



Muthoot Mercantile Limited

(A Unit of Muthoot Ninan Group)

Regd. Office: 'MUTHOOT FLOORS', 1st Floor, North Block, Opp. W&C Hospital,
Thycaud, Thiruvananthapuram-695 014. ☎ 0471-2774800 CIN: U65921KL1997PLC011260
e-mail: info@muthootenterprises.com website: www.muthootenterprises.com

INVESTMENT AND RESOURCE PLANNING POLICY OF MUTHOOT MERCANTILE LTD

MUTHOOT MERCANTILE LTD (The Company) is a Non-Banking Financial Company registered with Reserve Bank. As per the RBI directions, every non-banking financial company shall frame investment and resource planning policy for the company. The objective the policy is to safeguard the public investment and maximise the return to the investors by properly deploying the funds to generate revenue.

SCOPE

Being a Non-deposit taking NBFC, company do not raise retail deposits from the public, instead the company raise funds through institutional channels such as public sector banks, private sector banks corporates and from public by way of Public and Private Issue of Non-convertible debentures and subordinated debt. Other options of fund raising through commercial paper, Foreign Direct Investment and External Commercial Borrowings are being explored subject to the regulatory guidelines like Capital to Risk Weight Asset Ratio and Liquidity Coverage Ratio.

DIFFERENT TYPE OF NON-CONVERTIBLE DEBENTURES BY WHICH COMPANY RAISES RESOURCES

Non-convertible debentures are the financial instruments used by the companies to mobilize short term and long term capital through public as well as private issue. NCD's are purely debt instrument having fixed tenure and investors receive regular interest at a rate fixed at the time of issue. The company offering NCD Public issue for the period ranging ONE to FIVE Years and for the period by which investment gets doubled depends upon the interest offered by the company. Company also offers NCD through private placement with initial maturity up to 30 months

BENEFITS OF NCD's

- High Interest Rate: Company offers competitive rates ranging from 200 bps to 300 bps above the banks fixed deposit rates subject to market interest rate movements.





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- Compliance of regulatory norms: Issue of NCD shall be in compliance with RBI & SEBI guidelines.
- Secured Investment: Company issues debentures against first charge on the assets (Receivables) and hence it is safe and secure

RISKS ASSOCIATED WITH NCDs

- Credit rating is an expert opinion on the repayment capacity of the issuing company
- Vulnerability to regulation: Changes in respect of capital adequacy, IRACP norms by the banking and capital market regulators may adversely affect the company's operational efficiency

PROCEDURES FOLLOWED BY THE COMPANY FOR ISSUE OF NCD

- Publication of Board approved financial report
- Investor is issued with certified copy of the prospectus duly declaring that the company has complied with all eligibility criteria stipulated by RBI/SEBI
- Debenture certificates are issued within the prescribed period specified by the companies act 2013
- NCDs are issued at face value carrying coupon rate or discount rate to face value as zero coupon investment as decided by the company

PROVISIONS OF LAW APPLICABLE AND FOLLOWED BY THE COMPANY WHILE ISSUING NCD ON PUBLIC AND PRIVATE PLACEMENTS

Companies Act 2013 and Rules applicable;

- Rule 42: Offer or invitation for subscription of securities on private placement
- Rule 14: Prospectus and allotment of securities dealing with private placement
- Private placement of the securities through the issue of the private letter
- Number of persons to whom securities are to be issued
- Manner of collection money payable towards subscription of securities
- Minimum investment size limit for subscription
- Maximum time limit for allotment of security / debenture certificate





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- Maintenance and filing of records and offer with registrar and with SEBI in case of listed company
- Filing of return of allotment with Registrar

Rule 14(5) exempt the NBFC from complying with a limit of number of persons 200 and minimum instrument size limit of i.e., Rs20000/=, if the company comply with regulations made by RBI with respect to securities issued on private placement basis. The revised guidelines categorised private placement of NCD's in two categories.

