	**100.00%**	**1,172**	**100.00%**	**905**	**100.00%**	**755**	**100.00%**

OK

Zones	As of six months ended September 30,				As of March 31,					
	2023		2022		2023		2022		2021	
	Gross Loan Portfolio (₹ million)	*% of Gross Loan Portfolio*	*Gross Loan Portfolio (₹ million)*	*% of Gross Loan Portfolio*	*Gross Loan Portfolio (₹ million)*	*% of Gross Loan Portfolio*	*Gross Loan Portfolio (₹ million)*	*% of Gross Loan Portfolio*	*Gross Loan Portfolio (₹ million)*	*% of Gross Loan Portfolio*
South	56,908.70	52.37%	44,981.38	60.38%	51,530.27	55.96	40,537.93	64.81	33,271.57	66.72
North	24,573.73	22.61%	13,773.13	18.49%	19,179.68	20.83	9,652.29	15.43	7,489.48	15.02
East	14,505.09	13.35%	7,954.40	10.68%	12,273.78	13.33	6,918.48	11.06	4,586.05	9.20
West	12,683.14	11.67%	7,785.95	10.45%	9,099.22	9.88	5,440.73	8.70	4,520.00	9.06
Total	**108,670.66**	**100.00%**	**74,494.86**	**100.00%**	**92,082.96**	**100.00**	**62,549.42**	**100.00**	**49,867.11**	**100.00**

For details of a state-wise break-up of our branches and gross loan portfolio, please see "*Selected Statistical Information*" on page 255.

In the event of a regional slowdown in the economic activity in southern states of India, or any other developments including political unrest, disruption or sustained economic downturn that make our products in the southern states less beneficial, we may experience an adverse effect on our business, financial condition and results of operations.

India has also experienced natural calamities such as floods, cyclones, earthquakes, tsunamis and droughts in the past. Instances of floods or other natural calamities in India, particularly in southern states could have an adverse effect on our business. For instance, floods in the south Indian state of Kerala in 2018 and 2019, and cyclone in Tamil Nadu in 2018 caused major disruptions in our operations and led to an increase in our level of write-offs, thereby adversely affecting our business.

23. Any disruption in our sources of funding or increase in costs of funding could adversely affect our liquidity and financial condition.

The liquidity and profitability of our business depend, in large part, on our timely access to, and the costs associated with, raising funds. Our funding requirements historically have been met from various sources, including bank loans, non-convertible debentures, market-linked debentures, external commercial borrowings, equity and preference shares, direct assignments and subordinated debt. Our business thus depends on our ability to access a variety of funding sources. Our secured non-convertible debentures aggregating to ₹13,216.67 million will mature in the remainder of the Financial Years 2024, 2025 and 2026. Further, our ability to compete effectively will depend, in part, on our ability to maintain or increase our margins. Our margins are affected by our ability to continue to secure low-cost funding at rates lower than the interest rates at which we lend to our customers. The table below sets forth our weighted average cost of borrowing for top five lenders (in terms of total outstanding amount as of the respective date) as of March 31, 2021, 2022 and 2023, and September 30, 2022 and 2023:

Particulars	As of six months ended September 30,	As of six months ended September 30,	As of March 31,		
	2023	2022	2023	2022	2021
Weighted average cost of borrowing for top five lenders (in terms of total outstanding amount as of the respective date) *(%)*	10.33%	9.55%	10.49%	9.37%	11.19%

OK

Our ability to raise funds at competitive rates depends on various factors including our current and future results of operations and financial condition, our risk management policies, the shareholding of our Promoters in our Company, our management of certain financial ratios, our credit ratings, our brand equity, the regulatory environment and policy initiatives in India and developments in the international markets affecting the Indian economy.

Further, the restrictions imposed on NBFCs by the RBI through the NBFC-ND-SI Directions, as well as Priority Sector Lending targets, may restrict our ability to obtain bank financing for specific activities. Our ability to raise foreign funds through debt is governed by RBI regulations and is subject to certain restrictions, including raising loans only from certain recognized lenders and with minimum average maturity period of not less than three years, except in cases where the minimum average maturity period is more or less than three years. The NBFC-ND-SI Directions also imposes certain restrictions in relation to changes in the shareholding of our Company beyond certain thresholds. As of September 30, 2023, we have 5,854.00 market-linked debentures that are issued and outstanding. OK

In addition, any changes to the regulations on priority sector lending may also disrupt our sources of funding. The RBI currently mandates domestic scheduled commercial banks (excluding regional rural banks and SFBs) and foreign banks, operating in India, to maintain an aggregate 40.00% of adjusted net bank credit or credit equivalent amount of off-balance sheet exposure, whichever is higher, as "priority sector lending". In the event that the laws relating to priority sector lending, as applicable, to the banks undergo a change, or if any part of our loan portfolio is no longer classified as a priority sector lending by the RBI, or if we are no longer able to satisfy the prescribed conditions to be eligible for such classification, our ability to raise resources based on priority sector advances would be hampered, which may adversely affect our financial condition, results of operations and/or cash flows.

24. *We are subject to laws and regulations governing the financial services industry in India and changes in laws and regulations governing us could adversely affect our business, results of operations and prospects.*

As an NBFC-MFI, we are subject to regulation by Government authorities, including the RBI. The RBI regulates the credit flow by banks to NBFCs and provides guidelines to commercial banks with respect to their investment and credit exposure norms for lending to NBFCs. Additionally, we are required to make various filings with the RBI, the BSE, the Registrar of Companies and other relevant authorities pursuant to the provisions of RBI regulations, the Companies Act and other regulations. If we fail to comply with these requirements, we may be subject to penalties and legal proceedings. Any non-compliance with regulatory guidelines and directions may result in substantial penalties, revocation of our licenses and reputational impact. For instance, in the past, we have not paid statutory dues amounting to ₹0.11 million for the Financial Year 2017-2018 to Financial Year 2022-2023 as required under the Employees Provident Fund Act, 1952, owing to mismatch / non-availability of Aadhaar numbers. Further, in order to comply with the order of the Regional Provident Fund Commissioner-II, Kochi, dated November 24, 2021, we have paid statutory dues amounting to ₹0.09 million for the Financial Year 2013-14, on November 25, 2021. Among other things, if found non-compliant, we could be fined or prohibited from engaging in certain business activities. In addition, the regulations applicable to us also govern issues such as our conduct with customers, recovery practices, market conduct and foreign investment. OK

The RBI has also enacted the Reserve Bank of India (Regulatory Framework for Microfinance Loans) Directions, 2022 ("**RBI (RFML) Directions**") with effect from April 1, 2022, under which we are required to comply with certain additional compliances and conditions, including but not limited to: (i) forming a board approved policy to assess the household income of its borrowers; (ii) forming a board approved policy regarding the limit on the outflows on account of repayment of monthly loan obligations of a household as a percentage of the monthly household income, which is capped at 50% of the monthly household income; (iii) forming a board approved policy regarding pricing of microfinance loans (which inclndes ceiling on the interest rate and all other charges applicable to microfinance loans); (iv) forming a board approved policy to provide flexibility of repayment periodicity on microfinance loans as per borrower requirements; (v) adopting a fair practices code for conduct towards borrowers in line with the RBI (RFML) Directions and displaying the fair practices code on the website and all its offices; (vi) putting in place a mechanism for recovery of loans which is borrower friendly; and (vii) ensuring that a minimum of 75% of our total assets are 'microfinance loans'.

The laws, regulations and policies applicable to us may be changed at any time such that we may be required to restructure our activities and incur additional expenses to comply with applicable laws and regulations. Such changes may also adversely affect our business, to the extent that we are unable to suitably comply with any such changes in applicable law, regulations and policies. Further, many of the regulations applicable to our operations may be subject to varying interpretations. If the interpretation of the regulators and authorities varies from our interpretation, we may be deemed to be contravention of such laws and may be subject to penalties and legal proceedings against us. Unfavorable changes in or interpretations of existing laws, rules and regulations, could result in us being deemed to be in contravention of such laws or may require us to apply for additional approvals.

25. *Any downgrade of our credit ratings may constrain our access to capital and debt markets and, as a result, may adversely affect our cost of borrowings and our results of operations.*

We have obtained the grading and credit ratings provided below:

this may adversely affect the growth of our business. In addition, any changes in the RBI or other government actions in relation to securitizations or assignments by NBFCs in general or MFIs specifically, including if any assignment is held unenforceable under applicable law, could have an adverse effect on our assignment and securitization plans in the future. This may result in non–compliance with applicable capital requirements, which could have an adverse effect on our business, financial condition and results of operations. If we are unable to meet any existing or new and revised requirements, our business and results of operations may be adversely affected.

28. During the COVID-19 pandemic, we offered a moratorium to our customers in relation to their payments to us, which helped maintain our asset quality. There is no assurance that we will be able to grant moratoriums on the occurrence of any future events which adversely impact the microfinance industry.

During the COVID-19 pandemic, we offered moratorium to our customers in accordance with the relevant RBI circulars, which allowed lending institutions to offer moratorium to their borrowers on payment of instalments falling due between March 1, 2020 and August 31, 2020. The RBI circulars also allowed lenders to exclude the moratorium period from the number of days past due in respect of accounts classified as standard as on February 2020, for the purpose of asset classification under the income recognition, asset classification and provisioning norms. Accordingly, where moratorium was granted for our loans, the asset / stage-wise classification remained 'as-is' during the moratorium period (i.e. the number of days past due excluded the moratorium period for the purposes of asset / stage-wise classification). Thus, we were able to maintain our asset quality by offering moratorium to customers, as we did not need to recognise NPAs during this moratorium period. However, we cannot assure you that the RBI will allow us to offer moratorium to customers in the future, in case of future adverse events that impact the microfinance industry as a whole. Further, such moratorium in the future may also adversely impact cash collections during the period of moratorium. Such factors may adversely affect our business, financial condition and results of operations.

29. We may face various risks associated with our large number of rural and semi-urban branches and widespread network of operations which may adversely affect our business, financial condition and results of operations.

As of September 30, 2023, we have 3.19 million active customers, who are served by our 1,340 branches across 18 states and union territories in India. As a consequence of our large number of rural and semi-urban branches and widespread network, we may be exposed to certain risks, including, among others: OK

- upgrading, expanding and securing our technology platform;
- maintaining high levels of customer satisfaction;
- difficulties arising from coordinating and consolidating corporate and administrative functions;
- delay in the transfer of data among various locations;
- failure to efficiently and optimally allocate management, technology and other resources across our branch network;
- failure to manage third-party service providers in relation to any outsourced services;
- difficulties in the integration of new branches with our existing branch network;
- difficulties in supervising local operations from our centralized locations;
- difficulties in hiring and training skilled personnel in sufficient numbers to operate the new branches locally;
- unforeseen legal, regulatory, property, local taxation, labor ur other issues; and
- risk of fraud, petty theft, embezzlement or other misconduct by employees or outsiders, exacerbated by the large amount of cash that our employees handle and the high level of autonomy on the part of our loan officers and back-end managers, which our business model requires. Further, as our business requires us to process high volume of transactions on a regular basis, certain instances of fraud and misconduct may go unnoticed. For details, see "- *A significant portion of our collections from customers are in cash, exposing us to certain operational risks. Further, we may be subject to regulatory or other proceedings in connection with any unauthorized transactions, fraud or misappropriation by our representatives and employees, which could adversely affect our business and goodwill*" on page 52.

Any of the above reasons may result in our failure to manage our business operations in an effective manner, which may adversely affect our brand, reputation, business, financial condition and results of operations.

30. Competition from other micro-finance institutions, banks (including small finance banks) and financial institutions, as well as state-sponsored social programs, may adversely affect our profitability and position in the

Indian microcredit lending industry.

We face significant competition from other MFIs and banks in India (including SFBs). For details, see "*Our Business – Competition*" on page 206. Many of the institutions with which we compete may be larger in terms of business volume or may have greater assets, higher geographical penetration and better access to, and lower cost of, funding than we do. In certain areas, they may also have better brand recognition and larger customer bases than us. We anticipate that we may encounter greater competition as we continue expanding our operations in India, and therefore, we cannot assure you that we will be able to retain and/or expand our existing client base, which in turn may result in an adverse effect on our business, results of operations and financial condition.

Traditional commercial banks, as well as regional rural and cooperative banks, have generally not directly targeted the lower income segments of the population for new customers. However, some banks do participate in microfinance by financing the loan programs of self-help groups often in partnership with non-governmental organizations, or through certain state-sponsored social programs. Further, most small finance banks which received approval from the RBI for the commencement of SFB operations are focused on low and middle-income individuals and micro, small and medium enterprises. Further, some commercial banks are also beginning to directly compete with for-profit MFIs, including through the partner institution model and co-lending model, for lower income segment customers in certain geographies.

Disruption from digital platforms could also have an adverse effect on our business model and the success of our products and services that we offer to our customers. We face threats to our business from newer business models that leverage technology to bring together savers and customers. The verification and disbursement process, undertaken through e-KYC and Aadhaar ID, is generally much faster than a typical NBFC, and is not reliant on the JLG model. While we are currently working on developing the relevant technological infrastructure to undertake our verification and disbursement process through e-KYC and Aadhaar ID, we cannot assure you that we will be successful in developing and implementing the same.

In addition, as competition amongst micro-finance players increases, customers may take more than one loan from different micro-finance players, which may adversely affect our asset quality or the asset quality of the industry as a whole.

31. Our NPA recognised as a percentage of total loan portfolio was higher in the first half of the Financial Year 2023 as compared to the second half of the Financial Year 2023. Fluctuations in our NPA recognised as a percentage of total loan portfolio across certain periods may adversely affect our cash flows, which in turn may adversely affect our business, financial condition and results of operations.

Our NPA recognised as a percentage of total loan portfolio was higher in the first half of the Financial Year 2023 as compared to the second half of the Financial Year 2023, primarily due to the sale of a portion of our NPAs to a securitization / reconstruction company pursuant to the directions of the RBI during the Financial Year 2023. Our month wise NPA recognition vis a vis total loan portfolio for the Financial Year 2023 is set forth in the table below:

Month	NPA recognised as a percentage of total loan portfolio
April 2022	7.80%
May 2022	7.66%
June 2022	6.70%
July 2022	6.61%
August 2022	6.35%
September 2022	3.26%
October 2022	3.91%
November 2022	3.72%
December 2022	3.49%
January 2023	3.33%
February 2023	3.19%
March 2023	2.97%

OK

While the fluctuations in our NPA recognised as a percentage of total loan portfolio during the first half of the Financial Year 2023 as compared to the second half of the Financial Year 2023 did not have an adverse effect on our cash flows, we cannot assure you that any such fluctuations will not adversely affect our cash flows in the future, which in turn may adversely affect our business, financial condition and results of operations.

32. We have contingent liabilities and our financial condition could be adversely affected if these contingent liabilities materialize.

The following is a summary table of our contingent liabilities as of September 30, 2023 and March 31, 2023 as per Ind AS 37 – Provisions, Contingent Liabilities and Contingent Assets.

Selling Shareholders or the BRLMs are related parties of CRISIL. The CRISIL Report has been commissioned and paid for by us for the purposes of confirming our industry exclusively in connection with the Offer. The report uses certain methodologies for market sizing and forecasting, and may include numbers relating to our Company that differ from those we record internally. Accordingly, investors should read the industry-related disclosure in this Red Herring Prospectus in this context. Industry sources and publications are also prepared based on information as of specific dates and may no longer be current or reflect current trends. Industry sources and publications may also base their information on estimates, projections, forecasts and assumptions that may prove to be incorrect. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable to statistics produced for other economies and should not be unduly relied upon. Statements from third parties that involve estimates are subject to change, and actual amounts may differ materially from those included in this Red Herring Prospectus. While these industry sources and publications may take due care and caution while preparing their reports, they do not guarantee the accuracy, adequacy or completeness of the data.

Given the scope and extent of the CRISIL Report, disclosures are limited to certain excerpts and the CRISIL Report has not been reproduced in its entirety in this Red Herring Prospectus. The CRISIL Report is available on the website of our Company at https://muthootmicrofin.com/wp-content/uploads/2023/11/Updated-Industry-Report_27Nov2023.pdf. Further, the CRISIL Report is not a recommendation to invest / disinvest in any company covered in the CRISIL Report. Accordingly, prospective investors should not place undue reliance on, or base their investment decision solely on this information. You should consult your own advisors and undertake an independent assessment of information in this Red Herring Prospectus based on, or derived from, the CRISIL Report before making any investment decision regarding the Offer. For details, see "*Industry Overview*" on page 133.

36. Any failure or material weakness of our internal control systems could cause significant operational errors, which would adversely affect our reputation and profitability.

We are responsible for establishing and maintaining adequate internal measures and controls commensurate with the size and the complexity of our operations. Our internal or concurrent audit functions are equipped to make an independent evaluation of the adequacy and effectiveness of internal controls on an ongoing basis to ensure that business personnel adhere to our policies, compliance requirements and internal guidelines. While we periodically test and update our internal control systems as necessary, we are exposed to operational risks arising from the potential inadequacy or failure of internal processes or systems, and our actions may not be sufficient to guarantee effective internal controls in all circumstances. While we have not faced any material instances of failure of internal processes and systems in the past, we cannot assure you that we will not face any such failures in the future.

Given our high volume of transactions, it is possible that errors may repeat or compound before they are discovered and rectified. Our management information systems and internal control procedures that are designed to monitor our operations and overall compliance may not identify every instance of non-compliance or every suspicious transaction. If internal control weaknesses are identified, our actions may not be prompt or sufficient to fully correct such internal control weakness. We face operational risks in our business and there may be losses due to deficiencies in the credit sanction process, inaccurate financial reporting and fraud and failure of critical systems and processes. We have in the past encountered fraud which amounted to an aggregate of ₹4.17 million, ₹7.61 million, ₹64.57 million, ₹11.62 million and ₹10.88 million for the Financial Years 2021, 2022 and 2023, and the six months ended September 30, 2022 and 2023, respectively. Further, there has been one instance of material fraud in the past, for an amount of ₹49.34 million, involving misappropriation and criminal breach of trust. In addition, we carry out certain processes manually, which may increase the risk that human error, tampering or manipulation will result in losses that may be difficult to detect. As a result, we may suffer losses. Such instances may also adversely affect our reputation and profitability.

OK

37. A significant portion of our collections from customers is in cash, exposing us to certain operational risks. Further, we may be subject to regulatory or other proceedings in connection with any unauthorized transactions, fraud or misappropriation by our representatives and employees, which could adversely affect our business and goodwill.

A significant portion of our collections from customers is in cash. While substantially all of our customers have access to bank accounts, a significant portion of our collections from customers is in cash. This is due to the nature of our customers' business whereby the majority of our customers receive their income in cash, and therefore their preferred mode of repayment to us is also in cash.

The tables below set forth our details relating to our collections in cash:

Particulars	For the six months ended September 30,				For the Financial Year					
	2023		2022		2023		2022		2021	
	Amount of cash collected (₹ million)	*% of total collections*	*Amount of cash collected (₹ million)*	*% of total collections*	*Amount of cash collected (₹ million)*	*% of total collections*	*Amount of cash collected (₹ million)*	*% of total collections*	*Amount of cash collected (₹ million)*	*% of total collections*
Cash collections	27,841.51	74.53	21,418.11	89.59	43,012.92	79.70	32,926.00	95.14	28,821.60	98.94

OK

Particulars	For the six months ended September 30,				For the Financial Year					
	2023		2022		2023		2022		2021	
	Amount of average cash collected per customer (₹)	*% of total collections per customer*	*Amount of average cash collected per customer (₹)*	*% of total collections per customer*	*Amount of average cash collected per customer (₹)*	*% of total collections per customer*	*Amount of average cash collected per customer (₹)*	*% of total collections per customer*	*Amount of average cash collected per customer (₹)*	*% of total collections per customer*
Cash collections	10,336	75	11,021	90	16,763	80	16,897	95	15,893	99

OK

Large cash collections expose us to the risk of theft, fraud, misappropriation or unauthorized transactions by employees responsible for dealing with such cash collections. We have experienced certain instances of misappropriation or unauthorized transactions by certain employees over the last three Financial Years and the six months ended September 30, 2023, including cash embezzlements as set forth in the table below:

Particulars	For the six months ended September 30.				For the Financial Year					
	2023		2022		2023		2022		2021	
	Amount of cash embezzlements (₹ million)	*% recovered*	*Amount of cash embezzlements (₹ million)*	*% recovered*	*Amount of cash embezzlements (₹ million)*	*% recovered*	*Amount of cash embezzlements (₹ million)*	*% recovered*	*Amount of cash embezzlements (₹ million)*	*% recovered*
Cash embezzlements	10.88	5.62	11.62	26.95	63.98	25.15	7.61	19.84	4.17	5.40

OK

We may also be party to criminal proceedings and civil litigation related to our cash collections and we may be subject to regulatory or other proceedings in connection with any unauthorized transactions, fraud or misappropriation by our representatives and employees, which could adversely affect our goodwill. These risks are exacerbated by the high levels of responsibility we delegate to our employees and the geographically dispersed nature of our network. Our customers are primarily from rural markets, which carry additional risks due to limitations on infrastructure and technology. The table below sets forth details relating to past instances of theft and robbery for which we have filed police complaints:

Particulars	For the six months ended September 30,				For the Financial Year					
	2023		2022		2023		2022		2021	
	Number of instances	*Aggregate amount (₹ million)*	*Number of instances*	*Aggregate amount (₹ million)*	*Number of instances*	*Aggregate amount (₹ million)*	*Number of instances*	*Aggregate amount (₹ million)*	*Number of instances*	*Aggregate amount (₹ million)*
Theft and robbery	11	0.91	-	-	14	0.90	19	1.30	11	0.69

OK

While we obtain insurance for our cash in transit and safes for storage of cash, we cannot assure you that the insurance obtained by us adequately covers all risks involved or will be paid in relation to the entire amount involved, or at all.

In addition, given the volume of transactions involving cash processed by us on a regular basis, certain instances of fraud and misconduct by our representatives or employees may go unnoticed for some time before they are discovered and successfully rectified. Our dependence upon automated systems to record and process transactions may further increase the risk that technical system flaws or employee tampering or manipulation of such systems will result in losses that are difficult to detect or rectify.

Our business is also susceptible to fraud by other agents through the forgery of documents and unauthorized collection of instalments on behalf of us. While we have not faced any material past instances of fraud by other agents through the forgery registrations to operate our branches in the ordinary course of business. These registrations include those required to be obtained or maintained under applicable legislations governing shops and establishments, professional tax, labour-related registrations (including labour welfare fund, employee state insurance and employee provident fund), GST registrations and trade licenses of the particular state in which we operate. For instance, we have applied for but not received certain approvals in relation to the branches of our Company, such as trade licenses in the states of West Bengal and Odisha and shops and establishments registration in Gujarat and Tamil Nadu, among others. Additionally, we are yet to obtain or apply for certain approvals which are required to obtain such as those required under the relevant shops and establishments registration in the states of Odisha, Jharkhand, Maharashtra, West Bengal, Bihar and Rajasthan. For further information on our key approvals and licenses, see "*Government and Other Approvals*" on page 440. If we fail in the future to obtain or retain any of these approvals or licenses, or renewals thereof, in a timely manner, or at all, our business may be adversely affected. If we fail to comply, or a regulator claims that we have not complied, with any of these conditions, we may be liable to fines or penalties, and our certificates of registration may be suspended or cancelled and we would no longer be able to carry on such activities required for our business.

Further, several of the licenses and approvals required in relation to our branches are subject to local state or municipal laws, including the renewal of approvals, that expire from time to time, in the ordinary course of our business. The approvals required by us are subject to numerous conditions and we cannot assure you that these would not be suspended or revoked in the event of non-compliance or alleged non-compliance with any terms or conditions thereof, or pursuant to any regulatory action. We have obtained a significant number of, but not all, approvals, licenses, registrations and permits that we require from the relevant authorities. For instance, there have been instances in the past where we have failed to obtain revised GST licenses for certain of our branches on account of our lease deeds not being adequately stamped and registered. If we fail to obtain such GST licenses for our branches under local state or municipal laws, our business activities and operations may be adversely affected or we may be liable to pay fines or penalties. For further information on risks associated with our lease agreements, see "*- We are subject to the risks associated with all of our properties being leased.*" on page 57.

41. *Our success depends, in large part, upon our management team and skilled personnel and on our ability to attract and retain such persons. Failure to train and motivate our employees may lead to an increase in our employee attrition rates and our results of operations could be adversely affected as a result of any disputes with our employees.*

We are dependent on our Board, Key Managerial Personnel and Senior Management Personnel and employees for our operations. The RBI also mandates NBFCs to have in place supervisory standards to ensure that directors have appropriate qualifications, technical expertise and a sound track record, and such requirements may make it more difficult for us to identify suitable replacement for our directors. We also face a continuing challenge to hire, assimilate, train and retain skilled personnel. Competition for management and other skilled personnel is intense, and we may not be able to attract and retain the managerial and other personnel we need in the future.

As a result, our success will depend in large part on our ability to identify, attract and retain skilled managerial and other personnel. The table below sets forth the number of our employees and the corresponding attrition rates (defined as the number of employees that have resigned or been terminated during the specified year divided by the monthly average number of employees for that year):

Particulars	**As of / For the six months ended September 30,**		**As of / For the Financial Year**		
	2023	**2022**	**2023**	**2022**	**2021**
Number of employees	12,297	9,150	10,227	8,178	6,846
Attrition rate (%)	22.19%	22.45%	35.89%	31.34%	29.00%

OK

Large scale attrition, especially at the senior management level, can make it difficult for us to manage and grow our business. The loss of key managerial personnel or our inability to replace key managerial personnel may restrict our ability to grow, to execute our strategy, to raise the profile of our brand, to raise funding, to make strategic decisions and to manage the overall running of our operations, which would have an adverse effect on our results of operations and financial position.

Moreover, labour disputes, protracted wage negotiations, work stoppages and strike actions may impair our ability to carry on our day-to-day operations, which could adversely affect our results of operations. We have not faced any such material labour disputes, protracted wage negotiations, work stoppages or strike actions in the past.

42. *Our business is subject to seasonality, which may contribute to fluctuations in our results of operations and financial condition.*

Our business is subject to seasonality as we generally see higher borrowings and drawdowns by our customers during the third and fourth quarter of each Financial Year due to increased economic activity towards the end of the Financial Year and due to the harvest season in rural areas in India. Further, there is typically an increase in retail economic activity in India during the period from October to March, due to several holiday periods and improved weather conditions, resulting in higher volumes of business during this period. Accordingly, our results of operations and financial condition in one quarter may not accurately reflect the trends for the entire Financial Year and may not be comparable with our results of operations and financial condition for other quarters. Additionally, any significant event such as unforeseen floods, earthquakes, political instabilities, epidemics or economic slowdowns during these peak seasons may adversely affect our business and results of operations.

43. Our business, financial condition, cash flows and results of operations may be adversely affected by certain state regulations.

While NBFC-MFIs are currently regulated by the RBI, the respective state government of the states where we operate may pass laws either *suo moto*, or in response to any legal action initiated against the NBFC-MFIs of a state, which impact the business of NBFC-MFIs. We cannot assure you that any such actions taken by the state governments in these states will not adversely impact our business, financial condition and results of operations. In addition, certain states, including those in which we have operations, have in the past instituted farm loan waiver schemes as a policy instrument to alleviate the financial distress of farmers. Such large-scale government enforcement of loan write-offs may, in the long-run, impair the loan repayment culture in the farm sector as farmers may become willing defaulters in anticipation of the next loan waiver scheme. This disruption in credit discipline may undermine the financial status of financial institutions that loan to the farm sector in such states, including us.

In the event that the government of any state in India requires us to comply with the provisions of their respective state money-lending laws, or imposes any penalty against us, our Directors or our officers, including for prior non-compliance, our business and results of operations may be adversely affected.

44. We face challenges in operating our rural-focused business model, including challenges pertaining to the high cost of reaching customers, lack of financial awareness, vulnerability of customers' household income and high proportion of cash collections.

We operate a rural-focused business model. The table below sets forth our loans outstanding by regions for the periods/years indicated:

Regions	As of September 30,				As of March 31,					
	2023		2022		2023		2022		2021	
	Gross loan portfolio	*% of Gross loan portfolio*	*Gross loan portfolio*	*% of Gross loan portfolio*	*Gross loan portfolio*	*% of Gross loan portfolio*	*Gross loan portfolio*	*% of Gross loan portfolio*	*Gross loan portfolio*	*% of Gross loan portfolio*
Urban[1]	4,751.05	4.37%	3,308.65	4.44%	4,910.77	5.33%	2,919.67	4.67%	2,466.67	4.95%
Rural[2]	103,919.61	95.63%	71,186.21	95.56%	87,172.19	94.67%	59,629.75	95.33%	47,400.43	95.05%
Total	**108,670.66**	100.00%	**74,494.86**	100.00%	**92,082.96**	**100.00%**	**62,549.42**	**100.00%**	**49,867.11**	**100.00%**

OK

Notes:

(1) Urban represents the regions in India that are located outside villages.

(2) Rural represents the regions in India that are located in villages.

We face various challenges in operating a rural-focused business model, including:

- High cost of reaching customers. The cost of providing microfinance loans to customers in remote and sparsely populated regions is often high because the expenses pertaining to deployment of manpower and development of requisite infrastructure for disbursements and collections are often high.

- Lack of financial awareness. As customers in rural regions are often less aware of the benefits of financial inclusion, and the availability of products and services available to them, we would need to incur costs to educate them and gain their trust before being able to disburse loans to them.

- Vulnerability of customers' household income. As customers in rural regions are often low-income groups, their ability to repay loans provided by us is particularly vulnerable to adverse events which may affect their source of income, including natural calamities such as floods and earthquakes.

- High proportion of cash collections. While substantially all of our customers have access to bank accounts, a significant portion of our collections from customers is in cash. This is due to the nature of our customers' business whereby the majority of our customers receive their income in cash, and therefore their preferred mode of repayment to us is also in cash. Our large cash collections expose us to the risk of theft, fraud, misappropriation or unauthorized transactions by employees responsible for dealing with such cash collections. For details, see "- *A significant portion of our collections from customers is in cash, exposing us to certain operational risks. Further, we may be subject to regulatory* *or other proceedings in connection with any unauthorized transactions, fraud or misappropriation by our representatives and employees, which could adversely affect our business and goodwill.*" on page 52.

For details relating to challenges in operating a rural-focused business, see "*Industry Overview – Challenges in rural-focused business*" on page 150.

45. We rely on third-party service providers who may not perform their obligations satisfactorily or in compliance with law.

We enter into arrangements with third-party vendors to provide services that include, among others, telecommunications infrastructure services and software services including for core banking and e- KYC solutions, in order to bolster and enhance technological support for our operations. Our arrangements with such third-party vendors are typically for a duration of between 12 months and 60 months. As of September 30, 2023, we had arrangements with six third-party vendors. We also enter into agreements with credit bureaus for availing credit assessment and other services, in order to improve our ability to assess and evaluate credit history of our potential customers. Further, we have entered into agreements with M-Swasth Solutions Private Limited, a technology driven digital healthcare service provider, to set up e-clinics across our branches, in order to protect our customers from the risks of natural calamities. Our arrangements with M-Swasth Solutions Private Limited are typically for a duration of around 60 months. While we have not faced any material instances of disruptions by third party service providers in the past, we cannot guarantee that in the future there will be no disruptions in the provision of such services or that these third parties will adhere to their contractual obligations. If there is a disruption in the third-party services, or if the third-party service providers discontinue their service agreements with us, our business, financial condition and results of operations will be adversely affected. In case of any dispute, we cannot assure you that the terms of such agreements will not be breached, and this may result in litigation or other costs. Further, we finance loans for purchase of products such as sewing machines, mobile phones, solar lanterns and fans, water purifiers and induction stoves, among others, from third parties. Any defects or deficiencies in the products sold by such third parties may impact repayment of the loans provided by us. OK

Our arrangements with third-party service providers may also be subject to government regulations, with which we may not be able to comply. Pursuant to the Directions on Managing Risks and Code of Conduct in Outsourcing of Financial Services by NBFCs issued by the RBI on November 9, 2017, NBFCs have been mandated to put in place necessary safeguards and corporate governance measures for activities outsourced by them. For further details, see "*Key Regulations and Policies*" on page 208.

Further, certain of our agreements require us to indemnify our counterparties for certain losses, and limit contractual or other liabilities of our counterparties to fees or other amounts received by them from us for a certain period of time. If such indemnities are invoked, or if our counterparties limit their liabilities to an extent that our losses are not fully recovered, we may incur additional costs. Such additional costs may adversely affect our business, financial condition and results of operations.

46. We are subject to the risks associated with all of our properties not being owned by us.

We do not own the premises on which our Registered Office, Administrative Office and all of our branches are situated and as of September 30, 2023, our Registered Office is utilized by us on a space sharing basis, and our Administrative Office and all our branches are utilized by us on lease or leave and license basis. Certain of our regional offices are utilized by us on leave and license basis, while for others, we have entered into agreements for use of physical space. In relation to this, we have entered into 18 lease agreements with our Promoters. For further details, see "*Our Promoters and Promoter Group – Interests of Promoters and common pursuits*" on page 249. Some of our lease or license agreements have expired and are expected to be renewed. Failure to renew lease or license agreements for these premises on terms and conditions acceptable to us or at all, may require us to move the concerned branch offices to new premises. We may incur substantial rent escalation in terms of the leave and license agreements, as applicable, and additional relocation costs due to installation of new infrastructure as a result of such relocation. We may also face the risk of being evicted if our landlords allege a breach on our part of the terms of the lease agreements. We have not faced any such instances of eviction by our landlords in the past. Further, certain of our lease agreements are not duly registered or adequately stamped with the registering authority of the appropriate jurisdiction. If we fail to duly register and adequately stamp our lease agreements, these lease agreements will not be admitted as evidence in an Indian court or may be subject to penalties for such admission, which in turn may affect our business activities and operations. Further, while we have not faced any past instances of dispute in relation to our use of the relevant space-sharing or leased properties, if any such dispute arise in relation to our use of the relevant space- sharing or leased properties in the future, we may be unable to, or may incur additional expenses to, enforce our rights in relation to such properties. OK

47. Our Promoters, Directors, Key Managerial Personnel and Senior Management Personnel may have interests other than reimbursement of expenses incurred and receipt of remuneration or benefits from our Company. Certain of our Promoters and Director may have interest in entities, which are in businesses similar to ours and this may result in conflict of interest with us.

Certain of our Promoters, Directors, Key Managerial Personnel and Senior Management Personnel are interested in us, in addition to regular remuneration or benefits and reimbursement of expenses, to the extent of their shareholding, direct and indirect, and our stock options and benefits arising therefrom. Our Promoters, in their capacity of being representatives of the Muthoot Pappachan Group, have entered into a Principal License Agreement and Supplemental Agreement thereto, for the license and use of certain trademarks and logos for a consideration of ₹0.10 million payable annually. For details, see "– *We depend on the recognition of the "Muthoot" brand, and failure to use, maintain and enhance awareness of the brand would adversely affect our ability to retain and expand our base of customers.*" And "*History and Certain Corporate Matters*" on pages 38 and 221, respectively. Certain of our Individual Promoters, who are also our Directors and our Corporate Promoter have also leased their properties to our Company to operate certain of our branches, pursuant to which lease agreements have been entered into for a period ranging from three years to perpetuity. For further details, see "*Our Management – Interests of Directors*" and "*Our Promoters and Promoter Group – Interests of Promoters and Common Pursuits*" on pages 234 and 249, respectively. Further, certain of our Promoters and Directors may have interest in entities, to the extent of their shareholding and/or directorships, which are in businesses similar to ours and this may result in conflict of interest with us. For instance, one of our Non-Executive Independent Director is a director on the board of directors of Fincare Small Finance Bank, an entity which is in the similar line of business as that of our Company. Additionally, certain of our Directors have leased their properties to our Company to operate certain of our branches, pursuant to which lease agreements have been entered into with our Company, for a period ranging from five to ten years. We cannot assure you that our Promoters and Directors will not provide competitive services or otherwise compete in business lines in which we are already present or will enter into in the future. In the event that any conflicts of interest arise, our Promoters and Directors may make decisions regarding our operations, financial structure or commercial transactions that may not be in our shareholders' best interest. It may also enable a competitor to take advantage of a corporate opportunity at our expense. Such decisions could have a material adverse effect on our business, financial condition, results of operations and prospects. Should we face any such conflicts in the future, there is no guarantee that they will get resolved in our favour.

OK

48. Our insurance coverage may not be adequate to protect us against all potential losses, which may have an adverse effect on our business, financial condition and results of operations.

Our operations are subject to various risks inherent to the finance industry, as well as fraud, theft, robbery, acts of terrorism and other force majeure events. While we currently maintain certain insurance policies, including non-linked non-participating group term micro-insurance for the employees and their nominees, money insurance policy that covers burglary, theft and robbery of cash maintained at our properties and branches and cash-in transit and directors' and officers' liability insurance covering liability pay-outs by our directors and key officers, our insurance coverage may not be adequate to fully cover any or all of our risks and liabilities.

The table below sets forth details relating to insurance for our property, plant and equipment:

Particulars	**As of the six months ended September 30,**				**As of the Financial Year ended March 31,**					
	2023		**2022**		**2023**		**2022**		**2021**	
	Amount insured (₹ million)	***As a percentage of total property, plant and equipment (%)***	***Amount insured (₹ million)***	***As a percentage of total property, plant and equipment (%)***	***Amount insured (₹ million)***	***As a percentage of total property, plant and equipment (%)***	***Amount insured (₹ million)***	***As a percentage of total property, plant and equipment (%)***	***Amount insured (₹ million)***	***As a percentage of total property, plant and equipment (%)***
Property, plant and equipment	0	0.00%	84.94	17.89%	-	-	98.64	23.46%	123.17	30.91%

OK

The ratio of assets covered under the insurance policies to the total assets of our Company as of March 31, 2023 was nil because the relevant insurance policy had expired on February 10, 2023. Subsequently, we obtained a new insurance policy covering our assets only on June 6, 2023. An event that causes losses in excess of the limits specified in our policies, or losses arising from events or risks not covered by insurance policies or due to the same being inadequate, could harm our business, financial condition and results of operations. We cannot assure you that any claims filed under the insurance policies maintained by us will be honoured fully, in part or on time, or that we have taken out sufficient insurance to cover all our losses. Our business, financial condition and results of operations may be affected to the extent we suffer any loss or damage that is not covered by insurance or which exceeds our insurance coverage. In addition, we may not be able to renew certain of our insurance policies upon their expiration, either on commercially acceptable terms or at all.

OK

49. We have presented, in this Red Herring Prospectus, certain financial measures and other selected statistical information relating to our financial condition and operations which are not prepared under or required by Indian GAAP. These financial measures and statistical information may vary from any standard methodology that is applicable across the financial services industry, and therefore may not be comparable with financial or statistical information of similar nomenclature computed and presented by other financial services companies.

This Red Herring Prospectus includes financial measures and certain other statistical information of our financial condition

As at the date of this Red Herring Prospectus, our Promoters together hold 99,720,468 Equity Shares, or 69.08% of the issued, subscribed and paid-up pre-Offer Equity Share capital of our Company on a fully diluted basis. Upon completion of the Offer, our Promoters will hold continue to hold a significant percentage of our Equity Share capital, amounting to [●]% (subject to finalisation of the Basis of Allotment). Our Promoters will therefore be able to continue to exercise significant control or influence over our business and major policy decisions, including over the outcome of matters submitted to our Board or our Shareholders for approval. Such matters may include the composition of our Board of Directors, the adoption of amendments to our certificate of incorporation, the approval of mergers, strategic acquisitions or joint ventures or the sales of substantially all of our assets, and the policies for dividends, lending, investments and capital expenditures. Our Promoters' concentration of ownership of our Equity Share capital may also delay, defer or even prevent a change in control of our Company, and it may be more difficult or impossible for our Company to enter into certain transactions without the support of our Promoters. The trading price of our Equity Shares could be adversely affected if potential new investors are disinclined to invest in us because of any perceived disadvantages of our Promoters owning a high concentration of our shareholding. For details of our Equity Shares held by our Promoters, see "*Capital Structure — Notes to the Capital Structure — History of the share capital held by our Promoters*" on page 87. Following our listing, the Promoters and GPC also seek to retain their rights to nominate Directors on our Board, subject to the receipt of the requisite regulatory and corporate authorizations (including special resolution to be passed by our Shareholders in a general meeting after the listing of the Equity Shares). For further details in relation to the current and proposed nominee rights of our Promoters, see "*History and Certain Corporate Matters – Shareholders' agreements and other agreements*" and "*Description of Equity Shares and Terms of Articles of Association*" on pages 225 and 491, respectively. OK

EXTERNAL RISKS

Risks Relating to India

54. ***Our business is affected by prevailing economic, political and other prevailing conditions in India and the markets we currently serve.***

The Indian economy and the financing industry are influenced by economic, political and market conditions in India and globally. Our Company is incorporated in India, and all of our assets and employees are located in India. As a result, we are dependent on prevailing economic conditions in India and our results of operations are affected by factors influencing the Indian ecouomy. Factors that may adversely affect the Indian economy, and hence our results of operations, may include:

- any increase in Indian interest rates or inflatinn;
- any exchange rate fluctuations;
- any scarcity of credit or other financing in India, or change in India's credit rating, resulting in an adverse effect on economic conditions in India and scarcity of financing of our developments and expansions;
- volatility in, and actual or perceived trends in trading activity on, India's principal stock exchanges;
- changes in India's tax, trade, fiscal or monetary policies;
- political instability, civil unrest, acts of violence, terrorist attacks, regional conflicts or situations of war terrorism or military conflict in India or in countries in the region or globally, including in India's various neighboring countries;
- man-made or natural disasters such as earthquakes, tsunamis, floods, droughts, as well as the effects of climate change;
- infectious disease outbreaks or other serious public health concerns such as the COVID-19 pandemic; and
- other significant regulatory or economic developments in or affecting India or its financial services sectors.

Any slowdown or perceived slowdown in the Indian economy, or in specific sectors of the Indian economy, could adversely affect our business, results of operations and financial condition and the price of the Equity Shares.

55. ***It may not be possible for you to enforce any judgment obtained outside India against us, our management or any of our respective affiliates in India, except by way of a suit in India on such judgment.***

We are incorporated under the laws of India and most of our Directors reside in India. As a result, you may be unable to effect service of process in jurisdictions outside India, upon our Company or enforce in Indian courts judgments obtained in courts of jurisdictions outside India against our Company, including judgments predicated upon the civil liability provisions of securities laws of jurisdictions outside India. India has reciprocal recognition and enforcement of judgments in civil and commercial matters with a limited number of jurisdictions. A judgment from certain specified courts located in a jurisdiction with reciprocity must meet certain requirements of the Code of Civil Procedure, 1908, as amended (the "**Civil Code**"). The United States and India do not currently have a treaty providing for reciprocal recognition and enforcement of judgments in

Particulars	Six months ended September 30, 2023	Six months ended September 30, 2022	Year ended March 31, 2023	Year ended March 31, 2022	Year ended March 31, 2021
Net (decrease)/increase in cash and cash equivalents	**(2,015.40)**	**(547.32)**	**536.28**	**1,867.51**	**(6,622.16)**
Cash and cash equivalents as at the beginning of the year	**7,594.55**	**7,058.27**	**7,058.27**	**5,190.76**	**11,812.92**
Cash and cash equivalents as at the end of the year	**5,579.15**	**6,510.95**	**7,594.55**	**7,058.27**	**5,190.76**

Financial Metrics

Particulars	As at the Six months ended		As of or for the Financial Year Ended March 31,		
	September 30, 2023	September 30, 2022	2023	2022	2021
Gross loan portfolio (₹ million)(1)	1,08,670.66	74,494.86	92,082.96	62,549.42	49,867.11
Gross loan portfolio growth (%)(2)	45.88%	55.54%	47.22%	25.43%	3.06%
Total loan portfolio (₹ million)(3)	87,288.75	55,807.08	71,987.02	46,197.26	35,045.78
Total loan portfolio growth (%)	56.41%	54.13%	55.83%	31.82%	27.32%
Assigned loans (₹ million)(4)	19,248.47	15,895.71	17,727.53	16,701.64	15,018.73
Ratio of assigned loan to gross loan portfolio (%)	17.71%	21.34%	19.25%	26.70%	30.12%
Restructured portfolio (₹ million)(5)	563.19	2,596.86	1,227.22	3,862.65	Not applicable(13)
Ratio of restructured portfolio to total loan portfolio (%)	0.65%	4.65%	1.70%	8.36%	Not applicable(13)
Average annual gross loan portfolio (₹ million)(6)	1,00,376.81	68,522.14	77,316.19	56,208.26	49,126.43
Average monthly gross loan portfolio (₹ million)(7)	1,01,170.47	68,119.92	75,821.33	51,263.02	46,729.06
Average annual total loan portfolio (₹ million)(8)	79,637.89	51,002.17	59,092.14	40,621.52	31,286.11
Average monthly total loan portfolio (₹ million)(9)	81,146.38	51,015.87	58,087.22	38,879.92	30,074.14
Number of loans disbursed (million)	1.22	1.07	2.11	1.35	0.76
Disbursements (₹ million)	51,815.75	34,865.20	81,044.74	46,469.63	26,367.66
Disbursement growth (%)(10)	48.62%	171.87%	74.40%	76.24%	(35.42)%
Active loan accounts (million)(11)	3.94	3.20	3.34	2.72	2.28
Number of active customers (million)(12)	3.19	2.40	2.77	2.05	1.86
Number of active customers growth (%)	32.96%	30.71%	35.23%	10.52%	1.44%
Ratio of disbursements to the number of loans disbursed (₹)	42,344.65	32,440.41	38,481.83	34,359.82	34,594.02
Ratio of gross loan portfolio to the number of active customers (₹)	34,028.92	31,016.15	33,205.46	30,500.79	26,874.83

OK

Notes:

(1) *Gross loan portfolio represents the aggregate of future principal outstanding and overdue principal outstanding, if any, for all loan assets which includes loan assets held by our Company as of the last day of the relevant period/year, loan assets which have been transferred by our Company by way of assignment as well as loan assets managed by our Company through partner institution and co-lending partner, and are outstanding as of the last day of the relevant period/year. While we act as partner institution for these loans, these loans are provided on the balance sheet of our partner institution, and not recognized as our loan assets on our balance sheet.*

(2) *Gross loan portfolio growth represents the growth in gross loan portfolio as of the last day of the relevant period/year as compared with the gross loan portfolio as of the last day of the preceding year.*

(3) *Total loan portfolio represents the aggregate of future principal outstanding and overdue principal outstanding, if any, for all loan assets held by our Company as of the last day of the relevant year/period, gross of impairment allowance.*

(4) *Assigned loans represent the loan portfolio outstanding on the last day of the relevant period/year which have transferred by our Company by way of assignment.*

(5) *Restructured portfolio represents the outstanding portfolio held by our Company on the last day of the relevant period/year which have been restructured in accordance with the resolution plan implemented by us pursuant to the Resolution Framework for COVID-19-related stress as per RBI circular dated May 5, 2021 ("**Resolution Framework 2.0**"). Under Resolution Framework 2.0, the RBI has provided a framework to lending institutions (including NBFC-MFIs) for the implementation of resolution plans to address the economic fallout due to the COVID-19 pandemic.*

(6) *Average annual gross loan portfolio is the simple average of our gross loan portfolio as of the last day of the relevant period/ year and our gross loan portfolio as of March 31 of the preceding year.*

(7) *Average monthly gross loan portfolio is the simple average of the month end balances of our gross loan portfolio for the periods mentioned.*

(8) *Average annual total loan portfolio is the simple average of our total loan portfolio as of the last day of the relevant period/year and our total loan portfolio as of March 31 of the preceding year.*

(9) *Average monthly total loan portfolio is the simple average of the month end balances of our total loan portfolio for the periods mentioned.*

(10) *Disbursement growth represents growth in disbursements for the relevant period/year as a percentage of disbursements for the previous period/year.*

(11) *Active loan accounts represent the aggregate number of all loan assets under management which includes loan assets held by our Company as of the last day of the relevant period/year as well as loan assets which have been transferred by our Company by way of assignment, and are outstanding as of the last day of the relevant period/year.*

CAPITAL STRUCTURE

The share capital of our Company, as on the date of this Red Herring Prospectus, is set forth below.

