



Muthoot Finance Limited

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November 29, 2021

Ref: SEC/MFL/SE/2021/4156

National Stock Exchange of India Ltd.
Exchange Plaza,
Plot No. C/1, G Block,
Bandra-Kurla Complex
Bandra (E), Mumbai - 400 051
Symbol: MUTHOOTFIN

Department of Corporate Services
BSE Limited,
P. J. Tower, Dalal Street,
Mumbai - 400 001
Scrip Code: 533398

Dear Sir/Madam,

Sub: Newspaper Advertisements regarding Postal Ballot Notice.

Please find enclosed herewith the copy of Newspaper Advertisements published on November 28, 2021 in 'Business Line and 'Metro Vaartha' in respect of dispatch of Postal Ballot Notice dated November 19, 2021

Request you to kindly take on record the information.

Thanking You,

For **Muthoot Finance Limited**

Rajesh A
Company Secretary
ICSI Membership No. FCS 7106

BORROW SMART Digital Lending Apps

Fixing the loopholes

The RBI wants to shield app customers from vulnerabilities and has recommended key changes

SATYA SONTANAM
BL Research Bureau

Lately, the digital lending platforms have gained traction as they provide easy access to the credit online and have come handy in hard times, especially after the outbreak of Covid, for those looking for instant loans. But there also have been increasing number of complaints by consumers against these platforms over mis-selling, breach of data privacy, and illegal conduct.

To protect the customers from widespread unethical practices, the Reserve Bank of India (RBI) has come out with the 'Report of the Working Group on Digital Lending including Lending through Online Platforms and Mobile Apps'. The report contains recommendations and suggestions from both RBI and the government such as setting up of Self-Regulatory Organisation to oversee the functions of the players in the industry and to standardise certain operations. It is open for comments from public until December 31, 2021 through email.

We look at the five key areas which makes customers of digital lending apps vulnerable and how the report seek to ensure more protection for borrowers on these fronts.

Unauthorised lending apps

If you happen to opt for unauthorised digital lending apps, you may have to deal with unreasonable terms and conditions of the loan.

To have some accountability, currently, to be a digital lender, one has to be associated with a bank or a non-banking financial company or abide by the money-lending laws in the respective State in which the services are provided. But the report goes a few steps further.

Proposal: One, it suggests that digital lending should be limited to only those entities that are either regulated by the RBI or those registered under any other regulatory authority. Currently, there are some digital lending apps which are carrying out the business as intermediaries between the customer and the financial institution. Gaurav Jalan, Founder & CEO of mPokket and member at Fintech Association for Consumer Empowerment says there still exists an ambiguity on what kind of regulations that intermediaries



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will be subject to.

Bringing the whole digital lending space under regulatory framework is one of the significant changes that would take place if the report becomes actionable. Direct regulation will serve as an additional layer of monitoring that prevents apps from any unauthorised activities.

The working paper also suggests establishing an independent body - Digital India Trust Agency (DIGITA), which will verify the digital lending apps before they are made public. Not just that, the report also recommends setting up of a Self-Regulatory Organisation (SRO), an industry association which will lay down a code of conduct and provide a mechanism for grievance redressal of customers.

High and hidden costs

Digital lending apps generally charge higher interest rates than conventional banks and NBFCs. This is partly due to the additional risk these players take by serving users who may not have a proper credit history.

In addition to interest rate, there could be processing fee and other costs. Credible money-lending apps disclose most of these details transparently in the 'About the app' space in the app store and also mention them in the loan agreement. But many others don't.

Proposal: To hold the reins of those apps that don't disclose transparently and misrepresent the rates of interest, the paper recommends that each lender provide a key fact statement (KFS) in standardised

format for all digital lending products.

Especially in case of short term consumer credits (STCC), the Central bank may establish standard definitions for the cost of digital STCC/ micro credit as Annual Percent Rate (APR). This would enable disclosure of all costs in a clear and understandable way.

Another important recommendation has been that a cooling off/look-up period of certain days should be given to customers for exiting digitally obtained loans by paying proportionate interest cost without any penalty.

Breach of data privacy

Most of the digital apps seek access to your contacts, gallery and details of other apps in your mobile phone, on installation, to create a credit profile of the borrower. There have been cases that these players breached data privacy.

