

ANNUAL REPORT  
2010-2011



Partnering in Prosperity



***Muthoot Finance***



“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”

M. George Muthoot  
Founder Chairman – Muthoot Group



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# The Road Traversed

1887	1939	1970	2001	2002	2004
<ul style="list-style-type: none"> <li>■ The group came into being with a trading business in a village in Kerala</li> </ul>	<ul style="list-style-type: none"> <li>■ Commenced Gold Loan business Kerala</li> </ul>	<ul style="list-style-type: none"> <li>■ Started mobilizing resources through retail public deposits. Started branch expansion outside Kerala</li> </ul>	<ul style="list-style-type: none"> <li>■ Muthoot Finance received RBI license to function as an NBFC</li> </ul>	<ul style="list-style-type: none"> <li>■ Launched Money Transfer and Forex businesses</li> </ul>	<ul style="list-style-type: none"> <li>■ Highest rating of F1 from Fitch Ratings for Short Term Debt of RS 200 million</li> </ul>
2010	2011				
<ul style="list-style-type: none"> <li>■ Retail loan portfolio crosses Rs. 74 billion</li> <li>■ Retail debenture portfolio crosses Rs. 27 billion</li> <li>■ Overall credit limit from banks crosses Rs. 20 billion</li> <li>■ Branch network reaches 2,263 branches</li> <li>■ ICRA assigns 'A1+' rating for short term debt of Rs. 2 billion</li> <li>■ CRISIL assigns 'P1+' rating for short term debt of Rs.4 billion</li> <li>■ Demerger of the FM Radio business into Muthoot Broadcasting Private Limited</li> <li>■ Private equity investment of an aggregate of Rs.1,575.45 million from Matrix Partners India Investments,LLC and Baring India Private Equity Fund 3 Limited.</li> <li>■ Private equity investment of an aggregate of Rs.425.83 million from Kotak India Private Equity Fund and Kotak Investment Advisors Limited.</li> <li>■ Private equity investment of an aggregate of Rs.555.57 million from Matrix Partners India Investments,LLC and The Wellcome Trust Limited(as trustee of the Wellcome Trust, United Kingdom)</li> </ul>	<ul style="list-style-type: none"> <li>■ Retail loan and debenture portfolio crosses Rs.150 billion and Rs.39 billion respectively</li> <li>■ CRISIL assigns CRISIL AA - (Stable) rating for Rs. 5 billion non convertible debenture issue</li> <li>■ CRISIL assigns CRISIL AA - (Stable) rating for Rs. 1 billion subordinated debts issue</li> <li>■ ICRA assigns long term rating of ICRA LAA - (Stable) and short term rating of ICRA A1+ for Rs. 60 billion line of credit of the Company.</li> <li>■ Branch network crossed 2,500 branches.</li> <li>■ Overall credit limits from lending banks crosses Rs. 70 billion</li> <li>■ Muthoot Finance entered the Capital markets with an IPO of Rs 9,139 million</li> </ul>				



**2005**

- Retail loan portfolio crosses Rs.5 billion
- Retail debenture portfolio crosses Rs.5 billion
- Fitch affirms the F1 Short Term Debt rating with an enhanced amount of RS 400 million

**2006**

- Retail loan portfolio crosses Rs.7 billion
- Retail debenture portfolio crosses Rs.6 billion
- Overall Credit limits from banks crosses RS 1 billion

**2007**

- Retail loan portfolio crosses Rs. 10 billion
- Net owned funds crosses Rs. 1billion
- Accorded status of SI-ND-NBFC
- Branch network crosses 500 branches

**2008**

- Retail loan portfolio crosses Rs. 20 billion
- Retail debenture portfolio crosses Rs. 10 billion
- Fitch affirms the F1 short term debt rating with an enhanced amount of RS 800 million
- Overall Credit limits from banks crosses Rs. 5 billion
- Conversion of the company into a public limited company.

**2009**

- Retail loan portfolio crosses Rs. 30 billion
- Retail debenture portfolio crosses Rs. 15 billion
- Net owned funds crosses Rs. 3 billion
- Gross annual income crosses Rs. 5 billion
- Overall Credit limits from banks crosses Rs.10 billion
- Branch network of the company crosses 1000 Nos

**Muthoot Finance**

## Prosperity in Numbers

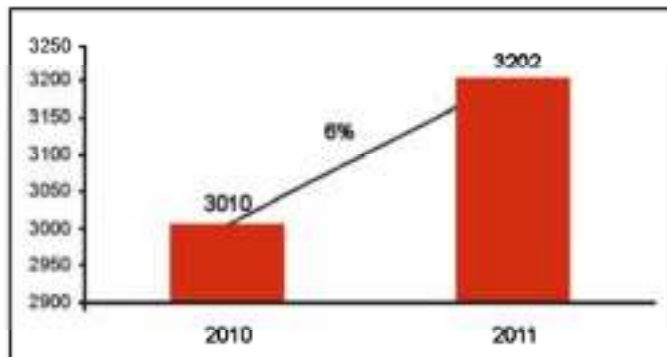
Profit & Loss Account	Year ended (Rs. in Million)	
	March 31, 2011	March 31, 2010
<b>Total Income from Operations</b>	<b>22983</b>	<b>10775</b>
Expenditure	5040	2552
<b>Profit before Depreciation , Interest and Tax</b>	<b>17943</b>	<b>8223</b>
Interest	10326	4737
Depreciation	180	149
Add: Other Income	175	119
<b>Profit Before Tax</b>	<b>7612</b>	<b>3456</b>
Tax Expense	2670	1180
<b>Net Profit after Tax</b>	<b>4942</b>	<b>2276</b>



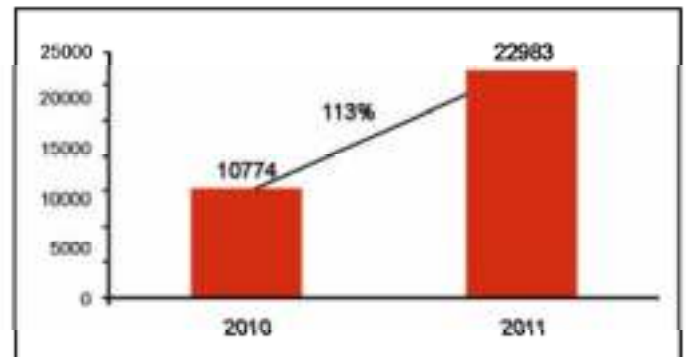
Balance Sheet		Year ended ( Rs. in Million)	
Sources of funds	March 31, 2011	March 31, 2010	
<b>SHAREHOLDERS FUNDS</b>			
Share Capital	3202	3010	
Reserves and Surplus (Net)	10142	2835	
Total Networth	13344	5845	
Loan Funds	119386	52805	
Deferred Tax Liability	25	25	
<b>TOTAL</b>	<b>132755</b>	<b>58676</b>	
<b>APPLICATION OF FUNDS</b>			
Fixed Asset (Net)	1836	1242	
Capital Work in Progress	505	291	
Investments	75	75	
Current Assets, Loans and Advances			
Cash and Bank balances	13755	5760	
Other current assets	5974	2442	
Loans and Advances	117518	54617	
<b>Less: Current Liabilities and Provisions</b>			
Liabilities	3879	4524	
Provisions	3031	1230	
Miscellaneous Expenditure (to the extent not written off)	2	3	
<b>TOTAL</b>	<b>132755</b>	<b>58676</b>	



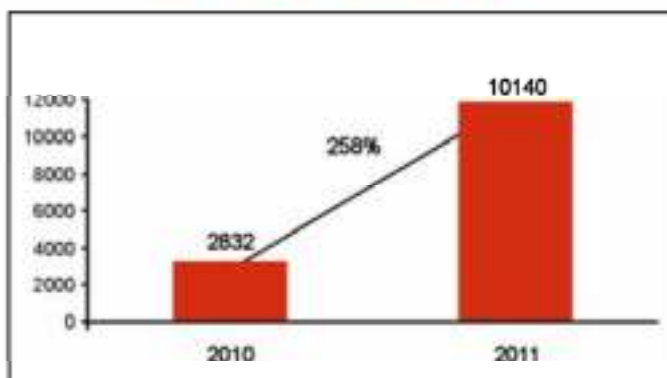
Share Capital



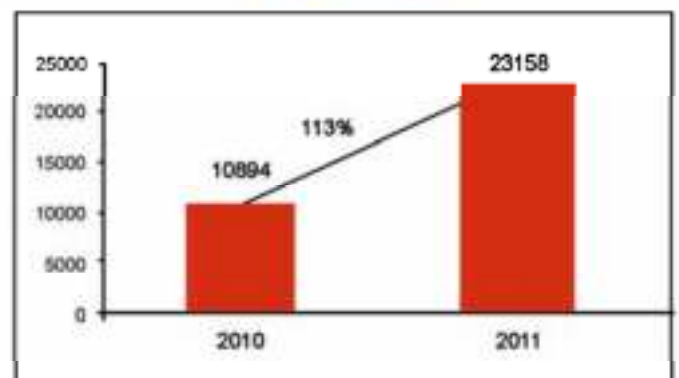
Rs. in million  
Interest Income



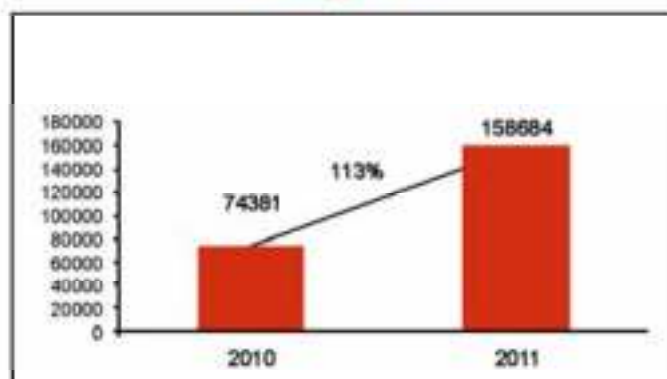
Reserves & Surplus (Net)



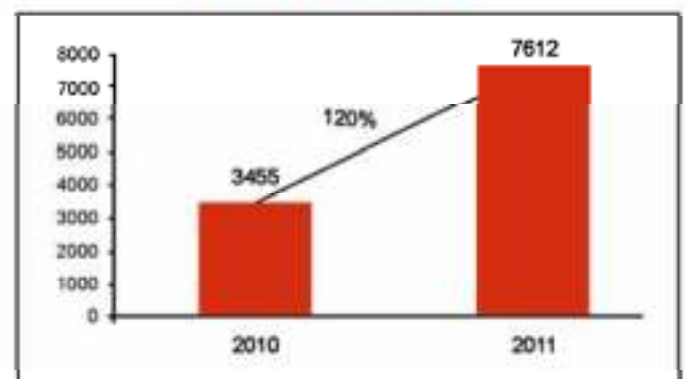
Gross Income



Gross Retail Loan Assets Under Management

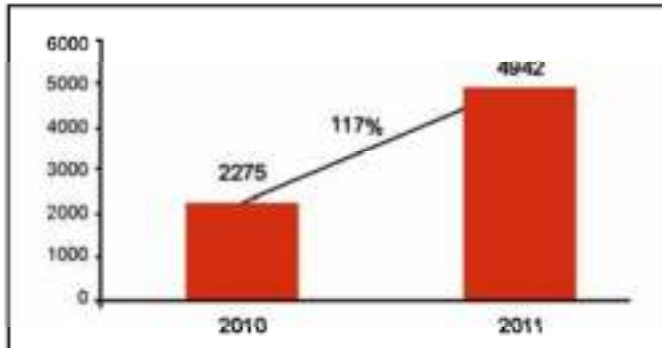
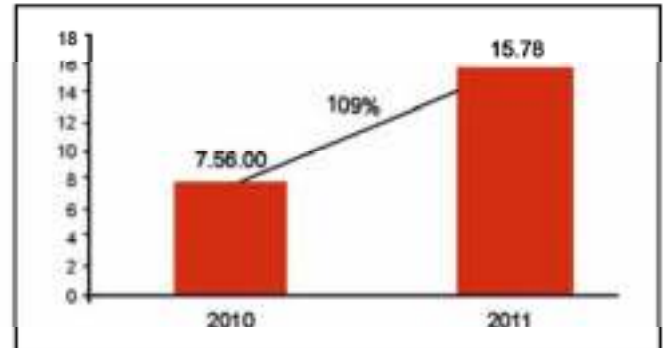


Profit Before Tax

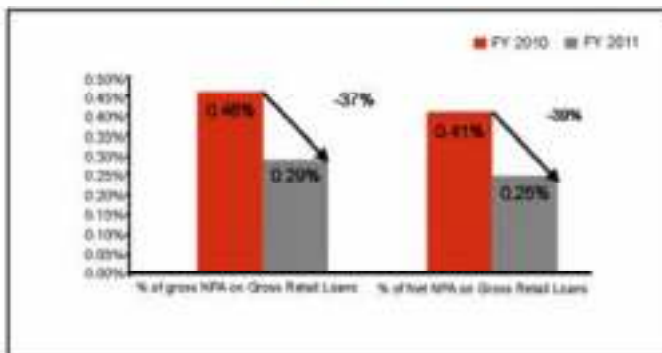




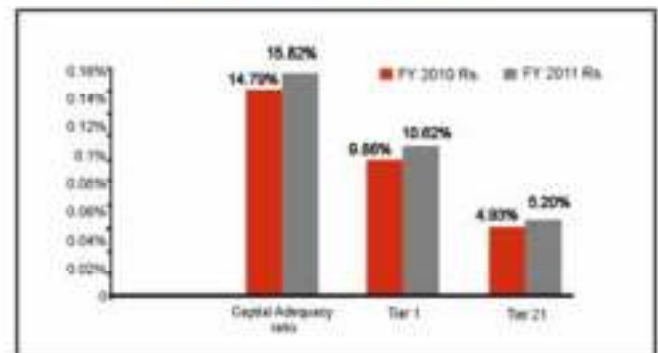
## Profit After Tax

Rs. in million  
Earning Per Share (Rs.)

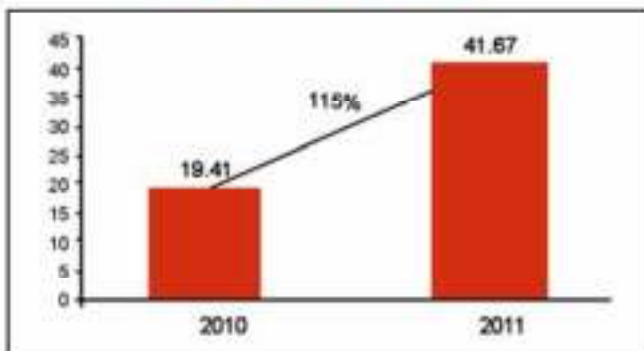
## NPAs



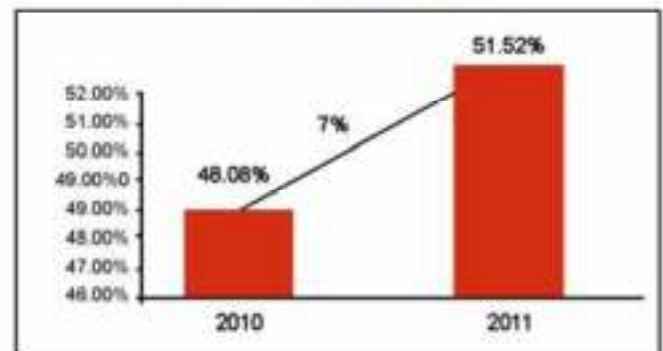
## Capitalisation Ratios



## Book Value Per Share



## Return On Networth



# The Enablers of Prosperity

For leading a uniquely special business of Gold Loan financing, it not only requires dedicated individuals but also a well informed and analytical team. Gold Loan business requires high levels of operational and business foresight as it deals with Gold which is a high value precious metal.

Each member of Muthoot Finance's management team brings to the table a diverse, unique and vast experience driven skill set to enable Muthoot Finance overcome the most diverse of challenges. The management capitalizes on this heritage at the corporate and operational levels.

Over its 72 years of service to the Society extending finance against gold to a constituency to whom organized structured finance was largely unavailable, Muthoot Finance Limited has played a pivotal role in extending inclusive growth in the rural and semi-urban and urban heartland of India. The pioneering efforts it took in unlocking the value of investments in gold jewellery, systematic product innovation and geographic expansion across India signify the remarkable transformation of a loan product largely unknown to the present market size of about Rs. 50,000 crores.

In chartering this course, an acute sense of professionalism and uncompromising adherence to Corporate Governance standards have permeated the organizational fabric of the Company. The lead role played by the promoters in this transformation has been remarkable.

## PROMOTERS

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

A key promoter who has been the guiding light for Muthoot Finance, M. G. George Muthoot holds an engineering degree from Manipal University.

With his visionary zeal, Mr. M. G. George Muthoot has been the guiding spirit of the Company in its transformation as a professionally run leading NBFC with geographic presence all across the country.



#### **He is also presently:**

- The Chairman of FICCI-Kerala State Council.
- National Executive Committee Member of the Federation of Indian Chamber of Commerce and Industry ("FICCI")





**George Alexander Muthoot, Managing Director**

The driving force of Muthoot Finance Mr. George Alexander Muthoot is a rank holding Chartered Accountant. His insight for understanding of gold loan business and professional zeal has been the catalyst behind the Company's meteoric rise to the present level of being the India's Largest Gold Loan Company. In 2009, the Times of India Group awarded him with the Business Excellence Award for Customised Financial Services.

**He is also presently :**

- The Vice Chairman of Kerala Non-banking Finance Companies (NBFC) Welfare Association (NBFCWA)
- Founder member of The Indus Entrepreneurs International, Kochi Chapter



**George Jacob Muthoot, Whole time Director**

George Jacob Muthoot is a qualified civil engineer from Manipal University. His operations management skills have been crucial in the smooth transition of the company from being a local player to one with a pan-Indian presence.



**George Thomas Muthoot, Whole time Director**

George Thomas Muthoot brings to the table over three decades of operational and management experience in Financial Services and has played a key role in managing the fast growing operations of the company.