(in ₹, except share data unless otherwise stated)

Sr. No.	Particulars	Aggregate value at face value	Aggregate value at Offer Price*
A.	**AUTHORISED SHARE CAPITAL**(1)		
	200,000,000 Equity Shares of face value of ₹10 each	2,000,000,000	
	50,000,000 CCPS of face value ₹10 each	500,000,000	
	Total	**2,500,000,000**	-
B.	**ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL BEFORE THE OFFER**#		
	144,357,971 Equity Shares of face value of ₹10 each	1,443,579,710	-
C.	**PRESENT OFFER**		
	Offer of up to [•] Equity Shares of face value of ₹10 each aggregating up to ₹9,600.00 million(2)(3)	[•]	[•]
	of which		
	Fresh Issue of up to [•] Equity Shares of face value of ₹10 each aggregating up to ₹7,600.00 million(2)	[•]	[•]
	Offer for Sale of up to [•] Equity Shares of face value of `10 each by the Selling Shareholders aggregating up to ₹2,000.00 million(3)	[•]	[•]
	which includes		
	Employee Reservation Portion of up to [•] Equity Shares of face value of `10 each(4)	[•]	[•]
	Net Offer of up to [•] Equity Shares of face value of `10 each	[•]	[•]
D.	**ISSUED, SUBSCRIBED AND PAID-UP CAPITAL AFTER THE OFFER***		
	[•] Equity Shares of face value of ₹10 each	[•]	-
E.	**SECURITIES PREMIUM ACCOUNT**		
	Before the Offer	9,432,170,326.96	
	After the Offer	[•]	

OK

* *To be included upon finalisation of the Offer Price.*

\# *Pursuant to resolutions, each dated November 25, 2023, passed by our Board and our Shareholders, 23,360,260 CCPS held by GPC were converted to 27,520,722 Equity Shares of face value of ₹10 each. For details, see "Capital Structure – Notes to Capital Structure – Share Capital history of our Company" on page 83.*

(1) *For details in relation to the changes in the authorised share capital of our Company, see "History and Certain Corporate Matters – Amendments to our Memorandum of Association" on page 221.*

(2) *The Offer including the Fresh Issue has been approved by our Board pursuant to the resolution passed at its meeting held on May 6, 2023 and by our Shareholders pursuant to a special resolution passed at their meeting held on June 14, 2023. The Offer has been revised by the IPO Committee pursuant to its resolution passed at its meeting held on November 29, 2023. Further, our Board has pursuant to its resolution dated June 26, 2023 and the IPO Committee has pursuant to its resolution dated November 29, 2023 taken on record the approval for the Offer for Sale by the Selling Shareholders.*

(3) *Each Selling Shareholder, severally and not jointly, has specifically confirmed that its respective portion of the Offered Shares has been held by it for a period of at least one year prior to the filing of the Draft Red Herring Prospectus with SEBI in accordance with Regulation 8 of the SEBI ICDR Regulations or are otherwise eligible for being offered for sale in the Offer in accordance with the provisions of the SEBI ICDR Regulations. For details on the authorizations and consents of each of the Selling Shareholders in relation to their respective Offered Shares, see "The Offer" and "Other Regulatory and Statutory Disclosures" on pages 65 and 446, respectively.*

(4) *Eligible Employees bidding in the Employee Reservation Portion must ensure that the maximum Bid Amount does not exceed ₹500,000 (net of the Employee Discount). However, the initial Allotment to an Eligible Employee in the Employee Reservation Portion shall not exceed ₹200,000 (net of the Employee Discount). Only in the event of an under-subscription in the Employee Reservation Portion post the initial Allotment, such unsubscribed portion may be Allotted on a proportionate basis to Eligible Employees Bidding in the Employee Reservation Portion, for a value in excess of ₹200,000 (net of the Employee Discount), subject to the total Allotment to an Eligible Employee not exceeding ₹500,000 (net of the Employee Discount). Our Company, acting through its IPO Committee in consultation with the Book Running Lead Managers, in accordance with the SEBI ICDR Regulations, may offer a discount of up to [•]% to the Offer Price (equivalent of ₹[•] per Equity Share) to Eligible Employees Bidding in the Employee Reservation Portion, subject to necessary approvals as may be required, and which shall be announced at least two Working Days prior to the Bid / Offer Opening Date.*

Notes to the Capital Structure

1. Share capital history of our Company

(i) *Equity Share capital*

The history of the Equity Share capital of our Company is set forth in the table below:

BASIS FOR OFFER PRICE

The Price Band and the Offer Price will be determined by our Company, acting through its IPO Committee in consultation with the Book Running Lead Managers, in accordance with the SEBI ICDR Regulations, on the basis of assessment of market demand for the Equity Shares offered through the Book Building Process and on the basis of quantitative and qualitative factors as described below. The face value of the Equity Shares is ₹10 each and the Offer Price is [•] times the Floor Price and [•] times the Cap Price, and Floor Price is [•] times the face value and the Cap Price is [•] times the face value. Bidders should also see "*Risk Factors*", "*Our Business*", "*Restated Financial Statements*", and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" on pages 31, 181, 278 and 388, respectively, to have an informed view before making an investment decision.

Qualitative Factors

We believe that some of the qualitative factors and our strengths which form the basis for computing the Offer Price are:

- Market leadership with a pan-India presence;
- Rural focused operations, with a commitment towards health and social welfare of our customers;
- Brand recall and synergies with the Muthoot Pappachan Group;
- Robust risk management framework leading to healthy portfolio quality;
- Streamlined operating model with effective use of technology;
- Access to diversified sources of capital and effective cost of funds; and
- Experienced and Professional Management, with Strong Corporate Governance and support from Promoters and Investors.

For further details, see "*Our Business – Our Strengths*" on page 184.

Quantitative Factors

Some of the information presented below relating to our Company is derived from the Restated Financial Statements. For details, see "*Restated Financial Statements*" and "*Other Financial Information*" on pages 278 and 387, respectively.

Some of the quantitative factors which may form the basis for computing the Offer Price are as follows:

A. Basic and Diluted Earnings per share for continuing operations ("EPS") (face value of each Equity Share is ₹10):

Fiscal	Basic EPS (in ₹)	Diluted EPS (in ₹)	Weight
March 31, 2023	14.19	11.66	3
March 31, 2022	4.15	3.94	2
March 31, 2021	0.62	0.62	1
Weighted Average for the above three financial years	8.58	7.25	-
September 30, 2023*	17.57	14.22	-
September 30, 2022*	1.09	0.91	-

OK

** Not annualised*

Notes:

1. *EPS has been calculated in accordance with the Indian Accounting Standard 33 – "Earnings per share". The face value of equity shares of the Company is ₹10.*
2. *Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares outstanding during the period.*
3. *For the purpose of calculating diluted earnings per share, the net profit or loss (interest and other finance cost associated) for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.*

B. Price/Earning ("P/E") ratio in relation to Price Band of ₹[•] to ₹[•] per Equity Share:

<table>
<tr><th>Particulars</th><th>P/E at the Floor Price (number of times)</th><th>P/E at the Cap Price (number of times)</th></tr>
<tr><td>Based on basic EPS for financial year ended March 31, 2023</td><td colspan="2" rowspan="2">The details shall be provided post the fixing of price band by the company at the stage of red herring prospectus or the filing of price band advertisement</td></tr>
<tr><td>Based on diluted EPS for financial year ended March 31, 2023</td></tr>
</table>

RANGAMANI & CO.
ALAPPUZHA
688001
Chartered Accountants

C. Industry Peer Group P/E ratio

Based on the peer group information (excluding our Company) given below in this section, the highest P/E ratio is 551.18, the lowest P/E ratio is 9.33 and the average P/E ratio is 94.86.

Particulars	Industry Peer P/E	Name of the company	Face value of the equity shares (₹)
Highest	551.18	Spandana Spoorthy Financial Limited	10
Lowest	9.33	Ujjivan Small Finance Bank Limited	10
Average	94.86	-	-

Notes:

1. *The industry high and low has been considered from the industry peer set provided later in this chapter. The industry composite has been calculated as the arithmetic average P/E of the industry peer set disclosed in this section. For further details, see "Basis for the Offer Price – E. Comparison with Listed Industry Peers" beginning on page 110.*
2. *The industry P/E ratio mentioned above is as on financial year ended March 31, 2023.*

D. Industry Peer P/B ratio

Based on the peer group information (excluding our Company) given below in this section, the highest P/B ratio is 5.15, the lowest P/B ratio is 1.07 and the average P/B ratio is 2.49.

Particulars	Industry Peer P/B	Name of the company	Face value of the equity shares (₹)
Highest	5.15	CreditAccess Grameen Limited	10
Lowest	1.07	Suryoday Small Finance Bank Limited	10
Average	2.49	-	-

Notes:

1. *The industry high and low have been considered from the industry peer set provided later in this chapter. The industry composite has been calculated as the arithmetic average P/B of the industry peer set disclosed in this section. For further details, see "Basis for the Offer Price – E. Comparison with Listed Industry Peers" beginning on page 110.*

E. Return on Net Worth ("RoNW")

Fiscal	RoNW (%)	Weight
March 31, 2023	10.08%	3
March 31, 2022	3.55%	2
March 31, 2021	0.79%	1
Weighted Average for the above three Financial Years	6.35%	-
September 30, 2023*	11.14%	-
September 30, 2022*	0.86%	-

OK

* *Not annualised.*

Notes:

1. *Return on Net Worth (%) = Net profit/(loss) after tax divided by net worth at the end of the year. Please see "Certain Conventions, Presentation of Financial, Industry and Market Data and Currency of Presentation – Non-GAAP Financial Measures" on page 16.*

F. Net Asset Value ("NAV") per Equity Share

Net Asset Value per Equity Share	₹
As at March 31, 2023*	112.63
As at March 31, 2022*	97.74
As at March 31, 2021*	77.94
Six months ended September 30, 2023	127.61
Six months ended September 30, 2022	100.21
After the Offer	
- At Floor Price	[●]
- At Cap Price	[●]
- At Offer Price	[●]

OK

Notes:

1. *Net Asset Value per equity share represents net worth as at the end of the fiscal year, as restated, divided by the number of Equity Shares outstanding at the end of the period/year. Equity shares on fully diluted basis is considered for the purpose of calculation of NAV.*

* *As per the Restated Financial Statements.*

G. Comparison with Listed Industry Peers

Following is the comparison with our peer group companies listed in India and in the same line of business as our Company:

Name of the company	**Total Income (₹ in million)**	**Face Value (₹)**	**P/E**	**P/B**	**EPS (Basic) (₹)**	**EPS (Diluted) (₹)**	**RoNW (%)**	**NAV per equity share (₹)**
Muthoot Microfin Limited	14,463.44	10	[•]	[•]	14.19	11.66	10.08%	112.63
Listed peers								
Equitas Small Finance Bank Limited	48,314.64	10	20.29	2.04	4.71	4.67	11.12%	46.44
Ujjivan Small Finance Bank Limited	47,541.90	10	9.33	2.70	5.88	5.87	27.79%	20.25
CreditAccess Grameen Limited	35,507.90	10	32.47	5.15	52.04	51.82	16.18%	326.89
Spandana Sphoorty Financial Limited	14,770.32	10	551.18	2.20	1.74	1.74	0.40%	436.58
Bandhan Bank Limited	183,782.50	10	15.59	1.75	13.62	13.62	11.21%	121.58
Suryoday Small Finance Bank Limited	12,811.00	10	21.73	1.07	7.32	7.32	4.90%	149.28
Fusion Micro Finance Limited	17,999.70	10	13.46	2.52	43.29	43.13	16.67%	230.74

OK

**Financial information for Muthoot Microfin Limited is derived from the Restated Financial Statements for the year ended March 31, 2023*

Notes:

1. *All the financial information for listed industry peers mentioned above is on a consolidated basis (unless otherwise available only on standalone basis) and is sourced from the annual reports/ financial results as available of the respective company for the year ended March 31, 2023.*
2. *P/E ratio is calculated as closing share price (Nov 24, 2023, - BSE) / Diluted EPS for year ended March 31, 2023.*
3. *P/B ratio is calculated as closing share price (Nov 24, 2023, -BSE) / NAV per share for year ended March 31, 2023.*
4. *Basic and Diluted EPS as reported in the annual report/financial results of the company for the year ended March 31, 2023.*
5. *Return on net worth (%) = Net profit/(loss) after tax / Net worth at the end of the year.*
6. *Net asset value per share (in ₹) = Net worth at the end of the year / Total number of equity shares outstanding at the end of the year.*
7. *Net worth includes share capital, reserve and surplus.*
8. *The audited financial statement for the year ended March 31, 2023 of CreditAccess Grameen Limited, Spandana Sphoorty Financial Limited, Fusion Micro Finance Limited and Muthoot Microfin Limited were prepared as per Ind AS and Equitas Small Finance Bank, Ujjivan Small Finance Bank Limited and Bandhan Bank Limited were prepared as per Indian GAAP*

H. Key Performance Indicators

The table below sets forth the details of KPIs that our Company considers have a bearing for arriving at the basis for Offer Price. All the KPIs disclosed below have been approved by a resolution of our Audit Committee dated November 28, 2023 and the Audit Committee has confirmed that verified and audited details of all the KPIs pertaining to the Company that have been disclosed to earlier investors at any point of time during the three years period prior to the date of filing of this Red Herring Prospectus have been disclosed in this section. Further, the KPIs herein have been certified by Rangamani & Co., Chartered Accountants pursuant to certificate dated November 28, 2023.

The KPIs disclosed below have been used historically by the Company to understand and analyze the business performance, which in result, help it in analyzing the growth of various verticals in comparison to its peers.

Our Company confirms that it shall continue to disclose all the KPIs included in this section on a periodic basis, at least once a year (or any lesser period as may be determined by the Board of our Company), for a duration of one year after the date of listing of the Equity Shares on the Stock Exchanges or till the utilisation of the Offer Proceeds as per the disclosure made in the section "*Objects of the Offer*" on page 104, whichever is later, or for such other duration as required under the SEBI ICDR Regulations.

Key Performance Indicators:

KPIs		**September 30, 2023**	**September 30, 2022**	**FY 2023**	**FY 2022**	**FY 2021**
Sr. No.	**Operations**					
1.	Number of branches	1,340	1,008	1,172	905	755
2.	Number of districts	339	305	321	281	249
3.	Assets under management (in ₹ million)	1,08,670.66	74,494.86	92,082.96	62,549.42	49,867.11
4.	Assets under management growth (%)	45.88%	55.54%	47.22%	25.43%	3.06%
5.	Disbursements (in ₹ million)	51,815.75	34,865.20	81,044.74	46,469.63	26,367.66
6.	Disbursement growth (%)	48.62%	171.87%	74.40%	76.24%	(35.42)%
7.	Average ticket size (₹)	42,344.65	32,440.41	38,481.83	34,359.82	34,594.02

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KPIs		September 30, 2023	September 30, 2022	FY 2023	FY 2022	FY 2021
Sr. No.	**Operations**					
8.	Number of active clients (million)	3.19	2.40	2.77	2.05	1.86
9.	Number of repeating clients (million)	1.00	0.76	1.29	1.12	0.98
10.	Unique client accounts (million)	2.20	1.64	1.49	0.93	0.87
11.	Collection efficiency	98.89%	93.71%	95.84%	85.75%	67.52%
12.	Share or rural portfolio (%)	95.63%	95.56%	94.67%	95.33%	95.05%
13.	Share of top 3 States (%)	51.69%	59.14%	54.81%	63.58%	65.19%
14.	Share of top 25 districts	36.34%	43.96%	39.75%	47.99%	49.92%
Productivity						
15.	Disbursement per branch (₹ million)	38.67	34.59	69.15	51.35	34.92
16.	Assets under management per loan officer (₹ million)	14.50	13.19	14.68	12.52	10.95
Capital						
17.	Net worth (in ₹ million)	18,420.95	14,465.84	16,258.49	13,365.79	8,898.90
18.	Total capital ratio (CRAR) (%)	20.46%	24.16%	21.87%	28.75%	22.55%
19.	Tier 1 capital ratio (%)	20.46%	24.16%	21.87%	28.38%	21.80%
20.	Cost of funds (%)	11.20%	10.54%	10.94%	10.44%	11.08%
21.	Leverage or debt to equity ratio	4.21	3.62	3.99	2.99	3.39
Asset Quality						
22.	Standard asset	96.46%	93.64%	96.20%	85.79%	82.86%
23.	SMA 0 %	0.55%	1.02%	0.22%	2.23%	5.29%
24.	SMA 1 %	0.32%	0.35%	0.26%	2.29%	1.97%
25.	SMA 2 %	0.30%	1.73%	0.35%	3.43%	2.50%
26.	Gross NPA (%)	2.37%	3.26%	2.97%	6.26%	7.39%
27.	Provision coverage ratio (%)	86.42%	73.73%	80.32%	76.68%	81.32%
28.	Restructured book as % of advances (%)	0.65%	4.65%	1.70%	8.36%	Not applicable
29.	Net NPA (%)	0.33%	0.88%	0.60%	1.55%	1.42%
Profitability						
30.	Net profit (in ₹ million)	2,052.57	124.66	1,638.89	473.98	70.54
31.	Annual average yield on gross outstanding loan portfolio (%)	22.94%	22.05%	21.84%	17.94%	19.91%
32.	Net interest margin (%)	12.39%	11.12%	11.60%	9.60%	8.24%
33.	Credit cost ratio (%)	1.24%	4.80%	2.95%	2.17%	2.83%
34.	Opex (%)	5.82%	6.13%	6.08%	6.38%	5.47%
35.	Cost to income ratio (%)	46.61%	53.69%	51.39%	65.02%	64.41%
36.	Return on average gross outstanding loan portfolio (%)	2.03%	0.18%	2.16%	0.92%	0.15%
37.	Return on average equity (%)	11.84%	0.90%	11.06%	4.26%	0.79%
Others						
38.	Basic EPS (in ₹)	17.57	1.09	14.19	4.15	0.62
39.	Diluted EPS (in ₹)	14.22	0.91	11.66	3.94	0.62
40.	Net Asset Value per Equity Share (in ₹)	127.61	100.21	112.63	97.74	77.94
Digital Adoption						
41.	Unique customer transacted digitally (during the period) (in million)	2.46	0.83	1.70	0.52	0.13
42.	Mahila Mitra App Downloads (in million)	0.32	0.19	0.31	0.85	0.02
43.	Digital collection (in million)	9,515.25	2,488.00	10,955.40	1,683.01	308.59
44.	Branch digitalisation (above 80% share)(Nos.)	96	59	116	-	-
Insurance						
45.	Insurance premium collected (₹ million)	2,299.73	1,459.52	3,380.93	1,856.03	981.15
46.	Life insurance (₹ million)	1,643.08	1,069.72	2,440.26	1,383.05	772.36
47.	Medical insurance (₹ million)	304.88	304.31	598.28	387.54	175.44
48.	Natural calamity insurance (₹ million)	351.78	85.49	342.38	85.43	33.36

For details of our other operating metrics disclosed elsewhere in this Red Herring Prospectus, see "*Our Business*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" on pages 181 and 388, respectively.

I. Description on the historic use of the KPIs by our Company to analyze, track or monitor the operational and/or financial performance of our Company

In evaluating our business, we consider and use certain KPIs, as presented above, as a supplemental measure to review and assess our financial and operating performance. The presentation of these KPIs is not intended to be considered in isolation or as a substitute for the Restated Financial Statements. We use these KPIs to evaluate our financial and operating performance. Some of these KPIs are not defined under Ind AS and are not presented in accordance with Ind AS. These KPIs have limitations as analytical tools.

OUR BUSINESS

Some of the information in this section, including information with respect to our plans and strategies, contain forward-looking statements that involve risks and uncertainties. You should read "Forward-Looking Statements" on page 19 for a discussion of the risks and uncertainties related to those statements and also "Risk Factors" on page 31 for a discussion of certain risks that may affect our business, financial condition, or results of operations, "Restated Financial Statements" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 278 and 388, respectively, for a discussion of certain factors that may affect our business, financial condition or results of operations. Our actual results may differ materially from those expressed in or implied by these forward-looking statements.

We have included certain non-GAAP financial measures and other performance indicators relating to our financial performance and business in this Red Herring Prospectus, each of which is a supplemental measure of our performance and liquidity and not required by, or presented in accordance with, Ind AS, IFRS or U.S. GAAP. Furthermore, such measures and indicators are not defined under Ind AS, IFRS, U.S. GAAP or other accounting standards, and therefore should not be viewed as substitutes for performance, liquidity or profitability measures under such accounting standards. In addition, such measures and indicators, are not standardized terms, hence a direct comparison of these measures and indicators between companies may not be possible. Other companies may calculate these measures and indicators differently from us, limiting their usefulness as a comparative measure. Although such measures and indicators are not a measure of performance calculated in accordance with applicable accounting standards, our management believes that they are useful to an investor in evaluating our operating performance. For further details, see "Risk Factors - We have presented, in this Red Herring Prospectus, certain financial measures and other selected statistical information relating to our financial condition and operations which are not prepared under or required by Indian GAAP. These financial measures and statistical information may vary from any standard methodology that is applicable across the financial services industry, and therefore may not be comparable with financial or statistical information of similar nomenclature computed and presented by other financial services companies." on page 58.

*Unless otherwise indicated, industry and market data used in this section have been derived from the report dated November 27, 2023 (the "**CRISIL Report**"), prepared and released by CRISIL, which has been exclusively commissioned and paid for by our Company pursuant to an engagement letter dated May 29, 2023, for the purpose of understanding the industry in connection with this Offer. A copy of the CRISIL Report shall be available on the website of our Company at https://muthootmicrofin.com/wp-content/uploads/2023/11/Updated-Industry-Report_27Nov2023.pdf from the date of the Red Herring Prospectus till the Bid Offer/Closing Date. Unless otherwise indicated, financial, operational, industry and other related information derived from the CRISIL Report and included herein with respect to any particular year refers to such information for the relevant financial year. See "Certain Conventions, Use of Financial Information and Market Data and Currency of Presentation – Industry and Market Data" and "Risk Factors - Internal Risk Factors - This Red Herring Prospectus contains information from third parties and an industry report which we have commissioned from CRISIL, which we have commissioned and paid for purposes for our understanding of the industry exclusively in connection with the Offer" on pages 17 and 51, respectively.*

Our Company's Financial Year commences on April 1 and ends on March 31 of the immediately subsequent year, and references to a particular Financial Year are to the 12 months ended March 31 of that particular year. Unless otherwise indicated or the context otherwise requires, financial information for the financial years ended March 31, 2021, 2022 and 2023, and the six months ended September 30, 2022 and 2023 included herein is derived from the Restated Financial Statements included in this Red Herring Prospectus. For further information, see "Restated Financial Statements" on page 278. Unless otherwise indicated or the context otherwise requires, in this section, references to "we", "us" and "our" are to Muthoot Microfin Limited.

The terms "total outstanding loan portfolio", "average outstanding loan portfolio," and "outstanding non-performing loan portfolio" appearing in this section refer to the loans provided by us, as referred to in our restated financial statements, and "gross outstanding loan portfolio" or "gross loan portfolio" includes "total outstanding loan portfolio" together with our assigned and managed loans.

Overview

We are a microfinance institution providing micro-loans to women customers (primarily for income generation purposes) with a focus on rural regions of India. We are the fifth largest NBFC-MFI in India in terms of gross loan portfolio as of March 31, 2023 *(Source: CRISIL Report)*. We are also the third largest amongst NBFC-MFIs in South India in terms of gross loan portfolio, the largest in Kerala in terms of MFI market share, and a key player in Tamil Nadu with an almost 16% market share, as of March 31, 2023 (*Source: CRISIL Report*).

As of September 30, 2023, our gross loan portfolio amounted to ₹108,670.66 million. We believe that our business model helps in driving financial inclusion, as we serve customers who belong to low-income groups. As of September 30, 2023, we have 3.19 million active customers, who are serviced by 12,297 employees across 1,340 branches in 339 districts in 18 states and union territories in India. We have built our branch network with an emphasis on under-served rural markets with growth potential, in order to ensure ease of access to customers. Our branches are connected to our IT networks and are primarily located in commercial spaces which we believe are easily accessible by our customers. OK

We are a part of the Muthoot Pappachan Group, a business conglomerate with presence across financial services, automotive, hospitality, real estate, information technology infrastructure, precious metals and alternate energy sectors. The Muthoot Pappachan Group has a history of over 50 years in the financial services business. We are the second largest company under the Muthoot Pappachan Group, in terms of AUM for the Financial Year 2023. MFL, the flagship company of the Muthoot Pappachan Group, holds 59.29% of the pre-Offer Equity Share capital in our Company, on a fully diluted basis, as of the date of this Red Herring Prospectus. Our relationship with the Muthoot Pappachan Group provides us with brand recall and significant marketing and operational benefits. Further, there are significant synergies between the financial services business of the group and our micro-finance business. The target customer segment of the Muthoot Pappachan Group is low income customers, as depicted in the image below:

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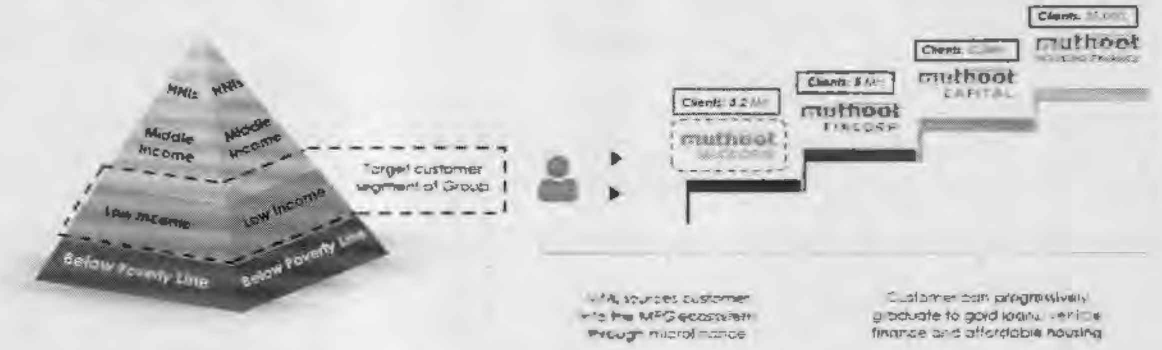

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Our wide range of lending products are aimed at catering to the life-cycle needs of rural households. We primarily provide loans for income generating purposes to women customers living in rural areas. Our loan products comprise (i) group loans for livelihood solutions such as income generating loans, Pragathi loans (which are interim loans made to existing customers for working capital and income generating activities), individual loans and Suvidha loans (which are digital loans accessible through the *Mahila Mitra* application and made to existing customers to enable quick access to funds); (ii) life betterment solutions including mobile phones loans, solar lighting product loans and household appliances product loans; (iii) health and hygiene loans such as sanitation improvement loans; and (iv) secured loans in the form of gold loans and our Muthoot Small & Growing Business ("**MSGB**") loans. As of September 30, 2023, the gross loan portfolio of our income generating loans amounted to ₹102,118.73 million, representing 93.97% of our total gross loan portfolio. We primarily adopt a joint liability group model which caters exclusively to women in lower income households and is premised on the fact that if such individuals are given access to credit, they may be able to identify new opportunities and supplement and grow their existing income. The history of the Muthoot Pappachan Group in working with customers at the bottom of the economic pyramid helps us better address the needs of women in rural households and design lending products to cater to their requirements.

Over the past few years, we have significantly implemented the use of technology across our microfinance operations. We have an in-house information technology team that has built our technology platform into a business tool, which we believe helps us in achieving and maintaining high levels of customer service, enhancing operational efficiency and creating competitive advantages for our organization. To improve our underwriting capabilities using technology, we have developed a unique credit score card along with Equifax to evaluate the creditworthiness of customers by assigning individual credit scores to our customers. As a result, we are able to risk profile each of our customers individually based on parameters such as payment track record (including any credit defaults in the past two years), demographics, age and location. This allows us to strategically allocate more capital to "very low risk" and "low risk" customers, as compared to "medium risk" and "high risk" customers (as per the categorization based on the score cards), in order to maximize our collection efficiency. Apart from utilizing our unique credit score, we also analyze customers' credit bureau reports to establish their creditworthiness and repayment behavior. Further, to expand our digital collections infrastructure, we launched a proprietary application, called "*Mahila Mitra*", in 2021, which facilitates digital payment methods such as QR codes, websites, SMS-based links and voice-based payment methods. Through *Mahila Mitra*, our customers are able to pay directly from their bank account through a secure platform that requires authentication via OTP and/or PIN payments, track and maintain digital records and statements of transactions, and earn cashback or reward points on payment transactions. For the Financial Years 2021, 2022 and 2023, and the six months ended September 30, 2023, 1.06%, 4.86%, 20.30% and 25.47% of our repayments were collected on a digital basis (i.e. in a cash less manner by direct bank credit into our bank accounts), respectively. As of September 30, 2023, 1.50 million customers have downloaded the *Mahila Mitra* application, and 2.46 million customers have transacted digitally with us (through the *Mahila Mitra* application and other digital payment methods). We are also in the process of developing a *Super App* along with the Muthoot Pappachan Group, which we plan to use to integrate our *Mahila Mitra* application with all of the Muthoot Pappachan Group's products and databases on to a single platform, allowing customers to access all the Group's loan offerings on a single platform, thereby maximizing our cross-selling opportunities. In 2022, we were awarded the Mobility Award for IT Innovations at the Technology Senate Awards South 2022 instituted by Express Computer, and the Best Digital Transformation Initiative – Financial Services Award at the India DevOps Show, 2022. In 2023, we were awarded the Trailblazer in Digital Lending Award at the 2nd Elets NBFC100 Leader of Excellence Awards, 2023, and the winner in the category of 'Modern and Agile Data Architecture and Infrastructure' at the Economic Times Datacon Awards, 2023.

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In addition, with the aim to cater to the healthcare needs and priorities of our customers, we have, since December 2021, offered digital healthcare facilities to our customers through "e-clinics". We collaborate with M-Swasth Solutions Private Limited, a technology driven digital healthcare service provider, to set up these e-clinics across our branches. As of September 30, 2023, we have set up 460 e-clinics across 460 of our branches, representing 34.33% of our total branches. As of September 30, 2023, 14.40% of our customers have enrolled in our e-clinics, and we have facilitated 98,844 medical consultations and 65,878 teleconsultations. Further, to protect our customers from the risks of natural calamities, we have, since May 2020, also provided natural calamity insurance to our customers to whom we disburse loans across our branches in India. As of September 30, 2023, we have provided 23.23% of our clients with natural calamity insurance. As a result of global climate change, India has experienced natural calamities such as floods, cyclones, earthquakes, tsunamis and droughts in the past, including floods in the south Indian state of Kerala in 2018 and 2019 and a cyclone in Tamil Nadu in 2018. In this background, purchasing natural calamity insurance for our customers is a significant value-add to them as it protects their businesses and assets at home.

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Our Board, Promoters and Senior Management comprise experienced professionals, industry experts and management professionals, supported by a qualified and motivated pool of employees. Our Senior Management team has members who have significant experience in microfinance and various lending businesses as well as across major functions related to our business, which include retail banking operations, debt management and microfinance, financial services and information technology services. Collectively, they have demonstrated an ability to manage and grow our operations. For details of our board of directors and management team, see "*Our Management*" on page 228. Further, we are supported by our marquee investors, namely Creation Investments India LLC and Greater Pacific Capital WIV Ltd, which have been invested in our Company since 2016 and 2021, respectively, and collectively hold 28.07% of the issued, subscribed and paid-up pre-Offer Equity Share capital of our Company on a fully diluted basis, as of the date of this Red Herring Prospectus.

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We have received several awards and certifications in recognition of our approach of integrating social values in the conduct of our business, including the Certificate of Excellence for contributions for water and sanitation lending instituted by Water.org and Sa-Dhan in 2021, the 'Flame Awards' instituted by Rural Marketing Association of India in 2020, and the 'Golden Peacock Award for Business Excellence' by the Institute of Directors in 2018.

The following table sets forth our key financial and operational metrics as of or for the years indicated:

	As of/ for the six months ended September 30,		**As of/ for the year ended March 31,**		
	2023	**2022**	**2023**	**2022**	**2021**
Gross Loan Portfolio (₹ million)(1)	108,670.66	74,494.86	92,082.96	62,549.42	49,867.11
Period on period growth in Gross Loan Portfolio (%)	45.88%	55.54%	47.22	25.43	3.06
Disbursements (₹ million)(2)	51,815.75	34,865.20	81,044.74	46,469.63	26,367.66
Period on period growth in Disbursements (%)	48.62%	171.87%	74.40	76.24	(35.42)
Number of Loans Disbursed (million)(3)	1.22	1.07	2.11	1.35	0.76
Customers to whom loans were disbursed during the Period (million)(4)	0.95	0.72	1.52	1.02	0.70
New Customers (million)(5)	0.47	0.43	1.01	0.45	0.21
Active Customers (million)(6)	3.19	2.40	2.77	2.05	1.86
Customers with Mahila Mitra app downloads (million)(7)	1.50	1.06	1.18	0.87	0.02
Customers who Transacted Digitally with Us (million)(8)	2.46	0.83	1.70	0.52	0.13
Overall Digital Collection (₹ million)(9)	9,515.25	2,488.00	10,955.40	1,683.01	308.59
Revenue from Operations (₹ million)(10)	10,423.27	6,047.42	14,287.64	8,325.06	6,841.67
Net Interest Income (₹ million)(11)	6,270.02	3,786.66	8,797.54	4,923.52	3,848.39
Net Interest Margin(12)	12.39%	11.12%	11.60%	9.60%	8.24%
Ratio of Operating Expenses to Annual Average Gross Loan Portfolio	5.87%	6.09%	5.96%	5.82%	5.20%
Ratio of Provisions and Write Offs to Annual Average Gross Loan Portfolio	1.25%	4.77%	2.89%	1.98%	2.69%
Pre-provision operating profit before Tax (₹ million)(13)	3,373.57	1,800.87	4,361.88	1,758.74	1,412.79
Profit After Tax (₹ million)(14)	2,052.57	124.66	1,638.89	473.98	70.54
Total comprehensive income for the year (₹ million)(15)	2,111.82	273.33	2,033.06	797.23	(173.10)
Debt to equity (times)(16)	4.21	3.62	3.99	2.99	3.39
RoA(17)	2.21%	0.20%	2.16%	0.92%	0.15%
RoE(18)	11.84%	0.90%	11.06%	4.26%	0.79%

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	As of/ for the six months ended September 30,		As of/ for the year ended March 31,		
	2023	2022	2023	2022	2021
Net Worth(19)	18,420.95	14,465.84	16,258.49	13,365.79	8,898.90
Cost to income ratio (%)(20)	46.61%	53.69%	51.39%	65.02%	64.41%
Average annual cost of borrowings (%)(21)	11.20%	10.54%	10.94%	10.44%	11.08%
Impairment allowance coverage ratio (%)(22)	86.42%	73.73%	80.32%	76.68%	81.32%
Capital to risk assets ratio (CRAR) (%)(23)	20.46%	24.16%	21.87%	28.75%	22.55%
Insurance Premium collected (₹ million)(24)	2,299.73	1,459.52	3,380.93	1,856.03	981.15
Life Insurance (₹ million)(25)	1,643.08	1,069.72	2,440.26	1,383.05	772.36
Medical Insurance (₹ million)(26)	304.88	304.31	598.28	387.54	175.44
Natural Calamity Insurance (₹ million)(27)	351.78	85.49	342.38	85.43	33.36

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Notes:

(1) Gross loan portfolio represents the aggregate of future principal outstanding and overdue principal outstanding, if any, for all loan assets which includes loan assets held by our Company as of the last day of the relevant period/year, loan assets which have been transferred by our Company by way of assignment as well as loan assets managed by our Company through partner institution and co-lending partner, and are outstanding as of the last day of the relevant period/year. While we act as partner institution for these loans, these loans are provided on the balance sheet of our partner institution, and not recognized as our loan assets on our balance sheet.

(2) Disbursements is the total amount disbursed to customers in the relevant period, pursuant to loans sanctioned.

(3) Number of loans disbursed represents the total number of loans disbursed to customers during the relevant period.

(4) Customers to whom loans were disbursed during the period represents the unique number of customers to which at least one loan is disbursed during the relevant period.

(5) New Customers represent customers who are first time borrowers of our Company while disbursing a fresh loan during the corresponding period.

(6) Active Customers refers to our customers which had an active loan account as of the last day of the relevant period.

(7) Customers with Mahila Mitra app downloads represent customers who have downloaded and registered our "Mahila Mitra" app.

(8) Customers who transacted digitally with us represent customers who have paid through digital payment methods such as QR codes, webpages, SMS-based links and voice-based payment methods.

(9) Overall digital collection represents the amount recovered from our customers through digital payment methods such as QR codes, webpages, SMS-based links and voice-based payment method.

(10) Revenue from Operations represents our total revenue from operations as per our Restated Financial Statements for the relevant year.

(11) Net Interest Income represents our Revenue from Operations reduced by Finance Costs as per our Restated Financial Statements for the relevant year.

(12) Net Interest Margin is the ratio of our Net Interest Income to our average monthly gross loan portfolio. Our average monthly gross loan portfolio is the simple monthly average of our gross loan portfolio for the relevant period/year.

(13) Pre-provision operating profit before tax represents the sum of profit before tax for the relevant year and impairment on financial instruments for such period/year derived from our Restated Financial Statements for the relevant year.

(14) Profit After Tax represents our profit for the year (after tax) as per our Restated Financial Statements for the relevant year.

(15) Total comprehensive income for the year represents our total comprehensive income for the year as per our Restated Financial Statements for the relevant year.

(16) Debt to equity represents the ratio of our Total Borrowings to our Net Worth.

(17) RoA represents profit for the relevant year as derived from our Restated Financial Statements as a percentage of annual monthly average gross loan portfolio for the relevant period/year.

(18) RoE represents the ratio of Net Profit attributable to equity holders to our annual average of net worth. Our annual average of net worth is the simple average of our net worth as of the last day of the relevant period/year and our net worth as of the last day of the preceding period/year.

(19) Net Worth represents our net worth as of the last day of the relevant year as per our Restated Financial Statements.

(20) Cost to Income ratio is the ratio of the aggregate of our fees and commission expenses, employee benefit expenses, operating expenses and depreciation and amortisation expense to total income net of finance cost as per our Restated Financial Statements for the relevant year.

(21) Annual Average Cost of Borrowings is the annually weighted average interest cost on borrowings, weights being annual average borrowings. Borrowings include debt securities, subordinated liabilities, and borrowings (other than debt securities).

(22) Impairment allowance coverage ratio represents the ratio of total impairment allowance on term loans (gross) derived from our Restated Financial Statements to Stage III Assets (Gross NPAs) for the relevant period/year.

(23) Capital to risk assets ratio (CRAR) is calculated as capital funds (Tier I capital plus Tier II capital) divided by risk-weighted assets (the weighted average of funded and non-funded items after applying the risk weights as assigned by the RBI).

(24) Insurance Premium collected represents the total insurance premium collected and transferred by our Company to the relevant insurance companies for providing life, medical and natural calamity insurance to our customers.

(25) Life Insurance represents the insurance premium collected and transferred by our Company to the relevant insurance companies for providing credit linked life insurance products to our customers.

(26) Medical Insurance represents the insurance premium collected and transferred by our Company to the relevant insurance companies for providing medical insurance products to our customers.

(27) Natural Calamity Insurance represents the insurance premium collected and transferred by our Company to the relevant insurance companies for providing natural calamity or asset insurance products to our customers.

Our Strengths

Market leadership with a pan-India presence

We are a microfinance institution providing micro-loans to women customers (primarily for income generation purposes) with a focus on rural regions of India. We are the fifth largest NBFC-MFI in India in terms of gross loan portfolio as of March 31, 2023 *(Source: CRISIL Report)*. We are also the third largest amongst NBFC-MFIs in South India in terms of gross loan portfolio, the largest in Kerala in terms of MFI market share, and a key player in Tamil Nadu with an almost 16% market share, as of March 31, 2023 (*Source: CRISIL Report*). Our business model helps in driving financial inclusion, as we serve customers who belong to low-income groups. We have 3.19 million active customers, as of September 30, 2023. OK

We have a well-diversified portfolio across 339 districts in 18 states and union territories in India, as of September 30, 2023. As of September 30, 2023, our gross loan portfolio in our top three states, namely Kerala, Karnataka and Tamil Nadu, together accounted for 51.36% of our total gross loan portfolio. Over the past five years, we have expanded our operations in North, East and West India, which has allowed us to diversify our customer base and gross loan portfolio and increase our revenue from operations. The tables below sets forth the break-up of our gross loan portfolio and branches according to geography as of the dates indicated: OK

	As of September 30,		As of September 30,		As of March 31,		As of March 31,		As of March 31,	
	2023		2022		2023		2022		2021	
	Gross loan portfolio	% of Total	Gross loan portfolio	% of Total	Gross loan portfolio	% of Total	Gross loan portfolio	% of Total	Gross loan portfolio	% of Total
South	56,908.70	52.37%	44,981.38	60.38%	51,530.27	55.96%	40,537.93	64.81%	33,271.57	66.72%
North	24,573.73	22.61%	13,773.13	18.49%	19,179.68	20.83%	9,652.29	15.43%	7,489.48	15.02%
East	14,505.09	13.35%	7,954.40	10.68%	12,273.78	13.33%	6,918.48	11.06%	4,586.05	9.20%
West	12,683.14	11.67%	7,785.95	10.45%	9,099.22	9.88%	5,440.73	8.70%	4,520.00	9.06%
Total	**108,670.66**	**100.00%**	**74,494.86**	**100.00%**	**92,082.96**	**100.00%**	**62,549.42**	**100.00%**	**49,867.11**	**100.00%**

OK

	As of September 30,		As of September 30,		As of March 31,		As of March 31,		As of March 31,	
	2023		2022		2023		2022		2021	
	Number of branches	% of Total	Number of branches	% of Total	Number of branches	% of Total	Number of branches	% of Total	Number of branches	% of Total
South	633	47.24%	503	49.90%	576	49.15%	468	51.71%	413	54.70%
North	318	23.73%	223	22.12%	269	22.95%	193	21.33%	138	18.28%
East	192	14.33%	128	12.70%	179	15.27%	127	14.03%	98	12.98%
West	197	14.70%	154	15.28%	148	12.63%	117	12.93%	106	14.04%
Total	**1,340**	**100.00%**	**1,008**	**100.00%**	**1,172**	**100.00%**	**905**	**100.00%**	**755**	**100.00%**

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For further details of the state-wise break-up of our gross loan portfolio and branches, see *"Selected Statistical Information"* on page 255.

We believe that we derive numerous benefits from our leadership position, including our ability to secure capital at competitive costs, recruit and retain skilled employees, retain existing customers, add new customers, expand into new regions and grow our portfolio of products from time to time. Further, we have built a resilient business model that has allowed us to continue to grow our business through events such as the Indian banknote demonetization in 2016, the Kerala floods in 2018 and 2019, the cyclone in Tamil Nadu in 2018 and the COVID-19 pandemic. For a temporary period, the Indian banknote demonetization in 2016 adversely impacted our business (in particular, our collection efficiency and NPA levels). However, we were able to recover from the adverse impact of the demonetization due to the strength of our business model, in particular since a large proportion of our disbursements were being made to bank accounts of our customers, instead of through cash disbursements. We were also supported by our Promoters and our shareholder, Creation Investments India LLC, which provided us with investments amounting to approximately ₹150 million and ₹500 million, respectively, in December 2016. For details, see " *– Experienced and Professional Management, with Strong Corporate Governance and support from Promoters and Investors*" on page 190. OK

We have built our distribution platform with an emphasis on under-served rural markets with growth potential, in order to ensure ease of access to village level customers and rural households. We endeavor that our branches are located in close proximity to our customers' homes. As of September 30, 2023, we employed 10,159 branch managers, credit managers and relationship officers. We believe that our branch network assists us in managing disbursement and collection in an efficient manner and provides local knowledge and know-how, which is critical to the success of our operations. Our widespread branch network in rural markets, together with our technology led initiatives, results in significant competitive advantages, particularly by giving us the capability to offer a variety of financial products in areas where financial services penetration is limited. Further, we believe that the low income customer segment which we serve requires an assisted and curated technology-enabled financial services offering, which we are able to offer. For details relating to our use of technology to meet customers' needs, see "*– Our Strengths – Streamlined Operating Model with Effective Use of Technology*" on page 188. OK

Rural focused operations, with a commitment towards health and social welfare of our customers

We have a history of serving rural markets with high growth potential in the microfinance segment, and have maintained a track record of financial performance and operational efficiency through consistently high rates of customer acquisition and retention and expansion into underpenetrated areas. The table below sets forth certain details relating to our customers and gross loan portfolio in rural areas:

	Customers in rural areas		**Gross loan portfolio in rural areas**	
	Number of Customers (million)	**% of Total Customers**	**Amount of Gross Loan Portfolio (₹ million)**	**% of Total Gross Loan Portfolio**
As of September 30, 2023	3.08	96.58	103,919.61	95.63
As of September 30, 2022	2.32	96.44	71,186.21	95.56
As of March 31, 2023	2.66	96.05	87,172.19	94.67
As of March 31, 2022	1.97	96.00	59,629.75	95.33
As of March 31, 2021	1.79	96.33	47,400.43	95.05

OK

Our connection with our rural customers has been largely driven by our focus on continuously improving our understanding of the financial needs of the rural customer segment and commitment to consistent engagement with the communities we serve. Further, our digital capabilities, which facilitate online onboarding, paperless loan processing, seamless cashless disbursements, cashless collections, timely query resolution and access to online financial literacy resources, among other things, have allowed us to deliver superior customer services to our rural customers. For details, see "*- Our Strengths - Streamlined operating model with effective use of technology*" on page 188. We believe that our customer-centric model and our ability to leverage our extensive distribution network in rural markets across India, makes us well placed to offer an increasing variety of financial products in areas where financial services penetration remains limited.

In addition, with the aim to cater to the healthcare needs and priorities of our customers, we have, since December 2021, offered digital healthcare facilities to our customers through "e-clinics". We collaborate with M-Swasth Solutions Private Limited, a technology driven digital healthcare service provider, to set up these e-clinics across our branches. As of September 30, 2023, we have set up 460 e-clinics across 460 of our branches, representing 34.33% of our total branches. As of September 30, 2023, 14.40% of our customers have enrolled in our e-clinics, and we have facilitated 98,844 medical consultations and 65,878 teleconsultations. Our e-clinics provide our customers and up to five of their family members with video consultation with doctors at a nominal enrolment cost. For details relating to our e-clinics, see "*– Description of our Business – E-Clinics*" on page 199. By offering healthcare services to our customers and up to five of their family members at a nominal cost through e-clinics at our branches, we aim to attract new customers and retain our existing customers.

