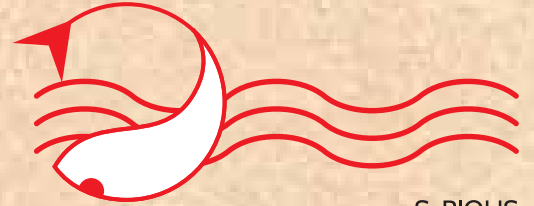


# Inherently Inclusive



**Muthoot Finance**

**Muthoot Finance Limited**  
**Annual Report 2012-13**



**S. PIOUS**  
South Kundal, Kanyakumari



**KARTIK DUTTA**  
Salkia, Howrah



**PRABHULAL KOHLI**  
Bhachchau, Kutch



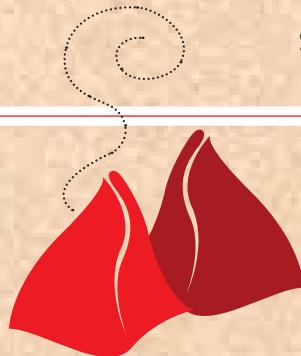
**SUMANBAI INGOLE**  
Pune



**JASWINDER SINGH AND FAMILY**  
Ludhiana, Punjab



**P. KARPAGAM**  
Madurai



**MALLA SIVAKUMAR**  
Andhra Pradesh

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India still has to travel a long way to ensure inclusive growth for a large cross-section of people, who belong to the lower end of the social pyramid. Millions of people still languish outside the purview of formal credit, deprived of opportunities to elevate their quality of life and participate in the nation's socio-economic progress.

As a frontrunner gold financing Company in India, Muthoot Finance has a critical role to play in this scenario. At Muthoot Finance, our agenda is to empower people in need, thereby helping accelerate India's journey towards inclusive growth.

We had practiced the concept of financial inclusion long before the term became popular. We have enhanced our pan-India footprint to get closer to the customer during times of distress and lend a helping hand.

Each customer is unique to us and so are his/her needs. We leverage our experience and expertise to empower millions of customers and ensure holistic socio-economic growth.

THE WORLD OF MUTHOOT  
FINANCE IS MORE THAN JUST  
GOLD LOANS. IT IS ABOUT  
SOCIAL RESPONSIBILITY AND A  
DEEP SENSITIVITY FOR HUMAN  
WELLBEING. WE BELIEVE IN  
TAKING ALONG EVERYBODY ON  
THE ROAD TO GROWTH.  
THEREFORE, OUR BUSINESS  
MODEL IS

Inherently  
Inclusive

## SECTION 1 - THE GROUP

# STRENGTHENING A LEGACY OF INCLUSIVENESS

Incorporated more than 125 years ago, Muthoot Group<sup>#</sup> today touches the lives of people in more ways than one. The enterprise is expanding ambitiously and is aligning business priorities with social responsibility.

<sup>#</sup>Refers to entities promoted by the promoters of MFIN collectively operating under the brand umbrella of 'The Muthoot Group'.

Muthoot Group dreams big and dares to translate those dreams into reality. The Group's firm resolve and tenacity are elevating it to new heights.

**"To accomplish great things, we must not only act, but also dream; not only plan, but also believe."**

Socrates

## A BIRD'S EYE VIEW

16

The Group spans 16 diverse fields and serves an assortment of industries

30,000+

Employs more than 30,000 employees

6 million

About 6 million Customers served across India

## NETWORK IS SPREAD ACROSS 21 STATES AND 4 UNION TERRITORIES

# INCLUSIVENESS STARTS WITH TRUST



SHRI. M. GEORGE MUTHOOT,  
FOUNDER CHAIRMAN

**At Muthoot Finance Limited (MFIN), we build inclusiveness on the foundation of trust. Across decades, we have strengthened ourselves as a trusted pan-India brand in the gold loans sector, having revolutionised the concept of Gold Banking in India.**

Founded by Shri M. George Muthoot, our journey began in 1939. Today, MFIN has emerged as the Group's flagship Company, providing financial services to people in need. Listed on the NSE (National Stock Exchange of India) and BSE (Bombay Stock Exchange Limited), it is a “\*Systematically Important Non-deposit taking NBFC”.

\*as per RBI guidelines

## SECTION 2 - THE COMPANY

# INCLUSIVENESS STARTS WITH TRUST

**MFIN holds the largest gold loan portfolio in the world.** By making the gold loan available easily at the lowest interest rates, easy documentation processes and repayment options, we enable people to meet their fund requirements even in times of exigency. We provide personal and business loans (secured by gold jewellery) primarily to individuals who have no access to formal credit for a reasonable tenure to meet their short-term working capital requirements.

We have helped millions of Indians belonging to various social strata in their times of distress. By providing them feasible financial solutions, we have helped them channelise their wealth efficiently.

## Stock Tickers

NSE Ticker

MUTHOOTFIN

BSE Ticker

533398

Market Capitalisation

₹ 6,825 Crores

(as on 31st March, 2013)

**₹ 26,387 Cr.** Retail Loan Assets  
Under Management

**134 Tonnes** Gold jewellery kept as  
security

**₹ 3,736 Cr.** Network

**4,082** Branches across the  
country

**24,881**

Employee strength as  
on 31st March, 2013



## Values at Muthoot

Being a prominent venture of the Muthoot Group, Muthoot Finance Ltd. carefully and passionately imbibes the values of the former. It takes pride in its strong foundation, which is deeply rooted in the following pillars:

**Ethics:** Muthoot's main aim is to put the needs of its customers first before anything else. The Company strives to provide them with the best quality of service under the Muthoot Brand Umbrella and is doing so with a smile.

**Values:** Accountability for all our operations and services, and towards the society makes Muthoot a socially responsible and intelligent citizen. Its empire has grown by leaps and bounds on the basis of these values. The times may change, but its values will remain unchanged.

**Reliability:** With an unblemished track record throughout the markets that it serves; and across national as well as global boundaries, Muthoot Finance values its commitment to customer-service.

**Dependability:** Muthoot Finance does not judge itself by the profit it makes but by the trust and confidence that people have had in it for over 125 years. With over 6 million people having turned towards Muthoot, to help them in their hour of need, Muthoot feels that this has been possible only because of its core guiding principle.

**Trustworthiness:** Muthoot pledges loyalty in its operations, fairness in its dealings and openness in its practices. The Company embraces policies and practices that fortify trust.

**Integrity:** The value is innate to a corruption-free atmosphere and an open work culture. At Muthoot Finance Ltd., therefore, it cultivates transparency as a work ethic.

**Goodwill:** Muthoot Finance has 6 million outstanding loan accounts spread across the country. The Company serves around 80,000 customers each day. With an unmatched goodwill, the Company shoulders the responsibility of creating a deserving brand image.

6 million

Total number of  
outstanding loan  
accounts

80,000

Customers served  
every day

4.5 Lakhs

Retail Investor base  
of around 4.5 Lakhs,  
across Debenture and  
Subordinated Debt  
portfolio

₹ 3,843 Cr.

Amount of Foreign  
Inward Remittances  
for personal purposes  
disbursed through our  
branches

## SECTION 2 - THE COMPANY

# MILESTONES THAT SHAPED US

## 1887

The Group comes into being as a trading business at a village in Kerala

## 1939

Commenced gold loan business

## 2001

Received an RBI license to function as an NBFC

## 2004

Received highest rating of F1 from Fitch Ratings for a short-term debt of ₹ 200 Million

## 2010

- Retail loan portfolio crossed ₹ 74 Billion
- Retail debenture portfolio crossed ₹ 27 Billion
- CRISIL assigned 'P1+' rating for short-term debt of ₹ 4 Billion, ICRA assigns A1+ for short-term debt of ₹ 2 Billion
- Net owned funds crossed ₹ 5 Billion
- Gross annual income crossed ₹ 10 Billion
- Bank credit limits crossed ₹ 17 Billion
- Branch network crossed 1,600 branches

## 2011

- Retail loan portfolio crossed ₹ 158 Billion
- Retail debenture portfolio crossed ₹ 39 Billion
- CRISIL assigned long-term rating of AA- Stable for ₹ 1 Billion subordinated debt issue and for ₹ 4 Billion Non-convertible Debenture issue, respectively
- ICRA assigned long-term rating of AA- Stable for ₹ 1 Billion subordinated debt issue and for ₹ 2 Billion Non-convertible Debenture issue respectively
- PE investments of ₹ 2,556.85 Million in the Company by Matrix partners, LLC, The Wellcome Trust, Kotak PE, Kotak Investments and Baring India PE
- Net owned funds crossed ₹ 13 Billion
- Gross annual income crossed ₹ 23 Billion
- Bank credit limit crossed ₹ 60 Billion
- Branch network crossed 2,700 branches



## 2005

Retail loan and debenture portfolio crossed ₹ 5 Billion

## 2007

- Retail loan portfolio crossed ₹ 14 Billion
- Net owned funds crossed ₹ 1 Billion
- Accorded SI-ND-NBFC status
- Branch network crossed 500

## 2008

- Retail loan portfolio crossed ₹ 21 Billion
- Retail debenture portfolio crossed ₹ 12 Billion
- Fitch affirms the F1 short-term debt rating with an enhanced amount of ₹ 800 Million
- Converted into a Public Limited Company

## 2009

- Retail loan portfolio crossed ₹ 33 Billion
- Retail debenture portfolio crossed ₹ 19 Billion
- Net owned funds crossed ₹ 3 Billion
- Gross annual income crossed ₹ 6 Billion
- Bank credit limits crossed ₹ 10 Billion
- Branch network crossed 900 branches

## 2012

- Retail loan portfolio crossed ₹ 246 Billion
- Retail debenture portfolio crossed ₹ 66 Billion
- ICRA assigned long-term rating of AA- Stable and short-term rating of A1+ for ₹ 9,353 Crores Line of credit
- Successful IPO of ₹ 9,012.50 Million in April 2011
- Raised ₹ 6.93 Billion through Non-convertible Debenture Public Issue – Series I
- Mobilised ₹ 4.59 Billion through Non-convertible Debenture Public Issue – Series II
- Net owned funds crossed ₹ 29 Billion
- Gross annual income crossed ₹ 45 Billion
- Bank credit limit crossed ₹ 92 Billion
- Branch network crossed 3,600 branches

## 2013

- Retail loan portfolio crossed ₹ 260.00 billion
- Retail debenture portfolio crossed ₹ 97.00 billion
- Net owned funds crossed ₹ 37.00 billion
- Gross annual income crossed ₹ 53.00 billion
- Profit After Tax for the year crossed ₹ 10.00 billion
- Bank credit limit crossed ₹ 99.00 billion
- Branch network crossed 4,000 branches
- ICRA assigned long-term rating of AA- Stable and short-term rating of A1+ for the ₹ 10,428.00 million line of credit
- Raised ₹ 2.60 billion and ₹ 2.70 billion through public issues of Series III and Series IV secured non-convertible debentures, respectively
- ICRA assigned [ICRA] AA-/Negative for Issue of up to ₹ 4,000.00 million Secured NCDs and Unsecured NCDs
- CRISIL assigned CRISIL AA-/Negative for Issue upto ₹ 4,000.00 million Secured NCDs and Unsecured NCDs

## SECTION 2 - THE COMPANY

# MESSAGE FROM THE CHAIRMAN



**M.G. George Muthoot, Chairman**

**“Gold Loan is a Socially Useful Function”-  
KUB Rao Committee Report, Reserve  
Bank of India**

## **Dear Shareholders,**

It gives me great pleasure to present the 16th Annual Report of Muthoot Finance Limited.

## **Financial Inclusion**

Muthoot is a firm believer of inclusive development. Dr. C. Rangarajan Committee on Financial Inclusion defines financial inclusion as “the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups, such as weaker sections and low income groups at an affordable cost.” It is one of the most critical aspects of growth and development of the country. Financial inclusion can not only bring significant gains to the disadvantaged, but can also contribute to the creation of a more vibrant and stable financial system, thus benefiting the society as a whole. In India, the focus of financial inclusion mainly veered around the integration of rural India into the banking fold. The challenges were manifold, like large area, high cost of small value transactions, weak delivery model, unsuitable products, lack of proper infrastructure availability, low return on investment and customer behaviour preventing expansion in these areas. Hence, our country has a long way to go to achieve 100% financial inclusion.

## **Banker to the Unbanked**

Over the years, Muthoot ventured into the last mile of the remotest rural areas of India and reached out to those millions of Indians who were in dire need of funds for either business or personal purposes. Muthoot helped the ‘aam aadmi’ living in rural and semi-urban areas, who do not have access to organised credit with immediate financial assistance. Built brick by brick with ethics, values, reliability, dependability, transparency, goodwill and integrity, we considered thousands of rural Indians as perfectly bankable, even before the term ‘financial inclusion’ was coined. Thus, we became the sole connect for people living in small villages and thereby playing a major role in financial inclusion.

This venture enabled Muthoot Finance to successfully migrate people from the unorganised sector to the organised sector, saving them from the clutches of unorganised money lenders. It also brought thousands of rural and semi-urban Indians into the ambit of organised credit for the very first time. Moreover, it provided every Indian a share of the much talked about economic growth and freedom through their untapped valuable asset.

Since 1950s, the Company had been assisting the general public of Kerala and surrounding areas for going abroad to countries like Ceylon, Malaysia, Singapore and the Gulf region to seek

employment. It was Muthoot, who came to their financial assistance in aiding them to apply for air tickets and visa when no other organised player was willing to fund them. Today, these NRIs are a major contributor for sending NRI funds, which is a major source for development of the state of Kerala and also foreign exchange contributor to the nation.

A pioneer and leader in the sector, Muthoot Finance undertook revolutionary steps in promoting loans against household gold jewellery with least hassle and documentation. This initiative has today changed the concept of gold loan from a 'last resort' or 'desperate loan' option to a 'life style banking product'.

The Company plays a pivotal role in helping elevate a large number of people, who belong to the vulnerable sections of society across semi-urban and rural India. Today, we have won the trust of our customers and they confidently pledge their family gold with us. This practice was once looked down upon by many as a social taboo.

The Group's 126 years of unblemished track record is a testimonial in itself. Today, Muthoot Finance has a customer base of over 6 million and serves around 80,000 customers a day.

## Financial Performance

During the year under review, Muthoot recorded a growth of 18% in revenues, rising from ₹ 4,549 Crores to ₹ 5,387 Crores. Net Profit grew at 13%, crossing another major milestone at ₹ 1,004 Crores, compared to ₹ 892 Crores achieved in fiscal 2012. The branch network (4,082 branches) also witnessed 11% growth, enabling wider presence across India's 21 states and four Union Territories. These achievements become all the more impressive when considered against the backdrop of a challenging operating environment, which prevailed throughout the last financial year brought about by the regulatory changes and sentiment-driven market speculations.

## Way Ahead

The K.U.B. Rao Committee Report of the Reserve Bank of India has driven out undue uncertainties about the sector and exonerated the sector from the negative perceptions that crept into the minds of various stakeholders. The report categorically says that Gold Loan is a socially useful function and that it provides a strong rationale for careful regulation of the activities. At a time, when financial inclusion is a major policy goal, the services rendered by the gold loan NBFCs, which are a part of the organised market are contributing in a reasonable measure to cater to the borrowing requirements of needy sections of the society.

Besides, gold loans have only a casual impact on gold imports of the country, substantiating the emergence of a liquidity motive for holding gold. In India, buyers do not borrow to further buy gold and thus, gold loans do not drive up the imports. In addition, an increase in gold loans extended by NBFCs and banks does not impact the gold price in India significantly.

Going forward, the industry's prospects are bright owing to better operating environment, stable regulations, easier liquidity, benefits of operating leverage on account of economies of scale and larger customer base.

There is a significant opportunity for growth, given the size of the domestic stock of gold available in the country. About 65% of gold holding is in rural areas, making them a potential growth drivers for financial inclusion. Deepening and widening the market niche, the NBFCs, led by Muthoot Finance, are likely to sustain their due share of business despite competitive forces. Our extensive branch operations and customer additions enhance future business optimism.

For the economy, it is very crucial that the idle gold stocks are monetised for productive purposes to the maximum extent possible. The issue of the rising gold demand in India is indeed very critical and complex. Although, the gold and loan practices in the country are still primitive and largely unorganised, they play a key role in the Indian economy. Therefore, it is of utmost importance to transform the critical gold segment into an organised sector through the strengthening of institutional infrastructure.

## Heart for Cause

At Muthoot, we have always believed that our success is meaningless unless the communities that we serve are thriving as well. Thus, we continued to serve the society under the umbrella of 'Muthoot M George Foundation'. At Muthoot, we have thus been catering to the needs of poor and the underprivileged in the best manner possible.

## Note of Appreciation

Nothing of value can ever be achieved in isolation. Whatever we have achieved till now is the result of collective endeavour and we will continue to strengthen our team effort. I would like to take this opportunity to thank all our stakeholders for making the Company what it is today and paving the way for greater achievements in the years to come. On account of a commendable performance, the Board of Directors would like to announce a dividend of 45% for FY 2013.

Regards,  
**M.G. George Muthoot**  
Chairman

# AWARDS GALORE



## 1. Golden Peacock Award

Conferred with an award for Corporate Social Responsibility services, instituted by the Institute of Directors on 26th April, 2012, at Dubai

## 2. Asian Sustainability Leadership Award

Emerged as the 'Best Rural Outreach', bestowed by the Institute of Public Enterprises at a function held in Dubai, on 27th September, 2012

## 3. Asian BFSI Award

Presented with an award for 'Most Admired Loyalty Programme', held by the Institute of Public Enterprises in Dubai, on 27th September, 2012

## 4. Golden Peacock Award

Bestowed with an award for 'Excellence in Corporate Governance', by the Institute of Directors in London, on 11th October, 2012

## 5. Subir Raha Centre for Corporate Governance Award

Presented with an award for the 'Return to Consumer and Community Development', held on 7th December, 2012 by the Institute of Public Enterprises in Hyderabad

## 6. Skoch Financial Inclusion Award 2013

Conferred with an award for 'Access to Banking and Financial Services', instituted by Skoch Consultancy Pvt. Ltd., on 5th January, 2013, at a function held at New Delhi

## 7. Rotary Binani Zinc CSR Excellence Awards 2012

Honoured with an award for CSR Activities by the Rotary Club of Cochin Metropolis & Binani Zinc, at an award ceremony held at Kochi on 9th February, 2013



# PRODUCT MIX

CORE PRODUCT  
**RETAIL LOANS AGAINST SECURITY  
OF GOLD JEWELLERY**

---

OTHER PRODUCTS  
**MONEY TRANSFER SERVICES  
COLLECTION SERVICES  
WIND MILL POWER GENERATION**

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## PAN-INDIA BRANCH NETWORK



FY 2013		(%)
■ East		5
■ West		13
■ North		17
■ South		65

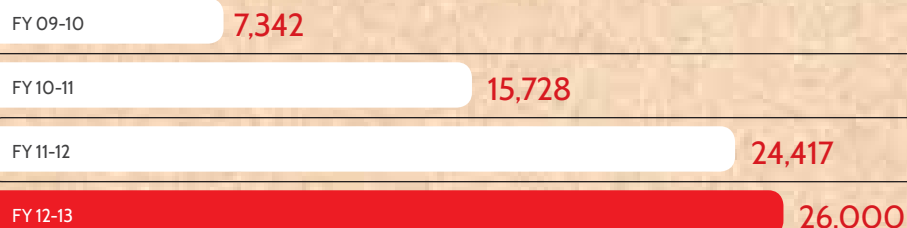
## SECTION 3 - THE BUSINESS

# STURDY FINANCIAL PERFORMANCE

## Gold Retail Loans Assets under Management

(₹ Crores)

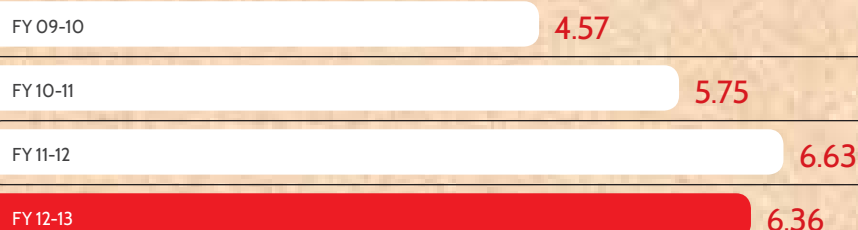
↑ 52 %



## Average Gold Loan Outstanding per Branch

(₹ Crores)

↑ 12 %



## Revenue

(₹ Crores)

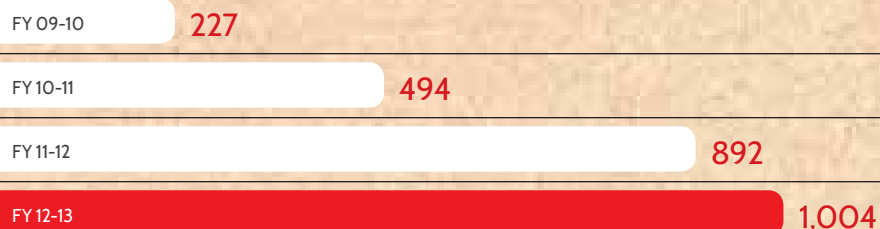
↑ 70 %



## Profit after Tax

(₹ Crores)

↑ 64 %



## Capital Adequacy Ratio

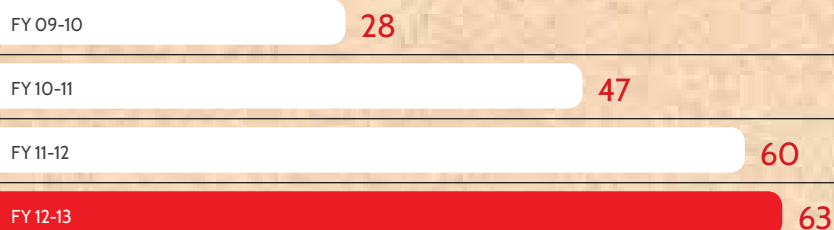
(%)



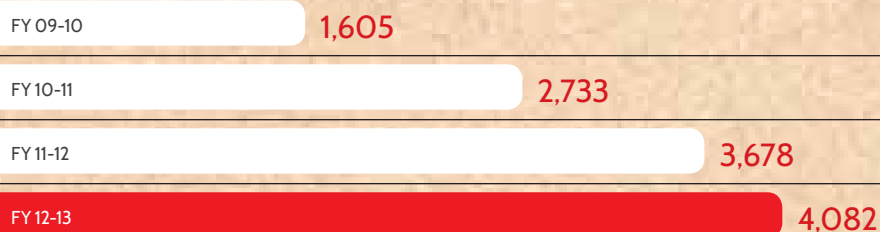


**Loan Accounts**

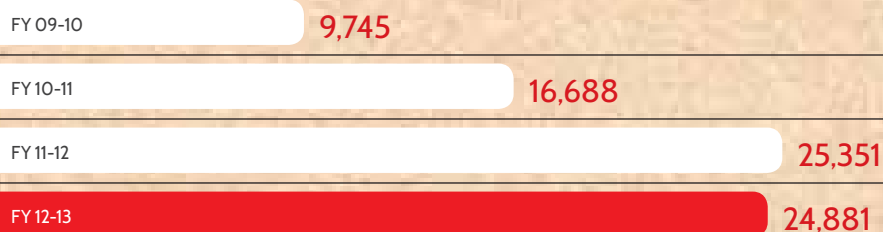
(nos. in Lakhs)

**Branches**

(nos.)

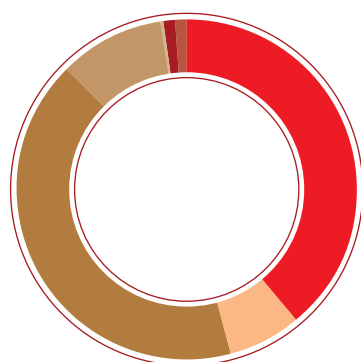
**Employees**

(nos.)

**Breakup of Gross Income**

(₹ Crores)

	FY 12-13	FY 11-12
Interest income	5364	4528
Other income	23	21

**Sources of Funds**

	₹ Crores	%
Secured Non-Convertible Debentures (Muthoot Gold Bonds)	9,460	39
Secured Non-Convertible Debentures (Listed)	1,787	7
Borrowings from Banks	10,136	42
Subordinated Debt	2,300	10
Subordinated Debt (Listed)	10	0
Commercial Paper	216	1
Other Loans	179	1

**Credible Debt Ratings**

- Short-term debt raising programmes have been rated A1+ by CRISIL and ICRA.
- Long-term debt raising programmes have received a rating of AA-/Negative by CRISIL and ICRA indicating that they have a high degree of safety regarding timely servicing of financial obligations. Such instruments carry very low credit risk.

## SECTION 3 - THE BUSINESS

# THE DIFFERENCE LIES AT THE CORE

At MFIN, our core strengths comprise the following:

## BRAND

A seven-decade rich experience in the business across regions, political environments and trade cycles, translating into an industry leading position in the country.

## PRESENCE

Muthoot has the largest branch network in India among NBFCs with 4,082 branches across 20 states, the national capital territory of Delhi and four Union Territories.

## RURAL PRESENCE

Muthoot enjoys a strong presence in under-served rural and semi-urban Indian markets (over 70% of the branches are located in these regions).

## SERVICE QUALITY

We provide quality service to our customers developing a bond with them, which effectively leads to a long-term relationship. Improved service quality may enable us to increase the economic competitiveness.

## COMPETITIVE INTEREST RATES

We have highly competitive rates with a reasonable and well-defined slab system that is easy to understand and interest is chargeable only for the actual number of days for which loan is availed.

## RETAIL INVESTOR BASE

Muthoot has a strong retail investor base of more than 4.5-Lakh investors across our debenture and subordinated debt portfolio. This base is constituted on the trust and credibility that has been built by the Group over seven decades with an unblemished track record.

## LOCAL TOUCH

The employees at all the branches are fluent in the local language and customs. The borrower will thus enjoy the benefits of familiarity.

## SENIOR MANAGEMENT

Muthoot is governed by an experienced senior management team having a rich experience in the Indian gold loan industry, with an ability to increase business through dynamic operational leadership and a strategic vision.

## INTELLECTUAL CAPITAL

Muthoot has a dedicated team of 24,881 members (as on 31st March 2013), professionally trained to service customers.

## TRAINING INFRASTRUCTURE

Muthoot believes and follows building of capabilities at grassroot level through continued training programmes. A total of 79,245 staffs were trained cumulatively under various sessions during FY 2012-13. There are two Staff Training Colleges (Kochi and New Delhi) and 57 Regional Learning Centres attached to Regional Offices. Training of management cadre is also conducted at the five storied, self-owned building of Muthoot Management Academy having 50,000 sq. ft. of training space with state-of-the-art facilities.

## AUDIT SYSTEM

MFIN has instituted a series of checks and balances to maintain integrity of operations. Surprise internal as well as external audits are carried out at timely intervals.

## CORE BANKING SOLUTIONS

MFIN has implemented a Core Banking Solutions software for all its branches. This software, which was developed in-house, connects all branches to a central server on real-time basis. This has enabled automation of inter-branch transactions and effective monitoring of branches centrally.

## ADVANCED SURVEILLANCE

MFIN has installed surveillance cameras and burglary alarms across all branches. Adequate training is provided to the staff as well to handle customer's valuables. Gold ornaments taken as collateral security are kept in a strong room in the same branch premises, where the transaction has taken place. This strong room is under dual custody.

## CUSTOMER GRIEVANCE MECHANISM

We have put in place a proactive customer grievance redressal mechanism that seeks to address customer complaints in real time.

## ASSETS UNDER MANAGEMENT

We are the largest gold loan Indian NBFC with gold loan assets under management to the tune of ₹ 26,000 Crores.

## CREDIT BASE

Muthoot's credit facilities with multiple banks, superior credit rating and asset-quality have enabled mobilisation of adequate low-cost funds.

## ECONOMIES OF SCALE

We, at Muthoot, leverage distribution economies of scale through 4,082 branches. The large number of branches reduces the overall cost of functioning per branch. The operating expense to average retail loans declined from 5.43% in 2008-09 to 3.72% in FY 2012-13.

## NET WORTH

Muthoot's Net worth stood at ₹ 3,736 Crores in FY 2012-13, an increase of 28% over the previous year.

## SECTION 3 – THE BUSINESS

# PRUDENT RISK MANAGEMENT FRAMEWORK

Businesses are exposed to varied risks.

Risk management is the identification, assessment, and prioritisation of risks, followed by coordinated and economical application of resources to minimise, monitor and control the probability and/or impact of unfortunate events, or to maximise the realisation of opportunities. At Muthoot, we identify, assess the probability of occurrence and its impact, prioritise these risks and develop strategies to avoid, prevent, reduce or share the risk.

Few of the major risks and their mitigation strategies are enumerated below:

## COLLATERAL RISK

Any decline in the value of gold collateral following a fluctuation in gold prices could affect the Company's loan integrity.

### Mitigation

- Around 40% buffer is kept on the value of jewellery for calculation of the loan amount.
- The loan is structured solely based on the weight of gold content. The weight and value of stones embedded in the jewellery are not considered when valuing the jewellery.
- The sentimental value of gold jewellery is also another factor, which induces repayment and collateral redemption, even when the collateral value declines below the value of the repayment amount.

## CREDIT RISK

Any failure of the counterparty to abide by the terms and conditions of the business could impact profitability.

### Mitigation

- Rigorous loan approval and collateral appraisal processes are followed.
- Strong NPA monitoring and collection strategy have been instituted.
- The gold jewellery used as collateral for loans can be readily liquidated through auctions; therefore, the possibility of recovering less than the amount due to MFIN is low.

## INTEREST RATE RISK

Any interest rate movement could jeopardise business profitability.

### Mitigation

- The majority of MFIN's borrowings (loans and advances) are at fixed rates of interest.
- Diverse sources of funding have helped reduce the dependence on any one single source.
- Funding is carried out through a combination of borrowings like working capital limits from banks, issue of commercial paper, non-convertible debentures and equity.
- Loans are of shorter duration; demand is inelastic to interest rate changes.



# OPERATIONAL RISK

Any failure of systems, people or processes or any external event could affect business substantially.

## Mitigation

- There are a series of checks and balances including operating manual and audit (internal and external) reviews.
- MFIN has well-defined appraisal methods as well as 'know your customer' compliance procedures to mitigate operational risks.
- Detailed guidelines have been laid out on the physical movement of cash and gold.
- Centralised software has been installed to automate inter-branch transactions, enabling branches to be monitored centrally.
- Installed surveillance cameras across 3,700 branches
- Internal Audit Department and Centralised Monitoring System have been formed to assist the management.

# LIQUIDITY RISK

An inability to mobilise necessary funds to meet operational and debt servicing requirements could lead to sluggish expansion.

## Mitigation

- An Asset and Liabilities Committee (ALCO) meets periodically to review liquidity based on future cash flows.
- There is a mechanism, which tracks the potential impact of loan prepayment at a realistic estimate from a near to medium-term liquidity position.
- Developed and implemented comprehensive policies and procedures to identify, monitor and manage liquidity risks.
- The source of funds has a longer maturity than loans and advances made, resulting in a positive asset-liability matching and hence, a low liquidity risk.

# COUNTER-PARTY BUSINESS RISK

Cyclical or seasonal nature of business of a borrower could adversely impact the loan portfolio.

## Mitigation

- Geographic spread of branches mitigates cyclical pressures in different regions.
- Customers include people from various social strata – from low income levels to upper class.
- Borrower profile consists of people engaged in various income generation activities.

## SECTION 3 – THE BUSINESS

# FREQUENTLY ASKED QUESTIONS

The list aims to provide detailed insight about MFIN's gold loan business

## Are gold imports related to the gold loan market?

Gold imports have no correlation with the gold loan market. The yellow metal is not imported just because it can be used as collateral for loans. The reasons for gold ownership go far deeper – to primarily social and cultural reasons. Gold has been a default savings median. Other reasons comprise an insurance against instability, protection against risk, universal acceptance, easy liquidity and deep cultural affinity.

## What are the implications of gold imports on the nation?

Gold imports account for the second-highest outgo in the country's import bill (after crude oil). Therefore, it widens the country's current account deficit. The government has initiated a series of measures to curb gold imports.

