

NCD – Public Issue Note

Public Issue of Secured Redeemable Non- Convertible Debentures of Rs. 10,000 Lacs with an option to retain over subscription upto Rs. 5,000 Lacs aggregating to Rs. 15000 Lacs by

KOSAMATTAM FINANCE LIMITED

(CREDIT RATING : CARE 'BBB-' [Triple B Minus] by CARE)

BACKGROUND OF THE COMPANY

- Kosamattam Finance Ltd. (KFL/ Company), headquartered in the southern Indian state of Kerala, is registered with RBI as a non-deposit taking, systematically important, NBFC, lending money against pledge of used household gold jewellery (“Gold Loans”) in the state of Kerala, Tamil Nadu, Karnataka, Andhra Pradesh, Delhi and in the Union Territory of Puducherry.
- The Kosamattam group was originally founded by Mr. Chacko Varkey (also known as Mr. Nasrani Varkey). His great grandson, Mr. Mathew K. Cherian, the present Chairman and Managing Director of Kosamattam Group is a fourth generation entrepreneur in the family.
- As on May 31, 2014, KFL is having a **branch network of 810 branches**, largely spread across southern India. The Gold Loan portfolio of KFL as of March 31, 2014 is comprised of **3,76,341 gold loan accounts**, aggregating Rs. 99,207.32 lacs which is 96.11 % of total loans portfolio.
- Gross non-performing gold loan assets were 0.17%, 0.31% and 0.36% of portfolio under management as of March 31, 2014, 2013 and 2012 respectively.
- As of March 31, 2014, the average loan amount advanced by KFL was Rs. 26,361 per loan transaction. All of the Gold Loans have a term of 12 months with an option to early closure. In the financial period ended March 31, 2014, the yield on Gold Loan assets was 25.52%.
- In addition to the core business of Gold Loan, KFL also offer fee based ancillary services which includes money transfer services, foreign currency exchange and air ticketing services.

COMPETITIVE STRENGTHS & KEY STRATEGIES

Competitive Strengths	Key Strategies
<ul style="list-style-type: none">➤ Part of the Kosamattam Group which has a long operating history and a large customer base.➤ Branch network across rural and semi-urban areas in South India.➤ Organized and efficient IT Infrastructure➤ Effective risk management system including appraisal, internal audit and inspections.➤ Experienced management team and skilled personnel	<ul style="list-style-type: none">➤ Expansion of business by opening new branches in rural and semi urban areas to tap potential market for gold loans➤ Expansion of business into metros and select Tier 1 cities across India➤ Increase visibility of Kosamattam Brand to attract new customers➤ Diversifying into new business initiatives by leveraging branch network and customer base.➤ Minimize concentration risk by diversifying the Product Portfolio and expanding customer base➤ Further strengthening risk management, loan appraisal and technology systems

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FINANCIAL INFORMATION

Profit & Loss Account Items

(Rs. in Lacs)

Particulars	2013-14	2012-13	2011-12	2010-11
Interest Income	26,038.68	23,448.35	15,499.26	7,391.01
Profit Before Tax	4,059.03	6,441.79	5,949.47	3,043.08
Profit After Tax	2,644.64	3,928.15	3,861.52	2,005.93
Yield on Earning Assets (%)	25.77	28.02	28.90	28.49
Net Interest Margin (%)	11.03	14.25	16.76	16.66

Balance Sheet Items

(Rs. in Lacs)





Particulars	Mar 31, 2014	Mar 31, 2013	Mar 31, 2012	Mar 31, 2011
Equity Share Capital	10,300.00	10,000.00	4,952.56	4,387.00
Reserves & Surplus	7,222.80	4,638.55	5,860.93	2,050.56
Non- Current Liabilities	105,368.83	40,976.03	27,035.27	8,815.03
Current Liabilities	25,028.89	7,6576.47	47,375.61	33,491.49
Fixed Assets (Net)	6,677.78	4,900.25	4,149.84	3,386.91
Non- Current Assets	7,887.32	5,743.83	4,809.18	3,808.57
Current Assets	140,015.17	126,447.22	80,415.18	44,935.50
Assets Under Management	103,218.73	98,864.21	68,616.82	38,746.67
Return on Networth (%)	15.10	26.84	35.72	31.18
Net NPA (%)	0.14	0.28	0.33	0.02
Capital Adequacy Ratio (%)	19.20	15.06	15.12	14.95