# Independent Directors

Name - Designation	Qualification	Experience
<b>P. George Varghese</b> Independent Director	<ul style="list-style-type: none"> <li>• Mechanical Engineer from Kerala University</li> <li>• Masters in Business Administration from Cochin University of Science and Technology.</li> </ul>	<ul style="list-style-type: none"> <li>• MD, FCI OEN Connectors Limited and FCI Technology Services Limited.</li> <li>• Trustee, IMA Blood Bank, Kochi</li> <li>• Governing council member of DC School of Management &amp; Technology</li> <li>• Ex-VP, Kerala Management Association</li> <li>• Managing committee member, Indo American Chamber of Commerce, 1992-99.</li> </ul>
<b>K. John Mathew</b> Independent Director	<ul style="list-style-type: none"> <li>• Law graduate, Government Law College, Ernakulam</li> </ul>	<ul style="list-style-type: none"> <li>• President, Peoples Council for Social Justice, Kerala.</li> <li>• Retired judge, High Court Kerala.</li> <li>• Ex-Chairman, Cochin Stock Exchange</li> <li>• EX-SEBI Nominee Director, Cochin Stock Exchange.</li> </ul>
<b>John K. Paul</b> Independent Director	<ul style="list-style-type: none"> <li>• Engineering Graduate, Regional Engineering College, Kozhikode</li> <li>• Businessman by profession</li> </ul>	<p><b>Director –</b></p> <ul style="list-style-type: none"> <li>• Popular Automobiles Limited</li> <li>• Popular Vehicles &amp; Services Limited, Kerala.</li> <li>• Popular Mega Motors (India) Limited – Dealer, TATA CV's.</li> <li>• Trustee, Kuttukaran Institute for HRD</li> </ul> <p><b>Ex-President –</b></p> <ul style="list-style-type: none"> <li>• Kerala Chamber of Commerce and Industry, 2005 to 2006.</li> <li>• Kerala Hockey Association, 2005 onwards.</li> <li>• Ernakulam District Hockey Association, 2004 onwards.</li> </ul>
<b>George Joseph</b> Independent Director	<ul style="list-style-type: none"> <li>• Commerce graduate from Kerala University with 1<sup>st</sup> rank.</li> <li>• Certified associate, IIBF.</li> </ul>	<ul style="list-style-type: none"> <li>• Ex-CMD, Syndicate Bank.</li> <li>• Over three and a half decades of experience with Canara Bank.</li> </ul>





## A Note from the Chairman's Desk

### Dear Fellow Stakeholders

Over the last seven decades we have sought to and successfully partnered in the progress of our stakeholders and in this, our 72nd year of operations, it is with immense pleasure that I welcome aboard our shareholders who whole-heartedly participated in our Initial Public Offering (IPO) and have reposed their faith in our company's prospects.

Muthoot Finance entered the capital markets in May 2011 with an IPO of Rs. 9,013 million and the response was overwhelming. This marks a key milestone in the journey that our founding-fathers commenced way back in 1939 and also marks the beginning of another as a listed corporate entity.

### Progress in Performance

During the course of this journey, I believe, we have brought in professionalism in terms of setting standards and ethics and organizational qualities to an industry largely dominated by unorganized players. This is evident in the numbers we have been able to achieve. Over the last five years, we have witnessed a compounded annual growth rate of 74% in our Interest Income and 73% CAGR in our Net Income.

This year we recorded a 113% growth in our Net Interest Income which stood at Rs. 22,983 million. This was backed by the increase in our geographical reach outside Southern India and also deeper penetration in the existing markets. Our Assets under Management reached Rs.1,57,201 million, a rise of 114%. At the operating level we have 33.6% margins with profits of Rs. 7,792 million, a growth of 116%. Resultantly, the net level reflected a 117% rise to Rs. 4,942 million.

The profitability is a direct outcome of standardized training modules, valuation processes and operating systems that we have perfected by virtue of our long standing experience. Notably, the Selling, General and Administrative expenses to Average Retail loans declined from 4.7% to 4.3%. As we expand, we maintain and continue to strengthen our focus on deriving economies of scale to ensure a sustainable business model.

A diversified base of funds ensures that we keep our costs under control. Further, our reputation and performance track record has enabled us to access funds at a reasonable cost.

### Built on Trust

Our business model has an inherent strength. The high sentimental value attributed to personal jewellery or gold ensures that borrowers are looking at repaying the loan at the earliest, resulting in high recoverability. The ticket size of our loans and the maturity period of a year, mitigates the risk of interest rate volatility. Lastly, we have Gold as the collateral while the loan amount is normally given with a 10-40% margin depending on our credit and asset quality assessment.

Our track record suggests that we have been able to perform successfully, despite fluctuation in gold prices over the years. In addition to this, gold loans have been perceived as a convenient source of short term or bridge financing. Another strength of ours is our customer orientation and friendliness. We have always ensured a robust customer service management wherein speed and simplicity are the hallmarks of our loan process.

The size of the Gold Loan market which is pegged at Rs. 375 billion in FY2010 by IMacs Industry Report is set to grow at 35-40% and any industry with such exponential growth potential is set to witness competition and an increase in number of players in the market.

What stands in good stead for Muthoot Finance is that Southern India, at present, accounts for 85% to 90% of the Gold Loan market in India. The company already has a formidable presence in this region and is already the overall market leader, which gives it the head start.

However, the bigger factor in this business which differentiates us from the rest is our brand equity. This has resulted from the trust factor which we have strived hard to build in the minds of customers, in whose progress we have always sought to partner.

### Managing Scalability

Our strategy is two pronged when it comes to achieving scalability. One is to foray into newer geographies and the other is enhancing penetration levels in the existing markets. Again, a pan-India presence is possible only with a thorough understanding of customer behavior in different geographies and the market conditions in that region. Muthoot Finance has managed both as it successfully marked its entry into the Northern and Western regions of India where market dynamics in terms of customer mindset, security status, operational issues are significantly different from those in Southern India. Customized products to suit the requirements of different customers is also an on-going aspect of our growth strategy.

Traditionally, our products have been marketed to the lower and middle income groups. With new geographies and enlargement of existing markets, we aim to broaden our scope of services to cater to the upper-middle income and upper income groups. This will entail creating awareness and positioning the business as a lifestyle product and concurrently fine-tuning our customer service methodology to cater to the higher income tastes. On account of having gold as a collateral, the minimal documentation and the expediency of our product process appeals to customers across income categories.

We will be undertaking focussed marketing to reposition our product as an option of convenience and mitigate the stigma attached to pledging gold jewellery in Indian society.

Security has always been and will remain a priority component of our business operations as we hold our customer's gold with us and hence the company does not compromise on the deployment of technology and security personnel in terms of quality or quantity.



### Vote of Thanks

Our seven decade long successful journey is primarily on account of the collective contribution of our various stakeholders over time. First and foremost, I would salute our employees who have strived to ensure good customer service and smooth execution of our strategy. We value the guidance of our board members and the management team who have spear-headed the company's high growth trajectory.

A special vote of thanks goes to all our customers and lenders for making us the market leader in this business and without whose patronage and support our strategies would not have succeeded.

A distinct approach to market participation and a definitive edge with our customers will continue to drive profitable growth for our company and we look forward to your continued support on this journey.

Thank you

**M. G. George Muthoot**  
Chairman



# Partnering in our Customer's Progress

## Through our Business Model

Headquartered in the Southern Indian State of Kerala, Muthoot Finance Ltd. is the flagship company of Muthoot Group. The humble beginnings in 1887 have today fructified into the largest gold financing company in India in terms of size of loan portfolio and branch network among gold loan Non Banking Financial Companies.

Over the past 72 years, the company has broadened its scale of operations & geographic spread to transform this business into what it is today. It has 2733 branches across 20 states, 4 Union Territories and across the length and breadth of the country with Gold Loan Assets under Management of Rs. 1, 57,281 million at the end of the year. The experience and goodwill acquired by the company over the decades has become its greatest asset. We offer products with varying loan amounts, advance rates (per gram of gold) and interest rates. The principal loan amounts disbursed by the company range from Rs.2,000 to Rs.100,000 while the interest rates range between 12.00% to 30.00% per annum.

A typical customer for the company would be small businessmen, vendors, traders, farmers and salaried individuals in under-served rural and semi-urban markets. A large portion of the rural population has limited access to credit either because of their inability to meet the eligibility requirements of banks and financial institutions. Our customers pledge their gold jewellery and take loans. The company has extended its loan portfolio to include other loan products; however gold loans remain the primary revenue driver. All the Gold Loans have terms of 12 months. However, customers may redeem the loan at any time and the company's experience has been that they are generally redeemed between 90 and 180 days.

As per IMacs Industry Report 2010, Muthoot Finance has 19.5% market share of the Rs. 376.4 billion gold loan market.





## Our Business Pivots :

### Capital Raising

The company issues secured redeemable non-convertible debentures to retail investors on a private placement basis as the primary means of capital for its Gold Loan business Which constituted 25% of the loan funds. Further, the company's borrowings from banks and other financial institutions as well as sale of its receivables under bilateral assignments to banks which constituted 63.5% of loan funds.

Sources of Funds	(Rs. In Millions)	%
Secured Non Convertible Debenture	39832	24.7
Secured Non-Convertible Debentures --Listed	2150	1.3
Bank Borrowings	60529	37.5
Sell down of receivables under Bilateral Assignment	41864	26.0
Unsecured Non-Convertible Debentures --Listed	2000	1.2
Loan from Directors / Relatives of Directors	817	0.5
Inter Corporate Loan	3	0.0
Subordinated Debt (Tier II Capital)	7106	4.4
Commercial Paper	6948	4.3
<b>TOTAL</b>	<b>161249</b>	<b>100.0</b>

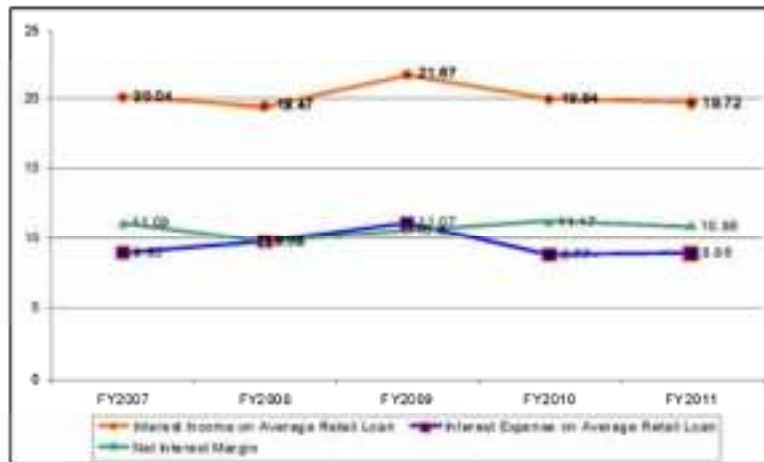
Further the company issues subordinated debt which qualifies as Tier II capital under private placement to retail investors which constituted 4.4% of the loan funds. The company has raised funds by issue of commercial paper to various mutual funds which constituted 4.3% of the loan funds. Besides company has issued listed debentures to various institutions which constituted 2.5% of loan funds.

## Credit rating

SHORT TERM RATING			
COMMERCIAL PAPER	AMT OF RATING	RATING	INDICATES
CRISIL	2000	P1+	Degree of safety with regard to timely payment of interest & principal on the instrument is very strong
ICRA	200	A1+	Lowest credit risk & Stronger credit quality
BANK LOANS			
ICRA	4073	A1+	Lowest credit risk & Stronger credit quality
LONG TERM RATING			
SUBORDINATED DEBT			
CRISIL	100	AA- (Stable)	High Degree of safety with regard to timely payment of interest & principal on the instrument
ICRA	100	LAA (Stable)	High quality credit rating & Lowest credit risk
NON CONVERTIBLE DEBENTURE			
CRISIL	500	AA- (Stable)	High Degree of safety with regard to timely payment of interest & principal on the instrument
ICRA	200	LAA- (Stable)	High quality credit rating & Lowest credit risk
BANK LOANS			
ICRA	3572	LAA- (Stable)	High quality credit rating & Lowest credit risk

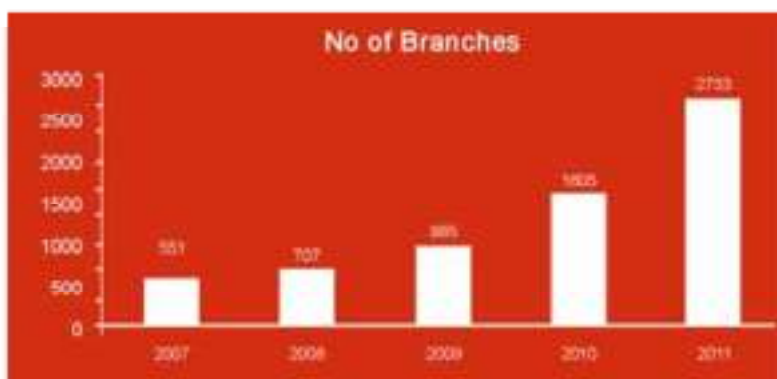


Notably our diversified source of funding ensures insulates us against any significant cost pressures. Lastly, our Asset Liability Mismatch is well under control as we have loan maturity of less than a year while our borrowings tenure is typically over a year. Thus we are able to maintain our margins as well.



### Selecting Branch Locations

Branch site selections are based on a strict set of market surveys and location guidelines to ensure close proximity to the end customers. Besides proximity, the company adapts to timings which are convenient for the working class. The branches are well secured and equipped with highly trained staff who understands the local aspects well. The local know how goes a long way for the company in terms of familiarity and personalized service and security as untoward activities can be easily picked up if any borrower is from any other area.



## Personnel Strength

Over a period of time, the company has created a pool of well trained in-house staff through its strategy of learning local people. The two staff training colleges in Cochin and in New Delhi, and three regional learning centers located in Chennai, Hyderabad and Bangalore take care of training needs in terms of gold appraisal skills, customer relations and communication skills.

Further, training our in-house staff has ensured a uniform set of procedures followed at all branches, resulting in process oriented business culture and automation which reduced dependency on people and smooth operations.

We also have a team of 900 customer relation executives in charge of carrying out customer loyalty programs and a Customer Relations Department which provides support over the phone servicing the needs of our customers.



## Loan Process & Branch Operations

Muthoot Finance's USP lies in our quick turnaround time as our business model positioning ensures minimal documentary evidence and credit assessment formalities in view of the gold collateral collected upfront. The company disburses an average loan ticket size of Rs. 20,000 within five minutes from the time the gold is tendered to the appraiser.

This is possible on account of the robust loan process which is standardized across branches. The process commences by explaining various schemes to the customer. Once proof of identity is undertaken, the branch appraiser conducts specific weight and quality tests of the gold without any damage to the gold ornaments. Computerized records are maintained and the customer's appraisal certificate and ornaments are placed in the security vault while the customer gets the required amount at the prescribed rate. Once the customer repays the loan and discharges the Pledge form, ornaments are handed back.





The entire process is audited by a 704 member Audit team on a monthly or weekly basis based on the size of the branch to ensure strong control on systems and processes.

### Ensuring Gold Quality

Muthoot's comprehensive and standardized Valuation Process for gold collaterals are undertaken across its branch network to ensure a high quality portfolio. It commences with the appraiser weighing the ornaments using calibrated weighing machines and other preliminary and additional tests are conducted without damaging the ornaments. The rate per gram is fixed by the corporate office and is used to decide the loan amount. However the branch manager has the discretion to approve higher rates of upto Rs. 10 per gram. This ensures our collaterals are of a standard and high quality.

### Security & Inventory Management

The gold collaterals are safely packed along with the relevant documents and kept in the strong room of the branch which is adequately secured. Muthoot Finance deploys modern equipments and technology to enhance the safety features of our branches as gold inventory belonging to customers is lying with the company.

### Loan Monitoring, Recovery and Release of Pledge

The loan accounts are monitored on an ongoing basis. Once a loan is fully repaid, the pledged gold jewellery is returned to the customer. When a customer does not repay a loan on or before its maturity, we initiate the recovery process and dispose of the collateral to satisfy the amount owed to us, including both the principal and the accrued interests. Before starting the recovery process, we inform the customer through registered letters or legal notices. When a loan is repaid, we give the customer an option to pledge the security again and obtain another loan. The procedure of re-pledging entails the same procedure as that of a pledge and is accompanied by the same mode of documentation that a pledge entails. If the loan is not repaid when the loan falls due, we are able to sell the gold collateral in satisfaction of the amount due to us. We also reserve the right to sell the collateral even before a loan becomes past due in the event the market value of the underlying collateral is less than amounts outstanding on the loan.



muthootfinance.com

# Muthoot Finance Gold Loan. India's first choice.



Muthoot Finance has touched the lives of millions of people across the country. Be it a teacher, trader, businessman, student, factory owner, defense personnel, architect, doctor, lawyer or even perhaps you. Muthoot Finance brings smiles to the faces of more than **70,000 customers everyday** at almost **3000 branches** across the country.

**India's largest gold loan company**



## **Muthoot Finance**

Muthoot Finance Ltd, 2nd Floor, Kurian Towers, Banerji Road, Ernakulam -18  
Helpline No.: 0484 - 3988 668, 98470 91119

A Muthoot M George Enterprise | Since 1887



## Corporate Information

**1. Board of Directors**

M G George Muthoot  
George Alexander Muthoot  
George Thomas Muthoot  
George Jacob Muthoot  
George Joseph  
P George Varghese  
John K Paul  
K John Mathew

Chairman  
Managing Director  
Whole Time Director  
Whole Time Director  
Independent Director  
Independent Director  
Independent Director  
Independent Director

**2. Company Secretary & Compliance Officer**

Rajesh A

**3. Statutory Auditors**

M/s Rangamani & Co.

**4. Registered Office**

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: [investorrelations@muthootfinance.com](mailto:investorrelations@muthootfinance.com)

**5. 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)





**NOTICE**

**Notice** is hereby given that the **14<sup>th</sup> 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 **Wednesday, the 28<sup>th</sup> day of September, 2011 at 10:30 AM** to conduct the following business:

**ORDINARY BUSINESS**

1. To receive, consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March, 2011 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 appoint a Director in the place of Mr. K John Mathew who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in the place of Mr. George Jacob Muthoot who retires by rotation and being eligible offers himself for re-appointment
4. To appoint Auditors and fix their remuneration.

**SPECIAL BUSINESS**

5. To pass with or without modification, the following resolution as an Ordinary Resolution:

**RESOLVED THAT** the consent of the Company be and is hereby accorded in terms of the provisions of Section 293 (1) (d) and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or re-enactment thereof, for the time being in force) to the Board of Directors to borrow monies, for the business of the Company, whether unsecured or secured, in Indian or Foreign Currency or by way of issue of debentures/bonds or any other security(ies), from time to time, from any Bank(s)/Financial Institutions or any other Institution(s), firms, body corporate(s) or other person(s), in India or abroad, apart from temporary loans obtained/to be obtained from the Company's bankers in the ordinary course of business, provided that sum(s) so borrowed under this resolution and remaining outstanding at any time shall not exceed the aggregate of Rs. 50,000 Crores (Rupees Fifty Thousand Crores) in excess of and in addition to the paid up capital and free reserves of the Company for the time being.

**RESOLVED FURTHER THAT** the Board of Directors or any committee thereof/persons(s) authorised by the Board, be and is/are hereby authorised to do all such acts, deeds and things as may be necessary, expedient and desirable for the purpose of giving effect to this resolution.

6. To pass with or without modification, the following resolution as a Special Resolution:

**RESOLVED THAT** pursuant to the provisions of Section 314 (1B) and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or re-enactment thereof, for the time being in force) read with Director's Relatives (Office or Place of Profit) Rules, 2011 and subject to approval of the Central Government, if required, the Company hereby accords consent to the appointment of Mr. George M Alexander, relative of directors of the Company as Vice President Operations (South) of the Company with effect from 01<sup>st</sup> October, 2011 on the following terms and conditions:

- (a) **Salary:** 75,000 per month, including other allowances, benefits, perquisites, as are provided to senior executives of the Company and/or which may become applicable in future and/or any other allowances,



perquisites as the Board may decide from time to time, with a provision for increase in salary of not more than 25% per annum over the previous year.

- (b) During his tenure, he will be governed by the Rules and Regulations of the Company as may be applicable to the employees of the Company from time to time including change in designation and responsibilities.