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In addition, we act as a master policy holder for credit linked life insurance policies for our customers, to protect them from financial risks arising from death of income earners within the household. Further, to protect our customers from the risks of natural calamities, we have, since May 2020, also provided natural calamity insurance to our customers to whom we disburse loans across our branches in India. As of September 30, 2023, we have provided 23.23% of our clients with natural calamity insurance. As a result of global climate change, India has experienced natural calamities such as floods, cyclones, earthquakes, tsunamis and droughts in the past, including floods in the south Indian state of Kerala in 2018 and 2019 and a cyclone in Tamil Nadu in 2018. In this background, purchasing natural calamity insurance for our customers is a significant value-add to them as it protects their businesses and assets at home.

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Brand recall and synergies with the Muthoot Pappachan Group

We are part of the Muthoot Pappachan Group, a business conglomerate with presence across financial services, automotive, real estate, healthcare, information technology, precious metals and alternate energy sectors. The Muthoot Pappachan Group has a history of over 50 years in the financial services business. We are the second largest company under the Muthoot Pappachan Group, in terms of AUM for the Financial Year 2023. Our relationship with the Muthoot Pappachan Group provides us with brand recall and significant marketing and operational benefits. Several companies forming part of the Muthoot Pappachan Group are in the financial services sector including microfinance, gold finance, two wheeler finance and housing finance. The financial services companies within the Muthoot Pappachan Group together service 8.7 million unique customers, as of September 30, 2023.

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The history of the Muthoot Pappachan Group in working with customers in economically weaker sections, helps us better understand the needs of women in rural households and design lending products to cater to their requirements. In addition, there are opportunities presented by the financial services businesses of the Muthoot Pappachan Group for the growth of our operations and expansion of our customer base and geographical footprint across India. We leverage cross-selling opportunities to offer diverse products to meet multiple needs of our target customers. For example, our Company earns fee-income from distribution of a variety of loans to our customers on behalf of MFL. We are also in the process of developing a *Super App* along with the Muthoot Pappachan Group, which we plan to use to integrate our *Mahila Mitra* application with all of the Muthoot Pappachan Group's products and databases on to a single platform, allowing customers to access all the

Group's loan offerings on a single platform, thereby maximizing our cross-selling opportunities. For details relating to the *Super App*, see "*– Description of our Business – Information Technology*" on page 200.

Other than financial services, we have synergies with the operations of MFL. For example, we use MFL's branches and expertise in specific areas of our operations including cash management, gold assessment and storage. In addition, in collaboration with Muthoot Exim Private Limited, we offer Swarnavarsham gold coins, an investment scheme aimed at promoting savings, to our customers. Through our Swarnavarsham gold coins investment scheme, we offer our customers one gram of gold at market value with a payment tenure of 37 weeks or nine months or 18 fortnights. As of September 30, 2023, 255,253 of our customers have participated in our Swarnavarsham gold coins investment scheme, with 54,315 of our customers participating during the six months ended September 30, 2023 alone. OK

Robust risk management framework leading to healthy portfolio quality

Risk management forms an integral part of our business and we recognize the importance of risk management towards our long term success. We have implemented well-defined key risk management policies which primarily focus on addressing credit risk, operational risk and financial risk. The key elements of our risk management framework are summarized below:

Credit Risk: We seek to ensure effective appraisal, disbursement, collection and delinquency management resulting from streamlined approval and administrative procedures. We have established underwriting norms which ensure that customer selection is done after evaluating repayment capacity and detailed cash flows analysis. We use technology across our business processes, including sourcing, underwriting, disbursement and collection, in order to ensure accuracy and authenticity of information. We also use technology and automation to establish creditworthiness and repayment behavior of customers by analyzing their credit bureau reports, cash flows, continued process verification reports and our unique credit score card which we developed along with Equifax, before sanctioning loans. This technology-enabled credit score card improves our underwriting process by assigning individual credit scores to our customers, which provides us with a significant advantage. As a result, we are able to risk profile each of our customers individually based on parameters such as payment track record (including any credit defaults in the past two years), demographics, age and location. This allows us to strategically allocate more capital to "very low risk" and "low risk" customers, as compared to "medium risk" and "high risk" customers (as per the categorization based on the score cards), in order to maximize our collection efficiency. For details relating to our unique credit score card, see "*– Description of Our Business – Information Technology*" on page 200.

Further, we carry out regular end use and payment monitoring, which tie into our key risk parameters. For example, we carry out regular loan utilization checks, and endeavor to conduct such checks within one month of disbursement of the loans. These periodic checks and regular monitoring helps us in timely identification of customers or groups with early signs of default risk and/or increasing risk, enabling timely remedial measures. We have also implemented real time collections monitoring which ensures that any delay in collections is regularly highlighted and followed up to seek payment recovery. To minimize risk of identity related fraud, we perform know-your-customer authentications in collaboration with Karza Technologies, a digital onboarding and risk mitigating application programming interface. To verify the authenticity of our customer's bank account, we perform penny drop verification by depositing ₹1 into their bank account to ensure that it is valid and operative. To maximize collection efficiency, we have a collections team that is equipped with the necessary technique and skills to recover amounts that are overdue from our delinquent customers. For details, see "*– Description of Our Business – Collections Team*" on page 204.

Operational Risk: Before establishing a branch in a new location, we conduct due diligence and market surveys to understand key details relating to the new location, including, among others, economic activity, target market growth potential and extent of microfinance services already provided. We also have a systematic hiring criteria, and perform employment verifications, review credit bureau reports and police verification reports of each potential employee before hiring them. We also have established training processes for our newly hired staff, including training on policies, processes, systems and culture of our Company. We typically appoint one branch manager and between five to seven relationship officers at our branches. We also appoint credit managers at our branches who report to our credit team, and who are responsible for sanctioning loans and establishing joint liability groups among our customers. Our credit managers are also responsible for conducting cash flow analysis of customers to determine whether the customer has sufficient surplus over her household expenditure and other obligations to service the proposed loan. Our customer due diligence procedures encompass know-your-customer checks; group training; visits to the homes of new customers to verify details, obtain consents and establish the purpose of the loan; and revalidation to assess the quality of the proposed group and to confirm that they meet all our specified criteria. To ensure that our credit managers receive adequate supervision and comply with our policies and procedures, we also have on-site area credit managers and regional credit managers. We have an internal audit and compliance team of 363 employees, as of OK September 30, 2023, which audits each branch at least once every two months. Our internal audit team monitors adherence to audit processes and policies, field performance, documentation, quality of data entry, underwriting and customer selection process, and subsequently assigns each branch with a score based on certain quantitative and qualitative parameters. We also engage an external audit firm to conduct quarterly internal audits of our operations.

To reduce risks associated with cash transactions, we endeavor to limit the amount of cash handled outside the branch. For the Financial Year 2023 and the six months ended September 30, 2023, 20.30% and 25.47% of our repayments were collected OK on a digital basis (i.e. in a cash less manner by direct bank credit into our bank accounts), respectively. Further, to expand our digital collections infrastructure, we launched a proprietary application, called "*Mahila Mitra*", in 2021, which facilitates digital payment methods such as QR codes, webpages, SMS-based links and voice-based payment methods. Through *Mahila Mitra*, our customers are able to pay directly from their bank account through a secure platform that requires authentication via OTP and/or PIN payments, track digital records and statements of transactions, and earn cashback or reward points on payment transactions. For details relating to *Mahila Mitra*, see "*– Description of Our Business – Information Technology*". As of September 30, 2023, all our branches disburse loans on a digital basis and 96 of our branches collect more than 80% of their repayments on a digital basis. We utilize cash management agencies, as well as the MFL branches to ensure that our field staff does not have to carry the money for long distances and the pool of money they handle on a daily basis remains low.

Financial Risk: We adopt conservative policies aimed at ensuring there is no asset liability mismatch, liquidity risk or interest risk. We ensure that we engage in external borrowings in a manner that is compliant with our board-approved borrowing policies. Our borrowing committee works under the supervision of our Board to ensure that our cost of borrowings, interest rates for our borrowings and draw-downs on our loan facilities are well managed. Our investment committee seeks to ensure that our treasury operations are optimal, including by selecting appropriate short term savings instruments for the deployment of cash collected. Our risk management team, led by our chief risk officer, closely monitors the trends and movements of cash in hand at the branch level, in order to timely flag any abnormality in cash holdings to minimize risk of theft, robbery and fraud.

Our robust risk management framework, customer selection methodologies and regular end use and payment monitoring have resulted in healthy portfolio quality indicators such as high collection efficiency, stable PAR and low rates of gross NPAs and net NPAs. Our collection efficiency was 95.84% and 98.89% for the Financial Year 2023 and the six months ended September 30, 2023, and our gross NPA ratio was 2.37% and net NPA ratio was 0.33%, as of September 30, 2023. As of March 31, 2023, we had the fifth lowest gross NPA ratio, and as of September 30, 2023, we had the third lowest net NPA ratio among the selected NBFC-MFIs (*Source: CRISIL Report*). The table below sets forth the amount of gross loan portfolio under Stage 1 (1-30 days), Stage 2 (31-90 days) and Stage 3 (more than 90 days):

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	Stage 1 (1-30 days)		**Stage 2 (31-90 days)**		**Stage 3 (more than 90 days)**	
	Gross Loan portfolio (₹ million)	**% of Total Gross Loan portfolio**	**Gross Loan portfolio (₹ million)**	**% of Total Gross Loan portfolio**	**Gross Loan portfolio (₹ million)**	**% of Total Gross Loan portfolio**
As of September 30, 2023	84,674.65	97.01	543.41	0.62	2,070.69	2.37
As of March 31, 2023	69,408.82	96.42	436.67	0.61	2,141.53	2.97
As of March 31, 2022	40,665.01	88.02	2,642.24	5.72	2,890.01	6.26
As of March 31, 2021	30,890.18	88.14	1,566.51	4.47	2,589.09	7.39

As compared to Indian microfinance industry as a whole, we have a comparatively lower proportion of loans at each month-on-book stage due for the period between the quarter ended March 31, 2021 and the quarter ended December 31, 2022, which indicates that our loan portfolio is performing better than that of the Indian microfinance industry as a whole (*Source: CRISIL Report*).

Streamlined operating model with effective use of technology

We recognize that establishing and growing a successful microfinance business in India involves the significant challenge of addressing a customer base that is quite large and typically lives in remote locations in India. To address this challenge, we have designed a streamlined and scalable operating model and developed technology-led systems and solutions for our operations. As at September 30, 2023, we had 102 members in our information technology team, who are responsible for, among other things, developing and maintaining our in-house information technology systems, data security systems, and technological infrastructure and applications. All of our applications have been developed in-house by our information technology team, and our team is also able to implement amendments to our applications required pursuant to regulatory or other operational changes in an efficient and quick manner. Our chief technology officer has over 20 years of experience in the information technology space. Our key technology related aims include increasing digital penetration, reducing risks associated with cash transactions, improving risk management and underwriting processes, increasing operational efficiency, improving customer analytics and simplifying sourcing, as detailed below:

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- To increase digital penetration, we have developed digital infrastructure to: onboard our customers digitally, conduct know-your-customer checks digitally, perform most underwriting tasks digitally (including through the use of our unique score card which we have developed with Equifax and credit bureau reports), undertake loan amount assessments digitally, facilitate communication with our customers through our customer application, provide real-time repayment updates to our customers, facilitate paperless operations through features such as "e-sign", and disburse loans to customers digitally.

- To reduce risks associated with cash transactions, we have expanded our digital collections infrastructure through our proprietary application "*Mahila Mitra*", which facilitates digital payment methods such as QR codes, webpages, SMS-based links and a voice-based payment method, and provides customers with a secure platform to transact digitally with us. For the Financial Year 2023 and the six months ended September 30, 2023, 20.30% and 25.47% of our repayments were collected on a digital basis (i.e. in a cash less manner by direct bank credit into our bank accounts), respectively. As of September 30, 2023, 2.46 million customers have transacted digitally with us, and 1.50 million of our customers have downloaded the *Mahila Mitra* application. We are constantly working towards fully digitalizing our collection model across our branches, in order to mitigate the risks associated with cash transactions, including theft, robbery and fraud, and to minimize the amount of idle cash across our branches. As of September 30, 2023, all our branches disburse loans on a digital basis and 96 of our branches collect more than 80% of their repayments on a digital basis. OK

- Our unique credit score card, developed along with Equifax, improves our underwriting capabilities by evaluating the creditworthiness of customers using technology.

- To manage our operating expenses and increase efficiency, we equip our field staff with mobile solutions and deploy customized software which simplifies data entry and improves the accuracy and efficiency of collections and fraud detection. We have instituted "*Serene Pro*", our integrated loan origination and management system which allows for real-time tracking of collections and loan processing.

- To improve customer analytics, we are in the process of developing a *Super App* along with the Muthoot Pappachan Group, which we plan to use to integrate our *Mahila Mitra* application with all of the Muthoot Pappachan Group's products and databases on to a single platform, thereby providing us with access to a wide customer base and in-depth data about our customers. For details, see "*– Description of Our Business – Information Technology*".

- To simplify sourcing, our platform allows us to undertake integrated credit bureau data collection, automated appraisal, stage wise review of the disbursement process, and real-time process integrating all branch information.

Our systems operate in a secure, cloud based technological environment with a robust internal software platform. Leveraging on our technology initiatives, we are able to achieve quicker turn-around times for our loan approval and disbursement processes. We have also increased the average number of customers served per loan officer from 407.63 as of March 31, 2021 to 410.64 as of March 31, 2022, 442.00 as of March 31, 2023 and 426.19 as of September 30, 2023. OK

Access to diversified sources of capital and effective cost of funds

We believe that we have a well-diversified funding profile that underpins our liquidity management system, credit rating and brand equity. We received an upgraded credit rating of A+/Stable by CRISIL on October 19, 2022, which was reaffirmed on January 19, 2023. We have historically secured, and seek to continue to secure, cost effective funding through a variety of sources, including public sector banks, private sector banks, small finance banks, foreign banks other non-banking financial institutions, developmental financial institutions and public investors, together with NCDs, pass through certificates, and direct assignment of loans. We also raise long term debt through ECBs. As of September 30, 2023, we had outstanding debt in principal amount of ₹63,104.87 million from 65 banks, financial and other lending institutions, including securitization and external commercial borrowings and ₹14,356.23 million from 14 NCDs (including market-linked debentures) issuances and one commercial paper. During the six months ended September 30, 2023, we received net proceeds of ₹10,658.48 million from direct assignment of 331,078 loan accounts. Our Promoters and our holding company, MFL, have not provided any corporate guarantees in relation to the borrowings availed by us, which demonstrates the trust of our lenders in our business model. Further, our Promoters hold 69.08% of the issued, subscribed and paid-up pre-Offer Equity Share capital (on a fully diluted basis) of our Company as of the date of this Red Herring Prospectus, and have supported our business growth by regularly providing capital infusion in prior periods. OK

Historically, the microfinance industry has relied on priority sector loans from public and private sector banks (*Source: CRISIL Report*). We are eligible to borrow priority sector loans from banks for on-lending as an NBFC-MFI, subject to compliance with the conditions prescribed by the RBI. We also leverage on our loan portfolio in order to enter into direct assignment transactions with banks. Such transactions also allow us to efficiently utilize our capital as assigned portfolios do not require any risk weightage on our balance sheet. In addition, as an NBFC-MFI, subject to certain conditions being met, we are eligible to access external commercial borrowings. In addition to such funding, we have the ability to fund the growth of our operations and loan portfolio through issuances of debt securities such as redeemable NCDs (including market-linked debentures), commercial paper, loans with various maturities raised from domestic and international banks, financial and other institutions. As of September 30, 2023, we issued NCDs aggregating to ₹3,000 million, and raised ECBs from banks aggregating to ₹821 million. Our issuance of NCDs to public investors are important to our efforts to diversify sources of capital because it provides us with access to a wider set of investors. The following table sets forth the breakdown of our total borrowings, as of the dates indicated:

	As of March 31, 2023		**As of March 31, 2022**		**As of March 31, 2021**	
	Amount (₹ million)	**% of Total Borrowings**	**Amount (₹ million)**	**% of Total Borrowings**	**Amount (₹ million)**	**% of Total Borrowings**
Borrowings (other than debt securities)						
From banks	29,200.07	44.97%	16,481.93	41.24%	11,848.61	39.29%

From financial institutions	11,751.79	18.10%	12,366.82	30.94%	9,047.73	30.09%
Borrowings under securitization arrangement	8,230.63	12.68%	4,121.09	10.31%	4,458.92	14.79%
From financial institutions in foreign currency	2,047.76	3.15%	-	0.00%	-	0.00%
Debt securities						
Redeemable non-convertible debentures (including market-linked debentures)	13,216.67	20.35%	6,249.44	15.64%	4,234.19	14.04%
Commercial paper	484.84	0.75%	496.83	1.24%	290.50	0.96%
Subordinated liabilities	**-**	**0.00%**	**249.97**	**0.63%**	**249.63**	**0.83%**
Total	**64,931.76**	**100.00%**	**39,966.09**	**100.00%**	**30,156.58**	**100.00%**

	As of September 30, 2022		**As of September 30, 2023**	
	Amount (₹ million)	**% of Total Borrowings**	**Amount (₹ million)**	**% of Total Borrowings**
Borrowings (other than debt securities)				
From banks	31,734.75	40.97%	23,408.32	44.75%
From financial institutions	16,094.95	20.78%	10,561.32	20.19%
Borrowings under securitization arrangement	12,405.75	16.02%	7,378.87	14.11%
From financial institutions in foreign currency	2,869.42	3.70%	-	0.00%
Debt securities				
Redeemable non-convertible debentures (including market-linked debentures)	14,356.23	18.53%	10,958.64	20.95%
Commercial paper	-	0.00%	-	0.00%
Subordinated liabilities	-	0.00%	-	0.00%
Total	**77,461.10**	**100.00%**	**52,307.15**	100.00%

We maintain a conservative ALM policy recognizing our operating metrics. We have aggregate loan provision of 2.05% of our total loan portfolio as of September 30, 2023, which is higher than the regulatory requirements applicable to us. Our capital adequacy ratio of 20.46% of risk-weighted assets as of September 30, 2023 which is well above the requirement of 15.00% of the aggregate risk-weighted assets prescribed by the RBI. These factors provide us with a competitive advantage when borrowing funds for our operations. We have reduced our average effective cost of borrowings from 11.08% for the Financial Year 2021 to 10.94% for the Financial Year 2023. Further, between Financial Years 2022 and 2023, our aggregate cost of borrowing increased by 0.50% to 10.94%, notwithstanding a 2.50% increase in policy rate by the RBI, which reflects our ability to secure cost effective funding. In addition, our ability to continue to secure cost effective funding from banks during, among others, the NBFC crisis in 2018 and the COVID-19 pandemic, is a reflection of our resilient business model. Our ability to secure cost effective funding will allow us to improve our margins without increasing the cost of securing a loan for our customers. We are one of the youngest NFBC-MFI players with a relatively strong credit rating of CRISIL "A+", and we have also been graded as "M1C1" in capacity assessment and code of conduct assessment by CRISIL (*Source: CRISIL Report*), which is the highest available grading on an eight point scale for microfinance capacity assessment and the highest available grading on a five point scale for code of conduct assessment.

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Experienced and Professional Management, with Strong Corporate Governance and support from Promoters and Investors

Our Board, Promoters and Senior Management is composed of experienced professional, industry experts and management professionals. Our Board consists of 10 directors (including 3 directors from the Muthoot Pappachan Group), of which five are independent directors. We believe that our independent Board has provided us with diverse perspectives for us to continue to grow our Company. Our Senior Management team consists of qualified, seasoned professionals with an average experience of over 16 years across a variety of sectors. Our Senior Management team comprise a majority of members who have been associated with the Muthoot Pappachan Group for over ten years. For further details relating to our Board and Senior Management, see "*Our Management*" on page 228. Our Senior Management team includes experts at various functions and professionals with ground level knowledge of the microfinance industry, who are supported by a capable and motivated pool of employees. Together, they have demonstrated an ability to manage and grow our operations. Our team has developed the

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skills to identify, develop and offer products and services that meet the needs of our customers, while maintaining effective risk management and competitive margins. Our mid-level management personnel also have in-depth industry knowledge and expertise. Further, we have instituted several training and mentorship programs for our management employees. We have successfully recruited and retained employees from a variety of backgrounds, including credit evaluation, risk management, technology and marketing. As of September 30, 2023, 63.15% of our employees have college graduation as their minimum academic qualification. OK

Our Promoters hold 69.08% of the issued, subscribed and paid-up pre-Offer Equity Share capital of our Company (on a fully diluted basis) as of the date of this Red Herring Prospectus, and have supported our business growth by regularly providing capital infusion in prior periods. After the Offer, our Promoters will hold [●]% of the issued, subscribed and paid-up equity share capital of our Company. Our Promoters currently hold and will continue to hold a substantial shareholding in our Company after the Offer. Among the top 10 NBFC-MFIs in India, we are one of the few NBFC-MFIs where the original promoters have continued to retain ownership and control over the business (*Source: CRISIL Report*). Further, we are also supported by our marquee investors, Creation Investments India LLC and Greater Pacific Capital WIV Ltd, which have been invested in our Company since 2016 and 2021, respectively, and collectively hold 28.07% of the issued, subscribed and paid-up pre-Offer Equity Share capital of our Company on a fully diluted basis, as of the date of this Red Herring Prospectus. In December 2016, we received investments from our Promoters and Creation Investments India LLC amounting to approximately ₹150 million and ₹500 million respectively. For further details, see "*Capital Structure – Details of equity shareholding of the major Shareholders of our Company*" and "*History and Certain Corporate Matters – Major Events and Milestones of our Company*" on pages 95 and 222. OK

Our Strategies

Expand our geographical footprint and sourcing platform across India

As of December 31, 2022, India's Northern and Western regions had relatively low financial penetration as compared to the pan-India average penetration, indicating probable growth potential from India's Northern and Western regions that have a relatively lower penetration (*Source: CRISIL Report*). While our operations have historically been concentrated in South India, we have in recent years expanded into North, East and West India and have a total of 707 branches across North, West and East India as of September 30, 2023, representing 52.76% of our total branches as of September 30, 2023. Moving forward, we expect that a significant portion of our future geographic expansion will include rural areas in these regions of India and intend to grow our branches in four key states: Uttar Pradesh, Bihar, Rajasthan, and Punjab, which are underpenetrated or moderately penetrated states that may have potential for growth and customer expansion, as of March 31, 2023 (*Source: CRISIL Report*). OK

We operate 1,340 branches across 339 districts in 18 states and union territories in India, as of September 30, 2023. We bifurcate our geographical spread into two categories: mature states and other states across the rest of India. We have classified three states and one union territory where we first commenced our operations as mature states, which includes Kerala, Tamil Nadu, Puducherry and Karnataka, and we have classified 14 states and union territories (excluding mature states) as our other states across the rest of India (including North, West and East India). In our mature states, which are also our core markets, we intend to continue focusing on customer retention, increasing our wallet share using technology and offering innovative products which cater to the needs of our customers. In other states across the rest of India, which are also our potential growth markets, we intend to open new branches, acquire new customers and selectively expand our operations to locations where we expect that customers are underserved, have lower penetration by micro-finance companies, and where there could be an opportunity for us to service an increased customer base. For details relating to financial and operational metrics of our mature states and other states across the rest of India, see "*Selected Statistical Information – Financial and Operational Metrics for Mature States*" and "*Selected Statistical Information – Financial and Operational Metrics for Other States Across the Rest of India*" on pages 273 and 275, respectively. OK

Further, our customer origination and servicing efforts strategically focus on building long-term relationships with our customers and address specific requirements in a particular region. We select new geographies for expansion based on detailed studies and analysis which include field surveys, industry reports comparison including potential for growth, delinquency pattern and concentration of competitors. We generally launch operations in new territories in a phased manner starting with limited branches to understand the market and then seek to expand, based on market response.

Additionally, we will also evaluate strategic acquisitions on an opportunistic basis as a means of inorganic growth to expand into new geographies or to increase our branch networks in existing geographies. Further, we may also enter into a co-lending partnership arrangement to grow our portfolio in potential growth markets.

Continue to Enhance Information Technology with a Focus on Customer Service, Operational Efficiency and Cost Optimization

We will continue to invest in our technology platform to increase operational efficiencies as well as ensure customer credit quality. Our information technology infrastructure will not only enable us to reap the benefits of digitalizing business processes, but will also become a key source of incremental business for us as we continue to utilise the underwriting capabilities of our unique credit score card to increase the amount of loans that we disburse to customers that we classify as low risk and very low risk. As we continue to expand our geographic reach and scale of operations, we intend to further develop and invest in our technology to support our growth, improve the quality of our services and achieve superior turnaround time in our operations. We endeavour to use technology and automation across our business processes, including, among others, sourcing, underwriting, disbursement and collection.

Superior customer service is an integral part of our value proposition to our customers. We intend to leverage information technology to improve our customer's experience from sourcing, know-your-customer procedures and appraisal to post sales service stage. Our current platform allows us to undertake integrated credit bureau data check, automated appraisal, stage wise review of the disbursement process and real-time process integrating all branch information. We have implemented mobility-based loan origination systems with digital document signatures, GPS tagging and real time credit scoring, and we are working on implementing mobility-based loan origination systems with electronic know-your-customer checks through our *Telerios* application. Further, to speed up our customer acquisition process, we are working on developing the relevant technological infrastructure to implement electronic Aadhaar based authentication services, which will allow us to perform electronic know-your-customer checks more accurately. In 2023, we were granted permission by the Government of India to use Aadhar based authentication services.

To improve risk management by reducing risks associated with cash transactions, we intend to continue to expand and grow our digital collections infrastructure. Going forward, we intend to continue expanding and grow our digital collections infrastructure to increase the number of our customers that transact digitally with us, in order to reduce our customer acquisition costs, as well as minimize the operational risks associated with cash collections.

We will continue using our analytics capabilities for finding out customer patterns, developing insights for marketing and sales strategy, and customize our products based on customer segments. Further, we are also in the process of developing a *Super App* along with the Muthoot Pappachan Group, which we plan to use to integrate our *Mahila Mitra* application with all of the Muthoot Pappachan Group's products and databases on to a single platform, thereby providing us with access to a wide customer base and in-depth data about our customers. Superior analytics capability and a large customer base also provides us with the opportunity to identify avenues for cross-sell and sell additional products to customers eligible for larger loans. We intend to continue investing and augmenting our analytics capabilities with real time analytics in order to better service the needs of our customers.

Leverage our existing branch network to expand our customer base and gross loan portfolio

We endeavour to leverage our existing branch network to further increase our gross loan portfolio. As of September 30, 2023, our gross loan portfolio per branch for our mature states and other states across the rest of India (excluding mature states) was ₹89.90 million and ₹73.21 million respectively. Going forward, we aim to increase our gross loan portfolio per branch in these other states across the rest of India, with the endeavour to bring this in line with the gross loan portfolio per branch in the mature states. We aim to achieve this through cross-selling additional loan products to our existing customers, acquisition of new customers through existing branches and the increasing loan ticket sizes to low-risk, existing customers.

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As part of our growth strategy, we have commenced the offering of additional financing products such as gold loans, individual loans, bicycles and home appliances to customers who have a positive repayment record with us.

Additional products and cross-selling opportunities also help strengthen our relationship with our customers and enable higher customer retention. We believe that this strategy serves as an effective mitigation mechanism from potential interest rate volatility and would contribute to our profitability. Further, we expect to derive benefits from economies of scale as there is limited incremental sourcing cost for existing customers, and they are eligible to borrow higher loan amounts from us since they have progressed to higher loan cycles and they have been our customers for a number of months or years.

Additionally, in March 2022, the RBI has increased the household income limit for microfinance loan eligibility from ₹0.20 million per annum for semi-urban/urban areas and ₹0.13 million per annum for rural areas, to ₹0.30 million per annum for both semi-urban/urban areas and rural areas, which we believe has expanded the total addressable market for NBFC-MFIs. Going forward, we intend to tap this additional customer base and increase our wallet share by targeting eligible customers that we determine to be in very low risk or low risk categories. Further, in line with the removal of interest rate cap for NBFC-MFIs by RBI in March 2022 (provided that the interest charged is not be usurious and subject to the supervisory scrutiny by the RBI), we intend to focus on risk-based pricing in order to improve our yields and net interest margin, as the removal of interest rate cap will allow us to price our loans according to our assessment of the default risk in a particular region or state. For example, we price our loans at a higher interest rate for regions or states that we assess to contain a higher default risk.

We also intend to reduce our reliance on net interest margins alone, and shift to a combination of net interest margin and fee based income. We earn fee income by cross-selling insurance products and Swarnavarsham gold coins offered by our Group Companies to our customers. We believe that such cross-selling provides us with a significant opportunity to scale up our operations. We have entered into a co-lending partnership with a technology platform to tap a wider customer base. Further, we are acting as a partner institution for the Prayaas loan scheme, a scheme for direct credit to micro enterprises, including our existing customers in Kerala and Tamil Nadu, and we earn from a commission for providing such services, which includes the servicing of loans. For details, see "*– Description of Our Business – Partner Institution Model*" and "*– Description of Our Business – Co-Lending Model*" on page 200.

Diversifying our Sources of Funds

We have been able to access cost-effective debt financing and reduce our average cost of borrowings over the years due to our stable credit history and improving credit ratings, diversification of borrowings and enhancement of the scale of our business. We have historically secured, and seek to continue to secure, cost effective funding through a variety of sources, including public sector banks, private sector banks, small finance banks, foreign banks other non-banking financial institutions, developmental financial institutions and public investors, together with NCDs, pass through certificates, and direct assignment of loans. We also seek to raise long term debt through ECBs. Further, we also seek to utilize off-balance sheet funding such as pass through certificates and direct assignment of loans. For details relating to our ability to raise capital at competitive costs, see "*– Our Strengths – Access to diversified sources of capital and effective cost of funds*" on page 189.

As we continue to grow the scale of our operations, we seek to reduce our dependence on more costly term loans from banks and financial institutions, by issuing NCDs and raising ECBs, in order to optimize our cost of funds and continue to improve our credit ratings. A lower average cost of borrowings enables us to competitively price our loan products. Further, we will continue to evaluate opportunities to securitize or assign loans to financial institutions, which would enable us to optimize our cost of borrowings and liquidity requirements, capital management and asset liability management.

DESCRIPTION OF OUR BUSINESS

We are a microfinance institution providing micro-loans to women customers (primarily for income generation purposes) with a focus on rural regions of India. Our business is primarily focused on providing financial services to low income customers who are not typically eligible for financial services in the formal financial services sector. We are the fifth largest NBFC-MFI in India in terms of gross loan portfolio as of March 31, 2023 *(Source: CRISIL Report)*. We are also the third largest amongst NBFC-MFIs in South India in terms of gross loan portfolio, the largest in Kerala in terms of MFI market share, and a key player in Tamil Nadu with an almost 16% market share, as of March 31, 2023 (*Source: CRISIL Report*). As of September 30, 2023, our gross loan portfolio amounted to ₹108,670.66 million.

Our Branch Network

We have 3.19 million active customers, who are served by our 1,340 branches across 339 districts in 18 states and union territories in India, as of September 30, 2023. While our operations have historically been concentrated in South India, we have in recent years expanded into North, West and East India and have a total of 707 branches across North, West and East India as of September 30, 2023, representing 52.76% of our total branches as of September 30, 2023. For details relating to the breakdown of gross loan portfolio, disbursements, active customers and number of branches across various states, see "*Selected Statistical Information*" on page 255. We have built our distribution platform with an emphasis on under-served rural markets with growth potential, in order to ensure ease of access to village level customers and rural households. We endeavor that our branches are located in close proximity to our customers' homes.

As of September 30, 2023, we had 10,159 branch managers, credit managers and relationship officers, including trainees, who comprised 82.61% of our total workforce. Our branch managers and relationship officers use weekly or monthly meetings as means to communicate with the members in our joint liability groups. As of September 30, 2023, each of our relationship officers on average managed 426 customers. Administrative support staff and management personnel at our area, division and regional offices provide support to our branches.

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The relationship officers play a pivotal role in client acquisition, building relationships, assessing creditworthiness, and providing ongoing support. The relationship officers are given extensive and mandatory training covering all critical aspects of business to effectively discharge his responsibilities. Refresher training is also provided on request/ periodically to reinforce the knowledge and skills of the relationship officers. We believe that this has the additional benefit of creating additional employment in the rural villages in which we operate. We provide four days' training on policy and processes and 12 to 21 days' field training for new employees.

The map below illustrates the spread of our branches across India, as of September 30, 2023:

Branch Distribution H1 FY'24

Our Products

Our wide range of financial products is designed according to various life-cycle needs of our customers. Our financial products are broadly set forth in the table below, as of September 30, 2023:

Loan Type	Numberof Gross Loan portfolio (in millions)	Gross Loan portfolio (in ₹ millions)	Percentage of Gross Loan portfolio (in %)
Livelihood Solutions			
Income Generating Loans	3.34	102,118.73	93.97%
Pragathi Loans	0.10	2,430.08	2.24%
Individual Loans	0.00	167.06	0.15%
Suvidha Loans	0.02	494.73	0.46%
Life Betterment Solutions			
Education Loans	0.05	583.20	0.54%
Household Appliances Product Loans	0.28	522.24	0.48%
Solar Lighting Product Loans	0.06	87.75	0.08%
Mobile Phones Loans	0.01	52.38	0.02%
Health and Hygiene Loans			
Sanitation Improvement Loans	0.06	1,127.59	1.04%
Total	**3.92**	**107,583.76**	**99.00%**
Secured Loans			
Muthoot Small and Growing Business (MSGB) Loans	0.01	106.95	0.24%
Gold Loans	0.00	259.84	0.10%
Partner Institution Portfolio			
Micro Enterprise Loans	0.01	720.11	0.66%
Total	**0.02**	**1,086.90**	**1.00%**
Grand Total	**3.94**	**108,670.66**	**100.00%**

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Brief details of these loan products are set forth below.

Livelihood Solutions

We currently provide three types of livelihood solutions to our customers:

Income-Generating Loans

Income-generating loans are our principal loan product for use by women in rural areas, intended to provide capital for their small businesses. The loans are made to customers for businesses in sectors such as agriculture, animal husbandry, manufacturing, services and trading. The table below presents the break-down of our gross income-generating portfolio as of September 30, 2023 by end-use:

End-Use	Number of Loan Accounts (million)	Gross Income-Generating Gross Loan portfolio (in ₹ million)	As a percentage of Gross Income Generating Gross Loan portfolio (in %)
Agriculture	0.77	26,211.14	24.12%
Animal Husbandry	1.18	34,903.47	32.12%
Manufacturing	0.20	5,678.99	5.23%
Services	0.96	27,934.48	25.71%
Trading	0.36	10,349.35	9.52%
Sanitation	0.06	1,127.59	1.04%
Consumption	0.36	1,882.44	1.73%
Education	0.05	583.20	0.54%
Total	**3.94**	**108,670.66**	**100.00%**

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Loans granted under the income-generating loan program are for a maximum amount of ₹85,000. As of September 30, 2023, the annual effective interest rate of the loans is between 23.90% and 24.95%. In addition, we charge a non-refundable loan processing fee equal to 1.00% or 1.50% (excluding service tax) of the loan amount. The term of an income-generating loan is one, two or three years with repayment tenor of 52, 104 or 156 weeks for weekly loan, 26, 52 or 78 fortnights for fortnightly loans and 12, 24 or 36 months for monthly loan. Principal and interest payments are due on a weekly or monthly basis during the loan term, subject to compliance with any applicable local law requirements. We generally do not offer income-generating loans to customers that we assess as "high risk". As of September 30, 2023, income-generating loans constituted 93.97% of our gross loan portfolio. We disbursed ₹25,580.69 million, ₹44,910.09 million, ₹75,710.41 million, ₹33,229.48 million and ₹47,967.25 million worth of income generating loans in Financial Years 2021, 2022 and 2023, and the six months ended September 30, 2022 and 2023, respectively.

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Pragathi Loans

Pragathi loans are interim loans made to existing customers for working capital and income generating activities. As of September 30, 2023, the annual effective interest rate of the loans is between 23.90% and 24.95%. The non- refundable loan processing fee is 1.00% (excluding service tax) of the amount of the loan provided. Loans granted are for a maximum amount of ₹30,000. The term and repayment tenor of this loan is typically 52, 104 or 156 weeks for weekly loan and 12, 24 or 36 months for monthly loan. Principal and interest payments are due on a weekly or monthly basis during the loan term, subject to compliance with any applicable local law requirements. As of September 30, 2023, these Pragathi loans constituted 2.24% of our gross loan portfolio. We disbursed nil, nil, ₹1,366.12 million, ₹105.54 million and ₹1,657.08 million worth of Pragathi loans in Financial Years 2021, 2022 and 2023, and the six months ended September 30, 2022 and 2023, respectively.

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Individual Loans

Individual loans are made to our existing customers who have been associated with our Company as customers for at least two years for their income generating activities. As of September 30, 2023, the annual effective interest rate of the loans is between 22.00% and 24.00%. The non- refundable loan processing fee is 1.00% (excluding service tax) of the amount of the loan provided. Loans granted are for a maximum amount of ₹300,000. The term of this loan is typically two to three years. Principal and interest payments are due on a monthly basis during the loan term. As of September 30, 2023, these individual loans constituted 0.15% of our gross loan portfolio. We disbursed nil, ₹0.20 million, ₹126.62 million, ₹52.78 million and ₹89.40 million worth of individual loans in Financial Years 2021, 2022 and 2023, and the six months ended September 30, 2022 and 2023, respectively.

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Suvidha Loans

Suvidha loans are digital loans accessible through the *Mahila Mitra* application and made to existing customers to enable quick access to funds. As of September 30, 2023, the annual effective interest rate of the loans is 23%. The non-refundable loan processing fee is 1.00% (excluding service tax) of the amount of the loan provided. Loans are granted for a maximum amount of ₹85,000. The term and repayment tenor of this loan is typically 24, 48, 96, or 144 weeks for weekly loan and 6, 12, 24 or 36 months for monthly loan. Principal and interest payments are due on a weekly or monthly basis during the loan term, subject to compliance with any applicable local law requirements. As of September 30, 2023, these Suvidha loans constituted 0.46% of our gross loan portfolio. We disbursed nil, nil, nil, nil and ₹520.77 million worth of Suvidha loans in Financial Years 2021, 2022 and 2023, and the six months ended September 30, 2022 and 2023, respectively.

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Life Betterment Solutions

We currently provide four types of life betterment solutions to our customers:

Education Loans

In light of our customers' need for access to education, we offer education loans to our customers. As of September 30, 2023, the annual effective interest rate is between 21.60% and 22.00%. The non-refundable processing fee is 1.00% (excluding service tax) of the amount of the loan provided. Loans granted are for a maximum amount of ₹30,000. The term of this loan is typically 104 weeks or 24 months. As of September 30, 2023, these education loans constituted 0.54% of our gross loan portfolio. OK

Household Appliances Loans

Due to the high demand for household appliances in the rural sectors because of its low investment and maintenance cost, we have entered into agreements for the financing of water purifiers, pressure cookers, induction stoves, mixers and grinders purchased by our customers. We receive a referral fee on the amount financed for these services. As of September 30, 2023, the annual effective interest rate is 25.00%. The non-refundable loan processing fee is 1.00% or 1.50% (excluding service tax) of the amount of the loan provided. Loans granted are for an amount between approximately ₹1,500 to ₹15,000. As of September 30, 2023, these home appliances loans constituted 0.48% of our gross loan portfolio. We disbursed ₹22.83 million, ₹115.46 million, ₹384.56 million, ₹89.20 million and ₹603.34 million worth of bicycle loans in Financial Years 2021, 2022 and 2023, and the six months ended September 30, 2022 and 2023, respectively. OK

Solar Lighting Product Loans

In light of our customers' need for solar lighting products, we have entered into agreements for the financing of solar lights, solar torches and solar fans purchased by our customers. We receive a referral fee on the amount financed for these services. As of September 30, 2023, the annual effective interest rate is 25.00%. The non-refundable loan processing fee is 1.00% or 1.50% (excluding service tax) of the amount of the loan provided. Loans granted are for an amount between approximately ₹2,325 and ₹4,645. The term of this loan is typically 10, 20 or 30 weeks or 3, 6 or 8 months. Principal and interest payments are due on weekly or monthly basis during the loan term, subject to compliance with any applicable local law requirements. As of September 30, 2023, these solar lighting product loans constituted 0.08% of our gross loan portfolio. We disbursed ₹11.34 million, ₹31.26 million, ₹62.09 million, ₹6.93 million and ₹77.96 million worth of solar lighting product loans in Financial Years 2021, 2022 and 2023, and the six months ended September 30, 2022 and 2023, respectively. OK

Mobile Phone Loans

In light of our customers' need for mobile phones, we have entered into agreements with retailers and distributors for the financing of mobile phones purchased by our customers. We receive a referral fee from such retailers and distributors on the amount financed for these services. As of September 30, 2023, the annual effective interest rate is 25.00%. The non-refundable loan processing fee is 1.00% or 1.50% (excluding service tax) of the amount of the loan provided. Loans granted are for an amount between approximately ₹11,971 to ₹14,551. The term of this loan is typically 52 weeks/12 months for principal and interest payments. As of September 30, 2023, these mobile phone loans constituted 0.05% of our gross loan portfolio. We disbursed ₹0.02 million, nil and ₹1.34 million, nil and ₹0.01 million worth of mobile phone loans in Financial Years 2021, 2022 and 2023, and the six months ended September 30, 2022 and 2023, respectively. OK

Health and Hygiene Loans

We currently provide the following health and hygiene loan to our customers:

Sanitation Improvement Loans

Sanitation improvement loans are provided to our existing customers to improve their health conditions through improved water and sanitation facilities. The loan is provided to renovate existing toilets or improve toilet facilities such as water connection or water motor. As of September 30, 2023, the annual effective interest rate is 25%. The non-refundable loan processing fee is 1.00% (excluding services tax) of the amount of the loan provided. Loans granted are for an amount between approximately ₹15,000 to ₹60,000. The term of this loan is typically 52, 104 Weeks or 156 Weeks, 26, 52 or 78 fortnights and 12, 24 and 36 months. As of September 30, 2023, these sanitation improvement loans constituted 1.04% of our gross loan portfolio. We disbursed ₹191.01 million, ₹354.41 million, ₹1,011.40 million, ₹403.97 million and ₹574.09 million worth of sanitation improvement loans in the Financial Years 2021, 2022 and 2023, and the six months ended September 30, 2022 and 2023, respectively. OK

We have partnered with Water.org, a global non-profit organization, in the United States to provide sanitation improvement loans to our customers. Water.org provides us with the necessary technical assistance as well as a small subsidy in order to promote water, sanitation and hygiene facilities to our customers. For the Financial Year 2023 and the six months ended September 30, 2023, we received ₹6.03 million and ₹2.66 million as subsidy from Water.org.

Secured Loans

We currently provide two types of secured loans to our customers:

Muthoot Small and Growing Business (MSGB) Loans

MSGB loan is provided to our existing customers to grow their business. This loan is secured partially by assets and partially by gold as collateral. As of September 30, 2023, the annual effective interest rate is 24.00%. The non-refundable loan processing fee is 1.50% (excluding service tax) of the loan amount. Loans granted are for an amount between approximately ₹30,000 to ₹150,000 depending on the value of the primary and secondary collateral. The term of a MSGB loan is one, two or three years with repayment tenor of 52, 104 or 156 weeks for weekly loan and 12, 24 or 36 months for monthly loan. To further support our MSGB loan customers, additional corporate loans are also provided to a select few MSGB loan customers that have been successful in growing their business, in order to help them further develop their business. As of September 30, 2023, the annual effective interest rate of these corporate loans are between 14.00% and 17.00%. As of September 30, 2023, these MSGB loans (which include corporate loans to MSGB loan customers) constituted 0.24% of our gross loan portfolio. We disbursed ₹5.00 million, ₹45.00 million, ₹15.50 million, ₹nil million and ₹34.59 million worth of MSGB loans in the Financial Years 2021, 2022 and 2023, and the six months ended September 30, 2022 and 2023, respectively.

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Gold Loans

Due to the high demand for gold as a safe investment option by many households in India, we, in collaboration with MFL, offer gold loan facilities to our customers through several schemes, as provided below:

- Scheme I, II & III – For our existing customers, the effective annual interest rate ranges from 15.00% to 23.00% with a range of loan-to-value ratio of between 70% to 75%.
- Open Market – For new customers, the effective annual interest rate ranges from 21.50% to 23.00% with a range of loan-to-value ratio of between 70% to 75%.

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While the gold loans are included on our balance sheets, we pay a fee to MFL for their expertise and services in relation to the assessment, storage and verification of gold. The non-refundable loan processing fee is 1.00% (excluding service tax) of the loan amount, subject to a minimum of ₹50. The loan amounts granted are not fixed, and depend primarily on the quantity of the gold being pledged. The term of this loan is typically 6 months for principal and interest payments. As of September 30, 2023, these gold loans constituted 0.10% of our gross loan portfolio. We disbursed ₹556.79 million, ₹989.10 million, ₹1,209.99 million, ₹664.74 million and ₹242.84 million worth of gold loans in the Financial Years 2021, 2022 and 2023, and the six months ended September 30, 2022 and 2023, respectively.

Partner Institution Portfolio

We have entered into a partnership arrangement in December 2021 under the Prayaas loan scheme, a scheme for direct credit to micro enterprises, including our existing customers ("**Micro Enterprise Loans**"). As of September 30, 2023, the annual effective interest rate is approximately 17.00%. The non-refundable loan processing fee is 1.00% (excluding service tax). The term of this loan is 24 or 36 months for principal and interest payments. As of September 30, 2023, these loans constituted 0.66% of our gross loan portfolio. We disbursed nil, ₹24.11 million, ₹1,016.02 million, ₹312.58 million and ₹48.41 million worth of Micro Enterprise Loans in the Financial Years 2021, 2022 and 2023, and the six months ended September 30, 2022 and 2023, respectively.

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Our Business Model

Group Lending Model

Our group loans (including income generating loans and Pragathi loans) are based on a group lending model, catering exclusively to women. An informal JLG (typically comprising between eight to 45 members) provides joint and several guarantees for loans obtained by each member of the JLG. This JLG model is based on the idea that people belonging to lower- income segments have skills that are under-utilized. It is further premised on the fact that if such individuals are given access to credit, they may be able to identify new opportunities and grow existing income generating activities such as agriculture, animal husbandry, manufacturing and services, among others. Access to basic financial services can significantly increase economic opportunities for families in the lower-income segment.

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Our JLG lending model comprises five key elements that we have summarized below.

Village Selection

It is important for us to determine the feasibility of a village for our lending business before we commence operations in that area. We designate business development managers to be responsible for market research and analysis for new area/branch

Hence, we ensure that center meetings are conducted strictly as set out in our operational guidelines either on a weekly or monthly basis. We believe that center meetings are vital for us for the following reasons:

- all financial transactions and non-financial activities with our customers are conducted at the center meeting;
- the center meeting is our point of contact with our customers, and this helps in relationship building with the customer;
- all our important schemes and policies are shared with our customers at the center meeting; and
- the center meeting plays an important role in building our brand image.

The timing of the center meeting is typically fixed by the respective groups.

We have a judicious mix of repayment with both weekly and monthly cycle loans, currently we have 25.45% of our total loan portfolio as of September 30, 2023 on weekly collection cycle and balance on the monthly collection cycle, to ensure that the repayment tenor matches our customer's cash flow frequency to lower the chances of a loan default. OK

Credit Appraisal, Sanction, Disbursement and Repayment Processes

Receipt of Loan Applications: Loan applications are submitted to the branch manager at the center meetings after ensuring that every group member is willing to take joint responsibility for the loan, i.e., the group recognition test. Our personnel facilitate discussions among group members and the group decides whether or not to approve the loan request from a particular member based on everyone's understanding of the nature of business activity the loan is intended to be used for, and the expected frequency of cash flows, viability and profitability. If the group agrees to the loan, the relationship officer accepts the loan application from the customer.