OBJECTS OF THE ISSUE

The funds raised through this Issue will, subject to applicable statutory/regulatory requirements, be utilized for lending and investments, repayment of existing loans and towards business operations including for capital expenditure and working capital requirements and general corporate purposes after meeting the expenditures of and related to the Issue.

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ISSUE DETAILS

Issuer	 Kosamattam Finance Ltd.
Lead Manager	 Vivro Financial Services Private Limited Manu Mansion, 16-18, Shahid Bhagatsingh Road, Opp. Old Custom House, Fort, Mumbai – 400 023 Maharashtra, India Tel.: +91 22 2265 7364 Fax: +91 22 2265 8406 Email: kfl@vivro.net Investor Grievance Email: investors@vivro.net Website: www.vivro.net Contact Person: Amit Bondre Compliance Officer: Jayesh Vithlani SEBI Registration No.: INM000010122
Registrar	 Karvy Computershare Private Limited
Debenture Trustee	 IL&FS Trust Company Limited
Issue Schedule	Issue Opens on July 18, 2014 Issue Closes on August 12, 2014*
Issue Size	Base issue size of Rs. 10,000 Lacs, with an option to retain oversubscription of Rs. 5,000 Lacs, aggregating to a total of Rs. 15,000 Lacs
Nature of Instrument	Secured, Redeemable Non-Convertible Debentures
Credit Rating	CARE BBB- [CARE Triple B Minus]
Mode of Allotment	In Dematerialized form and Physical form, at the option of the Applicant
Listing	BSE Limited
Trading	In Dematerialized form only
Face Value (Rs. / NCD)	Rs. 1,000/-
Issue Price (Rs. / NCD)	Rs. 1,000/-
Minimum Application	Rs. 10,000/- or 10 NCDs (for all Series of NCDs either taken individually or collectively)
In multiples of	1 NCD
Allocation	Category I (Institutional) - 10% of the overall issue size Category II (Non - Institutional) - 40% of the overall issue size Category III (Retail Individual) - 50% of the overall issue size
Seniority	<p>Senior (the claims of the NCD Holders shall be superior to the claims of any unsecured creditors, subject to applicable statutory and/or regulatory requirements).</p> <p>The NCDs would constitute secured obligations of our Company and shall rank pari passu with the existing secured debenture holders on all movable assets, including book debts and receivables, cash and bank balances, loans and advances, both present and future of our company (except those receivables in respect of identified branches which are specifically charged to South Indian Bank Limited, on a first charge basis and are</p>