**RESOLVED FURTHER THAT** Mr. George M Alexander shall also be entitled for the reimbursement of actual traveling, boarding and lodging expenses and other amenities as may be incurred by him, from time to time, in connection with the official purposes of the Company.

**RESOLVED FURTHER THAT** the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds and things as may be necessary and expedient to give effect to the resolution and to settle any questions, difficulties or doubts that may arise in this regard.

**For and on behalf of the Board of Directors**

**Sd/-  
Rajesh A  
Company Secretary**

**Kochi, July 27, 2011**

Registered Office:  
2<sup>nd</sup> Floor, Muthoot Chambers,  
Opposite Saritha Theatre Complex,  
Banerji Road,  
Kochi 682 018



**NOTES:**

1. **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.**
2. 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.
3. Members/Proxy should bring duly filled attendance slips sent herewith to attend the meeting.
4. 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.
5. 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.
6. The Register of Members and Share Transfer Books will remain closed from September 19, 2011 to September 28, 2011 (both days inclusive).
7. Members are requested to address all correspondence to the Registrar and Transfer Agents: Link Intime India Private Limited, C-13, Pannalal Silk Mills Compound, L.B.S. Marg Bhandup (West), Mumbai 400 078, India, Tel: (91 22) 2596 0320, Fax: (91 22) 2596 0329, Toll Free: 1-800-22-0320.
8. 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.



### EXPLANATORY STATEMENT

(Pursuant to Section 173(2) of the Companies Act, 1956)

As required by Section 173 of the Companies Act, 1956 ("Act"), the following explanatory statements set out all material facts relating to the business mentioned under Item Nos. 05 & 06 of the accompanying Notice dated July 27, 2011

#### 1. Item No: 5

Section 293 (1) (d) of the Companies Act, 1956 requires the Board of Directors to obtain the consent of the shareholders in a General Meeting to enable them to borrow moneys where the amount to be borrowed together with monies already borrowed exceeds the aggregate of Paid Up Capital of the Company and its Free Reserves, that is to say, reserves not set apart for any specific purposes.

Members of the Company at the Extraordinary General Meeting held on 21<sup>st</sup> July, 2010, passed an Ordinary Resolution authorizing the Board of Directors of the Company to borrow from time to time for the purposes of carrying out the business of the Company, subject to the condition that money, so borrowed shall not exceed Rs. 25,000 Crores (Rupees Twenty Five Thousand Crores).

In view of the increase in the volume of business and taking into consideration the requirement of additional funds, your Directors feel that they should obtain consent from the shareholders to borrow more funds. Accordingly, they have thought it desirable to obtain the consent of the shareholders of the Company pursuant to Section 293 (1) (d) of the Companies Act, 1956 to increase the limit of borrowing powers from Rs. 25,000 Crores to Rs. 50,000 Crores as is now proposed under the ordinary resolution and to give the necessary powers to the Board of Directors as required under Section 293 (1) (d) of the said Act with reference to such enhanced limit.

Therefore, your Board recommends the adoption of the resolution as an Ordinary Resolution.

None of the Directors are interested or concerned in the proposed resolution

#### 2. Item No: 6

Looking into the expansion plans of the Company and requirement of streamlining the operations in the southern states of Kerala, Karnataka, Tamil Nadu and Andhra Pradesh, the Board of Directors at their meeting held on the 26<sup>th</sup> day of May, 2011 has considered the appointment of Mr. George M Alexander as Vice President Operations (South) with effect from 01<sup>st</sup> October, 2011 with a monthly remuneration of Rs. 75,000. The Selection Committee had approved the proposed appointment at their meeting held on the 25<sup>th</sup> day of May 2011.

Mr. George M Alexander is a graduate in mechanical engineering and holds a master degree in business administration from Kenan-Flagler Business School, University of North Carolina, USA. Mr. George M Alexander was a member of the Board of Directors of the Company during the period 2004 to 2009 and has developed good understanding of the business and has been instrumental in setting in place the processes and systems for the business of the Company. His scope of work would cover complete operational control over business of the Company in the southern Indian states of Kerala, Karnataka, Tamil Nadu and Andhra Pradesh. The remuneration proposed to be paid to Mr. George M Alexander is commensurate with his experience and is in line with industry standards.



In terms of provisions of Section 314 (1B) of the Companies Act, 1956 read with Director's Relatives (Office or Place of Profit) Rules, 2011 the appointment of relative of Director of the Company on a remuneration exceeding Rs. 10,000 per month requires the approval of the shareholders by way of special resolution.

Mr. George M Alexander is the eldest son of Mr. George Alexander Muthoot, Managing Director of the company and thus the appointment is covered under the provisions of Section 314 (1B) of the Companies Act, 1956. Accordingly, the resolution mentioned in Item No. 06 of the notice is being proposed for approval.

All Non-Independent, Executive Directors, viz Mr. M G George Muthoot, Mr. George Thomas Muthoot, Mr. George Jacob Muthoot and Mr. George Alexander Muthoot being relatives of the appointee are deemed to be concerned and interested in the resolution.

Board recommends the adoption of the resolution as a Special Resolution.

**For and on behalf of the Board of Directors**

**Sd/-  
Rajesh A  
Company Secretary**

**Kochi, July 27, 2011**

Registered Office:  
2<sup>nd</sup> Floor, Muthoot Chambers,  
Opposite Saritha Theatre Complex,  
Banerji Road,  
Kochi 682 018.





### ADDITIONAL INFORMATION OF DIRECTORS SEEKING RE-APPOINTMENT

Name of Director	K John Mathew	George Jacob Muthoot
Date of Birth	09-May-1932	21-September-1952
Nationality	Indian	Indian
Date of Appointment	23-Jan-08	1-Apr-10*
Qualifications	LLB	B Tech
Brief Profile	<p>Mr. K John Mathew is a graduate in law from the Government Law College, Ernakulam and is a retired judge of the High Court of Kerala. He has served as the Chairman of the Cochin Stock Exchange and was a SEBI nominee director of the Cochin Stock Exchange from 2002 to 2007. He is currently the President of the Peoples Council for Social Justice, Kerala.</p>	<p>George Jacob Muthoot is a graduate in Civil Engineering from Manipal University and is a businessman by profession. He is a member of the Trivandrum Management Association, the Confederation of Real Estate Developers Association of India (Trivandrum) and the Trivandrum Agenda Task Force. He is also a member of the Rotary Club, Trivandrum (South), governing body member of the Charitable and Educational Society of Trivandrum Orthodox Diocese, Ulloor, Trivandrum, Finance Committee Member, Mar Diocese College of Pharmacy, Althara, Trivandrum and Mar Gregorious Orthodox Christian Mercy Fellowship, Trivandrum</p>
Chairmanship/Directorship in other Indian Companies	NIL	<ol style="list-style-type: none"> <li>1. Muthoot Vehicle &amp; Asset Finance Limited;</li> <li>2. Muthoot Securities Limited;</li> <li>3. Muthoot Commodities Limited;</li> <li>4. Geo Bros Muthoot Funds (India) Limited;</li> </ol>



		5. Muthoot M George Chits (India) Limited; 6. Venus Diagnostics Limited.
Chairmanship/Membership of Committees of the Board of Directors of other Indian Companies of which he is a Director	NIL	NIL

\*Date of appointment as Whole Time Director in the Company.

## DIRECTORS' REPORT

To the Members

Your Directors have pleasure in presenting the **14<sup>th</sup> Annual Report** of the Company together with the audited financial statements for the year ended 31<sup>st</sup> March, 2011.

### 1. Financial Results

The financial results for the year ended 31<sup>st</sup> March, 2011 are summarized below:

(Amount in Rs. Lacs)

Particulars	2010-11	2009-10
Income from Operations	231,587	108,938
Total Expenditure	150,435	72,684
Profit Before Depreciation	81,152	36,254
Depreciation and Other Non Cash Charges	5,031	1,699
Profit Before Tax	76,121	34,555
Provision for Tax/Deferred Taxes	26,703	11,798
Profit After Tax	49,418	22,757
Share Capital and Reserves	133,441	58,455
Subordinated Debt	71,059	32,467
Secured Non-Convertible Debentures	419,823	271,925
Bank Borrowings	605,282	212,787
Gross Retail Loan Assets under Management	1586,845	743,815

### 2. Business

Financial Year 2010-11 has been a landmark year for your Company for the Gross Retail Loan Assets Under Management crossing the land mark figure of Rs. 1500000 lacs. Gross Retail Loan Assets Under Management stood at Rs. 1586845 lacs as of 31<sup>st</sup> March, 2011 registering a growth of 113% as against Rs. 743815 lacs reported during the financial year ended 31<sup>st</sup> March, 2010. Interest Income registered a growth of 113% to reach at Rs. 229834 lacs for the financial year 2010-11 as compared to Rs. 107745 lacs reported during the previous financial year. Profit Before Tax amounted to Rs. 76121 lacs for the financial year 2010-11 as compared to Rs. 34555 lacs registering a growth of 120% as compared to the previous financial year.

1128 new branches were opened across the country during the year while efforts were put in ensuring deeper penetration into the rural heartlands of the Country. The average gold loan outstanding per branch has increased from Rs. 457.43 lacs to Rs. 575.49 lacs as on March 31, 2011.

### 3. Dividend

Your Board of Directors has decided to plough back the entire profit for the year and retain the same in the Profit and Loss Account further strengthening your Company's net owned funds position.

### 4. Resource Mobilization

#### (a) Secured Debentures

During the year, Company raised Rs. 126397 Lacs, 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. Company has also privately placed Secured Non-Convertible Debentures to the tune of Rs. 21500 lacs which are listed in the Wholesale Debt Segment of the National Stock Exchange of India Limited.

(b) **Bank Finance**

Commercial Banks continued their support of the company's aggressive asset growth. As of 31<sup>st</sup> March, 2011, borrowings from banks held at Rs. 605282 lacs. The company also raised resources through sell down of gold loan portfolio such that the outstanding amount of gold loan sold under bilateral assignment as of 31<sup>st</sup> March, 2011 was Rs. 418639 lacs. 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 Company. Subordinated Debts represents long term source of funds for the Company and the amount outstanding as on 31<sup>st</sup> March, 2011 was Rs. 71059 lacs. It will qualify as Tier II capital under the Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank Directions), 2007.

**5. Ratings**

The company is rated by CRISIL for Rs.4000 crores of Short Term Debt Programme with a rating of "CRISIL A1+". This is the highest credit quality rating assigned by CRISIL to short term debt instruments. "CRISIL A1+" rating indicates that the degree of safety with regard to timely payment of interest and principal is very strong. CRISIL has also assigned the company with a long term rating of "CRISIL AA- / (stable)" for Rs.500 crores Non-Convertible Debenture issue and for Rs.100 crores Subordinated Debt issue. This rating indicates high degree of safety with regard to timely payment of interest and principal on the instrument.

The company is also rated by ICRA for Rs.200 crores of Short Term Debt Programme with a rating of "[ICRA] A1+". This is the highest credit quality rating assigned by ICRA to short term debt instruments which indicates Lowest credit Risk and stronger credit quality. ICRA has also assigned the company for Rs.200crs Non-Convertible Debenture issue and for Rs.100crs Subordinated Debt issue with a long term rating of "[ICRA] AA- / Stable". Instruments rated in this category carry lowest credit risk and it indicates high quality credit rating. Further, ICRA has also assigned the company with Long Term/Short Term rating of "[ICRA] AA-"/"[ICRA] A1+" respectively for Rs.6000 crores of Bank loans which indicates high quality credit rating and lowest credit risk/ stronger credit quality and Lowest credit Risk respectively.

**6. Initial Public Offer**

During the month of April, 2011, your Company has completed an Initial Public Offer of 5,15,00,000 Equity Shares of Rs. 10/- each at a price of Rs. 175/- raising Rs. 901.25 crores. The issue had seen an overwhelming success with an oversubscription of 24.33 times. The shares of the Company were listed on National Stock Exchange of India Limited and Bombay Stock Exchange Limited on 6<sup>th</sup> May 2011.

**7. Internal Control**

The Audit and Inspection Department of the company through a team of 704 personnel ensures quality of the assets pledged and adherence to various risk management practices at the branch and regional office level. The structure of the audit teams has been totally recast with decentralization of functions to match with the expansion in footprint without compromising control.

The internal audit team directly reports to the Audit Committee of the Company. 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.

**8. Human Resources**

Being a service oriented Company, your company consider human resource capital as the biggest asset. As of March 31, 2011, your company has 16668 employees on payroll at various management levels. Your Company offer employees the opportunity to harness their inherent skills and to brave newer frontiers at every phase of their growth. Your management is committed in providing a wholesome work environment and support with excellent training programs and workshops. Your Company provides extensive training to branch employees through training programs that are tailored to appraising the gold content in gold jewellery. A new employee is introduced to the business through an orientation program and through training programs covering job-appropriate topics. The experienced branch employee receives additional training and an introduction to the fundamentals of management to acquire the skills necessary to move into management positions within the organization. Manager training involves a program that includes additional management principles and more extensive training in topics such as income maximization, business development, staff motivation, customer relations and cost efficiency.

As of date, your company has established two staff training colleges, one each in Cochin and in New Delhi, and three regional training centers located in Chennai, Hyderabad and in Bangalore, and is in the process of establishing staff training colleges at other regional locations as well.

**9. 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.

**10. Capital Adequacy**

As at 31<sup>st</sup> March, 2011, the capital adequacy of the company stood at 15.82% as against the statutory requirement of 15%.

**11. RBI Guidelines**

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

**12. Directors**

Mr. George Joseph and Mr. John K Paul have joined the Board of Directors as Independent Directors during the year. Mrs. Anna Alexander and Mrs. Sara George have resigned from the Board of Directors effective July 21, 2010. Board place on record their deep sense of appreciation for the services rendered by them during their tenure in the Board of Directors of the Company.

In accordance with Article 110 of the Articles of Association of the Company, Mr. K John Mathew and Mr. George Jacob Muthoot retire by rotation at the ensuing Annual General Meeting. Both of them being eligible seek re-appointment at the Annual General Meeting.

**13. Auditors**

M/s Rangamani & Co., Chartered Accountants, 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.



**14. Personnel**

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

SL No.	Name of Employee	Age (yrs)	Designation	Date of Commencement of employment	Gross Remuneration (Rs. in Lacs)	Qualification	Total Experience	Last employment
1	Mr. M G George Muthoot	61	Whole Time Director & Chairman	28.07.2000	Rs. 480	B. Tech	37 years	Muthoot Bankers
2	Mr. George Alexander Muthoot	55	Managing Director	28.07.2000	Rs. 480	FCA	31 years	Muthoot Bankers
3	Mr. George Thomas Muthoot	60	Whole Time Director	16.08.2005	Rs. 480	Under Graduate	36 years	Muthoot Bankers
4	Mr. George Jacob Muthoot	58	Whole Time Director	16.08.2005	Rs. 480	B. Tech	34 years	Muthoot Bankers

**15. 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 2010-11, 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.

**16. Corporate Governance Report and Management Discussion and Analysis Statement**

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

**17. 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 : NIL

**18. 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 staff officials thereof from time to time.

**For and On Behalf of the Board of Directors**

**Sd/-  
M G George Muthoot  
Chairman**

***Kochi, July 27, 2011***

Registered Office:  
2<sup>nd</sup> Floor, Muthoot Chambers,  
Opposite Saritha Theatre Complex,  
Banerji Road,  
Kochi 682 018





## MANAGEMENT DISCUSSION & ANALYSIS

### Macro Environment

The overall growth of Gross Domestic Product at factor cost at constant prices, as per Advance Estimates, was 8.6 per cent in 2010-11 according to the Advance Estimate of Central Statistics Office. Overall growth in the Index of Industrial Production (IIP) was 3.6 per cent during February 2011. During April-February 2010-11, IIP growth was 7.8 per cent.

During the fiscal 2010-11, the output of the six infrastructure industries was up 5.9%, against 5.5% in the previous year. The index for six core industries (comprising crude oil, petroleum refinery products, coal, electricity, cement and finished carbon steel) with a weightage of 26.68 per cent in the Index of Industrial Production (IIP) grew by 5.8 per cent during April-January 2010-11, as compared to growth rate of 5.5 per cent achieved during the corresponding period in 2009-10.

The fiscal 2010-11 which witnessed a strong economic recovery across sectors led by agriculture however ended with a tightening of monetary policy on account of rising inflation. The liquidity position remained under pressure, but the Government's thrust on infrastructure development remained intact.

With this, the Indian economy appears to be on a firm footing, as the Asian Development Bank expects the economic growth to stand at 8.2 % in 2011-12 notwithstanding inflationary pressures, and to bounce to 8.8 % in next financial year (2012-13) as investment climate improves, overall economic activity picks up again and planned economic reforms move forward.

The Finance Ministry's Economic Survey, released in February 2011, had pegged India's economic growth forecast for 2011-12 at 9 %, but even if the growth rate moderates to a between 7 and 8% during fiscal 2011-12 on account of inflationary pressures, the economic undercurrent will still remain strong.

### Industry Dynamics:

In a report by McKinsey & Company named 'The 'Bird of Gold': The Rise of India's Consumer Market'. By 2025, India will triple its income level and will become the fifth largest consumer market, climbing from its current position at twelfth. A lot of this wealth will be created in the urban areas but even rural households will benefit. Urban India will account for nearly 68 per cent of consumption growth while rural consumption will grow by 32 per cent by 2025. India's middle-class is expected to increase by ten times to around 583 million, while the income levels will triple by 2025, as India reaches the fifth largest consumer market in the world level, the report stated. According to the National Council for Applied Economic Research the average rural family income is estimated to rise by 27 percent in the next five years, most of it from non-farm sources.

With overall economic growth, the demand for credit is expected to increase and the Gold Loans market is fast emerging as the convenient and accessible source of credit for many.

At more than 18,000 tonnes, Indian households hold the largest stock of gold in the world and gold purchases in India accounted for 32% of the global total in 2010. The vast majority of the Indian population (70%) lives in villages, which have traditionally formed the source of more than two thirds of Indian gold demand. Source: <http://www.gold.org/>. India is the world's largest consumer of gold, accounting for some 20 percent of the world's demand. In India gold is historically and culturally tied to the concepts of wealth and prosperity. Consumer demand still remains high as Indians believe gold offers the best protection against inflation.

Gold jewellery demand in India, the world's largest gold jewellery market, rose 67 percent year-on-year to 272



tonnes in the first half of 2010, despite the higher gold price. Over the past decade, gold demand in India has increased at an average rate of 13 percent per year, outpacing the country's real GDP, inflation and population growth by 6 percent, 8 percent and 12 percent respectively. Currently, the country has one of the highest saving rates in the world; estimated at around 30 percent of total income, of which 10 percent is invested in gold. Continued rapid economic growth and urbanisation will create greater wealth but also inflationary pressures stimulating gold demand.

With overall economic growth, the demand for credit is expected to increase and the Gold Loans market is fast emerging as the convenient and accessible source of credit for many as gold and gold jewellery are a part of every household in India.

The market was pegged at Rs. 375 billion in FY 2010 and is expected to grow at 35-40% over the next 2-3 years.