Loan Evaluation: After the receipt of the loan application (countersigned by the leaders of the group at an individual capacity), the credit manager makes a compulsory visit to the customer's residence to interview the customer and other members of her household to ascertain the repayment capacity of the customer. During the visit, the credit manager prepares the cash flow statement in the prescribed format if the member has applied for an income generating loan.

Loan Sanction and Further Processing: On the recommendation of the relationship officer and based on the credit manager's assessment, the branch manager will sanction the loan.

Village Level Lending and Collection

Our approach to rural lending involves providing credit to customers in their village. Meetings begin early in the morning in order not to interfere with the daily activities of our members. We have developed a network that reaches each of the JLGs we lend to on a weekly or monthly basis. This allows us to regularly collect repayments on gross loan portfolio and disburse new loans, reinforce group stability, and eliminate the travel and time constraints that members may face with other lenders. Additionally, loan utilization checks are done for all of the loan accounts disbursed in the previous month. OK

Individual Lending Model

Apart from group loans, we also offer individual loans (including individual loans for livelihood solutions, and loans for life betterment solutions, health and hygiene, secured loans and partner institution portfolio), which are non-JLG loans, to existing customers if they meet certain requirements relating to credit criteria, group dynamics, customer vintage and other requirements. Under the non-JLG model, a credit enquiry on the customer's income is performed at a household level to ascertain the customer's overall household obligation and to verify that the customer's fixed obligations to income ratio falls within the required threshold before extending the loan to the customer. The customer's income assessment is re-assessed periodically, and the customer's fixed obligations to income ratio is monitored throughout the period of the loan.

E-Clinics

With the aim to cater to the healthcare needs and priorities of our customers, we have, since December 2021, offered digital healthcare facilities to our customers through "e-clinics". We collaborate with M-Swasth Solutions Private Limited, a technology driven digital healthcare service provider, to set up these e-clinics across our branches. As of September 30, 2023, we have set up 460 e-clinics across 460 of our branches, representing 34.33% of our total branches. As of September 30, 2023, 14.40% of our customers have enrolled in our e-clinics, and we have facilitated 98,844 medical consultations and 65,878 teleconsultations. OK

Our e-clinics provide video consultation at a nominal enrolment cost. Our e-clinics are specially designed small kiosks that are equipped with a tablet for a free video consultation with a doctor as well as medical equipment. Basic over-the-counter medicines are also available at our e-clinics at a nominal cost. Our e-clinic facilities, medical consultations, teleconsultations are available to all our customers and up to five of their family members, as part of our Sampoorna Swasth Shield, a wellness product, which we provide to our customers. Our customers and their nominees are also entitled to hospital cash benefit of up to ₹30,000 each and personal accident cover of up to ₹100,000 under our Sampoorna Swasth Shield. Our healthcare offering through e-clinics will help us to build sustainable relationships with our customers. OK

Partner Institution Model

We act as a partner institution under the Prayaas loan scheme, a scheme for direct credit to micro enterprises, including our existing customers. This facility may be availed by our existing customers who have a good repayment track record to cater to their immediate financial requirements. This is an unsecured loan and financed up to ₹300,000. We have disbursed ₹48.41 million to 267 customers during the six months ended September 30, 2023, with a gross loan portfolio of ₹720.11 million as of September 30, 2023. We receive a percentage of the interest collected as fee for managing the product. We provide a 6% credit guarantee for this portfolio of outstanding loans. OK

Co-Lending Model

We have entered into a co-lending partnership with a fintech platform to explore co-lending options through its platform to tap a wider customer base.

Information Technology

We have significantly implemented the use of technology across our microfinance operations in India. In 2022, we were awarded the Mobility Award for IT Innovations at the Technology Senate Awards South 2022 instituted by Express Computer, and the Best Digital Transformation Initiative – Financial Services Award at the India DevOps Show, 2022. The effective use of information technology is critical for us to grow our business. We have an in-house information technology team that has built our technology platform into a business tool for achieving and maintaining high levels of customer service, enhancing operational efficiency and creating competitive advantages for our organization. The following key components of our information technology systems have been adopted across our business:

- We have developed a unique credit score card along with Equifax to improve our underwriting capabilities by evaluating the creditworthiness of customers using technology. This technology-enabled credit score card improves our underwriting process by assigning individual credit scores to our customers, which provides us with a significant competitive advantage. As a result, we are able to risk profile each of our customers individually based on parameters such as payment track record (including any credit defaults in the past two years), demographics, age and location. This allows us strategically allocate more capital to "very low risk" and "low risk" customers, as compared to "medium risk" and "high risk" customers (as per the categorization based on the score cards), in order to maximize our collection efficiency. Further, we plan to improve our yields by charging higher interest rates to our "medium risk" and "high risk" customers accordingly. This unique credit score card is a model that was developed after taking into consideration, among other things, the probability of default of customers based on parameters such as demography, age and location. This unique credit score card continuously improves its credit score assignment capabilities, by processing and monitoring repayment behavior of our customers;

- We have developed a proprietary application, called "*Mahila Mitra*", to expand our digital collections infrastructure. *Mahila Mitra* facilitates digital payment methods such as QR codes, webpages, SMS-based links and voice-based payment methods. As of September 30, 2023, 1.50 million customers or 47.11% of our customers have installed *Mahila Mitra*. Through *Mahila Mitra*, our customers are able to pay directly from their bank account through a secure and safe platform that requires authentication via OTP and/or PIN payments, track and maintain digital records and statements of transactions, and earn cashback or reward points on payment transactions. *Mahila Mitra* also facilitates and supports 9 vernacular language options; OK

- We are in the process of developing a "*Super App*" along with the Muthoot Pappachan Group, a business conglomerate, which we plan to use to integrate our *Mahila Mitra* application with all of the Muthoot Pappachan Group's products and database on to a single platform. Through the *Super App*, we believe that we will be able to maximize cross-selling opportunities as our customers will not have access to all the Group's loan offerings on a single platform. Further, through the *Super App*, we believe that we will have access to a wide customer base and in-depth data about our customers;

- To manage our operating expenses and increase efficiency, we equip our field staff with our mobile loan origination solutions called "*Telerios*", which simplifies data entry and improves the accuracy and efficiency of collections and fraud detection. The mobility solutions help staff at the centers avoid manual data entry at center meetings and save time. As a result, a number of back-office functions have been automated in the field at the point of delivery, which has allowed us to realize significant efficiencies in terms of reduced paper work and processing time;

- Further, we have instituted "*Serene Pro*", our integrated loan management system which allows for real-time recording and tracking of loan-related information. Our systems operate in a secured technological environment with a robust back-end systems supported by computerized, internet-enabled branches ensuring that transactions are recorded and completed electronically. Our field and branch level software are developed by our in-house technology team;

- We have also instituted "*Orion*", our enterprise resource planning solution aimed at improving financial accounting and reporting. We use this software under a license; at a fixed monthly cost of ₹1.00 million. The agreement with Muthoot Pappachan Technologies Limited, our Group Company, is for 10 years starting from April 1, 2015, to provide IT related services to our Company; OK

- We have developed and implemented "*MINFO*", our platform which provides information relating to business parameters to our management, which helps with the monitoring of field level activities in an effective and efficient manner. *MINFO* provides our management with, among other things, an overview of our business (including information relating to pipeline, daily and monthly disbursement, business trends and gross loan portfolio), collection (including information relating to daily and monthly demand, collection trends, delinquency comparison and digital payments), portfolio and location tracking of field officers;

- To improve efficiency, reduce costs, and enhance security and productivity of our employees, we have implemented, among other things, cloud migration applications and services, security enhancement measures, collaboration tools, virtual technologies and mobile device management systems;

- To improve accuracy and efficiency in our credit and verification processes, we have utilized technology to generate credit scoring models, streamline disbursement processes, enable paperless loan processes and digital payment methods;

- To secure important information technology assets, maintain business continuity and improve risk management and data security, we have established extensive information security policies and guidelines;

- We have extensive cybersecurity measures, including firewalls, encryption, antivirus software, access control and incident response planning, in place to protect sensitive information and prevent cyber attacks and cyber frauds;

- We have a robust customer on-boarding process with a high level of data entry and underwriting automation; and

- We have developed an IT system with ability to track field activities on a real-time basis, enabling centralized, online reporting of transaction numbers real-time and immediate handling of fraud and repayment issues. This also allows us to easily introduce new or modified products into the system.

We continue to actively upgrade our technology infrastructure and applications to improve operational efficiency, customer service and decision making process, as well as to keep pace with the changing and dynamic environment in the microfinance industry. We will continue to focus on increasing operational efficiency through technology initiatives such as field force automation, robust internal communication and knowledge management systems to ensure greater cooperation between our teams as well as more effective management of operations. As at September 30, 2023, we employed 102 members in our information technology team, who are responsible for, among other things, developing and maintaining our in-house information technology systems, data security systems, and technological infrastructure and applications. We have made investments in maintaining and updating our technology infrastructure, systems applications and business solutions, which have improved customer satisfaction and sales, and lowered our processing costs. As the microfinance industry is constantly changing, we expect to continue our trend of investment in various different technology initiatives. See "*Risk Factors – We face the threat of cyber-fraud and cyber-attacks, such as hacking, phishing and theft of sensitive internal data or customer information. We also face the threat of a system breakdown, network outage and system failure. These may damage our reputation and adversely affect our business and results of operations.*" on page 43. OK

Internal Audit and Internal Controls

We maintain an internal control framework which we view as an essential prerequisite for the growth of business. We have well documented policies, procedures and authorization guidelines that are commensurate with our size. Further, an efficient independent internal audit system is in place to conduct periodic internal audits of all branches, regional offices and as well as the head office.

We have an internal audit and compliance team of 363 employees, as of September 30, 2023. Our internal audit function is an independent activity guided by a philosophy to add value to improve and enhance operations of our organization. It assists us in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of our internal control, risk management and governance processes. Our compliance function serves to monitor and resolve internal audit issues. OK

The internal audit activity is conducted with systematic accountability for confidentiality and safeguarding records and information. It has fully authorized, free and unrestricted access to any and all of our records, physical properties and personnel pertinent to carrying out any engagement. The internal audit activity also has free and unrestricted access to our Board. The Audit Committee of our Board is updated on significant internal audit observations, compliance with statutes, progress of risk management practices and effectiveness of our control systems every quarter.

two years in an effort to mitigate and reduce the probability of collusion or fraud with customers. All field employees are transferred to another branch periodically in accordance with our transfer and deputation policy.

Further, we seek to emphasize regular end use and payment monitoring, which tie into our key risk parameters. For example, we carry out regular loan utilization checks, and typically endeavor to conduct such checks within one month of disbursement of the loans. We believe that these periodic checks and regular monitoring help us in timely identification of customers or groups with increasing delinquency risk, thereby enabling us to take timely remedial measures, as appropriate. Further, we monitor collections on a real time basis to ensure that any delay in collections is regularly highlighted and followed up to maximize collection efficiency.

Financial Risk

To ensure that there is no asset-liability mismatch, we have implemented certain risk management strategies. Under the direction of our Board, our borrowing committee oversees areas relating to cost of borrowing, interest rates on new borrowings, in principle approvals and drawdowns on our loan facilities. We are able to maintain a low quantity of cash on hand at branches primarily because of our digital collection initiatives and collaborations with collection agencies and banking channels.

Liquidity Risk

We place a significant emphasis on liquidity management in order to address operational requirements and corporate commitments. Along with our diversified funding strategy and favorable asset-liability maturity profile, we seek to ensure that we have sufficient liquidity at all times to meet our business requirements. We also have a mixture of fixed and variable interest rates in our borrowing profile which helps us perform better in a volatile interest rate risk scenario.

Political Risk

We recognize political risk as one of the major risks facing the industry. Political risk can be mitigated through responsible lending and fair practice by:

- conducting risk analysis, in particular by evaluating and analyzing local political climate, recent history, and market reports before expanding our branch network;
- engaging with customers and society at large on matters relating to financial literacy;
- studying market survey reports published by self-regulatory organizations, such as microfinance institutions network, in order to monitor and keep track of current market data.

Concentration Risk

We seek to mitigate concentration risk in both our loan portfolio and borrowings through well-defined geographic diversification strategies. We understand and analyze the risks involved based on our current geographic concentration. We regularly perform in-depth analysis on the breakdown of asset under management based on districts, to monitor and keep track of relevant trends in a timely fashion. While we have expanded our business operations to North India in the past five years, a significant portion of our revenues still come from South India. For details, see "*Risk Factors – We derive a significant portion of our revenues from South India, and any adverse developments in the southern states of India may have an adverse effect on our business, results of operations, financial condition and cash flows.*" on page 44.

Climate Change Risk

Over the past few years, there has been a significant increase in natural calamities associated with weather and climate. Climate change risk is a significant risk that affects our repayment consistency, portfolio quality, and ongoing daily operations. We examine the risk exposure in states that are vulnerable to climate risk by adopting data published by reputable organizations in order to comprehend and evaluate the risk exposure in each state. Further, to protect our customers from the risks of natural calamities, we have, since May 2020, also provided natural calamity insurance to our customers to whom we disburse loans across our branches in India. As a result of global climate change, India has experienced natural calamities such as floods, cyclones, earthquakes, tsunamis and droughts in the past, including floods in the south Indian state of Kerala in 2018 and 2019 and a cyclone in Tamil Nadu in 2018. In this background, purchasing natural calamity insurance for our customers is a significant value-add to them as it protects their businesses and assets at home.

Credit Team

Our credit team, comprising 1,287 members as of September 30, 2023, is an independent vertical established to monitor and ensure portfolio quality, with a specific focus on identification, measurement, and monitoring and mitigation of the associated credit risk. The key focus of our credit team is to ensure efficient and uniform credit assessment and appraisal resulting from streamlined approval and administrative procedures. We have a well-established underwriting policy which ensures that OK customer selection is done only after evaluating household income, obligation, fixed obligations to income ratio, and completing detailed cash flows analysis. We use technology and automation to establish creditworthiness and repayment behavior of individual customers by analyzing customers' credit bureau reports, cash flows, continued process verification reports and our unique credit score cards of customers which we developed along with Equifax, before sanctioning loans. Credit score cards and have been developed to enable data-backed underwriting strategy for our customers. These application scorecards are decision models that allow us to risk profile our customers based on certain parameters. Further, to improve our underwriting process, we have credit managers at all of our branches to evaluate credit underwriting, assess creditworthiness and repayment capacity of new customers. In a situation where a customer's application for credit is denied, the branch officer may request for a deviation approval from the credit team, which then assesses the individual application holistically before making a determination. The credit team also ensures that field operations are operating within the constraints of credit policy as defined by the management and are adhering to high standards of quality in terms of organization credit policy and high underwriting quality.

Collections Team

Our collections team, comprising 313 members as of September 30, 2023, is equipped with the necessary technique and skills to recover amounts that are overdue from our delinquent customers. We have a collection policy which clearly identifies the various aspects of collection, the underlying factors and reasons of defaults, the different modus operandi for different buckets of customers, and the appropriate strategy to adopt in each individual scenario. Our collection strategies are summarized in the table below: OK

Days Past Due ("DPD") Bucket	Teams Involved	Responsibility/Activity
0-30	Operations team.	Regular follow-up for collection directly on field.
31-90	Operations team along with risk containment unit telecalling team.	Promise to pay (PTP) generation over call by risk containment unit telecalling team to support the operations team for collection on field.
91-180	In-house debt management services team.	Direct customer visit on field.
180+	In-house debt management services team, agency collections team and legal team	Direct customer visit on field and agency collection with strict monitoring of agency performance and conduct. The legal team also adopts various legal recourse strategy to recover the loan.

Our collections team is at all times supported by our in-house legal team. We have deployed different teams and adopted different strategies for different DPD buckets according to the table above, in order to maximize our collection efficiency.

Compliance with the NBFC-ND-SI Master Directions

Our Company has been classified as a systemically important, non-deposit taking NBFC, which requires us to comply with the NBFC-ND-SI Master Directions. For details in relation to the current status of our compliance with:

Criteria	NBFC-ND-SI Master Directions/ RBI (Regulatory Framework for Microfinance Loans) Directions, 2022/ Master Circular- 'Non-Banking Financial Company-Micro Finance Institutions' (NBFC-MFIs) - Directions	Our Compliance Status
Loan Portfolio – Qualifying Assets	At least 75.00% of total assets to be in the nature of "qualifying assets".	"Qualifying assets" constituted 75.67% of our net assets, as of September 30, 2023.
Household(1) Income	Total annual household income of the borrower to be below ₹300,000.	We comply with this norm in relation to our micro-credit products.
Policy on maximum repayment outflows from account of the borrower	We are required to have a board-approved policy regarding the limit on the outflows on account of repayment of monthly loan obligations of a household as a percentage of the monthly household income.	We comply with this norm.
Indebtedness of Borrower	FOIR (Fixed Obligation to Income Ratio)(2) of 50%.	We comply with this norm in relation to our micro-credit products.
Collateral	Loan to be extended without collateral.	We comply with this norm for our micro-credit products.
Mode of Repayment	NBFC-MFI to have a board-approved policy to provide the flexibility of repayment periodicity (i.e. weekly, fortnightly or monthly) on the microfinance loans as per the borrower's requirement.	We comply with this norm, subject to compliance with any local law requirements.
Disclosure of pricing related information	A standardized simplified fact sheet to be shared to all customers which includes, among other things, working of effective annualized interest rate and	We comply with this norm.

Grading/Credit Rating	Organization which gave the rating	Date on which rating provided	Details of the rating
A+/Stable	CRISIL	January 19, 2023	NCD rating
PPMLD A+r/ Stable	CRISIL	January 19, 2023	Long term principal protected MLD rating
A1+	CRISIL	January 19, 2023	Commercial Paper

Details relating to changes in our credit ratings during the Financial Years 2021, 2022 and 2023, and the six months ended September 30, 2023 are set forth below:

Rating agency	Date of change	Nature of change	Initial Rating	New Rating	Details of rating
CRISIL	October 19, 2022	Upgrade	A/Stable	A+/Stable	Long Term Rating
CRISIL	October 19, 2022	Upgrade	A/Stable	A+/Stable	NCD Rating
CRISIL	October 19, 2022	Upgrade	PPMLD A r/ Stable	PPMLD A+r/ Stable	Long term principal protected MLD rating
India Ratings & Research	November 18, 2021*	Upgrade	IND A/Stable	IND A/Stable	Bank Loans and NCD Rating

* *This rating, which was reaffirmed on November 17, 2022, was subsequently withdrawn by India Ratings & Research by way of its letter dated November 16, 2023, since it was no longer required to maintain the ratings as there was no outstanding amount against the assigned bank facilities from India Ratings and the NCDs rated by it also had been repaid.*

See "*Risk Factors – Any downgrade of our credit ratings may constrain our access to capital and debt markets and, as a result, may adversely affect our cost of borrowings and our results of operations*" on page 46.

Competition

We face our most significant organized competition from other MFIs, SFBs, commercial banks and state-sponsored social programs in India. In addition, many of our potential customers in the lower income segments typically do not have access to any form of organized institutional lending, and rely on loans from informal sources, including moneylenders, landlords, local shopkeepers and traders, at much higher rates. MFIs can largely be classified into two types: for-profit organizations and not-for-profit organizations. Organizations under a host of different legal forms may be covered under the MFI model, including trusts, societies, co-operatives, non-profit NBFCs registered under Section 25 of the Companies Act, 1956 and Section 8 of the Companies Act, and for-profit MFIs registered with the RBI as NBFCs. Further, some banks do participate in microfinance by financing the loan programs of self-help groups often in partnership with NGOs. In addition, some commercial banks are beginning to directly compete with for-profit MFIs for lower income segment customers in certain geographies. See "*Risk Factors –Competition from other microfinance institutions, banks (including small finance banks) and financial institutions, as well as state-sponsored social programs, may adversely affect our profitability and position in the Indian microcredit lending industry*" on page 48.

Employees

As of September 30, 2023, we had 12,297 full-time employees. The table below provides a break-down of our employees by function as of September 30, 2023: OK

Function	Number
Business/Operations	9,715
Back-end credit operations	131
Credit Risk	1,287
Risk Management	16
Debt Management Services	313
Internal Audit and Compliance	363
Human Resources	162
Information Technology	102
Accounts & Finance	66
Infra & Administration	61
Product Development	24
Secretarial & Legal	45
Customer Grievance	4
Communication & Digital Promotions	8
Total	**12,297**

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We have a systematic selection process for all levels of employees, and we endeavour to verify the background of prospective employees through independent agencies which focus on employment history, reference check, fraud and criminality database search, and address confirmation. We insist on police verification certificate from all our employees. We endeavour to hire highly qualified personnel and 63.15% of our employees have college graduation as their minimum academic qualification, as of September 30, 2023.

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We conduct periodic reviews of our employees' job performance and determine salaries and discretionary bonuses based upon those reviews and general market conditions. We endeavour to maintain a good working relationship with our employees and we have not experienced any significant employee disputes or strikes. Our employees are not subject to any collective bargaining agreements or represented by labour unions.

The compensation of our personnel is linked to both qualitative and quantitative aspects of performance. We believe that our goal-oriented culture and incentive programs have contributed to developing a motivated workforce that is focused on building sustainable relationships with our customers and partners by delivering personalized customer service, growing profitability and striving for operational efficiencies. See "*Risk Factors – Our success depends, in large part, upon our management team and skilled personnel and on our ability to attract and retain such persons. Failure to train and motivate our employees may lead to an increase in our employee attrition rates and our results of operations could be adversely affected as a result of any disputes with our employees*" on page 55.

Corporate Social Responsibility

We have adopted a CSR policy in compliance with the Companies Act. During the Financial Years 2021, 2022 and 2023, and the six months ended September 30, 2022 and 2023, our expenses on corporate social responsibility amounted to ₹26.95 million, ₹19.95 million, ₹6.23 million, ₹3.13 million and ₹9.55 million, respectively. We have established a Board-level CSR committee which is responsible for monitoring and executing our CSR policy.

We seek to be a responsible financial institution that focuses on serving underprivileged women from marginalized communities in rural areas in India. As of September 30, 2023, 96.58% of our total customers were from rural areas. We seek to facilitate opportunities in such areas for such customers as well as by recruiting locally. We aim to service the unbanked population and provide financial services to women customers who are economically and socially challenged. We seek to engage the local workforce and encourage personal volunteering efforts of our employees in order to promote a culture of responsible citizenship. We have established a number of CSR initiatives to encourage good health and well-being, including the cleft lip surgery "smile please", nutrition support program, blue butterfly (pediatric cancer treatment support), COVID-19 response activities, and disaster management initiatives (including rehabilitation and reconstruction initiatives).

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Insurance

We largely maintain insurance policies that are customary for companies operating in our industry. We have obtained credit shield insurance for our customers and their nominee. In addition, we act as a master policy holder for credit linked life insurance policies for our customers, to protect them from financial risks arising from death of income earners within the household. We also maintain insurance policies covering our fixed assets and equipment, portable equipment and third-party products, which protects us in the event of certain natural disasters or third-party injury, fidelity guarantee insurance policy, money insurance policy and group life insurance for employees and directors. See "*Risk Factors – Our insurance coverage may not be adequate to protect us against all potential losses, which may have an adverse effect on our business, financial condition and results of operations*" on page 58.

Intellectual Property

As on the date of this Red Herring Prospectus, we have no registered intellectual property. For our business, we use certain trademarks which are registered by our Promoters, namely, Thomas John Muthoot, Thomas George Muthoot and Thomas Muthoot. Further, the domain name "www.muthootmicrofin.com" is registered in the name of Muthoot Fincorp Limited, which is our holding company and one of our Promoters. For further details, see, "*Risk Factors – We depend on the recognition of the "Muthoot" brand, and failure to use, maintain and enhance awareness of the brand would adversely affect our ability to retain and expand our base of customers*" and "*History and Certain Corporate Matters – Other material agreements*" on pages 38 and 226, respectively.

Properties

Our registered office is located in Mumbai, Maharashtra premises at 13th Floor, Parinee Crescenzo, Bandra Kurla Complex, Bandra East, located on space-sharing premises. Our Administrative Office is located at 5th Floor, Muthoot Towers, MG Road, Kochi, Kerala, located on leased premises. Our Administrative Office and all our branches are utilized by us on lease or leave and license basis. As of September 30, 2023, we had 1,340 branches throughout India that we occupy through leave and license or lease arrangements. Certain of our regional offices are utilized by us on leave and license basis, while for others, we have entered into agreements for use of physical space. See "*Risk Factors – We are subject to the risks associated with all of our properties not being owned by us*" on page 57.

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Date of Shareholders' resolution/ effective date	Details of the amendments
March 25, 2015	Clause V of the Memorandum of Association of our Company was amended to reflect the increase in authorised share capital of our Company from ₹ 100,000,000 (Rupees one hundred million) divided into 10,000,000 (Ten million) Equity Shares of ₹ 10 each to ₹ 500,000,000 (Rupees five hundred million) divided into 50,000,000 (Fifty million) Equity Shares of ₹ 10 each.
December 23, 2015	Clause V of the Memorandum of Association of our Company was amended to reflect the increase in authorised share capital of our Company from ₹ 500,000,000 (Rupees five hundred million) divided into 50,000,000 (Fifty million) Equity Shares of ₹ 10 each to ₹ 750,000,000 (Rupees seven hundred and fifty million) divided into 75,000,000 (Seventy five million) Equity Shares of ₹ 10 each.
June 1, 2016	Clause V of the Memorandum of Association of our Company was amended to reflect the increase in authorised share capital of our Company from ₹ 750,000,000 (Rupees seven hundred and fifty million only) divided into 75,000,000 (Seventy five million) Equity Shares of ₹ 10 each to ₹ 1,500,000,000 (Rupees one billion five hundred million) divided into 150,000,000 (One hundred and fifty million) Equity Shares of ₹ 10 each.
November 16, 2016	Clause V of the Memorandum of Association of our Company was amended to reflect the increase in authorised share capital of our Company from ₹ 1,500,000,000 (Rupees one billion five hundred million) divided into 150,000,000 (One hundred and fifty million) Equity Shares of ₹ 10 each to ₹ 2,000,000,000 (Rupees two billion) divided into 150,000,000 (One hundred and fifty million) Equity Shares of ₹ 10 each and 50,000,000 (Fifty million) Compulsorily Convertible Redeemable Preference Shares of ₹ 10 each.
June 14, 2023	Clause V of the Memorandum of Association of our Company was amended to reflect the increase in authorised share capital of our Company from ₹ 2,000,000,000 (Rupees two billion) divided into 150,000,000 (One hundred and fifty million) Equity Shares of ₹ 10 each and 50,000,000 (Fifty million) Compulsorily Convertible Redeemable Preference Shares of ₹ 10 each to ₹ 2,500,000,000 (Rupees two billion five hundred million) divided into 200,000,000 (Two hundred million) Equity Shares of ₹ 10 each and 50,000,000 (Fifty million) Compulsorily Convertible Preference Shares of ₹ 10 each.
June 26, 2023	Clause III of the Memorandum of Association of our Company was amended to reflect an addition to the incidental and ancillary objects of our Company being, to transact with associations/ agencies for sale of credits obtained pursuant to providing loans to persons, firms or companies for buying energy efficient products to help them improve their standard of living.

Major events and milestones our Company

The table below sets forth the key events and milestones in the history of our Company:

Calendar year	Milestone
1992	Incorporated as Panchratna Stock and Investment Consultancy Services Private Limited
1994	Converted to a public limited company and name changed to Panchratna Securities Limited
1998	Company obtained a certificate of registration as an NBFC from RBI
2011	Company was acquired by promoters of "Muthoot Pappachan Group", namely, Janamma Thomas, Thomas John Muthoot, Thomas George Muthoot, Thomas Muthoot, Preethi John Muthoot, Nina George and Remmy Thomas
2015	RBI granted NBFC-MFI status with effect from March 25, 2015
2016	Raised ₹ 500,000,000 from Creation
2017	Crossed 1 million clients
2017	Raised ₹ 150,000,000 in the first round of investment for the year from Creation
2017	Raised ₹ 350,000,034.28 in the second round of investment for the year from Creation
2018	Raised ₹ 300,000,013 in the first round of investment for the year from Creation
2018	Raised ₹ 250,633,050 in the second round of investment for the year from Creation
2019	CRISIL upgraded the rating to A Stable for bank facilities and debt instruments
2021	Launched the Mahila Mitra app
2021	AUM crossed ₹50,000 million
2021	Raised ₹ 1,877,249,867.54 from GPC
2022	Raised ₹ 1,856,624,910.84 in the first round of investment for the year from GPC
2022	Raised ₹ 818,124,971.22 in the second round of investment for the year from GPC
2022	CRISIL upgraded the rating to A+ Stable for long-term bank facilities and debt programmes
2022	Crossed 2 million active customers
2022	Crossed 1,000 branches
2023	Reached 10,000 employees
2023	AUM crossed ₹100,000 million
2023	Launched Digital first Suvidha Loan

OK

Awards and accreditations

Details of key awards received by our Company are set out below:

Calendar Year	Name of the award
2018	Award for implementing outstanding initiatives in the category 'Microfinance Plus Activities', at the MFIN Microfinance Awards 2018: In Pursuit of Excellence
	Comprehensive Microfinance Grading of 'M1C1', assigned by CRISIL
	Awarded as a 'Trusted Micro-Finance Brand' at the India Best Brand Series and Awards, 2018
	Awarded Golden Peacock Business Excellence Award

Calendar Year	Name of the award
	Best NBFC Award at the Chamber of Indian Micro Small and Medium Enterprises - MSME Banking Excellence Awards
	Awarded 'Finance Company of the Year – India' at the Asian Banking & Finance Retail Banking Awards, 2018
	Awarded for HR strategy at Asia's Best Employer Brand Awards (9th Edition) hosted by the World HRD Congress
	Certified as a 'Great Place to Work' by the Great Place to Work Institute, India
	Winner in the category of 'Risk management initiatives' at the 4th Eastern India Microfinance Summit, 2018 organised by the Association of Micro Finance Institutions, West Bengal
2019	'North India Best Employer Brand Award 2019' organized by the Employer Branding Institute
	Award for Brand Excellence in the BFSI Sector presented by ABP News
	Awarded 'Golden Peacock Award for Excellence in Corporate Governance – 2019' (Special Commendation) by Institute of Directors, India
	Top Organisations with Innovative HR Practices Award presented by the Asia Pacific HRM Congress
	Certified as one of the 'Best Workplaces in Microfinance, India' by the Great Place to Work Institute, India
	Awarded Asia's Most Promising Brand in the NBFC-MFI category by World Consulting and Research Corporation
	Awarded the Kerala Best Employer Brand Award by the Employer Branding Institute, India
2021	Recognised amongst the Best Workplaces in the BFSI Industry in India by the Great Place to Work Institute
	Indian Achievers' Award for Emerging Company presented by the Indian Achievers' Forum
	Awarded 'Best Use of Technology Award' for Financial Services by the National Enterprises Tech Connect
	Awarded a Certificate of Excellence for water and sanitation lending by Water.org India and Sa-Dhan
	Certified as a 'Great Place to Work' by the Great Place to Work Institute, India for the period between February, 2021 to January, 2022
	Awarded the 'Best Digital Transformation Initiative – Micro Finance' in the NBFC Category by the BFSI Excellence Awards, 2021
	Recognition of our Company's 'Commitment to being a Great Place to Work' by the Great Place to Work Institute, India
2022	Awarded for the Mobility category at the Technology Senate Awards South, 2022
	Awarded the 'Best Digital Transformation Initiative - Financial Services' at the India Devops Show 2022 organised by Quantic
	Awarded the 'Best Employee-Driven CX' by the India Customer Excellence Summit and Awards, 2022
2023	Certified as a 'Great Place to Work' by the Great Place to Work Institute, India with validity for the period between January, 2023 to January, 2024
	Awarded Best Learning Strategy – Gold Award by the Indian Business Council at the Human Resources Ideas & Voice Events, 2023
	Winner in the category of 'Modern and Agile Data Architecture and Infrastructure' at the Economics Times Datacon Awards, 2023
	Awarded Trailblazer in Digital Lending Award at the 2nd Elets NBFC100 Leader of Excellence Awards, 2023

Time and cost overruns

There have been no time and cost overruns in respect of our business operations.

Defaults or re-scheduling/ restructuring of borrowings

We have, in the past, defaulted on certain of our borrowings with 10 financial institutions/ banks in respect of our Company's borrowings, which have been repaid or waived by the lenders as on the date uf this Red Herring Prospectus:

Sr. No.	Lender	Nature of Default	Extent of Default (in ₹)	Status of Default
1.	ISIN-INE046W07180 - Blue Orchard Finance Limited	Delay in interest payment of ₹64.9 million due on December 5, 2022, which was paid on December 7, 2022, due to an inadvertent operational error	64.90 million	As the payment was made within curing period, it is not considered as default as per the agreement.
2.	ICICI Bank Limited	Shortfall of ₹1.25 million on account of incorrect repayment schedule shared by a lender	1.25 million	Regularised
3.	Punjab National Bank	Shortfall of ₹20 paise in repayment to the lender	20 paise	Regularised
4.	Karur Vysya Bank Limited	Shortfall of ₹62 paise in repayment to the lender	62 paise	Regularised
5.	Equitas Small Finance Bank Limited	One day delay in principal repayment of ₹20.6 million to a lender	20.6 million	Regularised
6.	IndusInd Bank Limited	Shortfall of ₹0.05 million in repayment of interest to a lender on account of revision in interest rate	0.05 million	Regularised
7.	Credit Saison Co., Ltd. (Kisestsu Saison Finance (India) Private Limited)	Default due to maximum permissible ratio of PAR>90 days (including managed portfolio), inclusive of write offs for trailing 12 months, to outstanding principal value of total asset under management to not exceed 10% till December 2021, 5% till December 2022 and 3% from April 1, 2022	-	Waiver obtained. The loan is closed as on September 30, 2023
8.	Manaveeya Development and Finance Private Limited	The gross loan portfolio at risk (PAR)> 30 days (AUM, including rescheduled loans)<13.00% up to June 30, 2021, <10% up to December 31, 2021 and	-	Waiver obtained

OK

Sr. No.	Lender	Nature of Default	Extent of Default (in ₹)	Status of Default
		<thereafter <5% from January 1,2022.		
9.	Northern Arc Capital Limited	Maximum permissible ratio of sum of the PAR > 90 and write-offs (on the borrower's entire portfolio including receivables sold or discounted on a non-recourse basis) to gross loan portfolio shall be 12.00% till September 30, 2021 and 9.00% till March 31, 2022 and 5.00% from April 01, 2022 onwards, write-offs would be calculated for trailing twelve months as well as Maximum permissible ratio of Par > 90 net off Loan Loss Provisions (on the Borrower's entire portfolio including receivables sold or discounted on a non-recourse basis) to Tangible Net worth shall be 25.00% till September 30, 2021 and 20.00% from October 01, 2021 onwards.	-	Waiver obtained. The loan is closed as on September 30, 2023
10.	Bank of Bahrain and Kuwait	Net NPA (%) shall not be more than one	-	Regularised

OK

Except as disclosed below, there have been no rescheduling/ restructuring of borrowings with financial institutions/ banks in respect of our Company's borrowings.

In the past, we have availed moratorium from certain of our lenders under the permitted framework by RBI for a period of six months (on payment of all instalments falling due between March 1, 2020 and August 31, 2020) on account of COVID-19, as provided in its circular bearing reference number DOR.No.BP.BC.47/21.04.048/2019-20. Our Company had applied and obtained moratorium from various lenders as listed out below:

Sr. No.	Name of Institution offered Moratorium	Amount of benefit offered		Amount outstanding as on September 30, 2023 (₹ in million)
		Principal	Interest	
1.	Bank of India	41,400,000	1,773,039	Nil
2.	IDFC First Bank Limited	71,428,570	2,758,122	Nil
3.	Bandhan Bank Limited	228,571,429	8,266,145	Nil
4.	DCB Bank Limited	47,793,940	-	Nil
5.	Abu Dhabi Commercial Bank	13,333,334	-	Nil
6.	Equitas Small Finance Bank Limited	22,250,351	899,744	Nil
7.	Lakshmi Vilas Bank Limited	83,333,334	13,410,216	Nil
8.	SBM Bank (India) Limited	-	313,699	Nil
9.	Standard Chartered Bank	125,000,000	-	Nil
10.	ICICI Bank Limited	90,909,089	12,449,252	Nil
11.	Andhra Bank Limited	75,757,576	4,957,098	Nil

OK

The above-mentioned facilities for which moratorium was availed have been closed.

For further details, see "*Risk Factors – We are subject to certain conditions under our financing arrangements, which could restrict our ability to conduct our business and operations in the manner we desire.*" on page 35.

Significant financial and strategic partners

Our Company does not have any significant financial or strategic partners as on the date of this Red Herring Prospectus.

Capacity/facility creation, location of branches

For details regarding locations of our branches, see "*Our Business*" on page 181.

Launch of key products or services, entry into new geographies or exit from existing markets

For details of key products or services launched by our Company, entry into new geographies or exit from existing markets, see "*Our Business*" on page 181.

Details regarding material acquisitions or divestments of business/ undertakings, mergers, amalgamation, any revaluation of assets, etc. in the last 10 years

Our Company has not made any material acquisitions or divestments of business/ undertakings, mergers, amalgamation, any revaluation of assets, etc., in the last 10 years preceding the date of this Red Herring Prospectus.

Our Holding Company

Confirmations

None of our Directors is or was a director of any listed company during the five years immediately preceding the date of this Red Herring Prospectus, whose shares have been or were suspended from being traded on any stock exchange during the term of their directorship in such company.

None of our Directors is or was a director of any listed company which has been or was delisted from any stock exchange during the term of their directorship in such company.

None of our Directors have been identified as Wilful Defaulters or Fraudulent Borrower by any bank or financial institution or consortium, in accordance with the applicable guidelines issued by the Reserve Bank of India.

No consideration in cash or shares or otherwise has been paid or agreed to be paid to any of our Directors or to the firms or companies in which they are interested as members by any person either to induce them to become or to help them qualify as a Director, or otherwise for services rendered by them or by the firm or company in which they are interested, in connection with the promotion or formation of our Company.

None of our Directors have any interest in any property acquired or proposed to be acquired of the Company or by the Company or in any transaction by our Company for acquisition of land, construction of building or supply of machinery.

Terms of appointment of our Directors

Thomas Muthoot

Thomas Muthoot was initially appointed as the director of our Company on January 23, 2012. He was subsequently appointed as the Managing Director of our Company for a further term of five years with effect from November 4, 2022, pursuant to a Board resolution dated November 4, 2022 and a Shareholders resolution dated December 20, 2022. Subsequently, pursuant to a resolution dated November 4, 2022 passed by our Board and a resolution dated December 20, 2022 passed by the Shareholders, our Managing Director is not entitled to any remuneration from our Company.

No remuneration was paid to our Managing Director in the Financial Year 2023.

Remuneration to our Non-Executive Directors

Remuneration to our Non-Executive Directors

Our Non-Executive Directors are not entitled to any remuneration from our Company. No remuneration was paid to our Non-Executive Directors in the Financial Year 2023.

Remuneration to our Non-Executive Independent Director

Our Non-Executive Independent Directors are eligible for sitting fees for attending each meeting of the Board or committees thereof. Our Company has, pursuant to a board resolution dated May 3, 2018, fixed ₹60,000 per meeting as the sitting fees payable to our Non-Executive Independent Directors for attending the meetings of our Board. Further, pursuant to a Board resolution dated November 15, 2018, fixed as the sitting fees payable to our Independent Directors is ₹30,000 per meeting for attending the meetings of our Committees.

The details of sitting fees paid to our Non-Executive Independent Director for Financial Year 2023, are as follows:

Sr. No.	Name of Non- Executive Independent Director	Remuneration (₹ in million)
1.	Alok Prasad	0.75
2.	Thai Salas Vijayan	0.66
3.	Bhama Krishnamurthy	0.66
4.	Pushpy Babu Muricken	0.54
5.	Anand Raghavan	0.09

OK

There is no contingent or deferred compensation payable to any of our Directors which accrued in Fiscal 2023.

Arrangement or understanding with major Shareholders, customers, suppliers or others

Other than Akshaya Prasad and John Tyler Day who are nominated to our Board by GPC and Creation, respectively, under the terms of the Shareholders' Agreement and the Articles of Association, there is no arrangement or understanding with the major shareholders, customers, suppliers or others, pursuant to which any of our Directors have been appointed on the Board.

Service Contracts with Directors

None of our Directors have entered into a service contract with our Company pursuant to which they are entitled to any benefits upon termination of employment.

Key Managerial Personnel

In addition to Thomas Muthoot whose details are set out under " – *Brief Biographies of Directors*" on page 231, the details of the Key Management Personnel, as on the date of this Red Herring Prospectus, are set out below

Sadaf Sayeed is the Chief Executive Officer of our Company. He holds a bachelor of commerce (honours) degree from the University of Delhi and a master of business administration degree from Guru Gobind Singh Indraprastha University. He has been associated with the Muthoot Pappachan Group for the last 12 years. He has been serving as the Chief Executive Officer of the Company for the last seven years since August 26, 2015 and was also associated with Muthoot Fincorp Limited as the chief operating officer of the microfinance division. Prior to joining our Company, he was associated with HDFC Bank Limited, Indiabulls Credit Services Limited, GE Countrywide Consumer Financial Services Limited, Satin Creditcare Network Limited and Spandana Sphoorty Financial Limited. He has over 22 years of experience in banking and financial sector. During Financial Year 2023, he received a gross remuneration of ₹ 37.31 million. OK

Praveen T. is the Chief Financial Officer of our Company. He is a member of the Institute of Chartered Accountants of India with twelve years of experience in finance, accounts and management. He has been associated with the Muthoot Pappachan Group for 10 years. He has been serving as the Chief Financial Officer for the last six years with effect from December 26, 2016. He was also associated with our Company as the associate vice president- finance and accounts from January 26, 2016, and with Muthoot Fincorp Limited as chief manager from February 04, 2013, to January 25, 2016. Prior to joining our Company, he was associated with Ark Power Controls Private Limited. During Financial Year 2023, he received a remuneration of ₹ 4.95 million. OK

Neethu Ajay is the Company Secretary and Chief Compliance Officer of our Company. She holds a bachelor of commerce degree from Mahatma Gandhi University. She has been associated with our Company for over nine years and was appointed as the Company Secretary with effect from February 13, 2014 and was designated as Compliance Officer with effect from June 27, 2018. Subsequently, she was designated as Company Secretary and Chief Compliance Officer with effect from May 15, 2023. She is an associate member of the Institute of Company Secretaries of India with over nine years of experience in compliance and secretarial functions. During Financial Year 2023, she received a remuneration of ₹ 1.92 million. OK

Senior Management Personnel

In addition to Sadaf Sayeed, the Chief Executive Officer of our Company, Praveen T, the Chief Financial Officer of our Company and Neethu Ajay, the Company Secretary and Chief Compliance Officer of our Company who are also our Key Managerial Personnel and whose details are provided above in"–*Key Managerial Personnel*", the details of our Senior Management Personnel as on the date of this Red Herring Prospectus are as set forth below:

Udeesh Ullas is the Chief Operating Officer of our Company. He holds a bachelor of commerce degree from Mahatma Gandhi University and a master of business administration degree from Ariston School of Business Studies. He has been associated with the Muthoot Pappachan Group for the last 15 years. He was appointed as the Chief Operating Officer with effect from March 26, 2022. He had been serving as the executive vice president (operations) for the last four years with effect from March 26, 2018. He was also associated with Muthoot Fincorp Limited from January 15, 2008 to February 25, 2016. He has over 19 years of experience in retail banking operations, debt management and microfinance. Prior to joining our Company, he was associated with Cochin Bridge Infrastructure Company Limited, ICICI Bank and Fullerton India Credit Company Limited. During Financial Year 2023, he received a remuneration of ₹ 5.68 million. OK

Subhransu Pattnayak is the Executive Vice President (Human Resources) of our Company. He holds a bachelor of science degree from Utkal University and a post graduate diploma in business administration from Technological Institute for Management and Advanced Computer Education. He has been associated with the Muthoot Pappachan Group for the last ten years. He has been serving as the Executive Vice President (Human Resources) with effect from March 26, 2021. Prior to that, he was serving as the Vice President – HR & Products of our Company for over five years from August 26, 2015. He was also associated with Muthoot Fincorp Limited from July 20, 2012, to August 25, 2015. He has over 21 years of experience. Prior to joining our Company, he was associated with ICICI Bank Limited in strategy and product development. During Financial Year 2023, he received a remuneration of ₹ 5.52 million. OK

Jinsu Joseph is the Chief Risk Officer of our Company. He holds a bachelor of commerce degree from Mahatma Gandhi University. He is an associate member of the Institute of Chartered Accountants of India. He has been associated with the Muthoot Pappachan Group for the last six years. He has been serving as the Chief Risk Officer with effect from April 1, 2022. Prior to that, he was serving as the Deputy Chief Manager – Finance and Accounts and Senior Associate Vice President – Finance and Accounts (Head Office) of our Company. Prior to joining our Company, he was associated with Maben Nidhi Limited as the Head of the Department – Risk Management and Audit and with Tamilnad Mercantile Bank Limited as the Senior Manager (Chartered Accountant). He has over 11 years of experience in the field of finance. During Financial Year 2023, he received a remuneration of ₹ 3.19 million. OK

Linson Chelamattathil Paul is the Chief Technology Officer of our Company. He holds a master of commerce degree from Mahatma Gandhi University and a master of science degree in computer sciences from Annamalai University. He also holds a master of business administration degree from Mahatma Gandhi University. Prior to joining our Company, he was associated with V-Guard Industries Limited as Senior Manager - Systems, Malayala Manorama TV Limited as Senior Manager, Systems, and Joyalukkas India Limited as Deputy General Manager – Information Technology. He has over 20 years of experience in information technology services. During Financial Year 2023, he received a remuneration of ₹ 3.59 million. OK

Relationship between our Key Managerial Personnel and Senior Management Personnel and Directors

None of our Key Managerial Personnel or Senior Management Personnel are related to each other. None of the Key Managerial Personnel are related to any other Senior Management Personnel. Other than Thomas Muthoot, who is related to Thomas John Muthoot and Thomas George Muthoot, none of our Key Managerial Personnel or Senior Management Personnel are related to any of the Directors of our Company.

Status of Key Managerial Personnel and Senior Management Personnel

All our Key Managerial Personnel and Senior Management Personnel are permanent employees of our Company.

Interests of Key Managerial Personnel and Senior Management Personnel

Other than (i) our Managing Director, who is one of the Promoters and a Shareholder of our Company, (ii) Sadaf Sayeed, Praveen T, Udeesh Ullas, Subhransu Pattnayak, Neethu Ajay, Jinsu Joseph and Linson Chelamattathil Paul who are interested in our Company to the extent of the ESOPs held by them and the resultant shareholding from such ESOPs respectively, (iii) Sadaf Sayeed, Praveen T, Neethu Ajay, Udeesh Ullas, Jinsu Joseph and Subhransu Pattnayak who are interested in our Company to the extent of the Equity Shares held by them, none of the Key Managerial Personnel and Senior Management Personnel of our Company have any interests in our Company other than to the extent of the remuneration or benefits to which they are entitled to as per their terms of appointment and reimbursement of expenses incurred by them during the ordinary course of business. For detail see "*Our Management – Interests of Directors*" on page 234.