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	more particularly enumerated in the Debenture Trust Deed) equal to the value 1 time of the debentures outstanding plus interest accrued thereon and first ranking pari passu charge on the immovable property situated at Nagappattinam Dist. Kelvelur Taluk, Velankanni Village, Tamil Nadu-Main Road West, R.S. NO.(OLD No.41/18C) New No.41/18C-1 Full extent in 150 sq.met., Tamil Nadu.
Security	The principal amount of the NCDs to be issued in terms of this Prospectus together with all interest due on the NCDs, as well as all costs, charges, all fees, remuneration of Debenture Trustee and expenses payable in respect thereof shall be secured by way of first ranking pari passu charge with the existing secured debenture holders on all movable assets, including book debts and receivables, Cash and bank balances, loans and advances, both present and future of our company (except those receivables in respect of identified branches which are specifically charged to South Indian Bank Limited, on a first charge basis and are more particularly enumerated in the Debenture Trust Deed) equal to the value 1 time of the debentures outstanding plus interest accrued thereon and first ranking pari passu charge on the immovable property situated at Nagappattinam Dist. Kelvelur Taluk, Velankanni Village, Tamil Nadu-Main Road West, R.S. NO.(OLD No.41/18C) New No.41/18C-1 Full extent in 150 sq.met., Tamil Nadu.
Depositories	NSDL and CDSL
Pay- in Date	Three (3) Business Days from the date of upload of application in the book building system of the Exchanges or the date of realisation of the cheques/demand drafts, whichever is later. Interest on Application Money shall start on the Pay-in date and shall be payable upto one day prior to the date of Allotment.
Record date	<p>The record date for payment of interest in connection with the NCDs or repayment of principal in connection therewith shall be 7 days prior to the date on which interest is due and payable, and/or the date of redemption. Provided that trading in the NCDs shall remain suspended between the aforementioned Record Date in connection with redemption of NCDs and the date of redemption or as prescribed by the Stock Exchanges, as the case may be.</p> <p>In case Record Date falls on a day when stock exchanges are having a trading holiday, the immediate subsequent trading day will be deemed as the Record Date.</p>

**The subscription list for the Issue shall remain open for subscription upto 5pm, with an option for early closure by such period, upto a period of 30 days from the date of issue of prospectus, as may be decided at the discretion of the duly authorised committee of Directors of our Company subject to necessary approvals. In the event of such early closure of the Issue, our Company shall ensure that notice of such early closure is given as the case may be on or before such early date of closure or the initial Closing Date through advertisement/s in a leading national daily newspaper. For further details please refer to "General Information – Issue Programme" on page 6 of the Prospectus.*

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INVESTMENT DETAILS

Tenure Options	400 days		18 months		36 months		70 months
	I	II	III	IV	V	VI	VII
Frequency of Interest Payment	Monthly	Cumulative	Monthly	Cumulative	Monthly	Cumulative	Cumulative
Minimum Application	10 NCDs (Rs. 10,000) (across all Options of NCDs)						
In Multiples of	1 NCD after the minimum application						
Face Value of NCDs (Rs. / NCD)	Rs. 1,000						
Issue Price (Rs. / NCD)	Rs. 1,000						
Mode of Interest Payment/Redemption	Through Various options available						
Coupon (%) per annum in Category I, II & III	11.50 %	NA	12.00%	NA	12.50%	NA	NA
Coupon (%) for Ex-servicemen, Eligible Employees and Senior Citizen	12.00%	NA	12.50%	NA	13.00%	NA	NA
Coupon Type	Fixed						
Redemption Amount (Rs./NCD) for NCD Holders in Category I, II & III	1,000.00	1132.24	1,000.00	1,193.24	1,000.00	1,442.90	2,000.00
Redemption Amount (Rs./NCD) for Ex-servicemen, Eligible Employees and Senior Citizen	1,000.00	1137.78	1,000.00	1,201.21	1,000.00	1,462.14	2,000.00
Effective Yield (per annum) – Category I, II & III	12.13%	12.00%	12.68%	12.50%	13.24%	13.00%	12.62%
Effective Yield (per annum) – Category I, II & III for Ex-Serviceman, Eligible Employees and Senior Citizen	12.68%	12.50%	13.24%	13.00%	13.80%	13.50%	12.62%
Put and Call Option	Not Applicable						
Deemed Date of Allotment	The date on which the Board or a duly authorized committee approves the Allotment of NCDs. All benefits relating to the NCDs including interest on the NCDs shall be available to the investors from the Deemed Date of Allotment. The actual Allotment of NCDs may take place on a date other than the Deemed Date of Allotment.						

Valid applications by Senior Citizens, Eligible Employees and Ex-servicemen falling under any of the below 3 categories shall be eligible for an additional coupon.

The Company would allot Option IV NCDs to all valid applications, wherein the applicants have not indicated their choice of the relevant options of the NCDs.