Proposal: The report recommends that the app collect only minimum required personal data from the borrower after indicating usage of each data/ access permission obtained. The borrower should be provided with an option to revoke consent granted to collect their personal data and if required, make the app delete/forget the data.

The key point here is that the lenders should capture the economic profile of borrower and assess the consumer's creditworthiness in an auditable way.

Further, it also talks about mandatory submission of information of loan transactions by digital lenders to Credit In-

formation Companies (CICs) at a shorter interval compared to conventional reporting. This will ensure less dependence on alternate data for financial consumers as more of them would develop formal credit history for themselves.

Unacceptable recovery methods

There have been cases in the past of unacceptable and high-handed recovery methods by lenders.

According to the current RBI's 'Guidelines on Fair Practices Code for Lender', in the matter of recovery of loans, the lenders should not resort to undue harassment such as persistently bothering the borrowers at odd hours and use of muscle power for recovery of loans.

Proposal: Despite this, on the back of rise in concerns over unethical recovery practices, the working paper suggests standardising the code of conduct for recovery, which has to be framed by the proposed SRO.

The SRO is expected to maintain 'negative' list of agencies that involved in unreasonable means of recovery and the lender has to make sure periodically that the collecting agency is not mentioned in the list.

Poor grievance redressal

As per the current guidelines, the loan agreement must clearly disclose the options available for the borrower to redress any grievance — be it customer care support, bank/NBFC's support or the regulator's redressal mechanism.

A lot of users complain about the poor customer care support in the user reviews for most of these money-lending apps. Once the RBI announced the RBI's Sachet portal (<https://tinyurl.com/rbiportal>) for filing complaints, there has been tremendous increase in the number of complaints filed, says the report.

Proposal: The key recommendation in this aspect is that the digital lending apps should name a suitably competent nodal officer to deal with FinTech related issues with customers as well as regulators, SRO, law enforcement agencies, etc. The contact details of the nodal officer would be displayed on the website of the digital lending app.

Also, similar to Banking and NBFC ecosystem, it suggested defined timelines, escalation mechanism for any grievances.

TAX QUERY



SUDHAKAR SETHURAMAN

I have a few doubts with respect to my ITR for FY 2020-21 i.e. current AY 2021-22. I have invested ₹20,000 in Templeton India Equity Income Fund in 2006 under NFO. Since then periodical dividends declared under the scheme are getting credited to my savings a/c through ECS regularly and are accounted for in my ITR returns of the respective financial years. Since the Finance Act 2020 is modified and the dividends are now taxable in the hands of investors, the mutual fund has deducted TDS and paid the balance of the dividend to my savings account. Since I have not received Form 16 A for the TDS made by the mutual fund, I have sent a mail to the RTA of the MF. Initially, they have asked for a self-attested copy of my PAN card which I have provided to them. Now the RTA has replied that my PAN was not registered in FY2020-21 with them and was registered subsequently and hence, they are unable to fetch the TDS certificate for the FY2020-21. Since, the TDS was deducted on the dividend amount paid to me, kindly inform me how I can obtain TDS certificate and show them in my returns.

I also request you to kindly inform me how to show them in the current ITR in the absence of Form 16A. Further, I am a retired pensioner and an amount of ₹15 lakh is invested in PMVVY Scheme and am receiving quarterly amount. Please clarify under what head should the amount be shown. Apart from my pension, during the year I have incomes including interest on bank deposits, dividend income from shares and MFs, interest income from NCDs, sovereign gold bonds, savings bank A/c, infra bonds, interest on NHAI tax-free bonds and short term & long-term capital gains. I have one self-occupied house property. My total income during the year is less than ₹50 lakh and I do not have any agriculture income. In the light of the above, I request you to kindly inform me which ITR return I have to file?

RAMA KRISHNA

Dividend shall be taxable under the head 'Income From Other Sources' (IFOS) as per the Act. If your PAN is available with brokerage company/fund manager, the taxes deducted would be reported in your Form 26AS based on which the TDS credit can be claimed in the tax return. Where the company has not deposited the TDS/filed the TDS return, due to absence of your PAN details, you are required to complete the KYC formalities and provide the scanned copy of PAN to enable them to do the needful.