Bonus or profit-sharing plans for our Key Managerial Personnel and Senior Management Personnel

Except for (i) Sadaf Sayeed, who is entitled to performance linked bonus in accordance with his term of appointment; and (ii) our Key Managerial Personnel and Senior Management Personnel (except our Managing Director and Sadaf Sayeed), who are entitled to variable pay in terms of the compensation policy approved by the Board in its meeting held on May 6, 2023, none of our Key Managerial Personnel or Senior Management Personnel are party to any bonus or profit-sharing plan of our Company.

Shareholding of Key Managerial Personnel and Senior Management Personnel in our Company

Except as disclosed in "*Capital Structure – Details of Equity Shares held by our Promoters, Members of our Promoter Group, Directors, Key Managerial Personnel and Senior Management Personnel*" on page 92, and in the section "*Capital Structure – Share capital history of our Company*" on page 83, none of our Key Managerial Personnel and Senior Management Personnel hold any Equity Shares.

For details of ESOPs held by our Key Managerial Personnel and Senior Management Personnel, see "*Capital Structure – Details of Equity Shares held by our Promoters, Members of our Promoter Group, Directors, Key Managerial Personnel and Senior Management Personnel*" on page 92.

Changes in our Key Managerial Personnel and Senior Management Personnel in the three immediately preceding years.

Details of the changes in our Key Managerial Personnel and Senior Management Personnel in the last three years are set forth below:

Name	Designation	Date of Change	Reason for change in Key Managerial Personnel and Senior Management Personnel
Neethu Ajay	Company Secretary and Chief Compliance Officer	May 15, 2023	Redesignated as Company Secretary and Chief Compliance Officer
Jinsu Joseph	Chief Risk Officer	April 1, 2023	Re-Appointed as Chief Risk Officer
Jinsu Joseph	Chief Risk Officer	March 28, 2022	Appointed as Chief Risk Officer
Linson Chelamattathil Paul	Chief Technology Officer	July 16, 2022	Appointed as Chief Technology Officer
Rishikant Dubey	Chief Risk Officer	March 14, 2022	Resigned as Chief Risk Officer
Atul Garg	Chief Technology Officer	July 23, 2022	Resigned as Chief Technology Officer

Arrangements and understanding with major shareholders, customers, suppliers or others

None of our Key Managerial Personnel and Senior Management Personnel have been appointed or selected as a Key Managerial Personnel or Senior Management Personnel pursuant to any arrangement or understanding with our major shareholders, customers, suppliers or others.

Contingent and deferred compensation payable to our Key Managerial Personnel and Senior Management Personnel

MFL has issued 150,000,000 preference shares of face value of ₹ 10 each, as on the date of this Red Herring Prospectus. The shareholding pattern of these preference shares is as follows:

S. No	Name of the shareholder	Number of preference shares held	Percentage of shareholding (%)
1.	BPEA Credit India Fund II A(1)	50,000,000	33.33
2.	BPEA Credit India Fund III Scheme F(2)	64,000,000	42.67
3.	BPEA Credit India Fund III Scheme C(3)	36,000,000	24.00
Total		**150,000,000**	**100.00**

(1) BPEA Credit India Fund II A was incorporated on December 13, 2017 and has its registered office at Unit no. 707, 7th Floor, Time Tower, M.G. Road, Gurgaon – 122001. It is an AIF (Captgory II)

(2) BPEA Credit India Fund III Scheme F was incorporated on June 14, 2020 and has its registered office at Unit no. 707, 7th Floor, Time Tower, M.G. Road, Gurgaon – 122001. It is an AIF (Captgory II)

(3) BPEA Credit India Fund III Scheme C was incorporated on June 14, 2020 and has its registered office at Unit no. 707, 7th Floor, Time Tower, M.G. Road, Gurgaon – 122001. It is an AIF (Captgory II)"

Details of change in control of MFL

There has been no change in the control of MFL in the last three years preceding the date of this Red Herring Prospectus.

Promoters of MFL

The promoters of MFL are Thomas John Muthoot, Thomas George Muthoot and Thomas Muthoot.

Our Company confirms that the permanent account number, bank account number, company registration number of MFL along with the address of the registrar of companies where MFL is registered have been submitted to the Stock Exchanges at the time of filing of the Draft Red Herring Prospectus.

Financial information of MFL for Financial Year ended March 31,2023, March 31, 2022 and March 31, 2021

Particulars	Financial Year ended March 31, 2023	Financial Year ended March 31, 2022	Financial Year ended March 31, 2021
Reserves (excluding revaluation reserve)(1)	36,993.29	32,557.88	30,070.82
Revenue from Operations	34,698.25	33,263.36	32,320.77
Profit/(Loss) after Tax	4,598.11	3,468.51	3,695.37
Earnings per Share (Basic) (face value of ₹10 each)	23.74	17.91	19.08
Earnings per Share (Diluted) (face value of ₹10 each)	22.85	17.36	19.08
Net Asset Value (per share)(2)	200.98	178.08	165.24

OK

(1) Reserves include Other Comprehensive Income and is considered the same as "Other Equity" from the balance sheet.

(2) Net Asset Value is computed as Net Worth/Number of equity shares outstanding (Net Worth being Equity plus Other Equity).

Litigation involving our Promoter

For further details on the litigation involving our Corporate Promoter and Individual Promoter, see "*Outstanding Litigation and Material Developments - Litigation involving our Promoters*" on page 428.

Change in the control of our Company

Our Individual Promoters acquired shares of our Company on January 23, 2012 and are accordingly not the original promoters of our Company. For further details, see "*Capital Structure - History of the Share Capital held by our Promoters*" on page 87.

There has been no change in the control of our Company during the last five years preceding the date of this Red Herring Prospectus.

Interests of Promoters and common pursuits

Our Promoters are interested in our Company to the extent that (i) they are the Promoters of our Company; and (ii) to the extent of their direct and indirect shareholding in our Company; including the dividend payable, if any, and any other distributions in respect of the Equity Shares held by them in our Company, from time to time. For details of the shareholding of our Promoters in our Company, see "*Capital Structure*", on page 83.

Our Individual Promoters, Thomas John Muthoot, Thomas George Muthoot and Thomas Muthoot are also the promoters of our Corporate Promoter, MFL. Further, our Individual Promoters, Thomas John Muthoot, Thomas George Muthoot, Thomas Muthoot and Preethi John Muthoot, also serve as directors on the board of directors of our Corporate Promoter, MFL.

Our Company has entered into a Principal License Agreement read with the Supplemental Agreement with our Promoters, Thomas Muthoot, Thomas John Muthoot and Thomas George Muthoot, for the license and use of the "Muthoot Pappachan" and the "Muthoot Microfin" trademarks and the and logos for an aggregate annual license fee of ₹ 0.1 million ("**Annual License Fee**").

Our Promoters are being paid the Annual License Fee as depicted below:

(₹ in million)

S. No.	Name of the Promoter	For the year ended as on March 31, 2023	For the year ended as on March 31, 2022
1.	Thomas Muthoot	0.03	0.20
2.	Thomas George Muthoot	0.03	0.20
3.	Thomas John Muthoot	0.03	0.20

OK

For further details, see "*History and Certain Corporate Matters – Other material agreements*", on page 226.

Our Promoters, namely Thomas George Muthoot, Thomas John Muthoot and Thomas Muthoot, who are also Directors of our Company, may be deemed to be interested to the extent of their remuneration and reimbursement of expenses, payable to them, if any, in their capacity as Directors. For further details, see "*Our Management*" on page 228.

No sum has been paid or agreed to be paid to any of our Promoters or to the firms or companies in which our Promoters are interested as members in cash or shares or otherwise by any person, either to induce them to become or to qualify them, as directors or promoters or otherwise for services rendered by our Promoters or by such firms or companies in connection with the promotion or formation of our Company.

Except as disclosed below, and under "*Our Management*" and "*Other Financial Information – Related Party Transactions*" on pages 228 and 387, respectively, our Promoters have no interest in any property acquired by our Company during the three years immediately preceding the date of this Red Herring Prospectus or proposed to be acquired by our Company, or in any transaction by our Company for acquisition of land, construction of building or supply of machinery, etc. and no amount or benefit has been paid or given to our Promoters, or any of the members of the Promoter Group during the two years preceding the filing of this Red Herring Prospectus nor is there any intention to pay or give any amount or benefit to our Promoters or any of the members of the Promoter Group:

1. Our Company has entered into nine lease agreements with MFL, dated between December 1, 2015 and April 1, 2018, in respect of various properties leased by us for our regional offices and branches in Karnataka, Kerala and Tamil Nadu. These lease agreements are valid for a period of 10 years and our Company is liable to pay fixed deposits and monthly rents for each property, subject to increase by 5 every year or 15% once in every three years, as stipulated in the respective lease agreement;

2. Our Company has entered into three lease agreements with Thomas Muthoot, Thomas George Muthoot and Thomas John Muthoot, dated between March 1, 2017 and October 6, 2022, in respect of various properties leased by us for our regional offices in Kerala and Tamil Nadu. These lease agreements are valid for a period of 10 years and our Company is liable to pay rent monthly ranging between ₹ 29,700 and ₹ 163,752 for each property, subject to increase by 5%, 10% every year or 15% once in every three year, as stipulated in the respective lease agreement;

3. Our Company has entered into three lease agreements with Thomas George Muthoot, dated between December 12, 2018 and October 3, 2022, in respect of various properties leased by us for our administrative office and branch in Kerala. These lease agreements are valid for a period of 10 years and our Company is liable to pay rent annually and monthly ranging between ₹ 16,500 and ₹ 315,000 for each property, subject to increase by 5% every year and 10% every three year, or as stipulated in the respective lease agreement;

4. Our Company has entered into two lease agreements with Thomas John Muthoot, dated October 2, 2020 and December 31, 2022, in respect of properties leased by us for our branches in Kerala. These lease agreements are valid for a period ranging between five years and 10 years, and our Company is liable to pay rent monthly ranging between ₹ 7,035 and ₹ 19,947 for each property, subject to increase by 5% every year, as stipulated in the respective lease agreement; and

5. Our Company has entered into a lease agreement with Thomas Muthoot, dated December 12, 2018 in respect of our regional office in Kerala. The lease agreement is valid for a period of 10 years and our Company is liable to pay rent monthly amounting to ₹90,729 exclusive of GST which is subject to increase by 5% every year.

Material guarantees given by our Promoters to third parties with respect to Equity Shares of our Company

Our Promoters have not given any material guarantee to any third party with respect to the Equity Shares as on the date of this Red Herring Prospectus.

Further, our Promoters have given personal guarantees for certain loans availed by MFL and certain entities forming part of our Promoter Group.

Particulars	**As of / for the Six Months Ended September 30,**		**As of / for the Financial Year Ended March 31,**		
	2023	**2022**	**2023**	**2022**	**2021**
Average monthly total loan portfolio *(₹ million)*(9)	81,146.38	51,015.87	58,087.22	38,879.92	30,074.14
Number of loans disbursed *(million)*	1.22	1.07	2.11	1.35	0.76
Disbursements *(₹ million)*	51,815.75	34,865.20	81,044.74	46,469.63	26,367.66
Disbursement growth *(%)*(10)	48.62%	171.87%	74.40%	76.24%	(35.42)%
Active loan accounts *(million)*(11)	3.94	3.20	3.34	2.72	2.28
Number of active customers *(million)*(12)	3.19	2.40	2.77	2.05	1.86
Number of active customers growth *(%)*	32.96%	30.71%	35.23%	10.52%	1.44%
Ratio of disbursements to the number of loans disbursed *(₹)*	42,344.65	32,440.41	38,481.83	34,359.82	34,594.02
Ratio of gross loan portfolio to the number of active customers *(₹)*	34,028.92	31,016.15	33,205.46	30,500.79	26,874.83

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Notes:

(14) *Gross loan portfolio represents the aggregate of future principal outstanding and overdue principal outstanding, if any, for all loan assets which includes loan assets held by our Company as of the last day of the relevant period/year, loan assets which have been transferred by our Company by way of assignment as well as loan assets managed by our Company through partner institution and co-lending partner, and are outstanding as of the last day of the relevant period/year. While we act as partner institution for these loans, these loans are provided on the balance sheet of our partner institution, and not recognized as our loan assets on our balance sheet.*

(15) *Gross loan portfolio growth represents the growth in gross loan portfolio as of the last day of the relevant period/year as compared with the gross loan portfolio as of the last day of the preceding year.*

(16) *Total loan portfolio represents the aggregate of future principal outstanding and overdue principal outstanding, if any, for all loan assets held by our Company as of the last day of the relevant period/year, gross of impairment allowance.*

(17) *Assigned loans represent the loan portfolio outstanding on the last day of the relevant period/year which have transferred by our Company by way of assignment.*

(18) *Restructured portfolio represents the outstanding portfolio held by our Company on the last day of the relevant period/year which have been restructured in accordance with the resolution plan implemented by us pursuant to the Resolution Framework for COVID-19-related stress as per RBI circular dated May 5, 2021 ("**Resolution Framework 2.0**"). Under Resolution Framework 2.0, the RBI has provided a framework to lending institutions (including NBFC-MFIs) for the implementation of resolution plans to address the economic fallout due to the COVID-19 pandemic.*

(19) *Average annual gross loan portfolio is the simple average of our gross loan portfolio as of the last day of the relevant period/year and our gross loan portfolio as of March 31 of the preceding year.*

(20) *Average monthly gross loan portfolio is the simple average of the month end balances of our gross loan portfolio for the periodsmentioned.*

(21) *Average annual total loan portfolio is the simple average of our total loan portfolio as of the last day of the relevant period/year and our total loan portfolio as of March 31 of the preceding year.*

(22) *Average monthly total loan portfolio is the simple average of the month end balances of our total loan portfolio for the periodsmentioned.*

(23) *Disbursement growth represents growth in disbursements for the relevant period/year as a percentage of disbursements for the previous period/year.*

(24) *Active loan accounts represent the aggregate number of all loan assets under management which includes loan assets held by our Company as of the last day of the relevant period/year as well as loan assets which have been transferred by our Company by way of assignment, and are outstanding as of the last day of the relevant period/year.*

(25) *Active customers refers to our customers which had an active loan account as of the last day of the relevant period/year.*

(26) *Not applicable because Resolution Framework 2.0 was only implemented by the RBI during the Financial Year 2022.*

Particulars	**As of / for the Six Months Ended September 30,**		**As of / for the Financial Year Ended March 31,**		
	2023	**2022**	**2023**	**2022**	**2021**
Revenue from Operations *(₹ million)*(1)	10,423.27	6,047.42	14,287.64	8,325.06	6,841.67
Revenue from Operations growth *(%)*	72.36%	65.40%	71.62%	21.68%	(20.47)%
Interest Income *(₹ million)*(2)	9,135.76	5,624.14	12,906.45	7,286.23	6,227.84
Finance Costs *(₹ million)*(3)	4,153.25	2,260.76	5,490.10	3,401.55	2,993.28
Net Interest Income *(₹ million)*(4)	6,270.02	3,786.66	8,797.54	4,923.52	3,848.39
Net Interest Margins *(%)*(5)	12.39%	11.12%	11.60%	9.60%	8.24%

The following table sets forth, for the periods indicated, yield, return on assets and cost of funds for our Company:

Particulars	**As of / for the Six Months Ended September 30,**		**As of / for the Financial Year Ended March 31,**		
	2023	**2022**	**2023**	**2022**	**2021**
Annual average yield on total loan portfolio *(%)*(1)	22.94%	22.05%	21.84%	17.94%	19.91%
Revenue from Operations on average monthly gross loan portfolio *(%)*(2)	20.61%	17.76%	18.84%	16.24%	14.64%
Finance Costs on average monthly gross loan portfolio *(%)*(3)	8.21%	6.64%	7.24%	6.64%	6.41%
Net Interest Margins on average monthly gross loan portfolio *(%)*(4)	12.39%	11.12%	11.60%	9.60%	8.24%
Other Income on average monthly gross loan portfolio *(%)*(5)	0.10%	0.30%	0.23%	0.20%	0.26%
Operating expense on average monthly gross loan portfolio *(%)*(6)	5.82%	6.13%	6.08%	6.38%	5.47%
Credit Cost on average monthly gross loan portfolio *(%)*(7)	1.24%	4.80%	2.95%	2.17%	2.83%
Profit Before Tax on average monthly gross loan portfolio *(%)*(8)	5.43%	0.49%	2.81%	1.26%	0.19%
Return on average monthly gross loan portfolio *(%)*(9)	2.03%	0.18%	2.16%	0.92%	0.15%
Average Effective cost of borrowing *(%)*(10)	11.20%	10.54%	10.94%	10.44%	11.08%

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Notes:

(1) Annual average yield on total loan portfolio is the ratio of total interest income to average annual total loan portfolio for the relevant year.

(2) Revenue from Operations on average monthly gross loan portfolio is the ratio of our Revenue from Operations as per our Restated Financial Statements for the relevant year to average monthly gross loan portfolio for the relevant year. Our average monthly gross loan portfolio is the simple monthly average of our gross loan portfolio for the relevant year.

(3) Finance Cost on average monthly gross loan portfolio is the ratio of our Finance Costs as per our Restated Financial Statements for the relevant year to average monthly gross loan portfolio for the relevant year.

(4) Net Interest Margins on average monthly gross loan portfolio is the ratio of our Net Interest Income to average monthly gross loan portfolio.

(5) Other Income on average monthly gross loan portfolio is the ratio of our Other Income as per our Restated Financial Statements for the relevant year to average monthly gross loan portfolio for the relevant year.

(6) Operating expense on average monthly gross loan portfolio is the ratio of operating expense to average monthly gross loan portfolio for the relevant year.

(7) Credit cost on average monthly gross loan portfolio is the ratio of our Impairment on Financial Instruments as per our Restated Financial Statements for the relevant year to average monthly gross loan portfolio.

(8) Profit Before Tax on average monthly gross loan portfolio is the ratio of profit for the year (before tax) as per our Restated Financial Statements for the relevant year to average monthly gross loan portfolio for the relevant year.

(9) Return on average gross loan portfolio represents profit for the relevant year derived from our Restated Financial Statements as a percentage of annual monthly average gross loan portfolio for such year.

(10) Average effective cost of borrowing represents annually weighted average interest cost on borrowings, weights being annual average borrowings. Borrowings include debt securities, subordinated liabilities, and borrowings (other than debt securities).

Capital to Risk Asset Ratios

Our capital adequacy information as of March 31, 2021, March 31, 2022 and March 31, 2023, and as of September 30, 2022 and September 30, 2023 is as follows:

Particulars	**As of September 30,**		**As of March 31,**		
	2023	**2022**	**2023**	**2022**	**2021**
	(₹ in millions, unless otherwise stated)		***(₹ in millions, unless otherwise stated)***		
Tier I capital *(₹ millions)* (1)	15,403.52	12,252.95	13,638.38	11,336.55	7,253.00
Tier II capital *(₹ millions)* (2)	-	-	-	150.12	250.33
Total Tier I and Tier II capital *(₹ millions)*	15,403.52	12,252.95	13,638.38	11,486.67	7,503.33

Particulars	As of September 30,		As of March 31,		
	2023	2022	2023	2022	2021
	(₹ in millions, unless otherwise stated)		*(₹ in millions, unless otherwise stated)*		
Total risk weighted assets *(₹ millions)*[3]	75,274.17	50,716.34	62,358.19	39,947.73	33,269.15
Capital to risk assets ratio - Tier I *(%)*	20.46%	24.16%	21.87%	28.38%	21.80%
Capital to risk assets ratio - Tier II *(%)*	0.00%	0.00%	0.00%	0.38%	0.75%
Capital to risk assets ratio (CRAR)[4] *(%)*	20.46%	24.16%	21.87%	28.75%	22.55%

Notes: -

(1) Tier I capital include (i) paid-up capital (ordinary shares), statutory reserves, and other disclosed free reserves, if any; (ii) perpetual non-cumulative preference shares eligible for inclusion as Tier I capital, subject to laws in force from time to time; (iii) innovative perpetual debt instruments eligible for inclusion as Tier I capital; and (iv) capital reserves representing surplus arising out of sale proceeds of assets, as reduced by investment in shares of other NBFCs and in shares, debentures, bonds, outstanding loans and advances, including hire purchase and lease finance made to and deposits with subsidiaries and companies in the same group exceeding, in aggregate, 10% of the owned fund as defined in the Master Circular on Prudential Norms on Capital Adequacy, Basel I Framework dated July 1, 2015 issued by the RBI.

(2) Tier II capital include undisclosed reserves, revaluation reserves, general provisions and loss reserves, hybrid capital instruments, subordinated debt and investment reserve account to the extent the aggregate does not exceed Tier I capital.

(3) Total risk weighted assets represents the weighted average of funded and non-funded items after applying the risk weights as assigned by the RBI.

(4) The capital to risk assets ratio (CRAR) is calculated as capital funds (Tier I capital plus Tier II capital) divided by risk-weighted assets (the weighted average of funded and non-funded items after applying the risk weights as assigned by the RBI).

Asset Liability Management

Set forth below is an analysis of the maturity profile of our interest bearing assets and interest bearing liabilities across different time periods, as of September 30. 2023.

	0 to 7 days	8 to 14 days	15 to 30 days	1 to 2 months	2 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	3 to 5 years	More than 5 years	Total
ASSETS											
Cash and cash equivalents	1,975.78	2.54	93.90	163.78	7.67	719.08	1,384.55	2,413.83	133.50	-	6,894.63
Loans, net of provision	1,316.59	1,480.75	1,303.94	4,286.84	4,303.72	12,846.52	24,889.03	32,014.81	970.75	0.00	83,412.95
Total assets (excluding investments)	3,292.37	1,483.28	1,397.83	4,450.62	4,311.38	13,565.61	26,273.58	34,428.64	1,104.25	-	90,307.59
As % of total assets *(%)*	3.65%	1.64%	1.55%	4.93%	4.77%	15.02%	29.09%	38.12%	1.22%	0.00%	100.00%
LIABILITIES											
Borrowings	749.60	1,479.63	1,638.01	3,907.57	3,698.92	14,099.70	20,861.48	28,393.67	3,019.82	-	77,848.40
Total liabilities (excluding foreign currency liabilities)	749.60	1,479.63	1,638.01	3,907.57	3,698.92	14,099.70	20,861.48	28,393.67	3,019.82	-	77,848.40
As % of total liabilities *(%)*	0.96%	1.90%	2.10%	5.02%	4.75%	18.11%	26.80%	36.47%	3.88%	0.00%	100.00%
Positive/(Negative) cumulative mismatch of assets over liabilities	2,542.77	2,546.43	2,306.25	2,849.30	3,461.76	2,927.68	8,339.78	14,374.75	12,459.18	12,459.18	12,459.18

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Particulars	As of September 30,		As of March 31,		
	2023	2022	2023	2022	2021
Average Maturity of Assets *(In Months)*[1]	11.33	11.08	10.97	10.76	11.09
Average Maturity of Liabilities *(In Months)*[2]	12.13	12.00	13.45	12.47	11.83

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Notes:

(1) Average Maturity of Assets is the weighted average of all the maturities of the Assets. The weights are the months with the maturity of the Assets.

(2) Average Maturity of Liability is the weighted average of all the maturities of the Liabilities. The weights are the months with the maturity of the Liability. Average maturity helps to determine the average time to maturity of all the liabilities calculated in months.

Classification of Assets

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Particulars	As of September 30,		As of March 31,		
	2023	2022	2023	2022	2021
	(₹ in millions)		(₹ in millions)		
Net carrying value:					
Stage I	84,215.25	52,384.49	69,025.68	40,084.07	30,338.78
Stage II	526.07	1,151.31	382.83	2,594.75	1,535.24
Stage III	757.91	930.57	858.34	1,302.29	1,066.30
Total net carrying value	**85,499.23**	**54,466.37**	**70,266.85**	**43,981.11**	**32,940.32**

Note:

(1) ECL allowance percentage represents ECL allowance for the relevant period/year as a percentage of the total gross loan portfolio as of the last day of the relevant period/year derived from our Restated Financial Statements.

The following table sets forth information regarding the provisioning of our loans as of the dates indicated:

Particulars	As of September 30,		As of March 31,		
	2023	2022	2023	2022	2021
Stage I and II	0.56%	0.84%	0.63%	1.45%	1.80%
Stage III	63.40%	48.83%	59.92%	54.94%	58.82%
Impairment allowance coverage ratio[(1)]	**86.42%**	**73.73%**	**80.32%**	**76.68%**	**81.32%**

Note:

(1) Impairment allowance coverage ratio represents the ratio of total impairment allowance on term loans (gross) derived from our Restated Financial Statements to Stage III Assets (Gross NPAs) for the relevant period/year.

The following table sets forth information regarding the classification of "Special mention accounts" ("**SMA**") as of the dates indicated:

Particulars	As of September 30,		As of March 31,		
	2023	2022	2023	2022	2021
Standard Asset	96.46%	93.64%	96.20%	85.79%	82.86%
SMA 0	0.55%	1.02%	0.22%	2.23%	5.29%
SMA 1	0.32%	0.35%	0.26%	2.29%	1.97%
SMA 2	0.30%	1.73%	0.35%	3.43%	2.50%
Non-Performing Asset	2.37%	3.26%	2.97%	6.26%	7.39%
Total	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

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Impairment on financial instruments

We have adopted Ind AS, which requires impairment on financial instruments to be computed using the ECL methodology. Impairment on financial instruments calculated under the ECL methodology may differ materially from calculated under the Income Recognition, Asset Classification and Provisioning ("**IRACP**") norms applicable under Indian GAAP.

The following table sets forth the difference between impairment on financial instruments calculated using the ECL methodology and provisions calculated using the IRACP norms as of September 30, 2023:

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Particulars	As of September 30, 2023 *(₹ in millions)*
Total loss allowances (provisions) as required under Ind AS 109 **(A)**	1,789.52
Provisions required as per IRACP norms[1] **(B)**	1,613.39
Difference between total loss allowances (provisions) as required under Ind AS 109 and provisions required as per IRACP norms **((A)-(B))**	176.11

Note:

(1) The amount of the securitization is an on-balance sheet item under IRACP norms in line with Ind AS for the purpose of computing provisions.

Operational Metrics

Particulars	As of / for the Six months ended September 30,		As of / for the Financial Year Ended March 31,		
	2023	2022	2023	2022	2021
Number of states and union territories where we operate	18	18	18	16	17
Number of districts where we operate	339	305	321	281	249
Number of branches	1,340	1,008	1,172	905	755
Gross loan portfolio per branch *(₹ million)*	81.10	73.90	78.57	69.12	66.05
Number of active customers *(million)*	3.19	2.40	2.77	2.05	1.86
Number of active loan accounts *(million)*	3.94	3.20	3.34	2.72	2.28
Disbursements per branch *(₹ million)*	38.67	34.59	69.15	51.35	34.92
Number of active customers per branch	2,383.19	2,382.75	2,366.15	2,266.02	2,457.66
Number of employees per branch	9.18	9.08	8.73	9.04	9.07
Gross loan portfolio per active loan account	27,613.01	23,269.14	27,596.01	23,017.09	21,917.54
Number of employees	12,297	9,150	10,227	8,178	6,846
Gross loan portfolio per employee *(₹ million)*	8.84	8.14	9.00	7.65	7.28
Disbursements in the year per employee *(₹ million)*	4.21	3.81	7.92	5.68	3.85
Number of Loan officers	7,493	5,648	6,274	4,994	4,552
Branch management staff	2,666	1,563	1,962	1,338	1,060
Area office managers	336	259	281	200	133
Field Monitoring staff – Operation Team	287	235	257	206	162
Field Monitoring staff – Other Departments	942	828	844	818	450
Regional office staff	301	271	282	270	237
Head office staff	272	346	327	352	252
Gross loan portfolio per loan	14.50	13.19	14.68	12.52	10.95

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Particulars	As of / for the Six months ended September 30,		As of / for the Financial Year Ended March 31,		
	2023	2022	2023	2022	2021
officer *(₹ million)*					
Disbursements in the year per loan officer *(₹ million)*	6.92	6.17	12.92	9.31	5.79
Number of active customers per loan officer	426.19	425.25	442.00	410.64	407.63
Collections *(₹ million)*	37,356.76	23,830.86	53,867.89	34,643.84	29,130.19
Collection efficiency *(%)*[1]	98.89%	93.71%	95.84%	85.75%	67.52%
Repeat customers *(million)*[2]	1.00	0.76	1.29	1.12	0.98
Unique customers *(million)*[3]	2.20	1.64	1.49	0.93	0.87
Proportion of unique customers *(%)*	68.77%	68.39%	53.57%	45.19%	46.99%
Average disbursement turnaround time during first cycle *(days)*	3.8	4.2	4.1	4.4	4.7
Average disbursement turnaround time during subsequent cycles *(days)*	2.5	2.9	2.8	2.9	2.8

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Notes:

(1) Collection efficiency represents the ratio of our collections (including overdue collections) to billings for the relevant period/year.

(2) Repeat customers represent the number of customers who have taken one or more additional loans from us after taking their initial loan.

(3) Unique customers refer to customers who are in their first loan cycle with us.

Loans Outstanding in Various States

Set forth below are aggregate loans outstanding in various states of India:

(₹ in millions, unless otherwise stated)

State	As of September 30,				As of March 31,					
	2023		2022		2023		2022		2021	
	Gross Loan portfolio	*% of Gross Loan portfolio*	*Gross Loan portfolio*	*% of Gross Loan portfolio*	*Gross Loan portfolio*	*% of Gross Loan portfolio*	*Gross Loan portfolio*	*% of Gross Loan portfolio*	*Gross Loan portfolio*	*% of Gross Loan portfolio*
Tamil Nadu	27,172.51	25.00%	21,681.01	29.10%	24,392.70	26.49%	19,487.90	31.16%	15,280.91	30.64%
Puducherry	1,092.75	1.01%	922.16	1.24%	1,057.04	1.15%	770.03	1.23%	755.43	1.51%
Kerala	18,505.10	17.03%	15,817.21	21.23%	17,639.19	19.16%	14,646.37	23.42%	12,440.10	24.95%
Karnataka	10,138.34	9.33%	6,561.00	8.81%	8,441.34	9.17%	5,633.63	9.01%	4,788.29	9.60%
Gujarat	3,715.57	3.42%	2,756.29	3.70%	3,310.89	3.60%	2,317.95	3.71%	1,829.02	3.67%
Uttar Pradesh	9,378.28	8.63%	5,627.45	7.55%	7,528.56	8.18%	4,086.16	6.53%	2,949.26	5.91%
Odisha	4,760.28	4.38%	2,974.96	3.99%	3,841.02	4.17%	2,643.08	4.23%	1,894.18	3.80%
Punjab	2,601.93	2.39%	2,164.99	2.91%	2,345.58	2.55%	1,733.01	2.77%	1,811.05	3.63%
Maharashtra	4,114.96	3.79%	2,117.86	2.84%	2,995.29	3.25%	1,665.85	2.66%	1,189.72	2.39%
Haryana	1,694.70	1.56%	1,336.98	1.79%	1,557.05	1.69%	1,096.93	1.75%	901.95	1.81%
Madhya Pradesh	1,238.54	1.14%	999.32	1.34%	1,216.61	1.32%	782.72	1.25%	563.97	1.13%
West Bengal	7,595.18	6.99%	3,684.62	4.95%	5,548.18	6.03%	2,438.42	3.90%	1,379.96	2.77%
Jharkhand	1,451.55	1.34%	818.87	1.10%	1,072.89	1.17%	636.40	1.02%	463.82	0.93%
Bihar	10,497.40	9.66%	4,591.33	6.16%	7,480.34	8.12%	2,736.18	4.37%	1,827.23	3.66%
Goa	-	0.00%	-	0.00%	-	0.00%	-	0.00%	6.85	0.01%
Rajasthan	3,614.07	3.33%	1,912.48	2.57%	2,793.04	3.03%	1,456.93	2.33%	1,501.26	3.01%

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State	As of September 30,				As of March 31.					
	2023		2022		2023		2022		2021	
	Gross Loan portfolio	*% of Gross Loan portfolio*	*Gross Loan portfolio*	*% of Gross Loan portfolio*	*Gross Loan portfolio*	*% of Gross Loan portfolio*	*Gross Loan portfolio*	*% of Gross Loan portfolio*	*Gross Loan portfolio*	*% of Gross Loan portfolio*
Himachal Pradesh	52.69	0.05%	3.04	0.00%	39.20	0.04%	-	0.00%	-	0.00%
Chhattisgarh	698.08	0.64%	475.96	0.64%	595.08	0.65%	417.85	0.67%	284.14	0.57%
Uttarakhand	348.73	0.32%	49.34	0.07%	228.96	0.25%	-	0.00%	-	0.00%
Total	**108,670.66**	**100.00%**	**74,494.86**	**100.00%**	**92,082.96**	**100.00%**	**62,549.42**	**100.00%**	**49,867.11**	**100.00%**

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Disbursements in Various States

Set forth below are disbursements in various states of India:

(₹ in millions, unless otherwise stated)

State	For the Six Months Ended September 30,				For the Financial Year					
	2023		2022		2023		2022		2021	
	Disbursements	*% of Disbursements*	*Disbursements*	*% of Disbursements*	*Disbursements*	*% of Disbursements*	*Disbursements*	*% of Disbursements*	*Disbursements*	*% of Disbursements*
Tamil Nadu	6,182.48	22.89%	5,112.86	23.89%	19,480.40	24.04%	14,436.68	31.07%	8,562.95	32.48%
Puducherry	239.19	0.89%	252.87	1.18%	917.53	1.13%	568.03	1.22%	372.19	1.41%
Kerala	4,379.88	16.22%	4,249.74	19.86%	15,777.96	19.47%	10,494.86	22.58%	5,636.56	21.38%
Karnataka	2,727.43	10.10%	1,844.83	8.62%	7,205.88	8.89%	3,652.28	7.86%	2,119.17	8.04%
Gujarat	770.36	2.85%	618.72	2.89%	2,467.44	3.04%	1,428.23	3.07%	779.08	2.95%
Uttar Pradesh	2,102.89	7.79%	2,215.86	10.35%	7,145.67	8.82%	3,364.65	7.24%	1,965.64	7.45%
Odisha	1,361.26	5.04%	732.39	3.42%	3,261.58	4.02%	2,103.83	4.53%	1,007.54	3.82%
Punjab	560.47	2.08%	601.23	2.81%	1,971.82	2.43%	1,150.69	2.48%	865.45	3.28%
Maharashtra	1,167.55	4.32%	626.68	2.93%	2,625.91	3.24%	1,275.06	2.74%	650.84	2.47%
Haryana	359.91	1.33%	416.71	1.95%	1,416.77	1.75%	954.66	2.05%	568.77	2.16%
Madhya Pradesh	184.57	0.68%	320.90	1.50%	1,093.06	1.35%	652.66	1.40%	410.39	1.56%
West Bengal	2,445.85	9.06%	1,381.50	6.46%	5,761.60	7.11%	2,278.57	4.90%	1,006.53	3.82%
Jharkhand	396.48	1.47%	267.79	1.25%	1,013.46	1.25%	574.42	1.24%	350.99	1.33%
Bihar	2,919.52	10.81%	1,920.98	8.98%	7,502.23	9.26%	2,215.44	4.77%	1,093.23	4.15%
Goa	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Rajasthan	950.32	3.52%	682.81	3.19%	2,626.65	3.24%	1,010.78	2.18%	819.64	3.11%
Himachal Pradesh	8.41	0.03%	3.04	0.01%	41.86	0.05%	-	0.00%	-	0.00%
Chhattisgarh	162.52	0.60%	107.95	0.50%	484.70	0.60%	308.79	0.66%	158.69	0.60%
Uttarakhand	85.07	0.32%	42.13	0.20%	250.22	0.31%	-	0.00%	-	0.00%
Total	**27,004.13**	**100.00%**	**21,399.01**	**100.00%**	**81,044.74**	**100.00%**	**46,469.63**	**100.00%**	**26,367.66**	**100.00%**

OK

Active Customers in Various States

Set forth below are active customers in various states of India:

(₹ in millions, unless otherwise stated)

State	As of September 30,				As of March 31,					
	2023		2022		2023		2022		2021	
	Active Customers	*% of Active Customers*	*Active Customers*	*% of Active Customers*	*Active Customers*	*% of Active Customers*	*Active Customers*	*% of Active Customers*	*Active Customers*	*% of Active Customers*
Tamil Nadu	0.83	26.04%	0.72	29.79%	0.78	27.97%	0.62	30.35%	0.57	30.51%
Puducherry	0.03	1.00%	0.03	1.23%	0.03	1.13%	0.03	1.26%	0.03	1.60%
Kerala	0.47	14.63%	0.42	17.61%	0.45	16.17%	0.41	19.97%	0.42	22.53%
Karnataka	0.26	8.16%	0.19	7.96%	0.22	8.08%	0.17	8.44%	0.17	9.01%
Gujarat	0.13	4.18%	0.11	4.40%	0.12	4.34%	0.09	4.50%	0.08	4.56%
Uttar Pradesh	0.30	9.44%	0.20	8.35%	0.24	8.80%	0.16	7.65%	0.12	6.50%
Odisha	0.15	4.84%	0.11	4.52%	0.13	4.72%	0.09	4.31%	0.07	3.77%
Punjab	0.09	2.94%	0.08	3.50%	0.09	3.13%	0.07	3.51%	0.08	4.06%
Maharashtra	0.12	3.65%	0.07	3.04%	0.09	3.32%	0.06	2.87%	0.04	2.42%
Haryana	0.06	1.86%	0.05	2.09%	0.05	1.88%	0.04	2.08%	0.04	1.98%
Madhya Pradesh	0.05	1.47%	0.04	1.53%	0.04	1.52%	0.03	1.42%	0.02	1.35%
West Bengal	0.20	6.22%	0.11	4.49%	0.15	5.45%	0.07	3.56%	0.05	2.57%
Jharkhand	0.04	1.40%	0.03	1.07%	0.03	1.20%	0.02	0.97%	0.02	0.85%
Bihar	0.31	9.61%	0.16	6.56%	0.22	8.05%	0.11	5.35%	0.08	4.28%
Goa	-	0.00%	-	0.00%	-	0.00%	-	0.00%	0.00	0.02%
Rajasthan	0.11	3.39%	0.07	3.05%	0.09	3.21%	0.06	3.00%	0.06	3.32%
Himachal Pradesh	0.00	0.05%	0.00	0.00%	0.00	0.04%	-	0.00%	-	0.00%
Chhattisgarh	0.02	0.76%	0.02	0.75%	0.02	0.76%	0.02	0.75%	0.01	0.69%
Uttarakhand	0.01	0.34%	0.00	0.06%	0.01	0.23%	-	0.00%	-	0.00%
Total	**3.19**	**100.00%**	**2.40**	**100.00%**	**2.77**	**100.00%**	**2.05**	**100.00%**	**1.86**	**100.00%**

OK

Number of Branches in Various States

Set forth below are number of branches in various states of India:

State	Six Months Ended September 30,				Financial Year					
	2023		2022		2023		2022		2021	
	Number of Branches	*% of Branches*	*Number of Branches*	*% of Branches*	*Number of Branches*	*% of Branches*	*Number of Branches*	*% of Branches*	*Number of Branches*	*% of Branches*
Tamil Nadu	302	22.54%	229	22.72%	253	21.59%	221	24.42%	182	24.11%
Puducherry	10	0.75%	9	0.89%	9	0.77%	9	0.99%	8	1.06%
Kerala	200	14.93%	162	16.07%	194	16.55%	141	15.58%	127	16.82%
Karnataka	121	9.03%	103	10.22%	120	10.24%	97	10.72%	95	12.58%
Gujarat	57	4.25%	46	4.56%	52	4.44%	41	4.53%	41	5.43%
Uttar Pradesh	121	9.03%	82	8.13%	101	8.62%	68	7.51%	47	6.23%
Odisha	63	4.70%	43	4.27%	56	4.78%	41	4.53%	28	3.71%
Maharashtra	66	4.93%	46	4.56%	49	4.18%	36	3.98%	33	4.37%
Punjab	44	3.28%	44	4.37%	44	3.75%	42	4.64%	40	5.30%
Madhya Pradesh	21	1.57%	18	1.79%	21	1.79%	16	1.77%	12	1.59%
Haryana	35	2.61%	28	2.78%	34	2.90%	28	3.09%	18	2.38%
West Bengal	95	7.09%	60	5.95%	72	6.14%	46	5.08%	34	4.50%
Bihar	107	7.99%	63	6.25%	81	6.91%	55	6.08%	33	4.37%
Rajasthan	53	3.96%	44	4.37%	47	4.01%	40	4.42%	32	4.24%
Jharkhand	20	1.49%	12	1.19%	16	1.37%	11	1.22%	10	1.32%
Goa	-	0.00%	-	0.00%	-	0.00%	-	0.00%	1	0.13%
Himachal Pradesh	2	0.15%	2	0.20%	2	0.17%	-	0.00%	-	0.00%
Chhattisgarh	14	1.04%	13	1.29%	14	1.19%	13	1.44%	14	1.85%

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State	Six Months Ended September 30,				Financial Year					
	2023		2022		2023		2022		2021	
	Number of Branches	*% of Branches*	*Number of Branches*	*% of Branches*	*Number of Branches*	*% of Branches*	*Number of Branches*	*% of Branches*	*Number of Branches*	*% of Branches*
Uttarakhand	9	0.67%	4	0.40%	7	0.60%	-	0.00%	-	0.00%
Total	**1,340**	**100.00%**	**1,008**	**100.00%**	**1,172**	**100.00%**	**905**	**100.00%**	**755**	**100.00%**

OK

Loans Outstanding by Regions

(₹ in millions, unless otherwise stated)

Regions	As of September 30,				As of March 31,					
	2023		2022		2023		2022		2021	
	Gross loan portfolio	*% of Gross loan portfolio*	*Gross loan portfolio*	*% of Gross loan portfolio*	*Gross loan portfolio*	*% of Gross loan portfolio*	*Gross loan portfolio*	*% of Gross loan portfolio*	*Gross loan portfolio*	*% of Gross loan portfolio*
Urban[(1)]	4,751.05	4.37%	3,308.65	4.44%	4,910.77	5.33%	2,919.67	4.67%	2,466.67	4.95%
Rural[(2)]	103,919.61	95.63%	71,186.21	95.56%	87,172.19	94.67%	59,629.75	95.33%	47,400.43	95.05%
Total	**108,670.66**	100.00%	**74,494.86**	100.00%	**92,082.96**	**100.00%**	**62,549.42**	**100.00%**	**49,867.11**	**100.00%**

OK

Notes:

(1) Urban represents the regions in India that are located outside villages.

(2) Rural represents the regions in India that are located in villages.

Disbursements by Regions

(₹ in millions, unless otherwise stated)

Regions	As of September 30,				As of March 31,					
	2023		2022		2023		2022		2021	
	Gross loan portfolio	*% of Gross loan portfolio*	*Gross loan portfolio*	*% of Gross loan portfolio*	*Gross loan portfolio*	*% of Gross loan portfolio*	*Gross loan portfolio*	*% of Gross loan portfolio*	*Gross loan portfolio*	*% of Gross loan portfolio*
Urban[(1)]	2,139.26	4.13%	2,309.92	6.63%	5,370.49	6.63%	4,402.66	9.47%	1,474.84	5.59%
Rural[(2)]	49,676.49	95.87%	32,555.28	93.37%	75,674.25	93.37%	42,066.97	90.53%	24,892.82	94.41%
Total	**51,815.75**	**100.00%**	**34,865.20**	**100.00%**	**81,044.74**	**100.00%**	**46,469.63**	**100.00%**	**26,367.66**	**100.00%**

OK

Notes:

(1) Urban represents the regions in India that are located outside villages.

(2) Rural represents the regions in India that are located in villages.

Active Customers by Regions

(₹ in millions, unless otherwise stated)

Regions	As of September 30,				As of March 31,					
	2023		2022		2023		2022		2021	
	Gross loan portfolio	*% of Gross loan portfolio*	*Gross loan portfolio*	*% of Gross loan portfolio*	*Gross loan portfolio*	*% of Gross loan portfolio*	*Gross loan portfolio*	*% of Gross loan portfolio*	*Gross loan portfolio*	*% of Gross loan portfolio*
Urban[(1)]	0.11	3.42%	0.09	3.56%	0.11	3.95%	0.08	4.00%	0.07	3.67%
Rural[(2)]	3.08	96.58%	2.32	96.44%	2.66	96.05%	1.97	96.00%	1.79	96.33%
Total	**3.19**	**100.00%**	**2.40**	**100.00%**	**2.77**	**100.00%**	**2.05**	**100.00%**	**1.86**	**100.00%**

OK

Notes:

(1) Urban represents the regions in India that are located outside villages.

(2) Rural represents the regions in India that are located in villages.

Break-up of Branches based on Age

Age of branches	Six Months Ended September 30.						Financial Year								
	2023			2022			2023			2022			2021		
	Number of branches	*Active customers per branch*	*Active loan accounts per branch*	*Number of branches*	*Active customers per branch*	*Active loan accounts per branch*	*Number of branches*	*Active customers per branch*	*Active loan accounts per branch*	*Number of branches*	*Active customers per branch*	*Active loan accounts per branch*	*Number of branches*	*Active customers per branch*	*Active loan accounts per branch*
<1 year	346	1,800.97	2,341.29	216	1,731.60	2,434.58	279	1,299.49	1,603.20	162	1,157.15	1,546.52	64	1,747.17	2,177.13
1-3 years	277	2,972.04	3,700.71	191	2,779.00	3,745.30	220	2,451.16	2,904.21	202	1,958.94	2,554.85	229	1,806.56	2,119.61
>3 years	717	3,127.68	3,794.90	601	3,213.04	4,293.41	673	2,780.56	3,344.13	541	2,712.72	3,606.11	462	2,878.83	3,572.48
Total	**1,340**	**2,383.19**	**2,936.93**	**1,008**	**2,382.75**	**3,176.04**	**1,172**	**2,366.15**	**2,847.12**	**905**	**2,266.02**	**3,002.79**	**755**	**2,457.66**	**3,013.53**

OK

Age of branches	Six Months Ended September 30,						Financial Year								
	2023			2022			2023			2022			2021		
	Gross loan portfolio per branch (₹ million)	*Disbursements per branch (₹ million)*	*Employees per branch*	*Gross loan portfolio per branch (₹ million)*	*Disbursements per branch (₹ million)*	*Employees per branch*	*Gross loan portfolio per branch (₹ million)*	*Disbursements per branch (₹ million)*	*Employees per branch*	*Gross loan portfolio per branch (₹ million)*	*Disbursements per branch (₹ million)*	*Employees per branch*	*Gross loan portfolio per branch (₹ million)*	*Disbursements per branch (₹ million)*	*Employees per branch*
<1 year	53	35.30	6	42	10.53	6	47.84	59.58	5.76	34.98	27.57	5.38	49.44	52.68	5.78
1-3 years	89	39.85	8	71	15.37	7	82.04	77.14	7.08	58.63	53.47	6.52	45.68	26.48	6.28
>3 years	90	39.31	8	86	13.40	8	90.17	70.51	7.53	83.25	57.68	7.66	78.45	36.65	8.23
Total	**81**	**20.15**	**9**	**74**	**21.23**	**9**	**78.57**	**69.15**	**8.73**	**69.12**	**51.35**	**9.04**	**66.05**	**34.92**	**9.07**

OK

Exposure of Districts

% contribution of total loan portfolio	Six Months Ended September 30.				Financial Year					
	2023		2022		2023		2022		2021	
	Number of Districts	*% of Total Districts*	*Number of Districts*	*% of Total Districts*	*Number of Districts*	*% of Total Districts*	*Number of Districts*	*% of Total Districts*	*Number of Districts*	*% of Total Districts*
<0.5%	285	84.07%	256	83.93%	264	82.24%	232	82.56%	204	81.93%
0.5% - 1.0%	36	10.62%	23	7.54%	34	10.59%	24	8.54%	17	6.83%
1.0%-3.0%	17	5.01%	24	7.87%	22	6.85%	22	7.83%	24	9.64%
3.0%-5.0%	1	0.29%	2	0.66%	1	0.31%	2	0.71%	4	1.61%
>5.0%	-	0.00%	-	0.00%	-	0.00%	1	0.36%	-	0.00%
Total	**339**	**100.00%**	**305**	**100.00%**	**321**	**100.00%**	**281**	**100.00%**	**249**	**100.00%**

OK

% contribution of total loan portfolio	Six Months Ended September 30,				Financial Year					
	2023		2022		2023		2022		2021	
	Gross loan portfolio (₹ million)	*% of Gross loan portfolio*	*Gross loan portfolio (₹ million)*	*% of Gross loan portfolio*	*Gross loan portfolio (₹ million)*	*% of Gross loan portfolio*	*Gross loan portfolio (₹ million)*	*% of Gross loan portfolio*	*Gross loan portfolio (₹ million)*	*% of Gross loan portfolio*
<0.5%	48,093.14	44.26%	29,522.55	39.63%	36,462.44	39.60%	22,386.89	35.79%	18,000.97	36.10%
0.5% - 1.0%	28,080.96	25.84%	11,373.43	15.27%	20,656.25	22.43%	10,048.82	16.07%	5,200.98	10.43%
1.0%-3.0%	28,507.35	26.23%	27,735.42	37.23%	31,073.25	33.74%	22,734.67	36.35%	18,714.42	37.53%
3.0%-5.0%	3,989.20	3.67%	5,863.47	7.87%	3,891.02	4.23%	4,179.67	6.68%	7,950.74	15.94%
>5.0%	-	0.00%	-	0.00%	-	0.00%	3,199.37	5.11%	-	0.00%
Total	**108,670.66**	**100.00%**	**74,494.86**	**100.00%**	**92,082.96**	**100.00%**	**62,549.42**	**100.00%**	**49,867.11**	**100.00%**

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Break-up of Loans Outstanding based on the Economic Activity of Customers

Set forth below are details of our gross loan portfolio classified according to our Customers' principal economic activity, as of September 30, 2023.