For centuries, gold has remained as a stable asset delivering value, especially in times of uncertainties. During the 1991 crisis, the Government of India secured an emergency loan from the International Monetary Fund by physically pledging its gold reserves. History has proved that gold has remained as a currency without borders.

## Do gold loans influence gold imports?

Gold loans do not influence gold imports, as people do not buy gold to get it financed. Gold is imported to make jewellery. When people are in an urgent need of funds and when formal credit is difficult, they pledge gold ornaments and mobilise money. NBFCs provide loans against gold ornaments used in households only. India is said to be having around 18,000 tonnes of gold and it imports around 700-900 tonnes of the metal every year. NBFCs have an outstanding gold holding of around 360 tonnes, amounting to around 2.00% of India's total gold holding. KUB Rao Committee Report of RBI also confirms that gold loans have only a casual impact on gold imports.

## How do gold price movements impact gold loan growth?

Gold price is not the sole factor, which drives the gold loan business. As far as Muthoot Finance is concerned, from 2006 to 2013, the gold loan portfolio grew at a CAGR of 66%, of which the impact of the gold price was only about 25%. This business is based on the basic assumption that the borrower has a temporary requirement of money and an organised lender is willing to lend it on reasonable terms against household-used gold ornaments. Hence, the gold price is only incidental to the loan and not the main factor driving the business.

## What were the reasons for rapid growth in the asset size of gold loan NBFCs?

Organised gold loan NBFCs grew largely due to an increase in their reach through an addition to the nationwide branch network. Besides, a shift of customers from the unorganised to the organised gold loan segment also occurred. Thanks to the aggressive marketing efforts of the NBFCs, the product enjoys better awareness among the masses. This resulted in gold loan being accepted as the most convenient, quick and hassle-free loan. It transitioned from a distress loan product to a lifestyle loan.

Further, the high stock of gold jewellery in India created a ready collateral pool, which also paved the way for the sector's growth.

## Why do people take gold loans?

Gold loans are generally taken for agricultural and related activities, business purposes including micro enterprises and small-scale industries, retail trade, self-employment needs engaged in running auto rickshaws, taxis and transport operators, hospital expenses, house repairs, education expenses and closure of existing loans, among others.



### What are the prerequisites for gold loans?

Establishing the identity of a person who approaches for gold loans is a precondition for granting these loans. In addition to the ID proof and address proof, the photo and telephone number of the customer are also taken while granting the loan. For a first-time customer, it takes at least half an hour to comply with various procedures like ID/address proof, filling of KYC forms and so on. Once this process is complete, it takes only a few minutes to disburse the loan.

### Why have gold loans emerged as a convenient loan option?

- Counters a debt trap: A gold loan is settled either by repayment or, in case of default, by sale of the pledged security. The cycle of non-payment, recovery mechanisms, restructuring and consequent difficulties to the borrower do not happen in case of a gold loan. In the worst scenario, the borrower may lose his gold, but does not fall into a debt trap.
- Simple procedures, fast disbursement: The formalities in availing gold loans are minimal and procedures are simple. This makes these kinds of loans ideal for meeting short-term liquidity requirements.
- No depreciation of underlying asset: Unlike other secured loans, the probability of depreciation of underlying assets is less. Hence, the lender always enjoys a great degree of comfort, which is not available in other loans. This enables him to take a flexible approach, much to the relief of the borrower.
- Suited for the unorganised sector: Gold loans are ideal for India's large, unorganised workforce. Several people in the country lack documents to prove their incomes. As gold is a liquid collateral and since the need is for a short-term working capital, requirement and the ticket size are small. Besides, submission of liquid collateral obviates the need for a credit appraisal and credit scoring.
- Gains for the wider economy: India has the world's largest stock of privately held gold of about 18,000 tonnes. When this gold is kept idle in our lockers and vaults, it has a significant adverse impact on the country's economy: the effect is like that of keeping billions of dollars in savings outside the financial system.

### What could be the implication of gold price volatility on the gold loan portfolio?

Gold price is only one of the several factors that drive the gold loan business. Hence, its impact on the business is limited. Gold loans are given against a collateral of gold ornaments used in the households and not against bullion. These loans are generally availed for meeting the borrower's short-term working

capital gap. It is generally availed for some productive purposes and is an exposure on the borrower's future cash flow, backed by collateral of gold jewellery. The average ticket size of gold loans is around ₹ 41,000, essentially using ornaments of 25-30 grams as security for each loan, indicating the small savings of the individual.

Around 40% of the gold jewellery's value is kept as margin. However, stones embedded in them are not considered during valuation. This ensures that the jewellery's replacement cost is higher than the loan's redemption amount.

Generally, gold loans are availed for a short duration with an average tenure of four to five months. These loans carry the first priority for repayment, since the borrower wants to retrieve his personal ornaments at the first opportunity. This suggests that the common man is using his personal valuable for meeting some emergency working capital requirement and hence, he retrieves his valuable at the first opportunity when he can accumulate surplus funds. Hence, gold price seems to have only secondary importance in the gold loan business.

A gradual fall in prices over a period of time may not affect the repayment behaviour of gold loans. A sharp fall in the gold price in short time frame, combined with the borrower deciding to abandon the pledged jewellery, can result in a loss to the Company. Here, the differentiating factor will be the sentimental attachment of the borrower to his personal asset, which plays an important role in the gold loan business.

### Since the business predominantly lends against gold ornaments, is there a concentration risk?

Our gold loan portfolio is diversified through the following modes:

- Geographically spread across states, districts, cities, towns and villages
- Social status of the borrowers are among the lower class, lower middle class, middle class, upper middle class, lower upper class
- In terms of occupation, the borrowers comprise agriculturalists, traders, transport operators and small-scale unit owners, among others. For a lender, gold jewellery as security is only incidental. The borrowers taking loans from the Company are not trying to take a bet on the gold prices, but have a genuine loan requirement. When their need is fulfilled, they repay the loan and recover their security. For all the above reasons, we feel that a concentration risk does not exist.

## SECTION 3 – THE BUSINESS

# FREQUENTLY ASKED QUESTIONS

## Why NBFCs are able to excel in the gold loan business compared to others?

NBFCs have focused approach on this product. They have built dedicated teams for processing and disbursing loans. The critical part in gold loan process is the appraisal of gold jewellery. NBFCs have their own trained staff to do the appraisal, which enables them to disburse the loan quickly. Moreover, these companies hire talent having competencies, have standardised the process and generate a high level of acceptance among customers.

## How do NBFCs ensure loan security along with business growth?

The gold loan NBFCs instituted strong processes and practices to secure their businesses. As a result, even though branch presence increased significantly, credit losses remained negligible due to operational consistency and predictability.

## Why are NBFCs ideally placed to grow in the gold loans market?

Borrowers do not like to travel long distance carrying the gold ornaments, but prefer a location near their home to acquire the loans. NBFCs have a wide network spread across the country and are in a position to cater to the requirement of borrowers. Moreover, the cost-effective model of NBFCs enables them to operate such an extensive network.

## Is the gold loan industry compliant with the prudential norms?

All major gold loan NBFCs comply with capital adequacy, risk weightage and provisioning norms stipulated by the Reserve Bank of India (RBI).

## What are the differences between the norms prescribed for Banks and NBFCs?

- The recent LTV cap of 60% of the value of jewellery is applicable only to NBFCs.
- Gold loans granted by banks can be classified under agriculture for the purpose of priority sector, whereas the same loan granted by NBFC to the same borrower is not eligible to be classified under the similar category.

- Risk weightage of gold loans given by banks with LTV of less than 75% is zero, whereas the same loan given by an NBFC carries a risk weightage of 100%.
- Capital Adequacy Ratio for banks is only 9% with a minimum Tier-I capital of 6%. For gold loan NBFCs, it is 15% with minimum Tier-I capital of 12%.

## Does the sector require an LTV cap?

- LTV cap brings standardisation in the industry, especially, since numerous new entities have entered/plans to enter this sector, probably without understanding the nuances of it.
- The flip side of this regulation is that it will not be binding on the unorganised sector, which controls a vast majority of the existing business. This may drive borrowers back to the unorganised sector. The efforts, which organised NBFCs took for several years in bringing awareness, standardisation and transparency in the sector, will go waste on account of this move.
- Again, this is not applicable to banks, which is discriminatory and does not provide a level playing field.

## How big is the unorganised sector?

- Unorganised lenders exist in this country's every village and town. Almost all are run by individuals.
- Given the magnitude of operations, the unorganised sector could be at least twice as big as its organised counterpart.

## Will gold loan NPA affect the business?

Gold loans are generally given out for 12 months. As per prudential norms of the RBI, loans become NPA when they are overdue for 6 months, i.e., 18 months from the date of sanction. Technically, a loan is classified as an NPA, though it is still backed by highly liquid collateral. Moreover, the Company provides 10% general provision on substandard assets and 100% provision on doubtful assets. Hence, credit losses are more important than NPAs in the gold loan business.

### Why are gold loans disbursed in cash? Is it a violation of tax laws?

Though a majority of our customers have bank accounts, everyone prefers to avail of a loan in terms of cash. The reasons could be:

- 1) In retail trade, the accepted form of transaction is through cash
- 2) Access to credit cards is beyond the reach of a common man
- 3) Cheque collection takes almost three days even today
- 4) For electronic transfers, procedural difficulties are numerous, though the money is credited within a few hours
- 5) Varying limits apply in terms of amount that can be withdrawn from ATMs

Disbursement of gold loan in cash is not a violation of any of the tax laws

### Do gold loans abet money laundering?

- The average ticket size of the gold loan offered by us is around ₹ 41,000.
- Of the total gold loan portfolio of ₹ 26,000 Crores, as on 31st March 2013, 61% of the loans had a ticket size equal to/ less than one Lakh rupees; 27% of the loans had a ticket size above one Lakh rupees and up to three Lakhs rupees. Only 12% of the loans had a ticket size above three Lakhs rupees. However, even the average ticket size of loans above three Lakhs rupees was only five Lakhs rupees.
- The Company complies with KYC norms, obtains address proof and identity proof, and takes photographs of the customer through a webcam.
- A person always carries a better option to sell his/her jewellery if his/her intention is to derive maximum value, since the maximum LTV on a gold loan is 60%.
- In addition, the person will be leaving a trail of the transaction supported by the documents mentioned above.

### How is gold auction conducted?

- Ornaments are taken for auction once they become overdue or when the receivable value on the loan exceeds the realisable value of the ornaments
- Notice is sent to the defaulted borrower well in advance, informing him/her of the auction date and venue by registered post
- Thereafter, the gold is auctioned publicly in the presence of the auctioneer
- If the amount realised is more than the amount receivable, the surplus is refunded to the borrower

### Are interest rates high?

- Lending rates primarily depend on the cost of borrowings and operational expenses of the NBFC
- Cost of borrowings for an NBFC has traditionally been high, as unlike banks it does not have access to low-cost funding sources like a current account and savings account. Every single rupee borrowed will be at the market rate of interest.
- Since NBFCs operate as the last-mile connectivity and especially the ticket size of gold loans is low and volume handled high, operational expenses are also high. For FY13, this was around 3.72%.
- However, the average lending rate for FY13 was around 21.60%, which was one of the lowest in the industry. The average cost of borrowings was around 12.52% during the year.
- Unless NBFCs are provided funding options at lower rates, lending rates cannot be reduced below a certain level.

### How are safety and security of pledged items ensured?

- Gold ornaments taken as collateral security are kept in a strong room in the same branch premises where the transaction has taken place
- The strong room is secured under dual custody
- Burglar alarms are installed in all branches
- Majority of the branches are under CCTV surveillance connected to a central location
- Security guards (with gun/without gun) are deputed to branches depending on the security threat
- Insurance coverage is taken on stored gold ornaments
- The Internal Audit Department does routine inspections of the stored ornaments
- The Vigilance Department periodically reviews the security aspects of the branches

### What is the customer grievance mechanism?

- If the customer has any grievance about any aspect concerning the services availed from the branch, he should first bring it to the notice of the Branch Manager concerned
- If the Branch Manager is unable to resolve the problem, the customer shall take up the matter with the Regional Manager concerned, to whom the branch reports.
- If the Regional Manager cannot resolve the grievance as well, the Customer may write to the Officer, Grievance Redressal Cell at the Corporate Office.



## SECTION 4 - THE CUSTOMERS

## BEING CLOSE TO THE CUSTOMER ALWAYS HELPS

This is our guiding philosophy at MFIN and we focus on exceeding customer expectations through the application of our robust knowledge base. Customer proximity creates an environment of trust, goodwill and reassurance. And one happy customer leads to another.

### Expansion

- Strong presence in the under-served rural and semi-urban hinterlands of the country, which have over 70% of our branches
- Initiatives aimed towards creating incremental presence across India through a focused expansion route that covers the maximum number of people possible
- Intend to create new markets to unlock the unbanked growth potential and reach out to areas, which have very limited access to organised financial channels



## PAN-INDIA PRESENCE

WE HAVE THE LARGEST BRANCH NETWORK AMONG INDIA'S GOLD LOAN NBFCs WITH 4,082 BRANCHES ACROSS 20 STATES, THE NATIONAL CAPITAL TERRITORY OF DELHI AND FOUR UNION TERRITORIES.

### Convenience

- We have always believed in reaching out to customers and fulfilling all their needs in the best way possible.
- A gold loan borrower would typically believe in being at convenience when he/she thinks of taking a loan against this security. The person would certainly not desire to commute long distances with the gold or the cash in his/her possession. Therefore, Muthoot has always strategically opened its branches to enhance accessibility.
- Distinct advantage over the unorganised sector through possession of highly experienced employees who are experts in assessment and disbursal of loans. These help the customers obtain small gold loans at a rate faster than any other lender.
- A potential gold loan customer can be assured of being given quality service by trained and customer-centric employees. They can also be assured of the confidentiality in dealings.

### Word of Mouth

One satisfied customer always leads to more through positive word-of-mouth publicity.

### Competitive Interest Rate Structure

The interest rates are highly competitive with a reasonable and well-defined slab system that is easy to understand. The ones who repay earlier are bound to get the benefit of a better rate and the interest chargeable only for the actual number of days for which loan is availed.

### Customised Localised Environment

- A posh banking set-up may not be ideal for a farmer or an artisan or a small entrepreneur to walk into. Therefore, it is necessary that facilities provided to the customers through its branches makes them feel comfortable to walk in and avail a loan.
- Branches have been designed in a manner that the ambience suits the locality.
- Besides, the service of employees who are fluent in the local language and customs, the borrower also enjoys the benefits of familiarity. That makes it easier for him/her to interact and get the doubts cleared.
- Safe environment, trust and a single-focused approach towards all customers.

## From 'last resort' to 'lifestyle banking product'

Muthoot has always recognised the importance of customer experience and the same is reflected in its customer servicing. It aims to cater to the large customer base and at the same time educate the masses to change their perspective of a gold loan from a 'last resort' or a 'desperate loan' to a 'lifestyle banking product'.

## SECTION 4 - THE CUSTOMERS

# PARTNERING CUSTOMERS IN THEIR PROGRESS

**At Muthoot, we always believe in fulfilling aspirations through fruitful partnerships with customers.**

Traditionally, gold has acted as principal collateral for lending by the unorganised local moneylenders. This practice has been prevalent even before the advent of the gold-loans as an institutional product. The non-transparent terms and exorbitant rates charged by them, at times, led to the loss of borrowers' family's heirlooms and other items of emotional value attached to the jewellery. Therefore, it has become very important to change the customer mindset and fulfil their needs.

## For the customer

- India's Gold Loan product is an outcome of a unique customer need and has witnessed a high-degree of fine-tuning to suit varied customer needs, over the years.
- It is looked upon as a convenient, hassle-free borrowing product that customer seeks to avail repeatedly in times of need.
- Even though the LTV ratio has been capped at 60%, it is still a strong driver for a customer.
- Low turnaround time to get a loan, nimble cost structure, safekeeping of valuables and longstanding trust are the key drivers for customers.

## The Power of Prarthana

**Customers have time and again showed immense faith in Muthoot. Therefore, it is our moral imperative to reciprocate the trust in a modest, but meaningful manner.**

- Every morning before starting of work, all employees conduct a 'Prarthana' (prayer) for the betterment of all Muthoot's customers. This is a unique exercise in India.
- In addition to 'Prarthana', Muthoot understands the emotional value of gold jewellery, which is pledged by the customer. In appreciation of this fact, the Gold is received in a velvet tray, conveying the clear message that their Gold is as safe as it is kept at home. Muthoot doesn't treat it as a commodity, but as a valuable personal item having a strong emotional connect with the customer.

## Customer Delight

### Sanction amount and faster turnaround time

The amount is sanctioned on the basis of the value of the gold possessed by the customer and the product selected by him/her. There are no deductions on the sanctioned amount on gold loans. Besides, customers are not charged any additional fees. A repeat customer can leave with a loan in a just a matter of 10-15 minutes.

### Repayment and Prepayment

The maximum duration of a Gold Loan is one year, after which the principal has to be repaid. Moreover, in case of prepayment, there are no charges. Instead, the interest rate is lowered as per the scheme chosen by him and only for the actual number of days for which loan is availed. However, a delay in interest payment definitely attracts penalties.

### Timely reminders

Customers are sent timely reminders when the payment date is nearing. They are provided with reminders through an SMS, so that they do not miss out on payments.



## SECTION 5 - THE SOCIETY

# DEEPENING AND WIDENING FINANCIAL INCLUSION

**At Muthoot, we provide gold loans to millions of people, stimulating growth in India's rural, semi-urban and urban sectors. It is safe to assume that gold loans aren't influencers of gold imports, but play a very important role of monetising the idle gold lying with people. We have always aimed at enhancing our presence to capture the rural opportunities and concurrently maintaining our commitment to corporate social responsibility. We are extending financial inclusion in rural India in a commercially viable manner.**

- In both rural and urban India, gold jewellery is held by many individuals, many of whom are considered unbankable on account of inadequate documentation or uneven nature of their earnings.
- Our timely financial assistance to these individuals, against their dormant asset viz. gold, has transformed an unproductive holding into an economy driver. This initiative led to the 'financial inclusion' of the rural and urban poor even. Muthoot ventured into this activity decades back even before the term 'financial inclusion' was coined. It also brought thousands of unbanked population into the realm of banking for the first time. It enabled millions to get credit on reasonable terms and meet their needs.

## From excess or scanty to appropriateness

Muthoot Finance Ltd. is committed to create a balance. It has always believed in a simple yet profound theory of 'from excess or scanty, to appropriateness'. A prominent example

of its financial inclusion policy. We provide gold loans on easy and affordable terms and conditions to people of each segment of society. Driven by the invaluable trust and commitment that people have shown across decades, we have created an enduring reputation.

## Skoch Financial Inclusion Award

In recognition of Muthoot Finance's role in building a sustainable economic model of financial inclusion, it was conferred with the coveted 'Skoch Financial Inclusion Award 2013' by Dr. C. Rangarajan, the Hon'ble Chairman, Economic Advisory Council to the Prime Minister and Former Governor of the Reserve Bank of India.

## Money Transfer Services

Muthoot's Money Transfer Service Scheme (MTSS) is a quick and easy way of transferring personal remittances from abroad to beneficiaries in India. This scheme is regulated by Reserve Bank of India. The scheme allows personal remittances from abroad towards family maintenance and also remittances favouring foreign tourists visiting India. It is an easy way of transferring money for expatriates to their family back home, especially from those who are in Gulf countries. It also enables inflow of valuable foreign currency into India.

At, Muthoot, we have tied-up with various agents to disburse these inward remittances for a fee. MFL is in an advantageous position to disburse these on account of its wide network spread across India's rural and semi-urban areas. This is yet another manner in which MFL participates in meeting the financial inclusion objectives.

## FY 2012-13 highlights

**19 Lakh Transfers during the year**

**₹ 3,844 Crores Total amount disbursed**

# THE GOLD LOAN RANGE BEGINS AT ₹ 1,500 AND HAS AN AVERAGE TICKET SIZE OF AROUND ₹ 41,000.

# Inherently Inclusive

IS A PASSIONATE  
ARTICULATION OF OUR  
BUSINESS PHILOSOPHY THAT  
TRANSLATES ASPIRATIONS  
INTO ACHIEVEMENTS.

HERE IS A GLIMPSE...

# Sowing Seeds of Hope

Mrs. P. Karpagam hails from a small township in Madurai called Othakadai. A rice farmer by profession, her day begins very early in the morning and ends only at dusk.

It is a job that entails many hours on the field and yet, she does it gladly day-in and day-out, to provide her two sons with the gift of higher education. Both of them had ambitions to complete their degrees in Engineering.

Being a farmer, there was only so much Mrs. Karpagam could do to fulfil both her son's dreams. Even loans were hard to come by, for a small rice cultivator, until she was put on to Muthoot Finance. With the help of gold loans Mrs. Karpagam's horizons expanded immediately.

Today, both her sons are engineers. Her business is flourishing and she recently even availed another loan to construct a new house in her hometown of 30 years.



MRS. P. KARPAGAM  
MADURAI



I KNOW, NO MATTER WHAT, WITH  
MUTHOOT BY MY SIDE, ANYTHING IS  
POSSIBLE.

# One Stitch Ahead



In the din and bustle and heat and dust of Howrah near Kolkata, hosiery is a thriving industry. Kartik Dutta has been a part of that industry for many years, stitching seamless stockings, socks and more, day in and day out for a private company.



MR. KARTIK DUTTA,  
SALKIA, HOWRAH

But, deep down, he nurtured dreams of entrepreneurship. At Muthoot, we supported his dreams and he never looked back. Armed with a loan from Muthoot, he started a hosiery store for children. Within a few months, his products became popular for their quality and affordable pricing. Demand shot up and Mr. Dutta was faced with supply constraints.

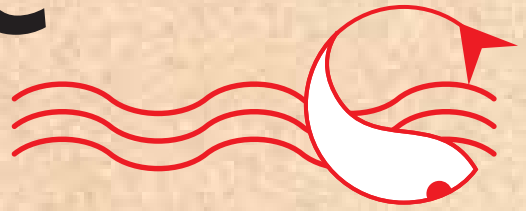
Once again he approached Muthoot and we quickly arranged for capital that enabled him to invest in two more textile machines. Eventually, with the business booming, he availed another loan to move into a new premise.

“Confidence matters in any kind of entrepreneurship and Muthoot gave me the confidence to change my life”, confesses Kartik Dutta.

**That confidence is Kartik’s prized possession in the tough world of entrepreneurship.**

**CONFIDENCE MATTERS IN ANY KIND OF  
ENTREPRENEURSHIP AND MUTHOOT  
GAVE ME THE CONFIDENCE TO CHANGE  
MY LIFE.**

# King of the Sea



The sea, with its many moods, has always been a deep fascination for S. Pious. He loved to ride on the crest of the waves and marvel at the immensity of the blue water. When he grew up, Pious became an ace fisherman and started saving money to own a catamaran. But he faced an uphill task as weather changes adversely impacted his daily catch.

It was at this time that he heard about Muthoot gold loans and decided to try his luck. The dream to own a catamaran egged him on. As he made his way to the Muthoot branch for a gold loan, he did not know that success was only a few kilometres ahead.

After buying his first catamaran with the help of a gold loan, his business grew significantly. At every step of the way, he received enthusiasm and support from Muthoot. Today, Pious owns three mechanised boats and employs 35 people.

**Pious still loves the sea with all its grandeur and cherishes the partnership with Muthoot that has made all the difference in his life.**

MR. S. PIOUS, SOUTH  
KUNDAL, KANYAKUMARI



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**MY ASSOCIATION WITH MUTHOOT  
WAS LIFE CHANGING. THEIR HELP AND  
SUPPORT MADE ALL THE DIFFERENCE.**

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# Crossing Frontiers



The journey from aspiration to achievement is often a long and tortuous one. It's like crossing one frontier after another in quest for a cherished goal. At Muthoot, we try to alleviate the suffering through proactive intervention and support.



MRS. JASWINDER SINGH  
AND FAMILY, LUDHIANA,  
PUNJAB

For Mrs. Jaswinder Singh and family, it had always been a dream to see her son well settled. Despite obtaining an engineering degree, her son found it difficult to get a job with a decent salary in India. That's when the family decided to send him and his wife abroad. However, that was an expensive venture.

Visa expenses, tickets and allied expenses to settle abroad, needed capital that no bank was willing to provide. After weeks of fruitless efforts, she heard about Muthoot Finance from a family member. That's when Mrs. Singh discovered the power of a gold loan.

Today, Mrs. Singh is a proud mother, as her son and daughter-in-law are well-settled in the UK now. Her son earns well and her daughter-in-law has just finished a course in International Business. New frontiers of opportunities are now opening up for the Singh family and it all started with the power of gold.

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**I NEVER KNEW THE POWER OF A GOLD LOAN UNTIL I KNEW ABOUT MUTHOOT FINANCE. THANK YOU FOR YOUR TIME-CRITICAL SUPPORT.**

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# The Aroma of Achievement

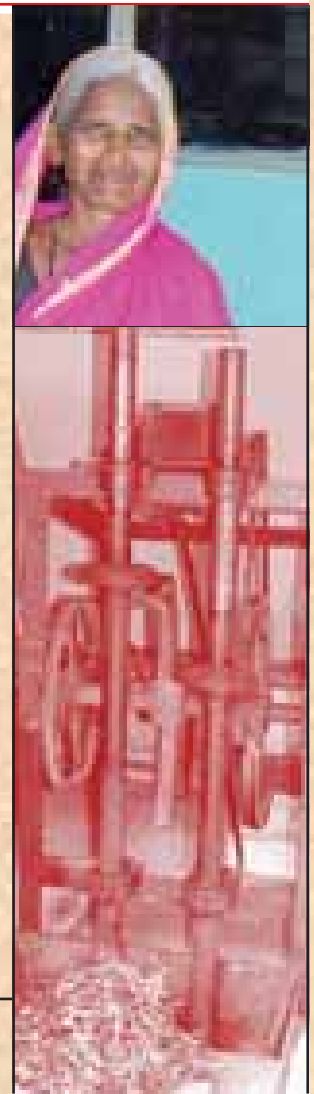


A self-employed woman hailing from Pune, Ms. Sumanbai Ingole is considered by most as an independent, hardworking lady. Every morning, her business, a chilli grinding operation, fills the air with a delicate spicy aroma, invigorating everyone far and near.

But years of wear and tear were taking a toll on her machinery. They required a considerable sum of capital to be repaired or replaced. But financing a self-employed woman was something most banks were not ready to do. After weeks of futile searching and knocking on the doors of every corporate bank in her town, she heard of Muthoot from a neighbour.

At Muthoot, we were sensitive to her needs and immediately set about arranging a loan. Ms. Ingole was able to get a gold loan that took care of the repair costs of her grinding machine easily. Within just days of walking into a Muthoot branch, the streets around her neighbourhood were once again invigorated by the aroma of fresh chillies.

MS. SUMANBAI INGOLE  
PUNE



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**HAD IT NOT BEEN FOR MUTHOOT,  
I WOULD NEVER BEEN ABLE TO CONTINUE  
MY BUSINESS.**

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# Sheltering Aspirations



Mr. Prabhulal Kohli had one simple aspiration, his own house. He had already purchased a land in Kutch, Gujarat and dreamt of building his dream house with meticulous care.

But, when it came to availing a home loan, he faced denial from banks. The banks insisted on tax returns for at least four years, which Mr. Kohli could not provide. Now, faced with rejection he was losing all hope, until he heard about Muthoot. At Muthoot, we understood how badly he needed the loan and initiated appropriate measures to disburse loans as soon as possible. Kohli couldn't believe he had the loan that he so badly needed to begin building his dream home.

Today, Mr. Kohli's dream has turned into a reality. He now feels happy recounting the story of how Muthoot's efficiency and understanding helped him build a home.

**Ordinary people with simple aspirations like Mr. Prabhulal help drive Muthoot's inclusive agenda.**



MR. PRABHULAL KOHLI,  
BHACHCHAU,  
KUTCH

**TODAY, I HAVE BEEN ABLE TO BUILD MY HOUSE BECAUSE OF MUTHOOT'S FINANCIAL ASSISTANCE. THEIR HELP AND SUPPORT ARE INVALUABLE TO ME AND MY FAMILY**

# Ideas, Inclusion & Hot Samosas

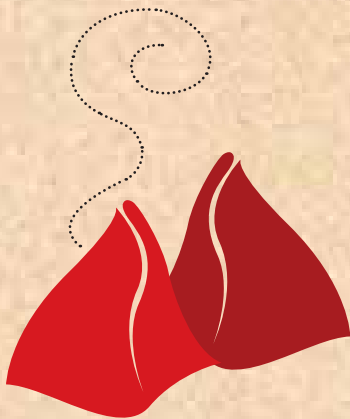
Malla Siva Kumar's day begins when the world is sleeping. So that when the first train rolls into the little town of Ankapalle in Andhra Pradesh, passengers are welcomed with the aroma of fresh and hot *samosas* - a specialty that Malla is known for.

A railway canteen contractor for many years, Malla enjoys delighting the weary railway customers with his specialty. However, to run the business successfully, Malla had to gauge everyday's expected demand. Whenever he needed immediate capital from banks to prepare more eatables, he faced high interest rates and long approval times.

One day, he met a friend who suggested to opt for a loan from Muthoot Finance. Wary at first, he walked into a nearby branch and was surprised by the levels of service and friendliness exhibited by the Muthoot staff. Within just a few hours, he had the capital he needed to run his business. Besides, the repayment terms were also very lucrative. It's been three years since he met Muthoot Finance, and Malla's samosas still continue to be the hottest selling item on the platforms of Ankapalle!

**Our inclusive ideas help small entrepreneurs like Malla realise their ambition.**

MALLA SIVAKUMAR,  
ANDHRA PRADESH



**I AM NOW CONFIDENT ABOUT MY FUTURE  
AND KNOW THAT MUTHOOT WILL TAKE  
MY BUSINESS TO GREATER HEIGHTS OF  
SUCCESS**

## SECTION 5 - THE SOCIETY

# AN INCLUSIVE JOURNEY TOWARDS SOCIAL RESPONSIBILITY

At Muthoot, we aim to help create a less discriminatory and more inclusive world through our business initiatives.

Late Shri. M. George Muthoot always believed that one should never lose any opportunity that may come across one's life to help the poor and the underprivileged. In line with this philosophy, Muthoot has always believed in giving back to the community in more ways than one.

The Muthoot Group has constantly reinforced its social commitment through its CSR wing – Muthoot M George Foundation. The Group has contributed to the society in several ways.



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**AT MUTHOOT, WE AIM TO HELP CREATE  
A LESS DISCRIMINATORY AND MORE  
INCLUSIVE WORLD THROUGH OUR  
BUSINESS INITIATIVES.**

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# HEALTHCARE AND EDUCATION

## Muthoot Medical Centre & Nursing Colleges

Muthoot Healthcare has two multi-super specialty hospitals, a primary healthcare clinic and 17 diagnostic centres. It also has an education unit with two nursing colleges and two schools of nursing & allied health science colleges.

- The Mar Gregorios Memorial (MGM) Muthoot Medical Centres at Kozhencherry and Pathanamthitta are multi-super specialty hospitals having 300-beds each and offer many specialty and super-specialty medical facilities to local people as well as people in the surrounding areas.

## Medical Camp

The Foundation organised various medical camps at rural areas in Tamil Nadu, Andhra Pradesh and Karnataka.

## Distribution of bed sheets

The Foundation distributed bed-sheets to the poor patients of Palliative Care Unit, Vellamunda.

## Donation for kidney patients

The Foundation donated ₹ 1 Lakh for 'KANIVE 95', a project of Shanthi Medical Information Centre, Thrissur for kidney patients.



## St. George's School, New Delhi

St. George's School in New Delhi has evolved into a well-known institution that has more than 3,000 students and 140 faculty members. The school is dedicated towards the cause of progressive education and instil social, moral and spiritual values to its students. Special focus is laid on building high moral character and discipline among its students.

## Muthoot M George Excellence Award 2013

Muthoot M George Excellence Awards were presented to the best students of Department of Commerce, St. Thomas College, Kozhencherry.