#### **Key Industry Features:**

- Highly unorganized markets with regional players. In the organized segment, the Gold Loans market has been dominated by Scheduled Commercial Banks focused on southern India, and Non Banking Finance Companies with market shares of approximately 58% and 32%, respectively in fiscal 2010, while the remaining market share has been held by small co-operative banks. In addition, there has been a rapid expansion in the market for Gold Loans between fiscal 2002 and fiscal 2010 (Source: IMAcS Industry Report (2010 Update))
- A large portion of the rural and semi-urban population does not have the wherewithal to get credit facility from banks and financial institutions due to their inability to meet the eligibility requirements. Gold loans have grown mainly as they are perceived as a convenient source of short term/bridge financing as they meet immediate cash requirements.
- Huge sentimental value attributed to personal gold jewellery results in high recoverability as customers are eager to retrieve their jewellery back.
- Small Ticket size of loans and shorter maturity period makes the industry relatively insulated from interest rate sensitivity.
- The gold loans market in India is set to witness more competition as more financial institutions and banks enter the lucrative business and safer business of lending funds with physical gold as collateral.
- Gold Loan Market is a niche industry giving superior margins and has an inherently secured nature resulting in a higher score when compared to other loan products such as Housing Finance, Vehicle Finance, Microfinance, Personal Loans, and Credit Cards

#### **Competitive Positioning of Muthoot Finance**

- Muthoot Finance Limited is the largest gold financing company in India. As per the audited financial statements, Company's loan portfolio as of March 31, 2011 comprised approximately 4.7 million loan accounts with gold loans outstanding of Rs. 157,281 million
- Muthoot Finance has a operating history spanning over 70 years with a strong brand name and trust created in the minds of the market community. This is one the most important success drivers in this business and



creates a strong entry barrier in view of increasing competition in the sector. Strong domain knowledge and healthy brand reputation has helped the Company to create and maintain the market leadership position along with profitability while maintaining quality.

- Sound growth rates in terms of business and financial performance over a period of time. Over the last five years, we have witnessed a compounded annual growth rate of 74% in our Interest Income and 73% CAGR in our Net Income.
- Healthy asset quality with gross NPAs as % of gross retail AUM at 0.29% as of March 31, 2011 v/s 0.46% as of March 31, 2010.
- Strong foothold in the Southern part of India which is the biggest market for Gold Loans in India. We believe that due to our early entry we have built a recognizable brand in the rural and semi-urban markets of India, particularly in the southern Indian states of Tamil Nadu, Kerala, Andhra Pradesh and Karnataka. With its established track record in south India, the Company has been scaling up its operations in northern and eastern regions and is in the process of replicating the success in other parts of the country by leveraging the expertise in the segment and successful track record in southern part of the country.
- Deep domain understanding in terms customer behavior in different geographies and conditions enabling the company to expand geographically. We have successfully diversified into Northern and Western India where the market dynamics and operations are significantly different and challenging as compared to our traditional home ground of Southern India.
- Muthoot Finance has a diversified source of funding insulating it against any significant cost pressures. The company has a strong mechanism in place to keep its Asset Liability balance under check. The loan duration historically been 3-6 months while the borrowings tenure is typically a year which ensures adequate control over the asset liability management.
- Successful track record of profitable business under various gold price fluctuation scenario. Net Interest Margins increased and Assets Under Management grew by 51% in FY09, year of significant gold price fluctuation. Gold prices fell from USD 882 / Oz to USD 712 / Oz (in Nov 2008), before recovering to USD 927 / Oz by end of year (a marginal 5% increase on Y-o-Y basis).



- We maintain comfortable capital adequacy ratio as of March 31 2011. The break up into Tier I and Tier II CAR as of March 31, 2011 is as follows

Capital Adequacy Ratio	15.82%
Tier I	10.62%
Tier II	5.20%

- The company has in-house training facilities to train its staff over various areas such as loan appraisal, asset quality appraisal and customer relationship management. This ensures standardized procedures across branches and quick and efficient loan disbursement system. It also ensures that the company is process driven.

#### **Risk Addressal**

Risk management forms an integral element of our business strategy. As a lending institution, we are exposed to various risks that are related to our gold lending business and operating environment. Our objective in our risk management processes is to appreciate, measure and monitor the various risks we are subject to and to follow the policies and procedures to address these risks.

- **Operations Risk**

Over the years, the company has refined its operations and set up stringent processes in place to ensure cost control and high productivity. The entire process is audited by an internal as well as external audit team to ensure strict adherence.

- **Collateral Risk**

Collateral risk arises from the decline in the value of the gold collateral due to fluctuation in gold prices. This risk is in part mitigated by the 10% to 40% margin built in to the rate per gram used to calculate the loan amount. Typically, the price of gold jewellery is higher given the production costs, design cost and the gemstones associated with making the item, but the company appraises the collateral and fund loans solely based on the weight of its gold content.

- **Credit Risk**

Credit risk is the possibility of loss due to the failure of any counterparty to abide by the terms and conditions of any financial contract with us. Muthoot Finance follows a rigorous loan approval and collateral appraisal process, as well as a strong NPA monitoring and collection strategy. The collateral in the form of gold jewellery provides a hedge against credit risk loss. KYC norms are strictly followed as each customer is photographed and his details captured. Further, daily MIS ensures hold on business activities and alerts any undue business transactions.

- **Security**

The company faces threat of thefts and burglaries at its premises as it holds cash and jewellery. It deploys technology and hi-end devices along with well trained security staff for adequate protection against security threats.





- **Regulatory Risk**

The company faces the risk of change in regulatory policy which may impact its business adversely. A strong brand name, adequate market standing and rich experience should help it to mitigate the same.

#### **Internal Control Systems**

The Company has in place, adequate systems of internal control. It has documented procedures covering all financial and operating functions. These controls have been designed to provide a reasonable assurance with regard to maintaining proper accounting controls, monitoring of operations, protecting assets from unauthorized use or losses, compliances with regulations and for ensuring reliability of financial reporting. The Company has continued its efforts to align all its processes and controls with best practices in these areas as well.

#### **Human Resources**

Muthoot Finance attributes its success to the dedication and hard work of its employees and considers them as one of its key assets.

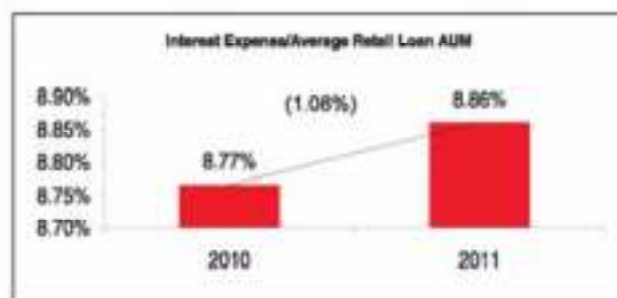
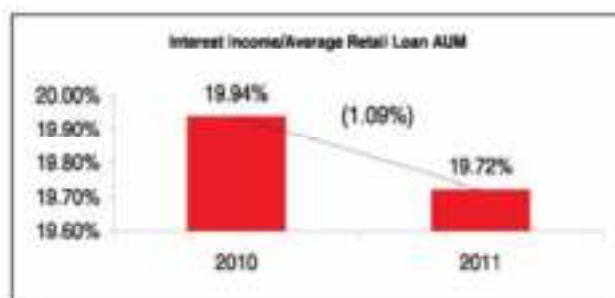
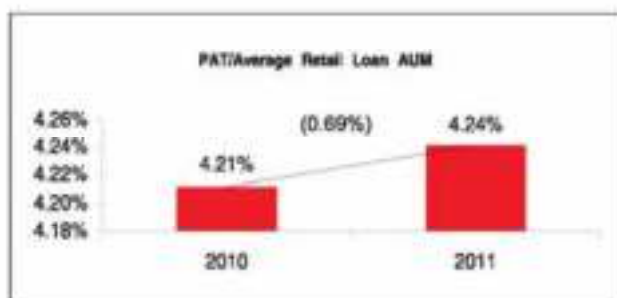
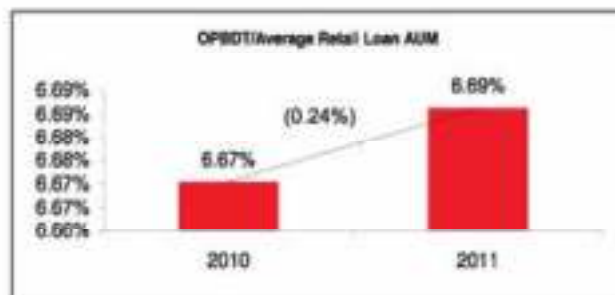
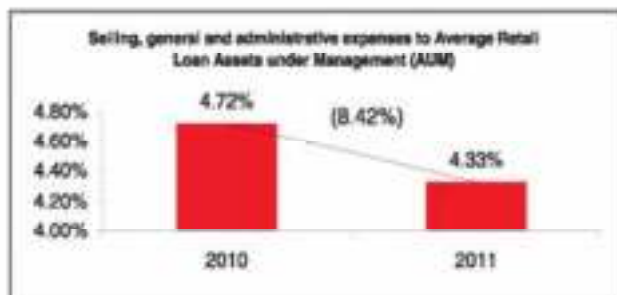
We undertake periodical training programs for all our employees to equip them with new skills sets both on the technical and soft skills front.

The company's employee strength stood at 16,688 as on 31<sup>st</sup> March, 2011.

#### **Financial Highlights**

- During the year the Net Interest Income grew by 113% growth at Rs. 22,983 million.
- The Selling, General and Administrative expenses to Average Retail loans declined from 4.7% to 4.3%.
- At the operating level the profits stood at Rs. 7791 million, a growth of 116 %.
- The Profit Before Tax stood at Rs. 7612 million, up by 120%
- Profit after Tax rose by 117% rise to Rs. 4942 million
- As on 31<sup>st</sup> march, 2011, the company has 2733 branches across India with Rs. 157281 million worth of gold loans disbursed.
- The Net NPAs stood at Rs. 390.5 million an increase of 27% from the previous fiscal. The Net NPAs as a percentage of Gross Retail Loans stood at 0.25% , a de-growth of 40% from the previous year.
- The EPS as on 31<sup>st</sup> March, 2011, stood at Rs. 15.78 as compared to Rs.7.56 in the last fiscal.
- The Networth of the company was Rs. 13342 million as on 31<sup>st</sup> March, 2011 while the Return on Average Equity stood at 51.5%

- The Capital Adequacy Ratio stood at 15.82 % as compared to 14.79% last year.
- The Book Value Per share was Rs. 41.7 , an increase of 115%



#### **Cautionary Statement :**

Statements made in this Annual Report describing the Company's objectives, projections, estimate, expectations may be "Forward-looking statements" within the meaning of applicable securities laws & regulations. Actual results could differ from those expressed or implied. Important factors that could make a difference to the Company's operations include economic conditions affecting demand supply and price conditions in the domestic & overseas markets in which the company operates, changes in the government regulations, tax laws & other statutes & other incidental factors.



## 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. Words from the founder Chairman Mr. M George Muthoot sums up the corporate culture followed by the Company in these years of existence:

*"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"*

M. George Muthoot  
Founder Chairman  
Muthoot Group

### II. Board Of Directors

#### I. Composition of Board

- a. As of March 31, 2011, 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 Bombay Stock Exchange Limited and National Stock Exchange of India Limited.
- b. 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.

#### 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 Public Companies*	
		Held	Attended		Chairman	Member	Chairman	Member
M G George Muthoot	Non-Independent, Executive	16	16	Yes	1	4	0	0
George Alexander Muthoot	Non-Independent, Executive	16	16	Yes	0	6	2	2
George Jacob Muthoot	Non-Independent, Executive	16	16	Yes	0	6	0	1
George Thomas Muthoot	Non-Independent, Executive	16	16	Yes	0	4	0	1
K John Mathew	Independent, Non - Executive	16	14	Yes	0	0	0	0
P George Varghese	Independent, Non - Executive	16	16	No	0	3	0	3
George Joseph	Independent, Non - Executive	16	13	No	0	0	0	0
John K Paul	Independent, Non - Executive	16	12	No	0	2	0	0

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

- iii. Ms. Anna Alexander and Ms. Sara George have resigned from their Directorships on July 21, 2010.
- iv. Mr. George Joseph and Mr. John K Paul have joined the Board of Directors of the Company with effect from July 21, 2010
- v. 16 Board meetings were held during and the gap between two meetings did not exceed four months. The dates on which the said Meetings were held are as follows:

May 15, 2010; July 14, 2010; July 21, 2010; July 23, 2010; August 19, 2010; September 06, 2010; September 08, 2010; September 20, 2010; September 22, 2010; September 23, 2010; September 27, 2010; December 01, 2010; December 30, 2010; January 10, 2011; January 24, 2011; March 03, 2011.



- vi. 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:
  - a. 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.
  - b. 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.
  - c. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
  - d. Reviewing, with the management, the annual financial statements before submission to the board for approval, with particular reference to:
    - i. 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
    - ii. Changes, if any, in accounting policies and practices and reasons for the same
    - iii. Major accounting entries involving estimates based on the exercise of judgment by management
    - iv. Significant adjustments made in the financial statements arising out of audit findings
    - v. Compliance with listing and other legal requirements relating to financial statements
    - vi. Disclosure of any related party transactions
    - vii. 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 utilized 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. The audit committee of the company was reconstituted on 23.07.2011 to align the same with the requirements of Clause 49 of the Listing Agreement.
- 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 (15.05.2010, 14.07.2010, 30.12.2010, 10.02.2011) during the year ended 31<sup>st</sup> March, 2011. 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	2
Mr. John K Paul*	2
Mr. George Alexander Muthoot	4

\* Member the Committee from 23.07.2010.

## VI. Remuneration Committee

- 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. Committee had met once on 21<sup>st</sup> July, 2010.
- The non executive independent Directors are paid sitting fees at the rate of Rs. 10,000/- for each Board meeting attended along with the travelling and other expenses relating thereto and Rs. 5,000 each Committee meeting attended along with the travelling and other expenses relating thereto.
- Remuneration to Directors

Details of remuneration paid to Executive Non-Independent Directors as well as Non-Executive Independent Directors for the period ended March 31, 2011 are as under:

### a. Non-Executive Directors

Name	Commission (Rs. in Lacs)	Sitting Fees (Rs. in Lacs)
George Joseph	1.33	1.40
P George Varghese	1.33	1.63
John K Paul	1.33	1.25
K John Mathew	1.33	1.43
<b>Total</b>	<b>5.33</b>	<b>5.70</b>

b. Managing Directors and Whole Time Directors

Name of Director	Salary (Rs. in Lacs)	Allowances and Incentives (Rs. 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>

iv. The Company does not have any Employee Stock Option Scheme.

**VII. Shareholders' / Investors' Grievance Committee**

- The Shareholders' / Investors' Grievance 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.
- No meeting of the Shareholders' / Investors' Grievance was held during the financial year 2010-11
- Composition

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

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

- Mr. Rajesh A is the Compliance Officer for complying with the requirements of SEBI regulations and Listing Agreement. For the financial year ended March 31, 2011, the Company has not received any investor complaints. Compliance Officer of the Company can be contacted at the following address:



Rajesh A.  
 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@muthootfinance.com

#### VIII. General Body Meetings

- i. The Annual General Meeting of the Company during the preceding 3 years were held at the Registered Office of the Company at Muthoot Chambers, Opposite Saritha Theatre Complex, Banerji Road, Ernakulam, Kerala 682 018.
- ii. The respective dates and times of the preceding 3 Annual General Meetings and the details of special resolutions passed thereat are as follows:

Year	2009 -10	2008 - 09	2007 - 08
<b>Date and Time</b>	September 25, 2010 11:00 A M	June 27, 2009 11: 00 A M	September 10, 2008 11:00 A M
<b>Details of Special Resolutions Passed</b>	NIL	NIL	1. Increase in Authorised Capital and consequent alteration of Articles of Association; 2. Alteration of Article 64 of Articles of Association

- iii. Five Extraordinary General Meetings were held during the Financial Year 2010 - 11 details resolutions passed thereat are given below:



<b>Date and Time Meeting</b>	<b>July 21, 2010; 4:00 P M</b>
Resolutions Passed	<ol style="list-style-type: none"> <li>1. Preferential Issue of Equity Shares under Section 81 (1A) of the Companies Act, 1956;</li> <li>2. Adoption of New Set of Articles of Association;</li> <li>3. Increase in Borrowing Powers under Section 293 (1) (d) of the Companies Act, 1956 ;</li> <li>4. Appointment of George Alexander Muthoot as Managing Director;</li> <li>5. Appointment of Mr. M. G. George Muthoot as Whole Time Director;</li> <li>6. Appointment of George Thomas Muthoot as Whole Time Director;</li> <li>7. Appointment of George Jacob Muthoot as Whole Time Director;</li> <li>8. Appointment of George Joseph as Director;</li> <li>9. Appointment of John K Paul as Director;</li> <li>10. Approval for Payment of Commission to Non-Executive Directors;</li> <li>11. Appointment of George M Jacob as Vice President - Marketing under Section 314 (1B) of the Companies Act, 1956;</li> <li>12. Revision of Terms of Appointment of Mr. Alexander M George under Section 314 (1B) of the Companies Act, 1956</li> </ol>

<b>Date and Time Meeting</b>	<b>August 20, 2010; 10:00 A M</b>
Resolutions Passed	<ol style="list-style-type: none"> <li>1. Preferential Issue of Equity Shares under Section 81 (1A) of the Companies Act, 1956;</li> </ol>

<b>Date and Time Meeting</b>	<b>September 21, 2010; 11:30 A M</b>
Resolutions Passed	<ol style="list-style-type: none"> <li>1. Increase in Authorised Capital to Rs. 450 Crores;</li> <li>2. Preferential Issue of Equity Shares under Section 81 (1A) of the Companies Act, 1956;</li> </ol>

<b>Date and Time Meeting</b>	<b>September 28, 2010; 12:00 Noon</b>
Resolutions Passed	<ol style="list-style-type: none"> <li>1. Approval for Initial Public Offer under Section 81 (1A) of the Companies Act, 1956</li> </ol>

<b>Date and Time Meeting</b>	<b>March 07, 2011; 11:30 A M</b>
Resolutions Passed	<ol style="list-style-type: none"> <li>1. Increase in Authorised Capital to Rs. 950 Crores;</li> <li>2. Authorization under Section 80 and 81 (1A) of the Companies Act, 1956 for issue of Redeemable Preference Shares;</li> <li>3. Authorization under Section 293 (1) (a) of the Companies Act, 1956 to create Charge/Security on the assets of the Company.</li> </ol>



## iv. Postal Ballot

No Postal Ballot was conducted during the financial year 2010-11.

**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. 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. 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. General Shareholder Information**

## a. Annual General Meeting

Date :

Time

Venue

**Wednesday, September 28, 2011**

10:30 AM

Kerala Fine Arts Society Hall

Fine Arts Avenue

Fore shore Road

Cochin 682016

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 September 28, 2011.