Pension income earned from Prime Minister Vaya Vandana Yojana Scheme (PMVVY) of LIC of India is fully taxable and shall be reported under the head IFOS. Please be informed that bank interest, dividend income from shares/mutual funds, interest income from infrastructure bonds, NCDs and sovereign gold bonds shall be taxable under the head IFOS. Short term capital gain/long term capital gain on sale of shares needs to be reported under the head capital gains.

Considering your income pattern, you are required to file ITR 2 for the FY 2020-21.

In the issue dated September 5, 2021, you have mentioned that if money is gifted to relatives, any interest earned out of that will be taxed in the hands of the recipient only. In a similar manner if shares allotted in an IPO are gifted to spouse, and if they are sold within a period of one year, will the short term capital gain be taxed in the hands of the recipient of the gift? If yes, what sort of record should be kept?

NIRANJAN

Your spouse is not required to pay any tax on receiving shares from you as a gift. However, Section 64(1)(iv) of the Act provides for clubbing of income in the hands of the transferor when assets are transferred for inadequate consideration. Providing gifts to your spouse would amount to transfer for inadequate consideration. Accordingly, any gains arising from sale of such shares is taxable in your hands. Besides documentation evidencing cost of acquisition of shares, sale consideration, selling expenses, etc., and documentation related to gift (like gift deed) needs to be kept on record.

The writer is Partner, Deloitte India
Send your queries to taxtalk@thehindu.co.in

HOME TRUTHS

Lessons from RERA judgments

Various verdicts illuminate the rights and limits of homebuyers

MEERA SIVA

It has been over four years since the Real Estate (Regulation and Development) Act or RERA has been active. There continues to be new questions raised on the different aspects of the Act. For instance, recently the Supreme Court confirmed the retroactive applicability of the Act to projects that were underway when the Act was passed in 2016.

As of November 2021, 70,848 projects have been registered and 78,793 complaints have been disposed, based on data from the Ministry of Housing and Urban Affairs. These cases have helped to shed light on the nuances of the Act.

Affirmed rights

There are a few judgments that have strengthened the rights of homebuyers. One example is the one involving Emaar MGF on the channels available to a buyer for remedy. The verdict clarified that consumers have the option to approach RERA as well as Consumer Protection forum and not limit to just one.

Another case, involving Arkanade Realty, relates to buyers' rights on parking. The developer had delivered the house but the parking space was being sold to others. The ruling confirmed the requirement under RERA that the developer is obligated to provide parking space to all buyers in a project and that the land cannot be sold to outsiders.

Buyers can also take comfort to note that they can get compensation not just for delays in hand-over but also for short-ages in carpet area. In a case handled by the Maharashtra RERA authority, a buyer filed that there was a shortfall of 69 sq. ft. in the 806 sq. ft. carpet area promised. The builder was directed to reduce the cost of the flat for the shortfall in area.

The Maharashtra RERA has also made it mandatory that a society or similar legal entity should be formed by the developer after 51 percent of the flats have been booked. This is a shift from the earlier practice of forming one after the project receives completion certificate. The benefit of this decision is that home buyers can oversee the work and seek regular updates from the developer.

Besides private builders, RERA also applies to construction projects undertaken by the Government. So homebuyers in these projects can also take advantage of the redressal available for delays or other issues. Also, landowners will be liable as a builder if they take a share of revenue from the sale of the project and would be answerable to buyers.

Another important issue that was



lingering related to precedence of RERA in situations when there are different Central and State government laws. In a case regarding the state of West Bengal, the Supreme Court noted that the State can legislate in spaces which are left out by RERA but in areas where there are overlaps, RERA has an over-riding effect over any conflicting State laws.

Few restrictions

There were also instances where the result was not favorable to buyers. One such is the judgment by National Company Law Appellate Tribunal (NCLAT) on the question of whether home buyers can be included under the ambit of financial creditor when the builder files for insolvency.

purview of RERA as only allottees are covered and not lessees. In the case involving Lavasa's project - which had been halted due to an order from the Ministry of Environment and Forests - the agreements were a 999-year lease and not of sale. The buyers were not deemed as allottees, but as lessees and hence cannot get relief for delays through RERA.

Some gaps

The question on whether a buyer can receive refund of their advance is still unclear. The Tamil Nadu RERA ruled that a buyer needs to approach the consumer forum for refund of the advance amount paid to book an apartment. However, the Maharashtra RERA ordered a refund when a buyer noted that there were discrepancies in the booking offer - such as regarding EMI payment terms. Given that the purview depends on the specific situation, buyers may keep their options open and approach both RERA and consumer forum for relief.