## Educational Assistance

- Muthoot M George Foundation handed over the educational assistance cheque to Ms. Rajapushpam through Muthoot Finance, Rajapalayam Main Branch
- Distributed Excellence Awards and Cash Prizes to tenth standard toppers of 200 Government Schools in Kerala.



## SECTION 5 - THE SOCIETY

# AN INCLUSIVE JOURNEY TOWARDS SOCIAL RESPONSIBILITY

## SOCIETY AND AWARENESS

### Projects in public interest

The Group has adopted several initiatives in public interest that bring together and strengthen the work of philanthropic institutions, non-profit groups and other public interest organisations, who share the common vision of a society that ensures justice, dignity and opportunity for all.

### Various initiatives under the public interest included the following:

- 'Clean City-Green City' Marathon and Road Show
- Sound pollution - 'Horn not OK please'
- E-toilet at Indira Priyadarshini Children's Park
- Centre for generating traffic awareness
- Fund raising mini-marathon
- Traffic island
- Solar Sangh Mandi Light
- Donation of solar water heater and water purifying system to the Government School, Kozhencherry
- In association with the Lions Club Cochin Pride, a Drinking Water Project was inaugurated at Kumbalangi Government UP School, Ernakulam

### Socio-economic development

- Marriage assistance for girls, especially for the marriage of daughters of widows
- Awarding toppers and meritorious students from government schools from the economically backward sections
- Notebook distribution

- Distribution of school uniforms
- Counselling
- Donations to physically challenged persons
- Donated sewing machines
- Christmas celebrations at a general hospital in Ernakulam
- Distribution of saris to widows at the Bhoopalarayerpuram Branch under Tirunelveli Region
- Handed over archery equipment to Mr. Kishore A., a Paralympic Games aspirant, for training
- Distributed piggy banks to the students of St. Francis UP School, Amballoor, to inculcate a habit of savings in them
- Financial assistance was provided for the new building of Snehatheeran Charitable Trust, Kerala for rehabilitation of mentally disabled woman
- Provided financial assistance to Prathyasha Kendram, Idukki, registered society under Kerala State AID Control Society
- Assisted financially economically backward classes to help them receive treatment for serious illnesses
- In memory of our Founder Chairman, late Shri. M. George Muthoot, The Muthoot M. George Foundation has instituted an award of ₹ 2,00,000 in cash and citation to the Best Young Researcher in Nephrology every year.
- Provided assistance for Dialysis to the needy patients, at leading hospitals across various cities

# 277

Extended assistance  
to 277 young women  
during their marriage

# 50,000

Distributed 50,000  
notebooks to school  
students

# HEALTH AWARENESS

As a part of its community initiatives, the Company organised several health awareness drives during the year under review.

Some of them have been mentioned below:

- Organised free medical camps at Mezhuwayli near Ranni, Kerala
- Held awareness rally on World Aids Day at Kozhencherry, Kerala
- Arranged an obesity detection and awareness camp
- Organised a diabetes detection and awareness camp on the World Diabetic Day
- Held a cancer detection camp
- Arranged a World Health Day awareness rally
- Organised a health camp for police personnel

# OTHER INITIATIVES

## Collaboration with Delhi Daredevils

During IPL 2013, the Muthoot Group partnered Delhi Daredevils to launch new Corporate Social Responsibility programmes. Some of these initiatives have been discussed below.

- The Company pledged to donate ₹ 6,000 for every six and ₹ 4,000 for every four; this initiative is dedicated towards the cause of education of the underprivileged children of India. Amount thus pooled was donated to 'Magic Bus' and 'Save the Children', both-well known NGOs for the rehabilitation of deprived children.
- The unique 'Dus Ki Toli' initiative helped the Company provide an opportunity to 64 children staying in slums in Delhi and Kochi to be a part of the action by standing in as ball boys and ball girls for the team's home matches

## Paul M George Memorial Tournament

- To identify and nurture rural sporting talent, the Muthoot Group conducted the Paul M George Memorial Cricket Tournament for government school students. An Under-16 Twenty20 tournament was held in October at the St. George's School, New Delhi to serve the same purpose.

## Tournament highlights

- Encouraged 128 students from eight Delhi Government Schools to participate
- Selected eight most valuable players from each team; they will be trained at the St. George's Sports Academy for a year without any fee
- Gave away prizes worth ₹ 50,000 to the winners and ₹ 25,000 to the runner-up team
- Contributed towards educational scholarships worth ₹ 10,000 for the best player from each team
- Selected two other best players from each team as ball boys for the home matches of Delhi Daredevils during IPL Season VI
- Gave away a cricket bat autographed by the key players of Delhi Daredevils to the winning team

## Medical facilities

Muthoot Finance, in association with the Delhi Police Force, conducted a 19-day long Delhi Police Heart and Eye Check-up Camp at the NDMC Hall, New Delhi. It was supported by the Foundation for Social Awakening (FSA), Paysuni Charitable Trust and Fortis Escorts Health Institute.

## National level debate competition

Muthoot Finance was associated with the National University of Advanced Legal Studies to arrange Altus Disputatio, a national level debate competition held every year.

## SECTION 6 - THE EMPLOYEES

# NURTURING TALENT TO DELIVER INCLUSIVENESS

**At Muthoot, we nurture talent and seek to retain employees for the long term. Our people deliver inclusiveness for customers, encouraged by a culture of transparency, collaborative learning and shared achievement.**

- Employees are offered various learning and growth opportunities, an attractive career path, excellent reward systems and various other benefits.
- Muthoot has created a culture of meritocracy, inculcating forward-looking practices and embedded robust work ethics in the organisation. It treats its employees as family members and not as employees. They are always encouraged to consider themselves as the owners of the Company.

The Company's human resource department represents the foundation of its growth encompassing manpower planning and proactive training, which is reflected in the incremental productivity quotient of each member. The primary objective of the HR department is to ensure the welfare of employees and their development.

## Diverse work culture

Muthoot offers its employees a diverse work culture. Its employee base comprises people from different corners of the country. They belong to various castes, follow separate religions and speak different languages. The employees are recruited on a pan-India basis and are provided the opportunities to excel in their respective career paths.

- The Company recognises the importance of working as a single entity despite an inherent diversity. This kind of integration also leads to a healthy spirit of competition. The employees are imparted continuous training to upgrade their skills, thereby creating sustainable growth and building a strong organisation.
- Muthoot employs retired bankers to utilise their expertise and experience in the banking field. The Company also recruits ex-defence personnel. The objective is to reiterate the discipline and corporate governance practices, thereby creating better team spirit.

## GENDER DIVERSITY 60:40

Ratio of Males: Females at Muthoot



An online e-learning module is also being instituted to enhance the knowledge of the employees.

### Staff Learning and Development

At Muthoot Finance, a strong emphasis is placed on enhancing the skill sets of the existing employees as well as new recruits. Procedures of the HR Department are formulated around fairness and transparency. The Company has tied-up with various colleges to enable employees upgrade their professional skills. One of the Company's marquee tie-ups includes collaboration with the Indian Institute of Banking and Finance (IIBF), which conducts the Certified Associate of Indian Institute of Bankers (CAIIB). The successful completion of courses of this institute provides the employees with an edge over others at the time of increments and promotions.

### Staff Training Colleges

The staff training colleges were established in 2003, when Muthoot Finance had about 300 branches. The two colleges at Kochi and New Delhi were formed to provide training to new employees within two months of their joining. The new and existing employees are provided with a three-day induction training that helps them get acquainted with the operational procedures at Muthoot.

The two college campuses focus on the staff's overall personality development. The training covers various parameters that include:

- Enhancing public speaking skills
- Using basic etiquettes with the customers
- Undertaking proactive steps during a crisis
- Providing in-depth knowledge of various products and services offered by the Company



## SECTION 6 - THE EMPLOYEES

# NURTURING TALENT TO DELIVER INCLUSIVENESS

## **Muthoot Management Academy**

Muthoot Management Academy is a Management Development Centre based out at Kochi, which focuses on managerial cadre. It has its own five-storeyed building with about 50,000 sq. feet of space, state-of-the-art facilities that include a Computer Lab, four Lecture Halls, facility to accommodate more than 150 participants at a time, with recreation facilities and so on and so forth.





### Swift Promotion Procedures

At Muthoot, the fast-track promotion procedures encouraged professional growth even for junior and intermediate staff members. Outstanding performance can help an executive employee to reach the position of a branch manager in just two years.

### Enhancing Internal Communication

Muthoot has undertaken various initiatives to strengthen harmony among its employees. It has conducted various activities that boost internal communication among employees. Besides, the Company issues newsletters, where Company and staff related activities are captured for the general information of staff and customers. Besides, the Company organises staff get-togethers, along with their families, at regional level where at least one of the Directors of the Muthoot Group inevitably attends.

### Innovation and Technology

Innovation lies at the core of all operations at Muthoot Finance. The Company also uses innovative technologies for its operations. MFIN has been a forerunner in leveraging the power of Information Technology in its operations to improve customer service, efficiency and MIS. Need was felt



for a centralised IT platform for our continued aggressive growth, along with Risk Management. Accordingly, we have developed in-house, a powerful, user-friendly Core Banking Solution (CBS) and implemented in its 4,000+ branches across the country. The solution has been designed and developed to meet 100% of our business requirements. The CBS takes care of centralised transaction processing, back office and MIS across its branches and offices. The objectives for the CBS are to provide ubiquitous services to customers and enhance convenience, along with providing better control and cost-effectiveness to the Company.

### Social Security Measures

Contributions are made by Muthoot, as well as the employees at prescribed rates to Employees' Provident Fund Organisation, Pension Fund and Employee's Deposit Linked Insurance Scheme. Muthoot Finance also contributes annually to a Gratuity Fund, which is administered by the trustees in consonance with an external insurance company. The Company started the pension scheme for its employees through the New Pension Scheme (NPS), through stipulated contributions from employees and the Company. The Company is rolling out an Employee Stock Option scheme for its employees to empower them with ownership in the Company.

## SECTION 7 - THE BOARD OF DIRECTORS

## THE BOARD OF DIRECTORS

 <p><b>M.G. George Muthoot</b></p>	 <p><b>George Thomas Muthoot</b></p>
<p><b>Education</b></p> <ul style="list-style-type: none"> <li>• Graduate in engineering from Manipal University</li> </ul> <p><b>Memberships</b></p> <ul style="list-style-type: none"> <li>• National Executive Committee Member of the Federation of Indian Chamber of Commerce and Industry (FICCI)</li> <li>• Current Chairman of FICCI Kerala State Council</li> <li>• Active member of various social organisations, such as <ul style="list-style-type: none"> <li>-Delhi Malayalee Association</li> <li>-Kerala Club</li> <li>-Rotary Club</li> <li>-National Sports Club</li> </ul> </li> <li>• Member of the Managing Committee of the Malankara Orthodox Syrian Church for over three decades</li> <li>• Currently, the lay trustee of the Malankara Orthodox Syrian Church and a member of the Working Committee of the Indian Orthodox Church</li> </ul> <p><b>Awards</b></p> <ul style="list-style-type: none"> <li>• Several Awards from Rotary International and Y's Mens International for Community Development and Social Service</li> <li>• Conferred with the Mahatma Gandhi National Award for social service for 2001 by the Mahatma Gandhi National Foundation</li> <li>• Received the HH Baselios Mathew I Award by Catholicate of the Syrian Orthodox Church Mathews the First Foundation for 2008 that recognised his services to the Church</li> <li>• Bestowed with the Asian Businessman of the Year 2011 award from the UK Kerala Business Forum</li> <li>• Conferred with the Business Leadership Award for the year 2012 at the Golden Peacock Awards, Bengaluru</li> </ul>	<p><b>Profession</b></p> <p>Businessman by profession</p> <p><b>Experience</b></p> <p>Over 30 years of experience in managing businesses operating in the field of financial services</p>



**George Jacob Muthoot**

### Education

Degree in civil engineering from Manipal University

### Experience

Over three decades of experience in managing businesses operating in the field of financial services

### Memberships

- Trivandrum Management Association
- The Confederation of Real Estate Developers Association of India (Trivandrum)
- The Trivandrum Agenda Task Force
- Rotary Club, Trivandrum (South)
- Governing body member of the Charitable and Educational Society of Trivandrum Orthodox Diocese, Ulloor, Trivandrum
- Finance Committee Member of Mar Diocese College of Pharmacy, Althara, Trivandrum
- Recipient of Mar Gregorious Orthodox Christian Mercy Fellowship, Trivandrum

### Awards

- Business Excellence Award 2012 from Trivandrum Chamber of Commerce



**George Alexander Muthoot**

### Education

- Qualified Chartered Accountant; ranked first in Kerala and 20th overall in India in 1978
- A gold medallist from Kerala University in the Bachelor's degree in Commerce

### Memberships

- Served as the Chairman of the Kerala Non-banking Finance Companies Welfare Association from 2004 to 2007 and is currently its Vice Chairman
- Acted as the Member Secretary of the Finance Companies Association, Chennai
- Has been a founder-member of The Indus Entrepreneurs International, Kochi Chapter; currently, a member of the Core Committee of The Indus Entrepreneurs International, Kochi Chapter
- Currently the President of Association of gold loan Companies in India
- An active member of Confederation of Indian Industry

### Experience

- Over 30 years of experience in managing businesses operating in the field of financial services

### Awards

- Awarded the Times of India group Business Excellence Award in customised Financial Services in March 2009
- Dhanam Businessman of the year Award in 2012
- Business Excellence Award for business promotion by ICICI Prudential Life Insurance Company Limited in 2010



## SECTION 7 - THE BOARD OF DIRECTORS

## THE BOARD OF DIRECTORS

**K. John Mathew****Education**

Graduate in law from the Government Law College, Ernakulam

**Memberships**

- Retired judge of the High Court of Kerala
- Served as the Chairman of the Cochin Stock Exchange
- Was a SEBI Nominee Director of the Cochin Stock Exchange from 2002 to 2007
- Serves currently as the President of the People's Council for Social Justice, Kerala

**P. George Varghese**

A reputed industrialist from Kerala

**Education**

- Holds a Masters degree in business administration from the Cochin University of Science and Technology
- Is a graduate in Mechanical Engineering from Kerala University

**Memberships**

- A trustee of the IMA Blood Bank, Kochi
- Member of the Governing Council of DC School of Management and Technology
- Served as the Vice-president of the Kerala Management Association from 2006 to 2007
- Was on the Managing Committee of the Indo-American Chamber of Commerce from 1992 to 1999
- Has been a member of the CII-Kerala



John K Paul

### Education

Graduate in engineering from the Regional Engineering College, Kozhikode

### Directorships and Memberships

- Acts as the Director of Popular Vehicles & Services Limited, a leading and well reputed dealer of vehicles and automobile accessories from Kerala
- Has been a trustee of the Kuttukaran Institute for HRD, a leading institution offering professional courses
- Served as the President of the Kerala Chamber of Commerce and Industry from 2005 to 2006
- Serving as the President of the Kerala Hockey Association from 2005 and the Ernakulam District Hockey Association from 2004



George Joseph

### Education

- Certified Associate of Indian Institute of Banking and Finance
- Ranked first in the commerce stream in graduation from Kerala University

### Experience

- Over 39 years of experience in the banking sector
- Former Chairman and Managing Director of Syndicate Bank. Joined Syndicate Bank as an Executive Director on 1st April, 2006 and was elevated to the post of Chairman and Managing Director on 2nd August, 2008; subsequently retired from office on 30th April, 2009
- Employed with Canara Bank for almost four decades before joining the Syndicate Bank

## SECTION 8 – FOR THE INVESTORS

# INVESTMENT TRANSPARENCY

## Equity Share Capital-Holding Pattern



	₹ Crores	%
Promoters and promoter group holding	297	80.12
Foreign institutional investors	39	10.45
Mutual funds	4	1.11
Other bodies corporate	4	0.95
Others including public	27	7.37
<b>Total</b>	<b>371</b>	<b>100</b>

## Listed Secured Non-Convertible Debenture-Holding Pattern




	₹ Crores	%
Banks/Non Financial Institutions	455	26.94
Mutual Funds	18	1.06
Other Bodies Corporate	235	13.95
Others including Public	979	58.05
<b>TOTAL</b>	<b>1687</b>	<b>100.00</b>

as on 31.03.2013

# INVESTOR SERVICE INITIATIVES

AT MUTHOOT, WE CONSIDER PROVIDING TIMELY AND APPROPRIATE SERVICES TO SHAREHOLDERS AND DEBENTURE HOLDERS, AS OF PRIME IMPORTANCE.

During the year, we undertook the following additional activities beyond what was stipulated by the regulations for servicing our shareholders and debenture holders.



**Muthoot Finance Limited**

Registered Office: Muthoot Chambers, Opposite Sankha Theatre Complex,  
Ramesh Road, Kumbalangi, Kovalam - 401 101

July 28, 2012

Dear Shareholder,

We wish to inform you that the Ministry of Corporate Affairs, New Delhi ("MCA") has taken a "Green Initiative" in the Corporate Governance by permitting paperless compliances by companies and that the service of documents by a company can be made through electronic mode instead of sending the physical copy of the document(s).

As per the data received from the Depository, it is observed that your account has not been updated with your email ID. You may therefore approach your depository participant and submit an application for updation of your email ID in the prescribed format available with DDP.

We wish to inform you that on updation of email ID with the Depository, Company will be sending various notices, Annual Reports etc via email to you.

We and sure you would appreciate the "Green Initiative" taken by MCA and your Company's desire to participate in such initiatives.

Thank you.

Yours faithfully,  
For Muthoot Finance Limited  
Sd/-  
Rajesh A.  
Company Secretary

As per green initiative of Ministry of Corporate Affairs, New Delhi, Companies are allowed to distribute annual report through electronic mode instead of sending a physical copy. Your Company also sends Annual Report by electronic mode instead of sending physical copy, saving considerable printing and stationery cost and paper at large. However, we subsequently sent physical copies to those shareholders who specifically requested for it.




## SECTION 8 – FOR THE INVESTORS



We had voluntarily sent a letter on 28th July 2012 to those shareholders who had not updated their email-ids in their demat account, requesting them to update the details of their email-ids with respective Depository Participants, so that they can receive communications in electronic form not only from Muthoot Finance Limited, but also from other companies where they are shareholders.



Unpaid dividend is a separate disclosure item in the Balance Sheet. The Company gives lot of thrust on electronic credit of dividend into the bank account of shareholders, so as to avoid dividend remaining unpaid. The Company identified shareholders demat accounts in which bank account details were not updated, to the extent possible, and wrote to them via letter dated 28th July 2012, requesting them to update details with respective Depository Participant for smooth and timely credit of dividend for FY 2011-12.



**Muthoot Finance**  
**Muthoot Finance Limited**  
 Registered Office: Muthoot Chambers, Opposite Sreejith Theatre Complex,  
 Banerji Road, Ennakulam, Kerala - 682 018

10<sup>th</sup> November, 2012

Dear Debenture holder,

**Subj: Updation of Bank Account details for NECS Credit**

We would like to bring to your notice that as per the debenture holder(s) data of Muthoot Finance Limited, you hold debentures of Muthoot Finance Limited in physical mode. The details are mentioned on the overleaf for your reference. We note that you have not provided the bank account details and/or not opted for the NECS facility for directly crediting the interest on the debentures held by you into the bank account.

We advise you to provide the bank account details to the Registrar and Transfer Agents as well as opt for the NECS facility for the purpose of crediting the interest on your holdings into your bank account directly. **Please fill the details in the form given below and send it back to Registrar and Transfer Agent after signing by the holder(s) in a separate cover.**

This is an investor service initiative from Muthoot Finance Limited and activation of NECS facility is the sole discretion of Debenture holder. For any further clarification on the above matter please contact the undersigned on the telephone number +91 484 3035 533 or through email at [hot@muthootgroup.com](mailto:hot@muthootgroup.com).

Yours Sincerely,  
 For Muthoot Finance Limited

Sd/-  
 Rajesh K  
 Company Secretary

---

**Request for updating bank account details for NECS credit**

To,  
 Legal Internal Finance Limited  
 (Unit: Muthoot Finance Limited)  
 Regd. Off. C-10, Pannayal (B&M) Compound,  
 L.B. S Marg, Bhandup (W),  
 Mumbai - 400 075

Sr.  
 Subj: **MFPL NCD (Public Issue) - Series IV**

Kindly update bank account as below and activate NECS facility for NCDs held in my name for interest and principal payments.

Bank Name															
Branch Address															
Acc No.															
Type of Ac															
NECS No. in (Digit)															
IFSC Code 11 (Parameter)															

Signature of 1st Holder \_\_\_\_\_ Signature of 2nd Holder \_\_\_\_\_

The Company gives utmost importance to timely credit of interest on listed debentures issued by the Company. This can be achieved only by electronic credit of these proceeds into debenture holder's bank account directly. The Company identified, to the extent possible, debenture holders whose demat accounts were not updated with the bank account details and wrote two letters dated 30th November, 2012 and 11th March, 2013, requesting them to update their bank account details in their demat account with respective Depository Participants.

In addition, the Company advertises quarterly results in leading newspapers; issues press releases analysing quarterly performances; uploads quarterly presentation on financial results on its website; and responds to investor queries through the Registrar.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 1. ECONOMIC OUTLOOK

### Global and Indian Economy

The global economy witnessed a non-uniform pattern of growth recovery in the financial year 2013, which has been often termed as a three-speed recovery. It involves those economies that are performing relatively well and can improve (emerging markets and developing countries), those that are on the mend (the US, Sweden, and Switzerland) and those that still have a long way to go (Eurozone and Japan).

The developing economies demonstrated resilience to global headwinds and continued to grow, even though moderately. China is still ahead of the race, followed by India and other BRICS nations. India's economic growth plummeted to a decade low of 5% (Source: CSO and PMEAC) owing to poor investment across all sectors of the economy, firm inflation, high fiscal deficit, widening current account deficit and policy inertia. All sectors of the economy underperformed during the year. However, India's long-term optimism is strengthened by its demographic advantage (population of more than 1.2 Billion of which, about half is below the age of 30) which has the capability to drive GDP growth for quite a long period at a consistent level.

Exhibit: India's GDP Growth Trend

Year	GDP (%)
2009-10	8.6
2010-11	9.3
2011-12	6.2
2012-13	5

(Source: CSO and PMEAC)

In its First Quarter Review of Monetary Policy in July 2013, RBI further revised downwards the growth projections for the economy for FY 2013-14 from 5.7 percent to 5.5 percent.

## 2. GOLD

### Gold demand

India's gold demand has historically been high, driven by cultural, religious, economic and social reasons. The yellow metal is increasingly being looked upon as a lucrative investment option as well as a store of wealth. On account of domestic production of this metal being only a fraction of the demand, the country imports almost its entire demand. Many view this as a liability. Others view that, for centuries, it has remained as a currency without borders and a store of value, which has remained as a stable asset in times of uncertainties.

### Demand-supply scenario

The share of India's gold demand has risen steadily in the last one decade. Even though the global gold supply has remained almost flat, the demand from the Indian shores has touched double-digit growth.

The table below shows the global gold supply and India's demand for gold and its growth

### Exhibit: Global Gold Supply and India's Demand for Gold

Year	Global gold supply * (Tonnes)	Gold demand from India ** (Tonnes)	Growth of global gold supply (%)	Growth of gold demand from India (%)
1999	4206	486	-	-
2000	3704	462	-11.9	-4.9
2001	3764	471	1.6	2.0
2002	3667	467	-2.6	-0.9
2003	3953	367	7.8	-21.3
2004	3426	537	-13.3	46.1
2005	4034	792	17.7	47.5
2006	3559	707	-11.8	-10.7
2007	3554	716	-0.1	1.3
2008	3657	679	2.9	-5.1
2009	4146	743	13.4	9.4
2010	4274	871	3.1	17.2
2011	4030	975	-5.7	11.9
2012	4130	1079	2.5	10.7

(Source: K.U.B. Rao Committee Report on Gold Loans)

\* Calendar Year; \*\* Financial year

However, the demand for gold in India is expected to see a sharp decline in FY 2013-14, compared to the previous year on account of higher import duties and subdued economic performance. The gold imported during FY 2011-12 was 1079 tonnes, which declined marginally to 1,014 tonnes in FY 2012-13. The decline can be attributed to global environmental challenges, enhanced customs duty and moderation of consumer and investment demand. This resulted in marginal decline in foreign currency outflow at USD 53.8 Billion as against USD 56.5 Billion in the previous year. However, on account of depreciation in rupee, the average purchase rate per USD for import increased from ₹ 47.77 per USD to ₹ 54.30 per USD. Further, on account of an increase in gold price from average price of USD

1630 per ounce to USD 1650 per ounce, the total outflow in terms of rupee increased from ₹ 2,699 Billion to ₹ 2,922 Billion, respectively for FY 2011-12 and FY 2012-13.

(Source of import data: DGCI&S)

### Impact on Imports

Gold imports constituted about 10.95% of the total imports of India for the FY 2012-13, declining from about 11.51% during FY 2011-12. It constituted only 6.69% of the imports during FY 1997-98. This makes gold the second largest item under the import bill, the first one being Oil & Petroleum. Continuance of such high level of imports can be detrimental to the economy, as it drains scarce foreign exchange reserves of the nation. While the country can live without further import of gold but not without import of Oil & Petroleum, future Governmental policies are expected to be directed at further reducing import of gold, which may make it as a scarce item, thus directly impacting its value. However, such segregated policies need not yield positive results, unless accompanied by policies to correct the structural deficiencies and weaknesses in the economy.

### 3. GOLD LOAN SECTOR

The country's organised Gold Loan market has witnessed a significant expansion in the last decade. The large domestic household gold holding of the country enabled the creation of this market. The magnitude of this holding could be more than 18,000 tonnes. Most of the gold is held by people in rural areas and in many cases, this is the only asset they have in their possession, though in small quantity. All the while, rural Indians know that if their crop fails or a family member is sick, he/she can raise cash in a moment from the goldsmith or may be pawnbrokers and moneylenders. This is because the rural India lags in availing banking facilities. Therefore, even the saving pattern in India differs for various income groups. While richer sections diversify their portfolio according to a risk-return equation, the poor rely more on commodities like gold as well as silver. The jewellery bought in times of prosperity has been pawned or sold for cash in periods of distress or need. Over the years, some portion of this is being used as collateral for borrowing in the unorganised market, though exact estimates are not available. It is a common practice in India, that gold is pawned, bought back and re-pawned to manage day-to-day needs of the poor and middle class. The pledging of gold ornaments and other gold assets to local pawnbrokers and money lenders to avail loans has been prevalent in the Indian society over the ages. Due to the increased holding of gold as an asset among large sections of people and also the non-transparent practices of lending against gold in the unorganised sector, entities like Muthoot Finance started providing loans against the collateral of used gold jewellery many years back and, over a period transformed itself as an NBFC with core focus on gold loans.

Some independent estimates indicate that rural India accounts for about 65 per cent of total gold stock in the country. At times of emergency, gold ensures a loan almost instantaneously for the poor and without any documentation process. Most of the loans are for meeting unforeseen contingencies. The demand for gold has a regional bias with South Indian states accounting for around 40 per cent of the annual demand, followed by the West (25 per cent), North (20-25 per cent) and East (10-15 per cent). Accordingly, even the gold loan market has also developed on the same lines where a large portion of market is concentrated in southern India.

### Factors influencing expansion of gold loan sector

The gold loan industry is driven by multiple factors. Since the loan is granted against gold jewellery, the quantum of gold jewellery available with the customers is of utmost importance. The large gold holding, especially among the rural folk positioned the product well for the development of this activity through the unorganised market. The needs of the borrower coinciding with various purposes like cropping season, business season, academic year, festivals, medical purposes and so on, are critical in determining the demand for gold loans. Further, easy availability of loans on flexible terms and changing attitude of customers to avail loans and relative constriction by banks for giving personal loans enabled the popularisation of the product. To tap the opportunity, aggressive network expansion by NBFCs on a pan-India basis enabled the product to reach the masses and thereby widened the customer base. Further, aggressive marketing campaigns by the NBFCs increased awareness among the people and renunciation of stigma attached to pledging of gold jewellery. Since NBFCs have a core focus on lending against gold jewellery, they have invested in infrastructure, thereby building service quality. Customers found comfort and confidence in their transparent practices and started shifting their loyalties from the unorganised sector to the organised sector.

### 4. BENEFITS OF NBFCs' PRESENCE IN THE GOLD LOAN SPACE

#### Core focus

The primary focus of the gold loan NBFCs is to provide gold loans. Thus, NBFCs can focus more on ensuring customer delight through better and faster customer service. A higher concentration on one product allows a proper structuring of the offerings and adopts faster corrective measures to meet the changing needs and behaviour of the customer.

#### Branch network

Branches play a significant role in building an institution's brand image. A wide network of branches enables NBFCs to



be closer to the customer. Location and access to branches are key criteria for customers choosing a service provider. This expansion strategy by NBFCs led to significant customer addition.

#### **Faster turnaround time**

Superior service creates loyalty and deeper customer relationships. At the same time, lack of appropriate service can destroy those relationships. Gold loans also enjoy an advantage of having a quick-turnaround time of NBFCs. This is achieved without any compromise on documentation discipline and KYC compliance requirements.

#### **Transparent and Standard Operating Practices**

NBFCs offer a transparent transaction capturing all the terms clearly in the loan document and operate with standard operating procedures, which could provide enhanced customer comfort.

#### **Flexible Repayment Option**

Customers get a trouble-free loan period where he is not troubled for any payment of equated monthly instalment, rather, would be allowed to make payment of interest and principal on closure of the loan.

#### **Resources availability**

NBFCs have access to organised credit and hence, do not face any constraints. The unorganised sector operates on proprietary funds, which limits its ability to lend and on better terms.

#### **Value to the Customer**

Customers stay with a service provider if they pay a price, which they deem fair for quality of the products they receive. Customers expect to pay an appropriate price for the services they receive, not necessarily the lowest. NBFCs have been able to run on this philosophy and have been offering loans at rates of interest lower than the unorganised segment.

#### **Low-cost structure**

The Company has built a network with a minimum investment corresponding to the potential of business in which it is going to operate. Employees are sourced locally and are provided training to deliver various skills keeping the operating cost low. This has enabled the Company to reach the break-even level faster, and thereby start contributing to its bottom line. This also provides downside protection in terms of closing down the operation in case desired level of business is not achieved.

### **5. ADDRESSING THE NEGATIVE PERCEPTIONS ABOUT THE SECTOR**

Gold loan NBFCs have reached their inflection point and are gradually evolving. It has gone through a lot of ups and downs in the recent past. It has witnessed variations from profitable local ventures to hyper-growth companies that have expanded nationally, followed by an intense scrutiny by the regulators. Finally, it has been redeemed by the K.U.B. Rao Committee Report that has granted due share to NBFCs, which are considered to be a driving force for financial inclusion. Going forward, the industry's prospects are appearing very bright, driven by easier liquidity to stimulate growth, benefits of operating leverage and higher expectations on return on equities.

There is a huge scope of growth, given the size of the domestic stock of gold available in the country. About 65% of gold holding is located in rural areas, making them a potential growth driver for financial inclusion. Driving on the product market niche created by them, the NBFCs are likely to maintain their due share of business, despite competitive forces. The growth enablers are plenty, given the potential for higher branch leveraging and new customer addition.

Further, the K.U.B. Rao Committee Report has driven out undue uncertainties and negative perceptions about the sector and categorically mentioned that gold loan NBFCs are doing a socially useful function and that they provide a strong rationale for careful regulation of the activities of these NBFCs. The report also mentioned that gold loans have a causal impact on gold imports, substantiating the emergence of a liquidity motive for holding gold. In India, buyers do not borrow to further buy gold and thus, gold loans do not drive up the imports. Moreover, an increase in gold loans extended by NBFCs and banks does not impact the gold price in India significantly. Going by the past trends, a sharp and sudden drop in gold price by 30 to 40 per cent is a remote possibility causing financial distress to the gold loan NBFCs. NPAs as percentage of total credit exposure and Capital Adequacy of gold loan NBFCs are not a cause of concern at present. The recent slew of regulatory measures taken by the Reserve Bank on the functioning of the gold loan NBFCs may be continued to ensure a healthy growth of the sector in the medium and long term. The report has spelt out regulatory requirements on several other parameters concerning this sector. In our opinion, these regulatory requirements are certain 'hygiene factors' for the industry, which can be implemented only in a phased manner and over a period of time and with involvement of social infrastructure.

