



भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

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SEBI/HO/CFD/RAC-DIL2/P/OW/2023/29602/1
July 24, 2023

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

Kind Attention: Mr. Prem Dcunha/ Mr. Sumit Singh

Dear Sir(s),

Sub: Clarification sought for proposed IPO of Muthoot Microfin Limited

We are in receipt of Draft Red Herring Prospectus (DRHP) of the captioned company forwarded to us vide letter dated July 01, 2023.

In this regard, you are advised to comply/clarify on the following points mentioned in Annexure A.

You are requested to submit your response within 5 working days of the receipt of this letter.

Yours faithfully,

Adesh Singhal
(Encl.: As above)



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Annexure A

Clarifications sought on the DRHP of Muthoot Microfin Limited

With reference to the Draft Red Herring Prospectus of captioned IPO filed with SEBI, you are advised to clarify the following points:

Specific Clarifications:

A. Forward-Looking Statements:

Page No. 19 – It is disclosed that “*this Draft Red Herring Prospectus contains certain “forward-looking statements”*”. It may be noted that point (e) under Instructions of Part A to Schedule VI of the ICDR Regulations, states that the offer document should not make any forward looking statements that cannot be substantiated. In view of the same, you are advised to confirm and explain compliance with aforesaid provision with respect to all such forward looking statements made in the DRHP.

B. Offer Document Summary:

1. Summary of the primary business of our Company :-

LM is advised to explain the business of the company. (in brief)

2. Summary of the industry in which our Company operates :-

LM is advised to ensure that language used in disclosure should be relevant and easily understandable.

3. Objects of the Offer :-

LM is advised to describe the “Objects of the Offer” reflecting the end utilization of fresh proceeds.

4. Summary of the Selected Statistical Information of our Company :-

LM is advised to remove “repetitive information” from the table being provided.

5. Risk Factors :-

LM is advised to include Top 10 Risk factor based on Operations of the company, credit exposure, risk related to object of the offer, etc in the below format :

S. No.	Risk Category (Operational, Financial, Risk related to object of the offer, etc.)	Description of Risk (limited to 30 words)

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6. Summary of Related Party Transactions :-

- i. LM is advised to re-draft the table using relevant percentages vis a vis nature of transactions.

C. Risk Factors:

1. LM is advised to rearrange the risk factors based on materiality.
2. LM is advised that all the Risk Factors containing any data to have a proper cross reference to the actual section / page where the specific and detailed explanation is given (where required more than one section / page). Data shall be for last 3 financial years and stub period. Due reason to be provided if there is no cross reference being provided.
3. In all the risk factors, wherever either only percentages or the absolute values are mentioned, LM shall ensure to disclose both the absolute values and percentages adequately.
4. LM is advised to mention proposals, if any, to address the specific risk(s) taking into consideration the requirement specified in Clause 5(D) of Schedule VI to ICDR Regulations.
5. LM is advised to follow the consistency in the offer document while disclosing last 3 year's number

Particulars	Stub Period	FY 2023	FY 2022	FY 2021
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6. LM is advised to simplify the language of the risk factors and to avoid repetition. It is observed that many risk factors are described in length and includes repetitive disclosures. LM is advised to reduce the length of those risk factors and merge the risk factors, wherever possible.
7. Risk Factor 1:- LM is advised to disclose ECL recognized for last 3 FYs vis a vis total loan portfolio. Further, LM is also advised to disclose Bad debts written off during last 3 FYs.
8. Risk Factor 2:- LM is advised to disclose Interest expenses for last 3 FYs. Further LM is also advised to disclose Cost to Income ratio for last 3 FYs.
9. Risk Factor 3 :- LM is advised to explain Stage 1, Stage II and Stage III ECL allowances.
10. Risk Factor 4 :- LM is advised to provide the below information :-
 - i. List of Fraud Cases reported to RBI during last 2 annual inspections.