## b. Financial Calendar :

Year ending : March 31, 2011

Date of book closure : 18<sup>th</sup> September, 2011 to 28<sup>th</sup> September, 2011

- c. Listing of Securities : Bombay Stock Exchange 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
- d. Stock Code/Symbol/ISIN
- BSE : 533398  
NSE : MUTHOOTFIN  
ISIN : INE414G01012
- e. Listing Fees : Applicable listing fees have been paid as on date.
- f. Company Registration Details
- The Company is registered in the state of Kerala. The Corporate Identity Number (CIN) allotted to the Company by the Ministry of Corporate Affairs is U65910KL1997PLC011300. The Company being Systemically Important Non-Deposit Taking NBFC is registered with Reserve Bank of India.
- g. Stock market price data (in Rs. Per share)
- The Equity Shares of the Company was listed in BSE and NSE on May 06, 2011 and hence no stock market price data is available for the Financial Year 2010 - 11.
- h. Share Price movement during the last 5 years
- The Equity Shares of the Company was listed in BSE and NSE on May 06, 2011 and hence no Share Price movement data is available for the last 5 years.
- i. Registrars 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  
Contact Person: S Dhanalakshmi





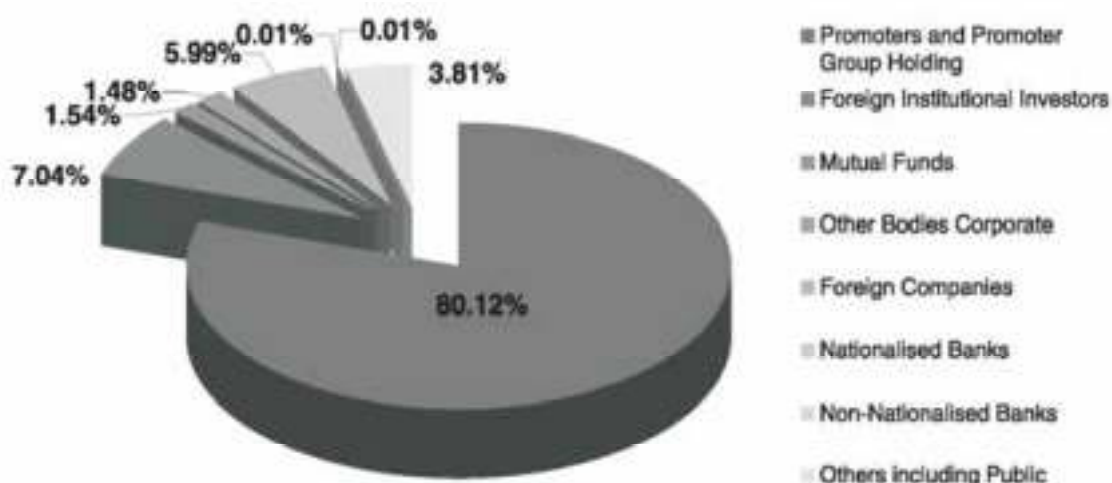
## j. Share transfer system

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.

## k. Distribution of Shareholding as on June 30, 2011

Category	No. of Shares	%
Promoters and Promoter Group Holding	297,797,872	80.12
Foreign Institutional Investors	26,156,375	7.04
Mutual Funds	5,734,765	1.54
Other Bodies Corporate	5,510,141	1.48
Foreign Companies	22,254,790	5.99
Nationalised Banks	19,120	0.01
Non-Nationalised Banks	25,403	0.01
Others including Public	14,214,302	3.81
<b>Total</b>	<b>371,712,768</b>	<b>100.00</b>

## Distribution of Shareholding



l. Shareholding pattern by size as on June 30, 2011

Category (Shares)	No. of Shareholders	Shares	% of Total Shares
1 - 500	97407	80,03,499	2.15
501 - 1000	794	6,00,341	0.17
1001 - 2000	470	6,90,224	0.19
2001 - 3000	151	3,71,357	0.10
3001 - 4000	84	2,92,596	0.08
4001 - 5000	82	3,82,735	0.10
5001 - 10000	113	8,17,014	0.22
10001 and above	205	360,555,002	96.99
<b>Grand Total</b>	<b>99,306</b>	<b>371,712,768</b>	<b>100.00</b>

m. Top ten Equity Shareholders of the Company as on June 30, 2011

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

n. Dematerialization 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. 89.6 % of shares of the Company were held in dematerialized form as on June 30, 2011.

o. 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: [investorrelations@muthootfinance.com](mailto:investorrelations@muthootfinance.com)

**XII. 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 compliance certificate from the Auditors of the Company, M/s Rangamani & Co., confirming compliance with the conditions of Corporate Governance as stipulated under Clause 49, is annexed as **Annexure II** to this report.

**XIII. 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.



**Annexure 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**

I confirm that the Company has 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 during the financial year ended 31<sup>st</sup> March, 2011.

Sd/-  
George Alexander Muthoot  
Managing Director

Kochi 18,  
July 27, 2011



**Annexure II**

**AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE**

To  
The Members of  
**MUTHOOT FINANCE LTD**

We have examined the Compliance of conditions of Corporate Governance by **Muthoot Finance Limited** for the year ended on 31<sup>st</sup> March 2011 as stipulated in Clause 49 of the Listing Agreement entered into by the Company with the Stock Exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to a review of procedures and implementation thereof, adopted by the company for ensuring the compliance with 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, we certify that company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above-mentioned Listing Agreement.

We state that no investor grievances are pending for a period **exceeding one month** against the company as per the records maintained by the Share Transfer cum Investors Grievances Committee.

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

For M/s Rangamani & Co.  
Chartered Accountants  
(FRN: 003050S)

Sd/-  
R. Sreenivasan  
Membership No. 020566

Place: **Alleppey**  
Date: **July 27, 2011**

**RANGAMANI & CO.,**  
**CHARTERED ACCOUNTANTS**

17/598, IIND FLOOR,  
CARD BANK BUILDING  
WEST OF YMCA BRIDGE  
V.C.S.B. ROAD, ALLEPPEY 688 001  
E-mail: [sreenivasan2121@gmail.com](mailto:sreenivasan2121@gmail.com)  
Phone: (0477) 2251915, 2261542  
Res: (0477) 2242046

**AUDITOR'S REPORT**  
**TO THE SHAREHOLDERS OF MUTHOOT FINANCE LIMITED**

1. We have audited the attached Balance Sheet of **Muthoot Finance Limited, Registered and Corporate Office: Muthoot Chambers, Opposite Saritha Theatre Complex, 2nd Floor, Banerji Road, Kochi 682 018, India, (the company) as at 31st March 2011**, and the annexed Profit and Loss Account for the year ended on that date which we have signed under reference to this report. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. 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'), and based on the information and explanations given to us, we give in Annexure- I, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. As required by the Non-Banking Financial Companies Auditor's Report (Reserve Bank) Directions, 2008, we give in Annexure II, a statement on the matters specified in the paragraph 3 and 4 of the said directions.
5. Further to our comments in the Annexures referred to in paragraphs 3 & 4 above, 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 accounts as required by law have been kept by the company so far as appears from our examination of those books and proper returns adequate for the purpose of the audit have been received from branches not visited by us.
  - c. The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of accounts.





- d. In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report are in compliance with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Act, to the extent applicable.
- e. On the basis of written representations received from the directors, as on 31st March 2011 and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March 2011 from being appointed as director under Section 274(1)(g) of the Act.
- f. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with the notes thereon give the information required by the Act, 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 2011; and
- ii. In the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date

**Per Pro M/s Rangamani & Co**  
Chartered Accountants  
(FRN: 003050 S)

Place: **Alleppey**  
Date: **May 26, 2011**

**Sd/-**  
**R. Sreenivasan**  
Membership No. 020566



**Annexure I to the Auditor's Report**  
(Referred to in paragraph 3 of our report of even date)

**Re. Muthoot Finance Limited**

- (i) (a) Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) 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.
- (c) No substantial part of fixed assets has been disposed off during the year.
- (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 are not applicable to the Company.
- (iii) (a) 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.
- (e) The company has taken unsecured loans from directors and their relatives and from companies covered in the register maintained u/s 301 of the Companies Act, 1956 the maximum amount of which during the year was Rs. 9,836.07 Lakhs and the year-end balance of such loan is Rs. 8,175.92 Lakhs.
- (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.
- (g) In our opinion, the payment of principal amount and interest are also regular.
- (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, we have not observed any continuing failure to correct major weaknesses in internal control.
- (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.
- (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 Rs. 5.00 Lakhs in respects of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.



- (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.
- (vii) In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
- (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.
- (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.
- (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 which are outstanding for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us, there are no dues of sales tax, Income Tax, Customs Duty, Wealth Tax, Service Tax, Excise duty and Cess which have not been deposited on account of any dispute. There are dues of service 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 Rs. * In Lakhs	Period to which the amount relates	Forum where dispute is pending
Service tax	157.29	2003-2009	Customs, Central Excise and Service Tax Appellate Tribunal, Bangalore
Penalty on above	298.93		
* 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 2011 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, 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 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 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 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. Accordingly, the provisions of clause 4(xv) of the Companies (Auditors Report) Order 2003 are not applicable to the Company.
- (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) According to the information and explanations given to us, the price at which the company has made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act is not prejudicial to the interest of the company.
- (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) According to the information and explanations given to us, the Company has not raised money by public issues. Accordingly, the provisions of clause 4(xx) of the Companies (Auditors Report) Order 2003 are not applicable to the Company.
- (xxi) According to the information and explanations given to us, no material fraud on the company has been noticed or reported during the course of our audit or no fraud by the company has been noticed or reported during the course of our audit. Company has taken appropriate legal actions against the persons perpetrated the fraud and the amounts are written off during the year.

**Per Pro M/s Rangamani & Co**  
Chartered Accountants  
(FRN: 003050 S)

Place: **Alleppey**  
Date: **May 26, 2011**

**Sd/-**  
**R. Sreenivasan**  
Membership No. 020566



**Annexure II to the Auditor's Report**  
(Referred to in paragraph 4 of our report of even date)

**Re. Muthoot Finance Limited**

As required by the Non-Banking Financial Companies Auditor's Report (Reserve Bank) Directions, 2008, we state that:

- (i) The Company is engaged in the business of non-banking financial institution and has obtained the Certificate of Registration dated 13<sup>th</sup> November, 2001 from the Reserve Bank of India.
- (ii) The Company is entitled to continue to hold the Certificate of Registration in terms of its asset / income pattern as on 31<sup>st</sup> March, 2011.
- (iii) The Company is not classified as an Asset Finance Company during the year ended 31<sup>st</sup> March, 2011.
- (iv) The Board of Directors has passed a resolution for non-acceptance of any public deposits.
- (v) The company has not accepted any public deposits during the year ended 31<sup>st</sup> March, 2011.
- (vi) According to the information and explanations given to us, the Company has complied with the prudential norms relating to income recognition, accounting standards, asset classification and provisioning for bad and doubtful debts as applicable to it in terms of Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007.
- (vii) According to the information and explanations given to us, the capital adequacy ratio as disclosed in the return submitted to the Bank in form NBS-7, has been correctly arrived at and such ratio is in compliance with the minimum CRAR prescribed by the Reserve Bank of India.
- (viii) The Company has furnished to the Reserve Bank of India the annual statement of capital funds, risk assets / exposures and risk asset ratio (NBS-7) within the stipulated period.

**Per Pro M/s Rangamani & Co**  
Chartered Accountants  
(FRN: 003050 S)

Place: **Alleppey**  
Date: **May 26, 2011**

**Sd/-**  
**R. Sreenivasan**  
Membership No. 020566



# **BALANCE SHEET AS AT 31<sup>ST</sup> MARCH 2011**

(Amount in Rs.)

Particulars	Sch. No.	2010-11	2009-10
<b>SOURCES OF FUNDS</b>			
Shareholders Funds			
Share Capital	1	3,202,127,680.00	3,010,000,000.00
Reserves & Surplus	2	10,141,997,327.14	2,835,461,491.61
Loan Funds			
Secured Loans	3	102,111,551,233.81	45,471,217,843.22
Unsecured Loan	4	17,274,308,740.19	7,334,031,413.01
Deferred Tax Liability		24,731,039.10	24,839,041.10
<b>Total</b>		<b>132,754,716,020.25</b>	<b>58,675,549,788.94</b>
<b>APPLICATION OF FUNDS</b>			
Fixed Assets	5		
Gross Block		2,463,338,204.03	1,691,093,148.15
Less: Depreciation		627,771,414.34	449,040,094.71
Net Block		1,835,566,789.69	1,242,053,053.44
Capital Work in Progress		505,273,816.16	290,654,790.39
Investments	6	75,049,940.00	75,049,940.00
Current Assets, Loans and Advances			
Cash & Bank Balances	7	13,754,949,956.09	5,759,916,292.12
Current Assets	8	5,973,625,579.01	2,441,592,013.36
Loans and Advances	9	117,517,747,298.57	54,616,985,723.93
Total		137,246,322,833.67	62,818,494,029.41
Less: Current Liabilities and Provisions	10	6,909,702,851.28	5,754,246,807.30
Net Current Assets		130,336,619,982.40	57,064,247,222.11
Miscellaneous expenditure to the extent not written off or adjusted		2,205,492.00	3,544,783.00
<b>Total</b>		<b>132,754,716,020.25</b>	<b>58,675,549,788.94</b>
Notes forming part of Accounts	14		

Schedules, Accounting policies and Notes on accounts form part of the accounts

As per our report of even date attached.

**Per Pro Rangamani & CO.**  
Chartered Accountants  
(FRN: 003050 S)

**For and on behalf of the Board of Directors**

**Sd/-**  
**R. Sreenivasan**  
Membership No. 20566

**Sd/-**  
**M. G. George Mthoot**  
Chairman & Wholtime Director

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

**Kochi**  
**May 26, 2011**

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

**Sd/-**  
**Rajesh A.**  
Company Secretary





**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2011**

(Amount in Rs.)

Particulars	Sch. No.	2010-11	2009-10
<b>INCOME</b>			
Interest income		22,983,440,504.36	10,774,518,847.98
Other income		175,237,279.69	119,279,343.03
<b>Total</b>		<b>23,158,677,784.05</b>	<b>10,893,798,191.01</b>
<b>EXPENDITURE</b>			
Interest Expenses	11	10,326,443,788.36	4,737,278,114.29
Personnel Expenses	12	2,209,492,340.43	1,169,438,127.61
Administrative and Other Expenses	13	2,638,994,106.97	1,190,429,346.16
Directors Remuneration		192,000,000.00	192,225,000.00
Depreciation	5	179,641,086.63	148,897,395.00
<b>Total</b>		<b>15,546,571,322.39</b>	<b>7,438,267,983.06</b>
Profit Before Tax		7,612,106,461.66	3,455,530,207.95
Less: Provision for Income Tax		2,870,450,189.13	119,281,396.00
Deferred Tax Liability/(Asset)		(108,002.00)	(130,328.00)
Profit After Tax		4,941,764,274.53	2,275,749,527.95
Less: Statutory Reserve		988,352,855.00	455,149,906.00
Add: Balance carried forward from previous year		1,841,790,133.81	1,928,166,131.86
Less: Capitalisation		-	1,765,000,000.00
Less: Reduction on account of Demerger of Radio division		-	141,975,620.00
Balance carried to Balance sheet		5,795,201,553.34	1,841,790,133.81
Basic and diluted Earnings per share (Face value Rs.10/-)		15.78	7.56
Notes forming part of Accounts	14		

Schedules, Accounting policies and Notes on accounts form part of the accounts

As per our report of even date attached.

Per Pro Rangamani & CO.  
Chartered Accountants  
(FRN: 003050 S)

For and on behalf of the Board of Directors

Sd/-  
R. Sreenivasan  
Membership No. 20566

Sd/-  
M. G. George Mthoot  
Chairman & Wholtime Director

Sd/-  
George Alexander Muthoot  
Managing Director

Kochi  
May 26, 2011

Sd/-  
Oommen K. Mammen  
Chief Financial Officer

Sd/-  
Rajesh A.  
Company Secretary

# SCHEDULES FORMING PART OF FINAL ACCOUNTS AS AT 31<sup>ST</sup> MARCH 2011

(Amount in Rs.)

Particulars	2010-11	2009-10
<b>SCHEDULE - 1 Share Capital</b>		
<b>Authorised</b>		
45,00,00,000 Equity shares of face value Rs.10/- each (Previous year - 35,00,00,000 Equity shares of face value Rs.10/- each)	4,500,000,000.00	3,500,000,000.00
5,000,000 Redeemable Preference Shares of face value of Rs. 1,000/- each (Previous year - Nil)	5,000,000,000.00	-
<b>Total</b>	<b>9,500,000,000.00</b>	<b>3,500,000,000.00</b>
<b>Issued , Subscribed and Paid-up</b>		
32,02,12,768 Equity shares of Rs.10 each fully paid up (Previous year - 30,10,00,000 Equity shares of Rs.10 each fully paid up)	3,202,127,680.00	3,010,000,000.00
<b>Note:-</b> Company made preferential allotments of 12,808,512 equity shares of Rs. 10/- each at a premium of Rs 113/- per share pursuant to a board resolution dated July 23, 2010 and 3,202,128 equity shares of Rs. 10/- each at a premium of Rs. 123/- per share pursuant to a board resolution dated September 08, 2010 and 3,202,128 equity shares of Rs. 10/- each at a premium of Rs. 163.50 per share pursuant to a board resolution dated September 23, 2010		
<b>SCHEDULE - 2 Reserves &amp; Surplus</b>		
Securities Premium	2,364,771,561.00	-
Statutory Reserve	1,982,024,212.80	993,671,357.80
Profit and loss Account	5,795,201,553.34	1,841,790,133.81
<b>Total</b>	<b>10,141,997,327.14</b>	<b>2,835,461,491.61</b>
<b>Note:-</b> Increase in Securities Premium represents premium on preferential allotments of 12,808,512 equity shares of Rs. 10/- each at a premium of Rs 113/- per share pursuant to a board resolution dated July 23, 2010 and 3,202,128 equity shares of Rs. 10/- each at a premium of Rs. 123/- per share pursuant to a board resolution dated September 08, 2010 and 3,202,128 equity shares of Rs.		