### **6. WAY FORWARD**

For the economy, it is crucial that the idle gold stocks are monetised for productive purposes to the maximum extent

possible. The issue of the rising gold demand in India is indeed very critical and complex. Although, the gold and loan practices in the country are still primitive and largely unorganised, it plays a key role in the Indian economy. Therefore, it is of utmost importance to transform the critical gold segment into an organised sector through strengthening of institutional infrastructure. India's billion-plus population spends almost three-trillion rupees a year on gold imports. Given the sheer magnitude of the gold imports, it is only logical to take steps that are dedicated towards organised gold-related transactions. The yellow metal is highly likely to continue luring the Indian populace in short, medium and long terms, and gold loan industry should supplement the activity.

## 7. AN INTRODUCTION TO MUTHOOT FINANCE

Muthoot Finance Limited is the flagship Company of the Muthoot Group, which is considered among India's leading financial services providers. It has pioneered the concept of Gold Banking in the country. It is a 'Systematically Important Non-deposit taking NBFC', which is listed on the country's premier stock exchanges, namely BSE and NSE. It has emerged as a trusted pan-India brand in the gold loans sector, providing financial assistance to the needy on reasonable and convenient terms.

## 7A. DISCUSSION ON FINANCIAL PERFORMANCE

### Gross retail loans assets under management

The Company's Gross Retail Loans Assets under Management increased from ₹ 24,673 Crores in FY 2011-12 to ₹ 26,386 Crores in FY 2012-13, an increase of 7%. The Company was able to achieve this growth despite adverse regulatory changes and negative perceptions prevailing in the market. The meagre growth has been due to the conscious decision taken by the Company to consolidate its operations, so as to provide necessary comfort to the regulator and to clear the adverse or negative perception in the minds of various stakeholders. The Company has adopted holistic strategies to address regulatory restrictions imposed on Gold Loan NBFCs. There is a sense of high confidence that the Company feels upon overcoming turbulent times. It provides momentum to carry on the growth in the years to come. The entire process will enable the sector to regenerate with a better focus, vigour and higher commitment.

### Average gold loan outstanding per branch

The Company's Average Gold Loan Outstanding per Branch witnessed a slight drop from ₹ 6.63 Crores in FY 2011-12 to ₹ 6.36 Crores in FY 2012-13. This is on account of 11% increase in branch network without a corresponding increase in loan portfolio for reasons mentioned above.

### Revenues

The Company's revenues surged from ₹ 4,549 Crores in FY 2011-12 to ₹ 5,387 Crores in FY 2012-13, recording a growth

of 18%. This is on account of higher level of average retail loan portfolio in FY 2012-13 as compared to FY 2011-12.

### Profit before Tax

The Company's Profit before Tax grew by 14%, rising from ₹ 1,331 Crores in FY 2011-12 to ₹ 1,511 Crores in FY 2012-13. This growth was driven by higher level of average retail loan portfolio in FY 2012-13, as compared to FY 2011-12.

### Profit after Tax

Muthoot Finance's Profit after Tax reached ₹ 1,004 Crores, 13% higher than that in FY 2011-12. Higher growth was recorded due to higher level of average retail loan portfolio in FY 2012-13 as compared to FY 2011-12.

### Capital Adequacy Ratio

The Company's Capital Adequacy Ratio increased from 18.29% in FY 2011-12 to 19.62% in FY 2012-13, driven by ploughing back of net profits for the year net of dividend.

### Earnings Per Share (EPS)

Muthoot Finance's EPS increased from ₹ 24.29 in FY 2011-12 to ₹ 27.02 in FY 2012-13.

## 8. RISK MANAGEMENT

This section has already been captured upfront in page nos. 16 and 17.

## 9. INTERNAL SYSTEMS AND THEIR ADEQUACY

Muthoot Finance has an adequate internal control system in place to safeguard assets and protect against losses from any unauthorised use or disposition. The system authorises, records and reports transactions and ensures that recorded data are reliable to prepare financial information and to maintain accountability of assets. The Company's internal controls are supplemented by an extensive programme of internal audits, review by the management, and documented policies, guidelines and procedures.

## 10. CAUTIONARY STATEMENTS

Statements in this Management Discussion and Analysis describing the Company's objectives, projections, estimates and expectations may be 'forward looking statements' within the meaning of applicable laws and regulations. Actual results might differ substantially or materially from those expressed or implied. Important developments that could affect the Company's operations include a downtrend in the forging industry – global or domestic or both, significant changes in political and economic environment in India or key markets abroad, tax laws, litigation, labour relations, exchange rate fluctuations, interest and other costs.

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

M G George Muthoot  
Chairman

George Alexander Muthoot  
Managing Director

George Thomas Muthoot  
Whole Time Director

George Jacob Muthoot  
Whole Time Director

George Joseph  
Non-Executive Independent Director

P George Varghese  
Non-Executive Independent Director

John K Paul  
Non-Executive Independent Director

K John Mathew  
Non-Executive Independent Director

## COMPANY SECRETARY

Anjana Varghese

## STATUTORY AUDITORS

Rangamani & Co.  
17/598, IInd Floor,  
Card Bank Building,  
West of YMCA Bridge,  
V.C.S.B. Road,  
Alleppey -688 001

## REGISTERED OFFICE

2nd Floor, Muthoot Chambers  
Opposite Saritha Theatre Complex  
2nd Floor, Banerji Road, Kochi 682 018  
Kerala, India

Tel: (91 484) 239 4712  
Fax: (91 484) 239 6506

Email: [investors@muthootfinance.com](mailto:investors@muthootfinance.com)  
Website: [www.muthootfinance.com](http://www.muthootfinance.com)

## REGISTRAR AND TRANSFER AGENTS

Link Intime India Private Limited  
Surya, 35, Mayflower Avenue  
Behind Senthil Nagar, Sowripalayam Road  
Coimbatore - 641028

Tel: (91 422) - 2314792, 2315792  
Fax: (91 422) - 2314792

Email: [coimbatore@linkintime.co.in](mailto:coimbatore@linkintime.co.in)  
Website: [www.linkintime.co.in](http://www.linkintime.co.in)

CIN: L65910KL1997PLC011300  
RBI Regn. No: N.16.00167

# NOTICE OF AGM

Notice is hereby given that the 16th Annual General Meeting of the members of Muthoot Finance Limited will be held at Kerala Fine Arts Society Hall, Fine Arts Avenue, Fore Shore Road, Kochi, Kerala – 682 016 on Friday 27th September, 2013 at 10:15 A M to conduct the following business:

## ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2013 and the Profit and Loss Account for the financial year ended on that date and the Reports of the Directors and Auditors thereon.
2. To declare Dividend
3. To appoint a Director in the place of Mr. George Thomas Muthoot, Whole time Director of the Company, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Mr. K George John, in respect of whom the company has received a special notice in writing from a member proposing his candidature for the office of Director, in the place of Mr. P George Varghese who retires by rotation and is not seeking re-appointment.

To consider and if thought fit, to pass with or without modification(s), the following resolution as an ordinary Resolution:-

**“RESOLVED THAT** pursuant to the provisions of Sections 190, 255, 256, 257 and other applicable provisions, if any, of the Companies Act, 1956, consent of the Company be and is hereby accorded to appoint Mr. K George John as a Director of the Company liable to retire by rotation.”

5. To appoint Auditors and fix their remuneration.

## SPECIAL BUSINESS

6. To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:-

**“RESOLVED THAT** pursuant to the provisions of Section 81(1A), and all other applicable provisions, if any, of the Companies Act 1956, the Memorandum and Articles of Association of the Company and subject to such other approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, the consent of the company be and

is hereby accorded to the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee, including the ESOP Committee which the Board may constitute to exercise its powers, including the powers, conferred by this resolution), to create, offer, issue and allot at any time to or to the benefit of such person(s) who are in permanent employment of the company, including all Directors, whether whole time or otherwise (except any director who is a promoter or belongs to the promoter group or otherwise, who holds, either by himself or through his relative, or through any body corporate, directly or indirectly, more than 10% of the outstanding equity Shares of the Company), of the Company, whether in India or abroad, either directly or through a trust, options exercisable into shares or securities convertible into equity shares up to 3% of the paid-up capital of the Company at any point in time, under one or more employee stock option schemes ("the Schemes"), in one or more tranches, and on such terms and conditions as may be fixed or determined by the Board in accordance with the provisions of the law or guidelines issued by the relevant Authority; each option would be exercisable for one Equity share of a face value of Rs. 10 each fully paid-up on payment of the requisite exercise price to the Company.

**RESOLVED FURTHER THAT** the Board be and is hereby authorised to issue and allot Equity shares upon exercise of options from time to time in accordance with the employee stock option scheme and such Equity shares shall rank pari passu in all respects with the then existing Equity Shares of the Company.

**RESOLVED FURTHER THAT** in case the equity shares of the Company are either sub-divided or consolidated, then the number of shares to be allotted and the price of acquisition of the shares by the aforesaid option grantees under the schemes shall automatically stand augmented or reduced, as the case may be, in the same proportion as the present face value of ₹ 10 per equity share bears to the revised face value of the equity shares of the Company after such sub-division or consolidation, without affecting any other rights or obligations of the said allottees.

**RESOLVED FURTHER THAT** the Board be and is hereby authorized to make modifications, changes, variations, alterations or revisions in the said schemes as it may deem fit, from time to time in its sole and absolute discretion in conformity with the provisions of the Companies Act, 1956, the Memorandum and Articles of Association of the Company, SEBI (Employee Stock Option Scheme) Guidelines and any other applicable laws.

**RESOLVED FURTHER THAT** the Board be and is hereby authorized to take such steps for listing of the securities allotted under the schemes on the stock exchanges where the securities of the company are listed as per the provisions of the listing agreement(s) with the concerned stock exchanges, the guidelines and any other applicable laws and regulations."

**7. To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:-**

**"RESOLVED THAT** pursuant to the provisions of Section 81(1A), and all other applicable provisions, if any, of the Companies Act 1956, the Memorandum and Articles of Association of the Company and subject to such other approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, the consent of the company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee, including the ESOP Committee which the Board may constitute to exercise its powers, including the powers, conferred by this resolution), to create, offer, issue and allot at any time to or to the benefit of such person(s) who are in permanent employment of the present and future holding or subsidiary companies of the company, including all Directors, whether whole time or otherwise (except any director who is a promoter or belongs to the promoter group or otherwise, who holds, either by himself or through his relative, or through any body corporate, directly or indirectly, more than 10% of the outstanding equity Shares of the Company), of the Company, whether in India or abroad, either directly



## NOTICE OF AGM

or through a trust, options exercisable into shares or securities convertible into equity shares up to 3% of the paid-up capital of the Company at any point in time, under one or more employee stock option schemes ("the Schemes"), in one or more tranches, and on such terms and conditions as may be fixed or determined by the Board in accordance with the provisions of the law or guidelines issued by the relevant Authority; each option would be exercisable for one Equity share of a face value of Rs. 10 each fully paid-up on payment of the requisite exercise price to the Company.

**RESOLVED FURTHER THAT** the Board be and is hereby authorised to issue and allot Equity shares upon exercise of options from time to time in accordance with the employee stock option scheme and such Equity shares shall rank pari passu in all respects with the then existing Equity Shares of the Company.

**RESOLVED FURTHER THAT** in case the equity shares of the Company are either sub-divided or consolidated, then the number of shares to be allotted and the price of acquisition of the shares by the aforesaid option grantees under the schemes shall automatically stand

augmented or reduced, as the case may be, in the same proportion as the present face value of Rs. 10 per equity share bears to the revised face value of the equity shares of the Company after such sub-division or consolidation, without affecting any other rights or obligations of the said allottees.

**RESOLVED FURTHER THAT** the Board be and is hereby authorized to make modifications, changes, variations, alterations or revisions in the said schemes as it may deem fit, from time to time in its sole and absolute discretion in conformity with the provisions of the Companies Act, 1956, the Memorandum and Articles of Association of the Company, SEBI (Employee Stock Option Scheme) Guidelines and any other applicable laws.

**RESOLVED FURTHER THAT** the Board be and is hereby authorized to take such steps for listing of the securities allotted under the schemes on the stock exchanges where the securities of the company are listed as per the provisions of the listing agreement(s) with the concerned stock exchanges, the guidelines and any other applicable laws and regulations."

For and on behalf of the Board of Directors  
Sd/-

Anjana Varghese  
Company Secretary

Kochi, September 02, 2013

**Registered Office:**

2nd Floor, Muthoot Chambers,  
Opposite Saritha Theatre Complex,  
Banerji Road,  
Kochi - 682 018

**NOTES:**

1. The relevant explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of item no. 4, 6 & 7 of the notice set out above is annexed herewith.
2. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF IN THE MEETING AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.**
3. The instrument appointing the proxy in order to be effective, should be duly stamped, completed and signed and deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
4. Members/Proxy should bring duly filled attendance slips sent herewith to attend the meeting.
5. The Register of Director's Share Holding maintained under Section 307 of the Companies Act, 1956 will be available for inspection by the members at the AGM.
6. The Register of Contracts maintained under Section 301 of the Companies Act, 1956 will be available for inspection by the members at the Registered Office of the Company.
7. **The Register of Members and Share Transfer Books will remain closed from 14.09.2013 to 27.09.2013 (both days inclusive).**
8. The dividend, if declared, will be paid on or after 27th September, 2013 to the members so entitled, whose names appear in the Register of Members on the close of business hours on September 13, 2013. In respect of shares held in electronic form, the dividend will be paid to those beneficial owners whose name appears in the statement furnished by the depositories for the purpose.
9. Members are requested to address all correspondence to the Registrar and Transfer Agents: Link Intime India Private Limited, Surya, 35, Mayflower Avenue, Behind Senthil Nagar, Sowripalayam Road, Coimbatore – 641028, Tel: (91 422) – 2314792, 2315792, Fax: (91 422) – 2314792, E – mail: coimbatore@linkintime.co.in.
10. Recognizing the spirit of the MCA Circular No. 17/ 2011 and 18/2011 Company henceforth propose to send documents like the Notice convening the General Meetings, Financial Statements, Auditors' Report, Directors' Report etc. to the email address provided by you with your depositories. We request you to update your email address with your depository participant to ensure that annual report and other documents reach you on your preferred email.
- 11.A. Members holding shares in physical form are requested to notify/send the following to the Registrar & Transfer Agent of the Company Link Intime India Private Limited Surya, 35, Mayflower Avenue, Behind Senthil Nagar, Sowripalayam Road, Coimbatore – 641028, Tel: (91 422) – 2314792, 2315792, Fax: (91 422) – 2314792, E – mail: coimbatore@linkintime.co.in.
  - i) their bank account details in order to receive payment of dividend through electronic mode;
  - ii) their email id, in case the same have not been sent earlier, for the purpose of receiving the communication electronically;
  - iii) any change in their address/e-mail id/ECS mandate/bank details;
  - iv) share certificate(s), held in multiple accounts in identical names or joint accounts in the same order of names, for consolidation of such shareholding into one account.
- B. Members holding shares in the dematerialized form are requested to notify to their Depository Participant:
  - i) Their email id
  - ii) All changes with respect to their address, email id, ECS mandate and bank details.

# NOTICE OF AGM

## ADDITIONAL INFORMATION OF DIRECTORS SEEKING APPOINTMENT OR RE-APPOINTMENT

Name of Director	George Thomas Muthoot
Date of Birth	25/12/1950
Nationality	Indian
Date of Appointment	16/08/2005
Qualifications	Undergraduate
Brief Profile	George Thomas Muthoot is a businessman by profession. He is an undergraduate. He has over 30 years of experience in managing business operating in the field of financial services.
Directorship in other Indian Companies	1. Muthoot Leisure And Hospitality Services Private Limited
	2. Muthoot Vehicle & Asset Finance Limited
	3. Muthoot Holiday Homes And Resorts Private Limited
	4. Muthoot Travelsmart Private Limited
	5. Unisom Rubber And Plantations Private Limited
	6. Muthoot M George Chits (India) Limited
	7. MGM Muthoot Medical Centre Private Limited
	8. Venus Diagnostics Limited
	9. Marari Beach Resorts Private Limited
	10. Muthoot Broadcasting Private Limited
	11. Muthoot Investment Advisory Services Private Limited
	12. Muthoot Homefin (India) Limited
	13. Muthoot Precious Metals Limited
	14. Juyathi Plantations Private Limited
	15. Avalagaon Plantations Private Limited
	16. Muthoot M George Institute of Technology
	17. Muthoot M George Permanent Fund Limited
	18. Muthoot Synergy Fund Limited
	19. Muthoot Anchor House Hotels Private Limited
	20. GeoBros Properties and Realtors Private Limited
	21. Adams Properties Private Limited
	22. Muthoot Healthcare Private Limited
Chairmanship/Membership of Committees of the Board of Directors of other Indian Companies of which he is a Director	NIL

## EXPLANATORY STATEMENT

### [Pursuant to section 173 (2) of the Companies Act, 1956]

In conformity with the provisions of section 173(2) of the companies Act, 1956, the following explanatory statement sets out all material facts relating to the Business mentioned under Item No. 4, 6 & 7 in the accompanying Notice and should be taken as forming part of the Notice.

#### Item No. 4

Pursuant to sections 190,255,256,257 and other applicable provisions of the Companies Act, 1956, Company has received a special notice in writing along with requisite deposit from a member proposing the candidature of Mr. K George John for the office of Director.

Mr. George is a Post graduate in Mathematical Statistics. He joined Lintas India as a Media Planner in 1969. He handled some of Hindustan Lever's most important and successful brand launches including Liril, Close-Up and Fair & Lovely. After 10 years at Lintas, he took over the management of Ulka Advertising (now FCB - Ulka). He turned the company around in less than a year and Ulka went on to become the 4th largest Advertising Company in India. The memorable campaign he created for Hero Honda Motorcycles, "FILL IT", "SHUT IT", "FORGET IT" made it the world's largest selling motorcycle. In 1988, Mr. George founded Anthem Communications Pvt. Ltd. in Delhi, which was rated India's fastest growing agency thrice by A&M Magazine. In 1997, Anthem became the youngest Agency among the top ten in India with 8 offices and 350 employees spread across the country. In 1998, Anthem was invited to join TBWA\WORLDWIDE, part of Omnicom Group, the world's No. 1 Communication Company as a 50:50 JV partner. TBWA is a Global Agency with 228 offices in 98 countries. In an Omnicom Global communication in 2007, TBWA\Anthem was rated one of Omnicom's best partners worldwide, a unique distinction for an India-born agency. At TBWA, Mr. George helped launch the entire range of Sony products in India, as well as key launches and Brand Campaigns for Yamaha Motorcycles, Adidas, Samsonite, Pedigree, Bajaj Allianz, Standard Chartered Bank, Geojit BNP Paribas, Malayala Manorama, Michelin Tyres, Henkel, Nivea, Apple and Electrolux. In addition to the position of Chairman & Managing Director of TBWA India, Mr. George also helped set up TBWA Offices in Sri Lanka and Bangladesh. After 40 years in Advertising, during which time he created two successful national advertising agencies and rebuilt Ulka, Mr. George retired in September 2008.

The Board considers that his association as a Director will be beneficial to and in the interest of the Company. The Board of

Directors recommends for your approval of his appointment as a non executive director liable to retire by rotation.

He is not related to any other director of the Company.

#### Item No. 6 & 7

A formidable organization is made by passionate employees. The Company needs a culture directly aligned with its business goals, greater co-operation between business lines, defined career development paths and an efficient performance management programme. Employee stock option plans are a way to align employee goals to the organization's goals and to reward these passionate employees. The growth and development of any enterprise become a reality thanks to the contribution of its people. Employees are 'business partners' in the true sense of the word. With the objectives of securing greater employee participation; motivating the employees to contribute to the growth and profitability of the Company; enabling them to participate in the long-term growth and financial success of the organisation, and with a common objective of maximizing the shareholder value, it is proposed to grant employee stock options to employees through one or more employee stock option schemes. This would not only enable the Company to reward past loyalty and performance, but also to attract and retain the best talent besides enabling the employees to develop a greater sense of ownership with the organisation.

The main features of the employee stock option schemes are as under:

#### 1. Total number of options to be granted:

Options convertible into such number of equity shares not exceeding 3% of the paid up capital at any point of time will be available for being granted to eligible employees of the Company under one or more employee stock option Schemes. Each option (after it is vested) will be exercisable for one Equity share of Rs. 10 each fully paid-up.

Vested options that lapse due to non-exercise or unvested options that get cancelled due to resignation of the employees or otherwise would be available for being re-granted at a future date.

#### 2. Identification of classes of employees entitled to participate in the employee stock option schemes:

All permanent employees of the company including Directors (excluding promoters and any director who holds either by himself or through his relative, or through any body corporate, directly or indirectly, more than 10% of the outstanding equity Shares of the Company), whether working in India or abroad, as may be decided by the Board, from time to time, would be entitled to participate in the employee stock option schemes.

## NOTICE OF AGM

Employees may be granted Stock Options based on performance and such other criteria as the Board may, in its absolute discretion decide. The options granted to an employee will not be transferable to any person and shall not be pledged, hypothecated, mortgaged or otherwise alienated in any manner.

### 3. Requirements of vesting and period of vesting:

The Options granted shall vest so long as the employee continues to be in the employment of the Company. The options granted shall Vest not prior to the expiry of 12 months from the date of grant and shall completely Vest prior to the expiry of 7 years from the date of Grant.

### 4. Exercise Price:

The exercise price for the purpose of the grant of options shall be as decided by the ESOP Committee. However, the exercise price shall not be lower than the face value of the Equity Shares.

### 5. Exercise Period and the process of Exercise:

Options can be exercised with in a period of eight years from the date of grant. The options will be exercisable by the Employees by a written application to the Company to exercise the options in such manner, and on execution of such documents, as may be prescribed by the Board from time to time. The options will lapse if not exercised within the specified exercise period.

### 6. Appraisal Process for determining the eligibility of the employees to ESOP:

The appraisal process for determining the eligibility of the employee will be specified by the Board, and will be based on criteria such as seniority of employee, length of service, performance record, merit of the employee, future potential contribution by the employee and/or such other criteria that may be determined by the Board at its sole discretion.

### 7. Maximum number of options to be issued per employee and in aggregate:

The number of options that may be granted to employees under the Scheme shall be determined by the ESOP Committee from time to time. However, grant of options to identified employees, during any one year shall not be equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant of options.

### 8. Disclosure and Accounting Policies:

The Company shall comply with the disclosure and the accounting policies prescribed by concerned Authorities.

### 9. Method of option valuation

To calculate the stock-based compensation, the Company may use the Fair Value method for valuation of the options granted.

If the Company calculates the employee compensation cost using intrinsic value of the stock options, the difference between the employee compensation cost that shall have been recognized if it had used the fair value of the options, shall be disclosed in the Directors' Report and also the impact of this difference on profits and on EPS of the Company shall also be disclosed in the Directors' Report.

As the employee stock option schemes provide for issue of shares to be offered to persons other than existing shareholders of the company, consent of the members is sought pursuant to Section 81(1A) of the Companies Act, 1956.

As per Regulation 6.3 of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, separate special resolution is required to be passed for issuing shares under these guidelines to employees of Holding or Subsidiary companies of the Company.

None of the Directors of the Company are in any way, concerned or interested in the resolution, except to the extent of the securities that may be offered to them under the scheme.

For and on behalf of the Board of Directors

Sd/-

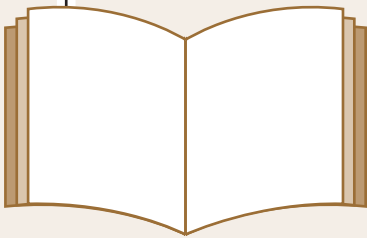
Anjana Varghese  
Company Secretary

Kochi, September 02, 2013

### Registered Office:

2nd Floor, Muthoot Chambers,  
Opposite Saritha Theatre Complex,  
Banerji Road,  
Kochi – 682 018





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# Statutory Reports

# DIRECTORS' REPORT

Dear Shareholder,

Your Directors have pleasure in presenting the 16th Annual Report of the Company together with the audited financial statements for the year ended 31st March, 2013.

## 1. FINANCIAL RESULTS

The financial results for the year ended 31st March, 2013 are summarised below:

Particulars	(Amount in ₹ Crore)	
	2012-13	2011-12
Income from Operations	5,359	4,537
Other Income	28	12
Total Expenditure	3,876	3,218
Profit Before Depreciation and Other Non Cash Charges	1,557	1,364
Depreciation and Other Non Cash Charges	45	33
Profit Before Tax	1,511	1,331
Tax Expenses	507	439
Profit After Tax	1,004	892
Share Capital and Reserves	3,736	2,926
Subordinated Debt	2,310	1,480
Secured Non-Convertible Debentures	11,247	7,863
Bank Borrowings	10,136	9,232
Gross Retail Loan Assets under Management	26,387	24,674

## 2. DIVIDEND

Based on Company's performance, your Directors are pleased to recommend for approval of the shareholders a dividend of 45% for Equity Shares of face value of ₹ 10 each (₹ 4.50 per share) of the Company for the financial year 2012-13 which is payable on obtaining the approval of the shareholders of the Company on the 16th Annual General Meeting. The dividend payout amount including dividend distribution tax will be ₹ 194 Crore. The dividend payout ratio for the current year, inclusive of dividend distribution tax is 19%. The list of unpaid dividend is available on the Companies website [www.muthootfinance.com](http://www.muthootfinance.com). Shareholders are requested to check the said list and if any dividend is due to them is remaining unpaid in the said list, they can approach the Company for release of unpaid dividend.

## 3. TRANSFER TO RESERVES

Your Board proposes to transfer ₹ 100 Crore to the General Reserve in accordance with the Companies (Transfer of Profit to Reserves) Rules, 1975. Your Board also proposes to transfer ₹ 201 Crore to the Statutory Reserve maintained under Section 45 IC of the RBI Act, 1934. An amount of ₹ 97 Crore has been transferred for creation of Debenture Redemption Reserve Account as required under the Companies Act, 1956. Post transfer of profits to reserves and distribution of dividend, your Board proposes to retain ₹ 1,368 Crore in the Profit and Loss Account.

## 4. ECONOMIC SCENARIO

Global growth continues to remain uneven and slow. In Advanced Economies activity has weakened further adversely impacting growth in Emerging and Developing Economies. The announcement by US Federal Reserve of tapering of Quantitative Easing has resulted in large sell-offs in the financial markets of these economies due to safe haven flight of capital and also on expectation of increase in real interest rates in the US. Consequent to it, there has been a rapid appreciation of the US Dollar and corresponding depreciation in Emerging and Developing Economies currencies.

The economic activity in the Indian Economy has further weakened in the first quarter of FY 2014. Industrial Production remained muted and Capital Goods production contracted reflecting deteriorating investment conditions. Growth in services and exports has remained sluggish on account of global slowdown. Though headline inflation measured by Wholesale Price Index declined from an average of 8.9 percent in 2011-12 and 7.3 percent in 2012-13 to 4.9 percent in first quarter of FY 2014, the retail inflation measured by Consumer Price Index remained high at average of 10.2 percent in 2012-13 and continuing at those levels in the first quarter of FY 2014. Though fiscal deficit has been contained

at 5.2% of the GDP, Current Account Deficit of 5.1% poses serious challenge to the economy since it is much above the sustainable level of 2.5% of GDP. RBI has further revised its growth projections for the current year further from 5.7 percent to 5.5 percent. Though the government has taken several positive policy initiatives in the last few quarters, unless these policies are transformed to real actions removing various bottlenecks across various layers, achieving the above growth will be an insurmountable task.

## 5. COMPANY'S PERFORMANCE

In the wake of change in regulatory environment on account of 60% cap on Loan to Value ratio and resultant negative perceptions created in the market, to provide more comfort to the regulator as well as other stakeholders, Company consciously decided to reduce the pace of its growth and consolidate its operations during the year, focussing on improving customer service, staff training and internal controls while maintaining profitability. The branch network was increased only by 11% reaching 4082 branches compared to addition of 35% in the previous year. Though immediately after the regulatory change in March 2012, Retail Loan Asset Under Management declined by 5% in the first quarter of FY 2013, on account of the positive views expressed by the KUB Rao Committee on the role of the sector in the economy, Company achieved a marginal YOY growth of 7% reaching ₹ 26,386 Crore as of March 2013. Total income grew by 18% to ₹ 5,387 Crore. Profit Before Tax rose by 14% to ₹ 1,511 Crore and Profit After Tax by 13% to ₹ 1,004 Crore. The Return on Average Retail Loans declined to 4.05% as compared to 4.40% in fiscal 2011-12. The cost of borrowed funds went up to 12.42% compared to 12.20% in fiscal 2011-12. On account of the above, the Net Interest Margin declined to 10.27% as against 10.65% in fiscal 2011-12. The Company remitted to the exchequer ₹ 517 Crore as income tax.

## 6. RESOURCE MOBILISATION

### (a) Secured Debentures

With a view to diversify the funding profile of the Company, Your Company successfully completed third and fourth series of public issues of Secured Non-Convertible Debentures during the year and mobilised ₹ 535 Crore. NCDs offered in the public issue are listed in the BSE Limited and/or National Stock Exchange of India Limited. The Company raised ₹ 2,849 Crore net of repayments, through private placement of Secured Non-Convertible Debentures. Funds raised through this route continue to be a substantial resource base for the Company.

Reserve Bank of India vide its circular RBI/2012-13/560 DNBD(PD) CC No. 330/03.10.001/2012-13 dated 27th June, 2013 and RBI/2013-14/115 DNBS(PD) CC No.349/03.10.001/2013-14 dated 02 July, 2013 issued

## DIRECTORS' REPORT

certain guidelines with respect to raising money through private placement by NBFCs in the form of non-convertible debentures. These guidelines include restrictions on number of investors in an issue to 49 investors, minimum subscription amount for a single investor of ₹ 25 Lakhs, prohibition on providing loan against own debentures etc. Though the above directions limits Company's ability to mobilise resources through private placement like earlier for investments less than ₹ 25 Lakhs, Company intends to fill the gap through public issuance of listed and rated instruments primarily focusing on retail investors with investment of less than ₹ 25 Lakhs. The existing debentures already taken under private placement route will continue till its maturity.

### (b) Bank Finance

Commercial Banks continued their support of the Company's asset growth. As of 31st March, 2013, borrowings from banks were ₹ 10,136 Crore Your Company's rated short term debt

instruments were also placed with various mutual funds at competitive rates enabling the Company to reduce the overall cost of liabilities.

### (c) Subordinated Debts

Subordinated Debts continue to be another source for funding the operations of your Company. Subordinated Debts represents long term source of funds for the Company and the amount outstanding as on 31st March, 2013 was ₹ 2,310 Crore. It qualifies as Tier II capital under the Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank Directions), 2007. The above includes privately placed Rated Unsecured Redeemable Non-Convertible Listed Subordinated Debt of Rs 10 Crore which is listed in the Debt Segment of BSE limited.

## 7. RATINGS

Your Company's debt instruments are rated by ICRA and CRISIL, two of the leading Credit Rating Agencies in the country. The Credit Ratings assigned to various instruments of the Company are as follows:

Credit Rating Agency	Instruments	Ratings	Limit in ₹ in Crore
CRISIL	Commercial Paper	CRISIL A1+	4,000
	Subordinated Debts	CRISIL AA-/Negative	100
	Non Convertible Debentures	CRISIL AA-/Negative	500
ICRA	Commercial Paper	ICRA A1+	200
	Short Term Bank Borrowings*	ICRA A1+	4751
	Subordinated Debts	ICRA AA-/Negative	100
	Non Convertible Debentures	ICRA AA-/Negative	200
	Long Term Bank Borrowings*	ICRA AA-/Negative	6975

\*subject to overall rating of ₹ 10428 Crore for line of credit

## 8. INTERNAL CONTROL

The Company has a well placed proper and adequate internal control system commensurate with the size and nature of its business. The primary objective of the internal control system is to ensure that all its assets are safeguarded and protected and prevent any revenue leakage and losses to the Company. The Company has an Audit and Inspection Department which conducts regular internal audits to examine the adequacy and compliance with policies, plans and statutory requirements. The Department through a team of 1119 personnel ensures quality of the assets pledged and adherence to various risk

management practices at all the operating units. The audit functions are decentralised to match the requirements of exercising proper control over nation wide network of the Company.