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- ii. Risk Based Internal Audit Report for FY 2022-23.
- iii. Compliance Status report with the RBIs Master Direction on Information Technology Frameworks for NBFCs
11. Risk Factor 10 :- LM is advised to provide current status of the case initiated by Directorate of Enforcement.

D. Summary of the Financial Statements :-

1. LM is advised to provide the below information :-
 - i. Month Wise NPA recognition vis a vis total loan portfolio
 - ii. Reasons for Negative Operating Cash Flows.

E. Basis for Offer Price:

1. LM is advised to ensure and to disclose the fact that all financial and operational KPIs is certified by member of ICAI or ICMAI, in compliance with recent amendment in ICDR and name of the firm or member certifying this information should also be disclosed.

F. Our Industry:

1. LM is advised to disclose if CRISIL which had prepared the report is in any way related to the issuer company/directors/promoters. Further LM is advised to ensure that reports by CRISIL, relied upon while making disclosures in the draft offer document is included among the material contracts and documents for inspection. Furthermore, wherever (each instance) data from various reports have been used in support of disclosures made in the offer document, LM is advised to clearly qualify the source of such disclosures.

G. History and Certain Corporate Matters:

1. LM is advised to disclose if any penalty is levied by Ministry of Corporate Affairs or RoC for any non-compliance under The Companies Act 2013.
2. LM is advised to ensure that all special rights available to the Shareholders / Investors, shall cease to exist or expire /waived before filing of UDRHP with SEBI, without requiring any further action.
3. LM is advised to disclose that there are not any covenants in any agreements, which may be pre-judicial to or adverse to the interest of the public shareholders.
4. LM is advised to ensure that a categorical statement from the issuers/promoters / selling shareholders that there are no other agreements and the clauses / covenants which are material which need to be disclosed and that there are no other clauses / covenants which are adverse / pre-judicial to the interest of the public shareholders. Also that there are no

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other agreements, deed of assignments, acquisition agreements, SHA, inter-se agreements, agreements of like nature other than disclosed in the DRHP.

5. Further, the LMs are advised to confirm to SEBI that they have gone through the agreements / AoA as disclosed in the DRHP and they also do not see any clauses / covenants which are material which need to be disclosed and have not been disclosed and that there are no other clauses / covenants which are adverse / pre-judicial to the interest of the public shareholders.

H. Our Management:

1. LM is advised to confirm that except as disclosed in this DRHP, there are no other nominee directors, KMPs or other persons etc, appointed by any of the shareholders.

I. Related Party Transactions :-

1. LM is advised to confirm: (i) all RPT are done at arm's length price and (ii) all RPT should be in compliance with the Companies Act, 2013, SEBI (LODR) Regulations, relevant Accounting Standards and other statutory compliances.
2. LM is advised to disclose whether any loan is granted to or taken from the RPs along with the terms and conditions of such loan. In case of any aberrations in this respect, the same may be duly informed in the RHP.
3. LM is advised: (i) to quantify the related party transactions, in brief, that the company has entered into in tabular form and (ii) that Related party transactions as percentage of Revenue may be disclosed in the offer document.

J. Financial Indebtedness:

1. LM is advised to provide cross referencing to the Risk factors with respect to the indebtedness as a part of disclosure.
2. LM is advised to disclose the outstanding amount / default in making payment obligation for the last 3 years.
3. LM is advised to disclose:
 - i. Name of the lenders
 - ii. Any restrictive covenants entered into with the lenders
 - iii. Instance of past default
 - iv. Whether all the loans are secured or unsecured
 - v. Whether any approval required from the lenders for the proposed IPO.
4. LM is advised to disclose if consent from all the lenders, in writing, has been obtained for the proposal of IPO.