CATEGORY A: a limit of 200 subscribers during a financial year

CATEGORY B: No limit on the number of subscribers under the revised guidelines, minimum investment aligned with Companies Act, 2013 to be Rs20000.00

The company adhering to Section 71 of Companies Act, 2013 and Rule 14 which explains the following:

- The nature of securities to be created
- The amount of Debenture Redemption Reserve (DRR)
- Procedure relating to appointment eligibility and duties of debenture trustee and meeting of debenture holders
- Company shall create Debenture Redemption Reserve account from the profits of the company and shall be utilized only for the purpose of redemption of such debentures. However, according to the rule 18(7)(b)(ii) of Companies (Share Capital and Debentures), Rules, 2014 no DRR needs to be maintained for privately placed debentures by NBFC's

SEBI LISTING FRAMEWORK

- Mandatory Credit Rating: Company shall obtain a credit rating from at least one SEBI registered crediting agency and prominently disclosing in offer prospectus
- Issued in dematerialized form: Investors require dematerialized account to subscribe
- Appointment of Intermediary/Merchant Banker: SEBI registered Merchant banker (Lead Manager) to manage the issue along with debenture trustee to safeguard public investor interests
- ISIN Maturity Limitation: A maximum of 12 ISINs maturing per financial year shall be allowed for Plain Vanilla Debt Securities.





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ELIGIBLE INVESTORS FOR NCD

1. All residents
2. NRE's to the extent permitted under FEMA regulations provided that no person resident/non-resident can invest in NCDs issued by related parties.

RBI STRUCTURAL PRE-REQUISITE FOR NCD

- STANDARD ASSET STATUS: All fund based facilities availed by the issuing company from Banks/FIs must be classified as standard at the time of issue
- NET OWNED FUNDS: NOF Must be Rs10.00 Cr and above
- RESOURCE PLANNING: Board approved resource planning shall be in place

GENERAL GUIDELINES

- NCDs shall be issued in dematerialised form only and held with a depository registered with SEBI
- NCD's shall be issued in minimum denomination of Rs10000.00 and in multiples of Rs1000.00
- Tenor of the NCD shall not be less than one year
- Issuance of NCD is without CALL/PUT Option
- NCDs shall be issued at fixed rate of coupon
- For an NBFC-ICC, issuance of NCD is highly regulated by SEBI for listing and disclosure

SUBORDINATED DEBT (SD)

Company issue subordinated debt to meet Tier II capital. Subordinated debt shall be fully paid up, unsecured and subordinated to the claims of other creditors. Minimum initial maturity shall be 5 years and is not redeemable at the instance of the holder or without the consent of the supervisory authority (RBI). Resident individuals are eligible for subscribing subordinated debt. As the SD gets closer to maturity the amount that counts as capital gradually reduces as provided hereunder. Any premature closure of the subordinated debt is subject to the approval of regulatory authority only (RBI)





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SL No	Remaining Maturity of SD	Rate of Discount in %
a	Up to ONE Year	100
b	Above One Year but up to TWO Years	80
c	Above Two Year but up to THREE Years	60
d	Above THREE Years but up to FOUR Years	40
e	Above FOUR Years but up to 5 Years	20

Company shall ensure such discounted value does not exceed 50% of the Tier 1 capital of the company.

END USE OF FUNDS RAISED THROUGH NCD & SD

Funds mobilized through NCDs and SDs shall be fully utilized for gold loan purpose (current assets) and expansion of the company. In respect of NCD the company submit certificate by CFO/MD to the merchant banker confirming the proceeds have been used for the disclosed purpose and that all the provisions of the offer document have been adhered. The certificate shall be provided to the merchant banker within three months of the issue.

PAYMENT OF INTEREST AND PRINCIPAL

Non-Convertible Debentures are issued at the option of the investors for payment of interest either on monthly rest or on maturity. Subordinated debts are issued for a period of FIVE years and as such principal and accumulated interest shall be on maturity.

Payment of periodical interest and maturity amount shall be routed through the operative account of the investor furnished at the time of subscribing/opening of the investment/subordinated debt. Any change in the operative account must be reported to the depository where the demat account is maintained by the investor. In case of subordinated debt any change in operative account must be produced to the branch/head office where the SD is opened with sufficient proof.

Reviewed and updated on BOD dated 18th April 2026