Economic activity	**September 30, 2023**		
	Number of Loans Accounts (million)	***Gross Income-Generating Gross Loan Portfolio (₹ million)***	***% of Gross Loan Portfolio***
Agriculture	0.77	26,211.14	24.12%
Animal Husbandry	1.18	34,903.47	32.12%
Manufacturing	0.20	5,678.99	5.23%
Services	0.96	27,934.48	25.71%
Trading	0.36	10,349.35	9.52%
Sanitation	0.06	1,127.59	1.04%
Consumption	0.36	1,882.44	1.73%
Education	0.05	583.20	0.54%
Total	**3.94**	**108,670.66**	**100.00%**

OK

Collection Efficiency in Various States

Set forth below are details of collection efficiency[1] as of the financial year ended March 31, 2021, 2022 and 2023, and the six months ended September 30, 2022 and 2023.

State	**As of September 30,**		**As of March 31,**		
	2023	**2022**	**2023**	**2022**	**2021**
Tamil Nadu	97.72%	91.22%	93.49%	83.65%	68.90%
Puducherry	97.52%	89.33%	92.33%	81.16%	69.44%
Kerala	99.22%	93.18%	95.87%	82.08%	64.68%
Karnataka	100.16%	95.90%	97.59%	84.53%	59.41%
Gujarat	97.53%	92.88%	94.93%	83.61%	62.08%
Uttar Pradesh	99.59%	98.40%	99.13%	95.57%	75.32%
Odisha	99.07%	93.84%	96.11%	91.56%	61.63%
Maharashtra	97.16%	90.72%	91.89%	85.80%	59.40%
Punjab	97.96%	90.67%	93.60%	86.93%	72.67%
Madhya Pradesh	94.28%	94.67%	95.80%	91.37%	68.63%
Haryana	98.65%	97.37%	98.45%	95.77%	82.98%
West Bengal	101.29%	102.39%	102.53%	92.72%	62.44%
Bihar	100.63%	99.66%	100.12%	94.21%	77.18%
Rajasthan	98.90%	90.43%	93.85%	88.10%	82.36%
Jharkhand	98.43%	96.15%	96.41%	90.77%	73.51%
Goa	0.00%	0.00%	0.00%	1,494.37%	68.98%
Chhattisgarh	94.51%	88.47%	91.34%	79.80%	71.77%
Himachal Pradesh	102.17%	0.00%	100.75%	0.00%	0.00%
Uttarakhand	102.53%	102.98%	101.09%	0.00%	0.00%
Average	**98.89%**	**93.71%**	**95.84%**	**85.75%**	**67.52%**

OK

Notes:

(1) The collection efficiency represents the ratio of our collections (including overdue collection and advance collection, but excluding prepayments) to billings, for the relevant period/year.

Portfolio performance by period

Set forth below are details relating to the portfolio performance of our loans disbursed post June 30, 2021 and our loans disbursed on or prior to June 30, 2021, for the Financial Year 2023 and the six months ended September 30, 2023.

Particulars	Six months ended September 30, 2023					
	Number of outstanding loan accounts	*% of outstanding loan accounts*	*Total principal outstanding*	*% of Total principal outstanding*	*% of Stage II Portfolio*	*% of Stage III Portfolio*
Loans Disbursed post June 30, 2021	32,65,757	89.55%	84,923.11	97.29%	0.59%	0.67%
Loans Disbursed on or prior to June 30, 2021	3,81,270	10.45%	2,365.65	2.71%	0.04%	1.70%
Total	**36,47,027**	**100.00%**	**87,288.75**	**100.00%**	**0.62%**	**2.37%**

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Particulars	Financial Year 2023					
	Number of outstanding loan accounts	*% of outstanding loan accounts*	*Total principal outstanding*	*% of Total principal outstanding*	*% of Stage II Portfolio*	*% of Stage III Portfolio*
Loans Disbursed post June 30, 2021	2,559,821	83.95%	68,708.82	95.45%	0.38%	0.37%
Loans Disbursed on or prior to June 30, 2021	489,231	16.05%	3,278.20	4.55%	0.23%	2.61%
Total	**3,049,052**	**100.00%**	**71,987.02**	**100.00%**	**0.61%**	**2.97%**

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Analysis of our Customers

Set forth below are details relating to the customers of our Company.

Particulars	As of / for the Six Months Ended September 30,		As of / for the Financial Year Ended March 31,		
	2023	2022	2023	2022	2021
Active loan accounts *(million)*[1]	3.94	3.20	3.34	2.72	2.28
Number of active customers *(million)*[2]	3.19	2.40	2.77	2.05	1.86
Number of active customers growth *(%)*	6.15%	10.49%	35.23%	10.52%	(1.44)%
Active loan account per customer *(times)*	1.23	1.33	1.20	1.33	1.23
Loan disbursed during the period *(million)*	1.22	1.07	2.11	1.35	0.76
Customers to whom loans were disbursed during the period *(million)*	0.95	0.72	1.52	1.02	0.70
Repeat customers to whom loans were disbursed *(million)*[3]	0.16	0.24	0.51	0.57	0.49
Repeat customers to total customers to whom loans were disbursed *(%)*	16.25%	33.03%	33.67%	55.77%	70.02%
New customers *(million)*[4]	0.47	0.43	1.01	0.45	0.21
New customers to total customers to whom loans were disbursed *(%)*	49.78%	60.10%	66.33%	44.23%	29.98%
New to Credit (NTC) Customers *(million)*[5]	0.11	0.13	0.20	0.14	0.06
NTC customers to total customers to whom loans were disbursed *(%)*	11.07%	17.71%	13.47%	13.21%	9.04%

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Notes:

(1) Active loan accounts represent the aggregate number of all loan assets under management which includes loan assets held by our Company as of the last day of the relevant period/year as well as loan assets which have been transferred by our Company by way of assignment and are outstanding as of the last day of the relevant period/year.

(2) Number of active customers represent the aggregate number of customers who have an active loan account as on the last day of the relevant period/year.

(3) Repeat customers to whom loans were disbursed represent the customers who have taken one or more loans with our Company while disbursing a fresh

loan during the corresponding period.

(4) New customers represent customers who are first time borrowers of our Company while disbursing a fresh loan during the corresponding period.

(5) New to Credit Customers (NTC) represent customers who do not have any outstanding formal borrowing or credit history while disbursing a fresh loan during the corresponding period.

Digital Adoption

Set forth below are details relating to the digital adoption of our Company.

Particulars	**As of / for the Six Months Ended September 30,**		**As of / for the Financial Year Ended March 31,**		
	2023	**2022**	**2023**	**2022**	**2021**
Number of active customers *(million)*	3.94	2.40	2.77	2.05	1.86
Total Mahila Mitra App Downloads (During the year) *(million)*	0.32	0.19	0.31	0.85	0.02
Total Mahila Mitra App Downloads (As of the relevant year) *(million)*	1.50	1.06	1.18	0.87	0.02
Unique Customers who Transacted Digitally with us (For the relevant financial year) *(million)*	2.46	0.83	1.70	0.52	0.13
Unique Customers who Transacted Digitally with us (As of the relevant financial year) *(million)*	2.46	1.02	1.94	0.59	0.13
Cashless Disbursement *(%)*	100.00%	100.00%	100.00%	100.00%	100.00%
Digital Collection (For the relevant financial year) *(₹ million)*(1)	9,515.25	2,488.00	10,955.40	1,683.01	308.59
Digital Collection Share in Overall Collection (For the relevant financial year) *(%)*(2)	25.47%	10.41%	20.30%	4.86%	1.06%

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Notes:

(1) Digital Collection for the financial year/periods represents the amount collected through various digital channels such as QR codes, Easypay and Wallet during the relevant financial year/periods.

(2) Digital Collection share in overall collection for the financial year/periods is the ratio of digital collection to overall collection for the relevant financial year/periods.

Performance Indicators of Digital Branches

Set forth below are details relating to the performance of our branches under various digital collection share categories.

	Ratio of Digital Collection to Overall Collection (For the period between April 1, 2023 to September 30, 2023)			
	Below 50%	**50%-80%**	**80%-90%**	**90%-100%**
Percentage of branches *(%)*	87.76%	5.07%	1.12%	6.04%
Productivity performance of branches *(Number)*(1)	28.16	37.67	56.35	44.38
Fresh Delinquency PAR *(%)*(2)	0.33%	0.20%	0.11%	0.04%

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Notes:

(1) Productivity performance of branches represents the ratio of number of loans disbursed for the period between April 1, 2023 to September 30, 2023 to number of active relationship officers for the period between April 1, 2023 to September 30, 2023.

(2) Fresh Delinquency PAR represents the ratio of average fresh delinquency for the period between April 1, 2023 to September 30, 2023 to average gross loan portfolio for the period between April 1, 2023 to September 30, 2023.

Performance Indicators of Score Card-based Disbursements

Set forth below are details relating to the performance of our disbursements through the use of our internal score card (that assigns a credit score rating such as "very low risk", "low risk", "medium risk" and "high risk" to our customers) which we developed along with Equifax.

	Credit Rating Assigned to Customers	
	Very Low & Low	**Medium & High**
Disbursements *(₹ million)*[1]	40,979.87	6,987.06
Percentage of Disbursements *(%)*[2]	85.43%	14.57%
Number of loans disbursed *(₹ million)*[3]	0.75	0.12
Percentage of loans disbursed *(%)*[4]	86.37%	13.63%
Average Ticket Size *(₹)*[5]	48.252.03	39,292.84
PAR 0+[6]	0.20%	0.52%

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Notes:

(1) Disbursements represent the total amount of Income Generating Loans disbursed through the use of our internal score card for the six months ended September 30, 2023.

(2) Percentage of Disbursements is the ratio of Disbursements (as per Note 1 to this table) of each category of customers to total Disbursements (as per Note 1 to this table) across all categories of customers.

(3) Number of loans disbursed represent the total number of Income Generating Loans disbursed through the use of our internal score card for the six months ended September 30, 2023.

(4) Percentage of loans disbursed (%) is the ratio of Number of loans disbursed (as per Note 3 to this table) to each category of customers to total Number of loans disbursed (as per Note 3 to this table) across all categories of customers.

(5) Average Ticket size represents the ratio of Disbursements (as per Note 1 to this table) to Number of loans disbursed (as per Note 3 to this table) after the implementation and use of our internal score card towards New Customers. New Customers represent customers who are first time borrowers of our Company while disbursing a fresh loan during the corresponding period.

(6) PAR 0+ represents the ratio of delinquent loans for clients disbursed through the use of our internal score card to the total amount of loans disbursed through the use of our internal score card to New Customers.

Customer support activity

Set forth below are details relating to insurance support products offered to our customers by our Company.

Particulars	**As of / for the Six Months Ended September 30,**		**As of / for the Financial Year Ended March 31,**		
	2023	**2022**	**2023**	**2022**	**2021**
Insurance Premium collected *(₹ million)*	2,299.73	1,459.52	3,380.93	1,856.03	981.15
Life Insurance *(₹ million)*	1,643.08	1,069.72	2,440.26	1,383.05	772.36
Medical Insurance *(₹ million)*	304.88	304.31	598.28	387.54	175.44
Natural Calamity Insurance *(₹ million)*	351.78	85.49	342.38	85.43	33.36
Number of Life Insured - Life Insurance *(in millions)*	2.43	1.52	3.33	2.43	1.50
E Clinics	460	271	358	12	Not Applicable
Proportion of Branches with E Clinics *(%)*	34.33%	26.88%	30.55%	1.33%	Not Applicable
Number of persons Enrolled for Digital Consultation *(in millions)*	0.44	0.35	0.69	0.20	Not Applicable
Medical Consultations	98,844	60,898	198,826	24,100	Not Applicable
Tele Consultation	65,878	28,996	78,801	11,456	Not Applicable

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Financial and Operational Metrics for Mature States

We have classified three states and one union territory where we first commenced our operations as mature states, which includes Kerala, Tamil Nadu, Puducherry and Karnataka. The following table sets forth the financial and operational performance of these mature states.

Particulars	**As of / for the Six Months Ended September 30,**		**As of / for the Financial Year Ended March 31,**		
	2023	**2022**	**2023**	**2022**	**2021**
Number of branches	633	503	576	468	412
Number of districts	79	77	78	72	65

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Particulars	As of / for the Six Months Ended September 30,		As of / for the Financial Year Ended March 31,		
	2023	2022	2023	2022	2021
Average number of branches per district	8.01	6.53	7.38	6.50	6.34
Gross loan portfolio *(₹ million)*[1]	56,908.70	44,981.38	51,530.27	40,537.93	33,264.72
Gross loan portfolio growth *(%)*[2]	26.52%	38.76%	27.12%	21.86%	2.25%
Gross loan portfolio per branch *(₹ million)*	89.90	89.43	89.46	86.62	80.74
Disbursements *(₹ million)*	25,524.06	19,290.65	43,381.77	29,151.85	16,690.87
Disbursement growth *(%)*[3]	32.31%	123.40%	48.81%	74.66%	(37.69)%
Disbursements per branch *(₹ million)*	40.32	38.35	75.32	62.29	40.51
Collection Efficiency *(%)*[4]	98.60%	92.46%	94.85%	83.11%	66.06%
Active Customers *(million)*[5]	1.59	1.36	1.48	1.23	1.18
Active Customers per branch	2,514	2,702	2,568.06	2,629.53	2,866.41
Customers to whom loans were disbursed during the period *(million)*	0.44	0.52	0.71	0.59	0.41
Repeat customers to whom loans were disbursed *(million)*[6]	0.08	0.43	0.32	0.39	0.33
Repeat customers to total customers to whom loans were disbursed *(%)*	18.29%	82.40%	44.40%	65.93%	80.81%
New customers *(million)*[7]	0.15	0.18	0.40	0.20	0.08
New customers to total customers to whom loans were disbursed *(%)*	34.69%	33.54%	55.60%	34.07%	19.19%
New to Credit (NTC) Customers *(million)*[8]	0.03	0.05	0.07	0.05	0.02
NTC customers to total customers to whom loans were disbursed *(%)*	7.07%	9.13%	10.07%	9.30%	5.04%
Employees	6,077	4,995	5,213	4,704	4,188
Loan officers	3,545	2,956	3,045	2,788	2,754
Gross loan portfolio per loan officer *(₹ million)*	16.05	15.22	16.92	14.54	12.08
Disbursement per loan officer *(₹ million)*	7.20	6.53	14.25	10.46	6.06
Active customers per loan officer	448.93	459.76	485.78	441.40	428.82

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Notes:

(1) Gross loan portfolio represents the aggregate of future principal outstanding and overdue principal outstanding, if any, for all loan assets which includes loan assets held by our Company as of the last day of the relevant period/year, loan assets which have been transferred by our Company by way of assignment as well as loan assets managed by our Company through partner institution and co-lending partner, and are outstanding as of the last day of the relevant period/year. While we act as partner institution for these loans, these loans are provided on the balance sheet of our partner institution, and not recognized as our loan assets on our balance sheet.

(2) Gross loan portfolio growth represents the growth in gross loan portfolio as of the last day of the relevant period/year as compared with the gross loan portfolio as of the last day of the preceding year.

(3) Disbursement growth represents growth in disbursements for the relevant period/year as a percentage of disbursements for the previous period/year.

(4) Collection efficiency represents the ratio of our collections (including overdue collections) to billings for the relevant period/year.

(5) Active Customers represent customers who have an active loan account as on the last day of the relevant period/year.

(6) Repeat customers to whom loans were disbursed represent the customers who have taken one or more loans with our Company while disbursing a fresh loan during the corresponding period.

(7) New customers represent customers who are first time borrowers of our Company while disbursing a fresh loan during the corresponding period.

(8) New to Credit (NTC) customers represent customers who do not have any outstanding formal borrowing or credit history while disbursing a fresh loan during the corresponding period.

Financial and Operational Metrics for Other States Across the Rest of India

We have classified 14 states and union territories (excluding mature states) as our states across the rest of India (including North, West and East India). The following table sets forth the financial and operational performance of these states for the rest of India.

Particulars	As of / for the Six Months Ended September 30,		As of / for the Financial Year Ended March 31,		
	2023	2022	2023	2022	2021
Number of branches	707	505	596	437	343
Number of districts	260	228	243	209	184
Average number of branches per district	2.72	2.21	2.45	2.09	1.86
Gross loan portfolio *(₹ million)*[1]	51,761.95	29,513.49	40,552.69	22,011.50	16,602.38
Gross loan portfolio growth *(%)*[2]	75.38%	90.69%	84.23%	32.58%	13.93%
Gross loan portfolio per branch *(₹ million)*	73.21	58.44	68.04	50.37	48.40
Disbursements *(₹ million)*	26,291.69	15,574.55	37,662.97	17,317.78	9,676.80
Disbursement growth *(%)*[3]	68.81%	271.78%	117.48%	78.96%	(31.08)%
Disbursements per branch *(₹ million)*	37.19	30.84	63.19	39.63	28.21
Collection Efficiency *(%)*[4]	99.24%	95.93%	97.42%	90.84%	70.81%
Active Customers *(million)*[5]	1.60	1.04	1.29	0.82	0.67
Active Customers per branch	2,265.96	2,064.85	2,171.02	1,876.72	1,966.68
Customers to whom loans were disbursed during the period *(million)*	0.51	0.55	0.81	0.44	0.29
Repeat customers to whom loans were disbursed *(million)*[6]	0.07	0.28	0.20	0.18	0.16
Repeat customers to total customers to whom loans were disbursed *(%)*	14.50%	51.55%	24.24%	42.06%	55.12%
New Customers *(million)*[7]	0.32	0.25	0.61	0.25	0.13
New customers to total customers to whom loans were disbursed *(%)*	62.74%	46.10%	75.76%	57.94%	44.88%
New to Credit (NTC) Customers *(million)*[8]	0.07	0.08	0.13	0.08	0.04
NTC customers to total customers to whom loans were disbursed *(%)*	14.50%	14.30%	16%	18%	15%
Employees	6,220	4,155	5,014	3,474	2,658
Loan officers	3,948	2,692	3,229	2,206	1,798
Gross loan portfolio per loan officer *(₹ million)*	13.11	10.96	12.56	9.98	9.23
Disbursement per loan officer *(₹ million)*	6.66	5.79	11.66	7.85	5.38
Active customers per loan officer	405.78	387.35	400.72	371.77	375.18

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Notes:

(1) Gross loan portfolio represents the aggregate of future principal outstanding and overdue principal outstanding, if any, for all loan assets which includes loan assets held by our Company as of the last day of the relevant period/year, loan assets which have been transferred by our Company by way of assignment as well as loan assets managed by our Company through partner institution and co-lending partner, and are outstanding as of the last day of the relevant period/year. While we act as partner institution for these loans, these loans are provided on the balance sheet of our partner institution, and not recognized as our loan assets on our balance sheet.

(2) Gross loan portfolio growth represents the growth in gross loan portfolio as of the last day of the relevant period/year as compared with the gross loan

portfolio as of the last day of the preceding year.

(3) Disbursement growth represents growth in disbursements for the relevant year as a percentage of disbursements for the previous period/year.

(4) Collection efficiency represents the ratio of our collections (including overdue collections) to billings for the relevant period/year.

(5) Active Customers represent customers who have an active loan account as on the last day of the relevant period/year.

(6) Repeat customers to whom loans were disbursed represent the customers who have taken one or more loans with our Company while disbursing a fresh loan during the corresponding period.

(7) New customers represent customers who are first time borrowers of our Company while disbursing a fresh loan during the corresponding period.

(8) New to Credit (NTC) Customers represent customers who do not have any outstanding formal borrowing or credit history while disbursing a fresh loan during the corresponding period.

Financial and Operational Metrics for Mature Branches

We had 522, 694 and 917 mature branches that were open as of April 1, 2020, April 1, 2021 and April 1, 2022 (net of closures, if any). Mature branches are branches that have been in operation for more than three years. The following table sets out the financial and operational metrics of the mature branches for the respective Finaocial Years:

Particulars	**As of / for the Six Months Ended September 30,**		**As of / for the Financial Year Ended March 31,**		
	2023	**2022**	**2023**	**2022**	**2021**
Number of branches	1,091	798	917	694	522
Number of districts	269	225	242	194	145
Average number of branches per district	4.06	3.55	3.79	3.58	3.60
Gross loan portfolio *(₹ million)*[1]	91,504.88	65,208.80	78,006.78	53,859.82	38,737.86
Gross loan portfolio growth *(%)*[2]	40.33%	36.76%	44.83%	39.04%	26.53%
Gross loan portfolio per branch *(₹ million)*	83.87	81.72	85.07	77.61	74.21
Disbursements *(₹ million)*	40,548.47	27,119.97	63,948.34	37,912.75	19,117.29
Disbursement growth *(%)*[3]	49.52%	156.29%	68.67%	98.32%	(22.81)%
Disbursements per branch *(₹ million)*	37.17	33.98	69.74	54.63	36.62
Collection Efficiency *(%)* [4]	98.60%	93.04%	95.33%	84.59%	65.79%
Active Customers *(million)*[5]	2.76	2.11	2.38	1.74	1.43
Active Customers per branch	2,528.07	2,643.03	2,597.02	2,509.56	2,730.30
Customers to whom loans were disbursed during the period *(million)*	0.75	0.56	1.19	0.82	0.50
Repeat customers to whom loans were disbursed *(million)*[6]	0.14	0.21	0.48	0.50	0.39
Repeat customers to total customers to whom loans were disbursed *(%)*	19.08%	38.11%	40.03%	61.09%	77.61%
New Customers *(million)*[7]	0.31	0.30	0.71	0.32	0.11
New customers to total customers to whom loans were disbursed *(%)*	41.89%	53.22%	59.97%	38.91%	22.39%
New to Credit (NTC) Customers *(million)*[8]	0.07	0.06	0.15	0.09	0.03
NTC customers to total customers to whom loans were disbursed *(%)*	9.69%	11.09%	12.43%	11.26%	6.32%
Employees	8,271	5,879	6,609	5,046	4,113
Loan officers	6,173	4,598	5,050	3,993	3,365
Gross loan portfolio per loan officer *(₹ million)*	14.82	14.18	15.45	13.49	11.51

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Particulars	As of / for the Six Months Ended September 30,		As of / for the Financial Year Ended March 31,		
	2023	2022	2023	2022	2021
Disbursement per loan officer *(₹ million)*	6.57	5.90	12.66	9.49	5.68
Active customers per loan officer	446.80	458.71	471.58	436.17	423.54

Notes:

(1) Gross loan portfolio represents the aggregate of future principal outstanding and overdue principal outstanding, if any, for all loan assets which includes loan assets held by our Company as of the last day of the relevant period/year, loan assets which have been transferred by our Company by way of assignment as well as loan assets managed by our Company through partner institution and co-lending partner, and are outstanding as of the last day of the relevant period/year. While we act as partner institution for these loans, these loans are provided on the balance sheet of our partner institution, and not recognized as our loan assets on our balance sheet.

(2) Gross loan portfolio growth represents the growth in gross loan portfolio as of the last day of the relevant period/year as compared with the gross loan portfolio as of the last day of the preceding year.

(3) Disbursement growth represents growth in disbursements for the relevant year as a percentage of disbursements for the previous period/year.

(4) Collection efficiency represents the ratio of our collections (including overdue collections) to billings for the relevant period/year.

(5) Active Customers represent customers who have an active loan account as on the last day of the relevant period/year.

(6) Repeat customers to whom loans were disbursed represent customers who have taken one or more loans with our Company while disbursing a fresh loan during the corresponding period.

(7) New customers represent customers who are first time borrowers of our Company while disbursing a fresh loan during the corresponding period.

(8) New to Credit (NTC) Customers represent the customers who do not have any outstanding formal borrowing or credit history while disbursing a fresh loan during the corresponding period.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion in conjunction with the Restated Financial Statements. The Restated Financial Statements has been prepared by our management as required under the SEBI ICDR Regulations read with the ICAI Guidance Note. For more information, see "Risk Factors - External Risks - Risks Relating to India - Significant differences exist between Ind AS and other accounting principles, such as U.S. GAAP and IFRS, which may be material to investor's assessments of our financial condition" on page 59.

This Red Herring Prospectus also contains forward-looking statements that involve risks, assumptions, estimates and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including but not limited to the considerations described below. For details, see "Forward-Looking Statements" beginning on page 19.

Unless otherwise indicated or the context otherwise requires, the financial information for the six months ended September 30, 2023 and 2022, the financial years ended March 31, 2021, 2022 and 2023 included herein is derived from the Restated Financial Statements included in this Red Herring Prospectus.

Certain non-GAAP financial measures and certain other statistical information relating to our operations and financial performance have been included in this section and elsewhere in this Red Herring Prospectus. Such non-GAAP financial measures should be read together with the nearest GAAP measure. See "Selected Statistical Information" and "Risk Factors - Internal Risk Factors - We have presented, in this Red Herring Prospectus, certain financial measures and other selected statistical information relating to our financial condition and operations which are not prepared under or required by Indian GAAP. These financial measures and statistical information may vary from any standard methodology that is applicable across the financial services industry, and therefore may not be comparable with financial or statistical information or similar nomenclature computed and presented by other financial services companies" on pages 255 and 58, respectively.

*The industry-related information contained in this section is derived from the industry report dated November 27, 2023 prepared by CRISIL (the "**CRISIL Report**"). We have commissioned and paid for the CRISIL Report for the purposes of confirming our understanding of the industry exclusively in connection with the Offer. We officially engaged CRISIL in connection with the preparation of the CRISIL Report pursuant to an engagement letter dated May 29, 2023. A copy of the CRISIL Report shall be available on the website of our Company at https://muthootmicrofin.com/wp-content/uploads/2023/11/Updated-Industry-Report_27Nov2023.pdf from the date of the Red Herring Prospectus until the Bid/Offer Closing Date. Unless otherwise indicated, the industry-related information contained in this section is derived from the CRISIL Report (extracts of which have been appropriately incorporated as part of "Industry Overview" beginning on page 133).*

The terms "total outstanding loan portfolio," "average outstanding loan portfolio," and "outstanding non-performing loan portfolio" appearing in this section refer to the loans provided by us, as referred to in our restated financial statements, and "gross outstanding loan portfolio" or "gross loan portfolio" includes "total outstanding loan portfolio" together with our assigned and managed loans.

Overview

We are a microfinance institution providing micro-loans to women customers (primarily for income generation purposes) with a focus on rural regions of India. We are the fifth largest NBFC-MFI in India in terms of gross loan portfolio as of March 31, 2023 *(Source: CRISIL Report)*. We are also the third largest amongst NBFC-MFIs in South India in terms of gross loan portfolio, the largest in Kerala in terms of MFI market share, and a key player in Tamil Nadu with an almost 16% market share, as of March 31, 2023 (*Source: CRISIL Report*).

As of September 30, 2023, our gross loan portfolio amounted to ₹108,670.66 million. We believe that our business model helps in driving financial inclusion, as we serve customers who belong to low-income groups. As of September 30, 2023, we have 3.19 million active customers, who are serviced by 12,297 employees across 1,340 branches in 339 districts in 18 states and union territories in India. We have built our branch network with an emphasis on under-served rural markets with growth potential, in order to ensure ease of access to customers. Our branches are connected to our IT networks and are primarily located in commercial spaces which we believe are easily accessible by our customers.

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We are a part of the Muthoot Pappachan Group, a business conglomerate with presence across financial services, automotive, hospitality, real estate, information technology infrastructure, precious metals and alternate energy sectors. The Muthoot Pappachan Group has a history of over 50 years in the financial services business. We are the second largest company under the Muthoot Pappachan Group, in terms of AUM for the Financial Year 2023. MFL, the flagship company of the Muthoot Pappachan Group, holds 59.29% of the pre-Offer Equity Share capital in our Company, on a fully diluted basis, as of the date of this Red Herring Prospectus. Our relationship with the Muthoot Pappachan Group provides us with brand recall and significant marketing and operational benefits. Further, there are significant synergies between the financial services business of the group and our micro-finance business. The target customer segment of the Muthoot Pappachan Group is low income customers, as depicted in the image below:

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MML sources customer into the MPG ecosystem through microfinance

Customer can progressively graduate to gold loans, vehicle finance and affordable housing

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Our wide range of lending products are aimed at catering to the life-cycle needs of rural households. We primarily provide loans for income generating purposes to women customers living in rural areas. Our loan products comprise (i) group loans for livelihood solutions such as income generating loans, Pragathi loans (which are interim loans made to existing customers for working capital and income generating activities), individual loans and Suvidha loans (which are digital loans accessible through the *Mahila Mitra* application and made to existing customers to enable quick access to funds); (ii) life betterment solutions including mobile phones loans, solar lighting product loans and household appliances product loans; (iii) health and hygiene loans such as sanitation improvement loans; and (iv) secured loans in the form of gold loans and our Muthoot Small & Growing Business ("**MSGB**") loans. As of September 30, 2023, the gross loan portfolio of our income generating loans amounted to ₹102,062.49 million, representing 93.92% of our total gross loan portfolio. We primarily adopt a joint liability group model which caters exclusively to women in lower income households and is premised on the fact that if such individuals are given access to credit, they may be able to identify new opportunities and supplement and grow their existing income. The history of the Muthoot Pappachan Group in working with customers at the bottom of the economic pyramid helps us better address the needs of women in rural households and design lending products to cater to their requirements.

Over the past few years, we have significantly implemented the use of technology across our microfinance operations. We have an in-house information technology team that has built our technology platform into a business tool, which we believe helps us in achieving and maintaining high levels of customer service, enhancing operational efficiency and creating competitive advantages for our organization. To improve our underwriting capabilities using technology, we have developed a unique credit score card along with Equifax to evaluate the creditworthiness of customers by assigning individual credit scores to our customers. As a result, we are able to risk profile each of our customers individually based on parameters such as payment track record (including any credit defaults in the past two years), demographics, age and location. This allows us to strategically allocate more capital to "very low risk" and "low risk" customers, as compared to "medium risk" and "high risk" customers (as per the categorization based on the score cards), in order to maximize our collection efficiency. Apart from utilizing our unique credit score, we also analyze customers' credit bureau reports to establish their creditworthiness and repayment behavior. Further, to expand our digital collections infrastructure, we launched a proprietary application, called "*Mahila Mitra*", in 2021, which facilitates digital payment methods such as QR codes, websites, SMS-based links and voice-based payment methods. Through *Mahila Mitra*, our customers are able to pay directly from their bank account through a secure platform that requires authentication via OTP and/or PIN payments, track and maintain digital records and statements of transactions, and earn cashback or reward points on payment transactions. For the Financial Years 2021, 2022 and 2023, and the six months ended September 30, 2023, 1.06%, 4.86%, 20.30% and 25.47% of our repayments were collected on a digital basis (i.e. in a cash less manner by direct bank credit into our bank accounts), respectively. As of September 30, 2023, 1.50 million customers have downloaded the *Mahila Mitra* application, and 2.46 million customers have transacted digitally with us (through the *Mahila Mitra* application and other digital payment methods). We are also in the process of developing a *Super App* along with the Muthoot Pappachan Group, which we plan to use to integrate our *Mahila Mitra* application with all of the Muthoot Pappachan Group's products and databases on to a single platform, allowing customers to access all the Group's loan offerings on a single platform, thereby maximizing our cross-selling opportunities. In 2022, we were awarded the Mobility Award for IT Innovations at the Technology Senate Awards South 2022 instituted by Express Computer, and the Best Digital Transformation Initiative – Financial Services Award at the India DevOps Show, 2022.

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In addition, with the aim to cater to the healthcare needs and priorities of our customers, we have, since December 2021, offered digital healthcare facilities to our customers through "e-clinics". We collaborate with M-Swasth Solutions Private Limited, a technology driven digital healthcare service provider, to set up these e-clinics across our branches. As of September 30, 2023, we have set up 460 e-clinics across 460 of our branches, representing 34.33% of our total branches. As of September 30, 2023, 14.40% of our customers have enrolled in our e-clinics, and we have facilitated 98,844 medical consultations and 65,878 teleconsultations. Further, to protect our customers from the risks of natural calamities, we have, since May 2020, also provided natural calamity insurance to our customers to whom we disburse loans across our branches in India. As of September 30, 2023, we have provided 23.23% of our clients with natural calamity insurance. As a result of global climate change, India has experienced natural calamities such as floods, cyclones, earthquakes, tsunamis and droughts in the past, including floods in the south Indian state of Kerala in 2018 and 2019 and a cyclone in Tamil Nadu in 2018. In this background, purchasing natural calamity insurance for our customers is a significant value-add to them as it protects their businesses and assets at home.

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RANGAN ANIL & CO.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion in conjunction with the Restated Financial Statements. The Restated Financial Statements has been prepared by our management as required under the SEBI ICDR Regulations read with the ICAI Guidance Note. For more information, see "Risk Factors - External Risks - Risks Relating to India - Significant differences exist between Ind AS and other accounting principles, such as U.S. GAAP and IFRS, which may be material to investor's assessments of our financial condition" on page 59.

This Red Herring Prospectus also contains forward-looking statements that involve risks, assumptions, estimates and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including but not limited to the considerations described below. For details, see "Forward-Looking Statements" beginning on page 19.

Unless otherwise indicated or the context otherwise requires, the financial information for the six months ended September 30, 2023 and 2022, the financial years ended March 31, 2021, 2022 and 2023 included herein is derived from the Restated Financial Statements included in this Red Herring Prospectus.

Certain non-GAAP financial measures and certain other statistical information relating to our operations and financial performance have been included in this section and elsewhere in this Red Herring Prospectus. Such non-GAAP financial measures should be read together with the nearest GAAP measure. See "Selected Statistical Information" and "Risk Factors - Internal Risk Factors - We have presented, in this Red Herring Prospectus, certain financial measures and other selected statistical information relating to our financial condition and operations which are not prepared under or required by Indian GAAP. These financial measures and statistical information may vary from any standard methodology that is applicable across the financial services industry, and therefore may not be comparable with financial or statistical information or similar nomenclature computed and presented by other financial services companies" on pages 255 and 58, respectively.

*The industry-related information contained in this section is derived from the industry report dated November 27, 2023 prepared by CRISIL (the "**CRISIL Report**"). We have commissioned and paid for the CRISIL Report for the purposes of confirming our understanding of the industry exclusively in connection with the Offer. We officially engaged CRISIL in connection with the preparation of the CRISIL Report pursuant to an engagement letter dated May 29, 2023. A copy of the CRISIL Report shall be available on the website of our Company at https://muthootmicrofin.com/wp-content/uploads/2023/11/Updated-Industry-Report_27Nov2023.pdf from the date of the Red Herring Prospectus until the Bid/Offer Closing Date. Unless otherwise indicated, the industry-related information contained in this section is derived from the CRISIL Report (extracts of which have been appropriately incorporated as part of "Industry Overview" beginning on page 133).*

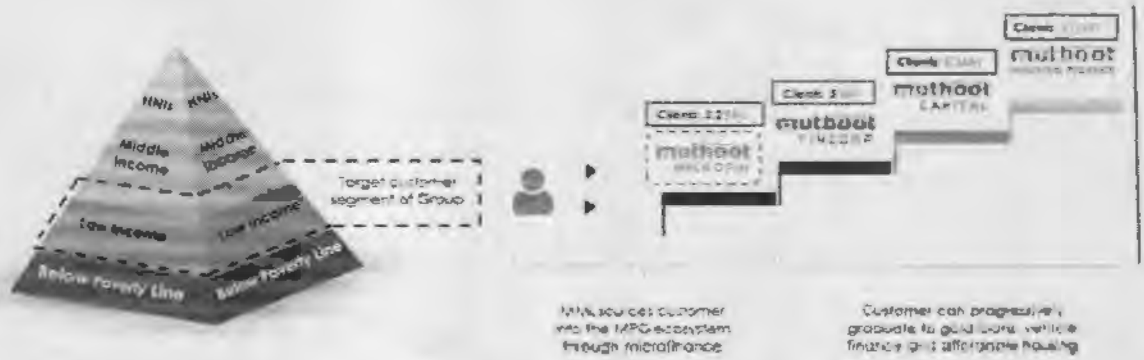
The terms "total outstanding loan portfolio," "average outstanding loan portfolio," and "outstanding non-performing loan portfolio" appearing in this section refer to the loans provided by us, as referred to in our restated financial statements, and "gross outstanding loan portfolio" or "gross loan portfolio" includes "total outstanding loan portfolio" together with our assigned and managed loans.

Overview

We are a microfinance institution providing micro-loans to women customers (primarily for income generation purposes) with a focus on rural regions of India. We are the fifth largest NBFC-MFI in India in terms of gross loan portfolio as of March 31, 2023 *(Source: CRISIL Report)*. We are also the third largest amongst NBFC-MFIs in South India in terms of gross loan portfolio, the largest in Kerala in terms of MFI market share, and a key player in Tamil Nadu with an almost 16% market share, as of March 31, 2023 (*Source: CRISIL Report*).

As of September 30, 2023, our gross loan portfolio amounted to ₹108,670.66 million. We believe that our business model helps in driving financial inclusion, as we serve customers who belong to low-income groups. As of September 30, 2023, we have 3.19 million active customers, who are serviced by 12,297 employees across 1,340 branches in 339 districts in 18 states and union territories in India. We have built our branch network with an emphasis on under-served rural markets with growth potential, in order to ensure ease of access to customers. Our branches are connected to our IT networks and are primarily located in commercial spaces which we believe are easily accessible by our customers. OK

We are a part of the Muthoot Pappachan Group, a business conglomerate with presence across financial services, automotive, hospitality, real estate, information technology infrastructure, precious metals and alternate energy sectors. The Muthoot Pappachan Group has a history of over 50 years in the financial services business. We are the second largest company under the Muthoot Pappachan Group, in terms of AUM for the Financial Year 2023. MFL, the flagship company of the Muthoot Pappachan Group, holds 59.29% of the pre-Offer Equity Share capital in our Company, on a fully diluted basis, as of the date of this Red Herring Prospectus. Our relationship with the Muthoot Pappachan Group provides us with brand recall and significant marketing and operational benefits. Further, there are significant synergies between the financial services business of the group and our micro-finance business. The target customer segment of the Muthoot Pappachan Group is low income customers, as depicted in the image below: OK



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Our wide range of lending products are aimed at catering to the life-cycle needs of rural households. We primarily provide loans for income generating purposes to women customers living in rural areas. Our loan products comprise (i) group loans for livelihood solutions such as income generating loans, Pragathi loans (which are interim loans made to existing customers for working capital and income generating activities), individual loans and Suvidha loans (which are digital loans accessible through the *Mahila Mitra* application and made to existing customers to enable quick access to funds); (ii) life betterment solutions including mobile phones loans, solar lighting product loans and household appliances product loans; (iii) health and hygiene loans such as sanitation improvement loans; and (iv) secured loans in the form of gold loans and our Muthoot Small & Growing Business ("**MSGB**") loans. As of September 30, 2023, the gross loan portfolio of our income generating loans amounted to ₹102,062.49 million, representing 93.92% of our total gross loan portfolio. We primarily adopt a joint liability group model which caters exclusively to women in lower income households and is premised on the fact that if such individuals are given access to credit, they may be able to identify new opportunities and supplement and grow their existing income. The history of the Muthoot Pappachan Group in working with customers at the bottom of the economic pyramid helps us better address the needs of women in rural households and design lending products to cater to their requirements.

Over the past few years, we have significantly implemented the use of technology across our microfinance operations. We have an in-house information technology team that has built our technology platform into a business tool, which we believe helps us in achieving and maintaining high levels of customer service, enhancing operational efficiency and creating competitive advantages for our organization. To improve our underwriting capabilities using technology, we have developed a unique credit score card along with Equifax to evaluate the creditworthiness of customers by assigning individual credit scores to our customers. As a result, we are able to risk profile each of our customers individually based on parameters such as payment track record (including any credit defaults in the past two years), demographics, age and location. This allows us to strategically allocate more capital to "very low risk" and "low risk" customers, as compared to "medium risk" and "high risk" customers (as per the categorization based on the score cards), in order to maximize our collection efficiency. Apart from utilizing our unique credit score, we also analyze customers' credit bureau reports to establish their creditworthiness and repayment behavior. Further, to expand our digital collections infrastructure, we launched a proprietary application, called "*Mahila Mitra*", in 2021, which facilitates digital payment methods such as QR codes, websites, SMS-based links and voice-based payment methods. Through *Mahila Mitra*, our customers are able to pay directly from their bank account through a secure platform that requires authentication via OTP and/or PIN payments, track and maintain digital records and statements of transactions, and earn cashback or reward points on payment transactions. For the Financial Years 2021, 2022 and 2023, and the six months ended September 30, 2023, 1.06%, 4.86%, 20.30% and 25.47% of our repayments were collected on a digital basis (i.e. in a cash less manner by direct bank credit into our bank accounts), respectively. As of September 30, 2023, 1.50 million customers have downloaded the *Mahila Mitra* application, and 2.46 million customers have transacted digitally with us (through the *Mahila Mitra* application and other digital payment methods). We are also in the process of developing a *Super App* along with the Muthoot Pappachan Group, which we plan to use to integrate our *Mahila Mitra* application with all of the Muthoot Pappachan Group's products and databases on to a single platform, allowing customers to access all the Group's loan offerings on a single platform, thereby maximizing our cross-selling opportunities. In 2022, we were awarded the Mobility Award for IT Innovations at the Technology Senate Awards South 2022 instituted by Express Computer, and the Best Digital Transformation Initiative – Financial Services Award at the India DevOps Show, 2022.

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Our Board, Promoters and Senior Management comprise experienced professionals, industry experts and management professionals, supported by a qualified and motivated pool of employees. Our Senior Management team has members who have significant experience in microfinance and various lending businesses as well as across major functions related to our business, which include retail banking operations, debt management and microfinance, financial services and information technology services. Collectively, they have demonstrated an ability to manage and grow our operations. For details of our board of directors and management team, see "*Our Management*" on page 228. Further, we are supported by our marquee investors, namely Creation Investments India LLC and Greater Pacific Capital WIV Ltd, which have been invested in our Company since 2016 and 2021, respectively, and collectively hold 28.07% of the issued, subscribed and paid-up pre-Offer Equity Share capital of our Company on a fully diluted basis, as of the date of this Red Herring Prospectus.

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We have received several awards and certifications in recognition of our approach of integrating social values in the conduct of our business, including the Certificate of Excellence for contributions for water and sanitation lending instituted by Water.org and Sa-Dhan in 2021, the 'Flame Awards' instituted by Rural Marketing Association of India in 2020, and the 'Golden Peacock Award for Business Excellence' by the Institute of Directors in 2018.

The following table sets forth our key financial and operational metrics as of or for the years indicated:

	As of/ for the six months ended September 30,		As of/ for the year ended March 31,		
	2023	2022	2023	2022	2021
Gross Loan Portfolio (₹ million)[1]	108,670.66	74,494.86	92,082.96	62,549.42	49,867.11
Period on period growth in Gross Loan Portfolio (%)	45.88%	55.54%	47.22	25.43	3.06
Disbursements (₹ million)[2]	51,815.75	34,865.20	81,044.74	46,469.63	26,367.66
Period on period growth in Disbursements (%)	48.62%	171.87%	74.40	76.24	(35.42)
Number of Loans Disbursed (million)[3]	1.22	1.07	2.11	1.35	0.76
Customers to whom loans were disbursed during the Period (million)[4]	0.95	0.72	1.52	1.02	0.70
New Customers (million)[5]	0.47	0.43	1.01	0.45	0.21
Active Customers (million)[6]	3.19	2.40	2.77	2.05	1.86
Customers with Mahila Mitra app downloads (million)[7]	1.50	1.06	1.18	0.87	0.02
Customers who Transacted Digitally with Us (million)[8]	2.46	0.83	1.70	0.52	0.13
Overall Digital Collection (₹ million)[9]	9,515.25	2,488.00	10,955.40	1,683.01	308.59
Revenue from Operations (₹ million)[10]	10,423.27	6,047.42	14,287.64	8,325.06	6,841.67
Net Interest Income (₹ million)[11]	6,270.02	3,786.66	8,797.54	4,923.52	3,848.39
Net Interest Margin[12]	12.39%	11.12%	11.60%	9.60%	8.24%
Ratio of Operating Expenses to Annual Average Gross Loan Portfolio	5.87%	6.09%	5.96%	5.82%	5.20%
Ratio of Provisions and Write Offs to Annual Average Gross Loan Portfolio	1.25%	4.77%	2.89%	1.98%	2.69%
Pre-provision operating profit before Tax (₹ million)[13]	3,373.57	1,800.87	4,361.88	1,758.74	1,412.79
Profit After Tax (₹ million)[14]	2,052.57	124.66	1,638.89	473.98	70.54
Total comprehensive income for the year (₹ million)[15]	2,111.82	273.33	2,033.06	797.23	(173.10)
Debt to equity (times)[16]	4.21	3.62	3.99	2.99	3.39
RoA[17]	2.21%	0.20%	2.16%	0.92%	0.15%
RoE[18]	11.84%	0.90%	11.06%	4.26%	0.79%
Net Worth[19]	18,420.95	14,465.84	16,258.49	13,365.79	8,898.90
Cost to income ratio (%)[20]	46.61%	53.69%	51.39%	65.02%	64.41%
Average annual cost of borrowings (%)[21]	11.20%	10.54%	10.94%	10.44%	11.08%
Impairment allowance coverage ratio (%)[22]	86.42%	73.73%	80.32%	76.68%	81.32%
Capital to risk assets ratio (CRAR) (%)[23]	20.46%	24.16%	21.87%	28.75%	22.55%
Insurance Premium collected (₹ million)[24]	2,299.73	1,459.52	3,380.93	1,856.03	981.15
Life Insurance (₹ million)[25]	1,643.08	1,069.72	2,440.26	1,383.05	772.36
Medical Insurance (₹ million)[26]	304.88	304.31	598.28	387.54	175.44

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	As of/ for the six months ended September 30,		As of/ for the year ended March 31,		
	2023	2022	2023	2022	2021
Natural Calamity Insurance (₹ million)(27)	351.78	85.49	342.38	85.43	33.36

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Notes:

(28) Gross loan portfolio represents the aggregate of future principal outstanding and overdue principal outstanding, if any, for all loan assets which includes loan assets held by our Company as of the last day of the relevant period/year, loan assets which have been transferred by our Company by way of assignment as well as loan assets managed by our Company through partner institution and co-lending partner, and are outstanding as of the last day of the relevant period/year. While we act as partner institution for these loans, these loans are provided on the balance sheet of our partner institution, and not recognized as our loan assets on our balance sheet.