10/- each at a premium of Rs. 163.50 per share pursuant to a board resolution dated September 23, 2010		
<b>SCHEDULE - 3 Secured loans</b>		
Secured Non-Convertible Debentures (Secured by mortgage of immovable property and pari passu floating charge on current assets, book debts and Loans & advances)	39,692,796,000.00	27,014,159,000.00
Secured Non-Convertible Debentures (Secured by mortgage of immovable property and charge on all movable fixed assets)	139,471,000.00	178,362,000.00
Secured Non-Convertible Debentures - Listed (Secured by mortgage of immovable property and pari passu floating charge on current assets, book debts and Loans & advances)	2,150,000,000.00	-
Bank Borrowings		
- Overdraft against Deposit with Banks	1,019,677.81	2,832,345.22
- Cash Credit / Short term loan	59,694,608,137.46	17,824,891,938.99
(Secured by pari passu floating charge on current assets, book debts, Loans & advances and personal guarantee of some of the directors)		
Term Loan (Secured by mortgage of immovable property and subservient charge on current assets, book debts, loans & advances and personal guarantee of some of the directors)	400,000,000.00	400,000,000.00
Term Loan (Secured by specific charge on wind mills & Land appurtenant thereto and personal guarantee and collateral property of some of the directors)	33,656,418.54	50,972,559.01
<b>Total</b>	<b>102,111,551,233.81</b>	<b>45,471,217,843.22</b>
<b>SCHEDULE - 4 Unsecured loans</b>		
Non-Convertible Debentures	-	500,000,000.00
Non-Convertible Debentures - Listed	2,000,000,000.00	-
Loan from Directors / Relatives of Directors	817,591,664.19	570,600,413.01
Inter Corporate Loan	3,050,000.00	16,750,000.00
Subordinated Debt (Tier II Capital)	7,105,856,000.00	3,246,681,000.00
Bank Borrowings - Short Term Loan	399,998,726.00	3,000,000,000.00
Commercial Paper	6,947,812,350.00	-
<b>Total</b>	<b>17,274,308,740.19</b>	<b>7,334,031,413.01</b>





**SCHEDULE 6 - FIXED ASSETS AS ON 31.03.2011**

NAME OF ASSET	GROSS BLOCK				DEPRECIATION				NET BLOCK		
	As at 31.03.2010	Additions	Deductions	As at 31.03.2011	Rate %	upto 31.03.2010	for the year	Deductions during the period	Total up to 31.03.2011	As at 31.03.2011	As at 31.03.2010
Land	500,277,912.00	36,883,600.00		537,161,512.00	-	-	-	-	-	537,161,512.00	500,277,912.00
Building	194,014,275.85	71,873,330.00		265,887,605.85	5.00	41,977,372.28	8,595,354.00	-	50,572,726.28	215,314,879.67	192,006,903.67
Furniture & Fixtures	331,719,550.00	222,168,944.88	432,321.25	553,456,073.62	18.10	136,325,096.38	48,132,508.68	220,001.00	184,237,604.06	369,218,469.56	195,364,453.62
Plant & Machinery	295,948,560.47	314,297,548.34	220,505.40	589,425,621.41	13.91	64,035,750.61	47,529,549.44	133,817.00	111,431,483.05	487,984,138.36	221,312,829.85
Computer	173,703,712.73	118,422,677.32	47,654.00	292,078,735.05	40.00	85,833,214.46	56,806,357.51	40,826.00	142,800,745.96	148,478,020.09	87,870,498.29
Motor Car	25,430,257.00	10,213,024.00	913,516.00	34,728,765.00	25.89	14,131,378.10	3,803,002.00	515,123.00	17,419,257.10	17,310,507.90	11,298,678.60
Wind Mill	180,598,860.00			180,598,860.00	20.00	106,737,282.89	14,772,315.00	-	121,509,597.89	58,089,262.11	73,661,577.11
Total	1,891,083,148.15	773,659,022.54	1,813,396.85	2,463,338,764.03		449,340,064.71	178,641,086.63	803,787.00	627,771,614.34	1,835,566,769.69	1,242,053,053.44

Previous Year      1,482,883,238.31      328,875,487.41      118,448,588.17      1,691,203,148.15      320,756,348.15      148,867,385.00      22,813,648.42      448,340,064.71      1,242,053,053.44      1,161,896,896.79

<b>SCHEDULE - 6 Investments</b>		
Equity Shares in Other Companies	75,049,940.00	75,049,940.00
<b>Total</b>	<b>75,049,940.00</b>	<b>75,049,940.00</b>
<b>SCHEDULE - 7 Cash &amp; Bank Balances</b>		
Cash in hand	1,350,089,916.14	1,079,488,324.82
Balances with Scheduled Banks		
- In current accounts	9,329,383,145.97	3,552,128,602.42
- In Deposit accounts	3,075,476,893.98	1,128,299,364.88
<b>Total</b>	<b>13,754,949,956.09</b>	<b>5,759,916,292.12</b>
<b>SCHEDULE - 8 Current Assets</b>		
Interest receivable	3,489,994,847.00	1,358,691,622.24
Tax Deducted at Source	21,418,926.82	22,447,872.31
Sundry Debtors	53,941,805.19	33,447,360.81
Income tax Account	2,408,270,000.00	1,027,005,158.00
<b>Total</b>	<b>5,973,625,579.01</b>	<b>2,441,592,013.36</b>
<b>SCHEDULE - 9 Loans and Advances</b>		
Retail Loans	116,820,615,825.67	54,298,313,027.74
Other Deposits & Advances	697,131,472.90	318,672,696.19
<b>Total</b>	<b>117,517,747,298.57</b>	<b>54,616,985,723.93</b>
<b>SCHEDULE - 10 Current Liabilities and Provisions</b>		
a) Current Liabilities		
Audit Fee Payable	700,000.00	400,000.00
Interest Payable	3,516,142,558.44	2,034,477,521.33
Tax Deducted at Source Payable	56,991,845.81	17,584,289.81
Other Current Liabilities	159,811,979.49	2,358,243,916.62
Other Creditors	145,059,057.41	113,643,339.54
<b>Sub-Total</b>	<b>3,878,705,441.15</b>	<b>4,524,349,067.30</b>
b) Provisions		
Provision for Non-Performing Assets	69,645,945.00	37,083,773.00
Provision for Standard Assets	290,901,276.00	-
Provision for Income Tax	2,670,450,189.13	1,192,813,967.00
<b>Sub-Total</b>	<b>3,030,997,410.13</b>	<b>1,229,897,740.00</b>
<b>Total</b>	<b>6,909,702,851.28</b>	<b>5,754,246,807.30</b>

<b>SCHEDULE - 11 Interest Expenses</b>		
Interest on Secured Debentures	3,423,727,365.38	2,592,802,972.50
Interest on Others	6,902,716,422.98	2,144,475,141.79
<b>Total</b>	<b>10,326,443,788.36</b>	<b>4,737,278,114.29</b>
<b>SCHEDULE - 12 Personnel Expenses</b>		
Payment to Employees	2,024,892,597.17	1,058,801,353.54
Contribution to Employees' Provident Fund	67,884,012.00	35,615,917.10
Contribution to Employees' State Insurance Scheme	20,910,060.00	9,322,995.45
Group Gratuity Premium	46,308,230.00	39,481,178.00
Staff Welfare Expenses	49,497,441.26	26,216,683.52
<b>Total</b>	<b>2,209,492,340.43</b>	<b>1,169,438,127.61</b>
<b>SCHEDULE - 13 Administrative and Other Expenses</b>		
Postage, Telegram and Telephone	115,381,447.91	71,784,425.88
Printing and Stationary	110,602,420.67	68,741,123.28
Rent Paid	602,691,904.30	290,131,600.91
Traveling and Conveyance	113,531,586.06	67,309,146.26
Bank Charges	72,770,980.43	53,016,381.88
Electricity Charges	77,910,382.29	45,142,136.84
Repairs and Maintenance - Buildings	60,386,414.94	22,274,408.46
Repairs and Maintenance - Plant & Machinery	87,283,603.37	40,323,872.78
Repairs and Maintenance - Others	62,979,561.48	33,115,152.87
Water Charges	2,502,571.38	1,223,776.04
Taxes and License Fee	16,517,691.52	10,238,949.68
Legal & Professional Charges	113,667,819.50	33,874,931.00
Insurance Charges	13,978,898.96	5,166,295.00
Hire Charges	5,989.00	10,840.00
Newspaper and Periodicals	789,713.61	119,942.61
Business Promotion Expense	118,738,426.66	45,454,521.25
Advertisement	646,693,874.79	331,464,769.55
Vehicle Hire & Maintenance	7,528,798.13	5,892,687.08
Audit and Inspection Expenses	37,553,836.00	18,998,189.25
Income Tax Paid	32,270,673.31	9,412,607.54
Loss on Theft	-	475,000.00
Bad Debt Written Off	18,287,515.00	6,188,642.00
Audit Fee	700,000.00	400,000.00
Directors' Sitting Fee	570,000.00	77,500.00
Commission to Non-Executive Directors	533,332.00	-
Foreign Exchange Conversion Loss	187,403.00	-
Loss on Sale of Fixed Assets	126,523.66	-
Miscellaneous Expenditure Written Off:		
- FM Radio License Fee	-	7,051,200.00
- Computer Software	1,339,291.00	1,564,901.00
Provision For Non Performing Assets	32,562,172.00	20,976,345.00
Provision For Standard Assets	290,901,276.00	-
<b>Total</b>	<b>2,638,994,106.97</b>	<b>1,190,429,346.16</b>





**SCHEDULE-14 NOTES FORMING PART OF ACCOUNTS****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 18<sup>th</sup> 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 5,15,00,000 Equity Shares of Rs. 10/- each at a price of Rs. 175/- raising Rs. 901.25 crores during the month of April 2011. The shares of the Company were listed on National Stock Exchange of India Limited and The Bombay Stock Exchange Limited on 6<sup>th</sup> 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 recognized and expenses are accounted on accrual basis with necessary provisions for all known liabilities and losses. Income from Non- Performing Assets is recognized only when it is realized. 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.

**2.4 EMPLOYEE BENEFITS****A) Short Term Employee Benefits:**

Short Term Employee Benefits for services rendered by employees are recognized 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 Organization in respect of Provident Fund, Pension Fund and Employees Deposit Linked Insurance Scheme at the prescribed rates and are charged to Profit & Loss Account at actuals.

**b) Defined Benefit Plan  
Gratuity**

The Company makes annual contribution to a Gratuity Fund administered by Trustees and managed by ICICI Prudential Life Insurance Co. Ltd. The Company accounts for its liability for future gratuity benefits based on actuarial valuation determined every year by the Insurance Company.

**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 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 amortized over their expected useful life. It is stated at cost, net of amortization. Computer Software is amortized 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 recognized, 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.

**2.9 INVESTMENTS**

Investments intended to be held for not more than a year are classified as current investments. All other



investments are classified as long-term investments. Current investments are carried at lower of cost or market value/realizable value determined on an individual investment basis. Long-term 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 recognized 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 recognized 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 PROVISIONS, CONTINGENT LIABILITIES & CONTINGENT ASSETS

Provisions are recognized 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 recognized in the financial statements since this may result in the recognition of income that may never be realized.

## 2.12 DEBENTURE REDEMPTION RESERVE

As per the Circular dated 18.04.2002 of Ministry of Corporate Affairs, no Debenture Redemption Reserve is to be created for privately placed debentures of Non-Banking Finance Companies and hence no reserve is created.

## 2.13 PROVISION FOR NON PERFORMING ASSETS

Loan receivables are written off / provided for, as per management estimates, subject to the minimum provision required as per Non- Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007.

## 2.14 LEASES

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

### Where the Company is the Lessor:

Assets given on operating leases are included in fixed assets. Lease income is recognised in the Profit



and Loss Account on a straight-line basis over the lease term. Costs, including depreciation are recognised as an expense in the Profit and Loss Account. Initial direct costs such as legal costs, brokerage costs, etc. are recognised immediately in the Profit and Loss Account.

**Where the Company is the lessee:**

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

## **2.15 SEGMENT REPORTING**

**Identification of segments:**

- a) The Company's operating businesses are organized 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 and expenses, 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. BALANCE SHEET**

### **3.1 Secured Non-Convertible Debentures**

The Company had privately placed Secured Non-Convertible Debentures under Non-Cumulative Scheme for a maturity period upto 5 years with an outstanding of Rs. 348,924.43 Lakhs (Previous Year Rs. 234,995.11 Lakhs) and under Cumulative scheme for a maturity period ranging from 36 months to 90 months with an outstanding of Rs. 49,398.24 Lakhs (Previous Year Rs. 36,930.10 Lakhs).



(Rs. In Lakhs)

Series	Date of allotment/Renewal	Amount		Redemption Period
		2010-11	2009-10	
AD	01.07.2004 - 14.11.2004	2.30 *	2.52 *	60 months
AE	15.07.2004 - 30.09.2004	499.11 *	519.57 *	90 months
AI	01.10.2004 - 06.02.2005	26.11 *	57.04 *	60 months
AL	15.11.2004 - 30.11.2004	-	1.25 *	60 months
AM	01.12.2004 - 31.12.2004	0.10 *	5.00 *	60 months
AN	01.01.2005 - 06.02.2005	1.63 *	7.14 *	60 months
AO	07.02.2005 - 31.03.2005	0.39 *	45.30 *	60 months
AP	07.02.2005 - 14.06.2005	4.93 *	255.87 **	60 months
AQ	01.04.2005 - 14.06.2005	4.45 *	492.47	60 months
AR	15.06.2005 - 30.04.2006	265.56	2,781.07	60 months
AS	01.05.2006 - 12.08.2006	1,384.13	2,433.33	60 months
AT	13.08.2006 - 31.12.2006	2,129.22	4,471.90	60 months
AU	01.01.2007 - 31.03.2007	2,926.50	5,589.12	60 months
AV	01.04.2007 - 30.06.2007	3,981.29	10,112.31	60 months
AW	01.07.2007 - 30.09.2007	3,378.10	8,169.93	60 months
AX	01.10.2007 - 31.12.2007	3,250.59	7,598.43	60 months
AY	01.01.2008 - 31.03.2008	4,112.26	8,328.50	60 months
AZ	01.04.2008 - 02.07.2008	7,985.04	10,539.23	60 months
BA	03.07.2008 - 09.07.2008	1,394.71	1,783.62	60 months
BB	10.07.2008 - 21.09.2008	8,927.02	11,772.56	60 months
BC	22.09.2008 - 31.12.2008	12,817.65	17,013.14	60 months
BD	01.01.2009 - 31.03.2009	12,449.74	18,602.77	60 months
BE	01.04.2009 - 30.06.2009	15,108.11	28,657.28	60 months
BF	01.07.2009 - 30.09.2009	18,029.60	34,111.02	60 months
BG	01.10.2009 - 31.12.2009	19,532.25	39,972.78	60 months
BH	01.01.2010 - 31.03.2010	30,060.37	58,602.06	60 months
BI	01.04.2010 - 30.06.2010	41,197.04	-	60 months
BJ	01.07.2010 - 30.09.2010	47,216.37	-	60 months
BK	01.10.2010 - 31.12.2010	60,887.20	-	60 months
BL	01.01.2011 - 31.03.2011	100,750.90	-	60 months
<b>Total</b>		<b>398,322.67</b>	<b>271,925.21</b>	

\* Matured but not claimed

\*\* Includes matured but not claimed

### 3.2 Secured Non-Convertible Debentures - Listed

The Company privately placed Secured Rated Non-Convertible Listed Debentures for a maturity period of 1 year with an outstanding Rs. 21,500.00 Lakhs (Previous Year: Rs. Nil).

Series	Date of allotment/ Renewal	Amount		Redemption Period
		2010-11	2009-10	
L 1	23.03.2011	5,000.00	-	12 Months
L 2	25.03.2011	6,500.00	-	12 Months
L3	31.03.2011	10,000.00	-	12 Months
<b>Total</b>		<b>21,500.00</b>	<b>-</b>	

### 3.3 Unsecured Non-Convertible Debentures

The Unsecured Non-Convertible Debentures of Rs. Nil (Previous Year : Rs. 5,000.00 Lakhs) represents debentures issued to a Mutual Fund which is governed by the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996.

### 3.4 Unsecured Non-Convertible Debentures - Listed

The Unsecured Non-Convertible Debentures- Listed of Rs. 20,000.00 Lakhs (Previous Year: Nil) represents debentures issued to a Mutual Fund which is governed by the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996.

Series	Date of allotment/ Renewal	Amount		Redemption Period
		2010-11	2009-10	
E	10.03.2011	20,000.00	-	12 Months
<b>Total</b>		<b>20,000.00</b>	<b>-</b>	

### 3.5 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. As on 31<sup>st</sup> March 2011, out of Rs. 71,058.56 Lakhs (Previous year Rs. 32,466.81 Lakhs) outstanding, Rs. 4,071.36 Lakhs (Previous year Rs. 4,037.06 Lakhs) represents amounts raised from promoters and shareholders and remaining Rs. 66,987.20 Lakhs (Previous year Rs. 28,429.75 lakhs) were raised from investors other than promoter group, both raised through private placement route.





Series	Date of allotment/	Amount		Redemption Period
		2010-11	2009-10	
A	25.03.2003	1,112.49	1,112.49	144 months
B	30.09.2003	1,100.00	1,100.00	144 months
C	01.11.2003	987.51	987.51	144 months
D	03.04.2004	140.58	140.58	144 months
E	21.03.2005	659.42	659.42	144 months
II	18.08.2008 - 13.12.2008	2,633.85	2,633.85	72 months
III	15.12.2008 - 30.06.2009	9,380.85	9,380.85	69 months
IV	01.07.2009 - 16.08.2009	2,760.38	2,760.38	69 months
IV	17.08.2009 - 31.12.2009	7,593.09	7,593.09	72 months
V	01.01.2010 - 30.06.2010	10,386.49	6,098.64	72 months
VI	01.07.2010 - 31.12.2010	19,127.08	0.00	72 months
VII	01.01.2011 - 15.03.2011	10,803.98	0.00	72 months
VII	01.01.2011 - 31.03.2011	4,372.84	0.00	72 months
<b>Total</b>	<b>71,058.56</b>	<b>32,466.81</b>		

### 3.6 Investments

Long term investments in fully paid equity shares are as under

(Rs. in Lakhs)

	2010-11	2009-10
a) Quoted: Union Bank of India 454 Equity shares of Rs. 10/- each (Previous year: 454 Equity shares of Rs. 10/- each) Market Value	0.49  1.58	0.49  1.33
b) Unquoted: i) In Subsidiary Companies ii) In other companies Muthoot Exchange Company Private Limited 45,00,000/- Equity shares of Rs. 10/- each (Previous year: 45,00,000/- Equity shares of Rs. 10/- each)  Muthoot Securities Limited 30,00,000/- Equity share of Rs. 10/- each (Previous Year: 30,00,000/- Equity share of Rs. 10/- each)	Nil  450.00  300.00	Nil  450.00  300.00

### 3.7 Balances with Scheduled banks in Deposit Accounts

Out of Rs. 30,754.77 Lakhs (Previous Year- Rs. 11,282.99 Lakhs) with Scheduled banks in Deposit Accounts, lien is marked as under: (Rs. in Lakhs)

	2010-11	2009-10
(i) As security for the purpose of counter guarantee	22.44	Nil
(ii) As security for purpose of overdraft facility	200.59	200.06
(iii) As credit enhancement for bilateral assignment of receivables	27,431.59	10,371.10
(iv) Others	2.35	2.08

### 3.8 Current Assets, Loans & Advances

In the opinion of the Board of Directors, Current Assets, Loans and Advances have a value as stated in the Balance Sheet, if realized in its ordinary course of business.

