Muthoottu Mini Financiers Limited

Resource Planning Policy

Version 1.0

1. Background

Muthoottu Mini Financiers Limited (The Company) is a Non-Deposit Taking Systemically Important Non Banking Financial Company registered with Reserve Bank of India. The Company is engaged in the business of lending against pledge of securities and other financial services such as insurance broking, domestic and international money remittance and forex money exchange.Reserve Bank of India vide its Circular No.DNBS(PD) CC No.349 /03.10.001/2013-14 advised that NBFCs shall put in place before the close of business on September 30,2013, a Board approved policy for resource planning which inter-alia, should cover the planning horizon and the periodicity of private Placement. Proper resource planning policy is necessary to ensure long term and short term financial stability.

2. Objectives of the Policy

The objective of the policy is to provide broad guidelines to the Company on

1. Raising equity and debt capital, meeting the prescribed capital adequacy requirements
2. Maintaining the right mixof long term and short term debt and secured and unsecured debt
3. Maintaining adequate liquidity for meeting its liabilities and for funding loan growth

3. Resource Profile Mix

A proper resource mix helps in maintaining desired cost of funds and providing adequate flexibility in funding during volatile times. The Company shall achieve a long term resource mixas below over the next two years

1. Working Capital from banks and financial institutions – 40%
2. Secured Debentures – 45%
3. Unsecured Debentures and Subordinated Debt – 15%

A 10% variation on total debt is allowed for each category on short term basis, while necessary funding plans are implemented to achieve the long term resource mix target. The ALM Committee shall review the resource matrix on a quarterly basis and take necessary measures to ensure compliance with this policy.

Funds for branch expansion and acquisition of fixed assets shall be raised through equity or long term debt in the form of term loans or debt securities issued for the said purpose.

4. Resource Maturity Mix

For the purpose of this policy and Asset Liability Management, debts maturing during the ensuing 12 months shall be considered as short term funds and debts maturing beyond 12 months shall be termed as long term funds. Working capital funds from banks and financial institutions shall be considered as long term funds as these are generally reviewed and rolled over on a yearly basis. A proper balance between short term and long term funds is required to maintain adequate and timely availability of funds and to avoid excess or idle funds. Fund raising should be done in a way to ensure a maximum of 30% of total debt as short term resource.

5. Long term resources shall be raised by way of

1. Raising equity or preference capital
2. Issue of Non-Convertible Debentures by public issue as well as private placement
3. Financing from banks and financial institutions
4. Issue of subordinate debt securities, which are not classified as deposits under applicable directions of Reserve bank of India.
5. Other securities as may be permitted under the regulations prescribed for issuing such securities

6. Equity and preference capital

Company shall raise equity or preference capital as may be required to maintain the capital adequacy requirements prescribed by The Reserve Bank of India. Funds may be raised as promoters' contribution, through public issue or by private placement, subject to meeting the applicable regulatory requirements. ALM Committee shall plan for funding in advance, estimating the Capital Risk-Weighted Asset Ratioover a period of next 2-3 years.

7. Long Term Debt Instruments

The Company may raise funds by issue of long term instruments by way of secured or unsecured Non-Convertible Debentures having a maturity of more than one year by Public Issue as well as Private Placement in accordance with applicable statutory regulations. The ALM Committee shall assess the requirement of raising funds by way of public issue on a quarterly basis.There shall be a maximum of one private issuance of NCDs with a subscription of less than Rs 1 croreper investor in a month and a maximum of 12 such issues in a year. Company shall raise funds from diverse resources so that no single lender shall have an exposure of more than 20% of the overall funding in each category.

8. Working Capital

Company may raise working capital from banks and financial institutions to fund loan growth or for replacing the maturing debt instruments.The suggested proportion of working capital loans may be increased to such proportion as is required to meet the fund requirements till a public issue of NCDs is done. Sufficient limits need to be maintained to meet fund requirement on account of loan growth and NCD redemption for a minimum period of 3 months.

9. Short Term Debt Instruments

9.1. Non-Convertible Debentures

Company may raise funds by issue of Non-Convertible Debt Instruments with maturity of up to one year subject to maintaining the stipulated credit rating

9.2. Money Market Instruments

Company may raise funds by issue of money market instruments subject to maintaining the stipulated credit rating

10. Security of raising debt

10.1. Primary Security

For secured debt, movable or immovable assets, loan receivables and other current assets may be offered as primary security. For working capital loans, the margin need to be restricted to 25%. For debt instruments, zero margin shall be maintained.

11.2. Collateral Security

Collateral Security may be provided for working capital loans from banks and financial institutions at a maximum of 25% coverage, except for existing loans where the collateral coverage is higher.Company should achieve higher credit rating and reduce the collateral coverage.

11. Annual review and amendment to the policy

This policy shall be reviewed on an annual basis by the ALM Committee and amended by Board of Directors based on the recommendations of the ALM Committee.

12. Applicability

This policy shall be effective from the date notified by the Board of Directors.