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K. Outstanding Litigation and Material Developments:

1. LM is advised to provide full details of pending lawsuits against the Company and its subsidiaries and associates, promoters/promoter group, directors and LM is advised to quantify the financial impact of the same, wherever possible.
2. LM shall update the details of status of litigation with the latest/updated position of litigations against promoter/promoter group entities/company and the companies promoted by the issuer and impact of the same on the business of the Company in case of adverse outcome.
3. LM is advised to confirm that the existing litigations are not so major that the issuer's survival is dependent on the outcome of the pending litigations.
4. LM is advised to ensure the disclosures of all actions taken by statutory and regulatory authorities.
5. LM is advised to disclose brief details of all matters above materiality threshold.

L. Government and Other Approvals :-

1. LM is advised to disclose impact of any pending approval from Government and other authorities on financials and operations of the company. Quantify the impact of non-approval wherever possible.

M. Other Regulatory and Statutory Disclosures:

1. LM is advised to clarify that the issuer or any of its promoters or directors are not declared as 'Fraudulent Borrower' by the lending banks or financial institution or consortium, in terms of RBI master circular dated July 01, 2016 and relevant circular.
2. Page no. 379: LM is advised to delete "*including our Company's website muthootmicrofin.com*" under the head Disclaimer from our Company, the Directors, the Selling Shareholders and the BRLMs.

N. Miscellaneous:

1. LM is advised to ensure that superlative adjectives as and where used are quantified and qualified.
2. LM is advised to ensure that at all places, where the Industry Report has been mentioned, such report to be provided in bibliography / or as weblink.
3. With regard to the "Fees payable to the other advisors to the Offer", LM is advised to disclose the services offered by such advisors and consequent responsibilities, if any.

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4. It has been observed that in various instances disclosures have been made in the offer document stating 'we believe...' LM is advised to provide the basis for making such disclosures in the offer document while also explaining compliance with Regulation 24 (1) and Regulation 25 (2) (b) of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 ("ICDR Regulations").
5. It is noted that financial unit like lakhs, crores, million and billion are used at different places of the DRHP. In this context, LM is advised to ensure compliance with point (g) under Instructions of Part A to Schedule VI of the ICDR Regulations which states that for currency of presentation, only one standard financial unit shall be used.
6. LM is advised to ensure that acronym used in the headings of risk factors or any other information is accompanied by its full form.
7. LM is also advised to ensure that the Issuer meets eligibility conditions, as prescribed in the SEBI ICDR Regulations for making the offer, at the time of filing the RHP. In case, there are any deviation, LM shall take necessary action.
8. LM is advised to examine the applicability of SEBI (Framework for Rejection of Draft Offer Documents) Order, 2012 to the DRHP and confirm whether the said general order is applicable to the instant public issue/DRHP. LM is further advised to provide a para-wise reply on the applicability of aforesaid order.
9. LM is advised to examine the applicability of SEBI (Issuing Observations on Draft Offer Documents Pending Regulatory Actions) Order, 2020 or its predecessor order to the DRHP and confirm whether the said general order is applicable to instant public issue/DRHP. LM is further advised to provide a para-wise reply on the applicability of aforesaid order.
10. LM is advised to ensure that the following paragraph (including content of similar nature) from any/all section(s) of DRHP is removed:

“None of our Company, the Directors, or the Book Running Lead Managers shall be liable for any failure in (i) uploading the Bids due to faults in any software/ hardware system or otherwise; or (ii) the blocking of Bid Amount in the ASBA Account on receipt of instructions from the Sponsor Bank(s) on account of any errors, omissions or non-compliance by various parties involved in, or any other fault, malfunctioning or breakdown in, or otherwise, in the UPI Mechanism.”
11. LM is advised to submit whether there has been any instance of issuance of equity shares in the past by the issuer Company, the Group Companies or entities forming part of the Promoter Group to more than 49 investors in violation of:
 - i. Section 67(3) of Companies Act, 1956; or

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- ii. relevant section(s) of Companies Act, 2013, including Section 42 and the rules notified thereunder; or
 - iii. the SEBI Regulations; or
 - iv. the SEBI (Disclosure and Investor Protection) Guidelines, 2000, as applicable.
12. LM is advised to make changes to all relevant sections of the offer documents corresponding to any changes made in a particular section of the offer documents.

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