### 3.9 Loans and Advances

(Rs. in Lakhs)

	2010-11	2009-10
(a) Loans considered good in respect of which Company is fully secured	1,162,672.77	539,207.78
(b) Loans considered good in respect of which Company holds no security other than the borrower's personal security	932.34	339.60
(c) Loans considered doubtful or bad	4,601.05	3,435.75
(d) Sundry Debtors, Considered good, Unsecured		
i. Exceeding six months	Nil	Nil
ii. Other Debts	539.42	334.47
(e) Debts due by directors	Nil	Nil
(f) Loans and advances due by directors or other officers of the Company or any of them either jointly or severally with any other person	Nil	Nil
(g) Loans and advances due by firms or private limited companies in which such director is a partner or a director or a member	Nil	75.39
(h) Loans and advances due from companies under same management within the meaning of section 370(1B) of the Companies Act	Nil	Nil
(i) Maximum amount due by directors or other officers of the Company any time during the year	Nil	Nil
(j) Deposits / Loans from Directors and relatives	8,175.92	5,706.00



**3.10 Retail Loans****(Rs. in Lakhs)**

	2010-11	2009-10
Gross Retail Loan assets under management	1,586,845.49	743,814.79
Less: Sell down of receivables under bilateral assignment	418,639.33	200,831.65
Net Retail Loan assets as per Balance Sheet	1,168,206.16	542,983.14
Break-up of Gross Retail Loan assets under management		
Gold Loan Receivables	15,72,807.21	734,173.53
Loan against Muthoot Gold Bonds	13,105.94	9,301.66
Other Loans	932.34	339.60

**3.11 Deferred Tax Asset / (Liability)**

As per the requirement of the Accounting Standard - 22, the company has created a deferred tax liability provision for the current year of Rs. 1.08 Lakhs, which consist of the following:

**(Rs. in Lakhs)**

Particulars	Deferred Tax Asset/(Liability)		
	At the beginning of the year	Credits/(Charge) during the year	At the close of the year
Deferred Tax Asset: Timing Difference on account of : Depreciation Provision for NPA	(368.45) 124.42	(111.53) 108.16	(479.98) 232.58
Deferred Tax Liability: Timing Difference on account of: Amortization of software	(4.36)	4.45	0.09
<b>Total</b>	<b>(248.39)</b>	<b>1.08</b>	<b>(247.31)</b>

The company has not recognized 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.

**3.12 Current Liabilities**

- Other Current Liabilities include Rs.5.33 lakhs (Previous Year Rs. Nil) remuneration payable to directors.
- Interest Payable includes Rs. 225.33 lakhs (Previous Year Rs.1,245.77 lakhs) payable to Directors and Relatives.

**4. PROFIT AND LOSS ACCOUNT****4.1 Income**

- Interest income includes Interest on Bank Deposits (Gross) Rs. 1,429.22 Lakhs. (Previous year Rs. 779.59 Lakhs). Tax deducted at Source on above Rs. 142.90 Lakhs (Previous year Rs. 81.76 Lakhs).



- b) Other income includes income from investments (Gross) Rs. Nil (Previous year Rs.0.29 Lakhs). Tax deducted at Source on above Rs. Nil (Previous year Rs. Nil).
- c) Other income includes profit on sale of fixed assets Rs. Nil Lakhs (Previous year Rs. 45.97 Lakhs).

#### 4.2 Provision for Standard and Non-Performing Assets as per Prudential Norms

As per the Non- Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007, Company has made provisions for Standard Assets as well as Non Performing Assets as per the table below:

(Rs. in Lakhs)

	2010-11	2009-10
Substandard Assets	4,338.43	3,246.41
Doubtful Assets	262.62	189.35
Total Non Performing Assets	4,601.05	3,435.76
Provision required as per Prudential Norms	696.46	370.84
Provision already available	370.84	161.07
Additional provision made during the year	325.62	209.77
Standard Assets	1,163,605.11	539,547.37
Provision required as per Prudential Norms	2,909.01	0.00
Provision already available	0.00	0.00
Additional provision made during the year	2,909.01	0.00

#### 4.3 Auditors' Remuneration

(Rs. in Lakhs)

	2010-11	2009-10
Statutory Audit Fees (including service tax)	5.50	3.25
Tax Audit Fees (including service tax)	1.50	0.75
Other Services (including service tax)	0.00	0.18
<b>Total</b>	<b>7.00</b>	<b>4.18</b>

#### 4.4 Remuneration to Directors:

(Rs. in Lakhs)

	2010-11	2009-10
Salary to Managing Director and Whole Time Directors	1,920.00	1,922.25
Commission to Non-Executive Directors	5.33	0.00
<b>Total</b>	<b>1,925.33</b>	<b>1,922.25</b>



In addition to the above, the Non-Executive Directors were paid sitting fee of Rs. 5.70 Lakhs (Previous Year Rs.0.78 Lakhs).

The above remuneration is within the limits specified under section 198 of the Companies Act, 1956.

The computation of profits under section 349 of the Companies Act, 1956: (Rs. in lakhs)

Particulars	Amount	
Profit before Tax		76,121.06
Add: Remuneration to Managing Director & Whole time Directors	1,920.00	
Directors' Sitting Fee (other than Whole time Directors)	5.70	
Commission to Non-Executive Directors	5.33	
Depreciation as per books	1,796.41	
Loss on sale of Fixed Assets	1.27	
Income Tax Paid	322.71	
Provision for Standard & Non Performing Assets	3,234.63	7,286.05
Less: Depreciation as per Sec.350 of the Companies Act, 1956		1,796.41
<b>Net profit as per Section 198 of the Companies Act, 1956</b>		<b>81,610.70</b>
Remuneration to Managing Director & Whole time Directors restricted to 10%		8,161.07
<b>Remuneration paid to Whole time Directors</b>		<b>1,920.00</b>
Commission to Non-Executive Directors restricted to 1%		816.11
<b>Commission paid to Non-Executive Directors</b>		<b>5.33</b>

Non Executive Directors of the Company were paid a commission at 0.01% of the profits of the Company.

#### 4.5 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 Profit and Loss Account.

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 Rs. 5.89 Lakhs (Previous year Rs. 5.22 Lakhs) are recognized as income in the Profit and Loss Account under the head 'Other Income' and lease payments for assets taken on an operating lease Rs. 6,026.92 Lakhs (Previous year Rs. 2,901.32 Lakhs) are recognized as 'Rent Paid' in the Profit and Loss Account.

#### 4.6 Statutory Reserve

Statutory Reserve represents the Reserve Fund created under Section 45-1C of the Reserve Bank of India Act, 1934. An amount of Rs. 9,883.53 Lakhs (Previous Year Rs. 4,551.50 Lakhs) representing 20% of Net Profit is transferred to the Fund for the year. No appropriation was made from the Reserve Fund during the year.

#### 4.7 Employee Benefits

##### a) Defined Contribution Plan

During the year, the Company has recognized in the Profit and Loss account in Schedule 12 Personnel Expenses: (Rs. in lakhs)

	2010-11	2009-10
Contribution to Provident Fund	678.84	356.16
Contribution to Employees State Insurance Scheme	209.10	93.23
<b>Total</b>	<b>887.94</b>	<b>449.39</b>

##### b) Defined Benefit Plan

Gratuity liability is funded through a Gratuity Fund managed by ICICI Prudential Life Insurance Company Limited. Company has remitted Rs. 463.08 Lakhs (Previous 394.81 Lakhs).

#### 4.8 Foreign Currency Transactions

The exchange difference amounting to Rs.1.87 lakhs (net loss) (Previous Year Rs. Nil lakhs) arising on account of foreign currency transactions has been accounted in the Profit and Loss account in accordance with Accounting Standard (AS-11) Accounting for the effects of changes in foreign exchange rates.

#### 5. GENERAL

##### 5.1 Contingent liabilities not provided for:

(Rs. in lakhs)

	2010-11	2009-10
Claims against the Company, not acknowledged as debts		
i) Service Tax demand for the period-2003-2008, pending in appeal with CESTAT Commissioner of Central Excise, Customs and Service Tax, Cochin has raised a demand of Rs. 221.15 Lakhs (Previous year Rs.91.91 lakhs) as Service tax liability and equal amount as penalty. During the course of the proceedings Company paid Rs. 20.86 Lakhs. The Appellate Authority admitted the Appeal preferred by the company and granted stay of recovery, on pre-deposit of Rs. 43.00 Lakhs. Pending disposal of appeal, no provision has been made by the company during the year.	157.29	157.29
ii) Income tax demand for Assessment Year 2004-05, pending in appeal with ITAT Assistant Commissioner of Income Tax, Circle 1(3), Ernakulam has filed an appeal before ITAT against the order of Commissioner of Income Tax (Appeals) II, Cochin demanding Rs. 52.37 Lakhs (Previous year Rs. 52.37 Lakhs). The Company has already paid the demand by way of Advance Tax, Tax Deducted at Source and adjustment against refund due. No additional income tax liability is expected. Hence no provision is required to be made by the company during the year.	Nil	Nil





iii) Income tax demand for Assessment Year 2006-07, pending in appeal with ITAT Company has filed an appeal before ITAT against the order of Commissioner of Income Tax (Appeals) II, Cochin demanding Rs. 15.21 Lakhs (Previous year Rs. Nil). The Company has already paid the demand by way of Advance Tax and Tax Deducted at Source. No additional income tax liability is expected. Hence no provision is required to be made by the company during the year.	Nil	Nil
Estimated amount of contracts remaining to be executed on capital accounts and not provided for	247.26	269.00
<b>Other money for which company is contingently liable:</b>		
i) Counter Guarantee provided to Banks	325.44	303.00
ii) Cash collateral provided as credit enhancement for bilateral assignment of receivables	27,431.59	10,371.10
iii) Over collateral provided as credit enhancement for bilateral assignment of receivables	635.72	801.21
iv) Corporate guarantee provided as credit enhancement for bilateral assignment of receivables	7,515.48	15,000.07

## 5.2 Earning 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 share holders 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:

(Rs. in Lakhs)

Particulars	2010-11	2009-10
Profit/(Loss) after taxation for the year	49,417.64	22,757.50
Weighted average number of equity shares outstanding during the year	3,132.56	3,010.00
Adjusted Face Value per share	Rs. 10/-	Rs. 10/-
Earnings Per Share	15.78	Rs. 7.56

Weighted average number of equity shares outstanding during the period and for all periods presented, are adjusted for bonus issues made during the periods.

## 5.3 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, 2010 together with interest paid /payable are required to be furnished.

**5.4 Additional information pursuant to provisions of paragraphs 3, 4C and 4D of Part II of Schedule VI of the Companies Act 1956:**

Particulars	2010-11	2009-10
Windmill:		
a) Licensed Capacity	3750 KW	3750 KW
b) Installed Capacity	3750 KW	3750 KW
c) Production	8,279,136 Units	8,799,372 Units
d) Stock	Nil	Nil
e) Turnover	8,217,756 Units	8,741,772 Units
f) Raw material consumed	Nil	Nil
<b>Others</b>		
g) CIF Value of Imports of Capital Goods (Rs. Lakhs)	63.27	15.01
h) Expenditure in foreign currency on accrual basis (Rs. Lakhs)	Nil	132.29
i) Amount remitted during the year in foreign currency on account of dividend (Rs. Lakhs)	Nil	Nil
j) Earnings in foreign exchange (Rs. Lakhs)	Nil	Nil



### 5.5 Disclosure of related party's transaction in accordance with Accounting Standard (AS-18) "Related Party Disclosures" issued by The Institute of Chartered Accountants of India.

(a) Names of Related Parties :

Particulars	2010-11	2009-10
Subsidiary	Nil	Nil
Associates	<ol style="list-style-type: none"> <li>1. Muthoot Vehicle And Assets Finance Limited</li> <li>2. Muthoot Leisure And Hospitality Services Pvt. Limited</li> <li>3. MGM Muthoot Medical Centre Pvt. Limited</li> <li>4. Muthoot Marketing Services Pvt. Limited</li> <li>5. Muthoot Broadcasting Pvt. Limited</li> <li>6. Muthoot Exchange Company Pvt. Limited</li> <li>7. Backdrop Advertising Pvt. Limited</li> <li>8. Muthoot Global Transfers Pvt. Limited</li> <li>9. Emgee Board and Paper Mills Pvt. Limited</li> <li>10. MGM Muthoot Medical Centre</li> <li>11. Muthoot Precious Metals Corporation</li> <li>12. GMG Associates</li> <li>13. St. George's School</li> </ol>	<ol style="list-style-type: none"> <li>1. Muthoot Vehicle And Assets Finance Limited</li> <li>2. Muthoot Leisure And Hospitality Services Pvt. Limited</li> <li>3. MGM Muthoot Medical Centre Pvt. Limited</li> <li>4. Muthoot Marketing Services Pvt. Limited</li> <li>5. Muthoot Broadcasting Pvt. Limited</li> <li>6. Muthoot Exchange Company Pvt. Limited</li> <li>7. Backdrop Advertising Pvt. Limited</li> <li>8. Muthoot Global Transfers Pvt. Limited</li> <li>9. Emgee Board and Paper Mills Pvt. Limited</li> <li>10. MGM Muthoot Medical Centre</li> <li>11. Muthoot Precious Metals Corporation</li> <li>12. GMG Associates</li> </ol>
Entity having substantial interest in the company	Nil	Nil
Joint Venture Company	Nil	Nil
Key Management Personnel	<ol style="list-style-type: none"> <li>i) M. G. George Muthoot</li> <li>ii) George Thomas Muthoot</li> <li>iii) George Jacob Muthoot</li> <li>iv) George Alexander Muthoot</li> </ol>	<ol style="list-style-type: none"> <li>i) M. G. George Muthoot</li> <li>ii) George Thomas Muthoot</li> <li>iii) George Jacob Muthoot</li> <li>iv) George Alexander Muthoot</li> </ol>
Relative Key Managerial Personnel	<ol style="list-style-type: none"> <li>a) Sara George w/o M. G. George Muthoot</li> <li>b) Susan Thomas w/o George Thomas Muthoot</li> <li>c) Elizabeth Jacob w/o George Jacob Muthoot</li> <li>d) Anna Alexander w/o George Alexander Muthoot</li> <li>e) George M. George s/o M. G. George Muthoot</li> <li>f) Alexander M. George s/o M. G. George Muthoot</li> <li>g) George M. Jacob s/o George Jacob Muthoot</li> <li>h) George Alexander (Jr.) s/o George Alexander Muthoot</li> <li>i) Eapen Alexander s/o George Alexander Muthoot</li> </ol>	<ol style="list-style-type: none"> <li>a) Sara George w/o M. G. George Muthoot</li> <li>b) Susan Thomas w/o George Thomas Muthoot</li> <li>c) Elizabeth Jacob w/o George Jacob Muthoot</li> <li>d) Anna Alexander w/o George Alexander Muthoot</li> <li>e) George M. George s/o M. G. George Muthoot</li> <li>f) Alexander M. George s/o M. G. George Muthoot</li> <li>g) George M. Jacob s/o George Jacob Muthoot</li> <li>h) George Alexander (Jr.) s/o George Alexander Muthoot</li> <li>i) Eapen Alexander s/o George Alexander Muthoot</li> </ol>



b) Transactions with Related Parties during the year :

(Rs. in Lakhs)

Nature of transaction	Associates		Key Management Personnel		Relative of Key Management Personnel	
	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10
Purchase of Travel Tickets for Company Executives/Directors/Customers	55.52	29.57				
Travel Arrangements for Company Executives/Customers	48.74	9.84				
Marketing of Money Transfer Business Outside the Country	-	36.00				
Accommodation facilities for Company Executives/Clients/Customers	1.07	0.38				
Complementary Medical Health Check Ups for Customers/Employees	18.62	14.38				
Release of Advertisements in Outdoor, Print and Electronic Media	1,187.35	615.30				
Sale of Gold Ornaments in Public Auction	-	64.10				
Branding Expenses paid outside India	-	102.29				
Interest paid on loans/deposits			903.50	1,011.04	160.29	234.73
Interest on Inter Corporate Deposits	29.91	6.80				
Remuneration to Directors			1,920.00	1,922.25		
Remuneration to Directors' Relatives					14.96	12.25
Loans accepted			7,345.74	1,622.28	2,879.55	
Loans Repaid			7,263.36	1,970.44	492.02	
Security Deposit Accepted	-	400.00				
Inter Corporate Deposits accepted	315.00	201.00				
Inter corporate Deposits repaid	452.00	55.68				
Rent paid	29.40	29.40	30.08	24.00	1.83	5.83
Service Charges Collected	52.89	-				
Purchase of Fixed Assets	5.50	-				
Loans availed by the Company for which guarantee is provided by related parties	4,000.00	4,000.00	668,400.00	254,750.00	668,400.00	254,750.00
Loans availed by the Company for which collateral security is provided by related parties	4,000.00	4,000.00	1,350.00	1,350.00		

## 5.6 Segment Reporting

- The Company is engaged in two segments of business Financing and Power Generation. (Previous Year: Financing, Power Generation and FM Radio)
- 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.
- Company operates in a single geographical segment. Hence, secondary geographical segment information disclosure is not applicable



## Primary Business Segment Information

(Rs. in Lakhs)

Particulars	Financing		Power Generation		FM Radio		Consolidated Totals	
	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10
<b>Segment Revenue:</b>								
External Revenue	229,834.41	107,741.59	221.31	251.14	-	39.63	230,055.71	108,032.36
Inter segment Revenue		-		-		-	-	-
<b>Total Revenue</b>	<b>229,834.41</b>	<b>107,741.59</b>	<b>221.31</b>	<b>251.14</b>	<b>-</b>	<b>39.63</b>	<b>230,055.71</b>	<b>108,032.36</b>
<b>Result:</b>								
Segment Result	76,860.89	34,242.68	36.53	31.20	-	(389.03)	76,897.42	33,884.84
Other Income	1,524.05	848.39	-	-	-	3.60	1,524.05	851.99
Unallocated corporate income							7.02	53.63
Unallocated corporate expenses							(2,307.42)	(235.16)
<b>Operating profit</b>	<b>78,384.94</b>	<b>35,091.07</b>	<b>36.53</b>	<b>31.20</b>	<b>-</b>	<b>(385.43)</b>	<b>76,121.06</b>	<b>34,555.30</b>
Less: Provision for Taxation							26,703.42	11,797.81
<b>Profit after Tax</b>	<b>78,384.94</b>	<b>35,091.07</b>	<b>36.53</b>	<b>31.20</b>	<b>-</b>	<b>(385.43)</b>	<b>49,417.64</b>	<b>22,757.50</b>
<b>Other information:</b>								
Segment Assets	1,371,698.44	633,006.65	648.86	796.58	-	-	1,372,347.30	633,803.44
Unallocated Corporate Assets							24,296.89	10,494.53
<b>Total Assets</b>	<b>1,371,698.44</b>	<b>633,006.65</b>	<b>648.86</b>	<b>796.58</b>	<b>-</b>	<b>-</b>	<b>1,396,644.19</b>	<b>644,297.97</b>
Segment Liabilities	1,231,732.17	572,606.41	-	-	-	-	1,231,732.17	572,606.41
Unallocated Corporate Liabilities							913.48	689.57
<b>Total Liabilities</b>	<b>1,231,732.17</b>	<b>572,606.41</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,232,645.65</b>	<b>573,295.98</b>
Capital Expenditure	5,052.74	2,906.55	-	-	-	-	5,052.74	2,906.55
Depreciation	1,648.69	1,230.12	147.72	184.65	-	74.20	1,796.41	1,488.97
Non Cash Expenditure other than Depreciation	3,430.90	285.00	-	-	-	72.81	3,430.90	357.81

5.7 Previous year's figures have been regrouped / rearranged, wherever necessary to confirm to current year's classifications.

As per our report of even date attached.

**Per Pro Rangamani & CO.**  
Chartered Accountants  
(FRN: 003050 S)

For and on behalf of the Board of Directors

Sd/-  
**R. Sreenivasan**  
Membership No. 20566

Sd/-  
**M. G. George Mthoot**  
Chairman & Wholtime Director

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

Kochi  
May 26, 2011

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

Sd/-  
**Rajesh A.**  
Company Secretary

# CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2011

(Amount in Rs.)