Also, data on follow-up to the verdict is a cause for concern - Karnataka RERA data from August 2021 showed that while 595 verdicts were delivered, only 14 cases had penalty amount paid. This is a mere ₹6.87 lakh paid out of ₹245.72 crore.

The author is an independent financial consultant



CASE LOAD

About 78,793 complaints have been disposed as of November 2021 under RERA as per the Ministry of Housing and Urban Affairs



Muthoot Finance Ltd

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NOTICE TO MEMBERS

Notice is hereby given pursuant to the provisions of Sections 108 and 110 of the Companies Act, 2013 (the "Act"), read with Companies (Management and Administration) Rules, 2014 (the "Rules"), Secretarial Standards on General Meetings, Regulation 47 of (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), General Circular No. 14/2020 dated April 8, 2020, General Circular No. 17/2020 dated April 13, 2020, General Circular No. 22/2020 dated June 15, 2020 (the "MCA Circulars") and any other applicable Laws and Regulations, that the approval of the members of Muthoot Finance Limited ("Company") is being sought through a Postal Ballot (only through remote e-voting) for the following business to be passed by way of an Ordinary Resolution.

1. To approve the appointment of M/s Elias George & Co., Chartered Accountants (Firm Registration No. 0008015) as one of the Joint Statutory Auditors and to fix their remuneration.
2. To approve the appointment of M/s Babu A. Kalliyavallil & Co., Chartered Accountants (Firm Registration No. 053745) as one of the Joint Statutory Auditors and to fix their remuneration.

All members are hereby informed that:

1. The Company has on Saturday, November 27, 2021 sent the Postal Ballot Notice by e-mail to those shareholders who have registered their e-mail addresses with the Company / RTA or their respective Depository Participants. In view of the continuing circumstances due to COVID-19 pandemic requiring social distancing and in compliance with the requirements of the MCA Circulars, hard copy of Postal Ballot Notice along with Postal Ballot Forms and pre-paid business reply envelope will not be sent to the members for this Postal Ballot and shareholders are required to communicate their assent or dissent through the remote e-voting system only.
2. The Company is pleased to offer its Members the facility to cast their vote by electronic means through e-voting facility provided by Central Depository Services (India) Limited ("CDSL") in compliance with the Act and the Listing Regulations. The voting through remote e-voting shall commence at 10.00 a.m. (IST) on Sunday, November 28, 2021 and ends at 5.00 p.m. (IST) on Monday, December 27, 2021. The e-voting platform would be disabled by CDSL thereafter.
3. The cut-off date for determining right of voting of members is Friday, November 19, 2021.
4. The Board of Directors of the Company has appointed Dr. C.V. Madhusudhanan, Practising Company Secretary (Membership No. FCS 5367; CP 4408) or failing him Dr. K.S. Ravichandran, Practising Company Secretary (Membership No. FCS 3675; CP 2160), Partners of M/s. KSR & Co., Company Secretaries LLP, Coimbatore as Scrutinizer for conducting the e-voting in a fair and transparent manner.
5. The Postal Ballot Notice has been hosted on the website of the Company at www.muthootfinance.com and on the website of the e-voting service provider at www.evotingindia.com.
6. The updates of the Postal Ballot are also communicated to the Stock Exchanges, where the shares of the Company are listed and the same can be viewed at www.bseindia.com and www.nseindia.com.
7. The results of e-voting along with the Scrutinizer's Report will be announced on Tuesday, December 28, 2021 through the website of the Company at www.muthootfinance.com and will also be communicated to the stock exchanges.
8. The procedure for e-voting is available in the postal ballot Notice and also at www.evotingindia.com. In case the shareholders have any queries or issues regarding e-voting, please refer the Frequently Asked Questions (FAQs) for Shareholders and e-voting user manual for Shareholders available at the help section of www.evotingindia.com or call on toll free no. 1800-225-533 or send a request to Rakesh Dalvi, Sr. Manager, (CDSL), at helpdesk.evoting@cdslindia.com / 022-23058542/43 or at www.cdslindia.com.

Date: November 28, 2021
Place: Ennakulam

For Muthoot Finance Ltd.
Sd/-
Rajesh.A
Company Secretary

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