(29) Disbursements is the total amount disbursed to customers in the relevant period, pursuant to loans sanctioned.

(30) Number of loans disbursed represents the total number of loans disbursed to customers during the relevant period.

(31) Customers to whom loans were disbursed during the period represents the unique number of customers to which at least one loan is disbursed during the relevant period.

(32) New Customers represent customers who are first time borrowers of our Company while disbursing a fresh loan during the corresponding period.

(33) Active Customers refers to our customers which had an active loan account as of the last day of the relevant period.

(34) Customers with Mahila Mitra app downloads represent customers who have downloaded and registered our "Mahila Mitra" app.

(35) Customers who transacted digitally with us represent customers who have paid through digital payment methods such as QR codes, webpages, SMS-based links and voice-based payment methods.

(36) Overall digital collection represents the amount recovered from our customers through digital payment methods such as QR codes, webpages, SMS-based links and voice-based payment method.

(37) Revenue from Operations represents our total revenue from operations as per our Restated Financial Statements for the relevant year.

(38) Net Interest Income represents our Revenue from Operations reduced by Finance Costs as per our Restated Financial Statements for the relevant year.

(39) Net Interest Margin is the ratio of our Net Interest Income to our average monthly gross loan portfolio. Our average monthly gross loan portfolio is the simple monthly average of our gross loan portfolio for the relevant period/year.

(40) Pre-provision operating profit before tax represents the sum of profit before tax for the relevant year and impairment on financial instruments for such period/year derived from our Restated Financial Statements for the relevant year.

(41) Profit After Tax represents our profit for the year (after tax) as per our Restated Financial Statements for the relevant year.

(42) Total comprehensive income for the year represents our total comprehensive income for the year as per our Restated Financial Statements for the relevant year.

(43) Debt to equity represents the ratio of our Total Borrowings to our Net Worth.

(44) RoA represents profit for the relevant year as derived from our Restated Financial Statements as a percentage of annual monthly average gross loan portfolio for the relevant period/year.

(45) RoE represents the ratio of Net Profit attributable to equity holders to our annual average of net worth. Our annual average of net worth is the simple average of our net worth as of the last day of the relevant period/year and our net worth as of the last day of the preceding period/year.

(46) Net Worth represents our net worth as of the last day of the relevant year as per our Restated Financial Statements.

(47) Cost to Income ratio is the ratio of the aggregate of our fees and commission expenses, employee benefit expenses, operating expenses and depreciation and amortisation expense to total income net of finance cost as per our Restated Financial Statements for the relevant year.

(48) Annual Average Cost of Borrowings is the annually weighted average interest cost on borrowings, weights being annual average borrowings. Borrowings include debt securities, subordinated liabilities, and borrowings (other than debt securities).

(49) Impairment allowance coverage ratio represents the ratio of total impairment allowance on term loans (gross) derived from our Restated Financial Statements to Stage III Assets (Gross NPAs) for the relevant period/year.

(50) Capital to risk assets ratio (CRAR) is calculated as capital funds (Tier I capital plus Tier II capital) divided by risk-weighted assets (the weighted average of funded and non-funded items after applying the risk weights as assigned by the RBI).

(51) Insurance Premium collected represents the total insurance premium collected and transferred by our Company to the relevant insurance companies for providing life, medical and natural calamity insurance to our customers.

(52) Life Insurance represents the insurance premium collected and transferred by our Company to the relevant insurance companies for providing credit linked life insurance products to our customers.

(53) Medical Insurance represents the insurance premium collected and transferred by our Company to the relevant insurance companies for providing medical insurance products to our customers.

(54) Natural Calamity Insurance represents the insurance premium collected and transferred by our Company to the relevant insurance companies for providing natural calamity or asset insurance products to our customers.

Significant Factors Affecting Our Results of Operations

Our business, results of operations, financial condition and cash flows have been, and we expect will continue to be, affected by numerous factors, including:

Growth in the Microfinance Industry and performance of the Indian Rural Economy

As an NBFC-MFI, we are impacted and will continue to be impacted by the performance of the microfinance industry in India, especially in rural India where our operations are focused. The industry's gross loan portfolio increased at a CAGR of 21% since the Financial Year 2018 to reach approximately ₹3.3 trillion in the third quarter of the Financial Year 2023 (*Source: CRISIL Report*). This overall increase in market size has contributed to the growth of our business over the last few years. Going forward, CRISIL believes that the microfinance industry will continue to see strong growth due to the Government of India's continued focus on strengthening the rural financial ecosystem, robust credit demand, and higher-ticket loans disbursed by microfinance lenders (*Source: CRISIL Report*).

However, certain events in the past have disrupted the growth of the microfinance industry and adversely impacted the overall industry's disbursements as well as repayment and collection efficiency rates. For example, in November 2016, the Indian government announced the demonetization of bank notes of ₹500 and ₹1,000. Around 86% of Indian currency in terms of value was removed from circulation. Subsequently, the outbreak of the COVID-19 pandemic has impacted our business and the microfinance industry. Due to the COVID-19 pandemic, demand for our products reduced temporarily and our level of write-offs increased. Any such disruptive events in the future may adversely affect our results of operations. See also "*Industry Overview*" on page 133. OK

Further, as our primary focus is providing micro-loans to women customers (primarily for income generation purposes) with a focus on rural regions of India, our results of operations are particularly affected by the performance and the future growth potential of microfinance in rural regions of India. The significant under-penetration of credit in rural areas offers strong potential for growth and given the relatively deeper reach, existing client relationships and employee base, microfinance institutions are well placed to address this demand which is currently being met by informal sources such as local money lenders (*Source: CRISIL Report*). As of September 30, 2023, ₹103,919.61 million or 95.63% of our gross loan portfolio was from rural areas. We expect to benefit from the expected growth potential for microfinance in rural regions of India. OK

As a financial institution operating in India, our financial condition and results of operations are also influenced by the general economic conditions and particularly macroeconomic conditions in India. Key macroeconomic factors that may affect the Indian economy and, in turn, demand for our products and the quality of our loan portfolio include, among others, (i) demographic conditions and population dynamics, (ii) economic development, shifting of wealth and employment rates, (iii) political measures and regulatory developments, such as tax incentives and general political stability, (iv) fiscal and monetary dynamics, such as volatility in interest rates, foreign exchange rates and inflation rates, and (v) political and regulatory developments on the Indian economy.

Availability of Cost-Effective Sources of Funding

The liquidity and profitability of our business depend, in large part, on our timely access to, and the costs associated with, raising funds. Our funding requirements historically have been met from various sources, including public sector banks, private sector banks, small finance banks, foreign banks other non-banking financial institutions, developmental financial institutions and public investors, together with NCDs, and pass through certificates. Our Promoters and our holding company, Muthoot Fincorp Limited, have not provided any corporate guarantees in relation to the borrowings availed by us, which we believe demonstrates the trust of our lenders in our business model. Our ability to compete effectively will depend, in part, on our ability to maintain or increase our interest margins. Our margins are affected in part by our ability to continue to secure cost effective funding at rates lower than the interest rates at which we lend to our customers. Our ability to meet demand for new loans will depend on our ability to obtain financing on acceptable terms. Factors such as our credit rating, monetary policies of the RBI, domestic and international economic and political conditions and external interventions have an effect on our cost of interest-bearing liabilities.

A further source of financing for us is proceeds from loan assignments that we make from time to time. We assign a group of similar loans from our loan portfolio to banks and financial institutions in return for a fixed consideration equal to the aggregate outstanding principal amount of the loans, received upfront, plus an agreed portion of future interest payments of the loans assigned, received when they are collected. The consideration we derive from the assignment of our loan portfolios in these transactions depends on a number of factors, including the term of the loans and yield of the loan portfolio assigned. During the Financial Years 2021, 2022 and 2023, and the six months ended September 30, 2022 and 2023, we assigned ₹7,659.93 million, ₹16,391.08 million, ₹18,322.48 million, ₹7,292.78 million and ₹12,265.77 million, respectively, of loans and also recognized income of ₹409.25 million, ₹910.31 million, ₹1,115.37 million, ₹321.00 million and ₹1,084.06 million, respectively, in these periods. See "*Risk Factors – Internal Risks – Risks Relating to our Business - Any disruption in our sources of funding or increase in costs of funding could adversely affect our liquidity and financial condition.*" on page 45.

Our Ability to Manage Finance Costs and Fluctuations in Interest Rates Effectively

Our results of operations depend to a large extent on the level of our net interest income as our primary revenue source is interest income. During the Financial Years ended March 31, 2021, 2022 and 2023, and the six months ended September 30, 2022 and 2023, interest on loans outstanding represented 87.23%, 84.94%, 88.00%, 90.30% and 86.03% of our total revenues, respectively. Consequently, our results of operations depend on our ability to manage our finance costs and the impact of fluctuations in interest rates effectively. Our finance costs comprise interest on borrowings (other than debt securities), interest on debt securities, interest on subordinated liabilities and interest cost on lease liabilities. OK

Further, our debt service costs and costs of funds depend on many external factors, including developments in the Indian credit market and, in particular, interest rate movements and the existence of adequate liquidity in the debt markets. Interest rates are highly sensitive and fluctuations thereof are dependent upon many factors which are beyond our control, including the monetary policies of the RBI, de-regulation of the financial services sector in India, domestic as well as international economic and political conditions, inflation and other factors. Internal factors which will affect our cost of funds include changes in our credit ratings, available credit limits and access to loan assignment transactions. During the Financial Years 2021, 2022 and 2023, and the six months ended September 30, 2022 and 2023, our finance costs were ₹2,993.28 million, ₹3,401.55 million, ₹5,490.10 million, ₹2,260.76 million and ₹ 4,153.25 million, respectively, and represented, as a percentage of our total revenue, 42.99%, 40.35%, 37.96%, 36.76% and 39.66%%, respectively. For details, see "*Our Business – Our*

Strengths – Access to diversified sources of capital and effective cost of funds" and "*Risk Factors – Internal Risks – Risks Relating to our Business - Our business is vulnerable to interest rate risk, and volatility in interest rates could have an adverse effect on our net interest income and net interest margin, thereby affecting our results of operations.*" on pages 189 and 33, respectively.

Our levels of Non-Performing Assets ("NPAs") and related Provisions and Write-Offs

The focus customer segment for our micro-loan business is women with an annual household income of up to ₹300,000. Our customers generally have limited sources of income, savings and credit histories and as a result, generally do not have a high level of financial resilience, and, as a result, they may be affected by declining economic conditions and natural calamities such as floods, cyclones, earthquakes, tsunamis or droughts. Further, as we primarily make unsecured loans and rely primarily on non-traditional guarantee mechanisms rather than any tangible assets or collateral, As our customers potentially present a higher risk of loss in case of a credit default compared to that of customers in other asset-backed financing products. Thus, due to the nature of our customers, we may experience increased levels of NPAs and related provisions and write-offs. For the Financial Years 2021, 2022 and 2023, and the six months ended September 30, 2022 and 2023, our impairment on financial instruments amounted to ₹1,322.24 million, ₹1,111.53 million and ₹2,233.18 million, ₹1,633.23 million and ₹627.46 million, respectively, representing 19.33%, 13.35%, 15.63%, 27.01% and 6.02%% of our revenue from operations, respectively. See "*Risk Factors – Internal Risks – Risks Relating to our Business – The microfinance industry in India faces certain risks due to the category of customers that it services, which are not generally associated with other forms of lending. As a result, we may experience increased levels of non-performing assets and related provisions and write-offs that may adversely affect our business, financial condition and results of operations.*" on page 31.

To reduce and minimise our levels of NPAs, related provisions and write-offs, we have put in place a risk management framework which primarily focus on addressing credit risk, operational risk and financial risk, and we have also implemented customer selection methodologies and regular end use and payment monitoring procedures. For details, see "*Our Business – Our Strengths – Robust risk management framework leading to healthy portfolio quality.*"

Our Ability to Grow our Loan Portfolio and Customer Base, as well as Manage our Network and Outreach

Our results of operations are directly affected by the number of customers we serve from time to time. Growth in our customer base typically drives corresponding growth in our interest income and fees received, as customers utilize our loan products and also avail of our other financial products and services. Similarly, a decrease in our customer base would drive a corresponding decrease in our interest income and fees received. Our number of active customers was 3.19 million as of September 30, 2023 and our gross loan portfolio was ₹108,670.66 million as of September 30, 2023.

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Our results of operations also depend upon the geographic reach and service capabilities of our network of branches. As of September 30, 2023, we had 10,159 branch managers, credit managers and relationship officers, or 82.61% of our total workforce, spread across 633 branches in 79 districts in South India and 707 branches in 260 districts in the rest of India. Our relationship officers market and sell our products, and, together with our branch managers, manage our customer relationships with our members through weekly meetings. As of September 30, 2023, each of our relationship officers managed an average of 426.19 customers. Our relationship officers and branches are supported by our administrative support staff and management personnel. See "*Risk Factors – Internal Risks – Risks Relating to our Business – We may face various risks associated with our large number of rural and semi-urban branches and widespread network of operations which may adversely affect our business, financial condition and results of operations.*" on page 48.

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Our Ability to Manage Operating Expenses

Our results of operations are affected by our ability to manage our operating expenses, which include employee benefit expenses, other expenses and depreciation and amortization. As we expand our core business and our product and service offerings to our customers, we will need to increase headcount by adding relationship officers, other officers and operational management and technology staff. Employee benefit expenses represented 73.18%, 72.52%, 69.95%, 70.51% and 71.14% of our operating expenses during the Financial Years 2021, 2022 and 2023, and the six months ended September 30, 2022 and 2023, respectively. In addition, our relationship officers incur substantial travelling and conveyance expenses visiting villages, many of which are remote, to market and sell our products and services, maintain member relationships, conduct meetings, collect repayments and report transactions at local banks. During the Financial Years 2021, 2022 and 2023, and the six months ended September 30, 2022 and 2023, our other expenses were ₹400.15 million, ₹511.98 million, ₹844.41 million, ₹357.94 million and ₹552.94 million, respectively, representing 15.65%, 15.66%, 18.31%, 17.14% and 18.77% of our operating expenses, respectively, comprising primarily of traveling and conveyance, legal and professional charges, and communication expenses.

Government Policy and Regulation

The microfinance industry is highly regulated, and has been affected by changes in laws and regulations in the recent past, which have affected its growth. As an NBFC-MFI, we will continue to be affected by a number of regulations promulgated by the RBI. As per the RBI regulations, the interest rates charged by us are governed by our board policy on pricing on credit. The RBI regulates, among other things, non-performing assets ("**NPAs**") and standard assets provisioning norms, capital adequacy norms and other lending stipulations and other operational restrictions. The RBI also regulates the credit flow by

The following table sets forth our selected financial data from our restated statement of profit and loss for the Financial Years 2021, 2022 and 2023, and the six months ended September 30, 2022 and 2023, the components of which are also expressed as a percentage of total income for such years:

Particulars	For the Six months Ended September 30,				For the Financial Years					
	2023		2022		2023		2022		2021	
	₹ (in millions)	% of Total Income	₹ (in millions)	% of Total Income	₹ (in millions)	% of Total Income	₹ (in millions)	% of Total Income	₹ (in millions)	% of Total Income
Income										
Revenue from operations	10,423.27	99.53%	6,047.42	98.34%	14,287.64	98.78%	8,325.06	98.76%	6,841.67	98.26%
Other income	49.11	0.47%	102.19	1.66%	175.80	1.22%	104.35	1.24%	121.14	1.74%
Total income	**10,472.38**	**100.00%**	**6,149.61**	**100.00%**	**14,463.44**	**100.00%**	**8,429.41**	**100.00%**	**6,962.81**	**100.00%**
Expenses										
Finance costs	4,153.25	39.66%	2,260.76	36.76%	5,490.10	37.96%	3,401.55	40.35%	2,993.28	42.99%
Fees and commission expenses	132.52	1.27%	135.62	2.21%	275.41	1.90%	178.49	2.12%	97.36	1.40%
Impairment on financial instruments	627.46	5.99%	1,633.23	26.56%	2,233.18	15.44%	1,111.53	13.19%	1,322.24	18.99%
Employee benefits expenses	2,095.52	20.01%	1,472.31	23.94%	3,225.58	22.30%	2,370.81	28.13%	1,870.90	26.87%
Depreciation and amortization expense	164.58	1.57%	122.11	1.99%	266.06	1.84%	207.84	2.47%	188.33	2.47%
Other expenses	552.94	5.28%	357.94	5.82%	844.41	5.84%	511.98	6.07%	400.15	5.75%
Total expenses	**7,726.27**	**73.78%**	**5,981.97**	**97.27%**	**12,334.74**	**85.28%**	**7,782.20**	**92.32%**	**6,872.26**	**98.70%**
Profit before tax	**2,746.11**	**26.22%**	**167.64**	**2.73%**	**2,128.70**	**14.72%**	**647.21**	**7.68%**	**90.55**	**1.30%**
Tax expenses										
Current tax	729.12	6.96%	122.10	1.99%	679.91	4.70%	224.05	2.66%	347.29	4.99%
Deferred tax	(35.58)	(0.34)%	(79.12)	(1.29)%	(142.59)	(0.99)%	(56.14)	(0.67)%	(317.72)	(4.56)%
Tax relating to prior years	-	-	-	-	(47.51)	(0.33)%	5.32	0.06%	(9.56)	(0.14)%
Profit for the year	**2,052.57**	**19.60%**	**124.66**	**2.03%**	**1,638.89**	**11.33%**	**473.98**	**5.62%**	**70.54**	**1.01%**

Six Months Ended September 30, 2023 Compared to the Six Months Ended September 30, 2022

Income

Revenue from Operations

Our revenue from operations increased by 72.36% to ₹10,423.27 million for the six months ended September 30, 2023 from ₹6,047.42 million for the six months ended September 30, 2022, primarily due to an increase in interest income to ₹9,135.76 million for the six months ended September 30, 2023 from ₹5,624.14 million for the six months ended September 30, 2022, which was primarily attributable to increases in interest on loan portfolio to ₹6,080.24 million for the six months ended September 30, 2023 from ₹5,052.42 million for the six months ended September 30, 2022, and interest on loan assets to ₹2,929.23 million for the six months ended September 30, 2023 from ₹500.92 million for the six months ended September 30, 2022. The increase in interest on loan portfolio was in line with increases in (i) active customers to 3.19 million as of September 30, 2023 from 2.40 million as of September 30, 2022, (ii) disbursements to ₹51,815.75 million for the six months ended September 30, 2023 from ₹34,865.20 million for the six months ended September 30, 2022, and (iii) gross loan portfolio to ₹108,670.66 million as of September 30, 2023 from ₹74,494.86 million as of September 30, 2022. These increases were as a result of an expansion in the number of our branches to 1,340 as of September 30, 2023 from 1,008 as of September 30, 2022, and districts where we operate to 339 as of September 30, 2023 from 305 as of September 30, 2022. For details,

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see "*Selected Statistical Information*" on page 255.

The increase in revenue from operations was also due to an increase in fees and commission income to ₹ 159.99 million for the six months ended September 30, 2023 from ₹60.08 million for the six months ended September 30, 2022, primarily due to increases in (i) facilitation fees to ₹125.70 million for the six months ended September 30, 2023 from ₹54.07 million for the six months ended September 30, 2022, in line with higher disbursements during the six months ended September 30, 2023, and (ii) income from business correspondence services to ₹34.29 million for the six months ended September 30, 2023 from ₹6.01 million for the six months ended September 30, 2022, primarily attributable to higher loans disbursed under the partnership agreement in relation to the Prayaas loan scheme during the six months ended September 30, 2023. The increase in revenue from operations was also due to increases in (i) net gain on fair value changes to ₹1,084.06 million for the six months ended September 30, 2023 from ₹321.00 million for the six months ended September 30, 2022, primarily attributable to an increase in book value of loan assets assigned during the year to ₹12,265.77 million for the six months ended September 30, 2023 from ₹7,292.78 million for the six months ended September 30, 2022. Further, the increase in revenue from operations was also due to an increase in income on investments to ₹38.11 million for the six months ended September 30, 2023 from ₹35.18 million for the six months ended September 30, 2022.

Other Income

Other income decreased by 51.94% to ₹49.11 million for the six months ended September 30, 2023 from ₹102.19 million for the six months ended September 30, 2022. The decrease was primarily due to a decrease in bad debt recovered to ₹29.88 million for the six months ended September 30, 2023 from ₹96.41 million for the six months ended September 30, 2022.

Expenses

Finance Costs

Finance costs increased by 83.71% to ₹4,153.25 million for the six months ended September 30, 2023 from ₹2,260.76 million for the six months ended September 30, 2022, primarily due to increases in (i) interest on borrowings (other than debt securities) to ₹3,101.36 million for the six months ended September 30, 2023 from ₹1,676.53 million for the six months ended September 30, 2022, primarily attributable to increases in borrowings from banks and under securitization arrangements, and amounts raised from external commercial borrowings, and (ii) interest on debt securities to ₹976.84 million for the six months ended September 30, 2023 from ₹519.27 million for the six months ended September 30, 2022. The increase in interest on debt securities was primarily attributable to an increase in issuance of non-convertible debentures in order to support an increase in disbursements. The increase in finance costs was also due to an increase in interest cost on lease liabilities to ₹75.05 million for the six months ended September 30, 2023 from ₹62.01 million for the six months ended September 30, 2022, primarily attributable to an increase in number of lease contracts that we entered into, as our number of branches increased to 1,340 as of September 30, 2023 from 1,008 as of September 30, 2022. OK

Fees and commission expenses

Fees and commission expenses decreased by 2.28% to ₹132.52 million for the six months ended September 30, 2023 from ₹135.62 million for the six months ended September 30, 2022. This was primarily due to an increase in our digital collections to ₹9,515.25 million for the six months ended September 30, 2023 from ₹2,488.00 million for the six months ended September 30, 2022. The share of digital collections was 25.47% of our overall collections for the six months ended September 30, 2023, as compared with 10.41% of our overall collections for the six months ended September 30, 2022. Further, our collection efficiency increased to 98.89% for the six months ended September 30, 2023 from 93.71% for the six months period September 30, 2022, which led to a decrease in collection agency charges towards bad debts. OK

Impairment on financial instruments

Impairment on financial instruments decreased by 61.58% to ₹627.46 million for the six months ended September 30, 2023 from ₹1,633.23 million for the six months ended September 30, 2022, primarily due to decreases in (i) loans written off to ₹322.70 million for the six months ended September 30, 2023 from ₹1,402.81 million for the six months ended September 30, 2022, primarily because loans written off for the six months ended September 30, 2022 included write-offs pursuant to the sale of a portion of our non-performing loans to a securitization/reconstruction company for asset reconstruction, and (ii) loans waived off to ₹235.41 million for the six months ended September 30, 2023 from ₹256.10 million for the six months ended September 30, 2022, primarily attributable to an increase in the collection efficiency to 98.89% for the six months ended September 30, 2023 from 93.71% for the six months ended September 30, 2022, leading to lower loan waive-offs. OK

Employee benefits expenses

Employee benefits expense increased by 42.33% to ₹2,095.52 million for the six months ended September 30, 2023 from ₹1,472.31 million for the six months ended September 30, 2022, primarily due to increases in (i) salaries and wages to ₹1,855.67 million for the six months ended September 30, 2023 from ₹1,326.21 million for the six months ended September 30, 2022, and (ii) contribution to provident and other funds to ₹142.11 million for the six months ended September 30, 2023 from ₹109.46 million, which were primarily attribntable to an increase in our headcount to expand our business operations and branch network, and an annual increase in salaries and bonuses of our employees. We had 12,297 employees as of OK

September 30, 2023, as compared to 9,150 employees as of September 30, 2022. Further, the increase in employee benefits expense was also attributable to an increase in shared based payments to ₹50.64 million for the six months ended September 30, 2023 from ₹9.19 million for the six months ended September 30, 2022, due to stock options granted to our employees under our employee stock option scheme. We granted 2,465,500 options on November 4, 2022 and 308,147 options on August 10, 2023. Further, the increase in employee benefits expense was also attributable to an increase in the gratuity and compensated absence to ₹10.18 million for six months ended September 30, 2023 from ₹6.70 million for the six months ended September 30, 2022. OK

Depreciation and amortization expense

Depreciation and amortization costs increased by 34.79% to ₹164.58 million for the six months ended September 30, 2023 from ₹122.11 million for the six months ended September 30, 2022, primarily due to increases in (i) depreciation on property, plant and equipment to ₹65.22 million for the six months ended September 30, 2023 from ₹48.61 million for the six months ended September 30, 2022, and (ii) depreciation on right-of-use assets to ₹98.94 million for the six months ended September 30, 2023 from ₹73.30 million for the six months ended September 30, 2022, which were primarily attributable to the expansion of our business and corresponding increases in (a) net carrying amount of property, plant and equipment to ₹644.62 million as of September 30, 2023 from ₹474.67 million as of September 30, 2022, and (b) branches to 1,340 as of September 30, 2023 from 1,008 as of September 30, 2022. OK

Other Expenses

Other expenses increased by 54.48% to ₹552.94 million for the six months ended September 30, 2023 from ₹357.94 million for the six months ended September 30, 2022, primarily due to an increase in expenses relating to (i) legal and professional charges to ₹129.05 million for the six months ended September 30, 2023 from ₹47.94 million for the six months ended September 30, 2022, (ii) traveling and conveyance to ₹208.78 million for the six months ended September 30, 2023 from ₹161.66 million for the six months ended September 30, 2022, primarily attributable to our expansion into new states and territories during the six months ended September 30, 2023 which required our employees to travel to new areas. Further, local travel also increased due to the growth in our business operations, and (iii) miscellaneous expenses to ₹39.78 million for the six months ended September 30, 2023 from ₹21.74 million for the six months ended September 30, 2022, primarily attributable to increases in incentives paid to customers for utilization of digital collection methods and outsourced manpower services for debt recovery and meeting expenses.

Profit before Tax

As a result of the foregoing, our profit before tax increased by 1,538.11% to ₹2,746.11 million for the six months ended September 30, 2023 from ₹167.64 million for the six months ended September 30, 2022.

Tax Expense

Current tax increased by 497.15% to ₹729.12 million for the six months ended September 30, 2023 from ₹122.10 million for the six months ended September 30, 2022, primarily due to an increase in taxable income to ₹2,897.02 million for the six months ended September 30, 2023 from ₹485.15 million for the six months ended September 30, 2022.

As a result of timing differences in making provisions for loan assets, gratuity and leave encashment and Ind AS adjustments, we had deferred tax of ₹35.58 million as of September 30, 2023.

Profit after Tax

As a result of the foregoing, our profit after tax increased to ₹2,052.57 million for the six months ended September 30, 2023 from ₹124.66 million for the six months ended September 30, 2022, for the reasons mentioned above.

Financial Year 2023 Compared to Financial Year 2022

Income

Revenue from Operations

Our revenue from operations increased by 71.62% to ₹14,287.64 million for the Financial Year 2023 from ₹8,325.06 million for the Financial Year 2022, primarily due to an increase in interest income to ₹12,906.45 million for the Financial Year 2023 from ₹7,286.23 million for the Financial Year 2022,which was primarily attributable to increases in interest on loan portfolio to ₹10,313.32 million for the Financial Year 2023 from ₹6,399.18 million for the Financial Year 2022, and interest on loan assets to ₹2,414.62 million for the Financial Year 2023 from ₹761.08 million for the Financial Year 2022. The increase in interest on loan portfolio was in line with increases in (i) active customers to 2.77 million as of March 31, 2023 from 2.05 million as of March 31, 2022, (ii) disbursements to ₹81,044.74 million for the Financial Year 2023 from ₹46,469.63 million for the Financial Year 2022, and (iii) gross loan portfolio to ₹92,082.96 million as of March 31, 2023 from ₹62,549.42 million as of March 31, 2022. These increases were as a result of an expansion in the number of our branches to 1,172 as of March 31, 2023 from 905 as of March 31, 2022, states and union territories where we operate to 18 as of March 31, 2023 from 16 as of March 31, 2022 and districts where we operate to 321 as of March 31, 2023 from 281 as of March 31, 2022. The increase OK in interest on loan portfolio was also due to the removal of interest rate cap for NBFC-MFIs by RBI in March 2022, which allowed us to increase the interest rates on our income generating loans by a total of 3.65% for Kerala, Tamil Nadu and Pondicherry, and 4.70% for the other states which we operate across the rest of India, through a series of increases in April, July and December 2022 during the Financial Year 2023. As a result, our net interest margins, which is the ratio of our net interest income to our average monthly gross loan portfolio, increased to 11.60% for the Financial Year 2023 from 9.60% for the Financial Year 2022. For details, see "*Selected Statistical Information*" on page 255.

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The increase in revenue from operations was also due to an increase in fees and commission income to ₹173.22 million for the Financial Year 2023 from ₹61.59 million for the Financial Year 2022, primarily due to increases in (i) facilitation fees to ₹148.23 million for the Financial Year 2023 from ₹53.12 million for the Financial Year 2022, in line with higher disbursements during the Financial Year 2023, and (ii) income from business correspondence services to ₹25.00 million for the Financial Year 2023 from ₹8.46 million for the Financial Year 2022, primarily attributable to higher loans disbursed under the partnership agreement in relation to the Prayaas loan scheme during the Financial Year 2023. The increase in revenue from operations was also due to increases in (i) net gain on fair value changes to ₹1,115.37 million for the Financial Year 2023 from ₹910.31 million for the Financial Year 2022, and (ii) sale of services to ₹9.25 million for the Financial Year 2023 from ₹8.64 million for the Financial Year 2022, both of which were primarily attributable to an increase in book value of loan assets assigned during the year to ₹18,322.48 million for the Financial Year 2023 from ₹16,391.08 million for the Financial Year 2022. Further, the increase in revenue from operations was also due to an increase in income on investments to ₹83.35 million for the Financial Year 2023 from ₹58.29 million for the Financial Year 2022, primarily attributable to an increase in profits arising from the sale of short term investments in mutual funds.

Other Income

Other income increased by 68.47% to ₹175.80 million for the Financial Year 2023 from ₹104.35 million for the Financial Year 2022. The increase was primarily due to an increase in bad debt recovered to ₹143.59 million for the Financial Year 2023 from ₹71.17 million for the Financial Year 2022.

Expenses

Finance Costs

Finance costs increased by 61.40% to ₹5,490.10 million for the Financial Year 2023 from ₹3,401.55 million for the Financial Year 2022, primarily due to increases in (i) interest on borrowings (other than debt securities) to ₹4,063.02 million for the Financial Year 2023 from ₹2,639.77 million for the Financial Year 2022, primarily attributable to increases in borrowings from banks and under securitization arrangements, and amounts raised from external commercial borrowings, and (ii) interest on debt securities to ₹1,295.20 million for the Financial Year 2023 from ₹630.41 million for the Financial Year 2022. The increases in interest on borrowings (other than debt securities) and interest on debt securities were primarily attributable to an increase in issuance of non-convertible debentures in order to support an increase in disbursements, as well as an increase in repo rate from 4.00% to 6.50% by the RBI which increased our cost of borrowing, since most of our borrowings were at floating rates. The increase in finance costs was also due to an increase in interest cost on lease liabilities to ₹128.93 million for the Financial Year 2023 from ₹96.74 million for the Financial Year 2022, primarily attributable to an increase in number of lease contracts that we entered into, as our number of branches increased to 1,172 as of March 31, 2023 from 905 as of March 31, 2022

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Fees and commission expenses

Fees and commission expenses increased by 54.30% to ₹275.41 million for the Financial Year 2023 from ₹178.49 million for the Financial Year 2022, primarily due to increases in (i) collections to ₹53,867.89 million for the Financial Year 2023 from ₹34,643.84 million for the Financial Year 2022, and (ii) collection efficiency to 95.84% for the Financial Year 2023 from 85.75% for the Financial Year 2022. The increase in collections and collection efficiency is in line with an increase in our gross loan portfolio to ₹92,082.96 million for the Financial Year 2023 from ₹62,549.42 million for the Financial Year 2022.

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Impairment on financial instruments

Impairment on financial instruments increased by 100.91% to ₹2,233.18 million for the Financial Year 2023 from ₹1,111.53 million for the Financial Year 2022, primarily due to increases in (i) loans written off to ₹1,402.81 million for the Financial Year 2023 from ₹737.80 million for the Financial Year 2022, primarily because of our sale of a portion of our loans to a securitization / reconstruction company for asset reconstruction pursuant to the directions of the RBI, (ii) loans waived off to ₹476.59 million for the Financial Year 2023 from ₹263.04 million for the Financial Year 2022, primarily attributable to an increase in settlements with our customers during the Financial Year 2023, and (iii) provision for impairment on loan assets to ₹353.78 million for the Financial Year 2023 from ₹110.69 million for the Financial Year 2022, primarily attributable to an increase in our gross loan portfolio to ₹92,082.96 million for the Financial Year 2023 from ₹62,549.42 million for the Financial Year 2022.

Employee benefits expenses

Employee benefits expense increased by 36.05% to ₹3,225.58 million for the Financial Year 2023 from ₹2,370.81 million for the Financial Year 2022, primarily due to increases in (i) salaries and wages to ₹2,876.80 million for the Financial Year 2023 from ₹2,115.03 million for the Financial Year 2022, and (ii) contribution to provident and other funds to ₹234.01 million for the Financial Year 2023 from ₹186.28 million, which were primarily attributable to an increase in our headcount to expand our business operations and branch network, and an annual increase in salaries and bonuses of our employees. We had 10,227 employees as of March 31, 2023, as compared to 8,178 employees as of March 31, 2022. Further, the increase in employee benefits expense was also attributable to an increase in shared based payments to ₹42.11 million for the Financial Year 2023 from ₹9.04 million for the Financial Year 2022, due to stock options granted to our employees under our employee stock option scheme. OK

Depreciation and amortization expense

Depreciation and amortization costs increased by 28.01% to ₹266.06 million for the Financial Year 2023 from ₹207.84 million for the Financial Year 2022, primarily due to increases in (i) depreciation on property, plant and equipment to ₹104.57 million for the Financial Year 2023 from ₹84.72 million for the Financial Year 2022, and (ii) depreciation on right-of-use assets to ₹161.01 million for the Financial Year 2023 from ₹122.71 million for the Financial Year 2022, which were primarily attributable to the expansion of our business and corresponding increases in (a) net carrying amount of property, plant and equipment to ₹594.37 million as of March 31, 2023 from ₹420.45 million as of March 31, 2022, and (b) branches to 1,172 as of March 31, 2023 from 905 as of March 31, 2022. OK

Other Expenses

Other expenses increased by 64.93% to ₹844.41 million for the Financial Year 2023 from ₹511.98 million for the Financial Year 2022, primarily due to an increase in expenses relating to (i) legal and professional charges to ₹149.18 million for the Financial Year 2023 from ₹57.23 million for the Financial Year 2022, (ii) traveling and conveyance to ₹347.76 million for the Financial Year 2023 from ₹217.35 million for the Financial Year 2022, primarily attributable to our expansion into new states and territories during the Financial Year 2023 which required our employees to travel, and (iii) miscellaneous expenses to ₹61.18 million for the Financial Year 2023 from ₹25.48 million for the Financial Year 2022, primarily attributable to increases in incentives paid to customers for utilization of digital collection methods and outsourced manpower services for debt recovery and meeting expenses.

Profit before Tax

As a result of the foregoing, our profit before tax increased by 228.90% to ₹2,128.70 million for the Financial Year 2023 from ₹647.21 million for the Financial Year 2022.

Tax Expense

Current tax increased by 203.46% to ₹679.91 million for the Financial Year 2023 from ₹224.05 million for the Financial Year 2022, primarily due to an increase in taxable income to ₹2,701.48 million for the Financial Year 2023 from ₹890.20 million for the Financial Year 2022.

As a result of timing differences in making provisions for loan assets, gratuity and leave encashment and Ind AS adjustments, we had deferred tax of ₹142.59 million as of March 31, 2023.

As a result of excess provision created for tax in Financial Year 2022, we had tax reversal relating to prior years of ₹47.51 million as of March 31, 2023.

Profit after Tax

As a result of the foregoing, our profit after tax increased to ₹1,638.89 million for the Financial Year 2023 from ₹473.98 million for the Financial Year 2022, for the reasons mentioned abuve.

Financial Year 2022 Cnmpared to Financial Year 2021

Income

Revenue from Operations

Our revenue from operations increased by 21.68% to ₹8,325.06 million for the Financial Year 2022 from ₹6,841.67 million for the Financial Year 2021, primarily due to an increase in interest income to ₹7,286.23 million for the Financial Year 2022 from ₹6,227.84 million for the Financial Year 2021, which was primarily attributable to increases in interest on loan portfolio to ₹6,399.18 million for the Financial Year 2022 from ₹5,660.27 million for the Financial Year 2021, and interest on loan assets to ₹761.08 million for the Financial Year 2022 from ₹413.58 million for the Financial Year 2021. The increase in interest on loan portfolio was in line with increases in (i) active customers to 2.05 million as of March 31, 2022 from 1.86 million as of March 31, 2021, (ii) disbursements to ₹46,469.63 million for the Financial Year 2022 from ₹26,367.66 million for the Financial Year 2021, and (iii) gross loan portfolio to ₹62,549.42 million as of March 31, 2022 from ₹49,867.11 million as of March 31, 2021. These increases were as a result of an expansion in the number of our branches to 905 as of March 31, OK

2022 from 755 as of March 31, 2021 and districts where we operate to 281 as of March 31, 2022 from 249 as of March 31, 2021. For details, see "*Selected Statistical Information*" on page 255. OK

The increase in revenue from operations was also due to increases in fees and commission income to ₹61.59 million for the Financial Year 2022 from ₹32.11 million for the Financial Year 2021, primarily attributable to an increase in facilitation fees to ₹53.12 million for the Financial Year 2022 from ₹5.62 million for the Financial Year 2021, in line with higher disbursements during the Financial Year 2022. Further, the increase in revenue from operations was also due to increases in (i) net gain on fair value changes to ₹910.31 million for the Financial Year 2022 from ₹409.25 million for the Financial Year 2021 and (ii) sale of services to ₹8.64 million for the Financial Year 2022 from ₹2.52 million for the Financial Year 2021, both of which were primarily attributable to an increase in book value of loan assets assigned during the year to ₹16,391.08 million for the Financial Year 2022 from ₹7,659.93 million for the Financial Year 2021.

Other Income

Other income decreased by 13.86% to ₹104.35 million for the Financial Year 2022 from ₹121.14 million for the Financial Year 2021. The decrease was primarily due to a decrease in bad debt recovered to ₹71.17 million for the Financial Year 2022 from ₹101.27 million for the Financial Year 2021.

Expenses

Finance Costs

Finance costs increased by 13.64% to ₹3,401.55 million for the Financial Year 2022 from ₹2,993.28 million for the Financial Year 2021, primarily due to increases in (i) interest on borrowings (other than debt securities) to ₹2,639.77 million for the Financial Year 2022 from ₹2,498.05 million for the Financial Year 2021, primarily attributable to increases in borrowings from banks and other financial institutions, and (ii) interest on debt securities to ₹630.41 for the Financial Year 2022 from ₹379.78 million for the Financial Year 2021, primarily attributable to increases in amounts raised from non-convertible debentures and commercial papers in order to support an increase in disbursements. The increase in finance costs was also due to an increase in interest cost on lease liabilities to ₹96.74 million for the Financial Year 2022 from ₹80.82 million for the Financial Year 2021, primarily attributable to an increase in number of lease contracts that we entered into, as our number of branches increased to 905 as of March 31, 2022 from 755 as of March 31, 2021. OK

Fees and commission expenses

Fees and commission expenses increased by 83.32% to ₹178.49 million for the Financial Year 2022 from ₹97.36 million for the Financial Year 2021, primarily due to increases in (i) collections to ₹34,643.84 million for the Financial Year 2022 from ₹29,130.19 million for the Financial Year 2021 and (ii) collection efficiency to 85.75% for the Financial Year 2022 from 67.52% for the Financial Year 2021. The increase in collections and collection efficiency is in line with an increase in our gross loan portfolio to ₹62,549.42 million for the Financial Year 2022 from ₹49,867.11 million for the Financial Year 2021. OK

Impairment on financial instruments

Impairment on financial instruments decreased by 15.94% to ₹1,111.53 million for the Financial Year 2022 from ₹1,322.24 million for the Financial Year 2021, primarily due to decreases in (i) loans written off to ₹737.80 million for the Financial Year 2022 from ₹983.09 million for the Financial Year 2021, and (ii) provision for impairment on loan assets to ₹110.69 million for the Financial Year 2022 from ₹210.87 million for the Financial Year 2021. Our loans written off and provisions for impairment on loan assets were higher for the Financial Year 2021 because of the impact of the COVID-19 pandemic. As the COVID-19 situation in India improved in the Financial Year 2022, our loans written off and provision for impairment on loan assets gradually reduced as well.

Employee benefits expenses

Employee benefits expense increased by 26.72% to ₹2,370.81 million for the Financial Year 2022 from ₹1,870.90 million for the Financial Year 2021, primarily due to increases in (i) salaries and wages to ₹2,115.03 million for the Financial Year 2022 from ₹1,661.33 million for the Financial Year 2021, and (ii) contribution to provident and other funds to ₹186.28 million for the Financial Year 2022 from ₹147.97 million for the Financial Year 2021, which were primarily attributable to an increase in our headcount to expand our business operations and branch network, and an annual increase in salaries and bonuses of our employees. We had 8,178 employees as of March 31, 2022, as compared to 6,846 employees as of March 31, 2021. OK

Depreciation and amortisation expense

Depreciation and amortization costs increased by 10.36% to ₹207.84 million for the Financial Year 2022 from ₹188.33 million for the Financial Year 2021, primarily due to increases in (i) depreciation on property, plant and equipment to ₹84.72 million for the Financial Year 2022 from ₹78.47 million for the Financial Year 2021, and (ii) depreciation on right-of-use assets to ₹122.71 million for the Financial Year 2022 from ₹109.29 million for the Financial Year 2021, which were primarily attributable to the expansion of our business and corresponding increases in (a) net carrying amount of property, plant and equipment to ₹420.45 million as of March 31, 2022 from ₹398.44 million as of March 31, 2021 and (b) branches to 905 as OK of March 31, 2022 from 755 as of March 31, 2021.

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Other Expenses

Other expenses increased by 27.95% to ₹511.98 million for the Financial Year 2022 from ₹400.15 million for the Financial Year 2021, primarily due to an increase in traveling and conveyance expense to ₹217.35 million for the Financial Year 2022 from ₹101.49 million for the Financial Year 2021, which was primarily attributable to an increase in travel requirements by our senior officials after lockdowns and travel restrictions relating to the COVID-19 pandemic have been relaxed during the Financial Year 2022.

Profit before Tax

As a result of the foregoing, our profit before tax increased by 614.72% to ₹647.21 million for the Financial Year 2022 from ₹90.55 million for the Financial Year 2021.

Tax Expense

Current tax decreased by 35.49% to ₹224.05 million for the Financial Year 2022 from ₹347.29 million for the Financial Year 2021, primarily due to a decrease in the taxable profit to ₹890.20 million for the Financial Year 2022 from ₹1,379.87 million for the Financial Year 2021.

As a result of timing differences in making provisions for loan assets, gratuity and leave encashment and Ind AS adjustments, we have deferred tax of ₹56.14 million as of March 31, 2022.

As a result of under provision for tax in Financial Year 2021, we have tax relating to prior years of ₹5.32 million as of March 31, 2022.

Profit after Tax

As a result of the foregoing, our profit after tax increased to ₹473.98 million for the Financial Year 2022 from ₹70.54 million for the Financial Year 2021, for the reasons mentioned above.

Our Financial Position

Our net worth increased by 13.30% to ₹18,420.95 million as of September 30, 2023, from ₹16,258.49 million as of March 31, 2023. Our net worth increased by 21.64% to ₹16,258.49 million as of March 31, 2023, from ₹13,365.79 million as of March 31, 2022. Our net worth increased by 50.20% to ₹13,365.79 as of March 31, 2022, from ₹8,898.90 million as of March 31, 2021. The increases in net worth were on account of profit generated over the years/period.

The following table sets forth our selected financial data from our Restated Financial Statements as of the periods indicated:

Particulars	As of September 30,		As of March 31,		
	2023	2022	2023	2022	2021
	(₹ in millions)		*(₹ in millions)*		
Assets:					
Total financial assets	97,817.44	67,896.75	83,167.28	54,182.13	40,507.32
Total non-financial assets	2,495.55	2,294.11	2,124.71	1,732.45	1,331.16
Total Assets	**1,00,312.99**	**70,190.86**	**85,291.99**	**55,914.58**	**41,838.48**
Liabilities and Equity:					
Total financial liabilities	81,730.08	55,599.57	68,933.13	42,448.19	32,854.27
Total non-financial liabilities	161.96	125.45	100.37	100.60	85.31
Total liabilities	**81,892.04**	**55,725.02**	**69,033.50**	**42,548.79**	**32,939.58**
Total equity	**18,420.95**	**14,465.84**	**16,258.49**	**13,365.79**	**8,898.90**
Total liabilities and equity	**100,312.99**	**70,190.86**	**85,291.99**	**55,914.58**	**41,838.48**

Assets

We had total assets of ₹ 100,312.99 million as of September 30, 2023, compared to ₹85,291.99 million as of March 31, 2023. We had total assets of ₹85,291.99 million as of March 31, 2023, compared to ₹55,914.58 million as of March 31, 2022. We had total assets of ₹55,914.58 million as of March 31, 2022, compared to ₹41,838.48 million as of March 31, 2021. The increases in total assets were on account of an increase in financial and non-financial assets.

Financial assets

Contractual Obligations

The following table sets forth a summary of the maturity profile of our contractual obligations as of September 30, 2023:

(₹ in millions)

Particulars	As of September 30, 2023				
	Payment due by period				
	On demand	Less than one year	One to five years	More than 5 years	Total
Trade payables	-	149.10	0.53	-	149.63
Salaries and bonus payable	-	132.91	-	-	132.91
Lease liabilities	-	308.93	1,151.77	656.32	2,117.02
Payable towards assigned portfolio	-	709.39	-	-	709.39
Interest accrued but not due on borrowings	238.59	958.53	-	-	1,197.12
Other payable	-	625.31	-	-	625.31
Other non-financial liabilities	95.98	1.08	-	-	97.06
Total	**334.57**	**2,885.25**	**1 152.30**	656.32	**5,028.44**

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Assignment Arrangements

During the Financial Years 2021, 2022 and 2023, and the six months ended September 30, 2022 and 2023, we have assigned loans of ₹7,659.93 million, ₹16,391.08 million, ₹18,322.48 million, ₹7,292.78 million and ₹12,265.77 million, respectively. The following table sets forth information regarding our direct assignment activity during the Financial Years 2021, 2022 and 2023, and the six months ended September 30, 2022 and 2023.