The Internal Audit Team directly reports to the Audit Committee of the Company. Significant audit observations and follow up actions thereon are reported to the Audit Committee. The Audit Committee reviews adequacy and effectiveness of the Company's internal control environment and monitors the implementation of audit recommendations,

including those relating to strengthening of the Company's risk management policies and systems. The Audit Committee oversees the functioning of the audit team and reviews the effectiveness of internal control at all levels apart from laying down constructive suggestions for improving the audit function in the Company. The present reporting structure ensures independence of the internal audit function and embodies best corporate governance practices.

## 9. HUMAN RESOURCES

Your Company understands the strength of Company's workforce whose collective commitment and passion towards work has helped the organisation to scale new pinnacles. Your Company's human capital agenda for the year was focused on two main areas: building a vigorous and varied talent pipeline and also invest in progressive employee relations practices and ensure building of capability at grass root level through continued training programmes. The Company aim to create and nourish the best and help in the inclusive growth of their individual and organisational career prospects. As of 31st March, 2013, your company had 24,881 employees on its rolls at various organisational levels. Employee training at all levels is a key priority. Major steps have been initiated to augment the capacity of the in house training system both quantitatively and qualitatively. A total of 79,245 staffs were trained cumulatively under various sessions during the year 2012-13. To recognise and provide opportunity to competent employees to reach higher cadres, opportunity is provided to participate in 'Fast Track Channel Promotion'. We have several staff welfare schemes like Group Mediclaim Insurance Cover, Personal Accident Insurance Cover, Contributory National Pension Scheme with 50% contribution by the Company, Educational Awards, Marriage Presentation, Presentation for First Time Parents, Compassionate payment to the kith and kin of employees who die in harness etc., in addition to statutory benefits such as ESIC Scheme, Provident Fund, Maternity Benefits etc.

## 10. PUBLIC DEPOSITS

The Company has not accepted any public deposits and as such, no amount on account of principal or interest on public deposits was outstanding as on the date of Balance Sheet.

## 11. CAPITAL ADEQUACY

Your Company's Capital Adequacy Ratio as of 31st March, 2013 stood at 19.62% of the aggregate risk weighted assets on balance sheet and risk adjusted value of the off-balance sheet items, which is well above the regulatory minimum of 15%. Out of the above, Tier I capital ratio stood at 13.41%.

## 12. RBI GUIDELINES

Your Company has complied with all the applicable regulations prescribed by the Reserve Bank of India from time to time.

## 13. DIRECTORS

Pursuant to the Provisions of the Companies Act, 1956 and in accordance with the Article 110 of the Articles of Association of the Company, Mr. George Thomas Muthoot and Mr. P George Varghese retire by rotation at the ensuing Annual General Meeting.

At the Meeting of the Board of Directors of the Company held on 25th July, 2013, Mr. P George Varghese expressed his intention to relinquish his position as Director of the Company and requested the Board to accept his request and make his retirement effective at the Conclusion of the next Annual General Meeting. The Board Members placed on record their deep sense of gratitude and appreciation for the invaluable contribution and guidance provided by Mr. P George Varghese.

Mr. George Thomas Muthoot, being eligible, offers himself for reappointment at the Annual General Meeting.

## 14. AUDITORS

M/s Rangamani & Co., Chartered Accountants, [Firm Registration No: 003050 S] the Statutory Auditor of the Company, hold office in accordance with the provisions of the Act upto the conclusion of the forthcoming Annual General Meeting and are eligible for re-appointment.

## 15. PERSONNEL

Particulars of employees drawing remuneration beyond the monetary ceilings prescribed under Section 217 (2A) of the Companies Act, 1956 are as follows



## DIRECTORS' REPORT

SL No:	Name of Employee	Age (yrs)	Designation	Date of Commencement of employment	Gross Remuneration (₹ in Crore)	Qualification	Total Experience	Last employment
1	Mr. M G George Muthoot	63	Whole Time Director & Chairman	28.07.2000	₹ 4.80	B. Tech	39 years	Muthoot Bankers
2	Mr. George Alexander Muthoot	57	Managing Director	28.07.2000	₹ 4.80	FCA	33 years	Muthoot Bankers
3	Mr. George Thomas Muthoot	61	Whole Time Director	16.08.2005	₹ 4.80	Under Graduate	38 years	Muthoot Bankers
4	Mr. George Jacob Muthoot	60	Whole Time Director	16.08.2005	₹ 4.80	B. Tech	36 years	Muthoot Bankers

### 16. DIRECTORS' RESPONSIBILITY STATEMENT

As required under the provisions contained in Section 217(2AA) of the Companies Act, 1956 ("the Act"), your Directors hereby confirm that:

1. In the preparation of Annual Accounts for the financial year 2012-13, the applicable Accounting Standards have been followed and there are no material departures;
2. They have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for financial year;
3. They have taken proper and sufficient care to the best of their knowledge and ability for the maintenance of adequate accounting records in accordance with the provisions of the Act. They confirm that there are adequate systems and controls for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; and
4. The annual accounts have been prepared on a going concern basis.

### 17. CORPORATE GOVERNANCE REPORT AND MANAGEMENT DISCUSSION AND ANALYSIS STATEMENT

Your Company has complied with the Corporate Governance norms as stipulated under Clause 49 of the Listing Agreements entered into with the Stock Exchanges. Detailed reports on Corporate Governance and Management Discussion and Analysis are attached to this Report.

### 18. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

Since the Company does not carry on manufacturing activities, disclosure requirements under Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1956 in this connection are not applicable. However, your Company, being a responsible corporate citizen, has been taking various measures for reducing the energy consumption.

Total Foreign Exchange Earned	:	NIL
Total Foreign Exchange Expended	:	₹ 58,55,090.88

## 19. ACKNOWLEDGEMENT

Your Directors thank the Company's share holders, investors, customers, banks, financial institutions, rating agencies, debenture holders, debenture trustees and well wishers for their continued support during the year. Your Directors place on record their appreciation of the contribution made by the employees at all levels. Your Company's consistent growth was made possible by their hard work, solidarity, cooperation and support. The Board sincerely expresses its gratitude to Reserve Bank of India and Ministry of Corporate Affairs for the guidance and support received from them including officials thereat from time to time.

For and on Behalf of the Board of Directors

**M G George Muthoot**  
Chairman

Kochi, 2nd September, 2013

Registered Office:  
2nd Floor, Muthoot Chambers,  
Opposite Saritha Theatre Complex,  
Banerji Road,  
Kochi – 682 018

# REPORT ON CORPORATE GOVERNANCE

*“Corporate Governance is the application of best management practices, compliance of law in true letter and spirit and adherence to ethical standards for effective management and distribution of wealth and discharge of social responsibility for sustainable development of all stakeholders”*

*The Institute of Company Secretaries of India  
New Delhi*

## I. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Your Company has since its inception been articulating high standards of governance and transparency both in management of affairs as well as customer relationships. Responsible value based Governance has been the mantra of success for the Muthoot Group through out these years of existence. With the guiding principles of honesty, sincerity, confidence and service, Muthoot Group has indeed come a long way in showcasing benchmarks for value based governance structure. These values continue to drive all business decisions of the Muthoot Group.

Being the leader of the pack, your Company has, true to its heritage, always kept value based governance as the benchmark of its core for setting benchmarks to the Industry. Thus be it in customer service, HR practices and business development, your Company has always adhered to the directions of its founder Late M George Muthoot:

*“Let us judge ourselves, not by the profit that we make but by the trust and the confidence that the people have in us. Let us cherish and nurture that trust and ensure that every person who deals with us deals with confidence that he will not be misguided but his interests will be carefully protected”*

Your Company has always put in place transparent norms for its loan process documentation and settlement of overdue loan accounts through Fair Practices Code, the Company's Board has set for itself a well defined Code of Conduct for Directors and Senior Management including Whistle Blower Policy.

## II. BOARD OF DIRECTORS

The Board of Directors is the persons with whom the supreme executive authority of the Company are vested by the shareholders. They play the primary role as the trustees to safeguard and enhance stakeholders' value through its effective decisions and supervision.

Your Company has a well structured Board with a balanced mix of Executive and Non-Executive Directors. The Board consists of Four Executive and Four Non-Executive Directors. Four of the Non-Executive Directors are independent i.e. they do not have any material pecuniary relationship with the Company, its promoters or its management, which may affect the independence of the judgment of the Director.

### i. Composition of Board.

- a. As of 31st March, 2013, the Board of Directors of the Company comprises of eight Directors with an Executive Chairman. Of the 8 Directors on the Board of Directors of the Company, 4 (50%) are Non-Executive Independent Directors and 4 (50%) are Executive Non-Independent Directors. The composition of the Board of Directors is in compliance with the requirements of Clause 49 of the Listing Agreement entered into by the Company with BSE Limited and National Stock Exchange of India Limited.

- b. All the Independent Directors have furnished individual declarations to the Board that they qualify the conditions of their being independent as per Clause 49 of the Listing Agreement.
- c. None of the Directors on the Board are Members of more than ten Committees or Chairman of more than five Committees across all the companies in which they are Directors.
- d. All Non-Independent Directors are related to each other being brothers and none of the Independent Directors are related to any other Directors on the Board in terms of the definition of "relative" given under the Companies Act, 1956.

### ii. Meetings, Attendance of each of Directors and other Details

The names and categories of the Directors on the Board, their attendance at Board Meetings held during the year and the number of Directorships and Committee Chairmanships/ Memberships held by them in other companies are given herein below. Other directorships do not include alternate directorships, directorships of private limited companies, Section 25 companies and of companies incorporated outside India. Chairmanships/Memberships of Board Committees include only Audit and Shareholders'/Investors' Grievance Committees.

Name of Director	Category	Number of Board Meetings During the Year		Whether attended last AGM	Number of Directorships in Other Public Companies		Number of Committee positions held in other Public Companies*	
		Held	Attended		Chairman	Member	Chairman	Member
M G George Muthoot	Non-Independent, Executive	5	5	Yes	1	8	0	0
George Alexander Muthoot	Non-Independent, Executive	5	5	Yes	0	8	2	3
George Jacob Muthoot	Non-Independent, Executive	5	5	Yes	0	9	0	1
George Thomas Muthoot	Non-Independent, Executive	5	5	Yes	0	7	0	1
K John Mathew	Independent, Non - Executive	5	5	Yes	0	0	0	1
P George Varghese	Independent, Non - Executive	5	4	Yes	0	2	0	0
George Joseph	Independent, Non - Executive	5	5	Yes	0	1	0	1
John K Paul	Independent, Non - Executive	5	4	Yes	0	1	0	2

\*Memberships/Chairmanships of Audit Committee and Shareholders'/Investors' Grievance Committee only taken into account.

# REPORT ON CORPORATE GOVERNANCE

- iii. Five Board meetings were held during the financial year 2012-13. The gap between two Board Meetings did not exceed four months. The dates on which the said Meetings were held as under:

Sl. No.	Date of Board Meeting	Board Strength	No. of Directors Present
1	20 <sup>th</sup> April, 2012	8	8
2	15 <sup>th</sup> May, 2012	8	7
3	30 <sup>th</sup> July, 2012	8	7
4	29 <sup>th</sup> October, 2012	8	8
5	14 <sup>th</sup> January, 2013	8	8

- iv. None of the Non-Executive Directors have any material pecuniary relationship or transaction with the Company.

## III. AUDIT COMMITTEE

- i. The Audit Committee of the Board of Directors of the Company is constituted in accordance with the provisions of Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreements executed with Stock Exchanges.
- ii. The Terms of Reference of the Audit Committee are broadly as under:
- Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
  - Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
  - Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
  - Reviewing, with the management, the annual financial statements before submission to the board for approval, with particular reference to:
    - Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956
    - Changes, if any, in accounting policies and practices and reasons for the same
    - Major accounting entries involving estimates based on the exercise of judgment by management
    - Significant adjustments made in the financial statements arising out of audit findings
    - Compliance with listing and other legal requirements relating to financial statements
    - Disclosure of any related party transactions
    - Qualifications in the draft audit report.
- e. Reviewing, with the management, the quarterly financial statements before submission to the board for approval
- f. Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilised for purposes other than those stated in the offer document/ prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
- g. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
- h. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- i. Discussion with internal auditors on any significant findings and follow up there on.
- j. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
- k. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- l. To look into the reasons for substantial defaults in the payment to the debenture holders,



shareholders (in case of non payment of declared dividends) and creditors.

- m. To review the functioning of the Whistle Blower mechanism, in case the same is existing.
- n. To approve the appointment of Chief Financial Officer, if any.
- o. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

### iii. Composition

- a. The Audit Committee comprises of 3 Directors of whom 2 are Independent Directors. All the members possess the necessary financial / accounting expertise/ exposure. Mr. George Joseph, former Chairman and Managing Director of Syndicate Bank, chairs the Committee.
- b. The composition of Audit Committee meets the requirements of Clause 49 of the Listing agreement and section 292A of the Companies Act, 1956.
- c. The Committee met 4 times (15.05.2012, 30.07.2012, 29.10.2012 & 14.01.2013) during the year ended 31st March, 2013. Necessary quorum was present in all the meetings. The number of meetings attended by each member of the audit committee is as under:

Member	Number of meetings attended
Mr. George Joseph, Chairman	4
Mr. John K Paul	3
Mr. George Alexander Muthoot	4

## VI. Remuneration Committee

- i. The Remuneration Committee of the Company comprises of 3 Non-Executive Independent Directors namely Mr. K John Mathew, Mr. P George Varghese and Mr. John K Paul. Mr. K John Mathew is the Chairman of the Committee. The Remuneration Committee determines and recommends the remuneration of the Managing Director and Whole Time Directors based on the overall performance of the Company during the relevant financial year. The remuneration policy is in consonance with the existing industry practice.

The Committee has not met during the year ended 31st March, 2013. The composition of the Committee is as under:

Member	Category
Mr. P George Varghese	Non-Executive, Independent
Mr. John K Paul	Non-Executive, Independent
Mr. K John Mathew	Non-Executive, Independent

- ii. The non executive independent Directors are paid sitting fees at the rate of ₹ 10,000/- for each Board meeting attended along with the travelling and other expenses relating thereto and ₹ 5,000 each Committee meeting attended along with the travelling and other expenses relating thereto.

### vi. Remuneration to Directors

Details of remuneration paid to Executive Non-Independent Directors as well as Non-Executive Independent Directors for the period ended 31st March, 2013 are as under:

#### a. Non-Executive Directors

Name	Commission (₹ in Lacs)	Sitting Fees (₹ in Lacs)
George Joseph	4	1.00
P George Varghese	4	.85
John K Paul	4	.65
K John Mathew	4	.80
Total	16	3.30

#### b. Managing Directors and Whole Time Directors

Name of Director	Salary (₹ in Lacs)	Allowances and Incentives (₹ in Lacs)
M G George Muthoot Chairman and Whole Time Director	144	336
George Alexander Muthoot Managing Director	144	336
George Thomas Muthoot Whole Time Director	144	336
George Jacob Muthoot Whole Time Director	144	336
<b>Total</b>	<b>576</b>	<b>1344</b>

- vii. The Company does not have any Employee Stock Option Scheme.

# REPORT ON CORPORATE GOVERNANCE

## VII. Shareholders' / Investors' Grievance Committee

- i. The Shareholders' / Investors' Grievance Committee was constituted to look into among other terms of reference redressal of complaints of investors such as transfer or credit of shares, non-receipt of dividend/notices/annual reports etc.
- ii. Composition

The composition of the Shareholders' / Investors' Grievance Committee is as under:

Member	Category
Mr. John K Mathew, Chairman	Non-Executive, Independent
Mr. John K Paul	Non-Executive, Independent
Mr. George Thomas Muthoot	Executive, Non-Independent

- iii. The Committee met three times during the year ended 31st March, 2013 on 20.04.2012, 30.07.2012 and 14.01.2013). Necessary quorum was present in all the meetings.
- iv. The number of complaints received and resolved to the satisfaction of investors during the year under review are as under:

Particulars	Equity	NCD
No. of Complaints Received during the year	29	741
No. of Complaints Resolved during the year	29	741
No. of Complaints pending on 31st March, 2013	Nil	Nil

- v. Ms. Anjana Varghese is the Compliance Officer for complying with the requirements of SEBI regulations and Listing Agreement. Compliance Officer of the Company can be contacted at the following address:

Anjana Varghese  
Company Secretary  
Muthoot Finance Limited  
Muthoot Chambers  
Opposite Saritha Theatre Complex  
2nd Floor, Banerji Road  
Kochi 682 018  
Kerala, India  
Tel: (91 484) 353 5533  
Fax: (91 484) 2396506  
E-mail: cs@muthootgroup.com

## VIII. General Body Meetings

- i. Details of Annual General Meetings held during the previous 3 financial years and details of special businesses, if any, transacted are as under:

Year	2011-12	2010 -11	2009-10
Date and Time	1st September, 2012 10.00 A M	28th September, 2011 10:30 A M	25th September, 2010 11:00 A M
Place of Meeting	Kerala Fine Arts Society Hall Fine Arts Avenue Fore shore Road Cochin - 682 016	Kerala Fine Arts Society Hall Fine Arts Avenue Fore shore Road Cochin - 682 016	Muthoot Chambers Opposite Saritha Theatre Complex Banerji Road Ernakulam 682018

- ii. Special Resolutions Passed during the previous 3 Annual General Meetings:

Date of AGM	Details of Special Resolution Passed
1st September, 2012	NIL
28th September, 2011	Special Resolution under Section 314(1B) of the Companies Act, 1956 for appointment of George M Alexander as Vice President - Operations (South)
25th September, 2010	Nil

- iii. No Extraordinary General Meetings were held during the Financial Year 2012 - 13.
- iv. One Postal Ballot was conducted during the financial year 2012 - 13

## IX. MATERIALLY SIGNIFICANT RELATED PARTY TRANSACTIONS

In the opinion of the Board, none of the transactions of the Company entered into with the related parties were in conflict with the interests of the Company. The details of the related party transactions are disclosed in the notes on accounts, forming part of Financial Statements. The members may kindly refer to the same.

## X. MEANS OF COMMUNICATION

The quarterly, half yearly and annual results were published in leading national dailies and regional dailies. The Company is also maintaining a functional website [www.muthootfinance.com](http://www.muthootfinance.com), wherein all the communications are updated including the quarterly financial results of the Company published under Clause 41 of the listing agreement. Presentations made to the institutional investors and analysts after declaration of the quarterly results are also displayed in the web site of the Company. The Annual reports containing the Audited Annual Accounts, Auditors' Reports, Directors' Report, the Management Discussion and Analysis Report forming part of Directors' Report and other material information are circulated to the members and others entitled thereto. Annual Reports of the Company are emailed to all shareholders who have provided their email IDs in the records of the Depository. All the disclosures and communications to be filed with the Stock Exchanges were submitted in hard copies and there were no instances of non compliances.

## XI. COMPLIANCES

- a. There were no instances of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchanges or SEBI or any other authority related to Capital Market during the last three financial years. Company has been regular in filing necessary returns with RBI and all necessary informations with the Stock Exchanges where the shares are listed.
- b. Money raised through Public Issue of Equity Shares as well as Public Issues of Secured Non-Convertible Debentures have been utilised for the purposes, as disclosed in the Prospectuses, for which it was raised and there has been no deviation as on date in the utilisation of the moneys so raised.

## XII. GENERAL SHAREHOLDER INFORMATION

### a. Company Registration Details

The Company is registered in the state of Kerala, India. The Corporate Identity Number (CIN) allotted to the Company by the Ministry of Corporate Affairs is L65910KL1997PLC011300. The Company being Systemically Important Non-Deposit Taking NBFC is registered with Reserve Bank of India.

### b. Annual General Meeting

Date	:	27th September, 2013
Time	:	10: 15 A M
Venue	:	Kerala Fine Arts Society Hall Fine Arts Avenue Fore shore Road Cochin – 682 016

As required under Clause 49(IV)(G)(i) of the Listing Agreements with the Stock Exchanges, particulars of Directors seeking re-appointment at the forthcoming Annual General Meeting are given in the Annexure to the Notice of the AGM to be held on 27th September, 2013.

- c. Financial Year : 1st April, 2012 to 31st March, 2013
- d. Date of book closure : 14th September, 2013 to 27th September, 2013 (both days inclusive) for payment of Dividend
- e. Dividend Payout Date : The dividend, if declared, will be paid on or after 27th September, 2013.
- f. Listing of Securities : BSE Limited  
Floor 25, P. J Towers, Dalal Street  
Mumbai – 400 001  
&  
National Stock Exchange of India Limited,  
Exchange Plaza,  
Bandra Kurla Complex,  
Bandra (E), Mumbai – 400 051
- g. Stock Code/Symbol/ISIN of Equity Shares  
BSE : 533398  
NSE : MUTHOOTFIN  
ISIN : INE414G01012
- h. Listing Fees and Depository Fees  
Annual Listing Fee for the year 2012-13 and Annual Custody/Issuer Fee for the year 2012-13 have been paid to Stock Exchanges and Depositories respectively.
- i. Stock market price data (in ₹ Per share)  
High, Low (based on closing prices) and number of shares traded during each month in the year 2012-13 on National Stock Exchange of India Limited and BSE Limited:

# REPORT ON CORPORATE GOVERNANCE

Month	National Stock Exchange		BSE Limited	
	High Price	Low Price	High Price	Low Price
April	133.35	118.80	133.35	118.35
May	131.65	116.15	132.05	116.40
Jun	140.40	119.90	140.25	119.15
Jul	141.15	123.40	141.00	124.40
Aug	136.00	122.40	135.95	121.80
Sep	179.20	130.05	178.90	129.75
Oct	188.05	180.05	188.25	179.30
Nov	226.05	185.05	226.35	185.10
Dec	208.85	185.10	208.55	185.20
Jan	230.70	206.75	230.90	205.60
Feb	227.75	210.15	227.50	207.65
Mar	211.35	174.40	211.20	174.15

- j. Performance of the share price in comparison (based on closing prices) to broad based indices – BSE Sensex and NSE Nifty as on 31st March, 2013

BSE (% Change)			NSE (%Change)	
Period	Muthoot Finance Limited	Sensex	Muthoot Finance Limited	Nifty
FY 2012-13	44%	8.23%	45%	7.31%

k. Registrars and Transfer Agent

Link Intime India Private Limited  
Surya, 35, Mayflower Avenue  
Behind Senthil Nagar  
Sowripalayam Road,  
Coimbatore – 641028  
Tel: + 91 422 – 2314792, 2315792  
Fax: + 91 422 – 2314792  
E – mail: coimbatore@linkintime.co.in  
Contact Person: S Dhanalakshmi

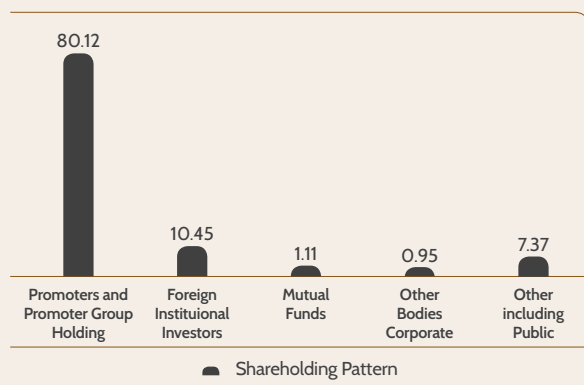
l. Share transfer system

The share transfer applications received in physical form are processed and share certificates returned within a period of 30 days from the date of receipt, subject to the documents being valid and complete in all respects.

m. Distribution of Shareholding as on 31st March, 2013

Category	No. of Shares	%
Promoters and Promoter Group Holding	297,797,872	80.12
Foreign Institutional Investors	38,835,850	10.45
Mutual Funds	4,123,989	1.11
Other Bodies Corporate	3,547,825	0.95
Others including Public	2,74,07,232	7.37
<b>Total</b>	<b>371,712,768</b>	<b>100.00</b>

## Shareholding Pattern



### n. Shareholding pattern by size as on 31st March, 2013

Category (Shares)	No. of Shareholders	Shares	% of Total Shares
1 – 500	47,755	3,700,840	0.996
501 – 1000	423	326,160	0.088
1001 – 2000	191	283,669	0.076
2001 – 3000	67	171,144	0.046
3001 – 4000	37	131,441	0.035
4001 – 5000	27	127,613	0.343
5001 – 10000	47	353,767	0.095
10001 and above	165	366,618,134	98.629
<b>Grand Total</b>	<b>48,712</b>	<b>371,712,768</b>	<b>100.00</b>

### o. Top ten Equity Shareholders of the Company as on 31st March, 2013

SL. No.	Name of Share Holders	Number of Shares	%
1	M G George Muthoot	47,385,132	12.75
2	George Alexander Muthoot	44,464,400	11.96
3	George Jacob Muthoot	44,464,400	11.96
4	George Thomas Muthoot	44,464,400	11.96
5	Susan Thomas	29,985,068	8.07
6	George M Jacob	15,050,000	4.05
7	Anna Alexander	14,935,068	4.02
8	Elizabeth Jacob	14,935,068	4.02
9	Sara George	13,519,336	3.64
10	Matrix Partners India Investments, LLC.	7,845,178	2.11

### p. Equity Shares in the Suspense Account

In terms of the Clause 5A(I) of the Listing Agreement, the Company reports the following details in respect of equity shares lying in the Suspense Account which were issued in the Initial Public Offering of Equity Shares of the Company:

Sl. No.	Description	No. of Shares
1	Number of shareholders and outstanding shares in the suspense account as on 1.04.2012	831 shares for 9 Investors
2	Number of shareholders who approached for transfer of shares from suspense account during the period 01.04.2012 To 31.03.2013	389 shares for 5 Investors
3	Number of shareholders to whom shares were transferred from suspense account during the period 01.04.2012 To 31.03.2013	389 shares for 5 Investors
4	Number of shareholders and outstanding shares in the suspense account as on 31.03.2013	442 Shares for 4 investors

\* Voting rights in respect of these shares shall remain frozen till the rightful owners of such shares claims the shares.

### q. Dematerialisation of shares

The Company has arrangements with both National Securities Depositories Limited (NSDL) and Central Depository Services (India) Limited (CDSL) to establish electronic connectivity of our shares for scripless trading. 99.99 % of shares of the Company were held in dematerialised form as on 31st March, 2013.

### r. Address for Correspondence

Muthoot Finance Limited  
Muthoot Chambers  
Opposite Saritha Theatre Complex  
2nd Floor, Banerji Road  
Kochi 682 018  
Kerala, India  
Tel: (91 484) 239 4712  
Fax: (91 484) 239 6506  
Website: [www.muthootfinance.com](http://www.muthootfinance.com)  
Email: [cs@muthootgroup.com](mailto:cs@muthootgroup.com)



# REPORT ON CORPORATE GOVERNANCE

## XIII. COMPLIANCE CERTIFICATE OF THE AUDITORS

All the members of the Board and Senior Management personnel have affirmed compliance with the Code of Conduct. A declaration to this effect by the Managing Director is given as Annexure I to this report.

The certificate received from the Statutory Auditors of the Company, M/s Rangamani & Co., Chartered Accountants (FRN: 003050S), confirming compliance with the conditions of Corporate Governance as stipulated under Clause 49, is annexed as Annexure II to this report.

## XIV. CEO/CFO CERTIFICATION

The Managing Director & CEO and CFO have certified to the Board in accordance with Clause 49(v) of the Listing Agreement pertaining to the CEO/CFO Certification for the financial year ended 31st March, 2013.

## XV. ADOPTION OF MANDATORY AND NON-MANDATORY REQUIREMENTS OF CLAUSE 49

The Company has complied with all mandatory requirements and proposes to adopt other non – mandatory requirements as and when necessary.

# ANNEX I

## DECLARATION REGARDING COMPLIANCE BY BOARD MEMBERS AND SENIOR MANAGEMENT PERSONNEL WITH THE COMPANY'S CODE OF CONDUCT

To,

The members of Muthoot Finance Limited

This is to confirm that the Company adopted a Code of Conduct for Board of Directors and Senior Management and the same is available in the web site of the Company.

I confirm that the Company has in respect of financial year ended 31st March, 2013, received from the Senior Management team of the Company and the members of the Board, declarations of compliance with the Code of Conduct as applicable to them.

George Alexander Muthoot

Managing Director

Kochi - 18

14th May, 2013

**RANGAMANI & CO**  
CHARTERED ACCOUNTANTS

17/598, IInd Floor,  
Card Bank Building,  
West of YMCA Bridge,  
V.C.S.B. Road,  
Alleppey -688 001

**ANNEX II****CERTIFICATE ON CORPORATE GOVERNANCE**

TO THE MEMBERS OF  
MUTHOOT FINANCE LIMITED

We have examined the compliance of conditions of Corporate Governance by MUTHOOT FINANCE LIMITED ("the Company") for the year ended 31st March 2013, as stipulated in Clause 49 of the Listing Agreements of the Company with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to a review of the procedures and implementation thereof, adopted by the Company for ensuring compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and based on the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreements.