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WHO CAN APPLY

Category I	Category II	Category III
<ul style="list-style-type: none"> ➤ Resident Public Financial Institutions as defined in Section 2(72) of the Companies Act 2013, Statutory Corporations including State Industrial Development Corporations, Scheduled Commercial Banks ➤ Co-operative Banks and Regional Rural Banks, which are authorized to invest in the NCDs ➤ Provident Funds of minimum corpus of Rs. 2,500 lacs , Pension Funds of minimum corpus of Rs. 2500 lacs, Superannuation Funds and Gratuity Fund, which are authorized to invest in the NCDs ➤ Venture Capital funds and / or Alternative Investment Funds registered with SEBI ➤ Insurance Companies registered with the IRDA ➤ National Investment Fund (set up by resolution no. F. No. 2/3/2005-DDII dated November 23, 2005 of the Government of India and published in the Gazette of India) ➤ Insurance funds set up and managed by the Indian army, navy or the air force of the Union of India or by the Department of Posts, India ➤ Mutual Funds, registered with SEBI 	<ul style="list-style-type: none"> ➤ Companies falling within the meaning of Section 2(20) of the Companies Act 2013; bodies corporate and societies registered under the applicable laws in India and authorized to invest in the NCDs ➤ Educational institutions and associations of persons and/or bodies established pursuant to or registered under any central or state statutory enactment; which are authorized to invest in the NCDs ➤ Trust including Public/private charitable/religious trusts which are authorized to invest in the NCDs ➤ Association of Persons ➤ Scientific and/or industrial research organisations, which are authorized to invest in the NCDs ➤ Partnership firms in the name of the partners ➤ Limited liability partnerships formed and registered under the provisions of the Limited Liability Partnership Act, 2008 (No. 6 of 2009) ➤ Resident Indian individuals and Hindu undivided families through the Karta aggregating to a value exceeding Rs. 5 lacs 	<ul style="list-style-type: none"> ➤ Resident Indian individuals ➤ Hindu undivided families through the Karta <p>Applications aggregating to a value not more than Rs. 5 lacs</p>

DISCLAIMER

“Kosamattam Finance Limited (“KFL/Company”) is subject to market conditions and other considerations, proposing a public issue of Secured Redeemable Non Convertible Debentures and has filed the Prospectus with the Registrar of Companies –Kerala and Lakshadweep, BSE Limited and SEBI (for record purposes). The Prospectus is available on the website of the company at www.kosamattam.com , on the website of the stock exchange at www.bseindia.com and the website of the Lead Manager at www.vivro.net . Investors proposing to participate in the Issue should invest only on the basis of information contained in the Prospectus. Please see section entitled “Risk Factors” beginning on page no XII of the Prospectus for risk in this regard.”

BSE Limited (“The Exchange”) has given vide its letter dated July 11, 2014, permission to this Company to use the Exchange’s name in the offer document as one of the stock exchanges on which the Company’s securities are proposed to be listed. The Exchange has scrutinized the offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to the Company. The Exchange does not in any manner: a) warrant, certify or endorse the correctness or completeness of any of the contents of the offer document; or b) warrant that the Company’s securities will be listed or will continue to be listed on the Exchange; or c) take any responsibility for the financial or other soundness of the Company, its promoters, its management or any scheme or project of the Company; and it should not for any reason be deemed or construed that the offer document has been cleared or approved by the Exchange. Every person who desires to apply for or otherwise acquires any securities of the Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

Disclaimer Clause of RBI - The company is having a valid certificate of registration dated December 19, 2013 bearing registration no. b-16.00117 issued by the Reserve Bank of India under section 45 IA of the Reserve Bank of India Act, 1934. however, RBI does not accept any responsibility or guarantee about the present position as to the financial soundness of the company or for the correctness of any of the statements or representations made or opinions expressed by the company and for repayment of deposits/ discharge of liability by the company.