	For the Six months Ended September 30, 2023		For the Financial Year		
	2023	2022	2023	2022	2021
	(₹ in millions)		*(₹ in millions)*		
Total book value of the loan asset assigned	12,265.77	7,292.78	18,322.48	16,391.08	7,659.93
Sale consideration received for the loan asset assigned	10,658.48	6,433.26	16,133.49	14,104.09	6,061.82

Under the agreements for the assignment of loans, we transfer all the rights and obligations relating to the loan assets assigned as shown above to banks.

Contingent Liabilities and Commitments

As at September 30, 2023, credit enhancements provided by our Company towards securitisation transactions aggregated to ₹5,196.22 million.

Capital to Risk Asset Ratios

The NBFC-SI Master Directions require all NBFC-MFIs to maintain a capital adequacy ratio consisting of Tier I and Tier II capital that is not less than 15.00% of their aggregate risk-weighted assets. Our capital to risk assets ratio as of September 30, 2023, September 30, 2022, March 31, 2023, March 31, 2022 and March 31, 2021 was 20.46%, 24.16%, 21.87%, 28.75% and 22.55%, respectively.

Our capital adequacy information as of periods indicated below is as follows:

	As of Six months Ended September 30, 2023		As of March 31,		
	2023	2022	2023	2022	2021
	(₹ in millions)		*(₹ in millions)*		
Tier I capital(1)	15,403.52	12,252.95	13,638.38	11,336.55	7,253.00
Tier II capital(2)	-	-	-	150.12	250.33
Total Tier I and Tier II capital	15,403.52	12,252.95	13,638.38	11,486.67	7,503.33
Total risk weighted assets(3)	75,274.17	50,716.34	62,358.19	39,947.73	33,269.15

FINANCIAL INDEBTEDNESS

Our Company has availed loans and other financing arrangements in the ordinary course of business primarily for onward lending to the borrowers of our Company and to meet its business requirements.

For details regarding the borrowing powers of our Board, please see "*Our Management – Borrowing powers of the Board*" on page 234.

Set forth below is a table of the aggregate borrowings of our Company, as on October 31, 2023.

(₹ in million)

Category of borrowing	Sanctioned amount*	Outstanding amount*
Fund Based facilities		
Secured		
Term Loans – Banks	58,285.00	33,020.62
Term Loans – Financial Institutions	32,165.00	17,205.27
Securitisation arrangements	24,894.56	13,300.49
ECBs	2,875.80	2,869.66
NCDs	15,532.00	13,365.91
Unsecured		
Commercial Paper	0.00	0.00
Term Loans – Financial Institutions	1,000.00	880.77
Total	**134,752.36**	**80,642.72**

* *As certified by Sharp & Tannan Associates, Chartered Accountants, pursuant to the certificate dated December [•], 2023.*

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As on the date of this Red Herring Prospectus, our Company has availed term loans from the following lenders:

Sr. No.	Name of the lender	Date of sanction letter
1.	State Bank of India	November 4, 2020
2.	Canara Bank Limited	September 14, 2021
3.	Bank of Baroda	September 23, 2021
4.	Indian Overseas Bank	March 21, 2022
5.	State Bank of India	August 29, 2022
6.	Union Bank of India	September 28, 2022
7.	Bank of Baroda	September 29, 2022
8.	UCO Bank	October 31, 2022
9.	Punjab and Sind Bank	March 9, 2023
10.	State Bank of India	August 30, 2023
11.	UCO Bank	October 20, 2023
12.	Karnataka Bank Limited	January 22, 2021
13.	Industrial Development Bank of India (IDBI)	August 9, 2021
14.	Axis Bank Limited	November 30, 2021
15.	Bandhan Bank Limited	December 01, 2022
16.	DCB Bank Limited	December 24, 2021
17.	Karnataka Bank Limited	December 28, 2021
18.	Kotak Mahindra Bank Limited	March 2, 2022
19.	Industrial Development Bank of India (IDBI)	March 30, 2022
20.	Axis Bank Limited	May 11, 2022
21.	Karur Vysya Bank Limited	July 6, 2022
22.	Industrial Credit and Investment Corporation of India Bank (ICICI)	August 17, 2022
23.	Kotak Mahindra Bank Limited	October 10, 2022
24.	Bandhan Bank Limited	December 1, 2022
25.	DCB Bank Limited	December 15, 2022
26.	Federal Bank Limited	December 26, 2022
27.	Axis Bank Limited	January 09, 2023
28.	Industrial Credit and Investment Corporation of India Bank (ICICI)	March 17, 2023
29.	IDFC First Bank Limited	March 03, 2023
30.	HDFC Bank	March 27, 2023
31.	Karur Vysya Bank Limited	April 11, 2023
32.	Industrial Development Bank of India (IDBI)	July 27, 2023
33.	DCB Bank Limited	August 28, 2023
34.	State Bank of Mauritius	September 13, 2023
35.	Axis Bank Limited	October 23, 2023
36.	Bank of Bahrain and Kuwait	January 27, 2021
37.	Standard Chartered Bank	September 30, 2021
38.	Woori Bank	November 29, 2021
39.	Bank of Bahrain and Kuwait	July 1, 2022
40.	HSBC Limited	July 19, 2022
41.	Development Bank of Singapore Limited (DBS)	August 22, 2022
42.	Industrial and Commercial Bank of China Limited (ICBC)	August 19, 2022

p) Our Company voluntarily or involuntarily becomes the subject of proceedings under any bankruptcy or insolvency law;

q) A moratorium is declared in respect of any indebtedness of our Company or the security provider;

r) Classification of our Company, the Promoters, the Directors as wilful defaulters or fraud; and

s) All or substantially all of the undertaking, assets or properties of our Company or its interests therein are seized, nationalised, expropriated or compulsorily acquired by the authority of Government.

9. ***Consequences on occurrence of event of default***: In terms of the facility agreements and sanction letters, in case of occurrence of events of default set out above, our lenders may, among others:

   a) terminate either whole or part of the facility and/ or declare that the dues and all obligations shall immediately become due and payable to the lender;

   b) declare security created to be enforceable;

   c) take possession of and/or transfer the assets comprised within the security;

   d) appointment of observer/ nominee director on the board;

   e) recall the entire facility including any outstanding amount thereto;

   f) trigger cross-default provisions as prescribed in the facility documentation;

   g) conversion of outstanding loan obligations into equity or other securities;

   h) stipulate any additional condition as they may deem fit including but not limited to stipulation of additional security / collateral, require infusion of additional equity / funds from the promoter;

   i) review the management set-up or organization of our Company; and

   j) exercise such remedies as may be permitted or available to the lender under law, including RBI guidelines.

The details provided above are indicative and there may be additional terms, conditions, and requirements under the various outstanding borrowing arrangements of our Company.

For the purpose of the Offer, our Company has obtained necessary consents from our lenders as required under the relevant loan documentations for undertaking activities relating to the Offer including consequent corporate actions, such as change in our capital structure, change in the board composition, amendments to the charter documents of our Company, etc.

For further details on risk factors related to our indebtedness, refer "*Risk Factors –We are subject to certain conditions under our financing arrangements, which could restrict our ability to conduct our business and operations in the manner we desire*", on page 35.

Details of listed non-convertible debentures issued by our Company

The following table sets forth the ISIN and scrip code of the non-convertible debentures issued by our Company:

ISIN	Scrip Code	Status	Debenture Holder	Outstanding principal amount*	Maturity
				(in ₹ million)	
INE046W07065	959092	Active	Blue Orchard Microfinance Fund	700.00	November 27, 2024
INE046W07115	960250	Active	Japan ASIAN Women Empowerment Fund	450.00	May 25, 2024
INE046W07149	973696	Active	Northern Arc Capital Limited and Northern Arc Money Market Alpha Trust with Northern Arc Money Market Alpha Fund	1,154.00	March 31, 2024
INE046W07172	973962	Active	Blue Orchard Microfinance Fund	380.00	May 27, 2027
INE046W07180	973973	Active	Blue Orchard Microfinance Fund	1,120.00	June 3, 2027
INE046W07198	NA	Active	Global Access Fund	932.00	December 15, 2025
INE046W07206	974076	Active	S K Finance Limited	1,000.00	January 27, 2024
INE046W07214	974086	Active	Northern Arc Capital Limited	700.00	April 29, 2024
INE046W07206	974076	Active	MAS Financial Services Limited and S K Finance Limited	1,000.00	January 27, 2024
INE046W07222	974470	Active	Vivriti Capital Private Limited, S K Finance Limited and Credavenue Securities Private Limited	1,000.00	June 22, 2024
INE046W07230	974561	Active	A. K. Capital Finance Limited, OXYZO Financial Services Private Limited and A. K. Capital Services Limited	1,000.00	January 27, 2026

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ISIN	Scrip Code	Status	Debenture Holder	Outstanding principal amount* *(in ₹ million)*	Maturity
INE046W07230	974561	Active	A. K. Capital Finance Limited	1,000.00	January 27, 2026
INE046W07248	974881	Active	A.K. Capital Finance Limited, A. K. Capital Services Limited, OXYZO Financial Services Private Limited, Merit Credit Corporation Limited, A. K. Wealth Management Private Limited, A. K. Capital Corporation Private Limited, M. Square Financial Consultants and Auto Private Limited and Mas Financial Services Limited	1,500.00	June 5, 2026
INE046W07255	974966	Active	A.K. Capital Finance Limited	750.00	July 7, 2026
INE046W07263	975004	Active	A.K. Capital Finance Limited	750.00	August 1, 2026
Total				**13,436.00**	

* *As certified by Sharp & Tannan Associates, Chartered Accountants, pursuant to the certificate dated December [•], 2023.*

Litigation by our Directors

Material Civil Litigation

A. Thomas Muthoot, Thomas George Muthoot, Thomas John Muthoot

(i) Thomas John Muthoot, Thomas George Muthoot and Thomas Muthoot have filed an application before the Intellectual Property Appellate Board, Chennai, to remove/cancel/rectify the trademark "MUTHOOT". The mark "MUTHOOT" has been registered as a trademark by M. Mathew, Chairman and Managing Director of Muthoot Mercantile Limited. Subsequently, the application was transferred to the Intellectual Property Division of the High Court of Judicature at Madras. The matter is currently pending.

Claims related to Direct and Indirect Taxes

Except as disclosed below, there are no proceedings related to direct and/ or indirect taxes pending against our Company, Promoters and Directors:

Nature of case	Number of cases	Amount involved (in ₹ million)
Our Company		
Direct Tax	Nil	Nil
Indirect Tax	Nil	Nil
Our Promoter(s)		
Direct Tax	8^	1,618.96
Indirect Tax	5^	510.62
Our Directors		
Direct Tax	60*	1,134.01
Indirect Tax	Nil	Nil

^ *Includes tax litigation involving only our Corporate Promoter, MFL.*

* *Includes direct tax litigation involving our Individual Promoters, Thomas Muthoot, Thomas John Muthoot and Thomas George Muthoot..*

Outstanding dues to creditors

In terms of the Materiality Policy, creditors of our Company to whom an amount exceeding 5.00% of our total trade payables as of September 30, 2023, based on the Restated Financial Statements of our Company was outstanding, were considered 'material' creditors. Our total trade payables as of September 30, 2023, was ₹149.63 million and accordingly, creditors to whom outstanding dues as of September 30, 2023, exceed ₹7.48 million have been considered as material creditors for the purposes of disclosure in this Red Herring Prospectus. Details of outstanding dues towards our material creditors are available on the website of our Company at https://muthootmicrofin.com/offerdocument-related-filings/.

Based on the Materiality Policy, details of outstanding dues owed as of September 30, 2023 by our Company, on a consolidated basis are set out below:

Type of creditors	Number of Creditors	Amount (in ₹ million)
Dues to Micro, Small and Medium Enterprises	7	3.40
Dues to Material Creditors	6	93.42
Dues to other creditors	134	52.81
Total	147	149.63

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As of September 30, 2023, there are six material creditors to whom our Company owes an aggregate amount of ₹93.42 million.

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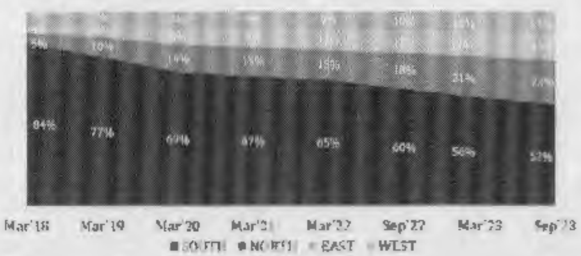
Material developments

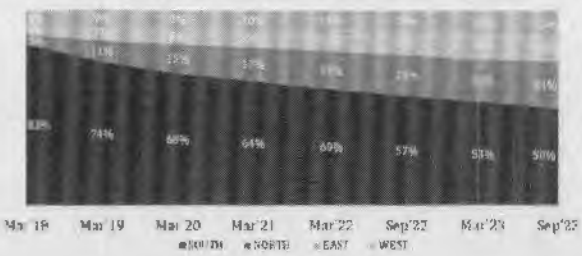
Except as disclosed in this Red Herring Prospectus, there have not arisen, since the date of the last financial information disclosed in this Red Herring Prospectus, any circumstances which materially and adversely affect, or are likely to affect, our operations, our profitability taken as a whole or the value of our consolidated assets or our ability to pay our liabilities within the next 12 months. For further details, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Significant Developments after September 30, 2023*" on page 416.

ANNEXURE B

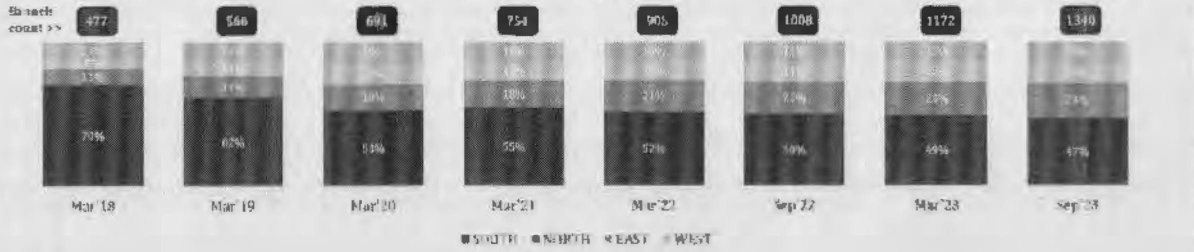
<table>
<tr><th>S. No.</th><th>Statements</th><th>Particulars</th></tr>
<tr><td>1.</td><td>Collectively, they have demonstrated an ability to manage and grow our operations.</td><td>
Employee Growth
<table>
<tr><th>Financial Year</th><th>Sep' 23</th><th>Sep '22</th><th>FY 23</th><th>FY 22</th><th>FY 21</th><th>FY 20</th><th>FY 19</th></tr>
<tr><td>No of Employees</td><td>12,297</td><td>9,150</td><td>10,227</td><td>8,178</td><td>6,846</td><td>7,302</td><td>7,118</td></tr>
<tr><td>No of Branches</td><td>1,340</td><td>1,008</td><td>1,172</td><td>905</td><td>755</td><td>692</td><td>567</td></tr>
<tr><td>Disbursement (Rs. in millions)</td><td>51,815.75</td><td>34,865.20</td><td>81,044.74</td><td>46,469.63</td><td>26,367.66</td><td>40,829.70</td><td>45,553.91</td></tr>
</table>
</td></tr>
<tr><td>2.</td><td>Over the past five years, we have expanded our operations in North, East and West India, which has allowed us to diversify our customer base and loan portfolio and increase our revenue from operations.</td><td>
Portfolio Concentration (Region-wise Trend)



Client Growth(Region-wise Trend)



Branch expansion & Regional distribution



</td></tr>
</table>

3. Our widespread branch network in rural markets, together with our technology led initiatives, results in significant competitive advantages, particularly by giving us the capability to offer a variety of financial products in areas where financial services penetration is limited.

Area Type	Sep'23		Sep'22		FY 23		FY 22		FY 21	
	Branch Count	**% Share**	**Branch Count**	**% Share**	**Branch Count**	**% Share**	**Branch Count**	**% Share**	**Branch Count**	**% Share**
Rural	1,259	93.96%	956	94.84%	1095	93.43%	840	92.82%	698	92.45%
Urban	81	6.04%	52	5.16%	77	6.57%	65	7.18%	57	7.55%
Total	**1,340**	**100.00%**	**1,008**	**100.00%**	**1,172**	**100.00%**	**905**	**100.00%**	**755**	**100.00%**

4. - We have a history of serving rural markets with high growth potential in the microfinance segment, and have maintained a track record of financial performance and operational efficiency through consistently high rates of customer acquisition and retention and expansion into underpenetrated

Particulars	**Sep'23**	**Sep'22**	**FY 23**	**FY 22**	**FY 21**
Clients disbursed during the period (million)	0.95	0.72	1.52	1.02	0.70
New to Muthoot Microfin Limited Clients (NTM) (million)	0.47	0.43	1.01	0.45	0.21
Number of Active Clients as at the end of the relevant financial year (million)	3.94	2.40	2.77	2.05	1.86
Number of Active Clients as at the beginning of the relevant financial year (million)	2.77	2.05	2.05	1.86	1.88
Number of customers retained (million)	2.61	1.92	1.71	1.56	1.62
Customer Retention Rate (%)	94.27%	93.72%	83.53%	84.03%	86.15%

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<table>
<tr><td></td><td>areas.
• Additional products and cross-selling opportunities also help strengthen our relationship with our customers and enable higher customer retention.</td><td></td></tr>
<tr><td>5.</td><td>Our robust risk management framework, customer selection methodologies and regular end use and payment monitoring have resulted in healthy portfolio quality indicators such as high collection efficiency, stable PAR and low rates of gross NPAs and net NPAs.</td><td>
<table>
<tr><th>Particulars</th><th>Sep'23</th><th>Sep'22</th><th>FY 23</th><th>FY 22</th><th>FY 21</th></tr>
<tr><td>Gross NPA (%)</td><td>2.37%</td><td>3.26%</td><td>2.97%</td><td>6.26%</td><td>7.39%</td></tr>
<tr><td>Net NPA (%)</td><td>0.33%</td><td>0.88%</td><td>0.60%</td><td>1.55%</td><td>1.42%</td></tr>
<tr><td>Collection Efficiency (%)</td><td>98.89%</td><td>93.71%</td><td>95.84%</td><td>85.75%</td><td>67.52%</td></tr>
<tr><td>GNPA (in million)</td><td>2,070.69</td><td>1,818.51</td><td>2,141.53</td><td>2,890.01</td><td>2,589.09</td></tr>
<tr><td>NNPA (in million)</td><td>281.16</td><td>477.80</td><td>421.36</td><td>682.27</td><td>497.88</td></tr>
</table>
<table>
<tr><th>Classification</th><th>Sep'23</th><th>Sep'22</th><th>FY 23</th><th>FY 22</th><th>FY 21</th></tr>
<tr><td>SMA 0</td><td>0.55%</td><td>1.02%</td><td>0.22%</td><td>2.23%</td><td>5.29%</td></tr>
<tr><td>SMA 1</td><td>0.32%</td><td>0.35%</td><td>0.26%</td><td>2.29%</td><td>1.97%</td></tr>
<tr><td>SMA 2</td><td>0.30%</td><td>1.73%</td><td>0.35%</td><td>3.43%</td><td>2.50%</td></tr>
<tr><td>NPA</td><td>2.37%</td><td>3.26%</td><td>2.97%</td><td>6.26%</td><td>7.39%</td></tr>
</table>
</td></tr>
</table>

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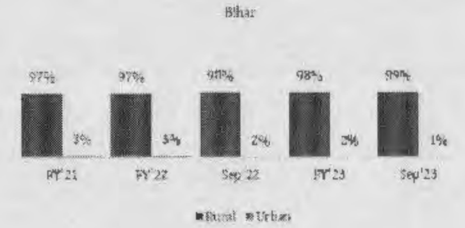
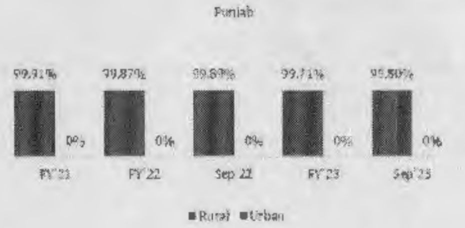
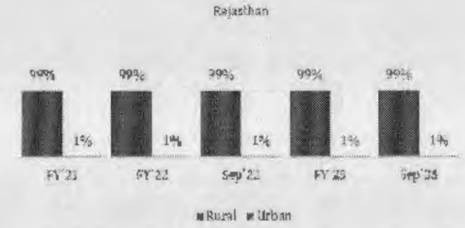
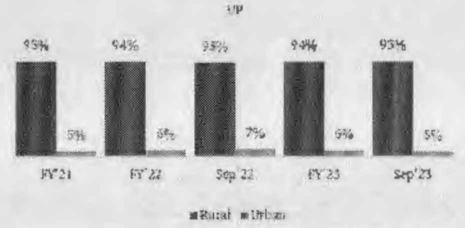
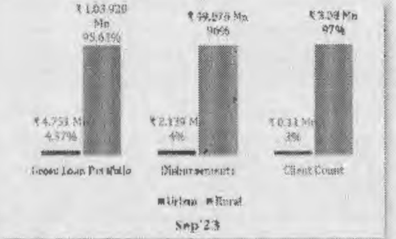
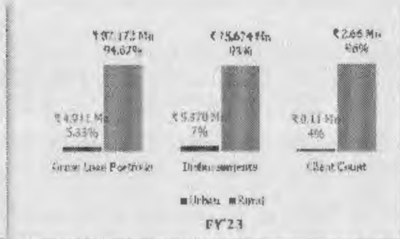
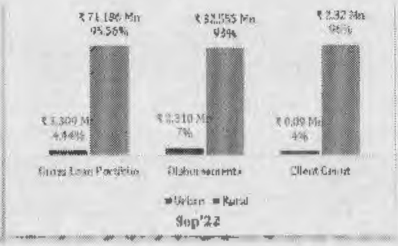
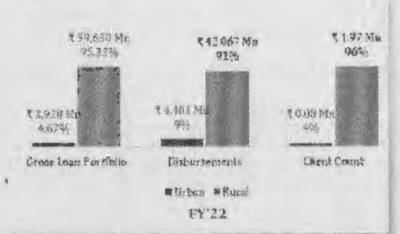
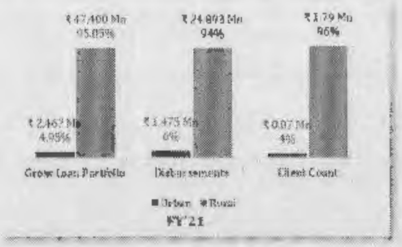
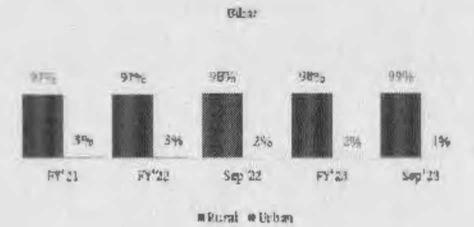
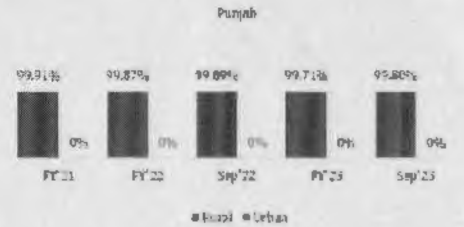
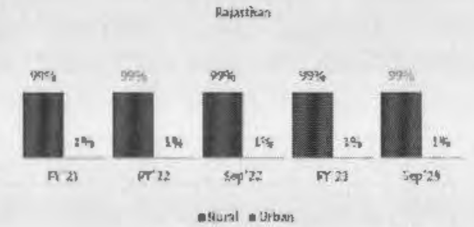
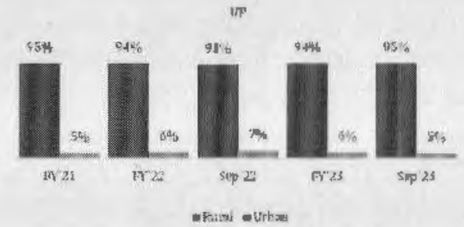
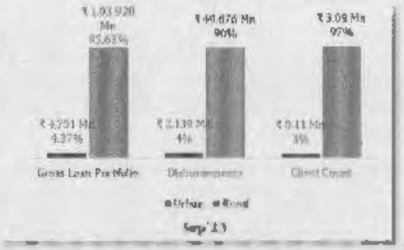
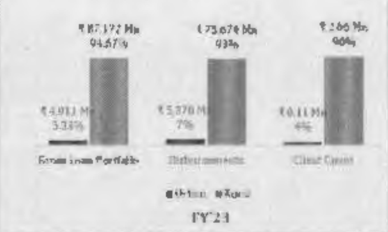
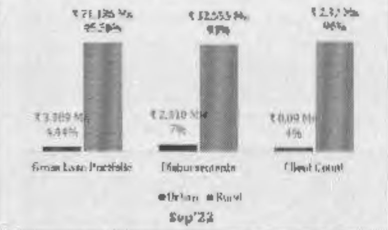
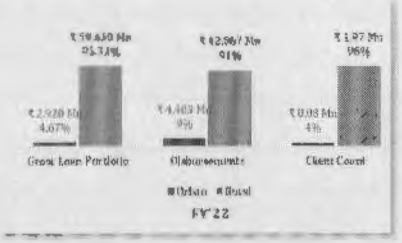
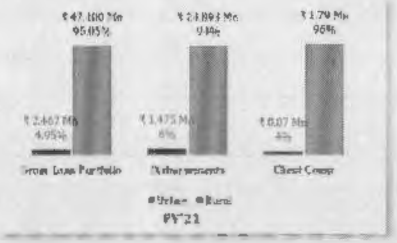
6. We have been able to access cost-effective debt financing and reduce our average cost of borrowings over the years due to our stable credit history and improving credit ratings, diversification of borrowings and enhancement of the scale of our business.

(in million)

Particulars	Finance Cost	Avg Outstanding	%
Term Loans	2,250	44,877	10.57%
ECB	180	2,876	12.52%
Debenture & Sub Debt	851	15,119	11.76%
Securitisation	476	12,808	8.54%
Commercial Papers	15	167	9.20%
Total Finance Cost	**3,773**	**73,246**	**10.58%**
Charges & EIR Adjustments	**221**	**-**	**0.62%**
Finance Cost	**3,994**	**73,246**	**11.20%**

Financial Year	Sep'23	Sep'22	FY 23	FY 22	FY 21	FY 20	FY 19	FY 18
Average Effective cost of borrowing	11.20%	10.54%	10.94%	10.44%	11.08%	11.38%	11.56%	12.15%

7.	Moving forward, we expect that a significant portion of our future geographic expansion will include rural areas in these regions of India and intend to grow our branches in four key states: Uttar Pradesh, Bihar, Rajasthan, and Punjab, which are underpenetrated or moderately penetrated states that may have potential for growth and customer expansion, as of March 31, 2023	 Bihar  Punjab  Rajasthan  UP  Sep'23  FY'23  Sep'22  FY'22  FY'21

8.	We have built our distribution platform with an emphasis on under-served rural markets with growth potential, in order to ensure ease of access to village level customers and rural households.	        

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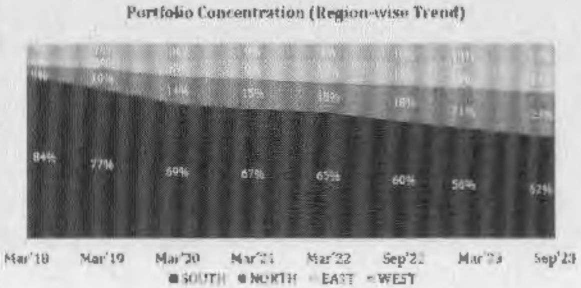
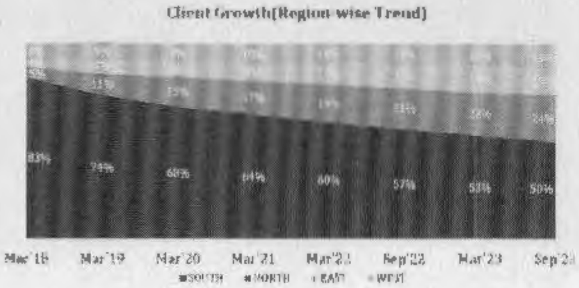
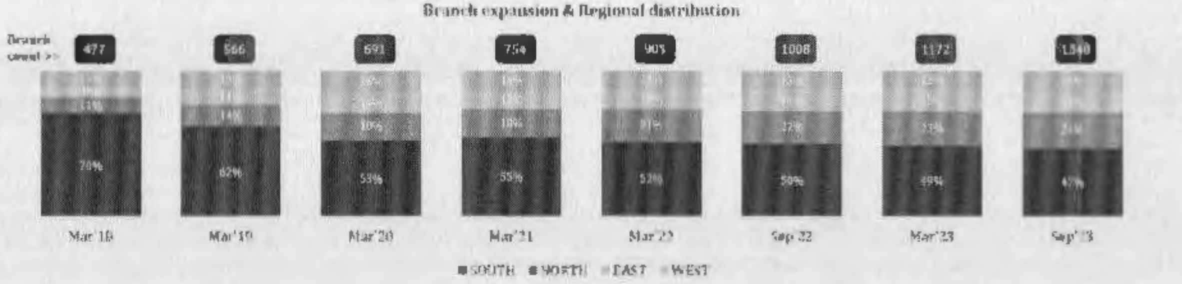
9.	While our operations have historically been concentrated in South India, we have in recent years expanded into North, East and West India and have a total of 707 branches across North, West and East India as of September 30, 2023, representing 52.76% of our total branches as of September 30, 2023.	 Portfolio Concentration (Region-wise Trend)  Client Growth(Region-wise Trend)  Branch expansion & Regional distribution

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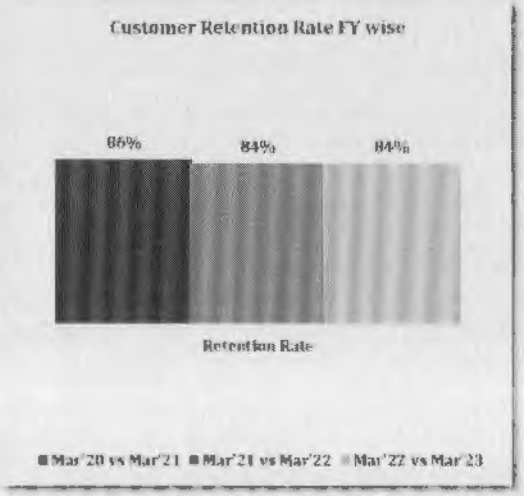
10. Further, we expect to derive benefits from economies of scale as there is limited incremental sourcing cost for existing customers, and they are eligible to borrow higher loan amounts from us since they have progressed to higher loan cycles and they have been our customers for a number of months or years.



11. While we have expanded our business operations to North India in the past five years, a significant portion of our revenues still come from South India.

	Sep'23	Sep'22	FY 23	FY 22	FY 21	FY 20	FY 19
Gross Loan Portfolio (in North India)	24,574.73	13,773.13	19,179.68	9,652.29	7,489.48	6,732.24	4,370.48
Number of Branches (in North India)	318	223	269	193	138	124	82

12. Due to the COVID-19 pandemic, demand for our products reduced

Financial Year	Disbursement Amount (in millions)	Disbursement	Write offs

temprarily and our level of write-offs increased.

		Growth %	(in millions)
FY 2015-16	7,626.32		-
FY 2016-17	20,285.49	166%	-
FY 2017-18	30,363.01	50%	76.98
FY 2018-19	45,576.24	50%	168.12
FY 2019-20	40,829.70	-10%	1,139.58
FY 2020-21	26,367.66	-35%	983.09
FY 2021-22	46,469.63	76%	737.80
FY 2022-23	81,044.74	74%	1,402.81
Sep'22	34,865.20	172%	1,402.81
Sep'23	51,815.75	49%	322.70

13. Our business is subject to seasonality as we typically see higher borrowings by our customers during the third and fourth quarter of each Financial Year. We also typically have higher drawdowns under our facilities in the third and fourth quarter of each Financial Year.

Quarter	Total amount of Disbursements for FY 20-21 (Rs in million)	Quarterly share of Annual disbursement for the year (in %)	Total amount of Disbursements for FY 21-22 (Rs in million)	Quarterly share of Annual disbursement for the year (in %)	Total amount of Disbursements for FY 22-23 (Rs in million)	Quarterly share of Annual disbursement for the year (in %)
Q1	57.35	0%	1,662.53	4%	13,466.19	17%
Q2	3,760.01	14%	11,161.88	24%	21,399.01	26%

		Q3	9,756.19	37%	14,888.62	32%	21,704.52	27%	
		Q4	12,794.12	49%	18,756.60	40%	24,475.02	30%	
			26,367.66	**100%**	**46,469.63**	**100%**	**81,044.74**	**100%**	

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Annexure C

Sl No	Identified items	Documents/Information relied upon and agreed upon procedures
1	Number of loans disbursed (million)	Disbursement Report for the financial years 2021, 2022 and 2023 and six month periods ended September 30,2023 and September 30, 2022extracted. Number of loans disbursed represents the aggregate number of loans disbursed by the company during the relevant period/year.
2	Active loan accounts (million)	Active number of loan accounts has been extracted from Loan Dump for the financial years ended 31 March 2021, 31 March 2022 and 31 March 2023 and six month periods ended September 30,2023 and September 30, 2022. Active loan accounts represent the aggregate number of all loan assets under management which includes loan assets held by the Company as of the last day of the relevant period/year as well as loan assets which have been transferred by our Company by way of assignment and are outstanding as of the last day of the relevant period/year.
3	Number of active customers (million)	Active number of customers has been extracted from Loan Dump for the financial years ended 31 March 2021, 31 March 2022 and 31 March 2023 and six month periods ended September 30,2023 and September 30, 2022. Active customers refers to customers who have an active loan account as of the last day of the relevant period/year.
4	Number of active customers growth (%)	Active customers growth represents growth in number of active customers for the relevant period/year as a percentage of active customers for the previous period/year.
5	Annual average yield on gross outstanding loan portfolio (%)	Annual average yield on total outstanding loan portfolio is the ratio of total interest income for the relevant period/year derived from the Restated Financial Statements to average annual total outstanding loan portfolio for the relevant period/year.
6	Revenue from Operation (%)	Revenue from operation is the ratio of total revenue from operations for the relevant period/year derived from the Restated Financial Statements to average monthly gross outstanding loan portfolio for the relevant period/year.
7	Finance Cost (%)	Finance Cost is the ratio of finance cost for the relevant period/year derived from the Restated Financial Statements to average monthly gross outstanding loan portfolio for the relevant period/year.

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Sl No	Identified items	Documents/Information relied upon and agreed upon procedures
8	Net Interest Margins (%)	Net Interest Margins is the ratio of Net Interest Income to average monthly gross outstanding loan portfolio. Monthly gross outstanding loan portfolio is the simple monthly average of gross outstanding loan portfolio for the relevant period/year.
9	Other Income (%)	Other Income is the ratio of other income for the relevant period/year derived from the Restated Financial Statements as a percentage of average monthly gross outstanding loan portfolio. Monthly gross outstanding loan portfolio is the simple monthly average of gross outstanding loan portfolio for the relevant period/year.
10	Opex (%)	Opex is the ratio of operating expense to average monthly gross outstanding loan portfolio for the relevant period/year. Operating expenses represents the aggregate of fees and commission expense, employee benefits expenses, depreciation and amortization expense and other expenses for the relevant year derived from the Restated Financial Statements for the relevant period/year. Monthly gross outstanding loan portfolio is the simple monthly average of gross outstanding loan portfolio for the relevant period/year.
11	Credit Cost (%)	Credit cost represents impairment on financial instruments for the relevant period/year derived from the Restated Financial Statements as a percentage of average monthly gross outstanding loan portfolio. Monthly gross outstanding loan portfolio is the simple monthly average of gross outstanding loan portfolio for the relevant period/year.
12	PBT (%)	Profit Before Tax is the ratio of profit for the period/year (before tax) as per the Restated Financial Statements for the relevant period/year to average monthly gross outstanding loan portfolio for the relevant period/year. Monthly gross outstanding loan portfolio is the simple monthly average of gross outstanding loan portfolio for the relevant period/year.
13	Return on average gross outstanding loan portfolio (%)	Return on average gross outstanding loan portfolio represents profit for the relevant period/year (after tax) derived from the Restated Financial Statements as a percentage of average monthly gross outstanding loan portfolio for the relevant period/year. Monthly

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Sl No	Identified items	Documents/Information relied upon and agreed upon procedures
		gross outstanding loan portfolio is the simple monthly average of gross outstanding loan portfolio for the relevant period/year.
14	Average Effective cost of borrowing (%)	Average effective cost of borrowing represents the ratio of borrowing cost incurred by the company for the relevant financial period/year to the average of borrowings of the company for the relevant period/year.
15	Average Maturity of Assets (In Months)	Average Maturity of Assets is the weighted average of all the maturities of the Assets. The weights are the months with the maturity of the Assets.
16	Average Maturity of Liabilities (In Months)	Average Maturity of Liability is the weighted average of all the maturities of the Liabilities. The weights are the months with the maturity of the Liability. Average maturity helps to determine the average time to maturity of all the liabilities calculated in months.
17	Gross outstanding loan portfolio per branch (₹ million)	Gross outstanding loan portfolio per branch represents the ratio of gross outstanding loan portfolio to number of branches at the end of the relevant period/year.
18	Disbursements per branch (₹ million)	Branch-level information has been extracted from the loan database dump, revealing the specific number of branches and customers. Disbursements per branch represents the ratio of total disbursements to number of branches for the relevant period/year.
19	Number of active customers per branch	Branch-level information has been extracted from the loan database dump, revealing the specific number of branches and customers. Number of active customers per branch represents the ratio of number of active customers to number of branches for the relevant period/year.
20	Number of employees per branch	The employee headcount data has been extracted from the payroll for the month of March/September for the respective financial years/periods. Number of employees per branch represents the ratio of number of employees to the number of branches for the relevant period/year.

Sl No	Identified items	Documents/Information relied upon and agreed upon procedures
21	Gross outstanding loan portfolio per active loan account	Gross outstanding loan portfolio per active loan account is the ratio of gross outstanding loan portfolio to number of active loan account for the relevant period/year.
22	Gross outstanding loan portfolio per employee (₹ million)	Gross outstanding loan portfolio per employee is the ratio of gross outstanding loan portfolio to number of employees for the relevant period/year.
23	Disbursements per employee (₹ million)	Total disbursements have been verified against disbursement register for the respective financial years/periods. Disbursements per employee represents the ratio of total disbursements to number of employees for the relevant period/year.
24	Gross outstanding loan portfolio per loan officer (₹ million)	Gross outstanding loan portfolio per loan officer represents the ratio of gross outstanding loan portfolio to number of loan officers for the relevant period/year.
25	Disbursements per loan officer (₹ million)	Number of loan officers data has been extracted from the payroll as on relevant period for the six months ended September 30, 2023 and six months ended September 30, 2022 and for the financial years ended 31 March 2023, 31 March 2022, 31 March 2021. Disbursements per loan officer represents the ratio of total disbursements to total number of loan officers for the relevant period/year.
26	Number of active customers per loan officer	Number of active customers per loan officer represents the ratio of total number of active customers to total number of loan officers for the relevant period/year.
27	Collection efficiency (%)	The collection for the entire year have been validated and verified against the collection report for the six month periods ended September 30, 2023 and September 30, 2022 and for the financial years ended 31 March 2023, 31 March 2022 , 31 March 2021. Collection efficiency represents the ratio of our collections (including overdue collections) to billings for the relevant year.
28	Repeat customers (million)	Repeat customers represent the number of customers who have taken one or more additional loans from us after taking their initial loan.
29	Unique customers (million)	Unique customers refer to customers who are in their first loan cycle with us.

Sl No	Identified items	Documents/Information relied upon and agreed upon procedures
30	Proportion of unique customers (%)	Proportion of unique customers represents the ratio of unique customers to total number of active customers for the relevant period/year.
31	Average disbursement turnaround time during first cycle (days)	Average disbursement turnaround time during first cycle (days) is a metric that measures the average days it takes for a loan to be disbursed to a new customer from the High Mark date to the actual date of disbursement. New customers represent customers who are first time borrowers of our Company while disbursing a loan.
32	Average disbursement turnaround time during subsequent cycles (days)	Average disbursement turnaround time during subsequent cycles (days) is a metric that measures the average days it takes for a loan to be disbursed to an existing customer from the High Mark date to the actual date of disbursement.
33	Urban	Urban represents the regions in India that are located outside villages.
34	Rural	Rural represents the regions in India that are located in villages.
35	Active loan account per customer (times)	Active loan account per customer represents the ratio of number of active loan accounts to number of active customers for the relevant period/year.
36	Repeat customers to whom loans were disbursed (million)	Repeat customers to whom loans were disbursed represent the customers who have taken one or more loans with our Company while disbursing a fresh loan during the corresponding period.
37	Repeat customers to total customers to whom loans were disbursed (%)	Repeat customers to total customers to whom loans were disbursed represents the ratio of repeat customers to whom loans were disbursed to total number of customers to whom loans were disbursed during the period.
38	New customers (million)	New customers represent customers who are first time borrowers of our Company while disbursing a fresh loan during the corresponding period.
39	New customers to total customers to whom loans were disbursed (%)	New customers to total customers to whom loans were disbursed represents the ratio of new customers to total number of customers to whom loans were disbursed during the period.
40	New to Credit (NTC) Customers (million)	New to Credit Customers (NTC) represent customers who do not have any outstanding formal borrowing or credit history while disbursing a fresh loan during the corresponding period.

Sl No	Identified items	Documents/Information relied upon and agreed upon procedures
41	NTC customers to total customers to whom loans were disbursed (%)	NTC customers to total customers to whom loans were disbursed represents the ratio of New to Credit (NTC) customers to total number of customers to whom loans were disbursed during the relevant period/year.
42	Total Mahila Mitra App Downloads (During the year) (million)	Mahila Mitra App Downloads (During the year) represents the total number of customers who have downloaded Mahila Mitra app during the relevant period/year.
43	Total Mahila Mitra App Downloads (As of the relevant year)	Mahila Mitra App Downloads (As of the relevant year) represents the cumulative number of customers who have downloaded Mahila Mitra app as at the end of the relevant financial period/year.
44	Unique Customers who Transacted Digitally with us (During the year) (in million)	Unique Customers who Transacted Digitally with us (During the year) represents the number of unique customers who has digitally transacted with the company during the relevant period/year
45	Unique Customers who Transacted Digitally with us (As of the relevant year) (in million)	Unique Customers who Transacted Digitally with us (As of the relevant year) represents the cumulative number of unique customers who has digitally transacted with the company as at the end of the relevant period/year.
46	Digital Collection (During the year) (₹ million)	Data extracted from monthwise collection dump for the respective years which includes information about the collection mode. Digital Collection represents the amount collected through various digital channels like BBPS, Dynamic QR, Easypay & Wallet during the relevant period/year.
47	Digital Collection Share in Overall Collection (During the year)	Data extracted from monthwise ollection dump for the respective years which includes information about the collection mode. Digital Collection share in overall collection is the ratio of digital collection to overall collection for the relevant period/year.
48	Digital Collection (As of the last month of the relevant year) (in million)	Collection dump for the last month and the Bank statements for the linked Bank accounts extracted for the last month of relevant financial years ended 31 March 2023, 31 March 2022, 31 March 2021 and six month periods ended September 30, 2023 and September 30, 2022. Digital Collection as of the last month of the relevant period/year represents the amount collected through various digital channels like BBPS, Dynamic QR, Easypay & Wallet during March month for the relevant financial year.

Sl No	Identified items	Documents/Information relied upon and agreed upon procedures
49	Digital Collection Share in Overall Collection (As of the last month of the relevant year)	Digital Collection Share in overall collection as of last month of the relevant period/year is the ratio of digital collection in March/September month to overall collection for the month of March/September for the relevant period/year.
50	Branches in Respective Digital Classification (%)	Branches in Respective Digital Classification represents the percentage of branches having collection through digital medium in each bucket.
51	Productivity Performance (Number)	Productivity performance represents the ratio of number of disbursements done to the Number of Active Relationship Officers in each bucket during April to September of the financial year 2024.
52	Fresh Delinquency PAR (%)	Fresh Delinquency PAR represents the ratio of average fresh delinquency during April to September of the financial year 2024 to average gross outstanding loan portfolio of April to September of the financial year 2024.
53	Insurance Premium collected (₹ million)	Total Insurance premium collected have been extracted from Disbursement report for the six month periods ended September 30, 2023 and September 30,2022 and for the financial years ended 31 March 2023, 31 March 2022 , 31 March 2021. Insurance Premium collected represents the overall sum of insurance premiums received from diverse customers in relation to their loan disbursements for the relevant period/year.
54	Life Insurance (₹ million)	Life Insurance premium collected have been extracted from Disbursement report for the six month periods ended September 30, 2023 and September 30,2022 and for the financial years ended 31 March 2023, 31 March 2022, 31 March 2021 Insurance Premium collected represents the sum of life insurance premiums received from diverse customers in relation to their loan disbursements for the relevant period/year.
55	Medical Insurance (₹ million)	Meidcal Insurance premium collected have been extracted from Disbursement report for the six month periods ended September 30, 2023 and September 30,2022 and for the financial years ended 31 March 2023, 31 March 2022 , 31 March 2021. Insurance Premium collected represents the sum of medical insurance premiums received from diverse customers in relation to their loan disbursements for the relevant period/year.

Sl No	Identified items	Documents/Information relied upon and agreed upon procedures
56	Natural Calamity Insurance (₹ million)	Natural Calamity Insurance premium collected have been extracted from Disbursement report for the six month periods ended September 30, 2023 and September 30,2022 and for thefinancial years ended 31 March 2023, 31 March 2022, 31 March 2021. Insurance Premium collected represents the sum of natural calamity insurance premiums received from diverse customers in relation to their loan disbursements for the relevant period/year.
57	Gross outstanding loan portfolio (₹ million)	Dump for Loans outstanding as at relevant date of reporting have been extracted and examined with the Summary reports shared along with the Confirmation of outstanding of the managed portfolio , Business correspondence Porftolio dump at the six month periods ended September 30. 2023 and September 30,2022 and at the end of financial years ended 31 March 2023, 31 March 2022 and 31 March 2021. Gross outstanding loan portfolio represents the aggregate of future principal outstanding and overdue principal outstanding, if any, for all loan assets which includes loan assets held by our Company as of the last day of the relevant period/year, loan assets which have been transferred by our Company by way of assignment as well as loan assets managed by our Company through business correspondence and co-lending partners, and are outstanding as of the last day of the relevant period/year
58	Gross outstanding loan portfolio growth (%)	Gross outstanding loan portfolio growth represents the growth in gross outstanding loan portfolio as of the last day of the relevant period/year as compared with the gross outstanding loan portfolio as of the last day of the preceding period/year.
59	Gross outstanding loan portfolio per branch (₹ million)	After Calculation of Gross outstanding portfolio List of branches obtained and verified with RBI return at the end of relevant financial years ended as on 31 March 2023, 31 March 2022,31 March 2021 and for the six month periods ended September 30, 2023 and September 30,2022.Gross outstanding loan portfolio per branch represents the ratio of gross outstanding loan portfolio to number of branches at the end of the relevant period/year.
60	Disbursement growth (%)	Disbursement growth represents growth in disbursements for the relevant period/year as a percentage of disbursements for the previous period/year.

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