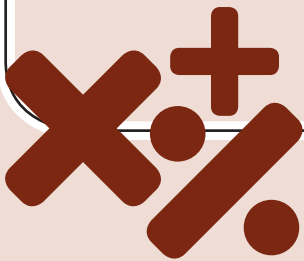
We state that such compliance is neither an assurance as to future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For Rangamani & Co  
Chartered Accountants  
(FRN: 003050 S)

Sd/-  
R. Sreenivasan  
Partner  
Membership No. 020566

Place: Kochi  
Date: 14th May, 2013

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85	Statement of Profit and Loss
86	Cash Flow Statement
88	Notes on Accounts
117	Schedule to the Balance Sheet of a Non-Deposit Taking Non-Banking Financial Company



# Financial Statements

# AUDITORS' REPORT

## TO THE SHAREHOLDERS OF MUTHOOT FINANCE LIMITED REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Muthoot Finance Limited, Registered and Corporate Office: Muthoot Chambers, Opposite Saritha Theatre Complex, 2nd Floor, Banerji Road, Kochi 682 018, India, (the Company), which comprise the Balance Sheet as at 31st March, 2013, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

## MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India including Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

## AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards of Auditing issued by the Institute of Chartered Accountants of India. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence supporting the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## OPINION

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the

Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- i. In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2013;
- ii. In the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- iii. In the case of the Cash Flow statement, of the cash flows for the year ended on that date.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

1. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, (together the 'Order') issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956 (the 'Act'), we give in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. As required by Section 227(3) of the Act, we report that:
  - a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - b. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books
  - c. The Balance Sheet, the Statement of Profit and Loss and the Cash Flow statement dealt with by this report are in agreement with the books of account.
  - d. In our opinion, the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in Section 211 (3C) of the Act.
  - e. On the basis of written representations received from the Directors, as on 31st March 2013 and taken on record by the Board of Directors, none of the Directors is disqualified as on 31st March, 2013 from being appointed as Director under Section 274(1)(g) of the Companies Act, 1956

For Rangamani & Co  
Chartered Accountants  
(FRN: 003050 S)

(Sd/-)

R. Sreenivasan  
Partner  
Membership No. 020566

Place: Kochi  
Date: 14th May, 2013

## ANNEXURE TO THE AUDITORS' REPORT

(Referred to in Paragraph 1 under the heading of "Report on Other Legal and Regulatory Requirements" of our report of even date)

- |   |  |
|---|--|
| <p>(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.</p> <p>(b) As informed to us, not all the assets have been physically verified by the management during the year, but there is a regular programme of verification, which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. We are informed that no material discrepancies were noticed on such verification.</p> <p>(c) No substantial part of fixed assets has been disposed off during the year.</p> <p>(ii) (a) The Company is a Non-Banking Finance Company and has not dealt with any goods and the Company does not hold any inventory during the period under audit. Accordingly, the provisions of clause 4 (ii) of the Companies (Auditors Report) Order 2003 (as amended) are not applicable to the Company.</p> <p>(iii) (a) As informed, the Company has not granted secured or unsecured loans to companies, firms or other parties covered in the register maintained u/s 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(iii) (a), (b), (c) and (d) of the Companies (Auditors Report) Order 2003 are not applicable to the Company.</p> <p>(e) The Company has taken unsecured loans from 27 parties covered in the register maintained u/s 301 of the Companies Act, 1956, the maximum amount of which during the year was ₹ 27,660.92 Lakhs and the year-end balance of such loan is ₹ 21,789.06 Lakhs.</p> <p>(f) In our opinion, the rate of interest and other terms and conditions on loans taken by the Company, secured or unsecured, are not prima facie prejudicial to the interest of the Company.</p> <p>(g) In our opinion, in respect of loan taken, the repayment of principal amount and interest was regular.</p> <p>(iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business, with regard to the purchases of fixed assets and for rendering of services. During the course of our audit, no major weaknesses have been noticed in internal control system in respect of these areas. During the course of our audit,</p> | <p>we have not observed any continuing failure to correct major weaknesses in internal control.</p> <p>(v) (a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.</p> <p>(b) In our opinion and according to the information and explanations given to us, the transactions have been made in pursuance of contracts or arrangements entered in the register maintained u/s 301 of the Companies Act, 1956 and exceeding the value of ₹ 500,000 /- in respects of any party during the year have been made at prices which are reasonable as per the information available with the Company.</p> <p>(vi) In our opinion and according to the information and explanations given to us, the Company has not accepted deposits from the public attracting the provisions of Section 58A and Section 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1976 with regard to the deposits accepted from the public.</p> <p>(vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.</p> <p>(viii) According to the information and explanations given to us, in respect of the Company, Central Government has not prescribed the maintenance of cost records under section 209(1) (d) of the Companies Act, 1956.</p> <p>(ix) (a) The Company is regular in depositing with the appropriate authorities undisputed statutory dues including Provident Fund, Investor Education Protection Fund, Employees State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues, applicable to it.</p> <p>(b) According to the information and explanations given to us, no undisputed statutory dues payable in respect of Provident Fund, Investor Education Protection Fund, Employees State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues were outstanding as at 31<sup>st</sup> March, 2013, for a period of more than six months from the date they became payable.</p> |
|---|--|



- (c) According to the information and explanations given to us, there are no dues of Sales tax, Customs Duty, Wealth Tax, Excise duty and Cess which have not been deposited on account of any dispute. There are dues of Service Tax and Income Tax that have not been deposited with appropriate authorities on account of dispute and the forum where the disputes are pending is given below:

Nature of dues	Amount ₹ in Lakhs *	Period to which the amount relates	Forum where dispute is pending
Service tax	117.28	2003-2008	Customs, Central Excise and Service Tax Appellate Tribunal, Bangalore
Penalty on above	298.93		
Income Tax	483.63	AY 2006-07, 2009-10 and 2010-11	Commissioner of Income Tax appeals (Kochi)

\* Amount is net of payments made and without considering interest for the overdue period, if any, as may be levied if demand raised is upheld

- (x) The Company does not have any accumulated loss as at 31<sup>st</sup> March, 2013 and it has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.
- (xi) According to the records of the Company examined by us and the information and explanations given to us, we are of the opinion that the Company has not defaulted during the period in repayment of dues to financial institution, bank or debenture holders.
- (xii) The Company has granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities and in such cases, in our opinion, adequate documents and records are maintained.
- (xiii) The Company is not a Chit Fund or a Nidhi/Mutual Benefit Fund/Society and accordingly the provisions of Clause 4(xiii) of the Companies (Auditors Report) Order 2003 (as amended) are not applicable to the Company.
- (xiv) According to the information and explanations given to us, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the

Companies (Auditors Report) Order 2003 (as amended) are not applicable to the Company.

- (xv) According to the information and explanations given to us, the Company has not given guarantees for loans taken by others from banks or financial institutions.
- (xvi) According to the information and explanations given to us, the term loans were applied for the purpose for which the loans were obtained.
- (xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956 during the year.
- (xix) According to the information and explanations given to us during the year covered by our audit report, the Company has created security in respect of Secured Non-Convertible Debentures issued.
- (xx) The Management has disclosed the utilisation of money raised by public issue of Secured Non-Convertible Debentures in Note No. 33, which has been verified by us.
- (xxi) According to the information and explanations given to us,
- there have been certain instances of fraud by customers/staff of the Company amounting to ₹ 41,85,000 as given in Note 36 to the financial statements;
  - no other material fraud on the Company has been noticed or reported during the course of our audit; and
  - no fraud by the Company has been noticed or reported during the course of our audit.

For Rangamani & Co  
Chartered Accountants  
(FRN: 003050 S)

(Sd/-)

R. Sreenivasan  
Partner

Membership No. 020566

Place: Kochi  
Date: 14th May, 2013

# BALANCE SHEET

as at 31st March, 2013

(₹)

Particulars	Note No.	As on 31st March, 2013	As on 31st March, 2012
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' funds</b>			
(a) Share capital	3	3,717,127,680.00	3,717,127,680.00
(b) Reserves and surplus	4	33,638,524,414.26	25,540,191,610.73
<b>Non-current liabilities</b>			
(a) Long-term borrowings	5	79,529,418,712.87	62,416,534,000.00
(b) Other Long-term liabilities	6	5,633,839,140.60	2,686,932,622.83
(c) Long-term provisions	26	2,410,000.00	-
<b>Current liabilities</b>			
(a) Short-term borrowings	5	94,802,406,416.23	92,386,821,997.45
(b) Trade Payables & Other current liabilities	7	73,155,919,995.26	44,227,654,771.30
(c) Short-term provisions	8	3,683,008,186.58	2,746,756,151.84
<b>TOTAL</b>		<b>294,162,654,545.80</b>	<b>233,722,018,834.15</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
(a) Fixed assets	9		
(i) Tangible Assets		2,888,081,210.06	2,621,055,595.49
(ii) Intangible Assets		5,696,085.11	5,839,578.00
(iii) Capital Work-in-progress		95,963,836.25	38,947,633.25
(iv) Intangible Assets under development		40,431,863.00	16,417,598.00
(b) Non-current Investments	10	75,049,940.00	75,049,940.00
(c) Deferred tax assets (net)	11	195,441,491.90	3,896,263.90
(d) Long-term loans and advances	12	1,045,225,440.06	1,098,701,048.62
(e) Other non-current assets	13	-	521,805.60
<b>Current assets</b>			
(a) Current investments	14	750,000,000.00	900,000,000.00
(b) Trade receivables	15	11,481,770,359.45	7,340,231,813.36
(c) Cash and Bank Balances	16	13,419,987,682.79	7,950,385,774.51
(d) Short-term loans and advances	17	264,131,088,154.70	213,600,221,753.42
(e) Other current assets	18	33,918,482.48	70,750,030.00
<b>TOTAL</b>		<b>294,162,654,545.80</b>	<b>233,722,018,834.15</b>

Notes on accounts form part of the final accounts  
As per our report of even date attached

**For Rangamani & Co**  
Chartered Accountants  
(FRN: 003050 S)

(Sd/-)  
**R. Sreenivasan**  
Partner  
Membership No. 020566

Kochi  
14th May, 2013

For and on behalf of the Board of Directors

(Sd/-)  
**M. G. George Muthoot**  
Chairman & Whole time Director

(Sd/-)  
**Oommen K. Mammen**  
Chief Financial Officer

(Sd/-)  
**George Alexander Muthoot**  
Managing Director

(Sd/-)  
**Anjana Varghese**  
Company Secretary

# STATEMENT OF PROFIT AND LOSS

For the year ended 31st March, 2013

(₹)

Particulars	Note No.	Year Ended 31st March, 2013	Year Ended 31st March, 2012
Revenue from Operations	19	53,588,984,621.56	45,366,721,274.94
Other income	20	282,381,919.53	123,835,843.05
<b>Total Revenue</b>		<b>53,871,366,541.09</b>	<b>45,490,557,117.99</b>
<b>EXPENSES</b>			
Employee benefits expenses	21	5,452,749,569.71	4,144,769,607.69
Finance costs	22	28,194,442,891.99	23,698,992,605.22
Other expenses	23	3,567,826,839.56	3,393,182,896.45
Directors Remuneration		192,000,000.00	192,000,000.00
Depreciation and amortisation expenses	9	454,430,452.46	329,168,631.00
Provisions and Write Offs	24	895,462,587.00	419,971,428.00
<b>Total Expenses</b>		<b>38,756,912,340.72</b>	<b>32,178,085,168.36</b>
Profit Before Tax		15,114,454,200.37	13,312,471,949.63
<b>TAX EXPENSE</b>			
Current tax		5,171,097,057.00	4,420,859,032.00
Deferred tax		(191,545,228.00)	(28,627,303.00)
Taxes relating to Previous Years		92,507,141.84	-
<b>Profit for the year</b>		<b>10,042,395,229.53</b>	<b>8,920,240,220.63</b>
Earnings per equity share of ₹ 10/- each			
<b>Basic &amp; Diluted</b>		<b>27.02</b>	<b>24.29</b>

Notes on accounts form part of the final accounts

As per our report of even date attached

**For Rangamani & Co**

Chartered Accountants

(FRN: 003050 S)

(Sd/-)

**R. Sreenivasan**

Partner

Membership No. 020566

Kochi

14th May, 2013

For and on behalf of the Board of Directors

(Sd/-)

**M. G. George Muthoot**

Chairman & Whole time Director

(Sd/-)

**Oommen K. Mammen**

Chief Financial Officer

(Sd/-)

**George Alexander Muthoot**

Managing Director

(Sd/-)

**Anjana Varghese**

Company Secretary

# CASH FLOW STATEMENT

For the year ended 31st March, 2013

(₹)

Particulars	Year Ended 31st March, 2013	Year Ended 31st March, 2012
<b>A CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit Before Taxation	15,114,454,200.37	13,312,471,949.63
<b>Adjustments for :</b>		
Add: Provision for Non-Performing Assets and Standard assets	765,190,034.00	350,743,161.00
Add: Finance Cost	28,194,442,891.99	23,698,992,605.22
Add: Loss on Sale of Fixed Assets	213,367.00	-
Add: Depreciation and amortization	454,430,452.46	329,168,631.00
Add :Provision for Gratuity	2,410,000.00	
Less: Profit on sale of Fixed Assets	-	(395,480.00)
Less: Interest received on Bank Deposits	(195,639,653.95)	(122,569,358.05)
Less: Income from Investments	(85,698,393.58)	-
<b>Operating profit before working capital changes</b>	44,249,802,898.29	37,568,411,508.80
<b>Adjustments for:</b>		
(Increase) / Decrease in Loans and Advances	(50,477,390,792.72)	(96,737,844,001.41)
(Increase) / Decrease in Trade receivables	(4,141,538,546.09)	(3,871,571,239.07)
(Increase) / Decrease in other receivables	521,805.60	(521,805.60)
Increase / (Decrease) in Current liabilities	(23,712,913.76)	200,121,258.91
Increase / (Decrease) in Other Liabilities	5,486,267.30	16,619,780.12
<b>Cash generated from operations</b>	(10,386,831,281.38)	(62,824,784,498.25)
Finance cost paid	(23,828,995,205.26)	(19,909,082,618.81)
Direct tax paid	(5,308,549,132.10)	(4,354,210,016.47)
<b>Net cash from operating activities</b>	(39,524,375,618.74)	(87,088,077,133.53)
<b>B CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(724,067,399.14)	(1,118,784,042.80)
Sale of Fixed Assets	2,541,458.00	888,000.00
(Increase) / Decrease in Capital Work in Progress	(81,030,468.00)	(7,394,975.25)
Investments in Bonds	150,000,000.00	(900,000,000.00)
Interest received on Bank Deposits	252,089,352.15	141,067,464.05
Income from Investments	66,080,242.90	-
<b>Net Cash from Investing Activities</b>	(334,386,814.09)	(1,884,223,554.00)

(₹)

Particulars	Year Ended 31st March, 2013	Year Ended 31st March, 2012
<b>C CASH FROM FINANCING ACTIVITIES</b>		
Net Proceeds from Issue of Debentures	33,940,758,000.00	34,646,126,000.00
Increase / (Decrease) in Loan from Directors / Relatives of Directors	1,480,611,281.00	(559,539,664.19)
Increase / (Decrease) in Borrowings from Bank / Financial Institutions	9,043,583,304.11	31,790,835,065.18
Increase / (Decrease) in Inter Corporate Loan	(78,230,000.00)	127,400,000.00
Increase / (Decrease) in Subordinated debt	8,199,876,000.00	7,695,240,000.00
Increase / (Decrease) in Commercial Papers	(5,530,622,300.00)	746,665,550.00
Initial Public Offer of Equity Shares	-	9,012,500,000.00
Expenses for Initial Public Offer of Equity Shares	-	(291,490,445.04)
Dividend paid (including Dividend distribution tax)	(1,727,611,944.00)	-
(Increase) / Decrease in bank deposits held for greater than 3 months	2,620,588,164.55	127,027,902.43
<b>Net Cash from Financing Activities</b>	<b>47,948,952,505.66</b>	<b>83,294,764,408.38</b>
<b>D NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)</b>	<b>8,090,190,072.83</b>	<b>(5,677,536,279.15)</b>
Cash And Cash Equivalent at the Beginning of the Year	5,311,645,658.96	10,989,181,938.11
<b>Cash And Cash Equivalent at the End of The Year</b>	<b>13,401,835,731.79</b>	<b>5,311,645,658.96</b>
<b>Components of Cash and Cash Equivalents at the end of the year</b>		
Current Account with Banks	10,845,228,865.24	2,989,294,021.61
Deposit with Banks	720,000,009.00	50,000,000.00
Cash on Hand	1,836,163,309.55	2,272,351,637.35
Unpaid Dividend	443,548.00	-
<b>Total</b>	<b>13,401,835,731.79</b>	<b>5,311,645,658.96</b>

Notes on accounts form part of the final accounts  
As per our report of even date attached

**For Rangamani & Co**  
Chartered Accountants  
(FRN: 003050 S)

(Sd/-)  
**R. Sreenivasan**  
Partner  
Membership No. 020566

Kochi  
14th May, 2013

For and on behalf of the Board of Directors

(Sd/-)  
**M. G. George Muthoot**  
Chairman & Whole time Director

(Sd/-)  
**Oommen K. Mammen**  
Chief Financial Officer

(Sd/-)  
**George Alexander Muthoot**  
Managing Director

(Sd/-)  
**Anjana Varghese**  
Company Secretary



# NOTES ON ACCOUNTS

## For the year ended 31st March, 2013

(Amounts in the Financial Statements are stated in Rupees, except for Share data and as otherwise stated.)

### 1. BACKGROUND

Muthoot Finance Ltd. was incorporated as a private limited Company on 14th March, 1997 and was converted into a public limited Company on 18th November, 2008. The Company is promoted by Mr. M. G. George Muthoot, Mr. George Thomas Muthoot, Mr. George Jacob Muthoot and Mr. George Alexander Muthoot collectively operating under the brand name of 'The Muthoot Group', which has diversified interests in the fields of Financial Services, Healthcare, Education, Plantations, Real Estate, Foreign Exchange, Information Technology, Insurance Distribution, Hospitality etc. The Company obtained permission from the Reserve Bank of India for carrying on the business of Non-Banking Financial Institutions on 13.11.2001 vide Regn No. N 16.00167. The Company is presently classified as Systemically Important Non- Deposit Taking NBFC (NBFC-ND-SI).

The Company made an Initial Public Offer of 51,500,000 Equity Shares of the face value ₹ 10/- each at a price of ₹ 175/- raising ₹ 9,012,500,000.00 during the month of April 2011. The equity shares of the Company are listed on National Stock Exchange of India Limited and BSE Limited from 6th May, 2011.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Accounting Concepts

The financial statements are prepared on historical cost convention complying with the relevant provisions of the Companies Act, 1956 and the Accounting Standards issued by the Institute of Chartered Accountants of India, as applicable. The Company follows prudential norms for income recognition, asset classification and provisioning as prescribed by Reserve Bank of India vide Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007.

#### 2.2 Use of Estimates

The preparation of the financial statements requires use of estimates and assumptions that affect the reported amount of assets and liabilities as at the Balance Sheet date, reported amount of income and expenses during the reporting period and disclosure of contingent liabilities as at that date. The estimates and assumptions used in these financial statements are based upon the management evaluation of the relevant facts and circumstances as of the date of the financial statements. Management believes that these estimates and assumptions used are prudent and reasonable. Future results may vary from these estimates.

### 2.3 Revenue Recognition

Revenues are recognised and expenses are accounted on accrual basis with necessary provisions for all known liabilities and losses. Revenue is recognised to the extent it is realisable wherever there is uncertainty in the ultimate collection. Income from Non-Performing Assets is recognised only when it is realised. Income and expense under bilateral assignment of receivables accrue over the life of the related receivables assigned. Interest income and expenses on bilateral assignment of receivables are accounted on gross basis. Interest income on deposits is recognised on time proportionate basis.

### 2.4 Employee Benefits

#### A) Short Term Employee Benefits

Short Term Employee Benefits for services rendered by employees are recognised during the period when the services are rendered.

#### B) Post employment benefits

##### a) Defined Contribution Plan

##### Provident Fund

Contributions are made to Employees Provident Fund Organisation in respect of Provident Fund, Pension Fund and Employees Deposit Linked Insurance Scheme at the prescribed rates and are charged to Statement of Profit & Loss at actuals.

##### b) Defined Benefit Plan

##### Gratuity

The Company makes annual contribution to a Gratuity Fund administered by Trustees and managed by Kotak Mahindra Old Mutual Life Insurance Limited and ICICI Prudential Life Insurance Company Limited. The Company accounts for its liability for future gratuity benefits based on actuarial valuation determined every year by the Insurance Company using Projected Unit Credit Method.

### 2.5 Fixed Assets

Fixed assets are stated at historical cost less accumulated depreciation. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

Depreciation is charged at the rates specified in Schedule XIV of the Companies Act, 1956 on Written Down Value method.

### 2.6 Foreign Exchange Transactions

Foreign currency transactions are recorded, on initial recognition, by applying to the foreign currency amount

# NOTES ON ACCOUNTS

## For the year ended 31st March, 2013

the exchange rate at the date of the transaction. Foreign currency monetary assets and liabilities are reported using the exchange rate as on the Balance Sheet date. Non-monetary items, which are carried in terms of historical cost denominated in foreign currency, are reported using the exchange rate at the date of the transaction. Exchange differences arising on the settlement of monetary items are recognised as income or as expenses in the period in which they arise.

### 2.7 Intangible Assets

Intangible Assets are amortised over their expected useful life. It is stated at cost, net of amortisation. Computer Software is amortised over a period of five years on straight line method.

### 2.8 Taxes on Income

Income Tax expenses comprises of current tax and deferred tax (asset or liability). Current tax is the amount of tax payable on the taxable income for the year determined in accordance with the provisions of the Income Tax Act 1961. Deferred tax is recognised, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets are recognised if there is reasonable certainty that there will be sufficient future taxable income available to realise such assets.

### 2.9 Investments

Investments intended to be held for not more than one year are classified as current investments. All other investments are classified as non-current investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Non-Current investments are carried at cost. However, provision for diminution in value is made to recognise a decline, other than temporary, in the value of the investments.

### 2.10 Impairment of Assets

The carrying amounts of assets are reviewed at each balance sheet date to ascertain impairment based on internal / external factors. An impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of the net selling price of the assets or their value in use. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life. A previously recognised impairment loss is increased or reversed depending on changes in circumstances. However, the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment.

### 2.11 Cash and Cash Equivalents

Cash and cash equivalents comprise of cash at bank, cash in hand, bank deposits having a maturity of less than 3 months and unpaid dividend.

### 2.12 Provisions, Contingent Liabilities & Contingent Assets

Provisions are recognised only when the Company has present, legal, or constructive obligations as a result of past events, for which it is probable that an outflow of economic benefit will be required to settle the transaction and a reliable estimate can be made for the amount of the obligation.

Contingent liability is disclosed for (i) possible obligations which will be confirmed only by future events not wholly within the control of the Company or (ii) present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

Contingent assets are not recognised in the financial statements since this may result in the recognition of income that may never be realised.

### 2.13 Debenture Redemption Reserve

In terms of Circular No. 4/2013 dated 11th February, 2013 issued by the Ministry of Corporate Affairs, Company has created Debenture Redemption Reserve in respect of Secured Non-Convertible Debentures issued through public issue as per present SEBI (Issue & Listing of Debt Securities) Regulations, 2008.

No Debenture Redemption Reserve is to be created for privately placed debentures of Non-Banking Finance Companies.

### 2.14 Provision for Standard Assets and Non - Performing Assets

Company makes provision for standard assets and non-performing assets as per Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007. Provision for standard assets in excess of the prudential norms, as estimated by the management, is categorised under Provision for Standard Assets, as general provisions.

### 2.15 Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets, are classified as operating leases.

# NOTES ON ACCOUNTS

## For the year ended 31st March, 2013

### Where the Company is the Lessor:

Assets given on operating leases are included in fixed assets. Lease income is recognised in the Statement of Profit and Loss on a straight-line basis over the lease term. Costs, including depreciation are recognised as an expense in the Statement of Profit and Loss. Initial direct costs such as legal costs, brokerage costs, etc. are recognised immediately in the Statement of Profit and Loss.

### Where the Company is the lessee:

Operating lease payments are recognised as an expense in the Statement of Profit and Loss on a straight-line basis over the lease term.

### 2.16 Segment Reporting

#### Identification of segments:

- a) The Company's operating businesses are organised and managed separately according to the nature of services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Company has identified two business segments – Financing and Power Generation.

- b) In the context of Accounting Standard 17 on Segment Reporting, issued by the Institute of Chartered Accountants of India, Company has identified business segment as the primary segment for the purpose of disclosure.
- c) Company operates in a single geographical segment. Hence, secondary geographical segment information disclosure is not applicable
- d) The segment revenues, results, assets and liabilities include the respective amounts identifiable to each of the segment and amounts allocated on a reasonable basis.

#### Unallocated items:

Unallocated items include income, expenses, assets and liabilities which are not allocated to any reportable business segment.

#### Segment Policies:

The Company prepares its segment information in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Company as a whole.

## 3. SHARE CAPITAL

(₹)

### 3.1 Share Capital

Particulars	As at 31st March, 2013	As at 31st March, 2012
<b>Authorised</b>		
450,000,000 Equity Shares of ₹ 10/- each	4,500,000,000.00	4,500,000,000.00
(Previous Year: 450,000,000 Equity Shares of ₹ 10/- each)		
5,000,000 Preference Shares of ₹ 1000/- each	5,000,000,000.00	5,000,000,000.00
(Previous Year: 5,000,000 Preference Shares of ₹ 1000/- each)		
<b>Issued, Subscribed &amp; Paid up</b>		
371,712,768 Equity Shares of ₹ 10/- each fully paid	3,717,127,680.00	3,717,127,680.00
(Previous Year: 371,712,768 Equity Shares of ₹ 10/- each fully paid)		
<b>Total</b>	<b>3,717,127,680.00</b>	<b>3,717,127,680.00</b>

### 3.2 Terms and Rights attached to Equity Shares

The Company has only one class of equity share having face value ₹ 10/- per share. All these shares have the same rights and preferences with respect to the payment of dividend, repayment of capital and voting. The dividend proposed by your Board of Directors is subject to the approval of shareholders in the ensuing Annual General Meeting.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive any of the remaining assets of the Company, after distribution of all preferential amounts. However, no such preferential amounts exist currently. The distribution will be in proportion to the number of equity shares held by the shareholders.

# NOTES ON ACCOUNTS

## For the year ended 31st March, 2013

### 3.3 The reconciliation of the number of shares outstanding and the amount of share capital as at 31st March, 2013 and 31st March, 2012 is set out below: (₹)

Particulars	As on 31st March, 2013		As on 31st March, 2012	
	Equity Share		Equity Share	
	Number	Amount	Number	Amount
Shares outstanding at the beginning of the year	371,712,768	3,717,127,680.00	320,212,768	3,202,127,680.00
Shares Issued during the year	-	-	51,500,000	515,000,000.00
Shares outstanding at the end of the year	371,712,768	3,717,127,680.00	371,712,768	3,717,127,680.00

### 3.4 Disclosure as to the shareholders holding more than 5 percent shares (₹)

Sl. No.	Name of Shareholder	As on 31st March, 2013		As on 31st March, 2012	
		No. of Shares held	% of Holding	No. of Shares held	% of Holding
1	M. G. George Muthoot	47,385,132	12.75%	47,385,132	12.75%
2	George Alexander Muthoot	44,464,400	11.96%	44,464,400	11.96%
3	George Jacob Muthoot	44,464,400	11.96%	44,464,400	11.96%
4	George Thomas Muthoot	44,464,400	11.96%	44,464,400	11.96%
5	Susan Thomas	29,985,068	8.07%	29,985,068	8.07%

### 3.5 Disclosure as to aggregate number and class of shares allotted as pursuant to contract(s) without payment being received in cash, fully paid up by way of bonus shares and shares bought back (₹)

Particulars	Aggregate No. of Shares issued in the Financial Years				
	2012-13	2011-12	2010-11	2009-10	2008-09
Equity Shares					
Fully paid up pursuant to contract(s) without payment being received in cash	Nil	Nil	Nil	Nil	Nil
Fully paid up by way of bonus shares	Nil	Nil	Nil	252,000,000.00	42,000,000.00
Shares bought back	Nil	Nil	Nil	Nil	Nil

# NOTES ON ACCOUNTS

For the year ended 31st March, 2013

## 4. RESERVES AND SURPLUS

(₹)

Particulars	As at 31st March, 2013	As at 31st March, 2012
<b>a. Securities Premium Account</b>		
Balance at the beginning of the year	10,570,781,115.96	2,364,771,561.00
Add : Securities premium credited on Equity Share issue	-	8,497,500,000.00
Less : Premium Utilised for Initial Public Offering expenses	-	291,490,445.04
<b>Closing Balance</b>	<b>10,570,781,115.96</b>	<b>10,570,781,115.96</b>
<b>b. General Reserve (Refer Note 4.1)</b>		
Balance at the beginning of the year	892,024,022.00	-
Add: Amount transferred from surplus balance in the Statement of Profit and Loss	1,004,239,523.00	892,024,022.00
<b>Closing Balance</b>	<b>1,896,263,545.00</b>	<b>892,024,022.00</b>
<b>c. Debenture Redemption Reserve (Refer Note 4.2)</b>		
Balance at the beginning of the year	742,038,311.00	-
Add: Amount transferred from surplus in the Statement of Profit and Loss	967,249,498.00	742,038,311.00
<b>Closing Balance</b>	<b>1,709,287,809.00</b>	<b>742,038,311.00</b>
<b>d. Statutory Reserve (Refer Note 4.3)</b>		
Balance at the beginning of the year	3,766,072,256.80	1,982,024,212.80
Add: Amount transferred from surplus in the Statement of Profit and Loss	2,008,479,046.00	1,784,048,044.00
<b>Closing Balance</b>	<b>5,774,551,302.80</b>	<b>3,766,072,256.80</b>
<b>e. Surplus in the Statement of Profit and Loss</b>		
Balance at the beginning of the year	9,569,275,904.97	5,795,201,553.34
Add: Net Profit For the year	10,042,395,229.53	8,920,240,220.63
Less: Appropriations		
Proposed Equity Dividend	1,672,707,456.00	1,486,851,072.00
Corporate Dividend Tax	271,354,970.00	241,204,420.00
Transfer to General Reserve	1,004,239,523.00	892,024,022.00
Transfer to Debenture Redemption Reserve	967,249,498.00	742,038,311.00
Transfer to Statutory Reserve	2,008,479,046.00	1,784,048,044.00
<b>Closing Balance</b>	<b>13,687,640,641.50</b>	<b>9,569,275,904.97</b>
<b>TOTAL</b>	<b>33,638,524,414.26</b>	<b>25,540,191,610.73</b>



# NOTES ON ACCOUNTS

## For the year ended 31st March, 2013

### 4.1 General Reserve

In accordance with Companies ( Transfer of Profits to Reserves ) Rules ,1975, the Company has transferred an amount of ₹ 1,004,239,523.00 representing 10% of Net profits for the current year to General reserve ( Previous Year ₹ 892,024,022.00) .

### 4.2 Debenture Redemption Reserve

In accordance with Section 117C of the Companies Act, 1956, read with Circular No. 4/2013 dated 11.02.2013 issued by the Ministry of Corporate Affairs, in conjunction with Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008, Company is required to create a Debenture Redemption Reserve equal to the 25% of the value of debentures issued through public issue. Accordingly, Company has transferred an amount of ₹ 967,249,498.00 (Previous year: ₹ 742,038,311.00) to the Debenture Redemption Reserve. No appropriation was made from this Reserve during the year.

### 4.3 Statutory Reserve

Statutory Reserve represents the Reserve Fund created under Section 45 IC of the Reserve Bank of India Act, 1934. An amount of ₹ 2,008,479,046.00 representing 20% of Net Profit is transferred to the Fund for the year (Previous Year ₹ 1,784,048,044.00). No appropriation was made from the Reserve Fund during the year.