Particulars	2010-11	2009-10
<b>A Cash Flow From Operating Activities</b>		
Net Profit	4,941,764,274.53	2,275,749,527.95
Adjustments for:-		
Add: Provision for taxation	2,670,342,187.13	1,179,780,680.00
Add: Provision for Non-Performing Assets	323,463,448.00	20,976,345.00
Add: Financial Expenses	10,326,443,788.36	4,737,278,114.29
Add: FM Radio license and Software amortisation	1,339,291.00	8,616,101.00
Add: Income Tax Paid	32,270,673.31	9,412,607.54
Add: Loss on Sale of Fixed Assets	126,523.66	-
Add: Depreciation	179,641,086.63	148,897,395.00
Less: Profit on sale of Fixed Assets	-	(4,597,302.00)
Less: Interest received on Bank Deposits	(142,922,344.06)	(77,959,002.33)
Less: Income from Investments	-	(28,819.06)
Operating profit before working capital changes	18,332,468,928.56	8,298,125,647.39
Adjustments for:-		
(Increase) / Decrease in Loans and Advances	(62,900,761,574.64)	(28,898,826,828.59)
(Increase) / Decrease in other receivables	(2,151,797,669.14)	(163,644,786.18)
Increase / (Decrease) in Current liabilities	(645,643,626.15)	2,722,439,035.05
Cash generated from operations	(47,365,733,941.37)	(18,041,906,932.33)
Financial Expenses	(10,326,443,788.36)	(4,737,278,114.29)
Direct tax paid	(2,605,320,536.82)	(1,077,249,194.31)
Net cash from operating activities	(60,297,498,266.55)	(23,856,434,240.93)
<b>B Cash Flow From Investing Activities</b>		
Purchase of Fixed Assets	(773,859,022.54)	(326,876,497.41)
Sale of Fixed Assets	577,676.00	50,475,400.00
(Increase) / Decrease in Capital Work in Progress	(214,619,025.77)	(159,462,744.55)
Investments in Shares	-	258,000.00
Interest received on Bank Deposits	142,922,344.06	77,959,002.33
Income from Investments	-	28,819.06
FM Radio License & Software	-	(666,553.00)
Net Cash from Investing Activities	(844,978,028.25)	(358,284,573.57)
<b>C Cash From Financing Activities</b>		
Net Proceeds from Issue of Debentures	14,789,746,000.00	8,672,675,000.00
Increase / (Decrease) in Loan from Directors / Relatives of Directors	246,991,251.18	103,492,621.86
Increase / (Decrease) in Bank Borrowings	41,850,587,390.59	10,211,092,884.45
Increase / (Decrease) in Unsecured loans	(1,100,001,274.00)	-
Increase / (Decrease) in Inter Corporate Loan	(13,700,000.00)	14,532,502.00
Increase / (Decrease) in Subordinated debt	3,859,175,000.00	2,147,527,000.00
Increase / (Decrease) in Commercial Papers	6,947,812,350.00	-





Issue of Equity Shares	2,556,899,241.00	-
Net Cash from Financing Activities	69,137,509,958.77	21,149,320,008.31
<b>Net Increase in Cash And Cash-Equivalents (A+B+C)</b>	<b>7,995,033,663.97</b>	<b>(3,065,398,806.19)</b>
Cash And Cash Equivalent At The Beginning-Of The Year	5,759,916,292.12	8,825,315,098.31
<b>Cash And Cash Equivalent At The End Of-The Year</b>	<b>13,754,949,956.09</b>	<b>5,759,916,292.12</b>
Components of Cash and Cash Equivalents at the end of the year		
Current Account with Banks	9,329,383,145.97	3,552,128,602.42
Deposit with Banks	3,075,476,893.98	1,128,299,364.88
Cash on Hand	1,350,089,916.14	1,079,488,324.82
<b>Total</b>	<b>13,754,949,956.09</b>	<b>5,759,916,292.12</b>

As per our report of even date attached.

**Per Pro Rangamani & CO.**  
Chartered Accountants  
(FRN: 003050 S)

Sd/-  
**R. Sreenivasan**  
Membership No. 20566

Kochi  
May 26, 2011

Sd/-  
**M. G. George Mthoot**  
Chairman & Wholetime Director

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

**For and on behalf of the Board of Directors**

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

Sd/-  
**Rajesh A.**  
Company Secretary

(as required in terms of paragraph 13 of Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007)

Particulars		
<b>Liabilities side:</b>		
<b>(1) Loans and advances availed by the non-banking financial company inclusive of interest accrued thereon but not paid:</b>	<b>Amount out-standing as on 31.03.2011</b>	<b>Amount overdue</b>
(a) Debentures : Secured : Unsecured (other than falling within the meaning of public deposits)	441,483 20,151	NIL NIL
(b) Deferred credits	NIL	NIL
(c) Term Loans	4,373	NIL
(d) Inter-corporate loans and borrowing	30	NIL
(e) Commercial Paper	69,763	NIL
(f) Other Loans (specify nature) Loan from Directors/ Relatives of Directors	8,187	NIL
Subordinated Debt	78,369	NIL
Bank Borrowings	602,297	NIL
Overdraft against Deposit with Banks	10	

Assets side:	Amount outstanding
(2) Break-up of Loans and Advances including bills receivables (other than those included in (4) below) :	
(a) Secured	1,167,274
(b) Unsecured	7,903
(3) Break-up of Leased Assets and stock on hire and other assets counting towards AFC activities:	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
<b>(4) Break-up of Investments :</b> Current Investments:	
1. Quoted:	
(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
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
Long Term investments:	
1. Quoted:	
(i) Shares : (a) Equity	0.49
(b) Preference	NIL
(ii) Debentures and Bonds	NIL
(iii) Units of mutual funds	NIL
(iv) Government Securities	NIL
(v) Others (please specify)	NIL
2. Unquoted:	
(i) Shares : (a) Equity	750
(b) Preference	NIL
(ii) Debentures and Bonds	NIL
(iii) Units of mutual funds	NIL
(iv) Government Securities	NIL
(v) Others (please specify)	NIL



(5) Borrower group-wise classification of assets financial as in (2) and (3) above:

Category	Amount net of provisions		
	Secured	Unsecured	Total
1. Related Parties			
(a) Subsidiaries	NIL	NIL	NIL
(b) Companies in the same group	NIL	NIL	NIL
(c) Other related parties	NIL	NIL	NIL
2. Other than related parties	1,166,578	7,903	1,174,481
<b>Total</b>	<b>1,166,578</b>	<b>7,903</b>	<b>1,174,481</b>

(6) Investor group-wise classification of all investments (current and long term ) in shares and securities (both quoted and unquoted) :

Category	Market Value / Break up or fair value or NAV	Book Value (Net of provisions)
1. Related Parties		
(a) Subsidiaries	NIL	NIL
(b) Companies in the same group	750	750
© Other related parties	NIL	NIL
2. Other than related parties	0.49	0.49
<b>Total</b>	<b>750.49</b>	<b>750.49</b>

(7) Other information

Particulars	Amount
(i) Gross Non-Performing Assets	
(a) Related parties	NIL
(b) Other than related parties	4,601
(ii) Net Non-Performing Assets	
(a) Related parties	NIL
(b) Other than related parties	3,905
(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

	Items	2010-11	2009-10
i)	CRAR (%)	15.82	14.79
ii)	CRAR-Tier I capital (%)	10.62	9.86
iii)	CRAR-Tier II capital (%)	5.20	4.93

### EXPOSURES

#### Exposure to Real Estate Sector

Category	2010-11	2009-10
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 upto Rs. 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 securitized exposures - a. Residential, b. Commercial Real Estate.	NIL NIL	NIL NIL
b) Indirect Exposure		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	NIL	NIL

## ASSET LIABILITY MANAGEMENT

Maturity pattern of certain items of assets and liabilities

(Rs. in Lakhs)

	1 to 30/31 days (one month)	Over 1 month to 2 months	Over 2 Months to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 year	over 3 to 5 years	Over 5 years	Total
<b>Liabilities</b>									
Borrowings from Banks		4,000	42	43	601,031	167		0	605,283
Market Borrowings-									
Secured Non-convertible Debentures issued under private placement	25,763	19,108	18,379	51,445	87,953	188,415	7,257	3	398,323
Listed Un-Secured, Redeemable, Non-convertible Debentures					20,000				20,000
Listed Secured, Redeemable, Non-convertible Debentures					21,500				21,500
Subordinated debt						1	31,664	39,393	71,058
Commercial Paper			59,183	9,396	899				69,478
<b>Assets</b>									
Advances	108,550	311,995	156,561	231,215	280,543	79,342		0	1,168,206
Investments								750	750

For and on behalf of the Board of Directors

Kochi  
May 26, 2011

Sd/-  
M. G. George Muthoot  
Chairman & Wholetime Director

Sd/-  
George Alexander Muthoot  
Managing Director





**PART VI OF SCHEDULE VI OF THE COMPANIES ACT, 1956**  
**BALANCE SHEET ABSTRACT AND COMPANIES GENERAL BUSINESS PROFILE**

**I . Registration Details**

Registration No. 

U	6	5	9	1	0	K	L	1	9	9	9
P	L	C	0	1	1	3	0	0			

 State Code 

0	9
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Balance Sheet Date 

3	1	0	3	2	0	1	1
---	---	---	---	---	---	---	---

**II . Capital raised during the year**

(Amount in Rs. Thousands)

Public Issue 

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

 Bonus Issue 

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

Rights Issue 

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

 Private Placement 

			1	9	2	1	2	8			
--	--	--	---	---	---	---	---	---	--	--	--

**III . Position of Mobilisation and Deployment of Funds**

(Amount in Rs. Thousands)

Total Liabilities 

1	3	2	7	5	4	7	1	6
---	---	---	---	---	---	---	---	---

 Total Assets 

1	3	2	7	5	4	7	1	6
---	---	---	---	---	---	---	---	---

Sources of Funds  
Paid-Up Capital 

		3	2	0	2	1	2	8
--	--	---	---	---	---	---	---	---

 Application of Funds  
Net Fixed Assets 

		2	3	4	0	8	4	1
--	--	---	---	---	---	---	---	---

Reserves and Surplus 

	1	0	1	4	1	9	9	7
--	---	---	---	---	---	---	---	---

 Investments 

				7	5	0	5	0
--	--	--	--	---	---	---	---	---

Deferred Tax Liability 

			2	4	7	3	1	
--	--	--	---	---	---	---	---	--

 Net Current Assets 

1	3	0	3	3	6	6	2	0
---	---	---	---	---	---	---	---	---

Secured Loan 

1	0	2	1	1	1	5	5	1
---	---	---	---	---	---	---	---	---

 Miscellaneous Expenditure 

					2	2	0	5
--	--	--	--	--	---	---	---	---

Unsecured Loan 

	1	7	2	7	4	3	0	9
--	---	---	---	---	---	---	---	---

 Accumulated Losses 

								0
--	--	--	--	--	--	--	--	---

(Amount in Rs. Thousands)

**IV . Performance of Company**

Turnover / Other income 

2	3	1	5	6	6	7	8
---	---	---	---	---	---	---	---

 Total Expenditure 

1	5	5	4	6	5	7	1
---	---	---	---	---	---	---	---

Profit/ Loss before Tax 

+	7	6	1	2	1	0	6
---	---	---	---	---	---	---	---

 Profit/ Loss after Tax 

+	4	9	4	1	7	5	4
---	---	---	---	---	---	---	---

Earning per share in Rs. 

			1	5	.	7	8
--	--	--	---	---	---	---	---

 Dividend rate % 

	0
--	---

**V . Generic Names of Three Principal/ Products / Services of Company (As per monetary terms)**

Item Code No. (ITC Code) 

N	O	T	A	P	P	L	I	C	A	B	L	E
---	---	---	---	---	---	---	---	---	---	---	---	---

Product Description 

L	O	A	N	C	O	M	P	A	N	Y		

As per our report of even date attached.

For and on behalf of the Board of Directors

Per Pro Rangamani & CO,  
Chartered Accountants  
(FRN: 003050 S)

Sd/- M. G. George Muthoot Chairman & Wholesome Director  
Sd/- George Alexander Muthoot Managing Director

Sd/-  
R. Sreenivasan  
Membership No. 20566  
Kochi  
May 26, 2011

Sd/- Oommen K. Mammen Chief Financial Officer  
Sd/- Rajesh A. Company Secretary

**MUTHOOT FINANCE LIMITED.**

Regd. Office: Muthoot Chambers, 2<sup>nd</sup> Floor, Opposite Sairi Thea Theatre Complex, Banerji Road, Ernakulam, Kerala 682 018.

**PROXY FORM**

**14<sup>th</sup> Annual General Meeting - September 28, 2011**

Regd. Folio No./DP Client ID:

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

I/We.....of.....in the district of.....being a member/members 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 14<sup>th</sup> 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 **Wednesday, the 28<sup>th</sup> day of September, 2011 at 10:30 A M**

Signed this.....day of.....2011

.....  
(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 LTD.**

Regd. Office: Muthoot Chambers, 2<sup>nd</sup> Floor, Opposite Sairi Thea Theatre Complex, Banerji Road, Ernakulam, Kerala 682 018

**ATTENDANCE SLIP**

**14<sup>th</sup> Annual General Meeting - September 28, 2011**

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 14<sup>th</sup> Annual General Meeting of the Company at **Kerala Fine Arts Society Hall**, Fine Arts Avenue, Fore Shore Road, Kochi, Kerala 682 016 on **Wednesday, the 28<sup>th</sup> day of September, 2011 at 10:30 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.*









July 27, 2011

Dear Shareholder,

As a responsible corporate citizen, your Company welcomes and supports the "Green Initiative" taken by the Ministry of Corporate Affairs (MCA) by its circular dated April 21, 2011 enabling electronic delivery of documents including Annual Reports, Notices and other Communications to shareholders at their e-mail addresses registered with the Depository Participants/Company/Registrar & Share Transfer Agents. This, you will appreciate, would facilitate fast, secured communication and contribute towards improved environment and sustainability.

Members who have not registered their e-mail address so far or wish to change their e-mail addresses are requested to register their e-mail addresses with the concerned DPs. Members who have not registered their e-mail addresses with the DPs are requested send the following details to our Registrar for sending the future communication through e-mail:

Company Name	
Folio No.	
Name (1 <sup>st</sup> /Sole Holder)	
E Mail ID	
Mobile No.	
PAN (Optional)	

We request you to support this "Green Initiative" and opt for electronic mode of communication by advising your e-mail id to us. Your proactive step will go a long way in saving trees and also result in substantial cost savings to the Company.

Thank you

For **Muthoot Finance Limited**

Sd/-

Rajesh A

Company Secretary

**Name and Address of Registrar**

Link Intime India Private Limited

Unit: Muthoot Finance Limited

C-13, Pannalal Silk Mills Compound, L.B.S. Marg

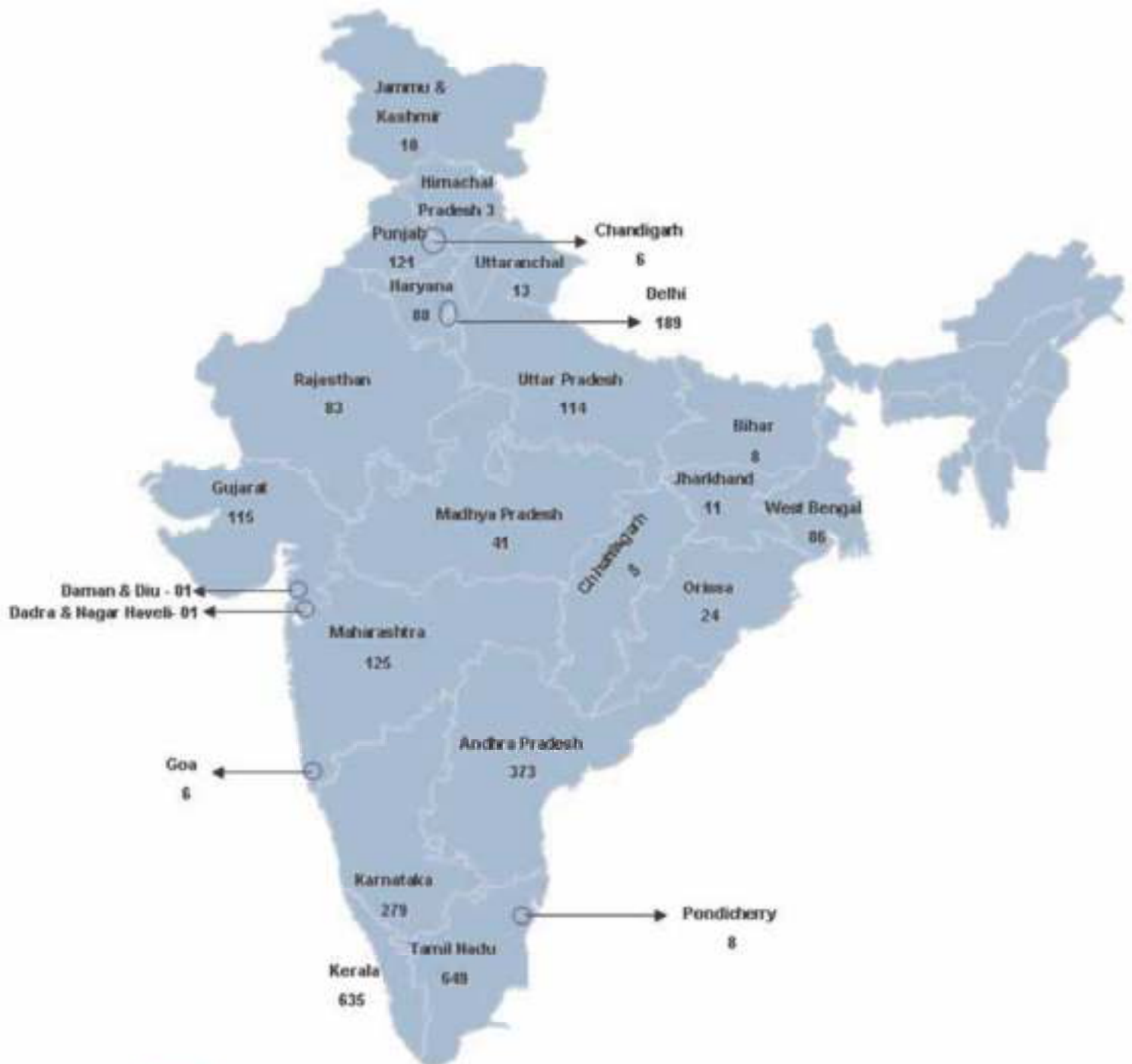
Bhandup (West)

Mumbai 400 078, India





## Our Reach





## BOOK POST

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Link Intime India Pvt Ltd, Unit - Muthoot Finance Ltd, C - 13, Pannalal Silk Mills Compound,  
L B S Marg, Bhandup West, Mumbai - 400 078



**Muthoot Finance**

Muthoot Finance Ltd, Muthoot Chambers, 2nd Floor, Opp. Saritha Theatre Complex,  
Banerji Road, Kochi - 682 018, India. Tel: (91 484) 239 4712, Fax: (91 484) 239 6506.

Website: [www.muthootfinance.com](http://www.muthootfinance.com)