## 5. BORROWINGS

(₹)

### 5.1 Borrowings - Secured and Unsecured

Particulars	Non - Current		Current	
	As on 31st March, 2013	As on 31st March, 2012	As on 31st March, 2013	As on 31st March, 2012
<b>Secured</b>				
<b>(a) Bonds/debentures</b>				
Secured Non-Convertible Debentures (Secured by mortgage of immovable property and paripassu floating charge on current assets, book debts and Loans & advances) (Refer Note No. 5.2)	40,281,719,000.00	27,040,217,000.00	54,298,636,000.00	39,012,955,000.00
Secured Non-Convertible Debentures (Secured by mortgage of immovable property and charge on all movable fixed assets) (Refer Note No. 5.2)	-	49,210,000.00	15,859,000.00	-
Secured Non-Convertible Debentures- Listed (Secured by mortgage of immovable property and paripassu floating charge on current assets, book debts and Loans & advances) (Refer Note No. 5.3 & 5.4)	14,614,776,000.00	12,526,011,000.00	3,258,161,000.00	-

# NOTES ON ACCOUNTS

## For the year ended 31st March, 2013

### 5.1 Borrowings - Secured and Unsecured (Contd.)

(₹)

Particulars	Non - Current		Current	
	As on 31st March, 2013	As on 31st March, 2012	As on 31st March, 2013	As on 31st March, 2012
<b>(b) Term loans</b>				
<b>From banks</b>				
Term Loan (Secured by specific charge on wind mills & Land appurtenant thereto and personal guarantee and collateral property of Promoter Directors) Terms of Repayment : Repayable in Quarterly Installments (Previous Year : Repayable in Quarterly Installments)	-	-	-	16,275,927.54
Term Loan (Secured by specific charge on vehicles) Terms of Repayment : Repayable in Monthly Installments	7,959,380.00	-	4,143,045.00	-
Short Term Loan (Secured by mortgage of immovable property and subservient charge on current assets, book debts, loans & advances and personal guarantee of Promoter Directors and collateral security by a group company)	-	-	400,000,000.00	400,000,000.00
Term Loan (Secured by paripassu floating charge on current assets, book debts and Loans & advances and ₹ 3,500,000,000.00 is additionally secured by personal guarantee of Promoter Directors) (Terms of Repayment: ₹ 1,521,700,000.00 repayable in FY 2014-15 & ₹ 3,978,300,000.00 repayable in FY 2013-14 )	1,521,700,000.00	3,000,000,000.00	3,978,300,000.00	1,000,000,000.00
<b>From Financial Institutions</b>				
Term Loan (Secured by paripassu floating charge on current assets, book debts and Loans & advances and personal guarantee of Promoter Directors) (Terms of Repayment : Repayable in 5 monthly installments in FY 2013-14 )	-	5,000,000,000.00	5,000,000,000.00	-
Term Loan (Secured by specific charge on vehicles) (Terms of Repayment : Repayable in Monthly Installments )	2,292,332.87	-	1,639,036.00	-

# NOTES ON ACCOUNTS

## For the year ended 31st March, 2013

### 5.1 Borrowings - Secured and Unsecured (Contd.)

(₹)

Particulars	Non - Current		Current	
	As on 31st March, 2013	As on 31st March, 2012	As on 31st March, 2013	As on 31st March, 2012
<b>(c) Loans repayable on demand</b>				
<b>From banks</b>				
Overdraft against Deposit with Banks (Secured by a lien on Fixed Deposit with Banks)	-	-	-	445,335.00
Cash Credit (Secured by paripassu floating charge on current assets, book debts, Loans & advances and personal guarantee of Promoter Directors)	-	-	56,497,667,535.23	48,123,397,187.11
<b>(d) Short Term Loans</b>				
<b>From Banks</b>	-	-	32,950,000,000.00	33,929,999,575.34
(Secured by paripassu floating charge on current assets, book debts, Loans & advances and personal guarantee of Promoter Directors)				
<b>From Financial Institutions</b>	-	-	1,000,000,000.00	850,000,000.00
(Secured by paripassu floating charge on current assets, book debts, Loans & advances and personal guarantee of promoter Directors)				
<b>Sub Total (1)</b>	56,428,446,712.87	47,615,438,000.00	157,404,405,616.23	123,333,073,024.99
<b>Unsecured</b>				
<b>(a) Loans and advances from related parties</b>				
Loan from Directors and Relatives	-	-	1,738,663,281.00	258,052,000.00
Inter Corporate Loan	-	-	32,220,000.00	125,950,000.00
Subordinated Debt (Refer Note.5.5)	408,023,000.00	407,786,000.00	-	-
<b>(b) Other loans and advances</b>				
Subordinated Debt - Listed (Refer Note 5.6)	100,000,000.00	-	-	-
Commercial Paper	-	-	2,163,855,600.00	7,694,477,900.00
Subordinated Debt (Refer Note.5.5)	22,592,949,000.00	14,393,310,000.00	-	-
Inter Corporate Loan	-	-	20,000,000.00	4,500,000.00
<b>Sub Total (2)</b>	23,100,972,000.00	14,801,096,000.00	3,954,738,881.00	8,082,979,900.00
<b>TOTAL (1)+(2)</b>	79,529,418,712.87	62,416,534,000.00	161,359,144,497.23	131,416,052,924.99

# NOTES ON ACCOUNTS

## For the year ended 31st March, 2013

### 5.1 Borrowings - Secured and Unsecured (Contd.)

(₹)

Particulars	Non - Current		Current	
	As on 31st March, 2013	As on 31st March, 2012	As on 31st March, 2013	As on 31st March, 2012
Less: Amount included under Current Liabilities	-	-	-	-
Current maturities of long - term debt (Refer Note 7.1)	-	-	66,474,920,081.00	38,960,845,927.54
Unpaid Matured Debentures (Refer Note 7.2)	-	-	81,818,000.00	68,385,000.00
<b>As per Balance Sheet</b>	<b>79,529,418,712.87</b>	<b>62,416,534,000.00</b>	<b>94,802,406,416.23</b>	<b>92,386,821,997.45</b>
Long-Term Borrowings	79,529,418,712.87	62,416,534,000.00	-	-
Short-Term Borrowings	-	-	94,802,406,416.23	92,386,821,997.45

There is no continuing default as on the balance sheet date in repayment of loans and interest.

### 5.2 Secured Non-Convertible Debentures

The Company had privately placed Secured Non-Convertible Debentures for a maturity period up to 10 years with an outstanding of ₹ 94,596,214,000.00 (Previous Year ₹ 66,102,382,000.00).

Series	Date of allotment	Amount		Redemption Period	Interest Rate %
		As at 31st March, 2013	As at 31st March, 2012		
BZ	01.03.2013-31.03.2013	6,523,459,000.00	-	120 months	10.5-12.5
BY	18.01.2013-28.02.2013	7,749,706,000.00	-	120 months	10.5-12.5
BX	26.11.2012-17.01.2013	7,519,246,000.00	-	60 months	10.5-12.5
BW	01.10.2012-25.11.2012	8,821,605,000.00	-	60 months	11.5-12.5
BV	17.08.2012 - 30.09.2012	6,995,299,000.00	-	60 months	11.5-12.5
BU	01.07.2012 - 16.08.2012	8,183,791,000.00	-	60 months	11.5-12.5
BT	21.05.2012 - 30.06.2012	5,604,131,000.00	-	60 months	11.5-12.5
BS	01.05.2012 - 20.05.2012	2,075,080,000.00	-	60 months	11.5-12.5
BR	01.03.2012-30.04.2012	6,631,277,000.00	5,351,346,000.00	60 months	11.5-12.5
BQ	23.01.2012-29.02.2012	4,876,431,000.00	7,983,367,000.00	60 months	11.5-12.5
BP	01.12.2011-22.01.2012	5,023,297,000.00	7,728,849,000.00	60 months	11.5-12.5
BO	19.09.2011-30.11.2011	4,545,043,000.00	7,053,786,000.00	60 months	11-12
BN	01.07.2011-18.09.2011	3,343,916,000.00	7,394,773,000.00	60 months	11-12
BM	01.04.2011-30.06.2011	3,223,394,000.00	6,421,794,000.00	60 months	11-12
BL	01.01.2011-31.03.2011	3,512,888,000.00	6,649,937,000.00	60 months	10-11.5
BK	01.10.2010-31.12.2010	2,631,804,000.00	4,317,298,000.00	60 months	9.5-11.5
BJ	01.07.2010-30.09.2010	1,859,172,000.00	2,493,888,000.00	60 months	9.5-11
BI	01.04.2010-30.06.2010	1,552,508,000.00	1,984,767,000.00	60 months	9-10.5
BH	01.01.2010-31.03.2010	892,780,000.00	1,920,251,000.00	60 months	9-10.5
BG	01.10.2009-31.12.2009	703,939,000.00	1,545,711,000.00	60 months	9.5-10.5

# NOTES ON ACCOUNTS

## For the year ended 31st March, 2013

### 5.2 Secured Non-Convertible Debentures (Contd.)

Series	Date of allotment	Amount		Redemption Period	Interest Rate %
		As at 31st March, 2013	As at 31st March, 2012		
BF	01.07.2009-30.09.2009	873,082,000.00	1,298,097,000.00	60 months	10.50
BE	01.04.2009-30.06.2009	481,962,000.00	1,118,074,000.00	60 months	10.5-11.5
BD	01.01.2009-31.03.2009	312,791,000.00	595,181,000.00	60 months	11-12
BC	22.09.2008-31.12.2008	305,138,000.00	556,506,000.00	60 months	11-12
BB	10.07.2008-21.09.2008	126,879,000.00	336,509,000.00	60 months	11-11.5
BA	03.07.2008-09.07.2008	15,859,000.00	49,214,000.00	60 months	11-11.5
AZ	01.04.2008-02.07.2008	179,226,000.00	399,999,000.00	60 months	10.5-11
AY	01.01.2008-31.03.2008	20,887,000.00	272,886,000.00	60 months	10.5-11
AX	01.10.2007-31.12.2007	3,100,000.00	227,064,000.00	60 months	10.5-11
AW	01.07.2007-30.09.2007	1,914,000.00	174,939,000.00	60 months	10.5-11
AV	01.04.2007-30.06.2007	1,640,000.00	190,785,000.00	60 months	10.5-11
AE	15.07.2004-30.09.2004	32,000.00	6,023,000.00	90 months	10.83-12
AU	01.01.2007-31.03.2007	2,036,000.00	21,831,000.00	60 months	9-11
AT	13.08.2006-31.12.2006	1,174,000.00	3,604,000.00	60 months	9-9.5
AS	01.05.2006-12.08.2006	485,000.00	1,305,000.00	60 months	8.5-9
AR	15.06.2005-30.04.2006	580,000.00	860,000.00	60 months	8-8.5
AQ	01.04.2005-14.06.2005	365,000.00	365,000.00	60 months	8-8.5
AP	07.02.2005-14.06.2005	30,000.00	380,000.00	60 months	9.27-10.08
AO	07.02.2005-31.03.2005	39,000.00	39,000.00	60 months	8-8.5
AN	01.01.2005-06.02.2005	148,000.00	163,000.00	60 months	8.5-9
AI	01.10.2004-06.02.2005	51,000.00	2,561,000.00	60 months	10.2-12
AD	01.07.2004-14.11.2004	30,000.00	230,000.00	60 months	9.50
<b>TOTAL</b>		<b>94,596,214,000.00</b>	<b>66,102,382,000.00</b>		

Out of the above ₹ 40,281,719,000.00 (Previous year ₹ 27,089,427,000.00) is included in long - term borrowings, ₹ 54,232,677,000.00 (Previous year ₹ 38,944,570,000.00) is included in current maturities of long - term debt (Note 7.1) and ₹ 81,818,000.00 (Previous year ₹ 68,385,000.00) is included in unpaid matured debentures (note 7.2)

### 5.3 Secured Non - Convertible Debentures - Listed

The Company privately placed Rated Non -Convertible Listed Debentures with an outstanding of ₹ 1,000,000,000.00 (Previous Year: ₹ 1,000,000,000.00).

Series	Date of allotment	Amount		Redemption Period	Rate of Interest (%)
		As at 31st March, 2013	As at 31st March, 2012		
L 4	12.01.2012	1,000,000,000.00	1,000,000,000.00	60 Months	13
<b>TOTAL</b>		<b>1,000,000,000.00</b>	<b>1,000,000,000.00</b>		

The above ₹ 1,000,000,000.00 (Previous year: ₹ 1,000,000,000.00) is classified as Long -Term Borrowings

# NOTES ON ACCOUNTS

## For the year ended 31st March, 2013

### 5.4 Secured Non - Convertible Debentures - Public Issue

The outstanding amount of Rated Non-Convertible Listed Debentures raised through Public Issue stood at ₹ 16,872,937,000.00 (Previous year: ₹ 11,526,011,000.00)

Series	Date of allotment	Amount		Redemption Period	Rate of Interest (%)
		As at 31st March, 2013	As at 31st March, 2012		
PL 4	01.11.2012	2,749,404,000.00	-	2,3,5,6 years	11.50-12.25
PL 3	18.04.2012	2,597,522,000.00	-	2, 3, 5, 5.5 years	13.00-13.43
PL 2	18.01.2012	4,593,198,000.00	4,593,198,000.00	2, 3, 5, 5.5 years	13.00-13.43
PL 1	14.09.2011	6,932,813,000.00	6,932,813,000.00	2, 3, 5 years	11.75-12.25
<b>TOTAL</b>		<b>16,872,937,000.00</b>	<b>11,526,011,000.00</b>		

Out of the above ₹ 13,614,776,000.00 (Previous Year 11,526,011,000.00) is Long -term borrowing and ₹ 3,258,161,000.00 (Previous Year Nil) is classified as Current maturities of Long- term Debt.

### 5.5 Subordinated Debt

Subordinated Debt is subordinated to the claims of other creditors and qualifies as Tier II capital under the Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007.

Series	Date of allotment	Amount		Redemption Period	Rate of Interest (%)
		As at 31st March, 2013	As at 31st March, 2012		
XI	01.10.2012-31.03.2013	4,651,420,000.00	-	66 months	12.67-13.39
X	01.04.2012 - 30.09.2012	3,548,456,000.00	-	66 months	12.67-13.39
IX	01.11.2011 - 31.03.2012	4,081,076,000.00	4,081,076,000.00	66 months	12.67-13.39
E	21.03.2005	65,942,000.00	65,942,000.00	144 months	15.00
VIII	01.07.2011-31.10.2011	2,343,849,000.00	2,343,849,000.00	66 months	12.67
VII	01.01.2011 - 07.02.2011	437,284,000.00	437,284,000.00	72 months	11.61
VII	01.04.2011 - 30.06.2011	1,270,315,000.00	1,270,315,000.00	66 months	12.67
VII	08.02.2011 - 31.03.2011	1,080,398,000.00	1,080,398,000.00	66 months	12.67
VI	01.07.2010 - 31.12.2010	1,912,708,000.00	1,912,708,000.00	72 months	11.61
D	03.04.2004	14,058,000.00	14,058,000.00	144 months	15.00
V	01.01.2010 - 30.06.2010	1,038,649,000.00	1,038,649,000.00	72 months	11.61
C	01.11.2003	98,751,000.00	98,751,000.00	144 months	15.00
B	30.09.2003	110,000,000.00	110,000,000.00	144 months	15.00
IV	17.08.2009 - 31.12.2009	759,309,000.00	759,309,000.00	72 months	11.61
IV	01.07.2009 - 16.08.2009	12,421,000.00	12,421,000.00	72 months	12.50
IV	01.07.2009 - 16.08.2009	263,617,000.00	263,617,000.00	69 months	12.12
A	25.03.2003	111,249,000.00	111,249,000.00	144 months	15.00
III	15.12.2008 - 30.06.2009	193,191,000.00	193,191,000.00	72 months	12.50
III	15.12.2008 - 30.06.2009	744,894,000.00	744,894,000.00	69 months	12.12
II	18.08.2008 - 13.12.2008	263,385,000.00	263,385,000.00	72 months	11.61
<b>TOTAL</b>		<b>23,000,972,000.00</b>	<b>14,801,096,000.00</b>		



# NOTES ON ACCOUNTS

## For the year ended 31st March, 2013

### 5.6 Subordinated Debt - Listed

The Company privately placed Rated Unsecured, Redeemable Non-Convertible Listed Subordinated Debt which qualifies as Tier II capital under the Non-Banking Financial (Non-Deposit Accepting or Holding ) Companies Prudential Norms ( Reserve Bank) Directions ,2007 of ₹ 100,000,000.00 (Previous Year : Nil).

Series	Date of allotment	Amount		Redemption Period	Rate of Interest (%)
		As at 31st March, 2013	As at 31st March, 2012		
IA	26.03.2013	100,000,000.00	-	10 Years	12.35
<b>TOTAL</b>		<b>100,000,000.00</b>	<b>-</b>		

### 6. OTHER LONG - TERM LIABILITIES

(₹)

Particulars	As at 31st March, 2013	As at 31st March, 2012
Interest accrued but not due on long -term borrowings	5,568,501,523.84	2,627,081,273.37
Security Deposit Received	65,337,616.76	59,851,349.46
<b>TOTAL</b>	<b>5,633,839,140.60</b>	<b>2,686,932,622.83</b>

### 7. TRADE PAYABLES AND OTHER CURRENT LIABILITIES

(₹)

Particulars	As at 31st March, 2013	As at 31st March, 2012
(a) Current maturities of long term debt (Refer Note 7.1 )	66,474,920,081.00	38,960,845,927.54
(b) Interest accrued but not due on borrowings	5,455,932,071.18	2,733,063,059.88
(c) Interest accrued and due on borrowings	620,521,871.56	1,917,256,253.60
(d) Unpaid matured debentures and interest accrued thereon (Refer Note No.7.2)	108,362,765.00	97,036,958.00
(e) Trade Payables	327,059,067.43	392,237,246.96
(f) Other payables		
Statutory Payables	160,902,301.09	121,660,728.32
Unpaid Dividend	443,548.00	-
Others	7,778,290.00	5,554,597.00
<b>TOTAL</b>	<b>73,155,919,995.26</b>	<b>44,227,654,771.30</b>

# NOTES ON ACCOUNTS

## For the year ended 31st March, 2013

### 7.1 Current Maturities of Long Term debts:

Particulars	As at 31st March, 2013	As at 31st March, 2012
Secured Non-Convertible Debentures	54,216,818,000.00	38,944,570,000.00
(Secured by mortgage of immovable property and paripassu floating charge on current assets, book debts and Loans & advances)		
Secured Non-Convertible Debentures	15,859,000.00	-
(Secured by mortgage of immovable property and charge on all movable fixed assets)		
Secured Non-Convertible Debentures - Listed	3,258,161,000.00	-
(Secured by mortgage of immovable property and paripassu floating charge on current assets, book debts and Loans & advances)		
Term loan - From Banks (Secured by charge on Vehicles)	4,143,045.00	-
Term Loan - From Banks (Secured by specific charge on wind mills & Land appurtenant thereto and personal guarantee and collateral property of Promoter Directors)	-	16,275,927.54
Term Loan - From Banks (Secured by paripassu floating charge on current assets, book debts, Loans & Advances and ₹ 1,987,300,000.00 is additionally secured by personal guarantee of Promoter Directors)	3,978,300,000.00	-
Term Loan - From Financial Institutions (Secured by paripassu floating charge on current assets, book debts and Loans & advances and personal guarantee of Promoter Directors)	5,000,000,000.00	-
Term Loan - From Financial Institutions (Secured by specific charge on vehicles)	1,639,036.00	-
<b>TOTAL</b>	<b>66,474,920,081.00</b>	<b>38,960,845,927.54</b>

### 7.2 Unpaid matured debentures and interest thereon:

Particulars	As at 31st March, 2013	As at 31st March, 2012
Unpaid Matured Debentures	81,818,000.00	68,385,000.00
Interest on Unpaid Matured Debentures	26,544,765.00	28,651,958.00
<b>TOTAL</b>	<b>108,362,765.00</b>	<b>97,036,958.00</b>

### 8. SHORT TERM PROVISIONS

Particulars	As at 31st March, 2013	As at 31st March, 2012
Proposed Dividend (Refer Note 28)	1,672,707,456.00	1,486,851,072.00
Provision for Corporate Dividend Tax	271,354,970.00	241,204,420.00
Provision for Non - Performing Assets (Refer Note 8.1)	700,626,794.00	181,304,464.00
Provision for Standard Assets (Refer Note 8.1)		
- As per RBI Prudential Norms	646,544,685.00	529,985,918.00
- General	129,308,937.00	-
Provision for Income Tax (Net of Advance Tax and TDS of ₹ 4,908,631,712.42/- , Previous Year ₹ 4,113,448,754.16)	262,465,344.58	307,410,277.84
<b>TOTAL</b>	<b>3,683,008,186.58</b>	<b>2,746,756,151.84</b>

# NOTES ON ACCOUNTS

## For the year ended 31st March, 2013

### 8.1 Movement of Provision for Standard and Non-Performing Assets`

(₹)

As per the Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007, Company has created provisions for Standard Assets as well as Non-Performing Assets. Company has created General Standard Asset Provision over and above RBI Prudential norms as estimated by the management. Details are as per the table below:

Particulars	As at 31st March, 2013	As at 31st March, 2012
<b>Provision for Standard Assets</b>		
Standard Assets	258,617,873,805.41	211,994,367,326.50
<b>Provision at the beginning of the year</b>		
- As per RBI Prudential Norms	529,985,918.00	290,901,276.00
- General	-	-
<b>Additional provision made during the year</b>		
- As per RBI Prudential Norms	116,558,767.00	239,084,642.00
- General	129,308,937.00	-
<b>Provision at the close of the year</b>		
- As per RBI Prudential Norms	646,544,685.00	529,985,918.00
- General	129,308,937.00	-
	775,853,622.00	529,985,918.00
<b>Provision for Non-Performing Assets</b>		
Substandard Assets	5,129,731,295.31	1,356,377,587.00
Doubtful Assets	120,574,138.00	33,148,447.00
Total Non-Performing Assets	5,250,305,433.31	1,389,526,034.00
Provision at the beginning of the year	181,304,464.00	69,645,945.00
Additional provision made during the year	519,322,330.00	111,658,519.00
<b>Provision at the close of the year</b>	700,626,794.00	181,304,464.00

# NOTES ON ACCOUNTS

For the year ended 31st March, 2013

9 FIXED ASSETS		(₹)									
Fixed Assets		Gross Block				Accumulated Depreciation				Net Block	
		As at 1st April, 2012	Additions	Disposals	As at 31st March, 2013	As at 1st April, 2012	Depreciation / Amortisation Charge for the Year	Deductions/ adjustments during the year	As at 31st March, 2013	As at 31st March, 2013	As at 31st March, 2012
a	Tangible Assets										
	Land	545,859,212.00	-	-	545,859,212.00	-	-	-	-	545,859,212.00	545,859,212.00
	Buildings	442,959,264.45	117,193,672.00	-	560,152,936.45	64,351,283.28	20,653,972.00	-	85,005,255.28	475,147,681.17	378,607,981.17
	Furniture and Fixtures	848,056,818.80	160,469,663.56	66,0706.00	1,007,865,776.36	286,313,374.06	142,087,432.00	276,784.00	428,174,022.06	579,741,754.30	561,743,444.74
	Plant and Machinery	1,041,868,300.06	299,877,335.22	950,918.00	1,340,794,717.28	209,185,509.05	155,824,246.00	272,234.00	364,737,521.05	976,057,196.23	832,682,791.01
	Computer	464,323,507.52	115,510,611.25	3,600.00	579,830,518.77	236,917,846.96	113,645,347.46	3,203.00	350,559,991.42	229,270,527.35	227,405,660.56
	Motor Car	50,655,815.00	28,371,687.00	4,434,796.00	74,592,706.00	23,170,719.10	9,977,250.00	2,742,974.00	30,404,995.10	44,187,710.90	27,485,095.90
	Wind Mill	180,598,860.00	-	-	180,598,860.00	133,327,449.89	9,454,282.00	-	142,781,731.89	37,817,128.11	47,271,410.11
	<b>TOTAL</b>	3,574,321,777.83	721,422,969.03	6,050,020.00	4,289,694,726.86	953,266,182.34	451,642,529.46	3,295,195.00	1,401,613,516.80	2,888,081,210.06	2,671,055,595.49
	Previous Year	2,463,338,204.03	1,112,848,446.80	1,864,873.00	3,574,321,777.83	627,771,414.34	326,867,121.00	1,372,353.00	953,266,182.34	2,621,055,595.49	1,835,566,789.69
b	Intangible Assets										
	Computer software	12,584,780.00	2,644,430.11	-	15,229,210.11	6,745,202.00	2,787,923.00	-	9,533,125.00	5,696,085.11	5,839,578.00
	<b>TOTAL</b>	12,584,780.00	2,644,430.11	-	15,229,210.11	6,745,202.00	2,787,923.00	-	9,533,125.00	5,696,085.11	5,839,578.00
	Previous Year	6,649,184.00	5,935,596.00	-	12,584,780.00	4,443,692.00	2,301,510.00	-	6,745,202.00	5,839,578.00	2,205,492.00
c	Capital Work In Progress										
	<b>TOTAL</b>									95,963,836.25	38,947,633.25
	Previous Year									95,963,836.25	38,947,633.25
										38,947,633.25	47,970,256.00
d	Intangible assets under Development										
	Computer Software									40,431,863.00	16,417,598.00
	<b>TOTAL</b>									40,431,863.00	16,417,598.00
	Previous Year									-	-

# NOTES ON ACCOUNTS

## For the year ended 31st March, 2013

### 10. NON – CURRENT INVESTMENTS

(₹)

Non – Current Investments in fully paid equity shares are as under:

Particulars	As at 31st March, 2013	As at 31st March, 2012
<b>a) Quoted:</b>		
Union Bank of India – valued at cost	49,940.00	49,940.00
454 Equity shares of ₹ 10/- each fully paid up		
(Previous year: 454 Equity shares of ₹ 10/ each fully paid up)		
Market Value	98,995.00	106,622.00
<b>Aggregate Value of Quoted Investments</b>	<b>49,940.00</b>	<b>49,940.00</b>
<b>b) Unquoted:</b>		
In other Companies – valued at cost		
Muthoot Exchange Company Private Limited	45,000,000.00	45,000,000.00
4,500,000/ Equity shares of ₹ 10/- each fully paid up (Previous year: 4,500,000/ Equity shares of ₹ 10/- each fully paid up)		
<b>Muthoot Securities Limited</b>	<b>30,000,000.00</b>	<b>30,000,000.00</b>
3,000,000/ Equity share of ₹ 10/- each fully paid up (Previous Year: 3,000,000/ Equity share of ₹ 10/- each fully paid up)		
<b>Aggregate Amount of Unquoted Investments</b>	<b>75,000,000.00</b>	<b>75,000,000.00</b>
<b>Total Non-Current Investment</b>	<b>75,049,940.00</b>	<b>75,049,940.00</b>

### 11. DEFERRED TAX ASSET / (LIABILITY)

As per the requirement of the Accounting Standard 22, the Company has created a deferred tax asset provision, which consist of the following:

Particulars	Deferred Tax Asset/(Liability)		
	At the beginning of the Year	Credits/(Charge) during the Year	At the close of the Year
<b>Deferred Tax Asset:</b>			
Timing Difference on account of :			
Depreciation and Amortisation	(55,589,899.00)	15,027,568.00	(40,562,331.00)
Provision for Non-Performing Assets	59,486,162.90	176,517,660.00	236,003,822.90
<b>Net Deferred Tax Asset</b>	<b>3,896,263.90</b>	<b>191,545,228.00</b>	<b>195,441,491.90</b>

The Company has not recognised any deferred tax asset on provision for standard assets as the Company is of the opinion that such provision does not give rise to a timing difference which has a reasonable certainty of its reversal in future.

# NOTES ON ACCOUNTS

For the year ended 31st March, 2013

## 12. LONG - TERM LOANS AND ADVANCES

(₹)

Particulars	As at 31st March, 2013	As at 31st March, 2012
<b>Unsecured, considered good</b>		
a. Capital Advances	220,544,490.05	277,944,953.61
b. Security Deposits	824,680,950.01	820,756,095.01
<b>TOTAL</b>	<b>1,045,225,440.06</b>	<b>1,098,701,048.62</b>

Security Deposit includes ₹ 1,822,500.00 (Previous Year ₹ 1,822,500.00) being rent deposit due from promoter Directors and ₹ 1,470,000.00 (Previous Year ₹ 1,470,000.00) being rent deposits due from firms in which promoter Directors are partners.

## 13. OTHER NON-CURRENT ASSETS

(₹)

Particulars	As at 31st March, 2013	As at 31st March, 2012
<b>a. Long -term trade receivables</b>		
Unsecured, Considered good	-	521,805.60
<b>TOTAL</b>	<b>-</b>	<b>521,805.60</b>

## 14. CURRENT INVESTMENTS (VALUED AT LOWER OF COST AND FAIR VALUE) - NON TRADE - QUOTED

Current investments refers to investment in 10.05% Unsecured, Redeemable, Non-Convertible, Upper Tier II Subordinated Bonds issued by Yes Bank Limited ₹ 750,000,000.00 allotted on 27.12.2012 listed in BSE (Previous year: 9.90% Unsecured, Redeemable, Non-Convertible, Lower Tier II Subordinated Bonds issued by Yes Bank Limited ₹ 900,000,000.00 allotted on 28.03.2012).

## 15. TRADE RECEIVABLES

(₹)

Particulars	As at 31st March, 2013	As at 31st March, 2012
<b>Trade receivables outstanding for a period less than six months from the date they are due for payment</b>		
Secured, considered good		
Interest Receivable on Retail Loans	10,910,001,432.00	7,106,893,367.00
Unsecured, considered good		
Interest Receivable on Retail Loans	4,331,002.00	4,305,033.00
Receivables from Money Transfer business	300,696,186.95	211,359,786.46
Receivables from Auction proceeds	242,410,025.00	-
Wind Mill income receivable	2,643,878.00	2,498,202.00
<b>Sub-total</b>	<b>11,460,082,523.95</b>	<b>7,325,056,388.46</b>
<b>Trade receivables outstanding for a period exceeding six months from the date they are due for payment</b>		
Unsecured, considered good		
Wind Mill income receivable	21,687,835.50	15,175,424.90
<b>Sub-total</b>	<b>21,687,835.50</b>	<b>15,175,424.90</b>
<b>GRAND TOTAL</b>	<b>11,481,770,359.45</b>	<b>7,340,231,813.36</b>

Receivables from money transfer business stated above include debts due by a private Company in which promoter Director is a share holder ₹ 87,441,400.00 (Previous year: ₹ 59,004,190.05).



# NOTES ON ACCOUNTS

## For the year ended 31st March, 2013

### 16. CASH AND BANK BALANCES

(₹)

Particulars	As at 31st March, 2013	As at 31st March, 2012
<b>I. Cash and Cash Equivalents</b>		
a. Cash on hand	1,836,163,309.55	2,272,351,637.35
b. Balances with banks		
Current Accounts	10,845,228,865.24	2,989,294,021.61
Unpaid Dividend Account	443,548.00	-
Fixed Deposits (maturing within a period of 3 months )	720,000,009.00	50,000,000.00
<b>II. Other Bank Balances</b>		
Fixed Deposits on which lien is marked	446,844.00	257,504.55
Initial Public Offering for issue of Equity Shares Balance in Escrow Account	-	5,558,943.00
Fixed Deposits given as Cash collateral for bilateral assignment of receivables	-	2,610,700,403.00
Fixed Deposits given as Security against borrowings	13,831,357.00	19,129,515.00
Fixed Deposits given as Security against Guarantees	3,873,750.00	3,093,750.00
<b>TOTAL</b>	<b>13,419,987,682.79</b>	<b>7,950,385,774.51</b>
Fixed Deposits with more than 12 months maturity	5,185,868.00	153,351,262.55

### 17. SHORT TERM LOANS AND ADVANCES

(₹)

Particulars	As at 31st March, 2013	As at 31st March, 2012
<b>Retail Loans (Refer Note 17.1)</b>		
Secured, Considered good	258,543,793,240.43	211,879,336,783.40
Secured, Doubtful	5,250,305,433.31	1,389,526,034.00
Unsecured, considered good	74,080,564.98	115,030,543.10
<b>Other Deposits &amp; Advances</b>		
Unsecured, considered good		
Prepaid Expenses	73,761,773.00	69,678,552.00
Service tax Pre-Deposit	8,300,000.00	8,300,000.00
Others	180,847,142.98	138,349,840.92
<b>TOTAL</b>	<b>264,131,088,154.70</b>	<b>213,600,221,753.42</b>

Other deposits and advances stated above includes advances due by a private company in which promoter Director is a share holder  
₹ Nil ( Previous Year ₹ 6,873,743.00)

# NOTES ON ACCOUNTS

For the year ended 31st March, 2013

## 17.1 Retail Loans

(₹)

Particulars	As at 31st March, 2013	As at 31st March, 2012
<b>Gross Retail Loan assets under management</b>	263,868,179,238.72	246,736,014,591.50
Less: Sell down of receivables under bilateral assignment	-	33,352,121,231.00
Net Retail Loan assets as per Balance Sheet	263,868,179,238.72	213,383,893,360.50
<b>Breakup of Gross Retail Loan assets under management</b>		
Gold Loan Receivables	260,003,725,257.74	244,172,988,522.40
Loan against Secured NCD (Muthoot Gold Bonds)	3,790,373,416.00	2,447,995,526.00
Other Loans	74,080,564.98	115,030,543.10

## 18. OTHER CURRENT ASSETS

(₹)

Particulars	As at 31st March, 2013	As at 31st March, 2012
Interest receivable on Bank Deposits	14,300,331.80	70,750,030.00
Interest receivable on Current Investments	19,618,150.68	-
<b>TOTAL</b>	<b>33,918,482.48</b>	<b>70,750,030.00</b>

## 19. REVENUE FROM OPERATIONS

(₹)

Particulars	Year ended 31st March, 2013	Year ended 31st March, 2012
Interest Income on Retail Loans	53,360,145,976.59	45,157,743,486.60
Income from Windmill	24,651,777.50	17,673,626.90
Other Operating Income	204,186,867.47	191,304,161.44
<b>TOTAL</b>	<b>53,588,984,621.56</b>	<b>45,366,721,274.94</b>

## 20. OTHER INCOME

(₹)

Particulars	Year ended 31st March, 2013	Year ended 31st March, 2012
Interest from Fixed Deposits with Bank	195,639,653.95	122,569,358.05
Interest from Current Investments	85,698,393.58	-
Profit on sale of Fixed Assets	-	395,480.00
Other non-operating income	1,043,872.00	871,005.00
<b>TOTAL</b>	<b>282,381,919.53</b>	<b>123,835,843.05</b>

# NOTES ON ACCOUNTS

## For the year ended 31st March, 2013

### 21. EMPLOYEE BENEFITS EXPENSE

(₹)

Particulars	Year ended 31st March, 2013	Year ended 31st March, 2012
Salaries and incentives	4,983,957,424.48	3,729,727,301.15
Contributions to Provident and Other Funds	359,096,881.62	340,572,517.00
Staff welfare expenses	109,695,263.61	74,469,789.54
<b>TOTAL</b>	<b>5,452,749,569.71</b>	<b>4,144,769,607.69</b>

### 22. FINANCE COSTS

(₹)

Particulars	Year ended 31st March, 2013	Year ended 31st March, 2012
Interest Expenses	27,623,936,205.47	23,109,785,363.03
Other Borrowing Costs	570,506,686.52	589,207,242.19
<b>TOTAL</b>	<b>28,194,442,891.99</b>	<b>23,698,992,605.22</b>

### 23. OTHER EXPENSES

(₹)

Particulars	Year ended 31st March, 2013	Year ended 31st March, 2012
Postage, Telegram and Telephone	242,736,715.42	184,226,997.81
Printing and Stationary	168,287,014.07	155,221,041.88
Rent Paid	1,309,254,514.55	1,042,002,948.58
Travelling and Conveyance	175,840,096.33	167,540,453.36
Bank Charges	38,791,897.17	24,553,815.78
Electricity Charges	186,706,691.05	134,756,478.18
Repairs and Maintenance-Buildings	77,402,262.36	88,648,510.72
Repairs and Maintenance-Plant & Machinery	86,215,366.68	140,181,209.00
Repairs and Maintenance-Others	92,009,425.32	111,995,004.00
Water Charges	6,204,130.30	6,562,685.39
Rates & Taxes and License Fee	27,185,064.87	23,311,711.18
Legal & Professional Charges	86,417,083.04	59,729,105.23
Insurance Charges	32,790,433.00	24,327,372.64
Newspaper and Periodicals	2,805,503.35	1,789,696.93
Business Promotion Expenses	331,920,323.31	267,357,850.35
Advertisement	579,143,434.17	866,294,807.95
Vehicle Hire & Maintenance	10,286,137.82	8,720,689.72
Internal Audit and Inspection Expenses	110,314,059.75	83,005,517.75
Remuneration to Auditors (Refer Note 23.1)	1,448,320.00	1,027,000.00
Directors' Sitting Fee	255,000.00	330,000.00
Commission to Non-Executive Directors	1,600,000.00	1,600,000.00
Loss on Sale of Fixed Assets	213,367.00	-
<b>TOTAL</b>	<b>3,567,826,839.56</b>	<b>3,393,182,896.45</b>

# NOTES ON ACCOUNTS

## For the year ended 31st March, 2013

### 23.1 Auditors' Remuneration (including Service Tax)

(₹)

Particulars	Year ended 31st March, 2013	Year ended 31st March, 2012
Statutory Audit	1,123,600.00	800,000.00
Tax Audit	224,720.00	200,000.00
Other Services	100,000.00	27,000.00
<b>TOTAL</b>	<b>1,448,320.00</b>	<b>1,027,000.00</b>

### 24. PROVISIONS AND WRITE OFFS

(₹)

Particulars	Year ended 31st March, 2013	Year ended 31st March, 2012
Provision For Non-Performing Assets (Refer Note 8.1)	519,322,330.00	111,658,519.00
Provision For Standard Assets (Refer Note 8.1)		
- As per RBI Prudential Norms	116,558,767.00	239,084,642.00
- General	129,308,937.00	-
Bad Debt Written Off	130,272,553.00	69,228,267.00
<b>TOTAL</b>	<b>895,462,587.00</b>	<b>419,971,428.00</b>

### 25. LEASES

The Company has not taken or let out any assets on financial lease.

All operating lease agreements entered into by the Company are cancellable in nature. Hence Company has debited/credited the lease rent paid/received to the Statement of Profit and Loss.

Consequently, disclosure requirement of future minimum lease payments in respect of non - operating lease as per AS 19 is not applicable to the Company.

Lease rentals received for assets let out on operating lease ₹ 981,832.00 (Previous year ₹ 856,845.00) are recognised as income in the Statement of Profit and Loss under the head 'Other Income' and lease payments for assets taken on an operating lease ₹ 1,309,254,514.55 (Previous year ₹ 1,042,002,948.58 ) are recognised as 'Rent Paid' in the Statement of Profit and Loss.

### 26. EMPLOYEE BENEFITS

#### a) Defined Contribution Plan

During the year, the Company has recognised the contribution to Provident Fund, in the Statement of Profit and Loss in Note 21- Employee Benefit Expenses as under:-

(₹)

Particulars	Year ended 31st March, , 2013	Year ended 31st March, 2012
Contribution to Provident Fund	233,041,454.00	190,843,817.00
<b>TOTAL</b>	<b>233,041,454.00</b>	<b>190,843,817.00</b>

# NOTES ON ACCOUNTS

## For the year ended 31st March, 2013

### 26. EMPLOYEE BENEFITS (CONTD.)

#### b) Defined Benefit Plan

##### Gratuity Plan

Gratuity liability is funded through a Gratuity Fund managed by Kotak Mahindra Old Mutual Life Insurance Limited and ICICI Prudential Life Insurance Company Limited.

The following table set out the status of the Gratuity Plan as required under AS 15.

Reconciliation of opening and closing balances of the present value of the defined benefit obligation and plan assets:

(₹)

Particulars	As on 31st March, 2013	As on 31st March, 2012
<b>A) Reconciliation of opening and closing balance of defined benefit obligation</b>		
Defined benefit obligation at the beginning of the year	220,491,830.00	105,998,892.00
Interest Cost	18,741,806.00	9,009,906.00
Current Service Cost	89,009,134.00	38,803,636.00
Benefits paid	(5,877,057.00)	(2,879,347.00)
Actuarial (gain)/loss	(18,254,870.00)	69,558,743.00
Defined benefit obligation at the end of the year	304,110,843.00	220,491,830.00
<b>B) Reconciliation of opening and closing balance of fair value of Plan Assets</b>		
Fair value of plan assets at the beginning of the year	229,074,210.00	130,308,285.00
Expected rate of return on plan assets	19,207,928.00	11,076,204.00
Contributions	51,538,303.00	90,000,000.00
(Benefit paid)	(5,877,057.00)	(2,879,347.00)
Actuarial gains/(losses) on plan assets	7,758,169.00	569,068.00
Fair value of plan assets at the end of the year	301,701,553.00	229,074,210.00
<b>C) Expense for the year</b>		
Current service cost	89,009,134.00	38,803,636.00
Interest Cost	18,741,806.00	9,009,906.00
(Expected rate of return on plan assets)	(19,207,928.00)	(11,076,204.00)
Actuarial gains/(losses)	(26,013,039.00)	68,989,675.00
<b>D) Investment details</b>		
Insurer managed funds	301,701,553.00	229,074,210.00
<b>E) Experience adjustment</b>		
On Plan Liability (Gain)/Losses	141,138,572.00	11,359,449.00
On Plan Assets (Losses)/Gain	7,758,169.00	569,068.00
<b>F) Actuarial assumptions</b>		
Discount rate	7.9% p.a.	8.5% p.a.
Salary Escalation	7% p.a.	10% p.a.
Rate of return on plan assets	8.5% p.a.	8.5% p.a.

# NOTES ON ACCOUNTS

## For the year ended 31st March, 2013

### 26. EMPLOYEE BENEFITS (CONTD.)

The deficit in funding of gratuity ₹ 2,410,000.00 has been accounted as Long - term provisions.

Estimated employer contribution for 2013-14 - ₹ 90,000,000.00

The estimates of rate of escalation in salary considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market. Discount rate is based on the prevailing market yields of the Government Bond as at Balance Sheet date for the estimated term of obligation.

### 27. CONTINGENT LIABILITIES AND COMMITMENTS (TO THE EXTENT NOT PROVIDED FOR)

(₹)

Particulars		As at 31st March, 2013	As at 31st March, 2012
(i)	<b>Contingent Liabilities</b>		
(a)	<b>Claims against the Company not acknowledged as debt</b>		
i)	Service Tax demand for the period 2003-2008, pending in appeal with CESTAT (Net of amount already remitted)  Commissioner of Central Excise, Customs and Service Tax, Cochin has raised a demand of ₹ 52,007,698.00 (Previous year ₹ 52,007,698.00) as Service tax liability and penalty. During the course of the proceedings Company paid ₹ 2,086,391.00. The Appellate Authority admitted the Appeal preferred by the Company and granted stay of recovery, on pre-deposit of ₹ 8,300,000.00 (Previous year ₹ 8,300,000.00). Pending disposal of appeal, no provision has been made by the Company during the year.	49,921,307.00	49,921,307.00
ii)	Income Tax demand for Assessment Year 2010-11, pending in appeal with Commissioner of Income Tax (Appeals), Cochin.  Additional Commissioner of Income Tax, Range 1, Kochi, has passed an order demanding ₹ 36,384,640.00 towards income tax due for the Assessment Year 2010-11 U/s.143(3). Appeal filed with Commissioner Of Income Tax (Appeals)-II, Cochin.	36,384,640.00	-
iii)	Income tax demand for Assessment Year 2009-10, pending in appeal with Commissioner of Income Tax (Appeals), Kochi  Additional Commissioner of Income Tax, Range 1, Kochi has passed an order demanding ₹ 13,782,470.00 towards income tax due for the Assessment Year 2009-10 and on rectification, demand was reduced to ₹ 13,321,240.00. The Commissioner of Income Tax (Appeals) admitted the appeal preferred by the Company. The Company has remitted ₹ 2,250,000.00 of tax demanded and the balance demand pending as on 31st March, 2013 is ₹ 11,071,240.00. Pending disposal of appeal, no provision has been made by the Company during the year.	11,071,240.00	13,782,470.00
iv)	Income tax demand for Assessment Year 2006-07, pending in appeal with CIT (Appeals) II, Cochin.  Demand for the Asst. year 2006-07 ₹ 1,815,250.00 out of which ₹ 907,625.00 has been paid.	907,625.00	-



# NOTES ON ACCOUNTS

## For the year ended 31st March, 2013

### 27. CONTINGENT LIABILITIES AND COMMITMENTS (TO THE EXTENT NOT PROVIDED FOR): (CONTD.)

(₹)

Particulars	As at 31st March, 2013	As at 31st March, 2012
v) Draft order on proposed action U/s.13 of Prevention of Money Laundering Act, 2002 pending in appeal with Appellate Tribunal under Prevention of Money Laundering Act, 2002.	26,970,000.00	-
vi) Disputed claims against the Company under litigation not acknowledged as debts	6,477,221.00	-
<b>(b) Guarantees - Counter Guarantees Provided to Banks</b>	<b>83,873,750.00</b>	<b>218,493,750.00</b>
<b>(c) Other money for which the Company is contingently liable</b>		
i) Cash collateral provided as credit enhancement for bilateral assignment of receivables	-	2,610,700,403.00
ii) Over collateral provided as credit enhancement for bilateral assignment of receivables	-	25,000,000.00
iii) Corporate guarantee provided as credit enhancement for bilateral assignment of receivables	-	1,571,430,939.94
<b>(ii) Commitments</b>		
Estimated amount of contracts remaining to be executed on capital account and not provided for	148,744,000.00	189,802,675.27

### 28. DIVIDENDS PROPOSED TO BE DISTRIBUTED TO EQUITY SHAREHOLDERS

Particulars	Total	Per share
Dividends proposed to be distributed to equity shareholders (Previous Year: ₹ 1,486,851,072.00, ₹ 4.00/- per share)	1,672,707,456	4.50

### 29. EARNINGS PER SHARE

As per Accounting Standard 20, Earning Per Share is calculated by dividing the net profit or loss for the year attributable to equity shareholders by the Weighted average number of equity shares outstanding during the year. The details of calculation of the basic and diluted earnings per share are stated below:

Particulars	As at 31st March, 2013	As at 31st March, 2012
Profit/(Loss) after taxation for the year	10,042,395,229.53	8,920,240,220.63
Weighted average number of equity shares outstanding during the year	371,712,768.00	367,210,036.00
Face Value per share	₹ 10/-	₹ 10/-
Earnings Per Share	27.02	24.29

### 30. DISCLOSURE WITH REGARD TO DUES TO MICRO AND SMALL ENTERPRISES

Based on the information available with the Company and has been relied upon by the auditors, none of the suppliers have confirmed to be registered under "The Micro, Small and Medium Enterprises Development ('MSMED') Act, 2006". Accordingly, no disclosures relating to amounts unpaid as at the year ended 31st March, 2013 together with interest paid /payable are required to be furnished.

# NOTES ON ACCOUNTS

## For the year ended 31st March, 2013

### 31. UTILISATION OF PROCEEDS OF THE INITIAL PUBLIC OFFER OF EQUITY SHARES

The Company made an Initial Public Offer of 51,500,000 Equity Shares of face value of ₹ 10/- each at a price of ₹ 175/- raising ₹ 9,012,500,000.00 during the month of April 2011. As at 31st March, 2013, the Company has fully utilised the amount for extending retail loans of ₹ 8,721,009,554.96 and to meet issue expenses of ₹ 291,490,445.04, in accordance with the objects stated in the offer documents.

### 32. ADDITIONAL INFORMATION PURSUANT TO PROVISIONS OF PARAGRAPHS 3, 4C AND 4D OF PART II OF SCHEDULE VI OF THE COMPANIES ACT 1956

(₹)

Particulars	As at 31st March, 2013	As at 31st March, 2012
a) CIF Value of Imports of Capital Goods	102,600.11	433,005.85
b) Expenditure in foreign currency on accrual basis		
Professional Charges	Nil	1,582,700.00
Others	5,752,490.77	513,441.57

### 33. UTILISATION OF PROCEEDS OF PUBLIC ISSUE OF SECURED NON - CONVERTIBLE DEBENTURES

The Company has during the year raised ₹ 5,346,926,000.00 through public issue of Secured Non-Convertible Debentures and as at 31st March, 2013, the Company has utilised the entire proceeds of the public issue, net of issue expenses in accordance with the objects stated in the offer documents.

### 34. DISCLOSURE OF RELATED PARTY'S TRANSACTION IN ACCORDANCE WITH ACCOUNTING STANDARD (AS18) "RELATED PARTY DISCLOSURES" ISSUED BY THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA.

#### (a) Names of Related Parties with whom transactions has taken place:

Category	Name of the Related Party
Associates	1. Muthoot Vehicle & Assets Finance Limited
	2. Muthoot Leisure And Hospitality Services Pvt. Limited
	3. MGM Muthoot Medical Centre Pvt. Limited.
	4. Muthoot Marketing Services Pvt. Limited.
	5. Muthoot Broadcasting Pvt. Limited
	6. Muthoot Exchange Company Pvt. Limited
	7. Backdrop Advertising Pvt. Limited
	8. Emgee Board and Paper Mills Pvt. Limited
	9. Mar Gregorios Memorial Muthoot Medical Centre
	10. Muthoot Precious Metals Corporation
	11. GMG Associates
	12. Muthoot Insurance Brokers Private Limited
	13. Emgee Muthoot Benefit Funds (India) Limited
	14. Geo Bros Muthoot Funds (India) Limited
	15. Muthoot Investment Advisory Services Private Limited
	16. Muthoot Securities Limited
	17. Muthoot M George Permanent Fund Limited

# NOTES ON ACCOUNTS

For the year ended 31st March, 2013

Category	Name of the Related Party
	18. Muthoot Builders
	19. Muthoot Properties & Investments
	20. Venus Diagnostics Limited
Key Management Personnel	1. M. G. George Muthoot
	2. George Thomas Muthoot
	3. George Jacob Muthoot
	4. George Alexander Muthoot
Relatives of Key Managerial Personnel	1. Sara George w/o M. G. George Muthoot
	2. Susan Thomas w/o George Thomas Muthoot
	3. Elisabeth Jacob w/o George Jacob Muthoot
	4. Anna Alexander w/o George Alexander Muthoot
	5. George M. George s/o M. G. George Muthoot
	6. Alexander M. George s/o M. G. George Muthoot
	7. George M. Jacob s/o George Jacob Muthoot
	8. Reshma Susan Jacob d/o George Jacob Muthoot
	9. George Alexander (Jr.) s/o George Alexander Muthoot
	10. Eapen Alexander s/o George Alexander Muthoot
	11. Anna Thomas d/o George Thomas Muthoot
	12. Valsa Kurien w/o George Kurien
	13. Georgie Kurien s/o George Kurien

## b) Transactions with Related Parties during the year:

(₹)

Nature of transaction	Associates		Key Management Personnel		Relatives of Key Management Personnel	
	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
Purchase of Travel Tickets for Company Executives/ Directors/Customers	10,114,690.00	10,992,185.00				
Travel Arrangements for Company Executives/Customers	3,486,969.00	2,116,709.00				
Marketing of Money Transfer Business Outside the Country	5,481,200.00	1,582,700.00				
Accommodation facilities for Company Executives/Clients/ Customers	295,905.00	282,756.00				
Complementary Medical Health Check Ups for Customers/ Employees	1,030,800.00	1,349,750.00				
Release of Advertisements in Outdoor, Print and Electronic Media	145,080,076.00	217,093,783.94				
Brokerage paid for NCD Public Issue	1,626,118.00	1,958,942.00				

# NOTES ON ACCOUNTS

For the year ended 31st March, 2013

Nature of transaction	Associates		Key Management Personnel		Relatives of Key Management Personnel	
	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
Business Promotion Expenses	5,406,733.87	-				
Interest paid on loans/ subordinated debts	-	-	142,677,050.00	85,984,482.00	69,365,412.00	30,043,158.00
Interest paid on Secured NCD	160,176.00	-	4,607.00	-	163,918.00	-
Interest on Inter Corporate Loans	16,610,714.00	2,592,455.00				
Remuneration to Directors	-	-	192,000,000.00	192,000,000.00	-	-
Remuneration to Directors' Relatives	-	-	-	-	3,275,000.00	1,568,000.00
Loans and Subordinated debts accepted	-	-	1,724,897,921.00	650,278,140.00	911,391,078.00	405,977,665.00
Loans and Subordinated debts repaid	-	-	959,997,240.00	936,030,624.02	195,443,478.00	674,685,524.17
Sell down of receivables under Bilateral Assignment	-	950,000,000.00				
Inter Corporate Loans accepted	55,070,000.00	128,850,000.00				
Inter corporate Loans repaid	148,800,000.00	5,950,000.00				
Investment in Secured NCD	37,500,000.00	40,000,000.00	97,000.00	-	1,656,000.00	-
Repayment of Secured NCD	77,500,000.00	-				
Rent paid	3,880,940.00	2,940,000.00	3,060,000.00	3,060,000.00	600,000.00	199,992.00
Service Charges Collected	5,098,726.00	5,331,804.00				
Loans availed by the Company for which guarantee is provided by related parties	400,000,000.00	400,000,000.00	112,130,000,000.00	90,180,000,000.00	22,500,000,000.00	24,500,000,000.00
Loans availed by the Company for which collateral security is provided by related parties	400,000,000.00	400,000,000.00	-	135,000,000.00	-	-

## c) Net Amount Receivable / (Due) as at the year end

(₹)

Nature of transaction	Associates		Key Management Personnel		Relatives of Key Management Personnel	
	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
Investments in Equity Shares	75,000,000.00	75,000,000.00				
Secured NCD	-	(40,000,000.00)	(97,000.00)	-	(1,656,000.00)	-
Security Deposit	(40,000,000.00)	(40,000,000.00)				
Inter Corporate Loans	(32,220,000.00)	(125,950,000.00)				
Rent Deposit	1,470,000.00	1,470,000.00	1,822,500.00	1,822,500.00	316,667.00	100,000.00
Loans and Subordinated debts	-	-	(1,300,986,681.00)	(536,086,000.00)	(845,699,600.00)	(102,800,000.00)
Trade Payables	(25,720,247.39)	(83,877,216.39)	(229,500.00)	(229,500.00)	(44,999.00)	(14,999.00)
Trade Receivable	87,441,400.27	59,004,190.05				
Other Loans and Advances	-	6,873,743.00				

# NOTES ON ACCOUNTS

## For the year ended 31st March, 2013

### 35. SEGMENT REPORTING

- a) The Company is engaged in two segments of business – Financing and Power Generation.
- b) In the context of Accounting Standard 17 on Segment Reporting, issued by the Institute of Chartered Accountants of India, Company has identified business segment as the primary segment for the purpose of disclosure. The segment revenues, results, assets and liabilities include the respective amounts identifiable to each of the segment and amounts allocated on a reasonable basis.
- c) Company operates in a single geographical segment. Hence, secondary geographical segment information disclosure is not applicable

#### Primary Business Segment Information

(₹)

Particulars	Financing		Power Generation		Consolidated Totals	
Segment Revenue:	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
External Revenue	53,564,332,844.06	45,349,047,648.04	24,651,777.50	17,673,626.90	53,588,984,621.56	45,366,721,274.94
Inter segment Revenue	-	-	-	-	-	-
<b>Total Revenue</b>	<b>53,564,332,844.06</b>	<b>45,349,047,648.04</b>	<b>24,651,777.50</b>	<b>17,673,626.90</b>	<b>53,588,984,621.56</b>	<b>45,366,721,274.94</b>
<b>Result</b>						
Segment Result	15,015,733,879.34	13,385,058,257.62	12,463,565.50	1,902,271.96	15,028,197,444.84	13,386,960,529.58
Other Income					282,381,919.53	123,835,843.05
Unallocated corporate income						
Unallocated corporate expenses					(196,125,164.00)	(198,324,423.00)
<b>Operating Profit</b>	<b>15,015,733,879.34</b>	<b>13,385,058,257.62</b>	<b>12,463,565.50</b>	<b>1,902,271.96</b>	<b>15,114,454,200.37</b>	<b>13,312,471,949.63</b>
Less: Provision for Current Tax / Deferred Tax					5,072,058,970.84	4,392,231,729.00
Profit after Tax	15,015,733,879.34	13,385,058,257.62	12,463,565.50	1,902,271.96	10,042,395,229.53	8,920,240,220.63
<b>Other Information:</b>						
<b>Segment Assets</b>	<b>293,074,217,582.29</b>	<b>232,671,809,097.64</b>	<b>67,945,531.61</b>	<b>71,263,532.61</b>	<b>293,142,163,113.90</b>	<b>232,743,072,630.25</b>
Unallocated Corporate Assets					1,020,491,431.90	978,946,203.90
<b>Total Assets</b>	<b>293,074,217,582.29</b>	<b>232,671,809,097.64</b>	<b>67,945,531.61</b>	<b>71,263,532.61</b>	<b>294,162,654,545.80</b>	<b>233,722,018,834.15</b>
<b>Segment Liabilities</b>	<b>254,431,350,541.87</b>	<b>202,285,742,520.72</b>	<b>-</b>	<b>-</b>	<b>254,431,350,541.87</b>	<b>202,285,742,520.72</b>
Unallocated Corporate Liabilities					2,375,651,909.67	2,178,957,022.70
<b>Total Liabilities</b>	<b>254,431,350,541.87</b>	<b>202,285,742,520.72</b>	<b>-</b>	<b>-</b>	<b>256,807,002,451.54</b>	<b>204,464,699,543.42</b>
Capital Expenditure	721,422,969.03	1,112,848,446.80	-	-	721,422,969.03	1,112,848,446.80
Depreciation	444,976,170.46	317,350,779.00	9,454,282.00	11,817,852.00	454,430,452.46	329,168,631.00
Non-Cash Expenditure other than Depreciation	765,190,034.00	350,743,161.00	-	-	765,190,034.00	350,743,161.00

# NOTES ON ACCOUNTS

## For the year ended 31st March, 2013

### 36. FRAUDS DURING THE YEAR

During the year, frauds committed by customer /staff of the Company amounted to ₹ 4,185,000.00 which has been recovered / written off / provided for.

### 37. DIVIDEND REMITTED IN FOREIGN CURRENCY

Particulars	As at 31st March, 2013
Dividend remitted in foreign currency	25,617,024.00
No. of non-resident shareholders to which this relates	1
No. of equity shares held (Face value of ₹ 10/-)	6,404,256
Financial year to which it relates	2011-12

The Company has also remitted ₹ 150,220,372.00 in Indian currency to 1060 non-resident shareholders holding 37,555,093 shares of ₹ 10/- each.

38. Previous year's figures have been regrouped / rearranged, wherever necessary to conform to current year's classifications / disclosure.



# SCHEDULE TO THE BALANCE SHEET

## OF A NON-DEPOSIT TAKING NON-BANKING FINANCIAL COMPANY

DISCLOSURE REQUIRED AS PER RESERVE BANK OF INDIA NOTIFICATION NO. DNBS.CC.PD.NO. 265/03.10.01/2011-12 DATED 21<sup>ST</sup> MARCH, 2012.

(₹)

Particulars	As on 31st December, 2013	As on 31st March, 2012
Gold Loans granted against collateral of gold jewellery	260,003,725,257.74	210,820,867,291.40
Total assets of the Company	294,162,654,545.80	233,722,018,834.15
Percentage of gold loans to Total Assets	88.39%	90.20%

(AS REQUIRED IN TERMS OF PARAGRAPH 13 OF NON-BANKING FINANCIAL (NON- DEPOSIT ACCEPTING OR HOLDING) COMPANIES PRUDENTIAL NORMS (RESERVE BANK) DIRECTIONS, 2007)

(₹ in Lakhs)

Particulars	Amount out standing as on 31st March, 2013	Amount overdue
<b>Liabilities side:</b>		
(i) <b>Loans and advances availed by the non-banking financial company inclusive of interest accrued thereon but not paid:</b>		
(a) Debentures : Secured	1,189,186	NIL
: Unsecured	NIL	NIL
(other than falling within the meaning of public deposits)		
(b) Deferred credits	NIL	NIL
(c) Term Loans	109,992	NIL
(d) Inter-corporate loans and borrowing	559	NIL
(e) Commercial Paper	23,418	NIL
(f) Other Loans (specify nature)		
Loan from Directors/ Relatives of Directors	18,645	NIL
Subordinated Debt	276,161	NIL
Borrowings from Banks/Financial Institutions	907,280	NIL
Overdraft against Deposit with Banks	NIL	

## SCHEDULE TO THE BALANCE SHEET

### OF A NON-DEPOSIT TAKING NON-BANKING FINANCIAL COMPANY

(₹ in Lakhs)

Particulars	Amount outstanding
<b>Assets side:</b>	
(2) <b>Break-up of Loans and Advances including bills receivables (other than those included in (4) below) :</b>	
(a) Secured	2,637,941
(b) Unsecured	741
(3) <b>Break-up of Leased Assets and stock on hire and other assets counting towards AFC activities:</b>	NIL
(i) Lease assets including lease rentals under sundry debtors:	NIL
(a) Financial lease	NIL
(b) Operating lease	NIL
(ii) Stock on hire including hire charges under sundry debtors	NIL
(a) Assets on hire	NIL
(b) Repossessed Assets	NIL
(iii) Other loans counting towards AFC activities	NIL
(a) Loans where assets have been repossessed	NIL
(b) Loans other than (a) above	NIL
(4) <b>Break-up of Investments :</b>	
Current Investments:	
1. Quoted:	
(i) Shares : (a) Equity	NIL
(b) Preference	NIL
(ii) Debentures and Bonds	7,500
(iii) Units of mutual funds	NIL
(iv) Government Securities	NIL
(v) Others (please specify)	NIL
2. Unquoted:	
(i) Shares : (a) Equity	NIL
(b) Preference	NIL
(ii) Debentures and Bonds	NIL
(iii) Units of mutual funds	NIL
(iv) Government Securities	NIL
(v) Others (please specify)	NIL



## SCHEDULE TO THE BALANCE SHEET

### OF A NON-DEPOSIT TAKING NON-BANKING FINANCIAL COMPANY

#### (7) Other information

(₹ in Lakhs)

Particulars		
(i)	Gross Non-Performing Assets	
	(a) Related parties	NIL
	(b) Other than related parties	52,503
(ii)	Net Non-Performing Assets	
	(a) Related parties	NIL
	(b) Other than related parties	45,497
(iii)	Assets acquired in satisfaction of debt	NIL

#### DISCLOSURE IN BALANCE SHEET REQUIRED AS PER RESERVE BANK OF INDIA NOTIFICATION NO. DNBS.200/CGM(PK)-2008 DATED 1ST AUGUST, 2008)

#### CRAR

(₹ in Lakhs)

Items		2012-13	2011-12
i)	CRAR (%)	19.62	18.29
ii)	CRAR-Tier I capital (%)	13.41	12.84
iii)	CRAR-Tier II capital (%)	6.21	5.45

#### EXPOSURES

##### Exposure to Real Estate Sector

(₹ in Lakhs)

Category		2012-13	2011-12
a)	Direct exposure		
	(i) Residential Mortgages -		
	Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented; (Individual housing loans up to ₹ 15 Lakhs may be shown separately)	NIL	NIL
	(ii) Commercial Real Estate -		
	Lending secured by mortgages on commercial real estates (office buildings, retail space, multipurpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial; or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits;	NIL	NIL
	(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures -		
	a. Residential,	NIL	NIL
	b. Commercial Real Estate.	NIL	NIL
b)	Indirect Exposure		
	Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	NIL	NIL

# SCHEDULE TO THE BALANCE SHEET

## OF A NON-DEPOSIT TAKING NON-BANKING FINANCIAL COMPANY

### ASSET LIABILITY MANAGEMENT

#### Maturity pattern of certain items of assets and liabilities

(₹ In Lakhs)

	1 to 30/ 31 days	Over one month	Over 2 months	Over 3 months	Over 6 months	Over 1 year	over 3 to 5 years	Over 5 years	Total
	(one month)	to 2 months	to 3 months	to 6 months	to 1 year	to 3 year	years	years	
<b>Liabilities</b>									
Borrowings from Banks/Financial Institutions	5	5	30,005	63,275	905,028	15,320			1,013,638
Market Borrowings-	36,456	36,967	57,299	164,397	302,246	500,614	230,025	49,335	1,377,339
<b>Assets</b>									
Advances	369,416	659,671	369,415	580,510	527,736	131,934			2,638,682
Investments				7,500				750	8,250

## NOTES

[illegible]



# MUTHOOT FINANCE LIMITED

Regd. Office: Muthoot Chambers, 2nd Floor, Opposite Saritha Theatre Complex, Banerji Road, Ernakulam, Kerala – 682 018

## PROXY FORM

16th Annual General Meeting – 27th September, 2013

Regd. Folio No./DP Client ID:

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

I/We..... of..... in the district of ..... being a member/members of the above named Company hereby appoint ..... of ..... in the district of ..... or failing him ..... of ..... in the district of ..... as my/our proxy to attend and vote for me/us on my/our behalf at the 16th Annual General Meeting of the Company to be held at **Kerala Fine Arts Society Hall, Fine Arts Avenue, Fore Shore Road, Kochi, Kerala – 682 016 on Friday, the 27th day of September, 2013 at 10:15 A M**

.....  
(Signature of member)

Affix  
Re 1  
revenue  
stamp

### Note:

The proxy to be valid should be deposited at the Regd. Office of the Company at Muthoot Chambers, Banerji Road, Ernakulam, Kerala – 682 018 not less than 48 hours before the time for holding the meeting.



# MUTHOOT FINANCE LIMITED

Regd. Office: Muthoot Chambers, 2nd Floor, Opposite Saritha Theatre Complex, Banerji Road, Ernakulam, Kerala – 682 018

## ATTENDANCE SLIP

16th Annual General Meeting – 27th September, 2013

Regd. Folio No./DP Client ID:

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

No. of Shares Held:

--	--	--	--	--	--	--	--

I certify that I am a member/proxy for the member of the Company.

I hereby record my presence at the 16th Annual General Meeting of the Company at Kerala Fine Arts Society Hall, Fine Arts Avenue, Fore Shore Road, Kochi, Kerala – 682 016 on Friday, the 27th day of September, 2013 at 10:15 A M

Name of Member/Proxy: .....

.....

Signature of Member/Proxy

**Note:** Please fill up this attendance slip and hand it over at the entrance of the meeting hall.





**Founder, Late Shri M. George Muthoot**

**“A life well lived is a life of fulfilled dreams. For over a century, it has been the endeavour of the Muthoot Group to empower people to achieve their dreams year after year, with renewed vigour, focus and commitment.”**



***Muthoot Finance***

Muthoot Chambers,  
Opp Saritha Theatre Complex, Banerji Road, Kochi 682 018  
Tel: +91 - 484 - 2396 478 / 2394 712